COUNTY OF CHESTER
OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III
Controller

CHESTER COUNTY BUDGET HEARING
Presentation of County Controller Val DiGiorgio
November 14, 2008

I would like to thank the Commissioners for the opportunity to speak at this budget hearing. I also thank the commissioners for continuing to give Chester County citizens the opportunity to be heard on these important matters. The financial position of county government and its effect on families, businesses and other taxpayers should be discussed in a public forum such as this.

I have approached my duties as County Controller as an advocate for taxpayers and a guardian of their hard-earned money. With this responsibility in mind, I respectfully approach the Board of Commissioners this evening.

As the County's chief fiscal officer responsible for paying our bills, maintaining our accounting systems and auditing our departments, I am acutely aware of the financial challenges facing County government. Financial pressures resulting from falling tax revenues, declining financial markets, the costs of operating new governmental facilities, paying debt service on bond issues for important capital programs and open space initiatives, and other factors mentioned here this evening, have created extraordinary challenges for our government.

Over the past few years, our commissioners have strived to hold the line on property taxes and ensure fiscal responsibility. Most notably, our recently instituted early retirement program and efforts to achieve a AAA bond rating (one of only 47 counties in the entire nation to have achieved this status), for which I specifically laud Commissioner Aichele, have helped achieve fiscal soundness.

In the beginning of this year, we were warned that a tax increase of over 10% may be needed to balance our books. To their credit, our County Commissioners rolled up their sleeves and found ways to reduce that tax increase by over half. A very good start; but I believe we can do more. In fact, we must do more.

I come before you tonight to add, in a positive manner, to the debate on our financial situation by making some specific recommendations for filling our financial hole and slowing the growth of our expenditures. Specifically, we should consider:

1. Pocopson Home – The time has come for us to seriously review our operations at this important County-run facility, which costs over $3 million, net, annually. In the past, some have called for the sale of this operation. I don't believe we need to go that far. However, by bringing in private management, I believe we can substantially cut our costs so that we can continue to provide these important services to senior citizens in need, but in a way that imposes no financial drain on taxpayers.

2. Employee Raises – The vast majority of the over 2,500 County employees who work for our government do a great job. They deserve to be treated with respect. However, we need to consider whether it is prudent to provide them with a raise of 3.75% while recession-hit Chester County taxpayers will be seeing very little in the way of salary increases in 2009 and, in some cases, may lose their jobs in these hard economic times. We have calculated that eliminating the salary increase, can save Chester County taxpayers approximately $1.1 million. This seems to me to be preferable to wholesale layoffs of county employees, who will find it hard going in the current job markets if we were to institute layoffs. We should also consider reducing overtime expenses.

3. Deferment of Capital Improvement Projects – We should ask whether any of the capital improvement projects can be deferred. I will forbear from making a specific recommendation at this time, as the county is currently undergoing reviews of its capital project needs and a strategic plan review. One question that comes to mind is whether we should defer the purchase of agricultural easements and township grants for municipal parks, spray irrigation, community revitalization, and municipal planning (Vision Partnership grants). The debt service from funding these types of initiatives costs taxpayers millions of dollars per year and will increase by an additional $1 million next year. In these difficult economic times, we should consider temporarily reducing our commitment to this program, for 2009 only. The amount by which we reduce this program should be determined only after we discuss this with the public and the various stakeholders. But clearly, in a year when severely burdened families will have trouble making ends meet and employers are considering reducing staff, we must prioritize and reduce the burden caused by government expenses and higher taxes.

4. Hiring Freeze/No New Positions – Except for replacing staff for certain court functions and for federally mandated services and essential law enforcement personnel, the County should institute a hiring freeze for 2009.

5. Performance Reviews – Consistent with our statutorily required duty to audit county government, this past year the Office of the Controller began performance reviews. In 2009, we will increase the number of performance reviews. We will review the efficiency, staffing levels and expenditures of the larger county departments in an effort to ensure that there is no duplication of staff functions and that departments are using their county resources wisely and efficiently. This is not meant to impugn our hard working department heads, but rather to provide an objective look at county functions and the deployment of resources. Since I have become Controller, our office has a lower budget, and we are operating with 3 fewer full time employees. We are also performing

functions that we did not perform when I took office. Simply put, our office is doing more with less. All our department heads must be asked to do the same.

5. Mileage Reimbursement – Not including county constables, our County spent over $900,000 last year on mileage reimbursement of county employees. At my request, our chief auditor has reviewed the manner in which County employees are reimbursed for mileage. Soon, we will issue an audit report to the commissioners recommending (1) reorganizing the way county employees take to the road to perform their functions, (2) instituting a policy whereby department heads must evaluate the out of office services of their staff to make sure they are traveling in the most efficient manner, and (3) the county purchase more vehicles for the county fleet. Our analysis shows that the deployment of a larger county fleet as opposed to reimbursing employees for their own mileage will save taxpayers money. We cannot say how much until we meet with the relevant departments to assess their needs. However, from our review of one department, we have determined that an expanded county fleet could save taxpayers as much as $20,000 a year for the first 5 years and nearly doubling in year 6. In total, we project (based on our estimates) that the County could save as much as $170,000 after 7 years for that department alone.

6. P-Card Program – Over the past few years our office has moved to paying vendors and employees on a paperless basis by use of direct deposit, ACH transfers, etc. We believe the next step is to institute a purchase card program with a financial institution whereby vendors will be paid without checks by the financial institution. Using this program, we can earn rebates of as much as $1 million per year. Such a large rebate will not be available the first year, but can be as much as $200,000 in the first year. We are already discussing this with a financial institution.

7. Moratorium on Non-Essential Travel – The County spent more than $229,000 last year to reimburse staff for lodging and travel to various conferences, including conferences in places like Las Vegas and Orlando. All such travel should be halted for 2009. Exceptions can be made for conferences that are absolutely mandatory, such as when law enforcement training is required and there are no other lower-cost and acceptable alternatives. As Controller, I have already issued this directive for my office.

In discussing the foregoing proposals, it is my sincere hope to spur sustained and productive debate about County government and its effect on taxpayers, as opposed to criticizing the fine work the Commissioners have done and will undoubtedly continue to do on behalf of our citizens. The above suggestions are just some of the ways we can increase our efficiency and reduce the burden on taxpayers.

Chester County has been consistently lauded for its good schools, livability and low taxes. Just this year, our county was named by Forbes.com as one of the 10 best places to live in the nation. This is in no small part due to fiscally conservative, republican government that has consistently strived to provide essential government services while holding the line on spending and taxes.

We should stay true to that precedent and the principles of promoting a smaller yet active government - thereby by minimizing the burden on Chester County families and businesses.

This is especially important as government at the federal and state level continue to recklessly increase spending and raise taxes on our citizenry in a time of economic distress. Chester County must be continue to lead the way as shining star dedicated to the promise of a fiscally conservative and financially sound government.

On behalf of the taxpayers of Chester County, I thank you for the opportunity to express these views, and I thank the citizens of Chester County for allowing me to serve them as County Controller.