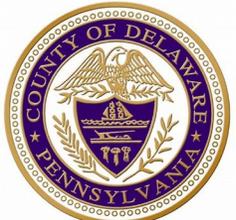


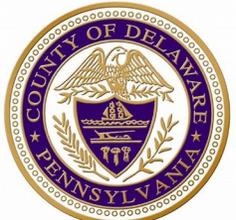
Community Guide to the Proposed FY2021 Budget

Presentation at the December 8, 2020 Public Meeting



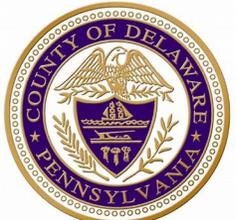
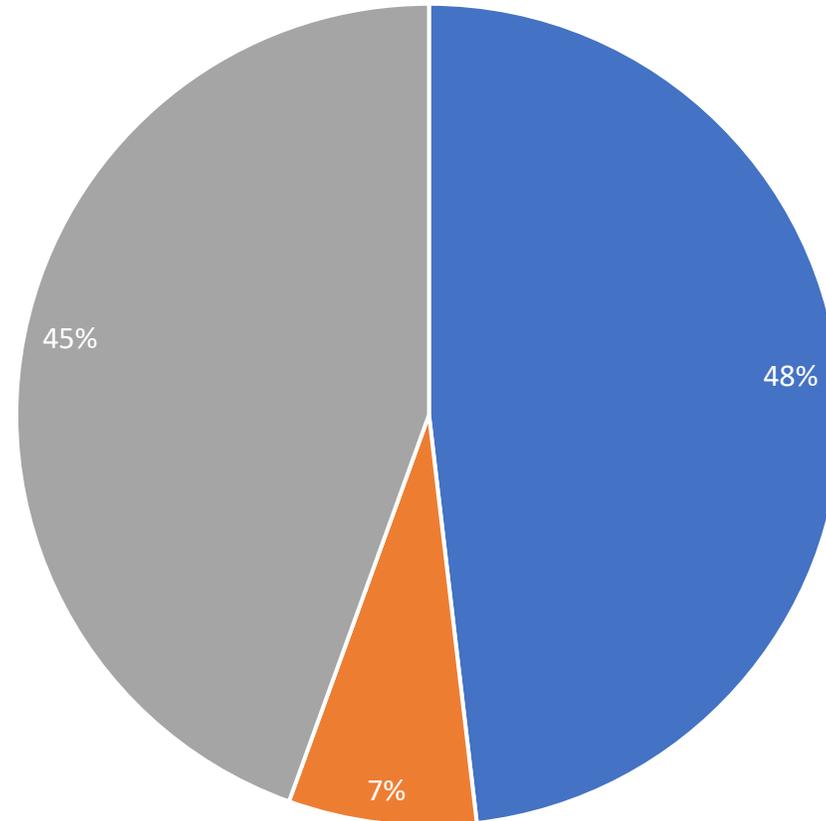
Agenda

- FY2021 Budget Overview
- Financial Review/Budget Planning Factors
- Grant Funded Programs
- Capital Improvement Program (CIP)
- General Fund Activities
- FY2021 Financial Work Plan
- Discussion

