

THE COUNTY OF YORK

2010 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 improve the level of service to those we serve. Through the introduction of new technology, we are 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 or business and we continue to strive to be on the leading edge of alternative programming and cost containment opportunities.

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 outcomes during the calendar year. Department heads report on their progress periodically and provide Commissioners with a summary of their performance during the annual public planning hearings.

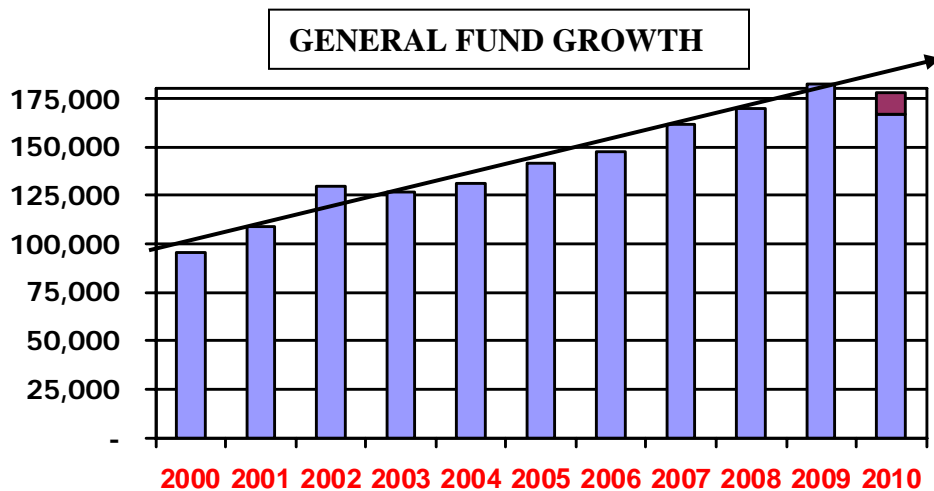
2010 BUDGET NARRATIVE

I am pleased to present to you the 2010 budget for York County, Pennsylvania.

The consolidated budget for 2010 has decreased 10.7% or \$43.3 million compared to the 2009 budget. This decrease is due primarily to a state-wide change in processing provider payments within the MH/MR system and a reduction in the County's local real estate tax-supported General Fund. Approximately \$41.9 million of York/Adams MH/MR program dollars are now "direct payments" from the state to local providers. Previously, these payments flowed from the state to the County and ultimately to the local program providers. That payment process has been converted across the Commonwealth and processing of payments is now consolidated at the state level.

Over the past nine years, the County's General Fund has been growing at a pace approximating 7.1% per year or almost \$9.2 million annually since 2000. 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 expenses related to new facilities and systems (ESC-911)
5. Debt service related to land acquisition for the Susquehanna Riverlands park



Dollars in Thousands

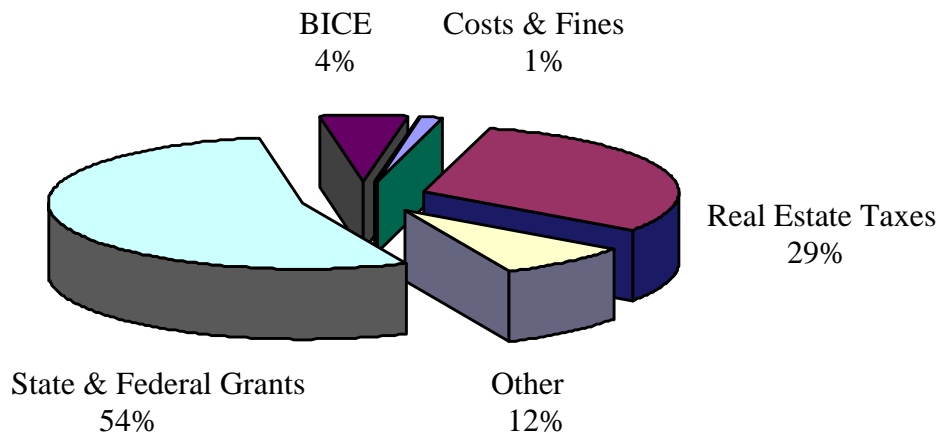
This historic growth trend has been reversed in 2010 as the General Fund, adjusted for a change in the budgeting for Juvenile placements (reflected by the red segment in the chart above), exhibited negative growth compared to the prior year. The adopted 2010

