

THE COUNTY OF YORK

2013 Budget Narrative

MISSION STATEMENT

The mission of York County Government is defined by our commitment to provide high quality services balanced with the ongoing need to be efficient and cost effective in all areas of service delivery.

York County employees and management are committed to exploring new processes and programs to lower costs and improve the level of service to those we serve. Through the introduction of new technologies, we have been able to expand our service capability while holding the line on staffing levels. We believe that “business as usual” is not acceptable at any level of government and we continue to strive to be on the leading edge of alternative programming and cost containment opportunities. While this philosophy has served the taxpayers of York County well over the past several years and is responsible for our being able to deliver three consecutive years of no tax increases for York County taxpayers, the announced state budget cuts for fiscal year 2012/2013 have presented unprecedented funding challenges for local governments. Never has the need to improve efficiency and productivity been more important within the domain of York County government.

Each County department or agency has developed a clear mission statement to ensure that all members of the organization understand and are committed to that mission.

Also, as part of the annual planning exercise, County departments are required to develop a list of goals and objectives that drives the focus of each department toward meaningful and measureable outcomes during the calendar year. Department heads report on their progress periodically and provide the Commissioners with a summary of their performance during the annual budget meetings.

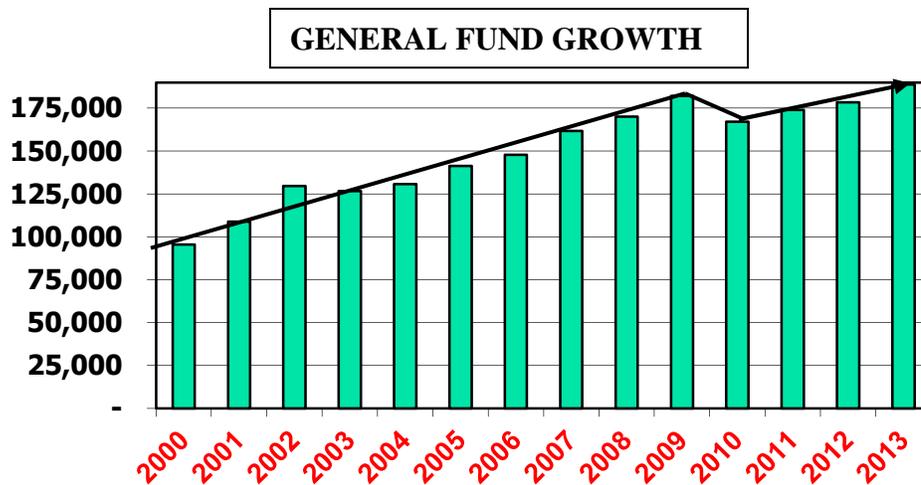
2013 BUDGET NARRATIVE

For the first time in four years, the Commissioners of York County are announcing a tax increase to balance the spending plan in the 2013 budget. York County taxes are increasing 8.9% for calendar year 2013. This increase is due principally to state and federal funding cuts that have been passed down to the county.

The consolidated budget for 2013 increases 4.3% or \$19.5 million compared to the 2012 budget. The total consolidated County Budget for 2013 is \$470,006,080, and includes the York County taxpayer funded General Fund, Liquid Fuels Fund, Weatherization and Block Grant programs, Affordable Housing, Health Choices, the County Employee Retirement Fund and Tax Claim Bureau fund.

Since 2001, the County's General Fund has been growing at a pace approximating 4.6% per year or almost \$6.5 million annually. The year-over-year increases can be attributed to five specific areas:

1. Growth in manpower costs to meet increasing customer demand for services
2. Rising cost of employee benefits including health and retirement
3. Increased operating costs for materials and services
4. Capital project debt service costs related to new facilities and systems



Dollars in Thousands

The historic growth trend was reversed in 2010 as the County took significant steps to reduce the size and cost of county government. In addition to eliminating 59 staff positions and reducing operating budgets across the board by 5%, a comprehensive program to identify new revenue opportunities and implement cost controls was initiated.

Over the past three years, these initiatives resulted in a reduction in operating costs of \$5 million annually. As a result, the County generated modest Unrestricted Fund Balance surpluses in 2009 and 2010 of \$5 million and \$7 million, respectively. This trend was reversed in 2011 and 2012, as the County drew upon cash reserves to meet operating expenses. In 2012, the County anticipates drawing down \$4.7 million on the General Fund Balance to meet an unanticipated subsidy increase for Children, Youth & Family Services and a \$7.6 million subsidy for the Pleasant Acres Nursing & Rehabilitative Center. The Unrestricted General Fund Balance at year-end 2012 is projected at \$9.3 million. For 2013, the General Fund budget does not include a Fund draw down in lieu of a planned real estate tax increase.

Significant Achievements in 2012

As indicated above, the County has been proactive in establishing new revenue sources and implementing cost savings initiatives over the past two years to reduce the cost of government and provide for what we believe will be a protracted period of financial stress. Among the many significant achievements in 2012, the following are highlighted:

- Following a comprehensive energy audit conducted in 2011, the County used a \$3.5 million Department of Energy grant to fund thirteen capital projects including installation of an improved HVAC system at the County's newly renovated Human Services Center. These energy efficiency measures have resulted in annual cost savings of \$447,000. In 2012, the County again embarked on an expanded energy efficiency project to provide further savings. McClure Company was contracted to implement a \$6.2 million Energy Efficiency Upgrade at the Judicial Center, Annex, Prison and PAN&RC complex that is estimated to deliver another \$360,000 of guaranteed energy cost savings for the County.
- In an effort to reduce energy and manpower costs at the PAN&RC laundry facility, a new \$1.7 million laundry system will be installed in early 2013. This operation will eliminate the need to out-source nursing home laundry and provide adequate capacity to eliminate second shift operations and mandated overtime on weekends, significantly reducing personnel costs.
- Housing inmates at the York County Prison is a costly mandate. New and innovative programs designed to keep non-violent offenders out of prison have been very effective in reducing the county inmate population by approximately 320 inmates per day. Programs include specialty courts (DUI, Mental Health, Drug & Veterans), Re-entry, and Pre-Trial Diversion, all of which are designed as alternative sentencing options with the express objective of keeping non-violent defendants out of incarceration and connected with society and their families.
 - In 2012, under the direction of Judge John Kennedy, the County began an expansion of the successful DUI court that will expedite the processing of DUI cases at the Magisterial District Justice level, avoiding costly court hearings and incarceration.

- A Drug Court Enhancement project was initiated by Judge Penny Blackwell that is focused on treatment and keeping the offender connected to the community. The Enhancement project is an extension of the original Drug Court program.
 - Judge Craig Trebilcock introduced a new Veterans Court that is designed to assist veterans with rehabilitative services and encourage overall reintegration with the community.
- Debt management is an important component of the County's overall cost controls and long term debt strategy. A Debt Management Policy was created and approved by the Board of Commissioners that outlines specific targets for fixed and variable rate debt as well as procedures for review and consideration of derivative financial products. In addition to the Debt Management Policy, the Controller's Office developed a Fund Balance Policy aimed at providing guidelines for maintaining an adequate Fund balance for operational purposes and maximizing credit worthiness.
 - The County continues to exercise its long term Magisterial District Justice Office strategy. In 2012, the County completed the acquisition of its ninth MDJ office. Judge John Olwert (District Office 19-3-03) will move into their new office in December 2012 in Stewartstown. It is the County's plan to own MDJ offices, where appropriate, in order to eliminate the payment of rent over time. The typical payback is approximately 15 years, with an estimated 30 year useful life.
 - In a related matter, the County completed the Magisterial District Justice Restructuring plan developed by President Judge Stephen Linebaugh and approved by the AOPC (Administration of Pennsylvania Courts). The plan involved the redistricting of most MDJ office districts with the objective of leveling case loads within the respective offices. The plan resulted in the elimination of one office and the creation of a new office in East Manchester Township. As case load data is developed and analyzed, manpower staffing will be reallocated to meet the specific demand.
 - The County refinanced three existing short-term notes held by PNC Bank in the aggregate amount of \$77,420,000. This refinancing reduced the effective variable interest rate by 25 basis points. The swaps associated with the three notes will remain in place until it is financially prudent to terminate them.

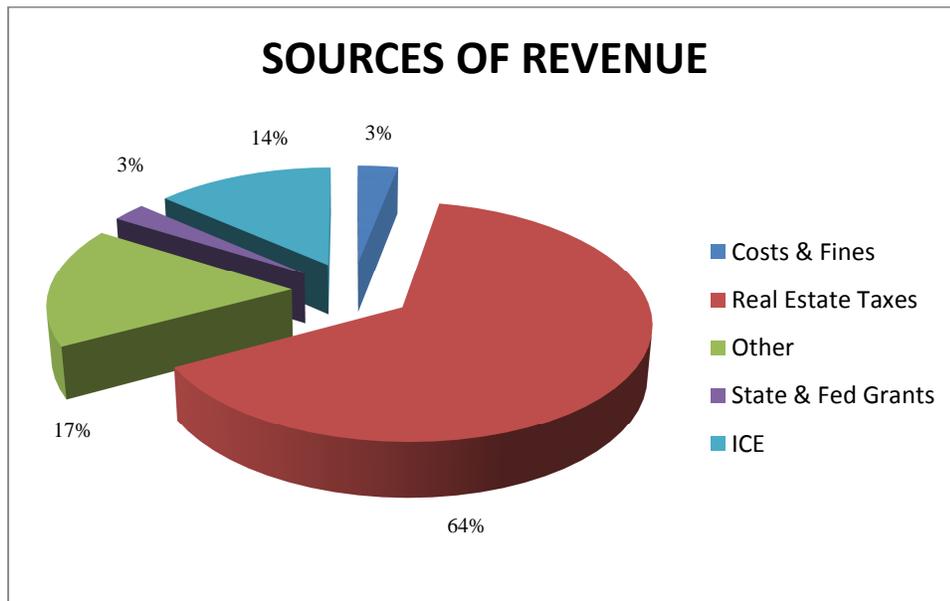
Employment and Bargaining Labor Agreements

Overall, the County employs 2,680 employees with roughly 72% covered by a collective bargaining unit contract. Total salaries and wages for 2013 are projected just over \$101.1 million with benefits, including medical and retirement, adding an additional \$46 million annually. Salary and wage increases for 2013 were modest with non-bargaining unit employees receiving a 1% increase; County Commissioners received no wage increase

for 2013; elected row officers received a 3% salary increase; and bargaining unit employee contracted wage increases ranged on average from 2.0% to 3.0%.

Revenues

Funding of the 2013 General Fund budget includes a number of sources including York County Real Estate taxes; costs and fines; ICE (Immigration & Customs Enforcement) contracted services; federal, state and local grants; and Other revenue including employee benefit contributions and the housing of DOC inmates.