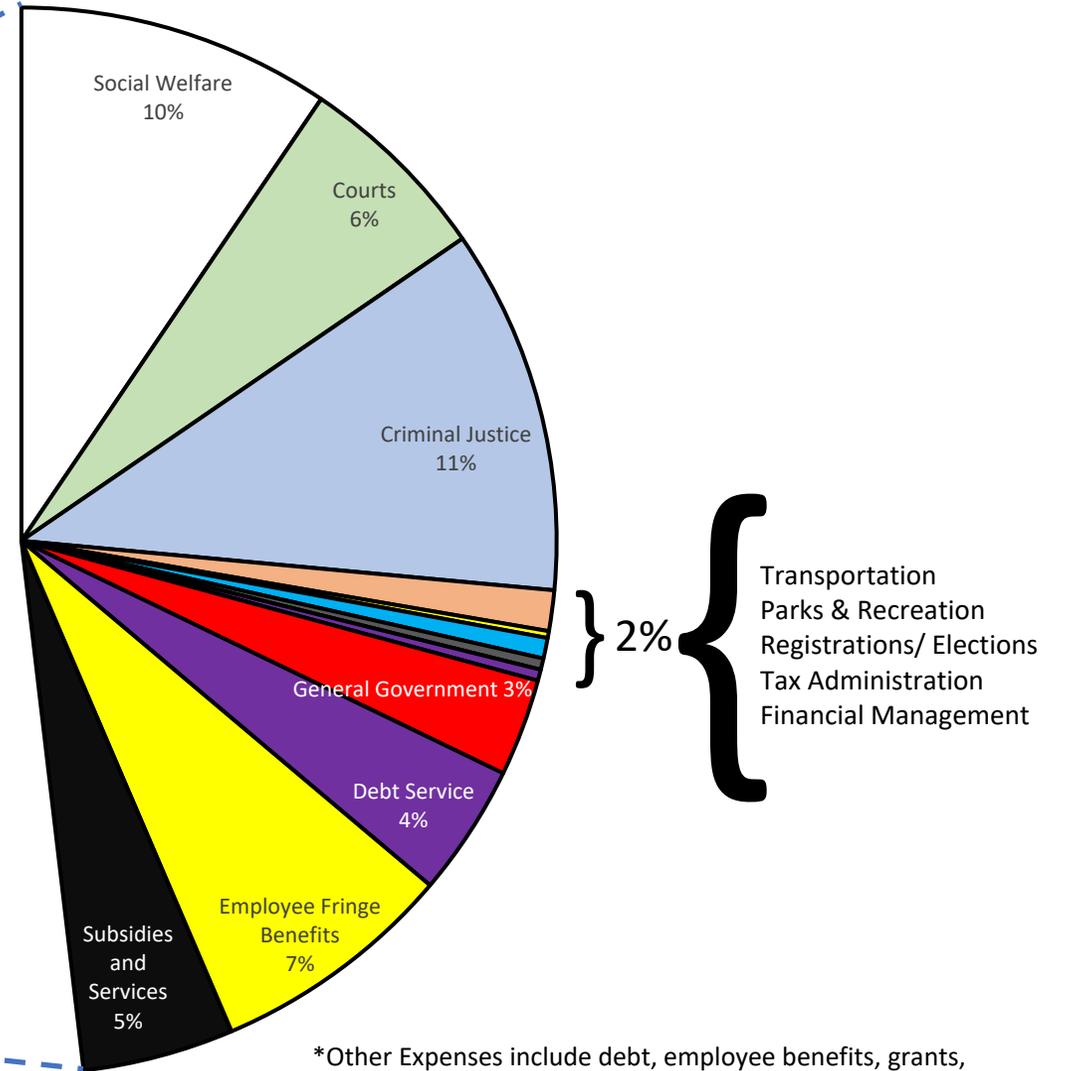
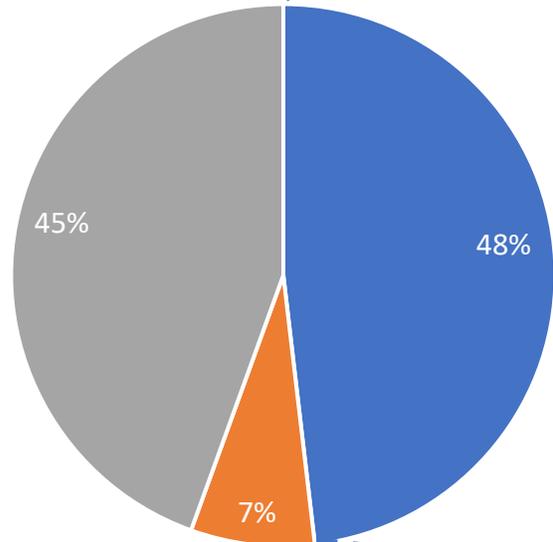


Budget Overview – Total Funds (\$737.7M)

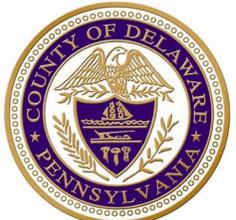
- General Revenues - \$355.2
- Capital Programs - \$54.3
- Grant Programs - \$328.2



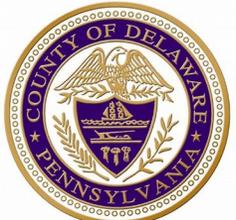
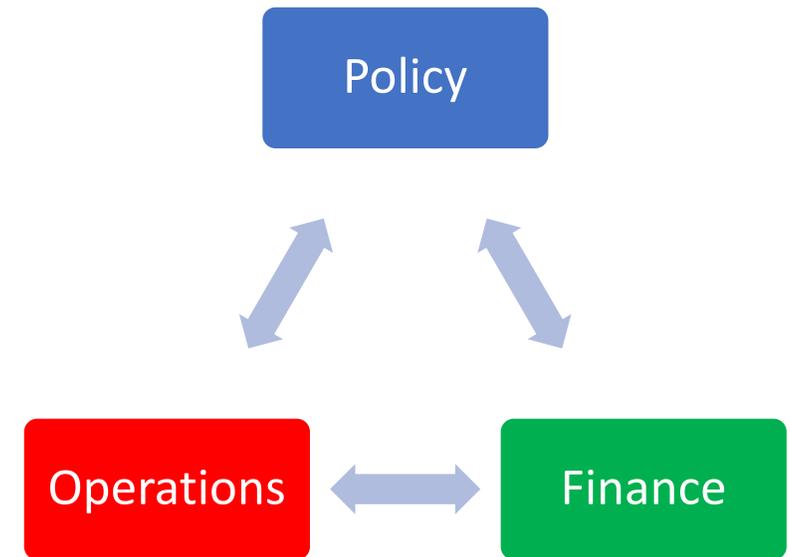
Budget Overview



*Other Expenses include debt, employee benefits, grants, subsidies, transfers and other costs.

