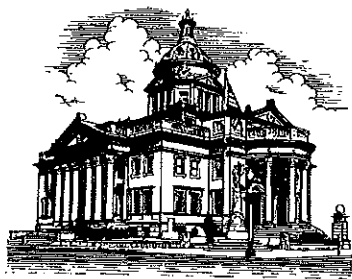


SOMERSET COUNTY COMMISSIONERS

300 North Center Avenue, Suite 500 • Somerset, PA 15501

(814) 445-1400 • (814) 445-7991 Fax

www.co.somerset.pa.us



Gerald Walker, Chair
James T. Yoder, Vice Chair
John P. Vatauvuk, Secretary

November 22, 2017

Dear Somerset County Resident,

The Somerset County Board of Commissioners presents this narrative overview of the County's 2018 Budget. Throughout this year's budget process, the County faced challenges as a result of economic factors impacting both expenses and revenue.

By law, the County must pass a balanced budget by December 31st. The budget reflects a 1% increase over 2017's spending plan. The Commissioners' have trimmed the budget over the last several years. However, acknowledging the impact the economic downturn has had personally on many of our County residents, the Board of Commissioners opted to use County's reserves and will not consider a tax increase for 2018. The 2018 County Budget will be balanced with the use of \$2.3 million of the County's general fund.

As discussed below, the financial burden of operating the various programs has placed unprecedented demand on the County's general fund. Many of the programs are mandated by the state or federal government. However, state and federal support received by the County continues to be stagnant.

Additionally, financial projections from the State of Pennsylvania continue to be austere. With heavy reliance on state reserves and federal dollars to balance prior years' state budgets, and looming costs on the horizon for transportation and pension obligations, counties across the state are bracing for difficult years to come.

The following summary is presented to give our residents a clear understanding of the challenges facing Somerset County government as we move into 2018. This information is also available on the County's website – www.co.somerset.pa.us.

Very truly yours,

Somerset County Board of Commissioners

A handwritten signature in cursive script, appearing to read "Gerald Walker", written over a horizontal line.

Gerald Walker, Chair

A handwritten signature in cursive script, appearing to read "James T. Yoder", written over a horizontal line.

James T. Yoder, Vice Chair

A handwritten signature in cursive script, appearing to read "John P. Vatauvuk", written over a horizontal line.

John P. Vatauvuk, Secretary

2018 County of Somerset Budget

The 2018 budget totals \$45,495,052 representing a 4% increase over 2017. After eliminating capital projects, the 2018 core operating budget represents a 1.0% increase over 2017. The following countywide summary identifies the major cost categories and the source of funds to balance the budget.

