

Lehigh County Executive Don Cunningham
2010 Budget Message
August 31, 2009

Today, I introduce my fourth budget as Lehigh County executive. Once again, this budget focuses on a few simple principals that I laid out four years ago.

First and foremost, we need to give people a government that focuses on getting the basics done – doing it well – and at a good price. Our most sacred obligation is to manage other people’s money.

Second, we need to invest in our public infrastructure and fix what is broken in an efficient and cost-effective way.

Third, we need to form partnerships to ensure positive economic growth and development while we protect our quality of life, farmlands and open spaces

Equally important, is the critical role of county governments to protect our at-risk children, our senior citizens and those among us struggling with mental challenges while at the same time operating courts, corrections, probation, parole and public safety operations to ensure a safe community that protects the law-abiding and punishes and rehabilitates those who don’t.

For the fourth straight year, we introduce a budget that meets those goals.

For the fourth straight year, we hold the line on real estate taxes. There will not be a tax increase next year. The 2010 budget will contain the same 10.25 millage rate that we have operated under since 2006. This is not the time to raise taxes

And, during those four years, we have averaged growth in general operating spending – the portion of the budget of which we have exclusive control – to under two percent -- obviously, well below the rate of inflation. One would be hard pressed to find another county that has a four year average spending growth of less than two percent.

In addition, the proposed 2010 budget will have the smallest employee complement that this county has seen in 20 years. Yes, 20 years. The proposed complement of 2,177 is less than this county had in 1990. Again, I think it will be difficult to find another government in the Lehigh Valley or the state that can equal that level of austerity in controlling – and reducing – employee growth in government.

And, once again, we deliver a budget that does not – and I repeat, does not – use reserve funds. The County’s \$20 million tax stabilization – or rainy day fund – that is more than appropriate for a budget of our size – will not be touched. My administration added to that reserve fund several years ago and will retain it.

The budget will use the Tax Relief Fund that was created solely for the purpose of using tax dollars already collected to relieve us from raising taxes during challenging times. Just like we use our office supply fund to buy office supplies. This seems to bother some people – and while I don’t know why – I pledge to you that I will veto any proposed tax increase while we already have your tax dollars sitting in a fund designed to avoid raising taxes. I did not create this fund. It was created under former Executive Jane Ervin and the previous Commissioners. We did, however, add dollars to it previously.

The \$14 million that remains in the tax relief fund will be used to cover our \$12 million obligation to the pension fund and a portion of a quirky, one-time extra pay cycle issue I’ll explain in a moment.

I've heard some say Lehigh County has a spending problem. If this is a problem; it's a good one – and an unusual one – to have. It is because of the good work of our judges, the district attorney, the sheriff, the clerk of judicial operations, the controller, the coroner all our administrative department heads and our labor unions, that this county is a model of how to run government efficiently and cost-effectively.

You don't have the smallest workforce in 20 years or hold local spending to under two percent growth year in and year out without a collective effort. All of our operations – courts, corrections, human services, our nursing homes and elsewhere – have found ways to do more with less; increase productivity and deliver more services with less people. This has occurred despite a large increase in population during those 20 years, an increase in crime and lawsuits, murder investigations, an increase in people needing human services and an expanded role of county governments.

And, this was not done with across the board cuts to all departments but strategic realignments that shifted positions from where they could be eliminated to where they are needed. In management, there is nothing easier -- but less informed -- than across the board cuts. Good managers adjust and eliminate where it's not needed but increase where it is. Not all things are created equal. Some departments generate revenues; some don't. Some see growing demand; others less

This budget was created by saying no to a lot of requests for growth and adding positions. And, all but a few of the reductions we've made during the last four years have come through attrition without affecting an active employee. We've been in a permanent state of what Tom Muller, our great county director of administration, likes to call a hiring "frost" not a freeze, where every position that opens up is fully reviewed for need before it is filled. The credit for this rests solely with our sound fiscal managers and all of our employees, who are a dedicated group of public servants.

The proposed 2010 budget deletes 37 positions and adds 17 for a net reduction of 20. There is a proposed new county detective, five new deputy sheriffs, four forensic analysts for the Regional Crime Data Center, another operator for the 911 center, 2 information technology analysts, 2 custodians for the expanded courthouse and one law clerk for senior judges. We remove 21 positions from Cedarbrook operations, 11 vacancies within Human Services, three in Judicial Records and one from the law office.

The smaller size of government is critical because there are fewer revenues available. For the second straight year, we forecast no net growth in revenue. In total, revenue projections for 2010 are down even from this year.

