Lackawanna County
Five-Year Financial Management Plan

January 2025

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Executive Summary

In April 2024, Lackawanna County hired Public Financial Management (PFM) under the Strategic Management Planning (STMP) Program to conduct an "MRI" of County operations and finances. The Pennsylvania Department of Community and Economic Development offers STMP to help county and local governments develop and implement multi-year financial plans and related strategies.

PFM's initial evaluation of Lackawanna County's financial position uncovered two key findings that have shaped all subsequent work, including this plan.

First, Lackawanna County faced a cash crisis in 2024.

The County's General Fund bank accounts had just \$6.1 million at the beginning of 2024, less than half of what the County needs one for one month of operating expenditures. At the same time, the County carried about a month (\$18.5 million) in unpaid bills from 2023 into 2024, around half of which (\$8.9 million) were more than 30 days old.

PFM developed cash flow analysis and projections to help County leaders answer the following questions:

- Does the County have enough cash to make it through 2024?
- If not, how large is the projected short fall?
- When is cash expected to drop to a critical level?

Having enough cash to make it through the year means more than meeting payroll and paying essential bills through December 31st. It includes carrying as few bills as possible into the next year, understanding that there will always be some accounts payable for services rendered late in the year. It also means repaying the Tax Revenue Anticipation Note (or TRAN) that the County issues each year to meet its cash flow needs before real estate tax revenues arrive in the spring. Failing to repay the 2024 TRAN by the end of that year would have prevented the County from getting another TRAN in 2025 and led to an even more acute cash crisis early this year.

The County Commissioners took immediate action after PFM's August presentation to address the short-term cash emergency by instituting a hiring and discretionary spending freeze. PFM continued to monitor the County's cash levels, and they did not improve. The projections showed General Fund cash falling \$11 million short of what was needed to finish 2024.

The County Commissioners authorizing an \$11 million unfunded debt borrowing in late 2024 so the County could repay the 2024 cash flow borrowing in December, secure another cash borrowing for 2025 in January, and sustain County operations. That short-term relief comes at a long-term cost. The County will repay the unfunded debt at a relatively high interest rate for the next 10 years.

The second key finding is that the County's cash crisis was not created overnight.

An imbalanced operating budget, low reserves drawn down over time, and a structural deficit years in the making contributed to the 2024 cash crisis. In addition to taking action to avoid running out of cash in 2024, the County Commissioners had to act during the 2025 budget process to address the structural deficit, or risk facing the same or a worse cash crisis in 2025. So, the County adopted a 2025 operating budget that includes a 33 percent real estate tax increase and reductions in overtime allocations.

As critical as these actions were, County leaders will not be able to fix the structural balance in just one year, just as it did not develop in one year. Getting Lackawanna County onto stronger financial footing will take years of consistent, disciplined action toward stability.

Commissioner William Gaughan aptly described this process as "*turning around a battleship in a bathtub."*

Lackawanna County government is a large organization with more than 1,100 employees and $130 million dollars spent across multiple funds. County governments are much larger than municipal governments, but also more limited in their revenue generating options since they cannot levy income or sales taxes. County governments rely heavily on real estate tax revenues, which are often flat absent tax increases. County governments also provide several state mandated services related to youth and families and criminal justice, so County leaders cannot easily and quickly cut spending in the largest cost centers.

Because of County government's size, complexity, and limitations, the best way to improve financial performance is to do so over multiple years, which is what this plan does. It provides initiatives that the County should enact over the next three to five years to avoid further cash crises, help close budget deficits, and overcome the structural imbalance that the County has faced for years.

Financial Condition Assessment: Multi-million-dollar structural deficit

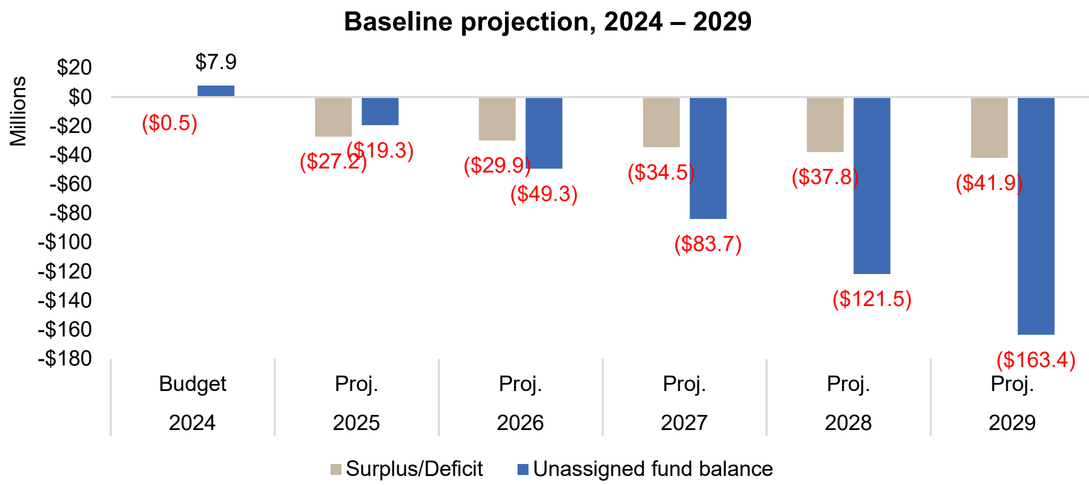
The next chapter evaluates recent performance in the County's General Fund, which is the group of accounts that fund many vital services like those provided by the County Office of Youth and Family Services, Lackawanna County court system, and the Lackawanna County Prison.

The General Fund is the heart of County government's financial circulatory system, and fiscal health is impossible without strong, stable performance in it. The General Fund is central to receiving money and distributing it throughout the organization so dozens of departments can deliver daily services. The General Fund is also the backstop for other funds that should generate enough revenue and other sources of income to sustain themselves but, when that is not the case, the General Fund covers the difference.

PFM's analysis details a trend of recurring General Fund deficits wherein revenues did not meet expenditures for years. External audits show Lackawanna County ended 2019, 2020, and 2022 with General Fund operating deficits and as a result, the County used much of its reserves to sustain operations. Audits show the County's unassigned fund balance – the portion of its reserves that can be used most flexibly – dropping from $19.5 million in 2019 to $14.5 million by the end of 2022. For context, one conservative estimate sets the minimum unassigned fund balance target at $30 million[1].

PFM uses a baseline financial projection to evaluate whether the County has a structural deficit, the magnitude of any anticipated deficits, and key drivers for those results. Lackawanna County's baseline projection showed a large deficit beginning in 2025 ($27.2 million) that grew to $41.9 million by 2029 without any assumed changes to tax rates, fees, headcount, or other corrective actions[2].

[1] Please see the Financial Management chapter for more discussion of minimum reserve levels.
[2] The baseline projection was developed before the 2025 budget process concluded and does not incorporate the impact of the deficit closing actions taken in the adopted 2025 budget.



The $27.2 million projected deficit for 2025 stands in stark contrast to the $0.5 million shortfall in the 2024 adopted budget. Five trends drive that performance:

- ***Trend 1: Loss of short-term deficit closing options***

  The County balanced its 2024 budget using $10.8 million in one-time resources: $5.5 million from debt refinancing proceeds, $3.0 million from American Rescue Plan (ARPA) dollars, and a $2.3 million refund from the County's health insurance provider.

  The baseline does not assume further use of ARPA funding because this analysis is focused on structural stability (recurring revenues and recurring expenditures), and the County cannot continue to rely on ARPA to help close its deficits through the end of 2029. Similarly, we do not assume any future cash influx or use of one-time sources like debt refinancing or health insurance refunds. The result is an immediate $10.8 million revenue shortfall relative to the 2024 budget.

- ***Trend 2: A large pension contribution increase***

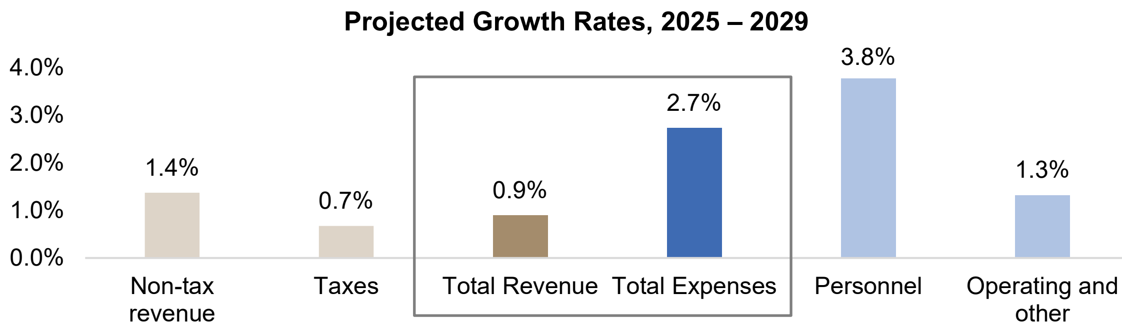
  The actuarially determined contribution (or ADC) is the amount the County should contribute each year to its employee pension plan to pay for current and future benefits under a specific set of assumptions about mortality, investment performance, and other factors. The County has not made its full ADC payment in at least a decade. The baseline projection assumes that the County makes this payment in 2025 (a $7.8 million increase over the 2024 budget) and every year thereafter, though practically the County will need a couple of years to increase its contribution to this level.

- ***Trend 3: Recurring revenues are flat while recurring expenses grow***

  The largest revenue available to support County operations is the real estate tax, and revenues from that tax are projected to remain flat from 2025 through 2029 (growth rate of 0.6 percent annually) without continued increases to the millage rate.[3]

  At the same time, the County's recurring expenses continue to grow. Personnel costs increase by 3.8 percent annually on average and operating expenses like contracts and materials increase with inflation. This structural imbalance grows the projected deficit every year.

[3] Please see the Financial Condition Assessment for discussion of how the current reassessment process impacts County real estate tax revenues. In short, the County will reduce its tax rate to offset increases in the tax base, so the process is eventually revenue neutral for County government.



- ***Trend 4: Health insurance costs drive expenditure growth***

  The County spends most of its General Fund budget on employee compensation While cash compensation accounts for the largest share of those personnel expenditures, the cost of employee health insurance is projected to grow faster on a dollar and percentage basis. From 2025 to 2029, health insurance spending is anticipated to grow from \$25.2 million to \$32.7 million, a total increase of \$7.5 million or 29.8 percent over five years.

- ***Trend 5: Less control over non-tax revenues.***

  At least \$32.3 million of the County's General Fund revenue (or nearly 20.0 percent of the 2024 budget) came from grants or federal and state reimbursements. Unlike real estate taxes where the County can raise or lower the millage rate to support operations, the County has less control over how much revenue these sources generate; when revenues are received; and how they can be used. Those parameters are set by the federal government, Commonwealth government, or other organizations that provide the funding.

Since these trends drive County government's financial performance, they are also the starting point for corrective action. This Plan's analysis and initiatives are organized according to three themes: improving financial management, controlling workforce costs, and improving financial performance in the criminal justice system, which is the County's largest cost center. Initiatives are prioritized so that County leaders can triage which actions are most critical to getting the County onto stronger financial footing, understanding that resources are limited and stability takes time.

Improved financial management supports stability

In one sense, financial imbalance is a mathematical problem. Revenues must equal expenditures and, if they are out of balance, the County has to raise revenue, reduce expenses, or both. However, many governments that struggle with this mathematical problem also struggling with more fundamental processes. The challenges we identified in Lackawanna County include:

- Some information needed to effectively manage the County finances is unclear, inaccurate, or unavailable. This extends to information in the human resources realm, such as which positions are represented by which union.

- Financial processes that involve multiple departments – grants management, interfund transfers, bank account reconciliations – lack coordination and may not be completed on a timely basis.

- The County has inadequate financial and cash reserves, which leads to delays in bill payment, which pushes current obligations into the future, making it difficult to build reserves and perpetuating the cycle. Improving financial management must happen concurrently with balancing revenues against expenditures.

Priority Financial Management Initiatives	
FM01	Add Deputy CFO position in Revenue and Finance
FM02	Continue monitoring and projecting cash levels on a monthly basis
FM03	Adopt a minimum cash balance target and rebuild cash reserves
FM04	Improve budgeting practices
FM05	Continue updating the multi-year financial projection
FM06	Complete monthly bank account reconciliations
FM07	Improve interfund transfer process

The Financial Management chapter provides strategies to improve financial management so the County can achieve ***cash stability*** (enough cash on hand to pay expenses in full when they are due), ***budgetary stability*** (annual revenues are sufficient to cover annual expenses), and ***structural stability*** (recurring revenues are sufficient to cover recurring expenditures).

Some of the recommended strategies simply continue what has helped the County reverse its financial spiral so far – projecting, presenting and discussing the County's cash position throughout the year (initiative FM02); updating the multi-year financial projection to see how much of the structural deficit was closed through the 2025 budget decisions (FM05); and using this multi-year perspective during collective bargaining, debt issuance, and any other processes where the County takes action that will set its revenues or expenditures for multiple years (FM05).

Two new initiatives are crucial for the County to understand and manage its cash position, which we expect will be very tight again in 2025.