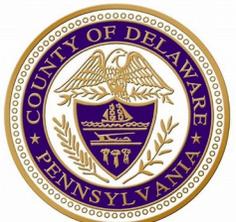


Financial Review/Budget Planning Factors



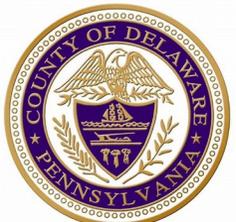
FY2021 – Setting a New Agenda

- Embracing the Pillars of Transparency, Accountability, Equity, and Sustainability.
- Council Priorities
 - Protecting the Community’s Health
 - Investing in Our Neighborhoods, Not Profiting from Incarceration
 - Create Value for Business, Workers, and our Community
 - Creating a More Responsive and Agile Government
- Three factors were the “drivers” in 2020
 - Significant changes in leadership – elected and appointed
 - Transformation and modernization of the elections infrastructure
 - COVID-19 impacts on our County government



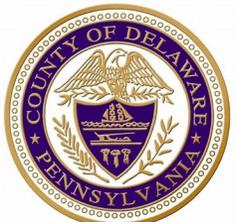
Priority Initiatives and the Budget

- Protecting the Community's Health and Safety
 - Costs to form the County Health Department – General Fund (GF) balance
 - Costs associated with COVID vaccinations – Grants/GF Balance
- Not Profiting from Incarceration
 - Additional costs from de-privatization of the GWH Correctional Facility (GF Balance)
- Responsive and Agile Government
 - Reduction in the cost of employee benefits while expanding options
 - Renewal of Collective Bargaining Agreements
 - Future impacts of remote work environment on County facilities/service delivery
- Creating Value for Business, Workers, and Our Community
 - Re-imagining of the Commerce Center and Approach to Economic Development



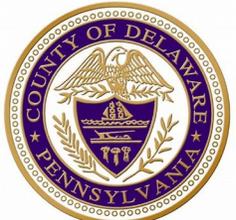
Observations

- Budget process is largely manual with knowledge vested in a few key personnel
 - Preparation of the budget and monthly financial reports are labor intensive
 - Reconciliation of revenues lags receipt and recording of expenses
 - Seasonality of finances not known
 - Funds exist in multiple accounts that need reconciliation and transparency
- Current practice does not display total cost of service delivery
 - Directors do not have the tools to actively manage their budgets
 - Indirect costs not allocated to departments (e.g. benefits)
- Significant variances exist between budgets and expenditures
- Charges for fee-based services do not cover costs
- Governmental Operations typically carry a 20% vacant positions
- Tax and fee revenues are flat
- Future state and federal funding levels are uncertain



Approach to the FY2021 Budget

- **Statement of Values: Transparency, Accountability, Equity, Sustainability**
 - Complete View of Major Programs: Grants, Capital, & General Fund
 - Address 20% Vacancy Rate in County (General Government) Positions
 - Work to Achieve Financial Sustainability (Balance Recurring Sources and Uses)
 - Eliminate Variances between Budgets and Actuals to Better Use Resources
 - Establish Uncommitted Fund Balance (Initially \$23M)
- **Long Term View: Relieve Tax Burden while Maintaining Quality of Services**
 - No Increase in Property Tax Rate
 - Review Fee Structure for Services – Identify General Fund Subsidies
- **Acknowledge FY2020 was an Anomaly**
 - Compare FY2021 Budget to FY2019 Actuals
 - Leverage Impacts of CARES Act Funding
 - General Government Revenue Sources Discounted (~\$12M)

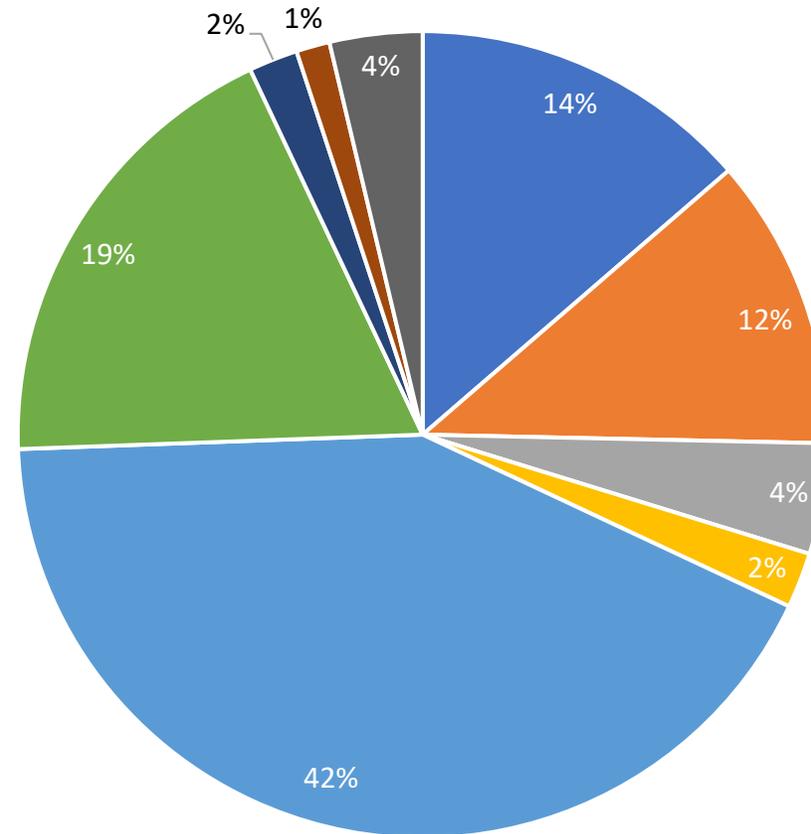


Grant-Funded Programs



Grant Funded Programs (\$000K)

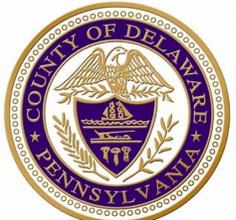
Program	2021 Estimate
● - Clinical & Youth Services	\$ 44,756
● - Mental Health	38,414
● - Intellectual Disabilities	14,552
● - Early Intervention	7,297
● - Behavioral Health/Care	139,250
● - Early Learning	60,945
● - Drug & Alcohol	6,427
● - Services for the Aging	4,403
● - Other Grants	<u>12,148</u>
TOTAL	\$328,192



Risk Factors

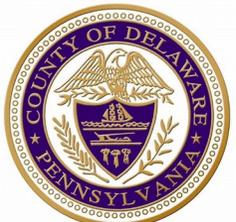
- County FY does not align with State/Federal. Budget assumes funding will be renewed at current levels.
- Funding may not keep up with growth in expenses. Additional General Fund subsidies may be required.
- Current business practices may not reflect future service delivery models.