The national economic recession has caused new revenues to disappear because of slowed real estate and economic development market, losses in the stock market and declining interest rates. Losses in the market have tripled our contribution to the pension fund in two years – going from \$4 million in 2008 to \$12 million in 2010. In the last two years, the slowdown in the real estate market has caused a loss of \$4 million in increased tax revenues and recording fees. And the slippage of interest rates caused a loss of \$3 million in investment earnings for 2010. So, we've needed to tighten the belt.

Therefore, with the exception of needing the large pension fund payment of \$12 million to make up for stock market losses and a strange Haley's comet-like employee pay cycle that comes around every 11 years but will cost us \$4.3 million, the 2010 budget will actually be smaller than this year's \$405 million budget.

The total number in the budget book is \$412.3 million. But not counting the increase in the pension contribution and the one-time extra pay, the 2010 budget would be \$402.3 million, actually less than the current year plan.

Employee raises not dictated by contract will be lower than years past and contributions to health care will increase. There is a proposed increase of 1.5% for employees at grade 19 and above, and a 2.5% increase for employees at grade 18 and below. We also will freeze any step, or merit, increases for 2010. We hope that this situation is temporary. The county also needs to reduce our contribution to only 80 percent of the total cost of employee health benefit plans, causing an increase in employee contributions. There are, however, no proposed layoffs or employee furloughs, which are unnecessary since we've achieved the smallest workforce in 20 years.

The budget holds level but doesn't increase our quality of life funding to support cultural institutions as well as our downtown and local government programs. It shifts funding of our green future fund program to our capital budget instead of using operating dollars but does not cut the program.

We are, however, forced to reduce or hold the line in regard to several important entities. Our contribution to LANTA, which we've increased in previous years, will be frozen for 2010. The county contribution to the Planning Commission will be \$50,000 less due to the Commission's healthy operating reserves and county funding of the Conservation District will be eliminated. It's my hope that all of this is temporary but future budgets will depend upon future revenues and available resources.

There are some who are confused about the county's role in Human Services funding. The county administers programs that primarily are of the making and funding of the state and federal governments. For example, \$173.4 million of our total budget is for Human Services, but only \$7.1 million of that comes from local tax dollars. The rest are pass-through dollars from the state and federal governments. We have aggressively held the line for four years on the amount of local tax dollars used to fund these programs. These programs should remain state funded.

The \$7.1 million we have devoted to Human Services is actually \$100,000 less than what the previous administration had budgeted but yet we've increased total state subsidies for the department by 25 percent or \$35 million. That money has gone to good use, increasing child care subsidies for low income families, improving the quality of day care facilities and expanding programs for the mentally ill.

If the state changes funding significantly, services may have to be cut to very needy clients in our county. We don't expect this to happen. We have based our 2010 budget on last year's funding. We are, however, developing contingency plans to handle a variety of potential actions by the state. This is one of the challenges of having the earliest budget cycle of any county or local government in Pennsylvania when our state elected leaders don't get their job done on time -- a luxury we don't have.

To understand a county budget, one must understand that there are at least two budgets maybe even three or four depending on how you slice it. But the big difference is the expenditure of local revenues versus the revenues of the state or federal government or places like the Cedarbrook Nursing home.

In 2010, while our bottom line budget number will be \$412.3 million, \$110.9 million of that will come from local revenues. For example, Cedarbrook is much like Human Services. While it has a total of \$60.4 million in the budget less than \$4 million

of that operates with local dollars. The bulk of the operation is paid for by the medical plans of the nursing home residents. A similar situation exists for the Department of Community and Economic Development. It operates a \$2.7 million budget but only \$870,000 of that comes from county dollars.

In quick highlight for 2010: the larger expenditures remain where they are in all counties. The Courts budget is \$33.5 million. The Corrections budget is \$42.6 million. The District Attorneys budget is \$5.1 million. The Sheriffs budget is \$3.8 million

The reality is that on average 70 cents of every dollar that we spend of county taxpayer money goes to what we call Law and Order – the operations of the Courts, the District Attorney, the Coroner, our jails and juvenile detention centers and our anti-crime and anti-recidivism efforts. Unfortunately, this is also a growth business. It is by far the biggest cost in our budget. But, I believe it's the core function of every government to keep our communities safe.