The County should reconcile the transactions recorded in New World accounting system against its bank statements on at least a monthly basis and, ideally, twice per month in the General Fund. This will help the County identify transactions that are not entered in both systems (or those that are entered incorrectly), correct the mistakes, and have a coherent, complete statement of its cash position. Reconciliations need to be timely, accurate and available to multiple parties to be meaningful. Reconciliations that occur months late, are incomplete, or are completed in a paper-based format only accessible to a small number of people are less useful. Making progress in this area is one of the Plan's highest priorities (FM06).

The County also needs to improve how it manages and executes interfund transfers. At several points throughout our engagement, County staff or PFM uncovered transfers that were recorded in the New World accounting system without money actually moving, or vice versa. Some transfers occur on a timely basis, and others don't. Some transfers are initiated by the County finance or Treasury staff, and others aren't. County governments have multiple funds, and money frequently moves between them. The County needs to improve consistency and execution in this area (FM07).

Moving from cash to budgetary stability, the County should improve the budget process and the budget document, which is arguably the most important policy decision that the County makes in any year.

PFM identified areas where revenues have been historically overstated or expenditures missed during the budget process, which puts the County in a hole financially before the year begins. Prior to the recent adoption of the digital budget book initiative, the budget document itself was not a useful document for measuring progress or communicating priorities. The Financial Management chapter recommends several improvements in this area (FM04).

Whether it is cash flow reports, budget documents or multi-year financial projections, better information leads to better decisions and better decisions lead to better results.

Better policies also lead to better results.

To that end, in 2024 the County adopted a policy to keep a specified amount of fund balance in reserve. While this is an important step for stability and improving the County's credit rating, the County also needs enough cash – which is different from fund balance – to avoid crises like the one it endured in 2024. The

Financial Management chapter recommends a target minimum cash balance for the County to build towards (FM03).

This section of the Plan has more than a dozen initiatives to improve financial management and several initiatives in other chapters also require the participation of Revenue and Finance. As a whole, the Plan adds more responsibilities to those Finance staff already carry.

Trying to shoehorn these new duties into the daily schedules of existing staff or hoping they will find enough time to advance them is not a good strategy. The County should create and fill a Deputy Chief Financial Officer position and allocate some of the responsibilities to the new employee as soon as practical (initiative FM01).

While the CFO and Commissioners should discuss the specific job description and timing for creating this new position, our recommendation is that the Deputy CFO focus on managing and improving the daily financial processes, such as payroll, bank account reconciliation and accounts payable. Adding capacity would allow the CFO to become less involved in day-to-day process, like reviewing aging invoices and following up with staff to ensure they are paid, and more on managing the budget, overseeing the County's precarious cash position, conducting long-term financial planning, and supporting collective bargaining (see initiatives WF02 and WF04 in the Workforce chapter).

Another benefit of this added capacity is succession planning. Having two senior employees familiar with County government's complicated finances would help the County avoid the problem it has encountered in recent years when several experienced, senior leaders left the County in a short period of time. The County's efforts to rebuild that capacity quickly are necessary and valiant, but they should not be repeated.

Controlling workforce costs

In addition to the financial management initiatives, the County will have to take actions over the next five years that more directly increase revenues *and* reduce expenditures, or at least mitigate the growth in spending.

On the revenue side, Lackawanna County – like nearly all Pennsylvania county governments – is very reliant on the real estate tax. The County is working through a reassessment process that will likely result in a large increase in the tax *base* (assessed value of taxable properties) and a proportional reduction in the tax *rate*. Reassessment improves the fairness and accuracy of the tax system, and is long overdue for Lackawanna County, but it is not a means to generate more revenue. Individual property owners will see changes in their tax bill, but the process should be revenue neutral for County government across all taxpayers.

Once reassessment is complete, the County should plan to make regular, incremental increases to its general purpose real estate tax rate, until and unless the tax base itself grows enough each year to cover inflationary increases in spending (FM12). The County should also invest resources in maintaining its tax database, so tax collection (current and prior year) is as effective and efficient as possible (initiative FM14).

That said, this Plan has more initiatives related to managing spending than it does increasing revenues. The Workforce chapter describes cost control measures for related to the County's spending on employee compensation, which accounts for most of the General Fund budget. The prevalence of personnel spending is not unusual or problematic – County government is labor intensive – but it also means that any effective cost control strategy has to start with personnel.

Priority Workforce Management Initiatives	
WF02	Moderate across-the-board salary and wage increases
WF04	Control total cash compensation growth
WF05	Change health plan offerings and design
WF06	Change employee cost-sharing structure
WF08	Increase County contribution to eventually meet ADC
WF09	Budget on a position-by-position basis

The County's personnel expenditures are the product of two sets of variables – how much the County spends per position (compensation cost control) and how many of each position the County has (position control).

The largest and most obvious form of compensation are the salaries, overtime, holiday pay, and other forms of **cash compensation** paid to employees. County government cannot unilaterally dictate how much cash compensation that it pays to all its employees. Most County employees are represented by a collective bargaining unit, so their wage increases are set through collective bargaining. Acknowledging that limitation, the County's leaders have an opportunity now to set a new, less costly wage pattern that will help close projected deficits and restore financial stability.

That effort started in late 2024 when the Commissioners adopted a 2025 budget with no base wage increase for non-represented employees. That one-year wage freeze does not automatically carry over to the first year of all union contracts, but it does show the severity of the County's financial challenges and the Commissioners' attention to addressing them. The Workforce chapter has a calculation showing how much a one-year wage freeze would close projected budget deficits if it were applied to all employees.

The County is currently negotiating with the Service Employees International Union (SEIU) since its labor agreement expired at the end of 2024. SEIU is the first union to go through negotiations since the severity of the County's financial problems came to light, and it is also the largest union. The County's commitment to cost control during negotiations will be monitored closely by the other unions. Plan initiatives WF02 through WF04 describe our recommended approach for those negotiations.

As noted earlier, **employee health insurance costs** are expected to be one of the County's fastest growing expenditures. Lackawanna County is self-insured for health insurance, so it absorbs the financial risk in years when claims usage is higher. That risk is compounded by Lackawanna County offering relatively high-cost health insurance plans and requiring relatively low employee contributions toward the cost of those plans.

The County's plan offerings are far behind national trends with regards to eliminating high-cost indemnity plans and offering HDHP/SOs. Meanwhile, employees pay less toward the cost of their insurance on a monthly basis (premium contributions) and when they receive care (e.g. copayments, coinsurance) than other employees, including those in the public sector. The County needs to change its plan offerings and its cost sharing structure, and the Plan has a series of initiatives to address this issue (WF05 – WF07).

The story is different for **employee pensions**, where the County needs to spend *more* in the next five years. As noted earlier, the County has not made the full actuarially determined contribution (ADC) to its employee pension plan in years. While Pennsylvania counties are not *required* to make their full ADC each year, not doing so for years has caused Lackawanna County's unfunded liability to skyrocket and future ADCs to increase. That makes it even more difficult for the County to reach the full ADC and flatten the liability growth.

In the 2025 budget, the County increased its pension contribution by $3.8 million, which was not enough to reach the full $11.9 million ADC but nearly doubles the 2024 contribution ($4.1 million). The County will need to gradually build its contribution to the full ADC over the next five years as it prioritizes this need against others (WF08). The County should revisit this issue when the multi-year baseline projection is updated later this year.

Finally, the County needs to improve its position control.

The County budget does not list the individual positions that are funded in each department. Instead, there is one allocation to cover wages for all employees in that department. In some cases, the allocation may not be sufficient to cover the full cost of employees who work there. In other cases, there may be vacancies built into the allocation that can be eliminated. There is not a clear connection between the Senior Roster that the County generally uses to fill vacancies and the budget that funds positions.

Going forward, the County should budget on a position-by-position basis. In a position-specific budget, the County will list the title and quantity of each position in each department along with the position's base salary, its full- or part-time status, and its union status. The sum of salaries across individual positions minus some vacancy allowance (e.g. 5 percent, 10 percent) should equal the salary allocation in the budget. While this will take more time initially, it will increase transparency, improve accuracy, and create one central list for position control (Initiative WF09).

Criminal justice operational review

The County's criminal justice system accounts for nearly one half of all General Fund expenditures (46 percent in 2024 budget) and, as of January 2024, two thirds of all County General Fund employees. Criminal justice spending has grown faster than the rest of the General Fund (3.8 percent versus 1.4 percent) while the revenues generated by that system (mostly grants and reimbursements) have stagnated.

Flat revenues combined with growing expenditures means the criminal justice system is becoming increasingly dependent on already-strained General Fund revenues, primarily the real estate tax. And while the criminal justice system cannot be evaluated in purely financial terms, it is also too large to be exempt from cost control efforts.

The final Plan chapter reviews four parts of this system – the District Attorney's Office; the Sheriff's Office; the Lackawanna County Prison; and alternatives to incarceration.

Priority Criminal Justice Initiatives	
CJ01	Evaluate grants for cost recovery and operational impact
CJ02	Increase investment in ADA salaries
CJ06	Align schedules with workload and available staff resources
CJ08	Update the Prison's post-based staffing plan
CJ11	Re-tool existing positions to proactively manage population growth
CJ12	Increase strategic coordination on criminal justice system initiatives
CJ13	Increase use of alternatives to incarceration

The **District Attorney's Office** is another area where the County should plan to spend more over the next five years, at least in terms of employee salaries. The District Attorney spoke very directly about recruitment and retention problems associated with the salaries paid to his Assistant District Attorneys (ADAs), which he noted are lower than neighboring counties and, in some cases, lower than the salaries paid to administrative assistants in the same office.

PFM's analysis confirmed both claims and we recommend the County increase ADA and Deputy DA salaries to bring compensation in line with salaries for comparable full-time employees in the Public Defenders' Office and neighboring counties. The Salary Board should review salaries of all attorneys in the Office and make additional adjustments as needed to prevent pay compression (CJ02).

While the County should pay its full-time ADAs and Deputy DAs more, the District Attorney's Office should also consider reinstating a policy that allows attorneys there to retain outside employment or private law practices within acceptable bounds, which the Public Defender's Office has successfully done to build capacity. If it is a priority to provide equitable compensation for equivalent positions in the District Attorney and Public Defender's Offices, then it is reasonable to also have equity in terms of the conditions under which employees can work part-time or in private practice (CJ03).

On the revenue side, the District Attorney's Office has been very successful in securing grants to support critical services that help the region's law enforcement agencies respond to and prevent crimes and support victim services. On the whole, the Office's success securing grants is a major boon to the County government and Lackawanna residents, financially and operationally.

That said, grant-funded programs are not "free money," as they are sometimes described by people unfamiliar with the program requirements. Most grants do not cover the full cost of providing the service they support. Beyond these cost recovery considerations, if the County receives a grant to fund a new service and then chooses to continue providing that service after the grant expires, the net financial result is a long-term cost. We offer recommendations related to grants management that are presented within the context of the DA Office and should be applied more broadly (CJ01).

The primary focus for the **Sheriff's Office** analysis is its use of overtime, which accounts for nearly 20 percent of the Office's personnel costs at $1.5 million. The 2025 budget only allocates $700,000 for sheriffs' overtime, assuming a more than 50 percent reduction. To achieve those savings, the County must take deliberate action – they will not happen naturally through a more fortunate set of circumstances.

We identify opportunities to reduce overtime by changing scheduling and using part-time deputies more, which can be implemented outside of collective bargaining. Most notably, the Sheriff's Office should change the shift schedule so that recurring security posts are staffed on straight time on the weekend instead of using overtime (CJ06). The Office should also schedule its part-time deputies to work regularly scheduled shifts, instead of deploying them only when full-time deputies decline to offers to work on overtime.

If these changes lead to a disproportional increase in sick leave usage, especially on the weekends, the County should respond by enforcing policies designed to prevent sick leave abuse. As a general rule, the County should not pay employees to work overtime for regularly scheduled shifts because they are afraid the employees will not otherwise report for duty (CJ07).

Overtime is also a major cost driver at the **Lackawanna County Prison (LCP).** Prison staff accounts for about 20 percent of the County's full-time employees, and the prison has the highest departmental overtime budget. The County's 2025 budget calls for a $1.1 million decrease (30.3 percent) in LCP overtime spending. As noted above for the Sheriff's Office, this decrease will not be possible without targeted action.

One of the primary causes for prison overtime is the mismatch between the LCP's post-based staffing plan (which describes how many corrections officers should be scheduled for the 24-7 operation) and the actual staffing schedule. During the month we evaluated, the staffing plan called for about 31 more corrections officers than the LCP scheduled, which resulted in overtime. The prison could attempt to hire more corrections officers, but new full-time positions carry health insurance costs (which grow quickly) and pension costs (which will grow quickly if the County makes its full contribution).

To provide adequate staffing at an affordable cost, the County needs to manage the following variables:

- Number of posts needed to operate the prison
- Number of full-time and part-time officers available to fill those posts
- Amount of leave usage
- Frequency/length of additional duties that occur outside of regularly scheduled posts

The first variable – reducing the number of posts needed to operate the prison – is the one with the most potential to reduce County spending, and those savings could exceed $1 million a year. Achieving that level of savings would require the County to reduce its prison population enough to close one of the prison wings, and that will not be easy.

In 2022, Lackawanna County's in-house incarceration rate was 250 inmates per 100,000 residents[4]. That was the second highest incarceration rate of comparable counties and far exceeded the incarceration rate for that peer group (163 per 100,000 residents).