General Fund budget is \$167,096,231, compared to the 2009 General Fund budget of \$182,172,206. However, adjusting the 2010 budget using the 2009 methodology for accounting for Juvenile placement costs increases the 2010 General Fund budget to \$178,207,231, resulting in a net reduction year-over-year of \$4.0 million or (2.2%). This net reduction was achieved through a workforce reduction of 59 positions plus a mandated 5% reduction of discretionary operating expenses County-wide.

Overall, the County employs 2,653 employees with roughly 72% covered by a collective bargaining unit contract. Total salaries and wages for 2010 are projected just over \$92 million with benefits, including medical and retirement, approaching \$43 million annually. Salary and wage increases for 2010 were modest with non-bargaining unit employees receiving a 2% increase; elected officials received a 3% increase; and bargaining unit employees received contracted wage increases ranging on average from 3% to 4.5%. An attempt to obtain a moratorium on all wage increases in 2010 was unsuccessful as the County's 5 unions and 14 bargaining units refused to partner with the Commissioners to hold the line on employee wages in 2010.

Funding for the 2010 consolidated budget includes a number of sources including York County Real Estate taxes, costs and fines, BICE (Bureau of Immigration and Customs Enforcement) contracted services, and federal, state and local grants.

SOURCES OF REVENUE



2010 CONSOLIDATED BUDGET

The continued sluggishness in the housing market and new home construction in York County is evident by the lack of growth in the County's 2010 taxable assessed property

value. Total taxable assessed value in 2009 was \$26.1 billion, compared to the 2010 projection of \$26.5 billion, a minimal 1.3% increase. As a result, the 2010 budget 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 \$110.6 million for 2010. Slow growth is expected to continue for at least another year. Also contributing to the flat real estate tax projection are the increasing number of commercial and industrial real estate tax appeals and the increased rate of delinquent tax payments.

2010 GENERAL FUND BUDGET HIGHLIGHTS

Calendar year 2009 was in many ways a year of transition for York County government. The economic collapse of the financial markets and the resulting impact on national and local economies was significant and further stressed taxpayer's ability to fund government services. The York County Board of Commissioners took proactive measures early in 2009 to begin the process of reducing government spending and County staffing. The Board recognized that any increase in the 2010 General Fund budget would be unacceptable and put in place a program to implement a workforce reduction in all areas of government. The resulting 2010 budget reflects a 2.2% reduction in staff of approximately 59 positions and a net overall salary and wage savings of \$1.9 million. Other cost cutting measures were employed including outsourcing of certain functions, elimination of all capital spending, and reduction of operating expenses totaling approximately \$2.1 million. The County also anticipates restructuring \$137 million of outstanding debt with a minimum reduction of \$1.6 million in total debt service.

All facility restructuring plans were placed on hold during 2009 due to the deteriorating economy. The final element of a master plan to consolidate like-government services into 'service center' facilities is the renovation of the Government Center building, which is expected to house all of the County's Human Service agencies. The County plans to continue with the restructuring plan in 2010 pending favorable market conditions and the availability of adequate funding sources. The Government Center project is now in design development and a decision to proceed to bidding and contract award will be made early in 2010. Upon completion of the restructuring project, all court related offices will be consolidated in the new Judicial Center which opened in 2004; all human services will be located in a centrally located Human Services Center (Government Center); and all County support services will be housed in the recently renovated, award-winning Administrative Center, which opened in 2006.