Capital Improvement Program (CIP)



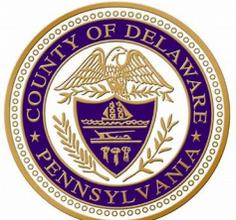
CIP Overview

- The CIP is the County's primary mechanism for infrastructure repair, replacement and development
- Capital projects are currently defined as those costing >\$500 with an asset life of >1 year
- CIP funds are borrowed - FY2021 debt service is \$29.5M
- County has a Aa1 bond rating with Moody's (high quality/low risk)
- Categories of work are Facilities and Buildings; Equipment; Parks, Trails and Open Space; Partnerships and Other Initiatives
- Pursue adding a Technology component to the CIP



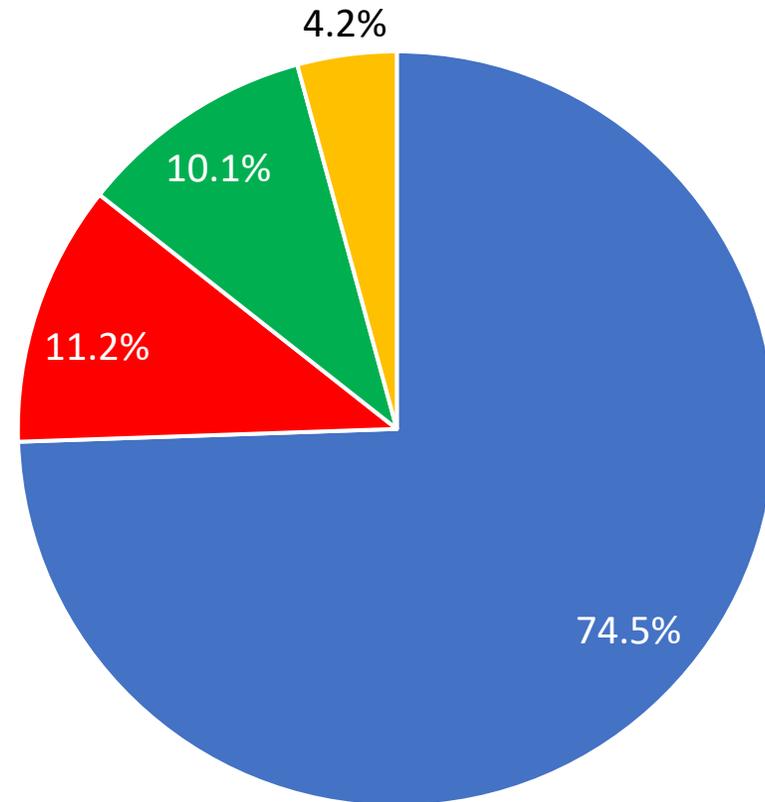
Capital Improvement Program (5-Year Projection)

Capital Improvement Program – Estimated Cash Flow					
Source of Funds	2021	2022	2023	2024	2025
Beginning Balance	\$53,239,281	\$34,641,281	\$4,371,281	\$4,479,281	\$2,332,281
Proceeds - New Financing	35,000,000	35,000,000	20,000,000	10,000,000	5,000,000
Interest Income	300,000	500,000	500,000	200,000	200,000
Other Income	<u>448,000</u>	<u>448,000</u>	<u>448,000</u>	<u>448,000</u>	<u>448,000</u>
Total Funds Available	\$88,987,281	\$70,589,281	\$25,319,281	\$15,127,281	\$7,980,281
Programmed Use of Funds	(54,346,000)	(66,218,000)	(20,840,000)	(12,795,000)	(6,670,000)
Net Funds Remaining	\$34,641,281	\$4,371,281	\$4,479,281	\$2,332,281	\$1,310,281



Capital Improvement Program – 2021 (Current)

Use	Amount (\$000K)
Facilities & Buildings (●)	\$40,465
Equipment (●)	6,081
Parks, Trails & Open Space (●)	5,500
Partnerships (●)	<u>2,300</u>
TOTAL	\$54,346



FY2021 Initiatives:

- Re-structuring/re-activation of CIP Steering Committee
- “Green Fleets” conversion
- Facilities Condition Assessment/Energy Analysis
- Repurposing of Space (COVID/Remote Working)
- Prison/Fair Acres Improvements
- 911 System Upgrades
- Support of County Health Department development