Incarcerating individuals is costly since it puts the County in the position of being a food and medical service provider in a secure residential facility. While financial results should not be the sole or perhaps even the primary lens through which the County thinks about its prison population, the financial costs associated with a large and growing incarcerated population also cannot be dismissed.

The Plan has three initiatives related to reducing the prison population, including one that quantifies the financial benefits of effectively using alternatives to incarceration (CJ13). The County already has several programs in place for this purpose, and it needs a coordinated strategic approach to using them more effectively (CJ12).

Moving toward stability

Lackawanna County government finances have been out of balance for years. Repeatedly using one-time revenues or cash reserves to cover operating deficits led to the 2024 cash crisis and precipitated the large, painful real estate tax increase in the 2025 budget.

The County has taken difficult, but necessary, steps to course correct, and it needs to keep moving in that direction because the margin for error is small.

The 2025 budget effectively balances to zero with a positive projected result of $1,131, which is 0.001 percent of the $167 million operating budget. The County will not carry a large amount of cash into 2025, and it will carry some bills from late 2024 into the new year as a normal course of operations.

It will take time for the County to get on stable financial footing – first from a cash perspective, then in its budget and finally in its multi-year projections – and this plan lays out the necessary, next steps in that process.

[4] In-house incarceration excludes US Marshall Service detainees and outboard inmates on house arrest or detained elsewhere.

Financial Condition Assessment

In April 2024, the County hired PFM under the Strategic Management Planning Program (STMP) to conduct an "MRI" of County operations and finances. This first chapter of Lackawanna's multi-year financial plan provides an in-depth evaluation of County finances. It reviews recent financial performance and then projects future performance in a baseline scenario. The baseline projection is a diagnostic tool to help County leaders and residents answer three key questions:

- Are the County's recurring revenues sufficient to cover recurring expenditures?
- Are there any projected deficits or surpluses in the baseline and, if so, how much are they expected to grow absent corrective action?
- What are the key revenue and expenditure trends that drive the County's financial performance?

This baseline projection uses a combination of historical performance trends, the 2024 budget, departmental input, and industry projections to forecast the County's results from 2025 to 2029. In cases where the 2024 budget does not align with historical performance, we adjust the baseline accordingly beginning in 2025.[1]

Analysis presented in this chapter focuses on the County's General Fund, which supports many of the County's essential functions like its Prison, Office of Youth and Family Services (OYFS), and Courts. In prior years, General Fund has also served as a passthrough for real estate tax revenue to a separate fund out of which the County pays for its debt (Debt Service Fund).

Recent historical performance

In September 2023, S&P Global Ratings lowered the underlying rating on the County's general obligation debt from A- to BBB+ with a negative outlook, citing structural imbalance, weak budgetary performance, and continued reliance on use of fund balance and one-time measures to balance its budget. PFM's analysis of the County's recent financial performance concurs with these findings.

From 2019 through 2023, the County's General Fund revenue increased by 2.7 percent annually, but most of that growth occurred when the County increased its real estate tax in 2020. Following that tax increase, County revenues grew by just 1.9 percent a year and tax revenues – which account for most of the budget and have the most flexibility for spending – grew by 0.5 percent per year.

Meanwhile, the County's expenditures, like personnel costs, grew by 2.5 percent per year from 2019 through 2023. While total expenditures grew a little less than total revenues, recurring costs for employee salaries and benefits grew at much faster rates than real estate tax revenues available to fund them.

Total General Fund Revenues and Expenditures, 2019 – 2023

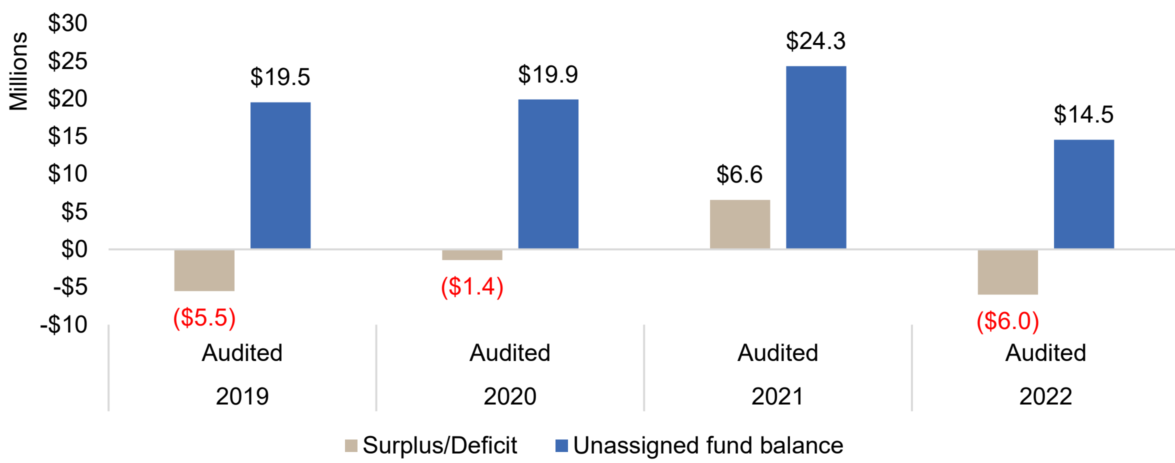
	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2019 - 23 CAGR
Total Taxes	$84.7	$94.3	$96.6	$97.0	$95.6	3.1%
Human Services	$16.0	$18.5	$15.4	$20.8	$21.2	7.2%
Corrections	$11.0	$7.4	$7.9	$11.3	$8.7	-5.8%
Other Departmental	$10.5	$9.3	$10.5	$11.1	$13.5	6.4%
Other Revenue	$7.4	$6.9	$7.1	$3.8	$5.2	-8.8%

[1] This analysis was completed and presented to the County prior to the release of the 2025 budget in Fall 2024. The 2025 baseline projection will not match the County's 2025 budget, so the baseline should be updated in early 2025 to incorporate that new set of numbers.

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2019 - 23 CAGR
Total Revenue	**$129.7**	**$136.3**	**$137.5**	**$144.0**	**$144.1**	**2.7%**
Cash compensation	$48.6	$47.7	$49.8	$51.9	$54.1	2.7%
Health insurance	$18.0	$15.9	$17.6	$21.9	$21.8	4.8%
Pension	$0.8	$4.5	$4.4	$3.9	$3.9	48.5%
Other personnel	$4.3	$4.1	$4.3	$4.6	$4.8	2.7%
Operating expenses	$28.7	$36.7	$31.9	$34.0	$37.1	6.6%
Other expenses	$35.8	$28.5	$29.6	$29.4	$28.7	-5.4%
Total Expenditures	**$136.2**	**$137.4**	**$137.6**	**$145.6**	**$150.3**	**2.5%**

Audited results show Lackawanna County ended 2019, 2020, and 2022 with operating deficits in its General Fund. As a results of these deficits, the County's used much of its fund balance reserves to subsidize County operations – audits show the County's unassigned fund balance levels in the General Fund declined from $19.5 million in 2019 to $14.5 million by the end of 2022 (an average annual decline of 9.3 percent from 2019 through 2022).

Surplus/deficits and unassigned fund balance, 2019 – 2022 audited



Preliminary results show the County ended 2023 with another deficit of $6.2 million, and the County's bank accounts show that the County would carry just $6.1 million of cash into 2024. **The County's past financial performance indicates structural imbalance, meaning revenues are insufficient to cover expenditures on a recurring basis.**

2024 cash flow crisis

Lackawanna County entered 2024 with just $6.1 million in its General Fund bank accounts,[2] less than half of its average monthly operating expense or around three payroll runs.[3] At the same time, the County had $18.5 million in outstanding unpaid bills that the County carried over from 2023 due to low cash levels that year – around half of which ($8.9 million) were more than 30 days old. This meant that the County would essentially have to pay for 13 months of operating expenses when it had just 12 months of revenues and very little fund balance to draw from – the County began 2024 fundamentally out of balance from a cash perspective.

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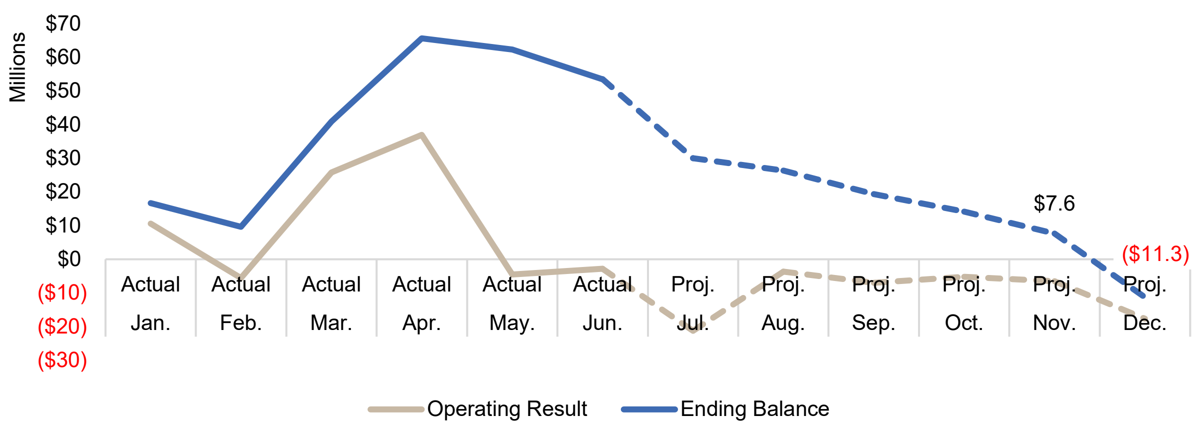
[2] Our cash flow analysis includes all bank accounts that support General Fund functions.

[3] According to cash results produced by the County through September, the average payroll including just salaries and wages (no overtime,) is around $2.0 million. Estimated monthly expenditures from the General Fund is approximately $15 million.

In addition to reviewing and projecting County financial results on a multi-year basis, the "MRI" of County finances included a review of the County's cash position to determine whether the County would have enough cash on hand to maintain daily operations like paying employees' salaries and benefits; paying bills to vendors, including those carried over from 2023; and fully repaying the $15 million cash flow loan due at the end of the year.

PFM developed a cash flow model that projects the County's current cash levels through the end of the year. Using five years of historical data, the model anticipates how much revenue the County will collect and how much it will spend each month on a cash basis.[4] The first projection developed using year-to-date results through June 2024 showed the County ending the year with a significant cash shortfall in December (negative $11.3 million) and very low cash levels beginning in November ($7.6 million, around half of a month of average operating expenditures and less than two payroll runs).[5]

Cash flow projection as of June 30, 2024



PFM updated this projection monthly throughout the STMP engagement, adjusting assumptions against the 2024 budget as new information emerged. The County's fundamental cash flow projection did not change – low cash levels expected in November, and a large shortfall at the end of the year of around $11.0 million.

PFM determined that immediate action was needed in order to avoid running out of cash by the end of the year, or risk not being able to pay its bills and other obligations. PFM also emphasized that the County should not repeat the 2023 experience of carrying one month of bills into the next year with no identified source to pay for them. The County needed to finish 2024 with enough cash to sustain operations and pay its current year obligations.

The County Board of Commissioners immediately instituted a hiring and spending freeze in August 2024 shortly after June cash flow results were presented. In a letter to departments on August 16th, the Commissioners froze non-essential hiring and asked departments to defer "all discretionary purchases" until 2025.

County Commissioners and the Chief Financial Officer (CFO) also began the process to borrow unfunded debt to cover the projected shortfall. In late 2024, the County issued $11.0 million in unfunded debt that it will repay over the next several years. While not a best practice, this cash flow borrowing would allow the County to pay ongoing expenses (payroll, monthly bills to vendors) through December, become current on

[4] The cash flow analysis uses *cash basis* financial data – wherein transactions are realized at the time revenues are received or payments are spent – rather than modified accrual data – wherein revenues are recorded in the period that they are due and expenses in the period that they are incurred , instead of modified accrual to determine when the County can anticipate funds coming into and leaving its bank accounts.
[5] Estimated monthly expenditures from the General Fund is approximately $15 million, average payroll included salaries and wages and overtime spending only is around $4 million.

past due outstanding bills that it carried over from 2023, and repay the 2024 Tax Revenue Anticipation Note (TRAN) without running out of cash.

Lackawanna County narrowly avoided a cash emergency in 2024. The County will need to continue monitoring and managing its cash position in 2025, which is also expected to be very tight since the County essentially will carry no cash into the year (see the Financial Management chapter, initiative FM01). Beyond 2025, the County will need to become budgetarily and structurally balanced to avoid cash emergencies in the future.

Baseline Five-Year Projection

The baseline presented in this chapter projects Lackawanna County's financial performance in the General Fund *before any corrective action*. There are three very important contextual points for understanding the baseline projection:

- **The baseline presents a status quo scenario.**

  The projection assumes no significant changes in the County's policies or operational structure from what was in place entering 2024. For example, for revenues, the baseline projection assumes no further increases in real estate tax rates or service charges. Unless explicitly noted in the sections below, revenue growth comes from expected growth in the underlying tax, user fee base, or rate of collection.

  For the County's expenditures, the baseline projections assume no changes in the levels or types of service provided by departments. The projections do not assume changes in headcount or new hires, other than those needed to fill vacant positions. Salary increases are projected based on the pattern of negotiated wage increases where known. For years and employee groups where the County does not have a labor agreement in place, the baseline assumes that annual wage increases continue at recent levels. The baseline also assumes no additional debt issuance or additional funding for capital projects above the current level. These key assumptions will be discussed in further detail later in the chapter.