Included in the 2010 budget is a scheduled payment of \$1,991,950 to the federal government which represents the final obligation required to satisfy an \$18 million settlement with the Department of Justice. The County and the DOJ reached an agreement on April 26, 2006 related to the federal government's claim that the County of York overcharged for the housing of immigration detainees at the York County Prison.

A subsequent agreement was reached in December 2006 with the Department of Homeland Security on retroactive daily rates and future rate increases.

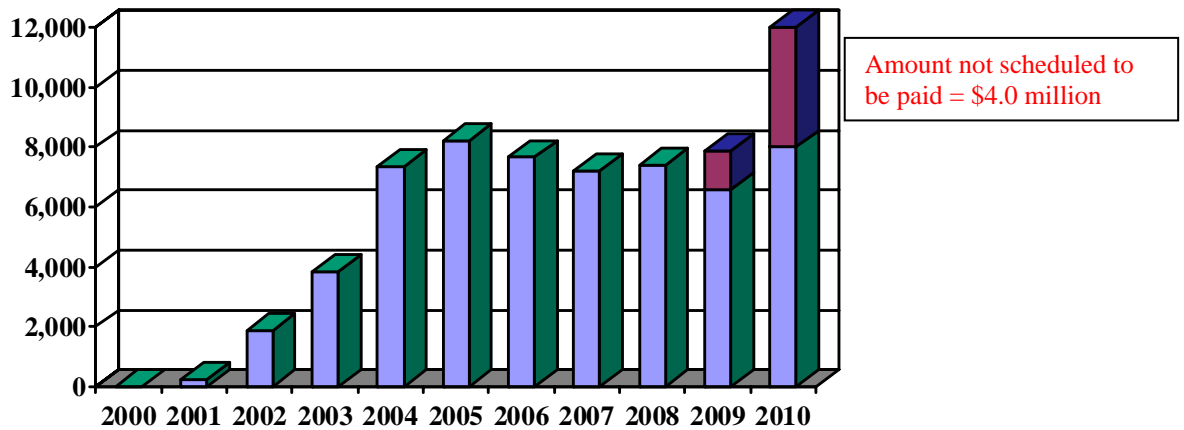
The escalating cost of employee health care benefits continues to place extraordinary pressures on businesses and governments nationwide. Analysts project average health care costs will increase 11% to 15% across the country in 2010. However, health care costs for the County of York moderated somewhat in 2009, with total claims recorded of \$31million, an increase of 7% over the prior year. Actual claims experience in 2009 was on plan for the second consecutive year. This performance marks a trend reversal of significantly unfavorable performance history over the prior six years. For 2010, the County of York is anticipating continued normalized claims experience with a planned claims expense of \$33 million, an increase of 6.8%. To offset this growing burden, the County continues to promote its Wellness program and is working with its Third Party Administrator to negotiate changes in discounting programs with healthcare providers. Non-bargaining County employees contribute 10% of the average cost of their healthcare benefit, while bargaining unit employees contribute on average 10% of the cost. Overall, County employee contributions toward healthcare insurance remains 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 in excess of 23%.

In order to reduce the burden of the County's Retirement plan on taxpayers in 2009, the Board of Commissioners chose to "pay short" the Annual Required Contribution (ARC) to the employee's retirement fund. A payment to the fund of \$7.9 million was recommended by the County's actuary, but the County only contributed \$6.6 million of the recommended payment. For 2010, the Board of Commissioners again elected to "pay short" on the recommended ARC contribution. The actuarial estimate for 2010 is \$10 million, but the Board of Commissioners only authorized a 2010 budget payment of \$8 million. While paying short on ARC payments may not have a material effect on current or short term retirement plan obligations, continued under payments will eventually require larger annual contributions to make up the differential and could have an impact on the County's financial rating.