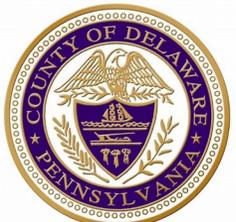
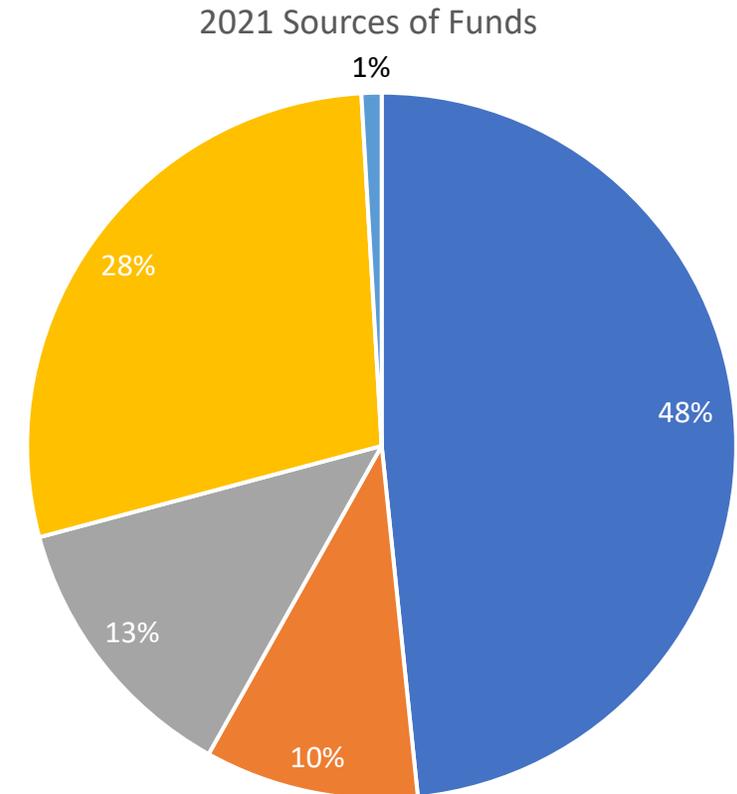
General Fund Program



Sources of Funds

SOURCES OF FUNDS: FY2020 – FY2021 (\$000)		
SOURCE OF FUNDS	2020 BUDGET	2021 BUDGET
Property Taxes ●	\$171,793	\$171,793
Fees ●	34,622	34,622
Government Operations ●	57,116	45,164
Federal & State Grants ●	71,451	100,326
Fund Balance ●	23,099	3,252
TOTAL REVENUES	\$ 358,081	\$ 355,158

The FY2021 budget discounts ~\$12.3M in Airport, Gaming, and other revenue sources from FY2020 due to COVID-related impacts.



Comparative County Property Tax Rates (2020)

Jurisdiction	Average Home Value	County Millage Rate	Average County Property Tax	Average % of Value
Chester County	\$334,000	4.369	\$1,459	0.436%
Montgomery County	\$297,200	3.459	\$1,028	0.346%
Delaware County	\$232,300	5.461*	\$1,268	0.546%

The tax levy is a combination of township/city, school district, and County millages. While there is no true “average” millage, the “median value” of the County burden is about 11% of the total tax dollar.

*For 2021, the County undertook a reassessment of property taxes as required by state law. While many property owners saw changes in their property taxes, the reassessment was “revenue neutral” and did not result in additional funds flowing to the County. The calculated millage rate for 2021 is 3.112.

Commercial real estate accounts for ~26% of the total assessed value.

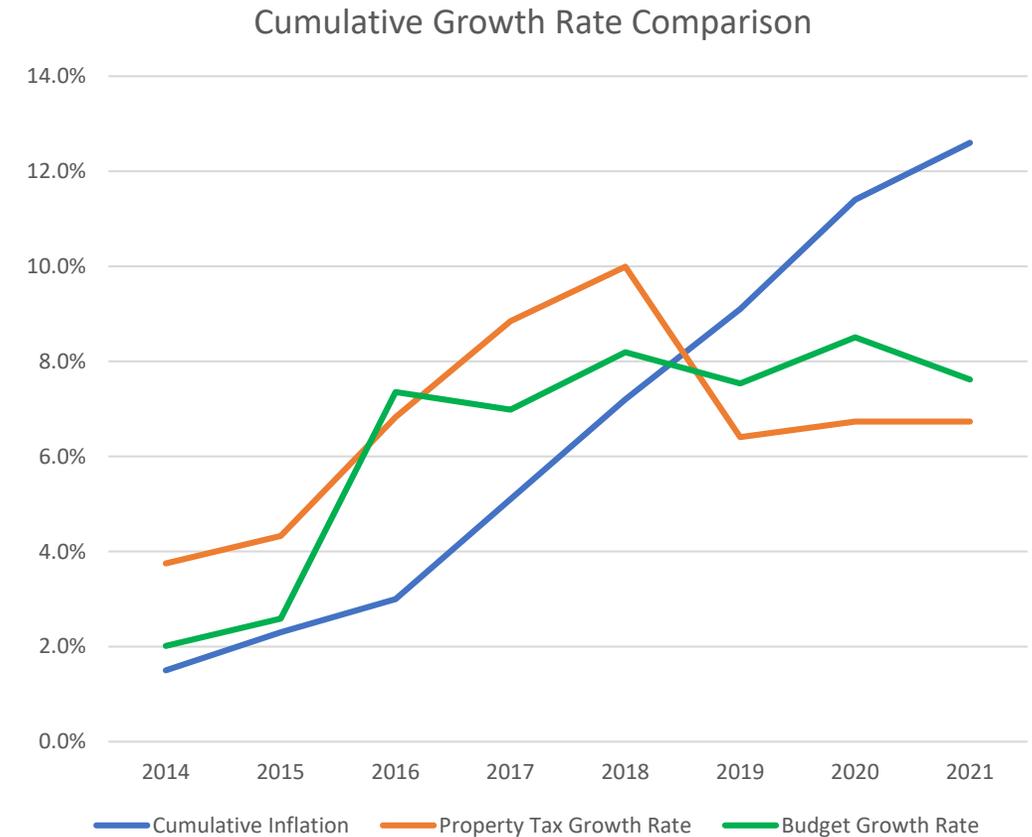


County Taxes (shown in blue) are ~\$0.11 out of your tax dollar. Local taxes (shown in red) task ~\$0.17. School taxes (shown in green) average ~\$0.72.