That's why we've worked so closely with District Attorney Jim Martin and the police chiefs from 17 departments on new initiatives. That's why we created a Safe Streets Program and awarded \$1 million in matching grants to seven municipalities to hire 10 additional police officers to patrol high crime areas on foot or bicycle. We are the only county in Pennsylvania to do this – and it's helping our local governments to draw people to our downtowns and make our neighborhoods safer. Not only are we providing money to beef up police patrols we're helping officers be more effective at their jobs.

At the behest of DA Martin, we created a Central Booking Facility to process all bookings in Lehigh County at no cost to municipalities. This allows police officers to get back on the street quickly instead of spending hours mired in paperwork.

We've granted money to our local police departments to create a common records management system that will allow for a Regional Crime Data Center, the first of its kind in Pennsylvania -- where crime data will be analyzed in real time across all police departments, creating a virtual county-wide crime information operation.

It's also why we built a brand new state of the art 9-1-1 Communications Center to dispatch emergency responders across the county. I believe that the county needs to be a partner in centralized public safety initiatives that lend a helping hand to local governments in combating crime and creating safer communities.

But this is a budget that continues to invest not only in public safety – as evidenced by these initiatives and the proposed new positions – but repairing our infrastructure, improving our facilities and investing in community and economic development and improving our quality of life.

The reduction of more than \$20 million from the cost of our courthouse renovation and expansion continues to help our capital improvement and bridge maintenance and repair operations. The proposed budget contains funds to maintain or repair an additional ten bridges – including the Reading Road Bridge over Cedar Creek, the Basin Street Bridge, the Walnut Street Bridge in Slatington, Rex's Covered Bridge over Cedar Creek, the Pine Street Bridge over the Lehigh River and Geiger's Covered Bridge, along with others.

It also includes \$4.6 million of continued funding for the overhaul of all our facilities to make them more energy efficient and to save money. Just as we are doing at our nursing homes, we will begin replacing windows, light fixtures, upgrading cooling and heating systems and making other improvements that are expected to slash energy

consumption by 20 percent, which would avoid \$1 million in energy spending. In addition, we are using federal stimulus funds to install solar panels on the roof of the government center and new courthouse addition, which will provide more than 10 percent of the energy for those buildings at no cost to county taxpayers.

The money is there for the full replacement and expansion of a much-needed new Community Corrections Center in Salisbury Township, the first phase of a new facility for Coroner operations and the continuation of a Green Future Fund program that will see us preserve our 20,000 acre of farmland in Lehigh County. We already rank as the third leading county in Pennsylvania in the preservation of farms.

As I said earlier, we don't need a tax increase next year. We also don't need to dismantle the solid, responsible foundation of limited but effective government that has been built over decades in this county by Republicans and Democrats alike.

There will always be challenging times. Budgets will not always be easy to balance. Things will not always go perfectly in life. What we need today is sound leadership – across all sectors. Solid plans. A continued focus on tightening the belt, doing more with less, being good fiscal stewards while we find ways to grow our economy and improve our quality of life.

We are on a good course in Lehigh County. We remain strong – and, I believe, the future will be brighter. Times are a little tougher so it's a time for stronger leadership not louder whining. We join together today at a time when the daily drumbeat of news and commentary tells us this is the worst national economy of most of our lifetimes. We hear of diminished hope for average Americans. That our governments are out of control and we need to rise in anger at something, anything, someone.

I say these are not the worst of time. I think those who toughed out the Great Depression and World War II can teach us about resolve. In much more difficult times, Roosevelt told us we had nothing to fear but fear itself. I think today that we have nothing to fear but making anger, whining and complaint our national - or local - policy.

I remain optimistic about the future. While we don't know what future years will bring, as we look ahead to 2011 and beyond we know our one-time cost of \$4.3 million for the extra pay will disappear. The stock market has improved 20 percent since January – any continued growth will reduce our unusually high pension fund contribution of next year. Any positive turn in the real estate and development market, leads to a reduction of the losses we've seen in tax growth. A rebound in interest rates to the traditional 4 percent level restores our earnings on investment income.

And, of course, on a positive note in the area of state funding – and one that could have huge financial implications for years to come – the Supreme Court of Pennsylvania recently ruled that the state is required to fund its obligation for county court operations. If the state complies, that translates to \$26 million for Lehigh County, costs that are currently borne by local taxpayers. That could preserve our Tax Relief Fund in the future.

But for today, we have a sound, fiscally responsible budget that doesn't raise taxes, holds spending in check and continues to give us a good government at a good price. My administration looks forward to working with the Board of Commissioners during the next two months to finalize this proposal.