In 2008, the world-wide financial crisis had a significant negative impact on the County's retirement fund performance with assets falling 28% from the year prior. Low investment earnings, an aging workforce and rising payrolls are all factors in the upward trending recommended ARC payments. Investment earnings rebounded in 2009 with a net yield exceeding 24% on an annual basis. We anticipate that cumulative returns for 2010 will not be as aggressive as 2009, but positive growth of 7% is projected for the calendar year.

<p style="text-align: center;">ANNUAL REQUIRED CONTRIBUTION York County Retirement Plan</p>

Dollars in Thousands



In an effort to hold the line on spending, the County eliminated most discretionary capital items from the 2010 budget. The Board of Commissioners recognizes, however, the need to maintain a commitment to efficiency, quality of service delivery and technology throughout all County operations. As a result, the only new capital expenditures planned for 2010 include \$90,000 for software upgrades, \$256,778 for infrastructure improvements at the Pleasant Acres Nursing & Rehabilitative Center, and \$45,000 for vehicle replacements in Children & Youth Services.

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. In the spirit of inter-governmental cooperation, the Library System has agreed to once again refund \$100,000 of the total dedicated tax back to the County to offset operating costs.

2010 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:

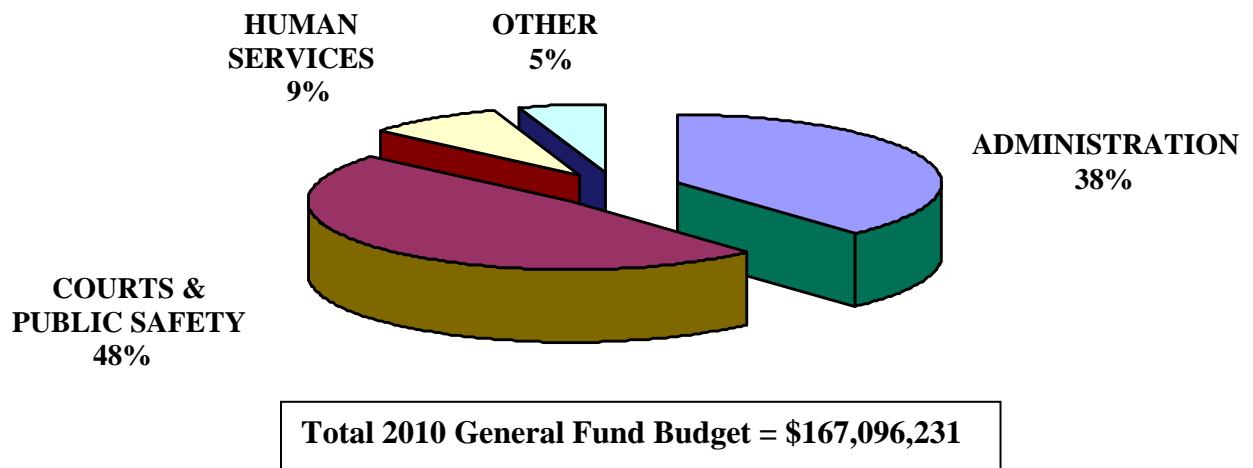
Administration – support services, facilities management, Assessment, Voters/Elections, Controller, Treasurer, Parks, debt service and employee benefits

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

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

Other Expenses – government services (farmland preservation, Rabbittransit, Library System, Planning Commission, York County Economic Development Corp.) 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 2010 General Fund by category:



COURTS & PUBLIC SAFETY

In 2010, the County will devote 48% of the General Fund budget to pay for services related to the operation of the Courts, court-related functions, and public safety services. Since 2003, this segment of government has grown 57%, or \$35 million.