Property Tax Revenues (\$000)

Year	County Rate	Property Tax Revenue	Total GF Budget	% from Property Tax
2013	5.604	\$160,952	\$330,012	48.8
2014	5.604	\$166,986	\$336,660	49.6
2015	5.604	\$167,919	\$338,552	49.6
2016	5.604	\$171,942	\$354,286	48.5
2017	5.604	\$175,190	\$353,057	49.6
2018	5.604	\$177,034	\$357,051	50.0
2019	5.461	\$171,263	\$354,877	48.4
2020	5.461	\$171,793	\$358,081	48.0
2021	3.112	\$171,793	\$355,158	48.4



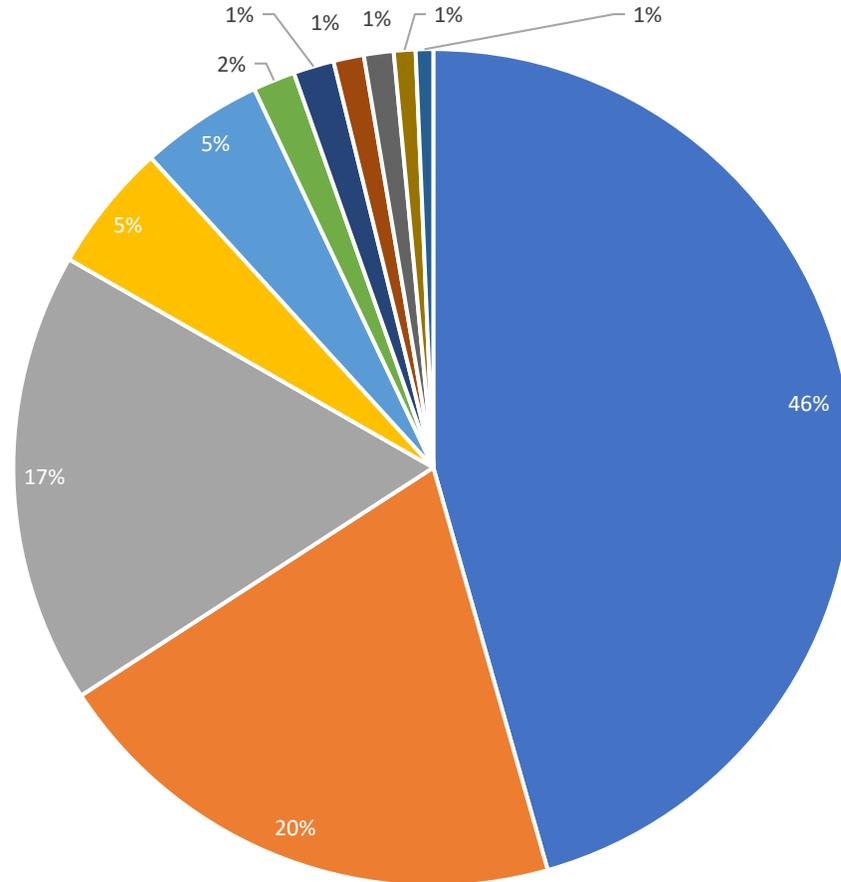
Governmental Operations Revenues

GENERAL GOVERNMENT COST OF SERVICE RECOVERY			
	2019 ACTUALS	2020 BUDGET	2021 BUDGET
Fee for Service Revenues	\$57,140,669	\$57,116,000	\$45,164,172
Costs of Associated Services	<u>55,084,294</u>	<u>62,773,000</u>	<u>52,082,308</u>
Balance	\$2,056,375	\$(5,657,000)	\$(6,918,136)
% of Costs Covered by Collections	104%	91%	87%

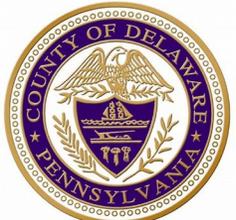
Agencies that recover the costs of services should review fee structures for FY2022. Maintenance of Juveniles/Juvenile Court/Detention of Juveniles and Domestic Relations are the primary areas having the greatest impact.



