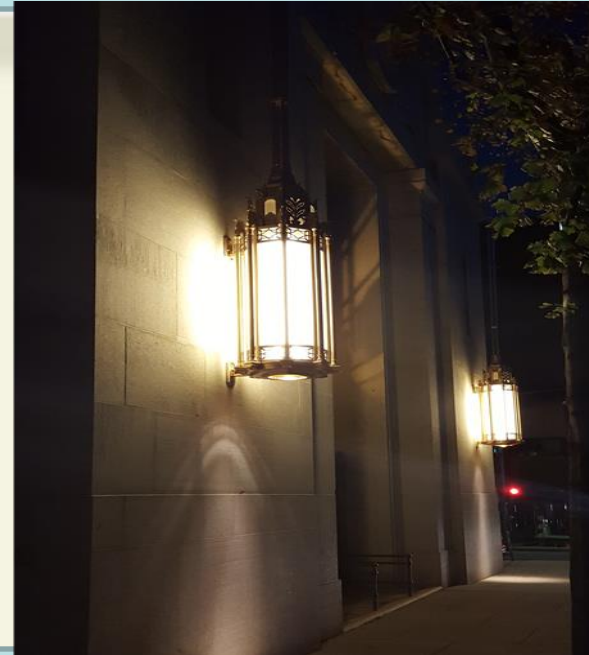


Berks County

Proposed 2018 Budget



Berks County 2018 Budget without Tax Increase

General Fund:	(In Millions)
Total Revenue	\$222.7
Total Expense	\$225.9
Less: Total Adjustments	\$13.3
Net Surplus/(Deficit)	(\$16.5)
General Fund - Funded Capital	\$13.4
Use of Restricted Fund Balance	\$0.0
Net Operating Surplus/(Deficit)	(\$3.1)

All Funds:	(In Millions)
Total Revenue	\$502.7
Total Expense	\$520.7
Less: Total Adjustments	\$1.0
Net Surplus/(Deficit)	(\$19.0)
General Fund - Funded Capital	\$13.4
Use of Restricted Fund Balance	\$0.3
Net Operating Surplus/(Deficit)	(\$5.3)

- First time with an operating deficit in 5 years
- Policy requires us to balance operating deficits
- Use of reserves for capital is consistent with our policy
- Use forecasting to stabilize tax rates

Berks County Forecast: 2019 – 2022 without a Tax Increase (In Millions)

	2019	2020	2021	2022
Total County Budget (Deficit)	(\$10.8)	(\$35.4)	(\$11.2)	(\$13.5)
Change in LF Fund Balance Inc/(Dec)	(\$0.9)	\$7.3	\$1.3	(\$2.2)
Change In Special Leg Fund Balance Inc/(Dec)	\$0.3	\$0.3	\$0.3	\$0.4
Change in BCRC Fund Balance Inc/(Dec)	\$0.1	\$0.1	\$0.1	\$0.1
General Fund - Funded Capital	\$5.7	\$3.6	\$1.5	\$1.1
2020 Expenditure for 2013 Bond Defeasance	\$0	\$12.8	\$0.0	\$0.0
Total Operating Budget (Deficit)	(\$5.6)	(\$11.3)	(\$8.0)	(\$14.1)
Fund Balance - Unassigned	\$105.3	\$82.6	\$78.1	\$67.8
# of Months Coverage - Total Expenditures	2.46	1.82	1.78	1.53

Berks County Discretionary Programs

Berks Heim	COCA	GREP
Parks	Treatment Courts	Dept. of Agriculture
Library Support	Central Processing	Community Re-entry
Berks County Pre-trial Svcs.	Veterans Affairs – Claims	Law Library
PSU Ag Extension	Muni - Detective Services	Fire Training

- Unintended consequences
- Value to law abiding citizens

Berks County 2018 Budget with Tax Increase

General Fund:	(In Millions)
Total Revenue	\$228.0
Total Expense	\$225.9
Less: Total Adjustments	\$13.3
Net Surplus/(Deficit)	(\$11.2)
General Fund - Funded Capital	\$13.4
Use of Restricted Fund Balance	\$0.0
Net Operating Surplus/(Deficit)	\$2.2

