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Berks County 2022 Proposed Budget

We are pleased to present the 2022 budget for consideration and adoption by the Board of Commissioners. This budget is the product of a highly collaborative effort with the Commissioners and each county department. The Commissioners have provided direction and guidance as we have dealt with operational and fiscal issues that impact 2022 and future years, including the impact of the Covid pandemic on the labor supply and resident census at our nursing home.

We believe this budget is responsive to the needs of the county taxpayers and the Commissioners' goal of a responsible budget that does not place an undue tax burden upon the citizens of Berks County. This budget specifically achieves the Commissioners' directive to present a budget: without a tax increase, that supports our anticipated core service levels, maintains long term financial stability, including our Aaa stable outlook bond rating, limits the growth of new discretionary county services, limits headcount growth, funds one-time capital expenditures with reserves, does not add new debt, and prioritizes capital expenditures for facility/bridge infrastructure and technology that enhances process improvement.

In addition, this budget provides for the continued maintenance of our facilities and parks, maintains a commitment to agricultural land preservation and funds our pension and debt service obligations. It also funds our formal sponsorship obligation with Reading Area Community College (RACC), economic development and local transportation (SCTA/BARTA), library and park systems, drug and alcohol treatment (COCA), and diversionary court programming that reduces the size of our jail population.

This budget recommends we maintain the current tax rate of 7.657 mills. The total deficit for all funds is ($6.8M) which is $5.3M lower than 2021 of ($12.1M). This decrease is primarily due to a $5.6M reduction in General Fund capital and outstanding debt. Consistent with prior years, we propose funding one-time capital expenditures with General Fund reserves, and operating losses for specific restricted funds and enterprise funds, where applicable, with restricted reserves and net assets, respectively. The exclusion of these items results in an operating budget deficit of ($0.2M). We have enough reserves to absorb the deficit from all funds which also assuages the need for new, recurring, debt. Therefore, a tax increase in 2022 is not warranted.

We have not included any American Rescue Plan revenue or expenditures in the proposed budget as a formal expenditure plan has not yet been determined. In addition, the budget

assumes any costs for passenger rail will not require county tax dollars in 2022 and there will be no costs incurred in 2022 for a new jail facility.

The realization of the 2022 budget is dependent upon the outcome of the following factors: continued decline in Covid cases and the related impact on the number of nursing home residents, the financial performance of our pension assets, the impact of inflation on the outcome of current collective bargaining (CBA) negotiations, actual health and worker compensation claims and related inflation trends, renewal of federal and state funding for our human service operations, continuation of the Federal/State IGT funding program for our nursing home, Managed Care impact on Medicaid bed rates, continuation of our BCRC operation, flat demand for human service and criminal justice response, and no new head count added before the 2022 budget.

We continue to face structural budget challenges. The average rate of inflation in our personnel costs continues to outpace the rate of growth in our tax revenue, and Medicaid rate increases for our nursing home.

The current Board of Commissioners are keenly aware of these risks and challenges and are supportive of the following initiatives, each with the potential to increase revenues or reduce operating costs:

- Tax incentives, when necessary, to attract commercial and industrial facility investment to enhance assessed value growth.
- Implementation of new technology and software solutions that enable process improvement and lower service costs.
- Utilization of reserves for capital to avoid net new debt service costs.
- Jail diversion plan for first-time offenders, low risk offenders and crimes resulting from mental health issues. This could lower future facility (i.e. new construction) and inmate medical and treatment costs.
- Maintenance of a fair and efficient property tax rate to maintain our financial strength and Aaa stable outlook bond rating.
- Limit head count growth to mandated services.

Budget Summary and Select Highlights

Real Estate Tax Comparison

Total tax revenue, inclusive of tax claim taxes, is higher than 2021 by $0.7M. But for a one-time increase in interims of $0.3M and one-time decrease in tax claim revenue of ($0.9M) the increase would have been $1.3M on a year over year normalized basis. By comparison our 2021 budget was higher than the prior year by $2.6M but included the one-time tax claim increase of $0.9M. When normalized for comparison purposes this increase would have been $1.7M and reflective of the lower rate of increase in assessed value between the two years. We noted a year ago, we had not seen any economic impact of the Covid pandemic in our assessed value growth, but suspected we may see the impact in 2021, which has manifested. This is not unusual and is expected. We generally see the financial impact the year after an economic downturn with higher volume of successful appeals and all things considered, the impact could have been worse. The imposed tax on a property's assessed value of $100,000 remains at $765.70. The following table summarizes the results.