CARES Act Funding

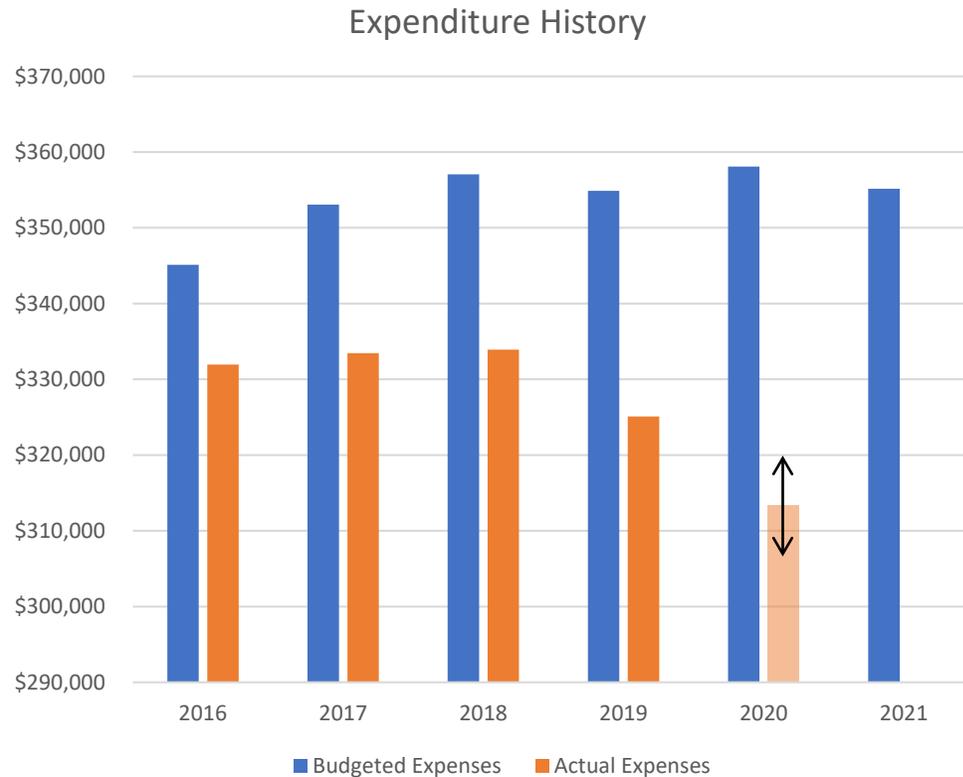


Expense		Amount (\$M)
County Personnel*	●	\$45.1
Support to Schools	●	\$20.0
Delco Strong	●	\$17.3
Pending	●	\$4.9
Fair Acres	●	\$4.7
Chester County Health	●	\$1.6
All Other	●	\$1.5
Emergency Services	●	\$1.2
Elections	●	\$1.1
Courthouse & Park Police	●	\$0.8
Library Services	●	<u>\$0.7</u>
TOTAL		\$98.9



*FY2021 budget assumes \$40M in rollover funds created by CARES Act funding

FY2016-FY2021 General Fund Budget History



Year	Budget	Actuals	Variance	Actuals to Budget
2013	\$330.0	\$321.4	\$8.6	97.4%
2014	\$336.6	\$319.0	\$17.6	94.8%
2015	\$338.6	\$325.5	\$13.1	96.1%
2016	\$345.1	\$331.9	\$13.2	96.2%
2017	\$353.1	\$333.5	\$19.6	94.4%
2018	\$357.1	\$333.9	\$29.8	93.5%
2019	\$354.9	\$325.1	\$36.3	91.6%
2020*	\$358.1	\$313.3	\$44.8	87.5%
2021**	\$355.2			

*Estimated within \pm range of 10%

**Proposed Budget

All figures in \$M



Vacant Position Analysis – General Fund

Length of Vacancy	Number of Positions	Percent
0-3 Months	77	23.3%
3-6 Months	20	6.1%
6-12 Months	71	21.6%
1-2 Years	79	24.1%
> 2 Years	<u>81</u>	24.7%
TOTAL	328	

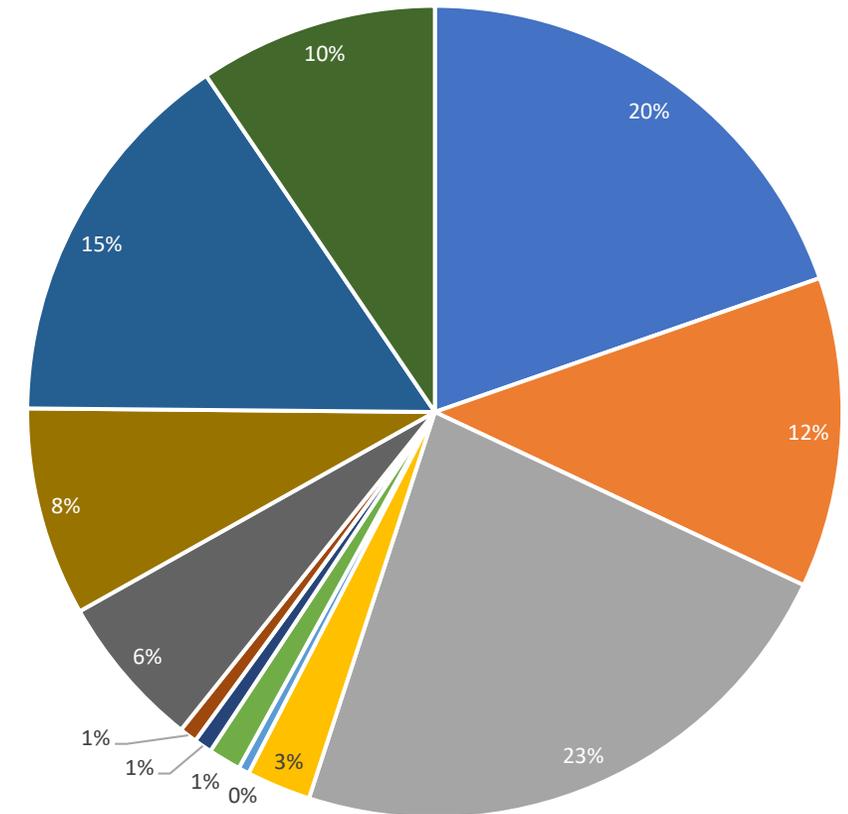
- The County has been carrying 20% vacant position for multiple years.
- FY2021 budget eliminates 241 vacant positions.
- Addressing unused positions reduces indirect costs, which are the biggest budget variable. The difference between FY2019 actual and FY2021 budget is \$14.6M.