2013 GENERAL FUND BUDGET

Persistent sluggishness in both the national and local economies continues to impact the assessed value tax base in York County. The depressed housing market is characterized by nominal new home construction in York County during 2012. The total taxable assessed value base for 2013 is \$26.9 billion, compared to the 2012 projection of \$26.8 billion, less than a ½ % increase. As a result, the 2013 budget, net of new tax receipts, reflects no change in real estate tax revenues from one year ago. Real estate taxes, including delinquent taxes, tax claim receipts and the Hotel Excise Tax are budgeted at \$121.3 million for 2013. This includes new tax revenue of slightly over \$9.1 million as a result of an 8.9% tax increase. Commercial and industrial real estate tax appeals continue to erode the taxable assessment base. However, due to the depressed housing market and the stagnant economy, market prices have effectively decreased in certain segments of the housing market, causing the Common Level Ratio (CLR) to remain stable at 86.5% (as of July 1, 2012). A reassessment is typically called-for when the CLR falls below the 85% threshold.

2013 GENERAL FUND BUDGET HIGHLIGHTS

As a result of the deteriorating economic climate in York County in 2008, the Board of Commissioners took proactive steps in late 2009 to begin the process of reducing government spending and county staffing. The Board recognized that tax increases in this economic environment would be unacceptable and therefore put in motion a program to implement workforce and cost reduction initiatives throughout County government. In 2013, the County will again reduce its workforce through a net reduction of twelve (12) positions.

For three years, the County was able to hold the line on tax increases through minimal General Fund growth coupled with several draw-downs on the General Fund reserve balance. In 2012, Governor Corbett announced significant cuts in state funding for Human Service programs and emergency services. These cuts were ultimately passed down to the local level through reductions in DPW, Act 143 and PEMA funding for mandated county services. Children, Youth & Families; Mental Health & Intellectual Development and Disabilities; and 911 PEMA funding were all severely impacted by the state budget cuts. In addition, several years of depressed federal Medical Assistance reimbursement rates continued to cause the Pleasant Acres Nursing & Rehabilitation Center (PAN&RC) to rely increasingly on County subsidies to meet operating costs for the care of our elderly residents. The table below outlines the various funding deficits that have directly impacted the County's revenue picture in 2013:

| <u>PROGRAM</u> | <u>SOURCE</u> | <u>SHORTFALL</u> |
|-----------------------|----------------------|-------------------------|
| MH&IDD | DPW (state) | \$4.0 million |
| CY&F | Act 143 (state) | 1.1 million |
| 911 | PEMA (state) | 2.1 million |
| PAN&RC | Medicare/Medicaid | 3.8 million |

The escalating cost of employee health care benefits continues to place extraordinary pressures on businesses and governments nationwide. Analysts project average health care costs will increase 8% to 11% across the country in 2013. However, the good news is that health care costs for the County of York have moderated somewhat since 2009. Although claims were below budget in 2010 and 2011, we anticipate total claims for 2012 will be slightly above plan. Claims expense for 2013 is projected to increase 7%, well under the national trend average. Total claims expense for 2013 is projected at \$34 million. In an effort to mitigate the rising costs of medical benefits, the County of York

will be introducing a new Health Savings Account (HAS) plan in 2013 that is designed to promote “financial ownership” and higher employee awareness in the management of personal health care costs. The HSA program will allow employees to use their own contributions as well as County funds to pay for health care expenses. The employee will be able to accumulate unused benefit dollars to be used as they desire. We believe this program will change the way employees view their health care and result in lower claims expense for the County and for the employee as well. Employee contributions to their health benefit plan continue to be adjusted upwards to shift the cost of the health plan to the program beneficiaries. Non-bargaining unit employees will contribute on average 25% of the cost of their health care benefit unless they opt for the new HSA plan. Bargaining unit employees are being invited to participate, but that participation is voluntary as contribution rates are fixed as part of their collective bargaining contract. Overall, however, County employee contributions to their health care benefit plan remain well below the national average. Nationwide, the average per employee cost for health care benefits is projected to be over \$9,000 per year and the employee contribution rate in excess of 30%.

The County is required to provide a local “cost match” to supplement state and federal funding for mandated services such as the Office of Children, Youth & Families. As mentioned previously, the state has reduced Act 143 funding for CY&F services, placing the burden on local tax payers to cover any “overmatch” funding condition. The County is mandated to provide these protective services to children at risk and cannot withhold service when the state funding is consumed. The subsidy for CY&F services for 2013 will be slightly less than \$10.8 million, up \$1.1 million from one year ago.

Unlike CY&F services, Mental Health & Intellectual Development and Disabilities (MH/IDD) and The Area Agency on Aging (AAA) are not mandated programs and the County does control how much of an overmatch it is willing to fund. For 2013, we estimate a \$4 million shortfall in DPW funding for MH/IDD with a County match of \$871,000. This funding shortfall will result in a waiting list for consumer services and a reduction in services provided to clients. Likewise, the AAA has also been impacted by the state funding shortfall, resulting in fewer dollars being available for Senior Centers and for the delivery of “at home” services.