- **The baseline projection is not a prescription for Lackawanna County's financial policies, nor is it a prediction of future annual results.**

  The baseline projection is a diagnostic exercise that highlights the key trends that drive financial performance, identifies any structural deficit where recurring revenues do not cover recurring expenditures, and quantifies how that deficit would grow without corrective action. The assumptions in the baseline projection are not recommendations for what Lackawanna County should do for the next five years.

  The baseline is also not a prediction of future results because it assumes that Lackawanna County will not take any corrective measures to address the projected deficits. County leaders will have to take corrective action because the County is statutorily required to pass a balanced budget. Rather than presume what those corrective actions will be, the baseline analysis will help Lackawanna County's leaders and residents understand what types of corrective actions will be most effective, how much action they will need to take, and how quickly they will need to take it.

- **The baseline projection is not a worst-case scenario.**

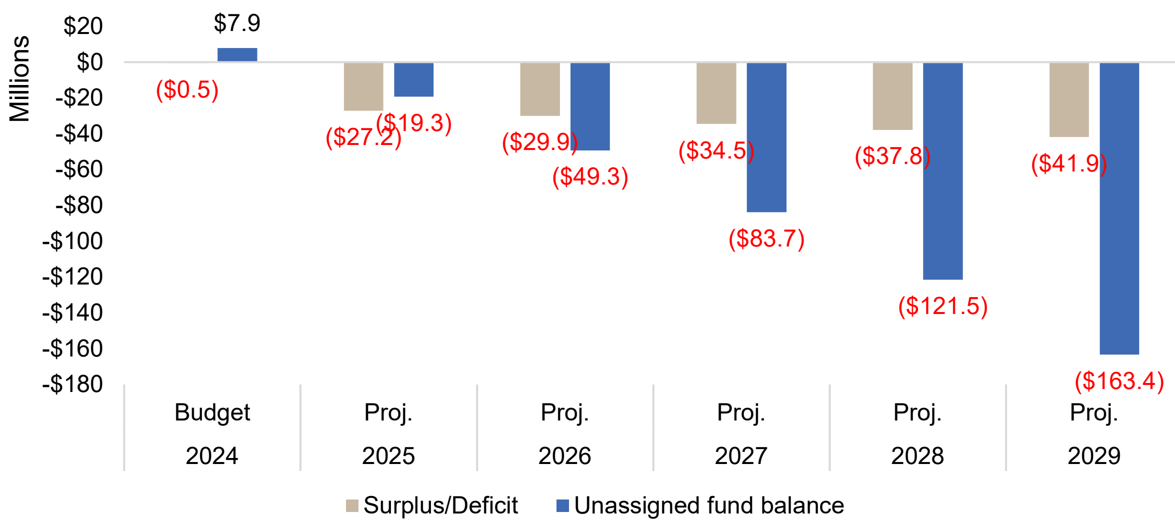
  While the projection does not show corrective actions like tax increases or service cuts, it is not intended to be a worst-case scenario. The County's annual budget may have more conservative assumptions regarding revenues and expenditures, but the baseline projection has a different purpose than a budget – it is a diagnostic tool to understand revenue and expenditure growth if the County did not take any actions over the next five years.

In areas where the County has used a conservative approach to budgeting, like salaries and wages in 2024, the baseline projection adjusts these revenues and expenditures to bring them in line with historical performance starting in 2025, which is the first year for our projection.

The baseline projection anticipates that revenue will continue to remain relatively stagnant absent corrective actions like tax increases, reflecting historical trends. Expenditures, on the other hand, are projected to grow without corrective action as they have in recent years. Inflation increases the cost of goods and services, and the County's collective bargaining agreements govern base wages and other forms of compensation through the next several years.

The resulting projection shows a large deficit beginning in 2025 ($27.2 million), which grows to $41.9 million without any assumed changes to tax rates, fees, headcount, or other corrective actions.

Baseline projection, 2024 – 2029



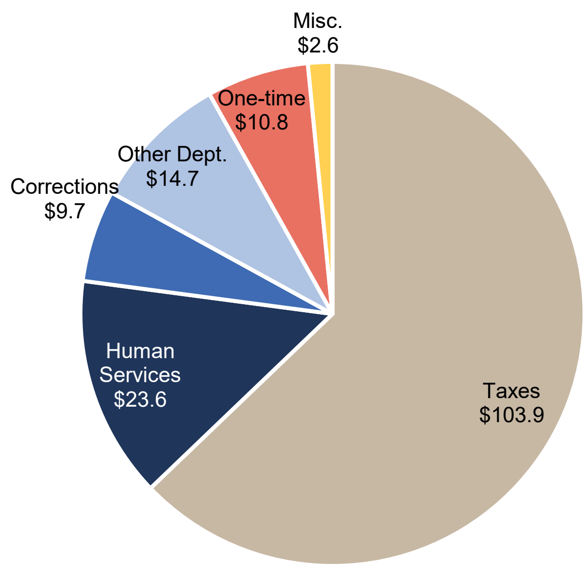
The blue bar in the graph above shows the County's unassigned fund balance – the portion of its reserves that can be used most flexibly to cover operating expenditures.

While a negative unassigned fund balance does not always translate to running out of cash, Lackawanna County would have a very high risk of doing so during 2025. As described above the County nearly ran out of cash in 2024 and needed an unfunded debt borrowing to get through the year. The County does not have enough cash on hand to weather deficits this large.

Revenues

Lackawanna County's 2024 General Fund budget includes $165.3 million in revenues. The County's largest source of revenue is its real estate tax, making up $99.9 million (60.4 percent) of 2024 budgeted revenues. Other tax revenue includes tax claims, liens, and other small sources.

2024 General Fund Budgeted Revenues ($ Millions)



The County also receives a significant portion of revenue associated with its Human Services ($23.6 million) and Corrections ($9.7 million) functions, which primarily come from state and federal reimbursements and grants. Outside of those two functions, the remaining County departments account for 8.9 percent ($14.7 million) in revenue.

The County used $10.8 million in one-time revenue sources to balance its 2024 budget, and it receives a very small amount ($2.6 million) from miscellaneous sources.

From 2019 to 2023, total revenue grew from $129.7 million to $144.1 million, or an annual rate of 2.7 percent. Much of this growth was driven by a real estate tax millage increase in 2020 that led to the County collecting $9.2 million more in current real estate taxes. Departmental revenues have also grown steadily in the last two years.

Tax Revenue

<u>Current year real estate tax</u>

The County's current year real estate tax is the single largest source of revenue for Lackawanna County and accounts for over half (56.6 percent) of all General Fund revenues. The County levies a 64.6 mill real estate tax rate to support general operations (49.36 mills), debt service (14.24), and culture & education (1.0)[6] functions.

Current year real estate revenue is a function of three factors: the millage rate, the taxable assessed value, and the collection rate (or the proportion of taxes that are paid in the year they are owed). Historically, the County has experienced slow growth in its overall taxable assessed value. From 2019 to 2023, the taxable assessed value grew at an annualized rate of 0.6 percent. The County's collection rate was around 90 percent from 2019 to 2022, with a slight decline in 2023 to 88.4 percent.

Due to the slow growth in assessed value and steady or slightly declining collection rate, the current year real estate tax revenue only increases significantly when tax rates do. From 2019 to 2023, current year collections increased by $9.9 million (or an average annual rate of 3.1 percent), primarily driven by an increase in the millage rate in 2020 from 54.6 mills to 61.1 mills in 2020. Since then, real estate tax revenue has remained relatively flat around $85.0 million.

[6] The County also levies 3.07 mills for its library system, however this chapter does not include discussion of this revenue because it is remitted directly to the Library fund. Debt and Culture & Education revenue is remitted first to the General Fund and then transferred to those respective funds.

Current year real estate tax revenue, 2019 – 2023

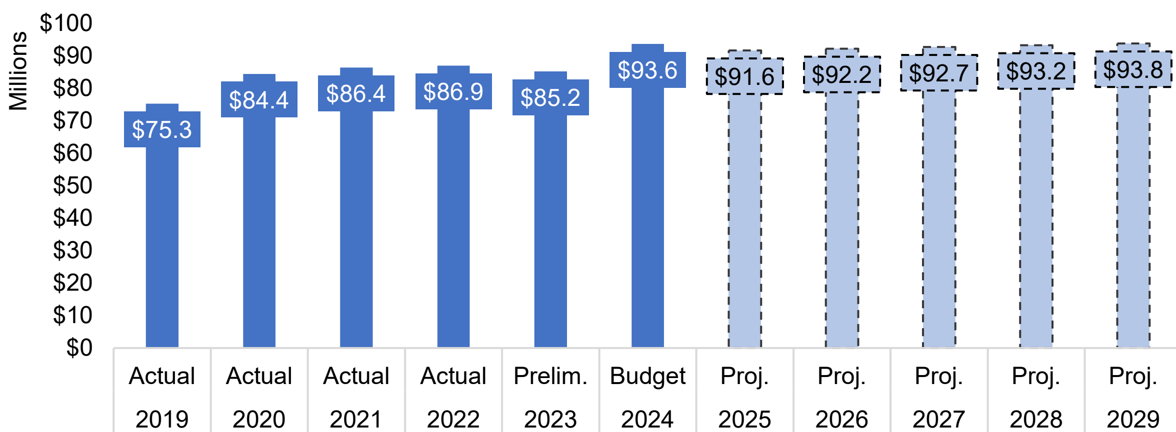
	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget
Taxable assessed value ($ million)	$1,531.0	$1,551.0	$1,559.0	$1,568.0	$1,576.0	$1,591.0
Millage rate	54.60	61.10	61.10	61.10	61.10	64.60
Current year real estate taxes ($ million)	$75.3	$84.4	$86.4	$86.9	$85.2	$93.6
Collection rate (%)	90.0%	89.1%	90.7%	90.7%	88.4%	91.1%
% change in CY collections	N/A	12.2%	2.3%	0.6%	-2.0%	9.9%

In late 2024, the Commonwealth Health system plans to sell several hospitals and facilities located in Lackawanna County to a non-profit operator, which means $12.7 million in assessed value will no longer be taxable by the County. This is anticipated to reduce current year revenues by $800,000 starting in 2025, which is incorporated in the baseline projection.

By definition, the baseline projection shows a status quo scenario that assumes no future real estate tax increases, although the County will likely need to increase taxes during the projection period. The preliminary 2025 budget includes a 34.5 percent tax increase in General Fund millage rates to 89.91.[7]

The baseline also assumes no changes to the status quo collection rate (historically 89.8 percent). Taken together, current year real estate tax revenue is projected to decrease from the $93.6 million in the 2024 budget to $91.6 million in 2025 due to lower assumed collection rate and taxable assessed value relative to 2024, and then grow along with taxable assessed values at an annual rate of 0.6 percent through 2029.

Current Year Real Estate Taxes, 2019 – 2029



Prior year real estate tax

Lackawanna also receives real estate tax revenue that was due for payment in prior years. In Pennsylvania, the delinquent real estate tax collection process can take up to three years, so we calculate the collection rate on that three-year cycle. In 2022 and 2023, the County collected, on average, 21.9 percent of the prior three year's total outstanding tax bills.

The baseline grows prior year real estate tax revenue along with current year revenue at a one-year lag. After a slight increase in 2025 to reflect the 2024 millage rate increase, prior real estate tax revenue is grows by 0.9 percent per year through 2029.

[7] 2025 Preliminary Budget document includes 69.67 mills for general operating, 15.99 for debt service, and 1.25 for culture & education millage amounts.

What about property reassessment?

Lackawanna County is currently undergoing reassessment on all land and buildings for the first time since 1968. Although the reassessment will sharply increase property values because it properties have not been assessed in many decades, the process is assumed to be revenue neutral. This means the County will also drop the property tax rate to a level at which revenue matches the pre-reassessment value. Altogether, this means that reassessment is not anticipated to impact the County's revenues in a status quo, baseline scenario.

Under Pennsylvania law, the County can take a one-time windfall of 10.0 percent in the first year that the new assessment takes effect, which is assumed to be 2026.[8] We do not incorporate that windfall in the baseline projection.

<u>Other tax revenue</u>

- *Tax Claim and Fees:* The County Tax Claim Office collects delinquent taxes on behalf of municipalities and school districts in Lackawanna County and charges a fee for that service. This revenue is separate from the delinquent taxes the Office collects for the County's own real estate tax bills. Tax claim revenue trended downward in the last five years, shrinking from $1.2 million to $992,000 (or an average annual rate of negative 4.9 percent). The baseline projection adjusts this revenue down from the 2024 budget target ($1.3 million) to $1.1 million in 2025 so that it aligns with historical average collections. From 2025 through 2029, this revenue is projected to remain flat.

- *Payments in Lieu of Taxes:* Counties can receive payments in lieu of taxes (PILOTs) revenue when they negotiate receiving regular payments from tax-exempt organizations (such as non-profit hospitals and universities) that operate within the County's boundaries. The County's 2024 budget includes $316,000 in revenue from PILOTs, and the baseline projection holds this amount flat through 2029 assuming no new PILOTs are signed and that current agreements remain flat at their current rates.