All Funds:	(In Millions)
Total Revenue	\$508.0
Total Expense	\$520.7
Less: Total Adjustments	\$1.0
Net Surplus/(Deficit)	(\$13.7)
General Fund - Funded Capital	\$13.4
Use of Restricted Fund Balance	\$0.3
Net Operating Surplus/(Deficit)	\$0.0

- Recommend a tax increase of 4.08%
- Tax Rate would be 7.668 Mills which is \$18M per Mill
- Tax increase recommendation is less than cumulative CPI over the same period of time of 7.30%

Tax Impact to Homeowner - 4.08% Increase		
	Average Assessed Value	Increase in Annual Tax Bill
City of Reading	\$41,395	\$12
Non-City	\$107,817	\$32
Other	\$200,000	\$59

Reasons for a Tax Increase in 2018

State Legislative & Budget Impacts \$5.2M – 60% of Tax Increase or 2.45%

- Child Protective Services Law & Child Abuse Prevention and Treatment Act:
Significant increase in Intake calls, investigations 2015 – 2017
Added 13 CYS and 4 Detective Positions
Increase in CYS net cost of \$0.1M
Increase in DA Detective Personnel cost of \$0.4M
- Frozen Medicaid bed rate since July 1, 2014 - \$1.6M, creates deficit in Berks Heim
- Decrease in Common Pleas and Senior Judicial Staff Reimbursements of \$0.7M
- Decline in State Technical Parole Violator revenue at the County Jail \$2.4M

County Decision Impacts \$3.5M – 40% of Tax Increase or 1.63%

- Add staff at County Jail - \$1.8M
22 Correction Officers – 9 for Mental Health Inmates
3 Clerk Positions in Records Department
- Increase in Contracted Mental Health Staff of \$0.4M
- Change to 2013 RP Pension Mortality Table – increase pension costs \$0.8M
- Add 2 Deputy Sheriffs – higher transports & more Senior Judge court rooms - \$0.1M
- Increase in DA/DPD Pay Scale and Management Confidential On-Call Pay \$0.2M
- Increase RACC Operating Support, 1st time in over 10 years - \$0.2M

Jail and Community Re-Entry Center Cost to County

	Actual				Projected	Proposed Budget
	2013	2014	2015	2016	2017	2018
Total Revenue	\$4,979,525	\$5,169,795	\$4,245,755	\$3,800,170	\$3,195,723	\$3,070,839
Total Expense	\$34,955,673	\$36,860,245	\$37,675,754	\$36,987,098	\$39,036,682	\$41,172,696
Net Cost to County	(\$29,976,148)	(\$31,690,450)	(\$33,429,999)	(\$33,186,928)	(\$35,840,959)	(\$38,101,857)
Tax Revenue w/o tax increase	\$136,216,762	\$135,550,507	\$136,469,175	\$136,178,473	\$137,390,893	\$137,421,929
% of Taxes Consumed	22.01%	23.38%	24.50%	24.37%	26.09%	27.73%

Contributing Factors:

- Loss State TPV Revenue
- Added 25 Positions - Correctional Officers & Support Staff
- Required more Contracted Medical Services for Mental Health

Commissioner Decisions that Reduced Operating Deficit

- Debt Reduction Strategies
 - 2009 A Bond - \$1.370M per year
 - 2008 & 2010 A Bonds - \$300k per year
 - New SWAP Income - \$200K per year
- New Investment Policy - \$1.2M in interest income per year
- Headcount Reduction – 22.5 FTE - \$1.250M
- Change to Uniform Parcel Identifier & related fee - \$0.8K per year
- E-Filing in Prothonotary Office – part of headcount reduction
- Consolidation of BARTA with Red Rose Transit - \$0.8K per year
- Reductions of County Contributions to:
 - Reading & Berks County Visitor Bureau - \$50K
 - GREP - \$200K
 - Library System - \$400K

Berks County Forecast: 2019 – 2022 with a Tax Increase

(In Millions)