The Prison operations budget has increased 96%, during this time period, with costs increasing from \$20 million in 2003 to over \$39 million in 2010. This growth reflects the 1997, 2006 and 2008 expansion projects that increased capacity and improved internal systems. These expansion projects have also permitted the County to maximize the revenue potential from housing BICE and state DOC detainees. In 2010, the County BICE population is expected to average 745 detainees, and generate \$17.9 million in revenue. A 2010 contract with the state Department of Corrections to house 100 state inmates will provide an additional revenue stream of \$2.2 million. The County continues

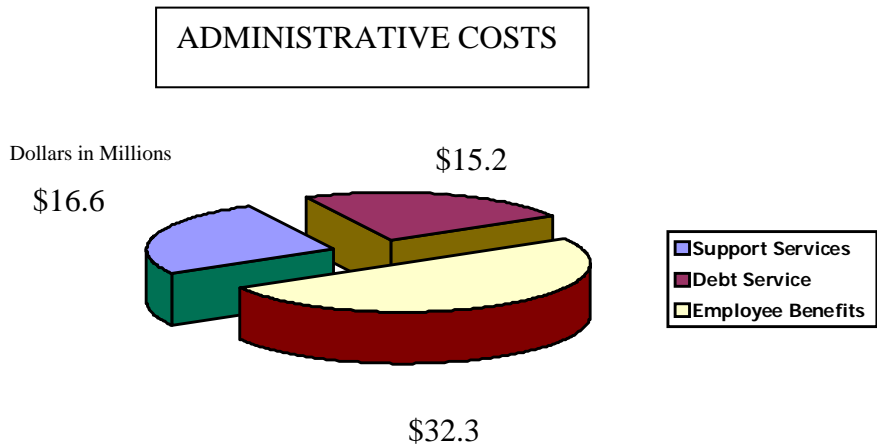
to implement an innovative jail diversion program that will result in fewer York County inmates being incarcerated at the County Prison, thereby creating space for additional BICE detainees. This program is for non-violent offenders and is a cooperative effort between Adult Probation, Prison officials and the York County judiciary. Defendants who meet specific criteria will be monitored by Adult Probation utilizing electronic monitoring devices, thereby eliminating the need for costly incarceration.

The County of York will also make its last payment to the federal government in October 2010 related to the daily rate dispute with the Dept. of Justice. A planned payment of just under \$2 million is schedule for 2010 and will complete the \$18 million settlement agreement.

Also included in the 2010 budget is the continued development of a new Crime Response Unit whose mission is to provide support to the York City police department in the reduction of crime in targeted areas of the City. This new unit has been authorized a budget of \$665,243 and a compliment of 14 Sheriff Deputies.

ADMINISTRATION

General Administrative costs account for 38% of the 2010 General Fund budget, and have grown 69% over the seven-year period from 2003 to 2010. Employee benefits, which comprise 50% of the entire category, have increased 83% or \$15 million since 2003, reflecting the continued escalation of health care costs nationwide and the County’s increasing contribution to the employee retirement fund.



The County’s contribution to the employee’s retirement plan for 2010 will be \$10 million.

Debt service costs related to the construction and rehabilitation of County facilities and the acquisition of park land have increased \$7.6 million since 2003 or 100%. The majority of debt incurred has been expended on the following capital projects:

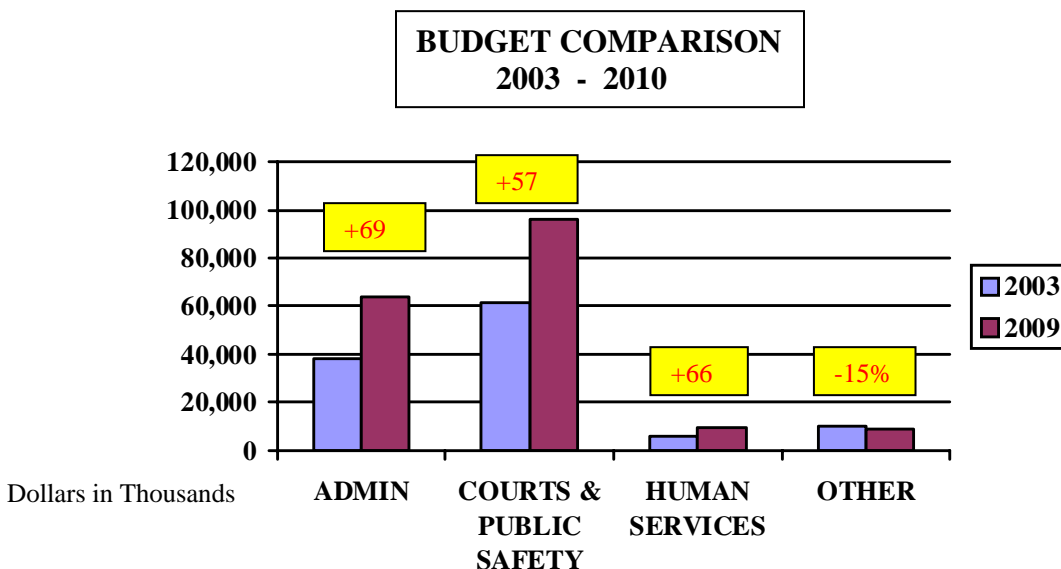
- York County Judicial Center \$68 million
- York County Administrative Center 18
- ESC/911 Center 67
- York County Prison Expansions 20
- Susquehanna Riverlands Park 32
- Magisterial Justice Offices 7

Compared to 2009, debt service decreased \$2.4 million in 2010. The County is anticipating restructuring \$137 million of outstanding General Obligation bonds and bank notes in 2010. Included in the 2010 budget is an estimated debt service reduction of \$1.6 million as a result of the restructuring plan. Of the total \$15.2 million in budgeted debt service in 2010, approximately \$2 million is attributable to the acquisition of land following settlement of eminent domain actions related to the Susquehanna Riverlands Park project. In addition to the long term debt obligation, the County is also required to pay \$1 million per year in settlement damages to the Kohr family through 2013.

In spite of the financial turmoil of 2008/2009, the County has been able to maintain an excellent S&P financial rating of AA-.

HUMAN SERVICES

Costs related to the delivery of mandated services to children, senior citizens and those with mental and physical disabilities have grown 66% over the seven year period from 2003 to 2010. Primary among the reasons for this growth is a reduction in the amount of state and federal funding being allotted to human service programs. Local County match funding for Children & Youth has increased \$2.0 million since 2003, or 64%. State funding for Senior Centers and in-home services for the aged has not kept pace with this rapidly growing need. In 2010, the County's local match will decrease 30% to \$694,000, reflecting lower state funding for senior citizen programs statewide.



2010 BUDGET TAX IMPACT

The 2010 County of York General Fund budget of \$167,096,231 requires real estate tax revenue of \$106,200,000 to fund planned expenditures. The good news for County taxpayers is that there will be no tax increase necessary to fund the 2010 budget. The County millage rate for 2010 will remain 4.15 mills, including a .1 mill dedicated library tax.

Taxpayers will pay \$415 in county taxes in 2010 for every \$100,000 of assessed value. For comparative purposes, the average 2009 York County school tax bill was \$2,549 per \$100,000 of assessed value.

2010 Goals and Objectives

FACILITY RESTRUCTURING

Government Center Building Project

With the completion of the new Administrative Center in 2008, the County of York consolidated all support services and the Planning Commission within one location, moving one step closer to completing the “service center” concept designed to provide “one stop” service for consumers. Still to be completed is the renovation of the existing Government Center Building (old Bon-ton building) on West Market Street. The County’s objective is to consolidate all human service agencies including Children & Youth, MH/MR, Drug & Alcohol, Health Choices, Human Services, Aging and Veterans Affairs into one centrally located facility. Estimated at \$7 million dollars, this project is currently in the design development phase. A decision to proceed to bidding and contracting will be made following a review of architectural cost estimates early in 2010, and the availability of state capital budget funds and low-cost financing.