- *Other Taxes and Liens:* Revenue from other taxes and liens spiked in 2023 due to a one-time $1.5 million sale of tax liens. Excluding this one-time sale, these revenues grew steadily at 7.5 percent per year. The projection grows the 2024 budgeted amount ($2.4 million) by 1.0 percent annually to account for any baseline growth in delinquent taxes, tax certifications, and penalties, or interest revenue.

Human service revenue

Human services revenue, primarily from various state and federal grants and reimbursements, accounts for 14.3 percent ($23.6 million) of the total 2024 General Fund budget.

The Pennsylvania Office of Children, Youth and Families uses an annual needs-based budget submitted by Lackawanna's Office of Youth and Family Services (OYFS) to determine the County's funding allocation across a range of state and federal funding sources, including Act 148, Title IV-E, and the Information Technology (IT) Grant. As OYFS submits detailed budgets and claims to the Commonwealth throughout the year, the net amount that OYFS actually receives can vary from the original needs-based budget submission.

<u>Act 148</u>

Act 148 revenue supports programs aimed at protecting children at risk of abuse or neglect, including protective services for investigating child abuse, foster care, adoption services, in-home services to prevent out-of-home placements, and juvenile justice services. Under Act 148, the state reimburses counties at

[8] Title 53 Chapter 88 § 8823. Limitation on tax increase after countywide reassessment, Subsection C, Final tax rate.

rates between 50 and 100 percent for these different services, but typically ends up covering about 80 percent of the costs associated with child welfare services.

The baseline projection grows this revenue in line with departmental spending. Since the County has begun contracting out caseworker services on a large scale for 2025 increasing its overall expenses, Act 148 revenue is projected to grow proportionally.

Title IV-E

Title IV-E is a federal reimbursement program for a portion of the cost of youth foster care and removal prevention services. Reimbursement rates and eligibility criteria are established by the Commonwealth. Since Title IV-E funding is largely spent on contracted services, and the baseline does not anticipate changes to the number of IV-E eligible children served by the County, the projection grows this revenue by inflation (2.5 percent annually[9]) from 2025 through 2029.

OYFS IT Grant

In the last three years, Lackawanna County has received between $412,000 and $1.4 million in IT grant reimbursements from the Commonwealth for purchases of computers, software, and other IT equipment, including the cost to transition Children and Youth agencies to any new or standardized case management or reporting. The County typically expects to receive between 60 and 65 percent reimbursement on all allowable IT expenses.

The 2024 budget shows over $2.1 million in IT grant revenues, but that includes funding for a one-time overhaul to a federally required reporting system that we do not anticipate will recur in the status quo scenario. The baseline projection ties this grant revenue to IT expenditures in the department, which are anticipated to decline in 2025 and then grow along with inflation through 2029 (2.5 percent).

Other OYFS revenue

OYFS receives several smaller federal funding streams from the Commonwealth including TANF, Title IV-B, and Title XX funding. Most of these programs are capped at the federal level, which means the County receives the same allocation each year as a pass through from the Commonwealth.

This revenue fluctuated over the past five years, primarily due to one-time TANF adjustments in 2022 and 2023 that are not expected to recur. Going forward, these revenues are expected to remain flat at the same level as the 2024 budget ($2.4 million).

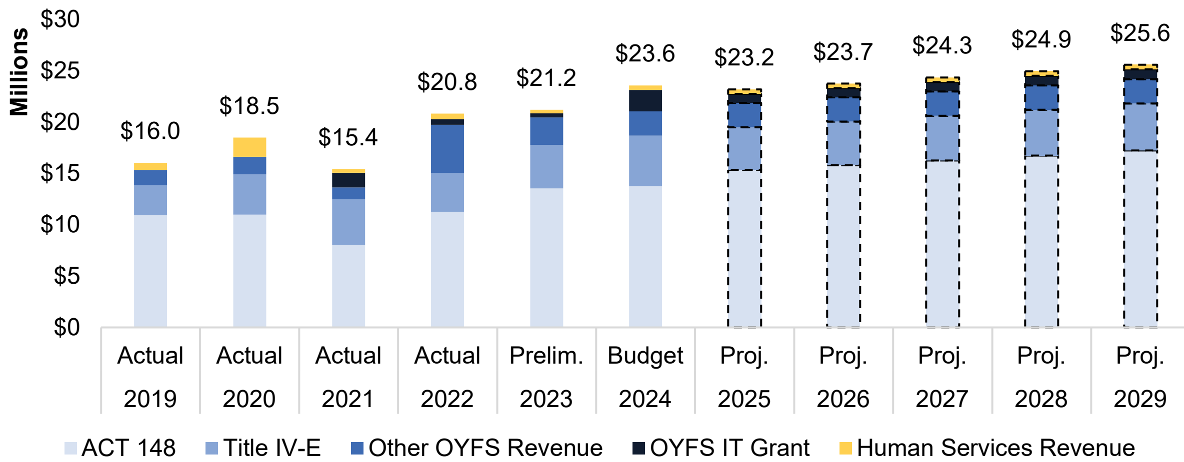
Other Human Services revenue

Outside of OYFS, the Human Service department receives a variety of smaller revenue streams, including grants and reimbursements for services, to support other functions, such as housing programs. This revenue has historically varied due to its composition. In the 2023 actuals and the 2024 budget, this revenue is comprised of the human services development grant and the state bridge housing grant. In the projection period, this revenue is expected to remain flat at 2024 budget level ($440,000) as the baseline scenario assumes no new grants are awarded.

Since much of the County's total human services revenue is on a reimbursement basis, historical collections have varied significantly based on the services the County offers; the cost of providing those services (e.g. employee wages and benefits, contracts, materials); and the timing for funding receipt. Going forward, many of these revenues are tied to expenditures, assuming reimbursement rates do not change in the baseline scenario.

[9] Second Quarter 2024 Survey of Professional Forecasters, Philadelphia Federal Reserve. Long-Term Annual Averages, Headline CPI 2024 - 2028

Total Human Services Revenue, 2019 – 2029



Corrections revenue

Corrections revenues account for $9.7 million, or 5.9 percent of the 2024 General Fund budget. This category includes revenues associated with the Prison, Community Corrections, Adult Probation, and Juvenile Probation departments. Corrections revenues come from contracts for services provided to other government agencies, fees and fines charged to inmates and parolees, and grants.

U.S. Marshal

The largest source of corrections revenue is the County's contract with the U.S. Marshal's Service to house federal inmates in the Lackawanna County Prison. The County currently receives a per diem of $102 per day for each federal inmate at the Prison.

Rates increased in 2022 from $87 per diem and are expected to increase again (likely in 2025) to $112 per inmate per day. At the same time, the number of federal inmates has been falling. In 2019, the average daily inmate population was 191.1 and in 2023 it was 180.6 (a 1.4 percent average annual decline).

	2019	2020	2021	2022	2023	2019-23 CAGR
USMS Detainees Per Day	191.1	167.9	165.3	178.2	180.6	-1.4%
Per Diem Rate	$87	$87	$87	$102	$102	4.1%
U.S. Marshal Revenue ($ millions)[10]	**$6.1**	**$5.4**	**$5.4**	**$6.7**	**$6.3**	**0.9%**

The baseline projection brings 2025 revenue in line with historical average collections ($6.1 million, average annual revenue from 2021 – 2023). While rates are expected to increase in 2025, the inmate population is anticipated to continues the downward trajectory shown above through 2029 in a baseline scenario. Taken together, total revenues are projected to remain flat at $6.1 million.

Prison phone

Prison phone revenue is based on the County's share of rates charged for phone and videos calls as well as courses and activities that inmates can access through tablets. Revenue spiked in 2022 due to a one-time $1.5 million bonus for signing a new contract with the current Prison phone provider. Going forward,

[10] Revenue figures come from the County's financial accounting system. Average daily inmate population and daily rate per inmate are from the Lackawanna County Prison contracts and department interviews.

revenue is expected to decline significantly relative to the 2024 budget as the Federal Communications Commission (FCC) passed new rate caps for inmate phone and video calls.

The FCC rules that will take effect in April 2025 cut current phone rates by 66 percent and video rates by 50 percent. Tablet activity revenue is not expected to change. Revenues are projected to shrink by $785,000 in 2025 and then another $136,000 in 2026 when the guidelines impact all 12 months of revenue. Revenues are expected to remain flat thereafter.

<u>Probation supervision fees</u>

In Pennsylvania, county-supervised offenders are required to pay monthly fees to offset the cost of their supervision while they await trial, participate in diversion programs, are sentenced to probation or county intermediate punishment, or have been released from county jails on parole.

The fee levels for probation supervision are set at the discretion the sentencing agency, which is most often the Lackawanna County Courts.[11] The baseline scenario anticipates no changes to the fees currently charged to parolees or the number of participants in the program, and therefore carries the 2024 budgeted revenue ($700,000) forward through each year of the projection.

<u>Electronic monitoring</u>

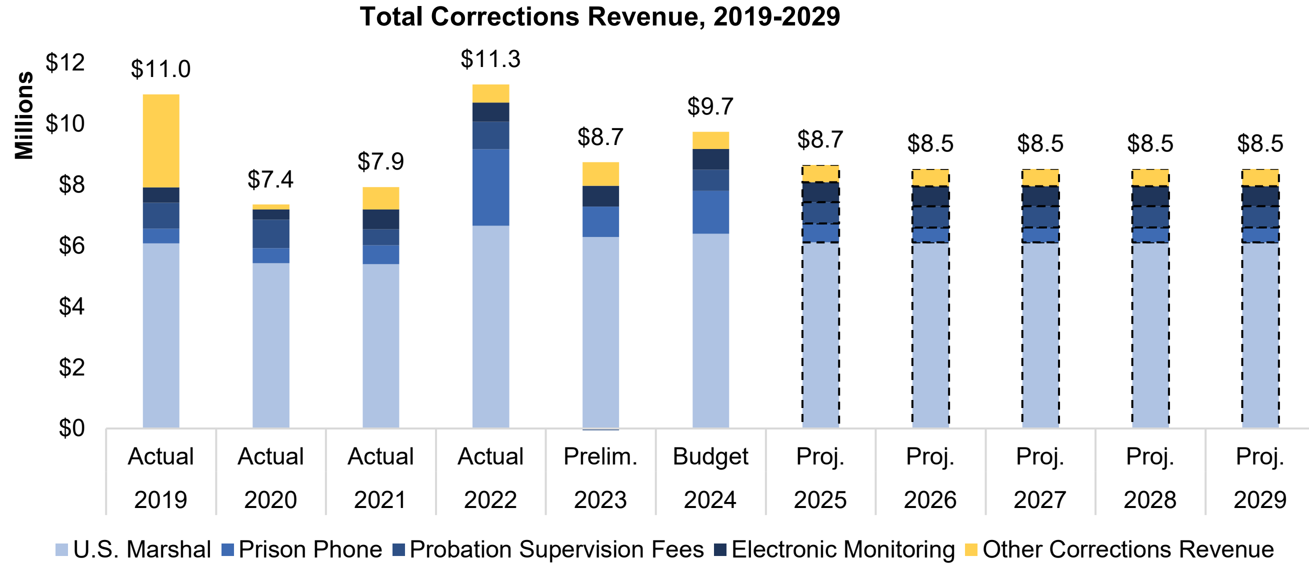
Much like probation supervision fees, offenders on electronic monitoring pay fees to the Lackawanna County Community Corrections Center. Individuals typically pay a daily rate as well as an up-front amount when they enter the program. In the past three years, the County has received between $600,000 and $700,000 in these fees, and the baseline projection carries forward a historical average amount ($653,000), assuming fee and participation levels remain constant.

<u>Other corrections revenue</u>

Other corrections revenue consists of grants; state aid; and miscellaneous revenues for the Prison, Community Corrections, and Probation departments. Most of the budgeted revenue comes from the Pennsylvania General Fund's appropriation for the improvement of adult probation services. The baseline does not anticipate any changes to the State General Fund appropriation for this aide, so the baseline keeps this revenue flat at 2024 budget levels ($572,000).

From 2019 to 2023, total corrections revenue varied significantly due to one-time windfalls and temporary funding programs to Corrections departments. Projected revenues from 2025 through 2029 are anticipated to shrink slightly (an average annual rate of negative 0.4 percent) due to the reduction in Prison phone revenue in 2026 as new FCC regulations impact all 12 months of the year.

[11] Pennsylvania Code § 68.21: "The sentencing judge of the court of common pleas shall impose upon an offender, as a condition of supervision, a monthly supervision fee unless the court or a supervising agency designated by the court determines that it should be reduced, waived or deferred."



Departmental Revenue

Lackawanna County's departmental revenue is comprised of fees for various services, grants, reimbursements, and state support for departments other than Human Services and Corrections. Together, these revenues make up $14.7 million, or 8.9 percent of the 2024 General Fund budget.

<u>Grants</u>

Much of the County's departmental revenue comes from grants, and most of the grant revenue ($2.5 million or around half of the total $5.1 million in grants budgeted for 2024) is associated with the District Attorney's office.

Grant revenue grew steadily from $2.3 million in 2019 to $3.0 million in 2022 before spiking to $5.2 million in 2023. The 2023 spike was primarily attributed to a $1.5 million increase in County Planning grants and a $1.3 million increase in District Attorney (DA) grants. The 2024 budget shows a small decrease relative to 2023 actual revenues. The future projection assumes DA grants continue at the 2024 budgeted level ($2.5 million), and all other grants align with the historical average amount ($1.8 million). The forecast maintains that level of funding through 2029, assuming no new or expanded grants[12].