	2019	2020	2021	2022
Total County Budget (Deficit)	(\$5.4)	(\$29.8)	(\$5.4)	(\$7.6)
Change in LF Fund Balance Inc/(Dec)	(\$0.9)	\$7.3	\$1.3	(\$2.2)
Change In Special Leg Fund Balance Inc/(Dec)	\$0.3	\$0.3	\$0.3	\$0.4
Change in BCRC Fund Balance Inc/(Dec)	\$0.1	\$0.1	\$0.1	\$0.1
General Fund - Funded Capital	\$5.7	\$3.6	\$1.5	\$1.1
2020 Expenditure for 2013 Bond Defeasance	\$0	\$12.8	\$0.0	\$0.0
Total Operating Budget (Deficit)	(\$0.2)	(\$5.7)	(\$2.2)	(\$8.2)
Tax Increase	0.00%	3.85%	1.43%	5.72%
Fund Balance - Unassigned	\$113.9	\$96.8	\$98.0	\$93.7
# of Months Coverage - Total Expenditures	2.67	2.13	2.23	2.12

Berks Heim	2019	2020	2021	2022
Net Income/(Loss)	(\$1.1M)	(\$1.9M)	(\$2.7M)	(\$3.5M)
Tax Need for Berks Heim	0.63%	1.24%	1.88%	2.48%

