

Remarks of Jennifer Sleppy, Finance Director, on the County of Blair 2018 Budget

December 5, 2017

In light of the budget that was introduced on November 28, and the resulting questions and concerns expressed by a .79 Mil Tax Increase, we wanted to present to you today a more concise and hopefully more transparent look at why that Tax Increase is necessary to sustain County operations.

Please refer to the attached handouts as you read through the information presented below.

- Beginning with Chart A, **County of Blair General Fund 2018 Budget Summary and Projected Fund Balances**, which compares our General Fund Budget Balance standings **with the .79 MIL increase (Chart A), and without the .79 MIL increase (Chart B)**.
 - Looking at the information in A, you can see that starting in 2017 we had an available general fund balance of \$6,142,414 **(1)**. This balance does not include non-spendable or committed funds that are also included in the General Fund but not available for general county operation.
 - The budget figures are also listed for Expenditures and Revenues for 2017. 2017 was budgeted to have a deficit of \$3,959,724. You can see on these handouts that currently we are projecting our operational short fall for 2017 to be approximately \$1,000,000 less than expected, or \$2,959,724 **(2)**.
 - This would bring carryover funds of \$3,182,690 **(3)** in the general fund to begin year 2018.
 - 2018 Revenue with the .79 Mil tax increase is currently budgeted at \$63,578,870. The .79 MIL tax increase accounts for approximately \$6.2 Million of that revenue.
 - 2018 Expenditures are budgeted at \$64,452,248.
 - We are still budgeting for a shortfall in 2018 of \$872,378 **(4)**.
 - This leaves us with a General Fund Reserve Balance of \$2,310,312 **(5)**, carrying into 2019.
 - It is recommended by a number of different sources that a County Government operate with a general fund reserve of 15% of their expenditure budget. We took that a step further in our calculations and subtracted reimbursable expenditures from our Expense budget and calculated 15% to be \$7.3 Million. It is my recommendation that the County build to this level of reserve over the next 5 years, keeping a balance of no less than \$2 Million in reserves and building to the \$7.3 Million recommended reserve.
 - We have had a number of questions about the importance of reserve funding. Reserve funding would help to alleviate the expense of short term borrowing at the beginning of each calendar year, and could alleviate the need to borrow for smaller emergency projects where funding cannot be sourced from

anywhere else. Building a reserve saves the county and tax payers money in the long run.

- A reserve is also important during times of uncertainty with the State budget to continue mandated operations until state reimbursements are received. In times of State budget crisis, when reimbursements are shut off for a period of time, the County could be forced into short term borrowing to continue those operations as well.
- The right hand column of the **County of Blair, General Fund, 2018 Budget Summary and Projected Fund Balances** handout represents where the County would be financially **Without the .79 Mil Tax Increase (Chart B.)**.
 - You can see the lines are the same until you reach the Revenue line. This is the budgeted revenue **without** the approximately \$6.2 Million from the .79 Mil increase.
 - This would result in a budgeted shortfall for 2018 of \$7,086,478 **(6)**.
 - And would also result in a negative general fund balance of \$3.9 Million **(7)**, which more than likely would result in short term borrowing at the end of 2018 to continue County Operations, or possible cuts to County Operations in 2018 to balance spending.
 - While Operations and spending will be reviewed closely in 2018, cutting operations and potentially harmful cutting to operational budgets is not being considered to avoid raising taxes. The majority of county operations are state mandated and or deal with the safety and security of the citizens of Blair County and cutting those operations to bare bones funding levels is not in the best interest of the County.

Unfortunately in review of 2017 operations to date and the 2018 Budget projections, this is where we are, and you can see that the increase in taxes does not even balance the budget completely for 2018. We are hoping that through a couple different avenues we are able to curtail expenditures to at least the level of revenue, if not more to create balanced operations for 2018 or hopefully more reserve funding to build to a comfortable level of reserves faster than anticipated.

- The next handout begins with Chart C, **County of Blair, 2017 Projected Expenditures and 2018 Budgeted Expenditures** which shows a clearer picture of how we got to where we are.
 - This is a comparison of the projected 2017 expenditures and budgeted 2018 expenditure detailing the major areas that make up the \$9.9 Million in differences between the two **(1)**.
 - In 2017 we are projecting to use spendable general fund reserves of approximately \$3 Million to cover the operating deficit for 2017 **(2)**. This is a

projection to the best of our ability at this point in time. This number could be lower providing more reserves to carry into 2018, or it could be higher depleting reserves further for 2018.