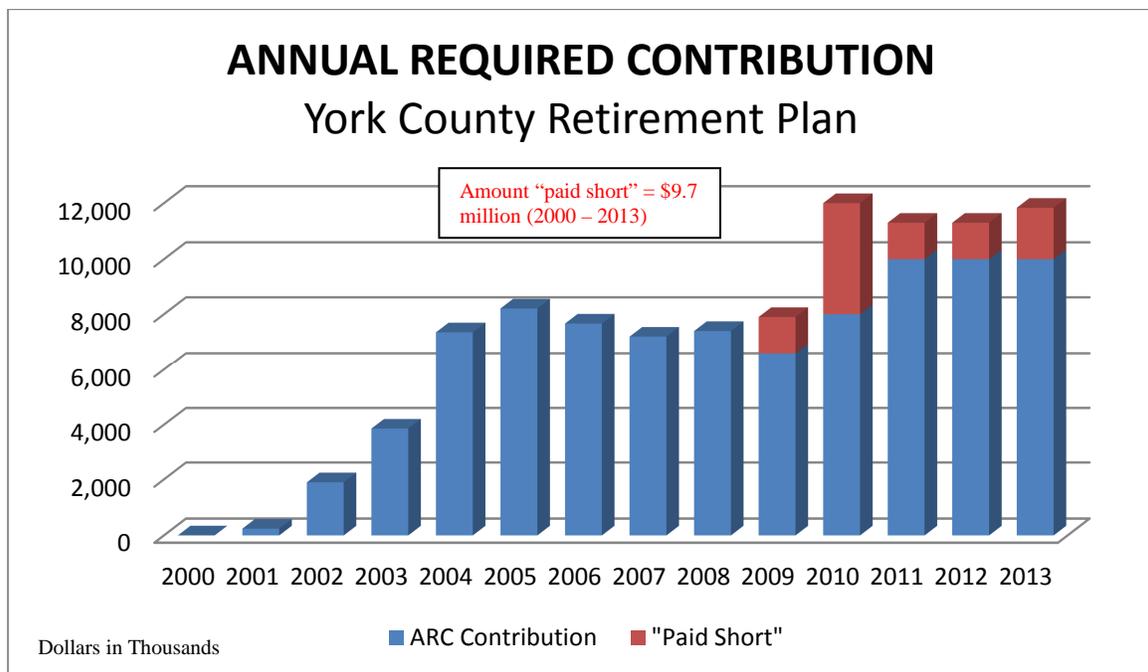
A continuing area of concern has been the on-going cost to subsidize the Pleasant Acres Nursing & Rehabilitative Center (PAN&RC). Over the past three years, the subsidies required to fund the nursing home operation have all exceeded the \$4 million level:

ANNUAL REQUIRED PAN&RC SUBSIDY

| | |
|-------------|---------------|
| 2009 | \$6.3 million |
| 2010 | 4.1 million |
| 2011 | 4.1 million |
| 2012 | 7.6 million |
| 2013 Budget | 7.1 million |

In an effort to improve the cost effectiveness of the facility, the County has instituted a number of programs that have reduced the cost of operations and improved the revenue stream for medical assistance payments. We have also invested in energy improvements to lower utility costs and most recently contracted to install a new laundry system that will reduce manpower requirements and lower operating costs. However, efficiency improvements have not been able to offset the failure of Medicare and Medicaid reimbursement rates to keep pace with the cost of long term care. Further impacting fiscal results is the fact that 90% of all PAN&RC resident care is Medicare/Medicaid funded and most residents are unable to generate any supplemental therapy reimbursements due to their critical care needs. The County will be exploring all options with regard to the PAN&RC facility in 2013 with the intent to develop a long-term strategy for the facility. The rate of escalation in recent subsidies cannot be sustained at or above \$7.0 million per year if the County is to be able to avoid periodic tax increases.

The County elected again in 2013 to “pay short” on the recommended Employee Retirement plan’s Annual Required Contribution (ARC). A payment of \$11.8 million was recommended by the County’s actuary, but the County has only planned a \$10 million payment in 2013. This will represent the fifth consecutive year of making a less than recommended ARC payment. While paying short on ARC payments may not have a material effect on current or short term retirement plan obligations, continued under payments could eventually require larger annual contributions to make up the differential and could have an impact on the County’s future financial rating.



As part of the ongoing effort to hold the line on spending, the County eliminated most discretionary capital items from the 2013 budget. The Board of Commissioners recognizes, however, the need to maintain a commitment to efficiency, quality of service delivery and technology throughout County operations. New capital expenditures planned for 2013 include \$253,000 for I.T. systems upgrades; \$236,000 to replace aging vehicles in the County fleet; and infrastructure improvements totaling \$221,000 at the Pleasant Acres Nursing & Rehabilitative Center. The Emergency Services department will also be spending \$871,000 on 911 radio equipment enhancements and upgrades, most of which will be funded with state Wireless Fund monies.

The County will continue to provide stable funding for local libraries through a dedicated .1 mill Library Tax implemented in calendar year 2005. This commitment to literacy will make available \$2,450,000 for the York County Library System.

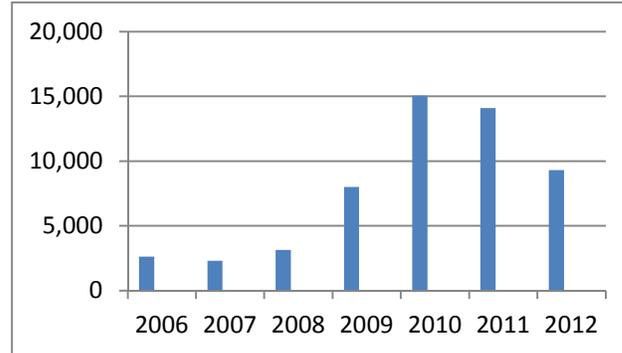
Discretionary allocations by the Board of Commissioners to fund community organizations and authorities decreased \$130,000 for 2013. All allocations were held at 2012 levels or reduced 10%. The Commissioners did include funding in the 2013 budget for Ag Preservation, the Rail Trail Authority, and the Farm & Natural Land Trust totaling \$198,000 that will be funded from 2013 Marcellus Shale Legacy monies. The County will receive approximately \$380,000 in 2013 from gas well drilling impact fees that can be used to fund recreational facilities and land preservation efforts. The remaining \$182,000 in Marcellus Shale funds will be used to offset Rail Trail maintenance in the 2013 County Parks budget.