2018 County of Somerset Budget Budget Summary

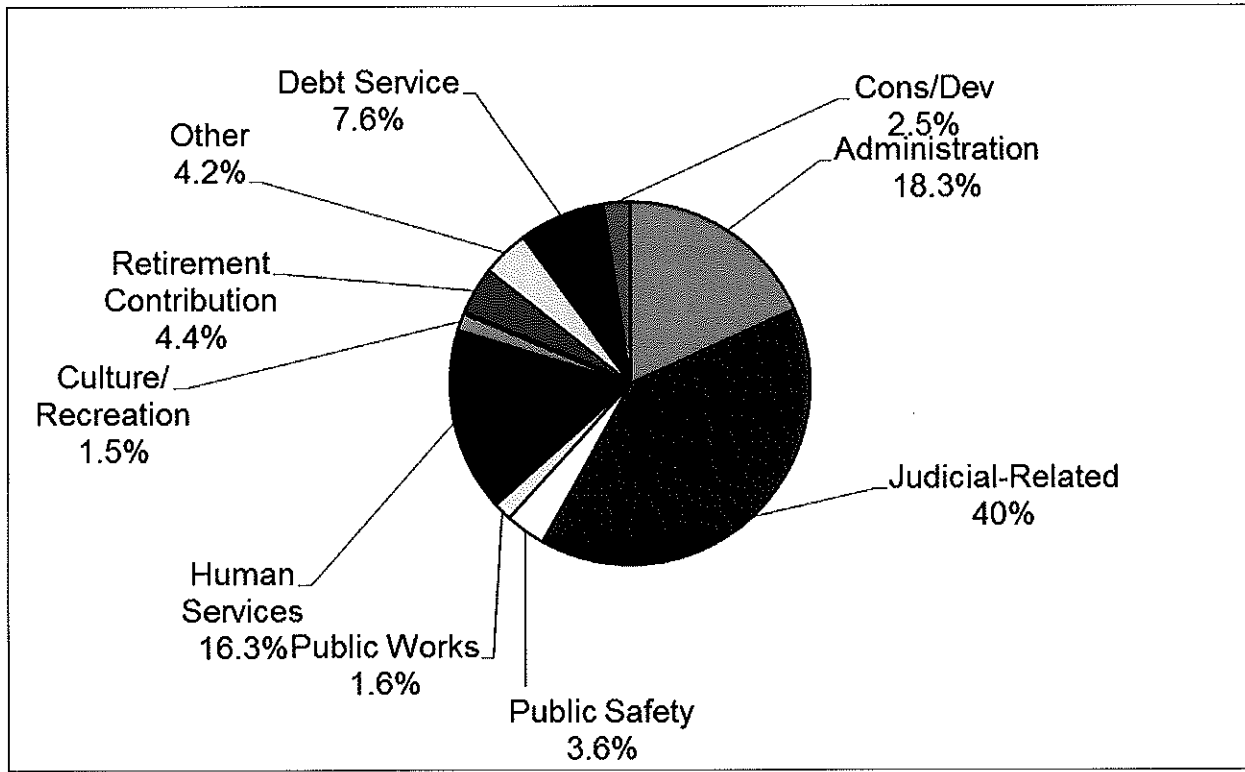
Total - Countywide

Expenditures	2018 Approved
Personal Services	\$14,157,033
Benefits	5,065,540
Travel	263,985
Contractual Services	13,386,634
Materials & Supplies	1,410,621
Capital Outlay	207,627
Grants/Pass Through	3,857,263
Debt Service	3,467,161
Retirement Contribution	2,000,000
Que Water System Support	1,053,561
Miscellaneous	(244,478)
Refunds/Reimbursements	870,105
Total Expenditures	\$45,495,052

Source of Funds	2018 Approved
Non-GF Tax	\$3,800,884
Intergovernmental	18,883,625
Departmental	2,679,849
General Fund Revenue	19,782,416
Other Fund Balances	348,278
Total Source of Funds	\$45,495,052

Use of Funds

To better understand how the budget is used, the following graph is presented by major function of the County.



By the Numbers:

Administration	\$8,333,063
Judicial-Related	18,130,347
Public Safety	1,631,033
Public Works	743,963
Human Services	7,455,610
Culture/Recreation	708,051
Retirement Contribution	2,000,000
Other	1,912,058
Debt Service	3,467,161
Cons/Dev	1,113,765
Total Budget	\$45,495,052

The primary departments/budget components within each category are listed below:

Administration - Commissioners' Office, Fiscal, HR, Planning, Recorder of Deeds, Assessment, Treasurer, Tax Claim, County Auditors, Elections, Maintenance, IT, Public Defender, Solicitor, Microfilm, Central Purchasing, General Services

Judicial-Related – Court Administration, Magisterial District Justices, District Attorney, Sheriff, Clerk of Courts, Prothonotary, Register of Wills, Probation, Day Reporting Center, Child Placement, Jail, Child Custody/Visitation, Coroner, Child Advocacy

Public Safety – Emergency Management, 911 Operations, Hazardous Materials Program

Public Works – Capital Construction, Airport, Liquid Fuels, Recycling

Human Services – CYS, Area Agency on Aging, Drug and Alcohol, MH/MR, Transportation, Veterans' Services, Independent Living, HSDF, other Human Service programs