Real Estate Tax Revenue in (Millions)		
	2022	2021
Millage Rate	7.657	7.657
Assessed Value -Billions	19.6B	19.4B
Percent Increase	0.45%	1.47%
Net Tax Billing	$143.1	$141.8
Interims	$1.2	$0.9
Net Tax Collections	$144.3	$142.7
Tax Claim Revenue	$4.2	$5.1
Total Tax Revenue	$148.5	$147.8

(Note: 2021 Assessed Value Is Actual Billed March 1, 2021. All other values are 2021 Adopted Budget)

General Fund and All Funds Budget Comparison

Revenue and Expenditures (In Millions)

General Fund:	**2022**	**2021**	**Inc./(Dec.)**	**% Change Inc./(Dec.)**
Total Revenue	$237.5	$239.3	($1.8)	-0.75%
Total Expense	$232.6	$235.9	($3.3)	-1.40%
Less Total Adjustments	$13.4	$13.3	$0.1	
Net Surplus/(Deficit)	**($8.5)**	**($9.9)**	**$1.4**	

All Funds:	**2022**	**2021**	**Inc./(Dec.)**	**% Change Inc./(Dec.)**
Total Revenue	$570.0	$555.0	$15.0	2.70%
Total Expense	$575.8	$566.7	$9.1	1.61%
Less Expense Adjustments	$1.0	$0.4	$0.6	
Net Surplus/(Deficit)	**($6.8)**	**($12.1)**	**$5.3**	

(Note: Adjustments in the General Fund are for Human Services' federal and state grant local match, and contribution to the 911 fund for debt and capital. Adjustments in All Funds are for depreciation expense, net of capital expenditures, for our Enterprise Funds.)

Revenues

The decrease in General Fund revenues of ($1.8M) is primarily a result of lower: fees in the District Justices and Sheriff's departments ($1M), lower placement reimbursement in the Juvenile Probation department ($.7M), Tax Claim collections and fees of ($1.6M), and debt service reimbursement of ($1.5M). With respect to Tax Claim, the decrease is a result of 2021 being higher than normal to capture the collection of 2020 delinquencies deferred to 2021 due to Covid economic hardship. The debt service decrease is a result of paying off the 2005 bond that was reimbursed by Greater Berks Development Fund. The fees are lower due to lower number of arrests and anticipated decrease in tax sale volume in 2022. This is

primarily offset by higher: Treasurer department revenues for real estate tax billings of $1.6M, indirect cost reimbursement for our general service departments of $1.3M and net increases in other Row Office departments of $0.1M.

The increase in All Funds revenue is $15M. This is primarily attributable to an increase in: Health Choices state allocation of $15.1M, CDBG allocation of $0.5M, and Berks Heim revenue $2M, as more fully described in the Berks Heim section that follows. This is primarily offset by decreases in: General Fund of ($1.8M), Special Legislation hotel tax ($0.3M), Liquid Fuels ($0.1M), and BCRC ($0.4M). With respect to BCRC the change to an all women facility has resulted in a new per diem rate resulting in lower revenue to align more closely with lower costs. Hotel tax is a pass thru to the Berks County Convention Center Authority and tourism agency PA Americana's Region.

Expenditures

The decrease in the General Fund expenditures ($3.3M) is primarily attributable to: debt service reduction of ($1.1M), General Fund funded capital of ($4.5M), fringe benefit costs of ($1.5M), MDJ's constable costs ($.7M), and Jail operating expense ($.1M). This is primarily offset by increases in: wages and payroll taxes of $2.3M, indirect costs of $1.3M, rent for our new South Campus location $0.6M, tax refunds from assessed value appeals $0.3M, and the IGT payment to state $0.1M.

The increase in All Funds expenditures is $9.1M. This is primarily attributable to increases in: Health Choices state allocation of $15.1M, CDBG allocation $0.5M, and wages and payroll taxes for Special Revenue and Enterprise Funds $.5M. This is primarily offset by decreases in: General Fund ($3.3M), Special Legislation fund hotel tax and Supervision Fees ($0.4M) and Special Revenue and Enterprise Funds fringe benefit cost, capital and debt service of ($1.5M), ($1.5M) and ($0.3M), respectively.