PROJECTED UNRESTRICTED GENERAL FUND BALANCE

Cost containment measures and a downsizing of County government in 2009/2010 had a significant impact on the Unrestricted Cash fund balance for York County in subsequent years, increasing the available cash reserves as of year-end 2010 to approximately \$15 million. In 2012, the County will incur a \$4.7 million deficit as a result of an unanticipated \$1.4 million subsidy shortfall for the CY&F program due to state budget funding cuts; and to cover a \$4.3 million above plan operating loss at the PAN&RC facility. The projected Fund Balance as of year-end 2012 is estimated at \$9.3 million. No cash reserve draw down is planned for 2013 due to the increase in Real Estate tax revenue attributable to the 8.9% millage rate increase.

A Fund Balance policy was adopted in 2011/2012 that stipulates that the County will strive to maintain two months of operating expenses in its Unrestricted Fund Balance. That objective continues to be difficult to achieve given the state and federal funding cuts and the Board of Commissioners refusal to “over-tax” York County taxpayers in order to build a cash reserve. The Board of Commissioners first priority is to maintain the highest level of service to citizens with no or minimal real estate tax increases.

Un-Restricted General Fund Balance



Dollars in Thousands

2013 BUDGET BY COST CATEGORY

For presentation purposes, the County summarizes the General Fund expenditure budget by major areas of cost. The four primary budget categories are listed below with their respective departmental expenses:

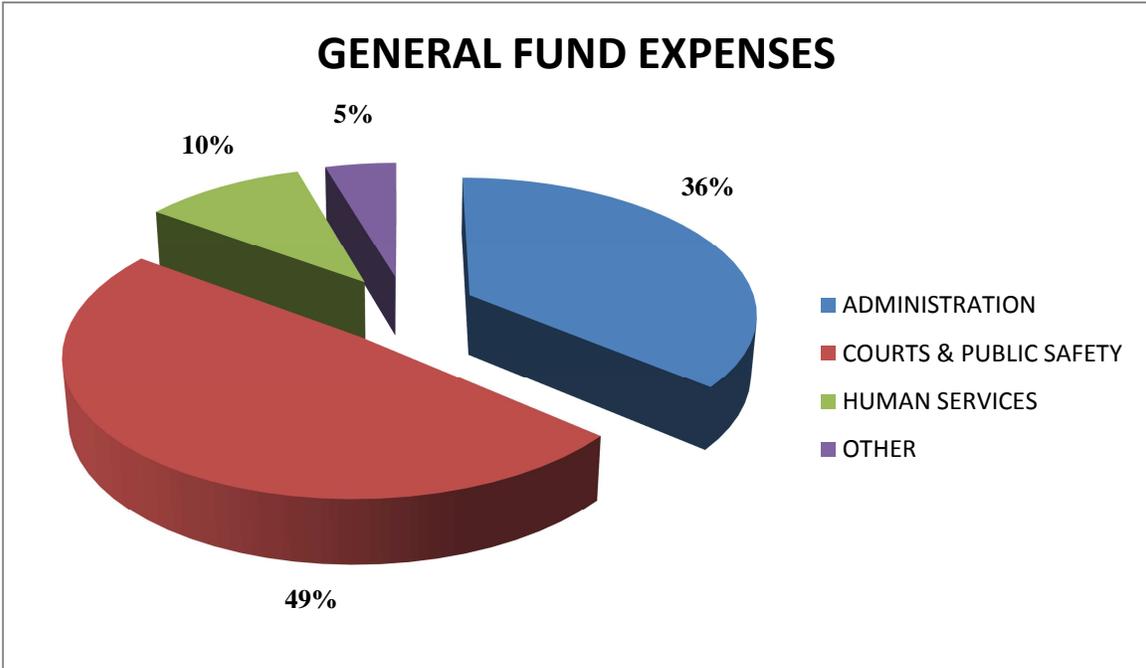
Administration – support services, Facilities Management, Assessment, Voters/Elections, Controller, Treasurer, Recorder of Deeds, Parks, debt service and employee benefits

Court System & Public Safety – Sheriff, CRU, Clerk of Courts, Prothonotary, D.A., Magisterial District Justices, Courts, Domestic Relations, Probation, Youth Development Center, Prison, ESC-911 and EMA

Human Services – Pleasant Acres Nursing & Rehab Center, Office of Children, Youth & Families, Mental Health/Mental Retardation, Aging and Veterans Affairs

Other Expenses – government services (farmland preservation, Rabbittransit, Library System, Planning Commission, York County Economic Alliance) and discretionary funding to various not-for-profit organizations

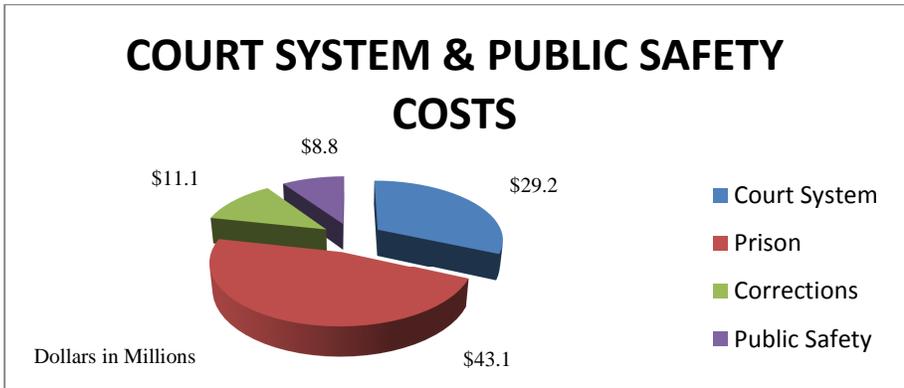
The purpose of this summarization is to provide a clearer understanding of where County tax dollars are being expended. The services provided by the County are diverse and comprehensive, with many being mandated and/or entitlement programs. The chart below depicts the allocation of cost within the 2013 General Fund by category:



Total General Fund Budget = \$188,876,930

COURTS & PUBLIC SAFETY

In 2013, the County will devote 49% of the General Fund budget to pay for services related to the operation of the Courts, court-related functions, and public safety services.