Culture/Recreation – Somerset Lake, Library, Trail Maintenance, Trail Capital Projects

Retirement Contribution – Required by the County Pension Law

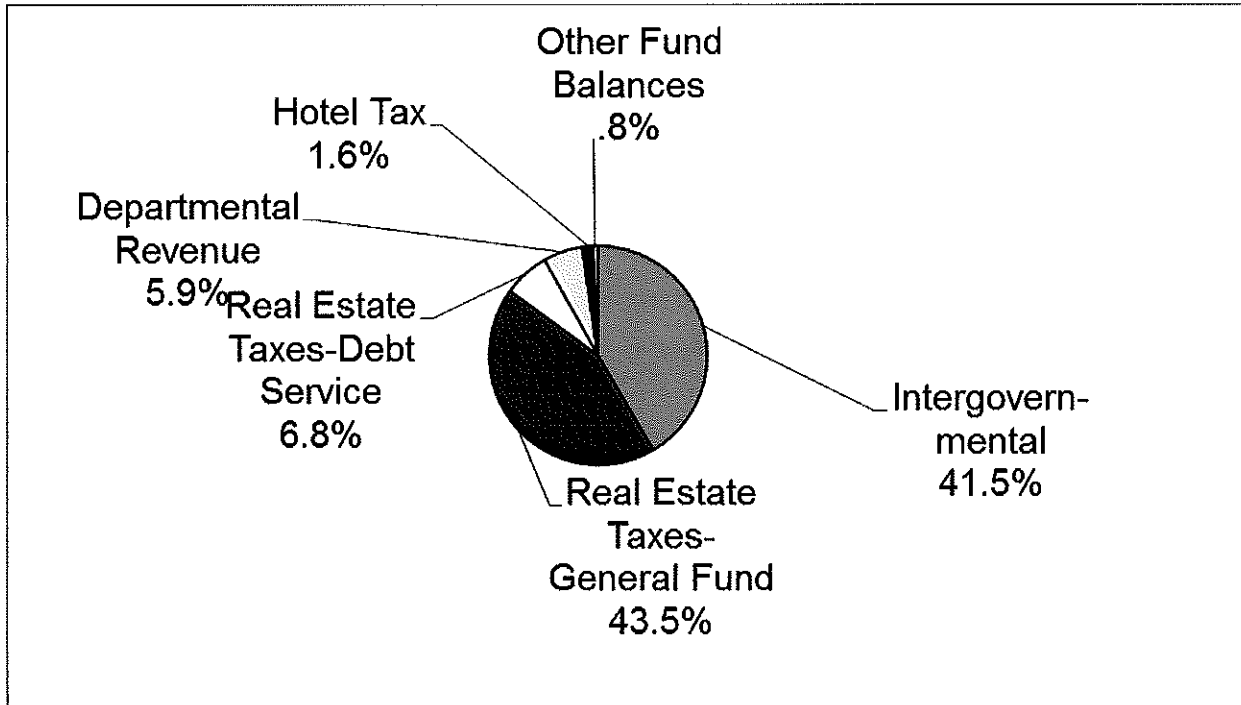
Other – Insurance, County Grants, Que Water System support, and CSA support

Debt Service – Bond principal and interest payments

Conservation/Development – Conservation District and Hotel Tax Program

Source of Funds

The sources of funds necessary to meet the budget demand are presented in the next chart.