Debt

The total debt service expenditure budget for all fund types, net of bond premium amortization, is $15.4M compared to $16.8M for 2021, a decrease of ($1.4M). This is primarily due to savings from refinancing all or a portion of our 2010B, 2016, 2015 bonds of $0.2M, and final maturity of the 2005 and 2012A bond of $2.7M. This is offset by scheduled increases in principal payments for the remaining portion of our 2015 bonds and 2019B bond issues as part of a prior year plan to wrap principal payments to years when other bonds mature. We do not anticipate any new money debt issues in 2022.

Fund Balance

The total General Fund and unassigned fund balance is projected to be $157.6M and $148.2M, respectively, at December 31, 2022. Unassigned fund balance can be used for any general governmental purpose. The remaining fund balance is limited to use based upon liquidity, legal restrictions, formal action of the Board of Commissioners, and informal assignments. Please see our budget book for more detail regarding specific restrictions, commitments, and assignments of fund balance.

Personnel/Staffing

The total personnel budget inclusive of wages, payroll taxes and fringe benefits are $171.9M. The 2022 wage component is $120.6M compared to $118M for 2021, an increase of $2.6M or 2.19%. This increase is lower than the trailing 12-month September Employment Cost Index for State and Local Governments (ECI) of 2.4%. But for the decrease in Berks Heim fully funded positions, due to decline in number of residents, the increase would have been 2.4%. We are experiencing higher than normal vacancies due to the tight labor market that has gripped our nation. The dollar impact of the net increase in headcount is offset by lower wage budget for vacant positions, which re-sets to the start rate and midpoint for union positions and management positions, respectively.

Fringe benefits inclusive of pension and health care costs, net of employee contributions, is $40M compared to $42.7M in 2021, a decrease of ($2.7M) or (6%). This is significantly lower than the ECI benefit increase of 2.1%. This is due to favorable medical/Rx claim trend, inflation, higher Rx rebates, and decrease in 2022 estimated pension expense. Pension contribution is estimated at $3.3M, a decrease of $2.4M over the required contribution for 2021. This decrease is due to growth in our pension assets in excess of our growth assumption of 7.5% per year.

Funded, full-time equivalent (FTE) positions have increased by seven positions for a total 2,168 positions. This is primarily for: restoration of funding for a vacant judgeship elected November 2, 2021, staff for economic development and American Rescue Plan grant coordination, information systems DBA, developers, architect, and two new assistant directors for our Departments of Agriculture and Library for succession planning purposes. In 2021 we lowered the funded staffing level for our nursing home due to the steep decline in resident census due to Covid-related safety protocols. The plan was to add back staff in the second half of 2021 commensurate with anticipated increase in resident census. Unfortunately, the Covid Delta spike suppressed our resident census growth. The plan was to be at 364 beds by December 31, 2021. We are currently at 308 beds. As a result of the persistence of the Covid virus, we have tempered our census growth expectations and re-aligned our staff levels to add back fully funded positions over the course of 2022 as resident census builds. Should resident census build more quickly than anticipated, we will add back these positions sooner than planned.

Change in Full-Time Equivalent Headcount

Status	2022	2021	Inc (Dec)	Explanation
Full Time	2012	2013	(1)	**Zero Fund/Eliminate:** BH 17 LPN/RN/Nurse Assist./Maint../Beautician, 1 Library Outreach Svc Coordinator, 1 DA Outreach Edu.Coordinator, 1 DRO Conference Officer, 2 Jail Deputy Warden Operations, Data Entry Clerk, **Added:** 1 Agland Assist. Director, 8 BH Dietary & Environmental Aides, 3 Commissioners Economic Dev. & Grant Coordinators, Admin. Assist., 2 Library Deputy Administrator, Assist. Catalogue, 3 Courts New Judge Judicial Staff, 1 Facilities Electrician, 2 IS SQL DBA, Systems Architect, 1 Park Assist. Park Ranger Supervisor.
Part Time	156	148	8	**Zero Fund/Eliminate:** 4 BH Dietary Aide/ Laundry Operator/ Nurse Assist./Activity Therapist, .5 Library Assist., .5 E&T Clerk, **Added:** 11.5 BH RN/LPN/Nurse Assist./Office Support, 1 IS Developer, Implement Specialist, .5 DA Outreach Edu. Coordinator.
Total	2168	2161	7	

Jail

The 2022 net cost of operations, inclusive of its reentry program, is $44.6M, a decrease of $0.8M, compared to 2021 of $45.4M. This decrease is primarily attributable to a reduction in fringe benefit costs and capital offset partially by a decrease in revenue. The reduction in revenue is due to a lower daily population assumption of 875 versus 950 for 2021 resulting in lower inmate fees. The fringe benefit reduction is primarily due to lower pension costs and to a lesser extent health benefits costs for management employees.