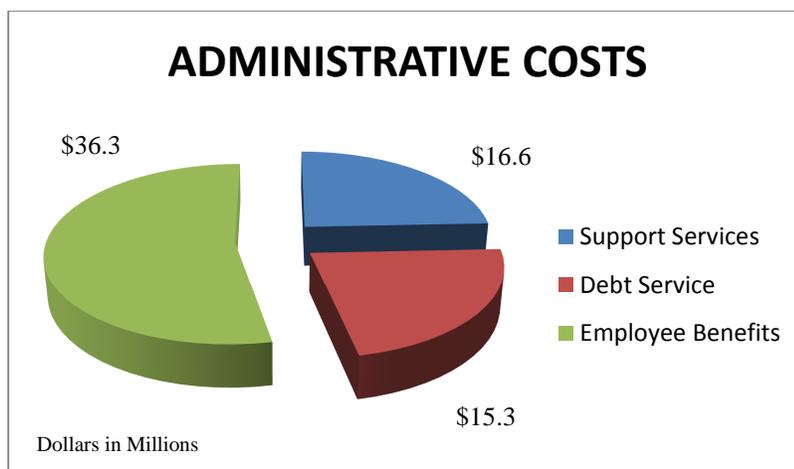
The Prison operations budget for 2013 is \$43.1 million, an increase of 6% from the prior year. The York County Prison houses both county inmates and a large Immigration &

Customs Enforcement (ICE) population. Facility expansion projects in 1997, 2006 and 2008 increased capacity and permitted the County to maximize the revenue potential from housing ICE and state DOC detainees. In 2013, the County ICE population is expected to average 850 detainees daily, and generate \$25.6 million in revenue. York County also maintains a relationship with the state Dept. of Corrections to house 50 state inmates that provides an additional revenue stream of \$1.6 million. The County continues to promote an innovative jail diversion program that results in fewer York County inmates being incarcerated at the County Prison, thereby creating space for additional ICE detainees. This program is for non-violent offenders and is a cooperative effort between Adult Probation, Prison officials and the York County judiciary. Defendants who meet specific criteria are monitored by Adult Probation utilizing electronic monitoring devices, which eliminates the need for costly incarceration. A new 300-bed Work Release facility is expected to come on line in December 2012 that will provide minimum security housing for over 150 Work Release inmates and add additional capacity for ICE detainees. This project, completed at a cost of \$6,950,000, will permit the removal of the temporary trailers that have housed the Work Release program since 2007.

Also included in the 2013 budget is \$100,000 to continue funding two (2) Nuisance Abatement Officers for the City of York. These officers are visible in the community and work with other law enforcement personnel to reduce crime in targeted areas of the City.

ADMINISTRATION

General Administrative costs account for 36% of the 2013 General Fund budget. Employee benefits, which comprise 53% of the entire category, increased less than 2% from 2012. Actual employee medical claim costs in 2012 were slightly above budget, reflecting a leveling-off of employee health care costs. A 7% escalation factor, however, was included in the 2013 budget to reflect the nationwide claims cost trend.



The County's contribution to the employee's retirement fund for 2013 is \$10 million. For the fifth consecutive year, the County will not make a full Annual Required Contribution (ARC) to the retirement fund. The actuarially recommended contribution for 2013 was \$11.8 million. Approximately \$9.79 million has been deferred since 2009 in an effort to avoid tax increases. The average yield performance of the fund over the past four years has exceeded the actuarial assumption, offsetting a portion of the "short" payments on the required ARC.

Debt service costs related to the construction and rehabilitation of County facilities and the acquisition of park land are down approximately \$2.1 million from 2012 levels. Total debt service for 2013 is scheduled at \$14.2 million, a reduction of 13%. The lower debt service costs are due primarily to the anticipated refunding of the County's 2003 bonds which will yield approximately \$1.9 million in cash to be applied to debt service payments in 2013. Net of the one-time refunding benefit, total debt service is down slightly from one year ago reflecting lower interest rates negotiated as part of the refinancing of three variable rate bank notes with PNC Bank. The majority of debt incurred since 2001 has been expended on the following capital projects:

- York County Judicial Center \$68 million
- York County Administrative Center 18
- ESC/911 Center 67
- York County Prison Expansions 20
- Susquehanna Heritage Park 32
- York County Human Services Center 5
- Magisterial Justice Offices 7

A \$20 million short term note was obtained in 2011 to complete several on-going projects and to fund planned projects for 2012 and 2013. Among the projects currently under construction are upgrades to the Prison Central Control and Admissions areas; facility upgrades to the Youth Development Center; acquisition of new Magisterial District Justice offices; and final construction of a new Work Release facility at the Prison. A \$7 million Admissions Center upgrade at the Prison and the build-out of the 5th floor of the Judicial Center are being considered but have not yet been approved by the Board of Commissioners.