<u>Judicial records</u>

Revenue from judicial records is generated through fees for records requests, with criminal record fees set by the state and civil record fees controlled by the County. The County adjusts civil fees every three years, based on the Consumer Price Index (CPI). Although fees were increased in 2023, revenues declined due to a rise in indigent waivers.

The County collected between $1.6 and $1.9 million in Judicial Records fees over the past five years. Given no anticipated changes in demand, revenues are anticipated to remain flat except 2026 when the next civil records fee during years fee adjustment is permitted.

<u>Recorder of Deeds fees</u>

Recorder of Deeds revenue is generated through fees for document requests, with fee levels set by the Commonwealth. Revenues grew from $1.1 million in 2019 to $1.3 million in 2023, or an average annual growth rate of 4.4 percent. Revenues spiked in 2021 likely due to increased housing sales during the

[12] While the baseline uses the simplifying assumption that all DA grants continue through 2029, we recognize that some of the grants may not recur. Please see the District Attorney section in the Criminal Justice chapter for more discussion of the DA Grants.

pandemic. Since no changes in demand or fee structures are expected, the revenue projection remains flat with the 2024 budget ($1.5 million) through 2029.

Register of Wills fees

Register of Wills revenue is derived from fees for wills and inheritance tax filings. Between 2019 and 2023, fee revenue grew by 7.2 percent annually, and the 2024 budget projects a 13.1 percent increase over 2023 actuals. The 2025 projection brings revenues in line with historical actual collections ($1.1 million) and holds this amount constant through the projection period as no changes in demand or fee increases are assumed in the baseline.

Rent and interest

Rent and interest revenue showed significant fluctuations in the historical period but finished in 2023 at roughly the same place that they started ($0.9 million). The 2024 budget projects a 40.2 percent increase over 2023 results, driven largely by a $300,000 increase in non-departmental interest revenue. For 2025, non-departmental interest revenue is adjusted downward to match 2023 results, while all other items are projected to remain flat.

Other departmental revenues

- *District Justice Revenue* is derived from fees collected by each of the County's Magisterial District Justices (MDJs). It has fluctuated between $550,000 and $723,000 over the past five years. The baseline projection keeps this revenue constant at the same level as the 2024 budget ($613,000) as there is no anticipated increase in fee levels.

- *Sheriff revenue* includes revenue from sheriff legal paper and permits, juvenile transports, and protection from abuse orders (PFAs). Revenue declined from $533,000 in 2019 to $338,000 in 2020 due to a decrease in Sheriff's sales and legal paper. Since then, revenues have steadily increased at an annualized rate of 9.5 percent. No further growth is assumed in the projection since the 2024 budget target ($484,000) is already higher than prior year results.

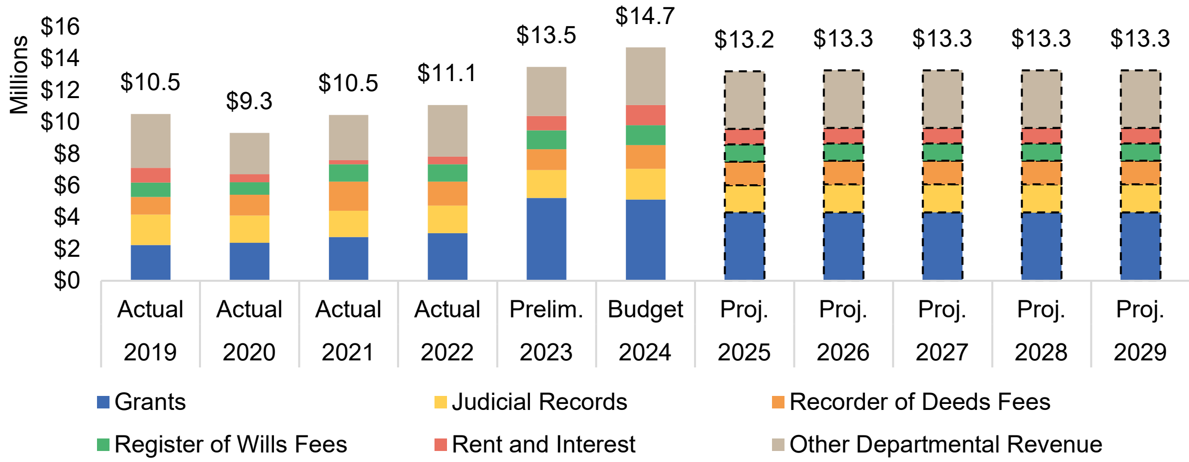
- *Court state support costs* primarily consist of state reimbursements to the County for expenses related to the Court of Common Pleas. The grant is statutorily authorized at $70,000 per judge, however the actual amount depends on the Commonwealth's annual budget allocation.[13] Other state reimbursements, including those for the senior judge program and interpreter services, may also be included in this revenue line item. The baseline projection assumes no change in state appropriations and keeps revenues flat at the 2024 budget level.

- *Other departmental revenue* captures a wide range of smaller revenue streams from wage reimbursements, fees for permits and licenses, assessment appeals fees, and election filling fees. In the review period, the County received between $1.1 million and $2.1 million in total revenue from these various sources. The 2024 Budget shows $2.1 million in total revenue across this category, and the projection assumes no growth in these revenues.

Total departmental revenue rose from $10.5 million in 2019 to $13.5 million in 2023 (or an average annual growth rate of 6.4 percent) due to increased grant revenue. The County budgeted $14.7 million from these sources in 2024, but that includes a $1.1 million one-time Planning grant. Once that non-recurring revenue is removed from the baseline, the category generates $13.2 million in 2025 with marginal growth thereafter.

[13] Lackawanna County has 12 judges, which would nominally suggest a grant of $840,000 in reimbursements, though the actual amount is usually lower due to state funding limitations. In actual results, the County has received between $650,000 and $135,000 each year.

Total Departmental Revenue, 2019 – 2029



Miscellaneous revenues

Miscellaneous revenues are primarily indirect cost reimbursements to the General Fund for employee time spent supporting other County Funds and payments from former employees who elect to stay on the County's health insurance plan after separation (COBRA contributions). Indirect cost reimbursement revenue grows in line with the associated expenditures and COBRA contributions grow at the same pace as the projected cost of health insurance.

One-time revenues

The County balanced its 2024 budget with $10.8 million (or 6.6 percent of the total General Fund budget) in non-recurring revenues: $5.5 million from debt refinancing proceeds; $3.0 million from the County's American Rescue Plan Act of 2021 (ARPA) allocation; and a $2.3 million refund from the County's health insurance provider.

While the County could refinance debt or receive another refund from its health insurance provider during the projection period, those are not planned events so the County should not rely on them to fund regular, recurring expenditures. They are not included in the baseline projection.

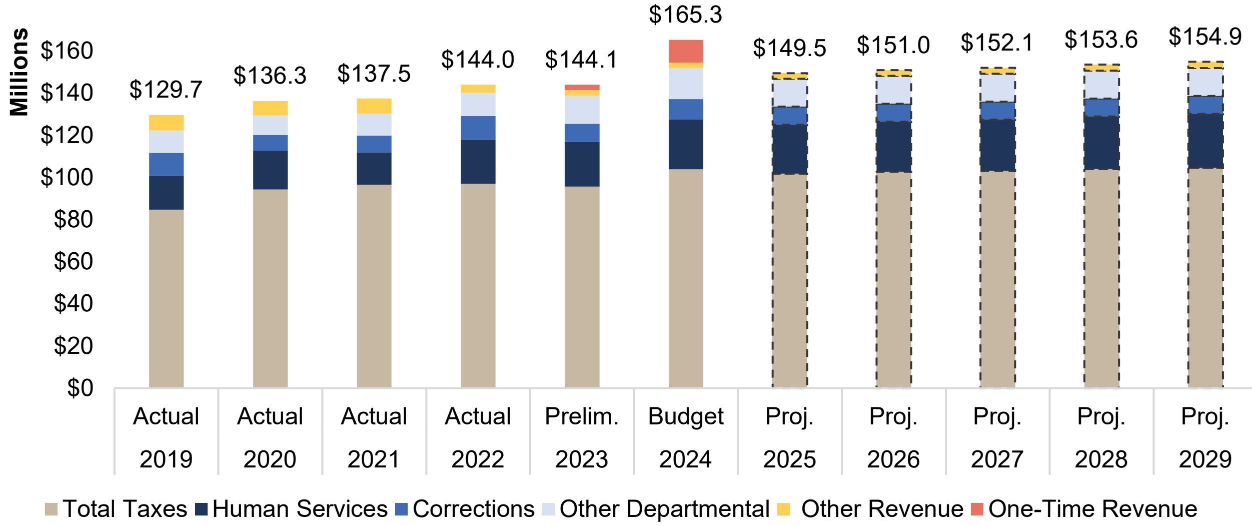
PFM estimates that the County spent $16.7 million of its $40.0 million ARPA allocation prior to 2024 to support a variety of Community and Economic Development functions. In addition to the $3.0 million in revenue replacement (i.e. General Fund subsidy) previously referenced, Lackawanna used another $8.6 million as of the September 2024 cash results. This would indicate that the County has spent $28.3 million through September 30, 2024 and had $11.7 million remaining at that time.

While the County could use some of the remaining ARPA dollars to supplement its General Fund shortfalls for a year or two, the projection does *not* include any of this short-term funding in the baseline, consistent with the status quo methodology. The 2025 General Fund budget also did not include any revenue replacement ARPA funds.

Revenue summary

The baseline projection anticipates that revenues will decrease in 2025 due to the loss of one-time revenues and lower anticipated real estate tax revenues to the 2024 budget. Total revenues are forecasted to grow from $149.5 million in 2025 to $155.0 million in 2029, or an annualized growth of 0.9 percent. This projection assumes no tax rate increases, fee increases, or other changes to the status quo of County services.

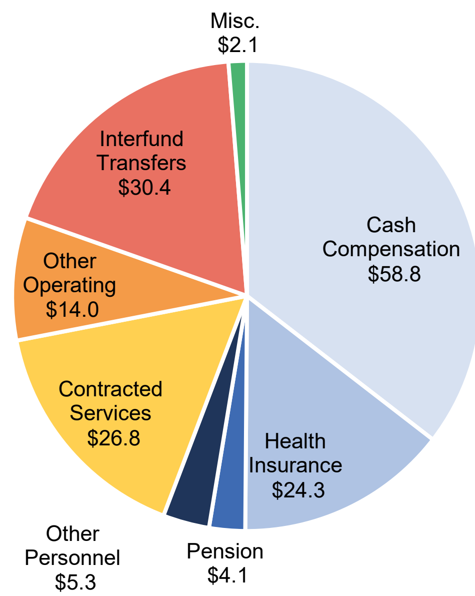
General Fund Revenues, 2019 – 2029 ($ millions)



	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Total Taxes	$84.7	$94.3	$96.6	$97.0	$95.6	$103.9	$101.8	$102.7	$103.2	$104.0	$104.6
Human Services	$16.0	$18.5	$15.4	$20.8	$21.2	$23.6	$23.2	$23.7	$24.3	$24.9	$25.6
Corrections	$11.0	$7.4	$7.9	$11.3	$8.7	$9.7	$8.7	$8.5	$8.5	$8.5	$8.5
Other Departmental	$10.5	$9.3	$10.5	$11.1	$13.5	$14.7	$13.2	$13.3	$13.3	$13.3	$13.3
Other Revenue	$7.4	$6.9	$7.1	$3.8	$2.5	$2.6	$2.6	$2.7	$2.8	$2.9	$3.0
One-Time Revenue	$0.0	$0.0	$0.0	$0.0	$2.7	$10.8	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenue	**$129.7**	**$136.3**	**$137.5**	**$144.0**	**$144.1**	**$165.3**	**$149.5**	**$151.0**	**$152.1**	**$153.6**	**$154.9**

Expenditures

Lackawanna County's 2024 General Fund budget includes $165.8 million in total expenditures spread across personnel costs, operating expenses, debt, and other costs.



The County provides labor-intensive services in areas such as human services, courts, and the criminal justice system. As such, like most Pennsylvania counties, Lackawanna spends the majority of its budget ($92.6 million in the 2024 budget or 55.8 percent of total expenditures) each year on personnel-related costs like cash compensation, health insurance, and contributions to the employee pension plan.

The County also spends a large portion of its budget ($26.8 million or 16.2 percent) on contracted services each year, such as technical support during reassessment, legal counsel for collective bargaining, or specialized property maintenance work.

The 2024 budget also shows large interfund transfers since real estate tax revenue flows into the County's General Fund and then moves to the Debt Service and Culture & Education funds. That arrangement will change beginning in 2025.

Personnel Expenditures

Personnel costs are Lackawanna's largest expenditure category. Most County employees (647 out of 900 employees, or 71.9 percent of the County's workforce[14]) belong to one of seven bargaining units listed to the right.

Collective bargaining agreements between the County and these unions establish the terms for employee compensation and bargainable conditions of employment. The County currently has active agreements through 2025 or 2026 for most bargaining units except for SEIU, whose contract expires at the end of 2024.