Nursing Home

The County’s Facility Director and County Engineer continue to work with Nursing Home administrative personnel in 2010 to complete much needed upgrades to the Pleasant Acres Nursing & Rehabilitative Center plumbing, safety and fire systems. Total project costs are estimated at \$7.8 million. The nursing home complex is a grouping of structures interconnected through an underground tunnel system and sharing infrastructure such as heat, water and power requirements. The majority of the improvements are planned for the main nursing home building, a five-story structure constructed in 1976.

EMERGENCY SERVICES / 911 SYSTEM

Integration of the new emergency 911 radio systems with police, fire and EMS services was completed in the fall of 2009. Software and hardware issues continue to hamper the quality and effectiveness of the system and work continues to resolve intermittent

transmission problems. This comprehensive project entails a complete overhaul of the emergency 911 systems throughout York County, with a new technology infrastructure designed around state-of-the-art Computer Assisted Dispatch capability and P-25 trunked wireless technology. The entire project budget is \$68 million.

MAXIMIZE OUT-OF-COUNTY INMATE REVENUE POTENTIAL

Effective April 26, 2006, the County of York and the federal Dept. of Justice settled outstanding issues related to the daily rate charged for housing Immigration detainees at the York County Prison. This settlement plus an agreement on retroactive and future daily rates, provides stability for the County and the BICE program. With the long-standing rate and overcharge issues settled, the County can embark on a planning strategy aimed at maximizing the revenue and income potential of the Bureau of Immigration and Customs Enforcement relationship.

Central to the BICE revenue program is an innovative County of York jail diversion program that is anticipated to free-up space at the Prison to house additional BICE detainees. This program is a cooperative effort between Adult Probation, Prison officials and the York County judiciary to place non-violent offenders into an alternative program utilizing electronic monitoring devices. A growing York County inmate population has been impacting the number of beds available for the BICE detainee program, limiting the revenue potential of the immigration program.

Due to the nature of the immigration detainee program, BICE inmate populations fluctuate based on the need for space and other HUB activities related to the transfer and processing of immigration detainees. To offset this variability, the County of York entered into a contract with the Pennsylvania Department of Corrections to house 100 non-violent state inmates at a fixed daily rate of \$60 per day. This contract is expected to generate approximately \$2.2 million in revenue for the York County Prison in 2010.

BUSINESS CONTINUITY PLANNING

Following the disasters of September 11, 2001 and more recently the Hurricane Katrina disaster, emergency planners nationwide have been tasked with developing a comprehensive plan to respond to localized and regional catastrophes. The National Incident Management System (NIMS) was launched by the U.S. government in 2004 and was ratified by the Governor of Pennsylvania. In addition, the County of York examined its own disaster management capacity and plans, focusing on both large scale and isolated events that might affect County operations. A task force was developed in 2006 and the Concorde Group, a professional disaster planning firm, was contracted to assist the County in developing a comprehensive business continuity plan. The project commenced in late 2006 and will continue throughout 2009, culminating in the development of detailed contingency plans for all County of York operations. This local plan will dovetail into the broader NIMS plan for compliance with all federal and state directives related to disaster planning. As of December 2008, Continuity plans are in place for the

Judicial Center operations including Row Offices, the Court of Common Pleas, the Administration Center operations and the County Annex operations.

COURT SYSTEM EFFICIENCY INITIATIVE

The cost to provide judicial services to the residents of York County is a major component of the County's General Fund budget. Courts and public safety comprise 48% of the County's General Fund and is the single largest cost segment in the 2010 budget.

Through a collaborative effort involving the District Attorney, Courts, Public Defender's Office and the Magisterial District Judges, the County is developing an innovative concept of "Front Loading" that will allow the resolution of a significant number of cases at the District Court level. This concept provides information to the participants' earlier, allowing resolution of many cases at the first step in the judicial process. Fewer contacts by the Court of Common Pleas eliminates costly court hearings and also limits the time spent by prosecutorial and public defender personnel to manage the case.