As part of the County's ongoing effort to reduce operating costs, a \$6.2 million energy efficiency project was approved in 2012 and is still in process. The McClure Company, the County's ESCO partner, was contracted in 2012 to implement a "performance contracting" energy improvement program at the Annex, Judicial Center, Prison and Pleasant Acres Nursing & Rehabilitative Center. It is estimated that these improvements will save the County approximately \$360,000 annually in heating and cooling costs.

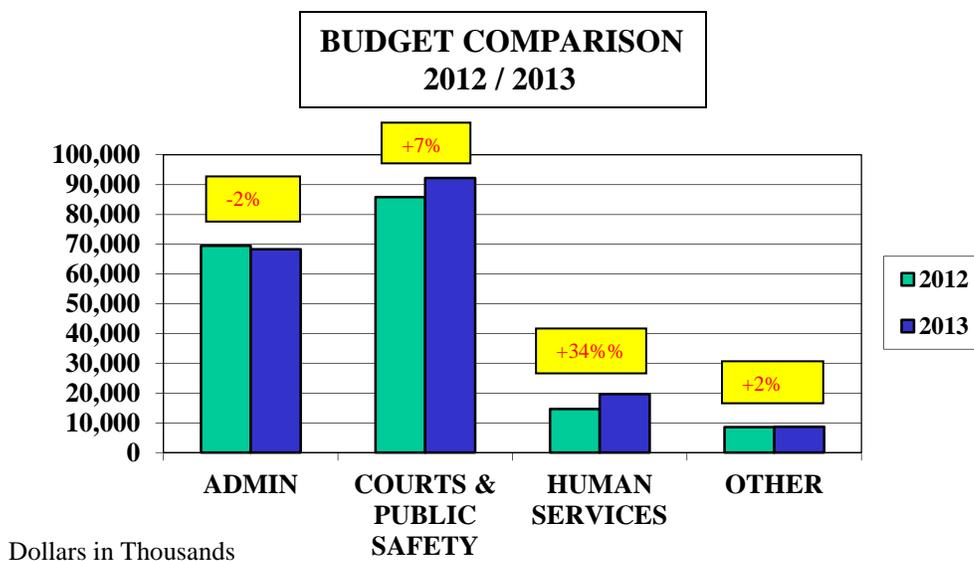
HUMAN SERVICES

Costs related to the delivery of mandated services to children, senior citizens and those with mental and physical disabilities have increased from the prior year by \$7.3 million

or 34.4%. Primary among the reasons for this change are the state funding cuts in Act 143 and PEMA dollars allocated to the County as discussed earlier. Also having a major impact is the continued stagnation in Medicare and Medicaid reimbursements that are the primary funding source for the Pleasant Acres Nursing & Rehabilitation Center (PAN&RC). Funding cuts in 2013 for CY&F services are \$1.1 million, while PEMA funding cuts top \$2.1 million. Discussions with state officials give little hope that the funding situation will change in the near future, presenting a bleak outlook for these County services going forward. It is important to note that both child protection services and emergency radio communications are mandated services by the state. Failure to provide these services at levels consistent with need places county residents and children in jeopardy. The County has no option but to fund these services and make up the state funding shortfall with local taxpayer dollars.

The County nursing facility has been the focus of an ongoing effort for several years to reduce the annual subsidy through revenue enhancement and/or operational cost reductions. Unfortunately, cost reductions have been offset by federal Medical Assistance reimbursement rates that do not keep pace with the rising cost of providing long term care for our elderly residents. The 2013 budgeted subsidy is \$7.1 million, representing a 116% increase in the County’s contribution to the PAN&RC operations compared to the 2012 budget. With subsidies of \$7.6 million in 2012 and \$7.1 million planned in 2013, the Board of Commissioners will be exploring options and developing a long-term strategy regarding the PAN&RC operations during 2013. It is impossible to sustain subsidies of such magnitude without impacting the County millage rate.

The local 2013 County match for the Area Agency on Aging increased \$230,000, while the match for Mental Health & Intellectual Development and Disabilities (MH/IDD) decreased \$112,000. Both programs have been affected by the reduction in state funding with MH/IDD services reduced overall by \$4 million. Consumers will be placed on a waiting list or will not receive the level of services they enjoyed in the past due to the lack of funding. AAA consumers, seniors who are most vulnerable, have also been impacted as funding for Senior Centers and In-home services have been reduced \$300,000 across the board to match available funding levels



2013 BUDGET TAX IMPACT

The 2013 County of York General Fund budget of \$188,876,930 includes anticipated real estate tax revenue of \$121,000,000 to fund planned expenditures. Unfortunately, in order to make up for the loss of \$7.2 million in state and federal funding, the County will need to increase Real Estate taxes 8.9% in 2013. The County millage rate for 2013 will increase to 4.52 mills, including a .1 mill dedicated library tax. This marks the first tax increase in four years.

Taxpayers will pay \$678 in county taxes in 2013 for every \$150,000 of assessed value. For comparative purposes, a home assessed at \$150,000 in 2012 paid a York County tax bill of \$623.

2013 Goals and Objectives

CAPITAL IMPROVEMENT STRATEGY

Prison Admissions Upgrade

Originally built in 1978, the York County Prison has been expanded multiple times to increase capacity and to accommodate the federal Immigration & Customization Enforcement program (ICE). Inmate capacity during that time has increased significantly from 300 to over 2,670 today. The admissions area is currently incapable of accommodating the growing population and is slated to be enlarged and updated to manage the inflow of inmates processed through the department. The project is currently in design and Commissioners have recently approved development of bid-specs for the purpose of determining the cost to build. The initial project budget is \$6.3 million.