Uses of Funds: FY2020-FY2021 (\$000K)

EXPENDITURES BY SERVICE AREA				
AREA	2020	2021	CHANGE \$	CHANGE %
● Social Welfare	\$ 74,266	\$ 69,799	(4,467)	(6.0)
● Courts	50,541	43,888	(6,653)	(13.2)
● Criminal Justice	92,710	81,647	(11,063)	(11.9)
● Transportation	9,120	9,080	(40)	(0.4)
● Parks & Recreation	1,816	1,534	(282)	(15.5)
● Registration & Elections	1,847	4,604	2,757	149.3
● Tax Administration	2,617	2,532	(85)	(3.2)
● Financial Management	2,118	2,496	378	17.8
● General Government	20,411	21,794	1,383	6.8
● Debt Service	29,326	29,496	170	0.6
● Employee Fringe Benefits	48,000	54,627	6,627	13.8
● Subsidies and Services*	<u>25,308</u>	<u>33,661</u>	<u>8,353</u>	33.0
TOTAL EXPENSES	\$358,081	\$355,158	\$ (2,923)	(0.8)

2021 Use of Funds



*Other Expenses include debt, employee benefits, grants, subsidies, transfers and other costs.

Comparison of Expenditure Levels (2019 to 2021)

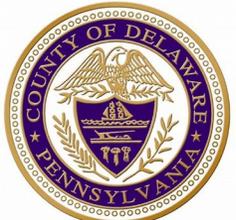
EXPENDITURE AREA	2019 ACTUALS	2021 BUDGET	CHANGE \$	CHANGE %
Governmental Operations	\$ 108,558,544	\$ 119, 574,044	\$ 11,199,409	10.3
Debt	29,433,965	29,496,905	62,940	0.2
Employee Fringe Benefit	39,995,477	54,626,609	14,631,132	36.6
Subsidies and Services	29,628,213	33,661,000	4,032,787	13.6
Fair Acres	69,799,656	69,799,000	(656)	-
Prison	<u>47,674,682</u>	<u>48,000,000</u>	<u>325,318</u>	0.7
TOTALS	\$ 325,090,537	\$ 355,157,588	\$ 30,067,051	9.2

The following 11 agencies comprise \$7.6M/68% of the total increase in Governmental Operations: Bureau of Elections (\$2.1M), Judicial Support (\$850K), DA/CID (\$808K), Emergency Services (\$730K), Executive Director (\$577K), Court Administrator (\$546K), Adult Probation & Parole (\$515K) Juveniles-Combined (\$472K), Budget Management (\$357K), Planning (\$355K), and Intercommunity Health (\$283K).



Potential Uses of Fund Balance

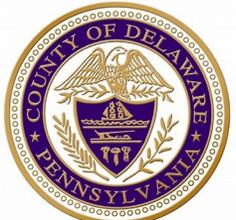
- Formation of County Health Department
 - Financial Analysis
 - Start-Up Costs
 - Continuing COVID-Related Costs
- De-Privatization of George W Hill Correctional Facility
 - De-Privatization Contractor/Owner's Representative
 - Additional Transition and Operational Costs
- Reserve for Revenue Risks
 - Grant Funded Programs
 - Real Property Taxes
 - Other Revenue Sources (e.g. Gaming, Airport, Liquid Fuels)
- Potential Assistance to Others
- Other Programs and Initiatives



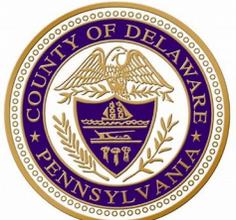
Other – Commerce Center

	TRANSACTION	BALANCE
EDOB Operating Fund Balance (10/31/20)		\$ 632,356.58
Projected Expenditures Through 12/31/20	(120,632.06)	511,733.52
4 th Payment of Approved County Grant	163,800.00	675,533.52
Additional Funds from County (CARES)	180,256.99	855,790.51
Projected EOY2021 Balance	(630,500)	\$ 255,290.51

Most recently, Commerce Center funding has been allocated from Gaming Revenues. Cost have also been recovered from the Redevelopment Authority and the Industrial Development Authority. The Commerce Center Executive Director has stated that the Commerce Center can “operate at the current, even expanded level without seeking additional assistance from the County at this time.”



Summary and Discussion



FY2021 Financial Work Plan

- Create a Sustainable and Transparent Budget for FY2022
 - Balance recurring revenues and expenses
 - “Fully load” departmental budgets with all expenses
 - Develop the tools for County leaders to manage their budgets
 - Provide secure and automated access to financial data
 - Link the financial systems to improve reporting and analysis for all programs/funds
 - Eliminate large variances between budget and actuals
 - Implement quarterly reviews
 - Integrate performance outcomes into assignment of resources
- Continue development of the CIP Steering Committee
 - Create a technology component to the CIP
 - Review future facility needs and configurations
- Integrate budget for County Health Department
- Provide for County operation of the George W Hill Correctional Facility
- Review, update and upgrade County financial policies