	Bargaining Unit	% of total	Contact expiration
Non-bargaining	253	28.1%	N/A
Prison (AFL-CIO)	207	23.0%	2027
SEIU	237	26.3%	2024
Deputy Sheriffs Association	73	8.1%	2026
Probation and Domestic Relations	60	6.7%	2025
OYFS (AFL-CIO)	40	4.4%	2026
Detectives Association	15	1.7%	2026
Public Defenders Association	15	1.7%	2026

The remaining 28.1 percent of County employees are not part of any bargaining unit, and their compensation and benefits are set by the County.

[14] Includes County employees that are paid out of the General Fund.

Cash Compensation

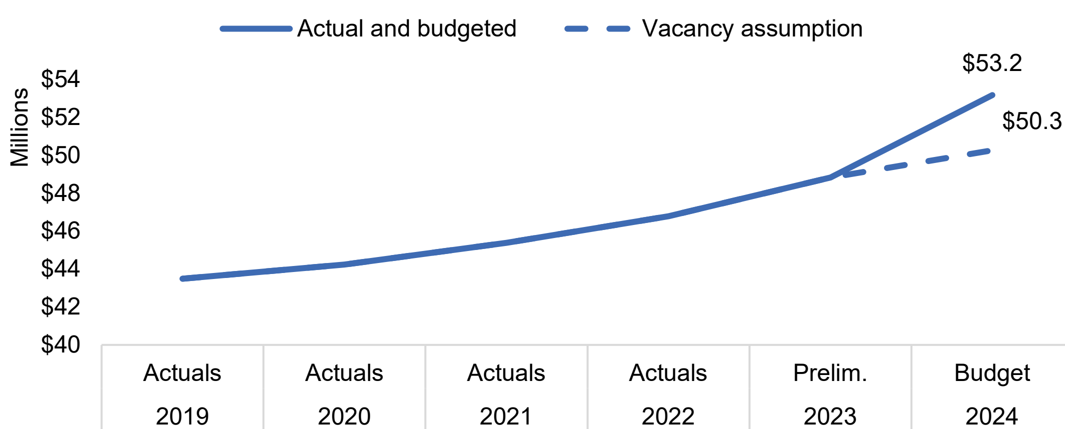
The County's single largest expense category is cash compensation for its employees. This category includes all salaries and wages for full-time and part-time workers, overtime, and uniform allowances.

Salaries and wages

The County's financial system counts several types of cash compensation, other than base salaries, as salaries and wages. This includes tenure-based longevity payments, shift differential, and any compensation paid during leave (e.g. holidays, vacation, sick time). From 2019 to 2024, salaries and wages grew from $43.5 million to $48.8 million, or an average annual growth rate of 2.9 percent, in line with across-the-board wage increases during this period.[15]

The 2024 budget anticipated an 8.9 percent increase over 2023 actual expenditures, a large increase from historical growth trends. Departmental interviews revealed that the 2024 budget included vacant positions, some of which the County did not plan to fill. The chart below shows actual spending on salaries and wages from 2019 through 2023, and the 2024 budget. The dotted line shows the anticipated spending on salaries and wages during 2024, inclusive of vacancies and turnover. Therefore, the baseline projection applies a 5.0 percent vacancy assumption in 2025 to account for this savings.

Actual and budgeted salary and wage spending, 2019 – 2024



Current collective bargaining agreements include across-the-board increases ranging between 3.0 and 3.5 percent for represented employees. The baseline in this chapter presents a status quo, carry-forward scenario where employees receive these same increases going forward. The baseline assumes 2.5 percent annual increases for non-represented employees.

The table below shows base wages increases in the baseline projection period – cells in blue indicate those outlined in active contracts, and those in grey indicate the carryforward assumption. *This is not a recommendation, rather it is consistent with the status quo, baseline conditions.*

[15] Wage increases for union employees ranged from 2.0 to 3.5 percent depending on bargaining unit. Increases for non-bargaining employees was assumed to be 2.5 percent during this period.

Base Wage Increases for Bargaining Units, 2025 – 2029

	2025	2026	2027	2028	2029
Non-bargaining	2.5%	2.5%	2.5%	2.5%	2.5%
Prison (AFL-CIO)	3.0%	3.0%	3.0%	3.0%	3.0%
SEIU	3.0%	3.0%	3.0%	3.0%	3.0%
Deputy Sheriffs Association	3.0%	3.0%	3.0%	3.0%	3.0%
Probation and Domestic Relations	3.5%	3.5%	3.5%	3.5%	3.5%
OYFS (AFL-CIO)	3.5%	3.0%	3.0%	3.0%	3.0%
Detectives Association	3.3%	3.5%	3.5%	3.5%	3.5%
Public Defenders Association	3.0%	3.0%	3.0%	3.0%	3.0%

Active Contract | Assumption

Overtime

Spending on overtime dropped in 2020 at the outset of the COVID-19 pandemic. Since then, overtime spending has increased each year, reaching pre-pandemic levels in 2022. The 2024 budget includes $5.3 million for overtime pay, most of which (88.0 percent) is associated with the Prison, Sheriff's Office, and the County Office of Youth and Family Services (OYFS).

Overtime expenditures are a product of the number of hours worked (usage) and the employee's hourly wage rate, usually paid at some premium (e.g. 1.5 or 2 times the hourly wage). The baseline assumes overtime usage remains constants, so overtime expenditures grow at the same rate as base salaries.

Department	Budgeted overtime	% of total
Prison	$2,600,000	49.2%
Sherriff	$1,450,000	27.4%
OYFS	$600,000	11.4%
Other departments	$632,901	12.0%
Total overtime	**$5,282,901**	**100.0%**

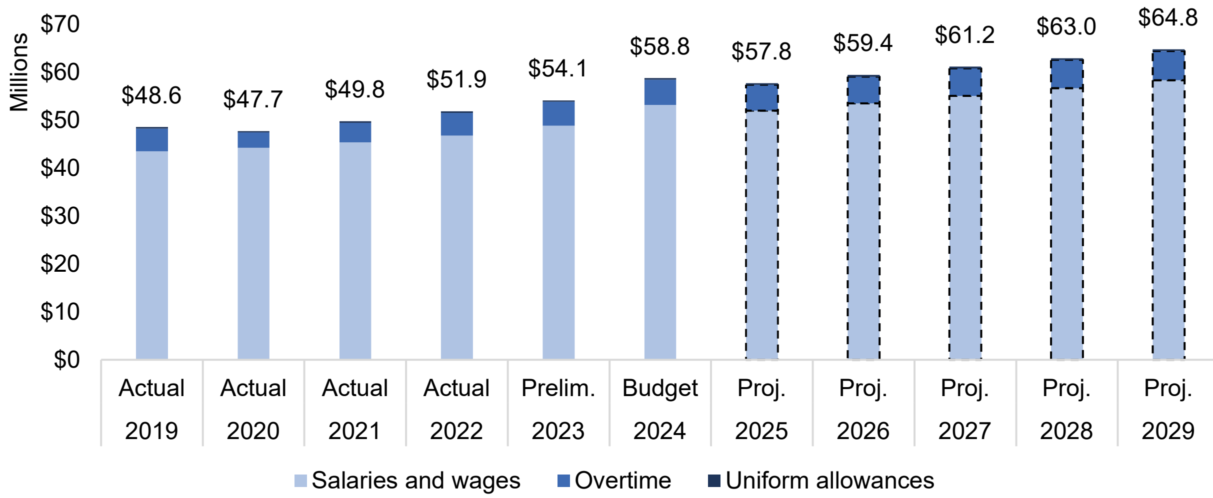
Overtime spending could rise faster or slower than the baseline assumes due to management initiatives or changes to staffing levels that would influence the need for overtime. Please see the Criminal Justice chapter for initiatives that would reduce overtime usage in the Prison and Sheriff's Office and create savings relative to the baseline.

Uniform allowances

Some County employees receive cash payments to purchase uniforms necessary to perform their jobs. This is separate from any expenditures where the County purchases uniforms or equipment directly from vendors and distributes them to staff. Uniform allowance spending is primarily concentrated in the Prison and Sheriff's departments, though some other departments, such as other corrections units and parks, also receive uniform allowances. Spending is expected to remain flat at 2024 budget levels through 2029 as allowances per employee are governed by collective bargaining agreements.

Overall, cash compensation is expected to decrease slightly from the $58.8 million budgeted in 2024 to $57.8 million in 2025 due to the vacancy assumption applied to salaries and wages. Beyond 2024, cash compensation is projected to grow from to $64.8 million by 2029 (or an average annual growth rate of 2.9 percent) primarily driven by across-the-board wages increases.

Total Cash Compensation, 2023 – 2029 ($ millions)



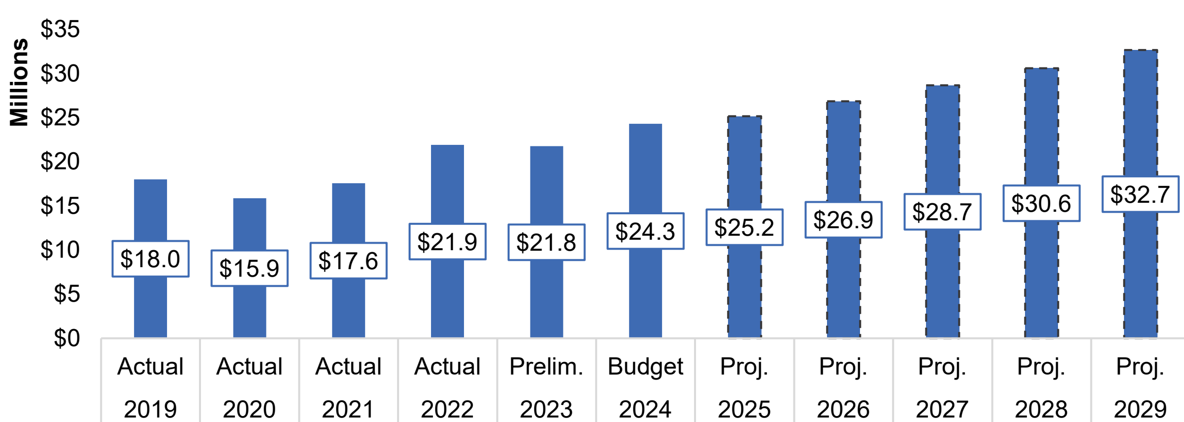
Health Insurance

The County provides medical and prescription drug, dental, vision and life insurance coverage for its active employees. The County is self-insured, meaning it pays the cost of claims as employees receive medical care rather than paying a premium to an insurer. while health insurance spending fluctuated during the review period, the overall annual growth from 2019 to 2023 was 4.8 percent.

Spending was budgeted to increase to $24.3 million in 2024, an 11.7 percent increase over $21.8 million actual spending in 2023. Similar to salaries and wages, PFM's 2024 cash flow analysis also shows the County spending less than 95 percent of the budget target on health insurance through December 2024. Therefore, the baseline projection applies a 5.0 percent vacancy assumption to health insurance costs beginning in 2025.

Based on input from the County's insurance broker, the baseline assumes expenditures grow by 9.0 percent in 2025.[16] Taken together, 2025 expenditures increase to $25.1 million, a 3.5 percent increase over the 2024 budget. From there, the projection grows health insurance expenditures by 6.7 percent annually to align with the historical performance (2019 – 2022 actuals growth) – this growth rate is consistent with industry trends, which suggest between 4.5 and 8.0 percent growth depending on plan type.[17]

Health insurance spending, 2019 – 2029



[16] PCHIPC Claim Fund
[17] 2024 Segal Health Plan Cost Trend, HMO and PPO plan projected increases for 2024.

Pension

The County provides a defined benefit pension plan for all County employees. Under this defined benefit structure, retirees receive monthly payments based on a formula set during their time of employment. If the pension plan's investments underperform or employees' experience differs from what the actuary assumes in calculating the liability (i.e. employees live longer or retire later than assumed), the County government is responsible for making up these "experience losses" by making larger annual contributions to the pension plan to ensure the pension plan makes the monthly payments to each retiree.

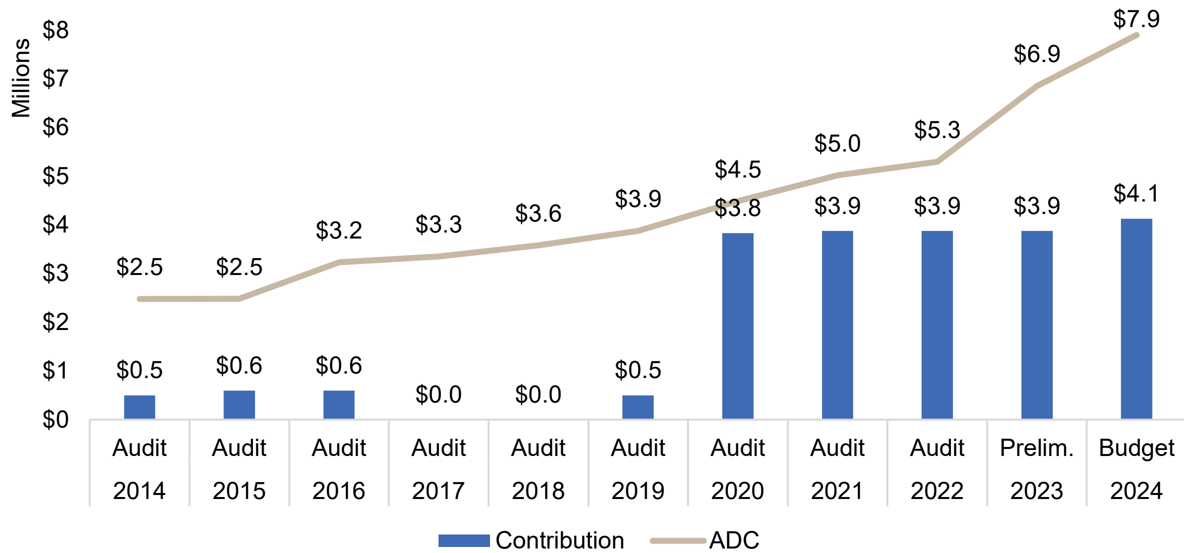
While common among Pennsylvania governments, this is a more expensive structure than defined contribution retirement plans (like 401ks), where the retiree's monthly payment depends on how much the employer and employee contributes to the individual's retirement account and investment performance managed by the retiree him or herself. In that case, the retiree bears the risk associated with investment performance and responsibility for increasing contributions to receive the desired monthly payments during retirement.