Energy Efficiency Upgrades

The County contracted with McClure Company in 2012 to begin phase III of a comprehensive energy conservation and efficiency project designed to reduce energy consumption and utility costs at many of the County's major facilities. This \$6.2 million "performance contracting" project includes energy projects at the Prison, PAN&RC, Judicial Center and Annex complex. Annual savings of \$360,000 are guaranteed by McClure Company for a period of twenty years. The project is scheduled for completion in 2013.

New Projects Under Consideration

The Board of Commissioners is considering a number of capital projects that have been recommended to the board but not authorized to-date. They include:

- Annex renovations (interior)
- Judicial Center 5th Floor Build-out

PAN&RC LONG-TERM STRATEGY

Following two consecutive years of subsidies in excess of \$7 million, the Board of Commissioners has growing concerns about the long term funding of the Pleasant Acres Nursing & Rehabilitative Center (PAN&RC). Providing for the long term skilled nursing care of county seniors has long been a core mission for county governments. The Board of Commissioners has funded and implemented numerous cost-cutting and efficiency improvements at the home in the past three years, but these efforts have been offset by stagnant federal Medicare and Medicaid reimbursement rates. The nationwide cost of health care is rising at or above 10% annually, but Medicare and Medicaid rates have not seen an increase in over three years. The PAN&RC resident population is 90% medical assistance dependent.

In 2013, the Board of Commissioners will begin to explore all options with regard to the future of the home, examine its sustainability and develop a strategy for the short and longer term. Subsidies of \$7 million annually place a significant burden on the County's budget and will seriously influence future tax increases.

911 RADIO SYSTEM UPGRADE

The County has embarked on a project to replace the existing telephone system infrastructure that is embedded within the 911 emergency communication system. When the new 911 system was designed and installed, the County acquired the available telephone technology from Verizon to integrate with the new P-21 trunked radio system. That system will no longer be supported by Verizon after 2014. However, coupled with the need to replace the existing telephone system is the new requirement to add text message service to the 911 call-receiving capabilities. Today, hearing or sight impaired individuals cannot text a message to local 911 centers. The planned upgrade to a new Patriot Telephone system will not only compliment the County's leading-edge technology but will incorporate the new texting capability. The project is estimated to cost \$1.3 million.

CENTRALIZED BIDDER REGISTRATION & SOLICITATION SYSTEM

Currently, the County uses a manual system to advertise, distribute specifications, log bid spec receipts and communicate with prospective bidders for goods and services that require a competitive bid. The current manual system is not only internally labor intensive, but is not "user friendly" for companies who desire to know what bid opportunities are available at the County of York. To improve the process and reduce the amount of labor to manage the bidding system, the County is planning to acquire a software system designed to automate the way bid opportunities are communicated, received and managed. The system will be web-based and tied into the County's new web site at www.yorkcountypa.gov. All departments will be able to utilize this new system and have visibility throughout the entire bid process. The software is expected to cost the County \$40,000 with implementation to be completed in calendar year 2013. The new system will:

- Facilitate competitiveness by making information available to all prospective bidders
- Transparency of communications for solicitations

- Moves to web-based system to improve efficiencies

IP-BASED VIDEO CONFERENCING SYSTEM

County offices that rely heavily on interfaces with state and local agencies often find it difficult to communicate effectively using outdated video conferencing equipment that results in delayed video transmission and audio coordination. The County's I.T. department is planning to invest \$30,000 in IP-based VCSE Gateway technology to improve the quality of video conferencing between County offices and other state and local agencies that have internet capability.

COUNTY OF YORK LONG RANGE OUTLOOK

The actions implemented by the Board of Commissioners in 2010 with regard to workforce reduction; the downsizing of government services in general; and the implementation of productivity initiatives countywide continue to create a lean foundation for the delivery of County services. Treatment Court initiatives already in process within the judicial system coupled with a stable and expanded ICE program should assist the County in reducing the escalating cost increases in the judicial and public safety sector.

An emphasis on negotiating bargaining unit employment contracts with wage increases that are reflective of local market conditions will also help to reduce the long term cost of labor over time. Recent contracts have settled without having to go to arbitration and at rates that are acceptable to the Board of Commissioners. Compression in wage scales among bargaining and non-bargaining unit employees is still an on-going problem and will need to be addressed in the near future in order to attract skilled and competent supervisory employees.

The rising cost of health benefits is being addressed by restructuring medical benefit plans that help to change the culture of how benefits are managed by both employer and employee. The new HSA plan is a first step in helping employees better utilize their health care dollars while reducing the County's overall claims cost.

But given all the efforts made on the cost containment side of the ledger, the County is faced with a growing acknowledgement that funding from state and federal sources is likely to continue to decrease while demand and utilization of services is on the rise. The paradox is that in a time of need, there are fewer resources to provide the necessary services to those who are the most vulnerable in our community... children, those with disabilities and the aged. This "perfect storm" also falls on a tax paying community that is just making ends meet and cannot truly afford the "overmatch" funding that reduced state and federal revenues places on county government.

From a financial perspective, the County continues to maintain an excellent, high-grade credit rating of AA Stable, which makes the County of York attractive to potential bond investors in this economic climate. Sound investment strategies, conservative banking practices and diligent fiscal constraint have all contributed to the County's financial success. Unfortunately, a tax increase will be necessary in 2013 to replace state and federal funds that pay for mandated County services. If these funding levels continue to erode and service demands continue to rise, the future outlook for fiscal stability becomes cloudy.

For further discussion of proposed revenues and expenditures, please refer to the accompanying budget presentation and summary compilation that follows.

Charles R. Noll
Administrator/Chief Clerk