By the Numbers:

Intergovernmental	\$18,883,625
Real Estate Taxes-General Fund	19,782,416
Real Estate Taxes-Debt Service	3,085,884
Departmental Revenue	2,679,849
Hotel Tax	715,000
Other Fund Balances	348,278
Total Budget	\$45,495,052

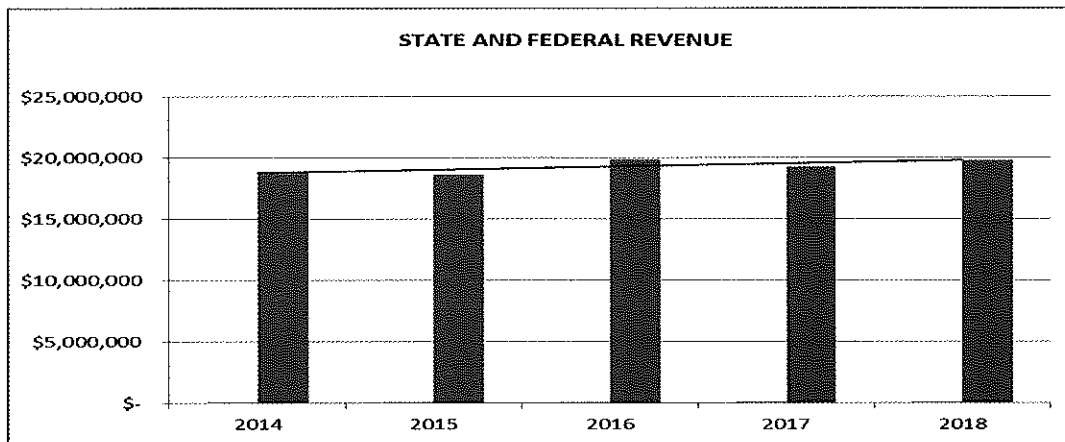
Historical View of the Source of Funds

To better understand the dynamics impacting the 2017 budget, a further analysis of the historical trends in certain categories is necessary. For the purpose of showing core operations in this portion of the narrative, major capital improvement projects have been removed for consistency.

Intergovernmental Revenue

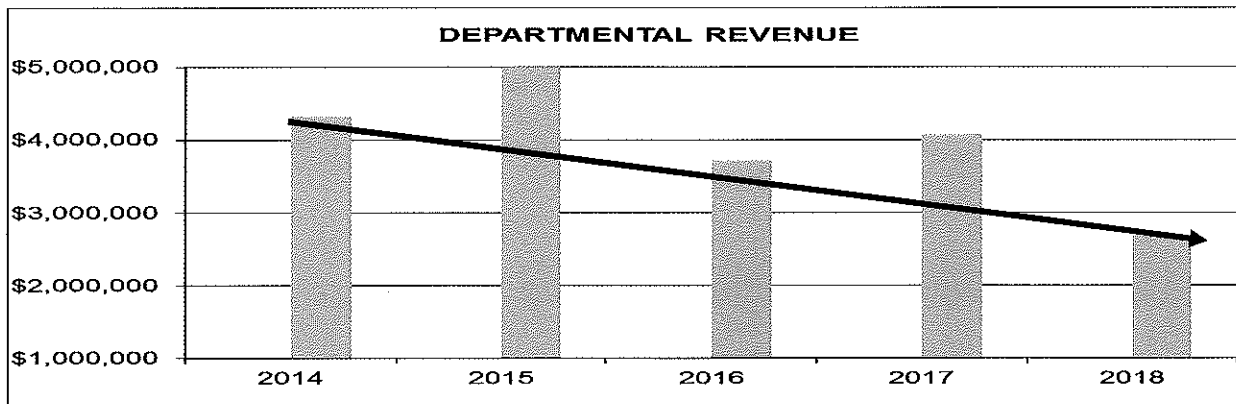
The second largest source of funds in the budget is intergovernmental revenue (state and federal funds).

The chart shows state and federal funding has fluctuated over the last several years, the additional support received is specific to new grant programs and not additional support to operate current programs. The continuing fiscal crisis at the Federal and State level provides a grim outlook for county governments state-wide. On-going state deficits will likely mean status quo, at best, or decrease in support to county provided mandated services. Court-related services provided by the County continue to be the major draw on local tax dollars.