Children and Youth Services

The required county contribution for CYS in 2022 is $6.6M compared to $6.6M in 2021. The county match remains flat primarily due to lower fringe benefit costs, as described in the personnel section, a lower number of children in placement settings and a more favorable mix of funding sources that require a lower match like Family First services.

Berks Heim

The 2022 net income is projected at $1.2M, an increase of $2.7M compared to 2021 budget net loss of ($1.4M). This increase is due to increases in: Access to Care payments (IGT and MDOI) $1.4M, resident bed and therapy revenue $0.6M and lower pension and benefit costs $0.7M. The increase in wages and payroll taxes is $0.3M. See the Personnel/Staffing section for additional discussion of wage growth trend. We anticipate the volume of residents will start at 310 and grow to 364 residents by year-end. The 2021 budget was based upon the same census, but due to the Covid Delta wave we have languished at 305 to 310. We are hopeful the Covid cases will continue the recent decline and we can increase resident census going into 2022. We do not expect a return to the normal census of 404 residents until July 2023. We have applied for an additional HHS Covid grant but have not yet been approved. Therefore, no new Covid grants are included in the 2022 budget at this time.

We will once again participate in the State Inter-Governmental Transfer program (IGT). Pursuant to the IGT agreement with the State, the County General Fund will contribute $9.4M to the State, and in return Berks Heim will receive $15.1M in additional Access to Care Medicaid funds. Berks Heim will contribute $9.4M to the General Fund as a net asset transfer. The net income benefit is $5.8M, approximately $1M higher than our 2021 budget.

Capital Program

The 2022 Capital Expenditure Plan is $11.7M, which is ($6M) lower than 2021 of $17.7M. The projects are funded by restricted/special revenue fund balances and grants of $4.7M, and General Fund reserves of $7M. Highlights of the 2022 plan are as follows:

2022 Summary Capital Plan (Millions)			
County Bridges	$2.4	Prison infrastructure	$1.3
Facility Upgrades	$2.1	Park infrastructure	$0.8
IS Hardware Software Upgrades	$2.4	Nursing Home Equipment	$0.6
Ag Land Preservation	$1.0	Other Equipment/Upgrades	$1.1
		Total Capital	**$11.7**

This plan includes carryover of $5.1M of projects authorized in the 2021 budget that will not be completed due to a myriad of factors including: Covid induced supply chain impact

on availability of materials, staff turnover, and labor shortages. These include costs for facility lighting control system, prison conduit replacement, courthouse door replacements, two bridge renovations and software upgrades. This saved General Fund dollars in 2021 that will be used in 2022.

Agricultural Land Preservation
The County will continue its commitment to farmland preservation in the amount of $1M per year to leverage federal and state funds for new easement acquisitions.

Library System Support
The county will contribute $3.6M in General Fund tax dollars to the countywide public library system, which maintains our contractual commitment of $0.9M to the Reading Public Library. This represents an increase of $0.1M over 2021.

Sponsorship Agreements
The County will continue its support and/or sponsor commitments with General Fund tax dollars as follows:

- RACC – $3.25M education operating stipend. In addition, the Berks County Redevelopment Authority will provide funding of $600K for 2022 capital projects.
- Economic Development-$891K for personnel, business outreach & GRCA($500K).
- SCTA/BARTA – County will increase its funding by 5% to $441K as required to maximize state funding.

Closing Remarks

The budget is presented today as the first step in the public review process. The Proposed Budget will be available for public inspection on the county website, in the County Commissioners' Office, and in the Office of Budget and Finance. Final adoption of the budget is scheduled for Thursday, December 16, 2021.

Respectfully Submitted,

Robert J. Patrizio, Chief Financial Officer
Date: November 18, 2021