- In 2018 \$2 Million in additional County Portion Retirement Contributions will come from the general fund that previously were paid from money reserved from the sale of Valley View Home **(3)**. The Commissioners have committed to \$4 Million in Retirement Contributions per year through 2018 and 2019. In 2017, only \$2 Million of this amount came from General Operating Revenue. In 2018 and beyond the entire amount will need to come from General Operating Revenue.
 - We have included in the 2018 budget an operational reserve of approximately \$2.3 Million **(4)**. This is the reserve mentioned previously that should be closer to \$7.3 Million.
 - The last major contribution to the difference in the projected 2017 expenditures and 2018 budgeted expenditures is an increase in wages and benefits of approximately \$1.8 Million **(5)**.
 - Only approximately \$225,000 of this projected increase is not related to collective bargaining agreements with unions.
 - Other projected expenditure increases total approximately \$880,000 **(6)**. Which is 1.62% of Projected 2017 expenditures, and 1.37% of budgeted 2018 expenditures.
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- The right hand columns on this handout detail **Fund Balance Activity From 2014 to Present (Chart D)**.
 - The beginning General Fund Balance in 2014 was \$20,675,932 **(7)**
 - From the 2014 Fund Balance through the end of 2016 we have used a total of \$14,553,478 of our general fund balance to cover deficit operations and Reserved and Committed Funding **(8)**. These are actual audited operational results.
 - Through 2018 we are projecting to use an additional \$3,832,102 in general fund balance towards deficit operations **(9)**. Bringing our total use of General Fund Reserves to a projected \$18,365,580 from 2014 – 2018 **(10)**.
 - The County **does not** have resources available to continue operations in this manner.

A.	County of Blair General Fund		B.	County of Blair General Fund
Budget Summary and Projected Fund Balances With .79 Mil Tax Increase			Budget Summary and Projected Fund Balances Without .79 Mil Tax Increase	
1. 2017 Available Fund Balance	\$ 6,142,414		1. 2017 Available Fund Balance	\$ 6,142,414
2017 Budgeted Revenue	52,581,562		2017 Budgeted Revenue	52,581,562
2017 Budgeted Expenditures	<u>56,541,286</u>		2017 Budgeted Expenditures	<u>56,541,286</u>
2. Estimated 2017 Shortage	<u>(2,959,724)</u>		2. Estimated 2017 Shortage	<u>(2,959,724)</u>
3. Anticipated 12/31/2017 Fund Balance	3,182,690		3. Anticipated 12/31/2017 Fund Balance	3,182,690
2018 Revenue	63,578,870		2018 Revenue	57,364,770
2018 Expenditures	<u>64,451,248</u>		2018 Expenditures	<u>64,451,248</u>
4. Projected 2018 Budget Shortage	<u>(872,378)</u>		6. Projected 2018 Budget Shortage	<u>(7,086,478)</u>
5. Projected 12/31/2018 Available Fund Balance	\$ 2,310,312		7. Projected 12/31/2018 Available Fund Balance	\$ (3,903,788)

C. County of Blair		
2017 Projected vs. 2018 Budgeted Expenditures		
2018 Budgeted Expenditures	\$	64,451,248
2017 Estimated Expenditures		54,511,045
1. Difference	\$	9,940,203
2. 2017 Projected Operating Deficit	\$	2,959,724
3. 2017 Additional Retirement *		2,000,000
4. 2018 Projected General Fund Reserve		2,310,352
5. Projected Wage and Benefit Increases **		1,786,652
Total	\$	9,056,728
6. Other Projected Expense Increases	\$	883,475
Percentage of 2017 Projected Expenditures		1.62%
Percentage of 2018 Projected Expenditures		1.37%

D. Fund Balance Activity	
2014 to Present	
7. 2014 Fund Balance	\$ 20,675,932
2014 Deficit	(3,505,136)
2015 Deficit	(5,134,521)
2016 Deficit	(2,986,873)
Less: Reserved and Committed Funds	(2,906,948)
Projected 2017 Deficit	(2,959,724)
Projected 2018 Deficit	(872,378)
Projected 12/31/2018 Fund Balance	\$ 2,310,352
8. 2014 - 2016 Change in Fund Balance	(14,533,478)
9. 2017 - 2018 Projected Change in Fund Balance	\$ (3,832,102)
10. Total 2014 - Projected 2018 Change in Fund Balance	(18,365,580)

* Previously from Valley View Funds that were held in reserve

** Approximately \$225,000 of projected increase not due to Union Negotiated Contracts