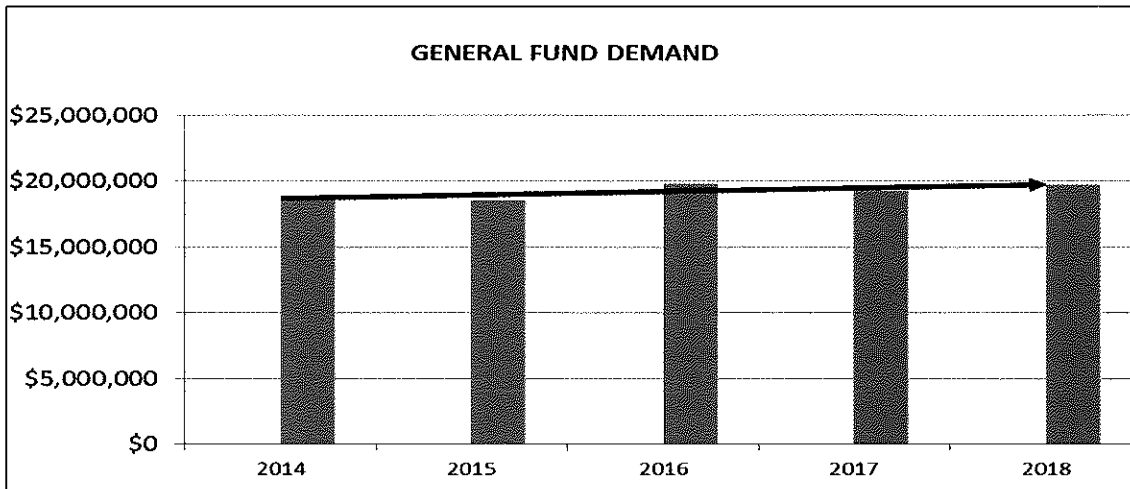
Departmental Revenue

Another source of funds for the County is over-the-counter receipts from copy fees to the collection of court-ordered cost recovery. Many of these fees are set by law or the courts. PEMA phone receipts are now classified as State revenue. As a result, the following chart shows a decrease to the trend line over the years.



General Fund Demand

As a result of the state and federal funding and the decreased trend of departmental revenue, the budget places an ever-increasing demand on the County General Fund. The vast majority of revenue to the General Fund comes from the collection of real estate taxes. The next chart shows the increasing demand on General Fund dollars.



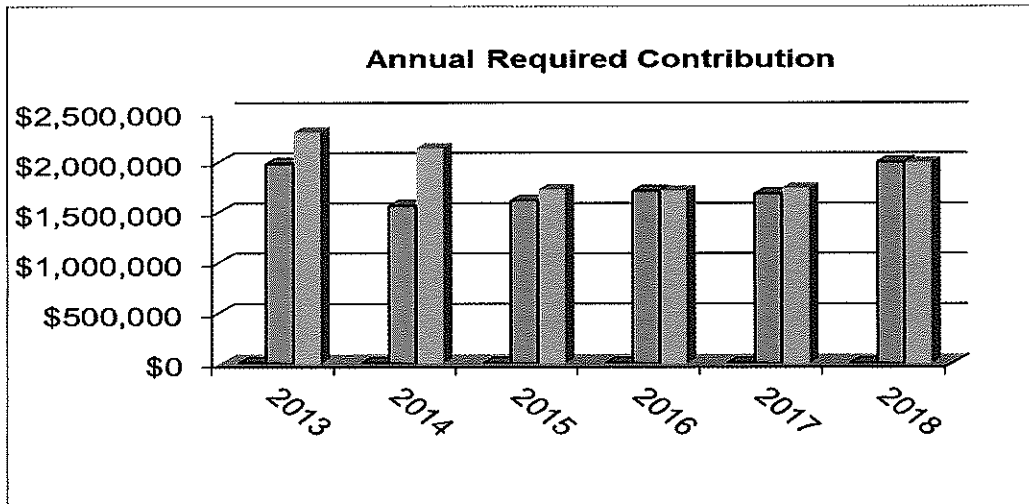
The following budget components make up the top ten General Fund dependent departments. The total represents 67% of total General Fund dependency.