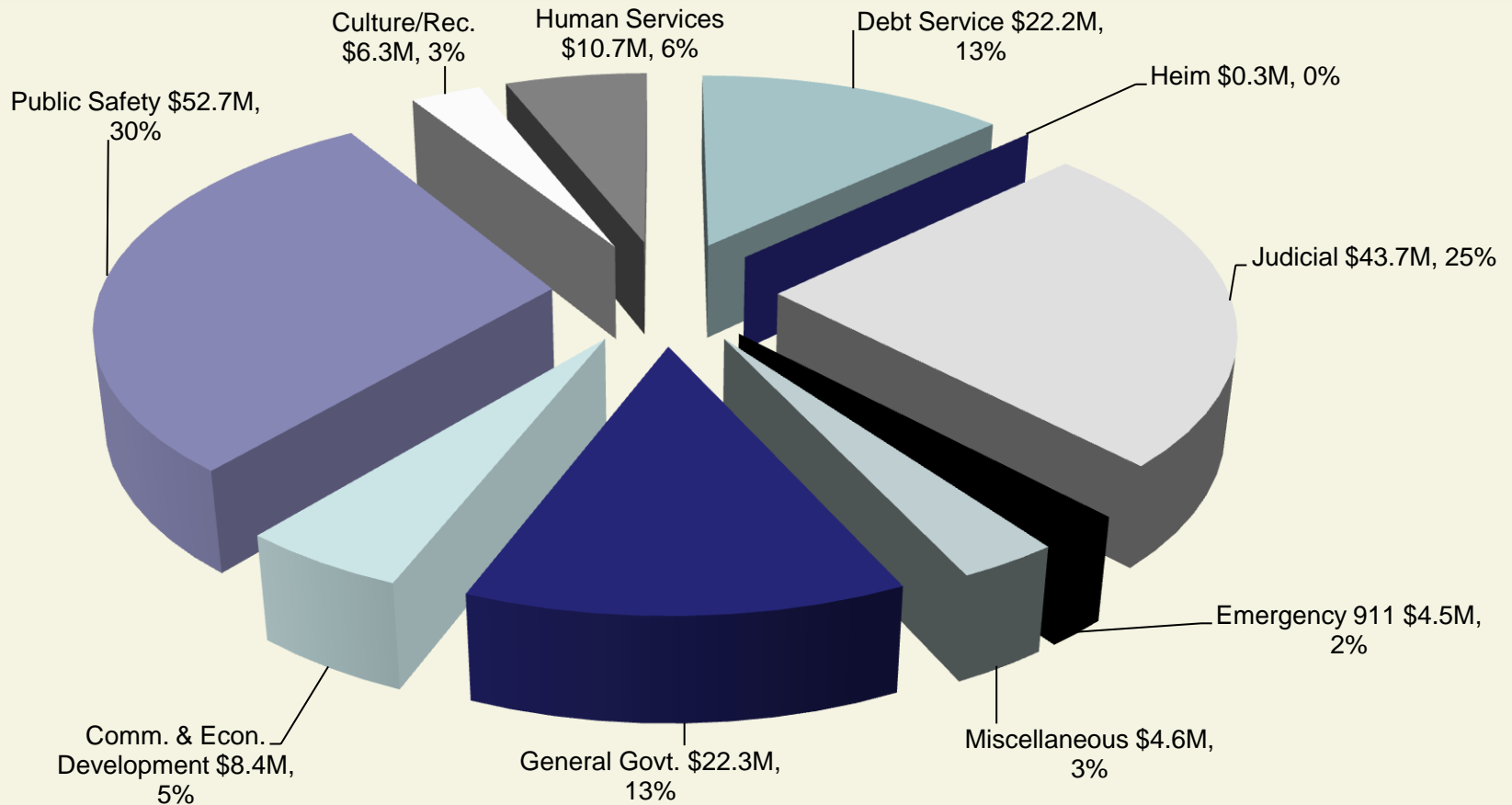
Berks County Risk Factors 2018 - 2022

- Aa1 Bond Rating downgrade – higher interest costs for borrowing
- 911 Phone Fee sunsets at end of 2019 – currently \$8M in revenue
- ACA Tax Repeal – Starts in 2021 at \$249k, grows to \$729k in 2022
- Tipping Fee Revenue – Landfill Litigation
- State Budget Cuts
- New State Mandates – For example, Child Protective Service Laws
- Tax base growth does not achieve the estimated .55% growth per year
- Rate of Inflation impacts 2018 – 2022 – CBA Wage Negotiations & Self Insured Health Costs
- Pension Asset Returns
- Health Choices (Managed Care) Impact – Berks Heim MA Revenue
- BCRC remains at current location - \$1.1M to General Fund every year

Berks County 2018 Budget Highlights

- Property Tax Revenue - \$142.8M, Increase of \$5.6M vs 2017
- Average wage increase 2.5% - Trailing 12 month CPI 2.2%
- Pension ARC of \$4.165M
- Debt Service – All Funds - \$28.2M – No new debt financing in 2018
- Capital Plan \$23.2M – Funded by GF reserve commitment \$13.4M
- Maintains the following commitment to:
 - GREP \$300K with \$200K match opportunity
 - RACC \$3.250M – Sponsor operating stipend obligation
 - Library System \$3.1M includes \$900K to RPL
 - Ag Land Preservation - \$1M for new certifications
 - Park System - \$3.2M - Operations and Antietam Park Improvements
 - COCA - \$1.7M – Drug and alcohol treatment
 - BCPS - \$600K – Pre-trial service jail diversionary program
- General Fund contribution to CYS, DRO, MHDD, and Comm. Ctr. - \$13.3M

2018 Proposed Budget Consumption of Taxes and Fund Balance By Function



Comparison to Surrounding Counties

County Tax Increase Comparison										
County	2013	2014	2015	2016	2017	2016 Assessed Value*	Berks County Multiple	2017 Tax Rates in Mils	Comparison Tax Rate	2017 Expense Budget All Funds
Berks	6.30%	0.00%	0.00%	0.00%	0.00%	\$18.5	1.0	7.372	7.372	\$501.2M
Chester	4.99%	0.00%	0.00%	0.00%	4.90%	\$37.3	2.0	4.369	8.809	\$467.7M
Lancaster	9.30%	0.00%	0.00%	0.00%	0.00%	\$32.2	1.7	3.735	6.501	\$257.2M
Montgomery	0.00%	0.00%	0.00%	9.80%	11.00%	\$59.6	3.2	3.459	11.144	\$528.6M

Footnotes:

* *In Billions*

Sources:

- Assessed Value - State Tax Equalization Board
- Budget Figures - 2017 Adopted Budgets, excluding bond funded expenditures
- Montgomery County 2017 Adopted Budget figures not available, 2016 Actuals per CAFR used instead

Berks County Proposed 2018 Budget Schedule

- November 17, 2017 Present 2018 Budget
- December 14, 2017 Adopt 2018 Budget

- Public Review
 - **County Commissioners' Office**
 - **Budget Office**
 - **County Website** www.countyofberks.com

Comments and Questions