Secondary impacts will be realized in court support functions such as the Clerk of Courts and Probation, with potentially fewer incarcerations at the York County Prison. It is anticipated that by reducing the case load at the Court level, further workforce reductions could be realized within the entire judicial system. It is also important to consider the favorable social and societal impacts that rapid disposition of cases can have on victims, defendants, and their families.

DEBT RESTRUCTURING STRATEGY

During calendar year 2010, the County is planning to restructure approximately \$137 million of outstanding General Obligation municipal bonds and short term bank notes, which accounts for approximately 59% of its total general obligation debt of \$233 million. The planned restructuring is required to convert maturing short term debt to a long term obligation and will also provide the County with the opportunity to refinance existing long term debt to reduce the annual debt service cost.

In 2008, the County was negatively impacted by the demise of the bond insurance industry which was triggered by the unanticipated financial market collapse. The County had three variable rate bond issues outstanding at the time totaling \$82 million which were subsequently refinanced with private placement, multi-modal variable rate bank notes. In addition, the County entered into a number of short term bank note transactions during 2008 and 2009 to fund various capital projects including construction of Magisterial District Justice offices, acquisition of park land (Highpoint and Lauxmont Farms), farm preservation easements, and infrastructure repairs to the Pleasant Acres Nursing & Rehabilitation Center, etc. These bank notes total approximately \$55 million and are required to be refinanced by a long term debt facility at their maturity date in 2010. The County also has fixed rate conventional bonds outstanding with varying maturity dates in the amount of \$97 million.

The County will develop a strategy early in 2010 with regard to the debt restructuring that will reduce the annual debt service by a minimum of \$1.6 million per year.

LONG RANGE OUTLOOK

Over the past decade, York County experienced one of the fastest growing populations in the Commonwealth of Pennsylvania. York County government has met this increasing demand for service through the use of innovative approaches, exemplary operating procedures, and efficient use of limited resources. As stated in the County's Mission Statement, our goal is to provide "high quality services balanced with the ongoing need to be efficient and cost effective in all areas of service delivery." Although we are faced with continued financial uncertainty, the County is in a solid position to meet the challenges of the future because of its efforts in technology implementation, financial management and strong leadership.

The actions implemented by the Board of Commissioners with regard to workforce reduction, and downsizing government will provide a lean foundation for providing County services in the future. We are hopeful that efficiency initiatives in the Court system will further enable the County to reduce the cost of the judicial process and provide additional capacity to hold the line on future tax increases.

However, the challenges facing us are serious and numerous. While the rapid expansion and growth within our county has slowed due to the slumping national and local economy, we remain in a "catch-up mode" with regard to service delivery in many areas. Crime and its resultant burden on the Court system and court-related offices places continued stress on corrections, probation, and prosecution. Rising criminal case loads not only require County government to provide for the prosecution of these cases but often requires that we provide defense attorneys for those who cannot afford legal counsel. There is no doubt that the impact of crime on County services also places a significant burden on our taxpayers. The County expends over 54% of its total General Fund budget on crime-related services. Add to that total all associated indirect costs and the figure approaches 70%. The new programs initiated in 2009 and 2010 to combat crime through a proactive approach are just the beginning of a new, fresh way of thinking about how we need to deal with this growing problem.

From a financial perspective, the County continues to maintain a high-grade credit rating of AA-, which makes the County of York attractive to potential bond investors in this recovering economic climate. Sound investment strategies, conservative banking practices and diligent fiscal constraint all contribute to the County's financial success. Although worldwide fiscal recovery is slow and will take several years, we believe our strategy to reduce the size of county government and concentrate on efficiency initiatives will place us in an excellent position as the economy recovers and we move back to a

slow steady period of growth. The Board of Commissioners is dedicated to maintaining quality services at a cost acceptable to York County tax payers.

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