TOP 10 GENERAL FUND DEPENDENT DEPARTMENTS

DEPARTMENT	2017 Gen. Fund Support
County Jail	\$3,277,586
Retirement	2,000,000
Maintenance	1,798,814
Other Uses	1,498,034
CYS	1,274,024
Adult Probation	963,346
Court Administration	727,277
District Attorney	674,673
Tax Assessment	642,829
Juvenile Probation	486,551
Total Top 10	\$13,343,134

The Other Uses category represents approximately \$1.0 million in support of the Quemahoning Water System. Future expansion of the system, in time, will reduce the need for General Fund support. The County's support of the Cambria-Somerset Authority increased to \$331,160 in 2018. Of that amount, \$283,610 represents a loan that will be repaid with anticipated proceeds from CSA projects.

The Annual Required Contribution (ARC) to the County Pension Plan warrants additional explanation. The County Pension Law, Act 96 of 1971, requires counties to maintain a defined benefit pension plan for County employees. Prior to 2002, the County had not been required to make an Annual Contribution to the pension fund. The economic downturn following September 11, 2001 and 2008 has caused substantial decline in the County pension fund investments requiring General Fund contributions. The following chart shows these General Fund contributions since 2013. With the payment of the 2017 ARC, the County will have contributed \$21,780,093 in General Fund dollars.

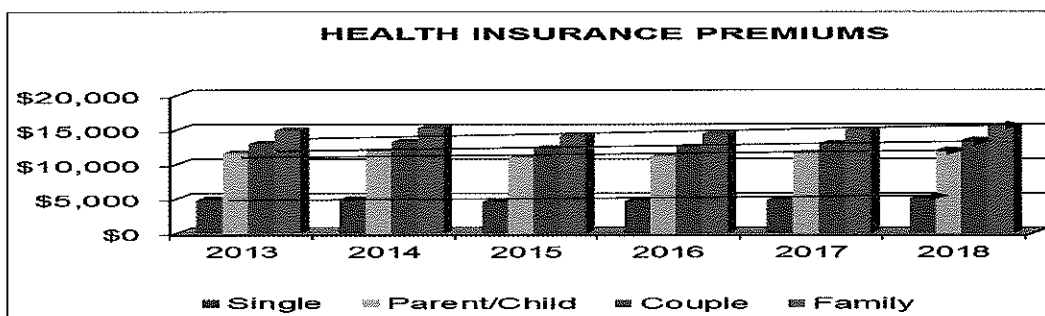


Within the budget, the largest cost to the County is personnel. There are currently 338 full-time and 124 part-time (including tax collectors) individuals employed by the County. Salary and benefit costs total \$19,222,573 in the 2018 budget. This represents 42% of the core operating budget.

Much of the personnel costs are driven by collective bargaining agreements. In 2016, the County negotiated two agreements with two different unions. In 2015, the County negotiated one agreement with one group. Currently, 28 employees are represented by the Somerset County Court Association of Professional Employees (SCAPE); 38 by the United Mine Workers of America (UMWA-Jail); and 183 by the American Federation of State, County and Municipal Employees (AFSCME). There are 213 elected and non-union County employees (including tax collectors).

In recent history, the elected officials, department heads and staff have been asked to do more with less. To their credit, they have responded very well.

Another major employee benefit expense to the County is health insurance. The chart below shows the coverage and premiums paid by the County. From 2013 to 2018 premiums have increased 4%. Future negotiations with all unions continue to look for ways to slow the growth of the health care costs to the County.



Conclusion

This budget plan is the County's starting point in our ongoing budget process. Throughout the year, the Commissioners' Office and the Fiscal Department will continue to work closely with the County's elected officials, department heads, and employees to assess the levels and method of service provision to the residents of Somerset County. Difficult decisions will be made in 2018 to address the operation of County government with a clear focus on our core responsibilities. Our challenge will be to minimize the impact on County funds currently budgeted while maintaining critical services to the residents of Somerset County.