Each year, the County's actuary determines the amount that the County should deposit into the pension plan to ensure that it can pay for the full cost of current and future benefits to retirees. This figure, called the Actuarially Determined Contribution (or "ADC"), is calculated using assumptions about investment returns, mortality, and other factors.

While County governments should deposit the full ADC, they are not legally required to do so[18], and Lackawanna County has not deposited the full ADC into its pension plan in at least a decade. Prior to 2020, the County's contributions were very small and sometimes non-existent.

In 2020, Lackawanna County began contributing a larger amount (around $4.0 million annually) to the pension plans using proceeds from a real estate tax millage increase. At that time, County leaders planned to increase this contribution amount by $250,000 per year starting in 2024 to meet the calculated contribution amount. Though more substantial than prior years' contributions, these amounts were still below the current year ADC and as a result, future ADC amounts continued to grow.

County contributions to pension plan versus ADC
2014 – 2024



[18] This is in contrast with Pennsylvania cities, towns and boroughs that are subject to interest and other penalties if they do not make their full annual contributions on time.

While there is no legal penalty associated with underfunding the employee pension plan, there are costly financial consequences for not doing so.

For each year that the County underfunds the plan, the plan's unfunded liability grows because the plan does not have enough assets to generate the investment earnings needed to fund future benefits. The rising unfunded liability translates to a higher ADC because the County is expected to cover the growing unfunded liability by making higher annual contributions. Since monthly payments to retirees cannot change in a "defined benefit" structure, the County has to make up the difference.

If the County does not increase its contribution to the full ADC, then the cycle repeats itself, even if the County contributes more than it had in prior years. This is similar to making the minimum payment on a credit card each month – the balance owed accrues interest, and the payoff amount increases in subsequent months.

This describes Lackawanna County's experience. The County has contributed more to the pension plan in each of the last four years than it did for all of 2014 through 2019 combined. But all contributions were still below the current year ADC and as a result, future ADC amounts continued to grow.

The County has reached a point where its previous plan of increasing contributions by $250,000 each year is no longer viable. The County's actuary determined that, under that approach, the ADC would increase from $11.9 million in 2025 to $16.9 million by 2029 (a 9.1 percent annual increase). Alternatively, if the County were to contribute the full $11.9 million ADC for 2025 and every year thereafter, the ADC could level off at $12.7 million in 2029.

To reflect the full liability, the baseline projection assumes that the County increases its contribution in 2025 to meet the full ADC payment of $11.9 million, or a $7.8 million increase over the 2024 budget. The baseline then increases the contribution amount along with actuarial projected amounts reaching $12.7 million in 2029.

Practically speaking, the County is unlikely to make that large a contribution in 2025. The County will instead have to balance the need for larger pension contributions with the other competing demands on its budget and its taxpayers. The preliminary 2025 budget includes an $7.9 million contribution to the County's pension plan[19].

Other Personnel expenses

The 2024 budget includes another $5.3 million in expenses related to the County's personnel, including:

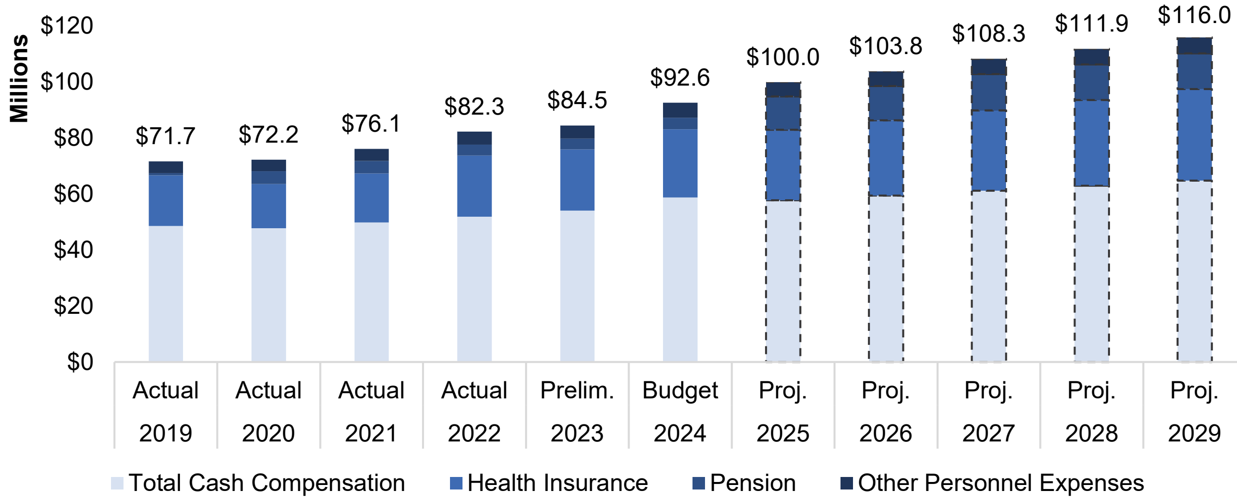
- **Payroll taxes for Social Security and Medicare**. These taxes are calculated as a percentage of total cash compensation and therefore grow in line with base salaries.
- Expenses related to **travel, parking, training, conferences, and subscriptions for professional societies**. These expenses are expected to grow along with an assumed price inflation rate of 2.5 percent annually.[20]
- **Life insurance** to staff at no-cost to the employee. This expense is also expected to grow with inflation, as there are no assumed changes to headcount or benefit levels.

From 2019 to 2023, total personnel costs grew from $71.7 million to $84.5 million, or an average annual rate of 4.2 percent. Increases in pension contribution costs in 2025 are offset slightly by vacancy savings

[19] Please see the Workforce Chapter for more discussion of this issue.
[20] Second Quarter 2024 Survey of Professional Forecasters, Philadelphia Federal Reserve. Long-Term Annual Averages, Headline CPI 2024 – 2028.

to salaries and wages and health insurance. The baseline projection assumes personnel costs will grow by 3.8 percent from 2025 through 2029, driven primarily by growth in health insurance and salaries and wages.

Total personnel costs, 2019 – 2029



Operating Expenses

<u>Contracted Services</u>

The next largest expenditure category after personnel is contracted services ($26.8 million in 2024 or 16.2 percent of the total General Fund budget). The County contracts for a wide variety of services across the range of County functions, such as Prison medical and food service providers, janitorial services, and autopsy services.

County spending on contracted services has grown in recent years, increasing from $15.8 million in 2019 to $22.7 million – a 9.5 percent annual increase, with sharp increases in 2020 and 2023. Most of this growth is driven by increased spending in the Office of Youth and Family Services and Information Technology.

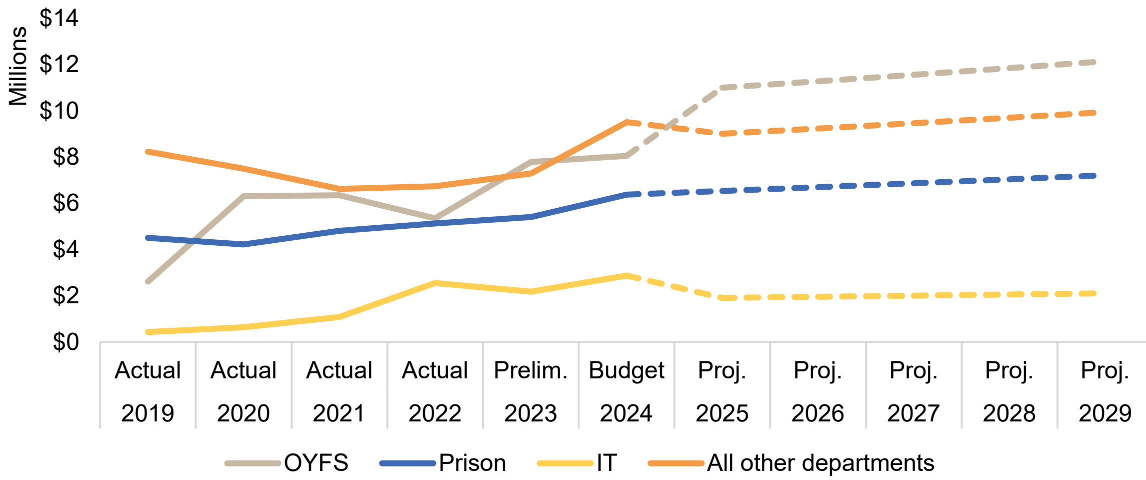
The 2024 budget shows a $4.1 million (18.3 percent) increase over 2023 spending – in some cases (such as grant-funded contracts for the planning commission, or other one-time IT costs related to system transfers), these increases do not recur during the projection period. The baseline factors out any one-time events included in the 2024 budget in the 2025 projection.

Other increases (like that in OYFS or the Prison) reflect higher recurring costs. In 2025 contracted services are expected to increase by another 15.5 percent as OYFS adds $3.5 million for caseworker services that were contracted, but not budgeted, in 2024. This contract is expected to continue for the duration of the projection[21].

Beyond 2025, contracted services are expected to continue growing with inflation (2.5 percent) as the status quo scenario does not assume any changes to service levels or management decisions that may increase or reduce the use of contracted services. The chart below shows spending on contracted services by major departments.

[21] The County may be able to reduce its contracted services spending in OYFS if it is able to recruit and retain more case workers and bring this work back inhouse. In that scenario, spending on personnel would increase and spending on contracted services would decrease.

Contracted services spending by department 2019 – 2029



Insurance

The County pays for liability, unemployment compensation, workers' compensation, and collision insurance.

The County is self-insured for workers' compensation, meaning that it pays for the cost of claims rather than a monthly premium amount. Historically, the County's has not budgeted for workers' compensation insurance costs in the General Fund. While historical results do not show spending on workers' compensation spending prior to 2023, this is an accounting quirk. Payments ultimately come from the General Fund, so they are included in our projection.

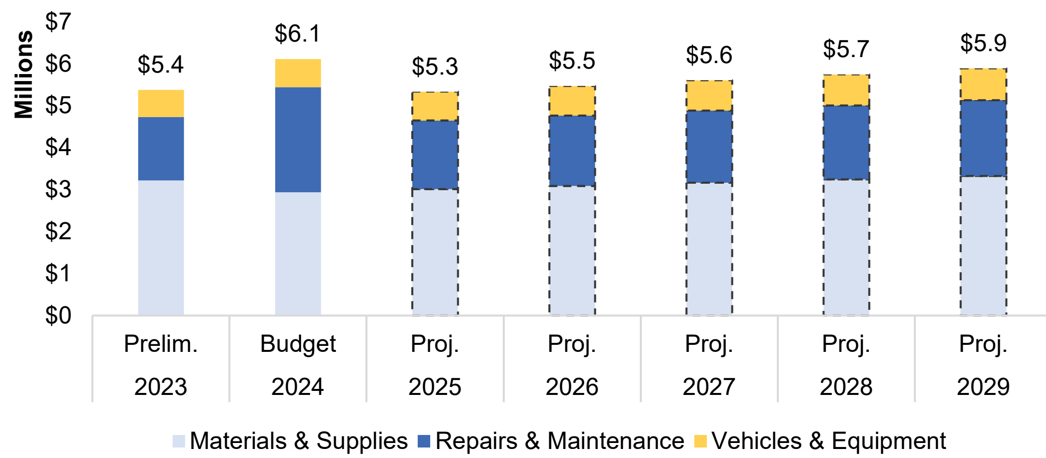
The baseline projection assumes $1.4 million in unemployment compensation spending in 2025 that was not budgeted in 2024 based on input from the County's Revenue & Finance department. Thereafter, insurance spending is assumed to grow with inflation (2.5 percent) to account for cost growth in the County's current policies.

Equipment, supplies, maintenance, and repairs

The County purchases supplies and equipment (including vehicles) for operation and must pay to maintain and repair County-owned equipment and buildings. In 2024, the County budgeted $6.1 million for expenses related to these areas.

Historically, spending on these operating expenses has fluctuated due to one-time maintenance needs or equipment purchases. After factoring out one-time costs that will not be carried into 2025, the baseline projection grows the 2024 budgeted amount by an inflationary assumption of 2.5 percent annually as it assumes that the County maintains the current amount of equipment and maintenance needs.

Total Materials, Supplies, Maintenance, and Vehicle Expenditures, 2023 – 2029 ($ millions)



<u>Utilities</u>

Lackawanna pays for utilities like electricity, heating, and phone service for County-owned buildings, as well as fuel for its vehicle fleet. Spending on utilities increased by 4.1 percent on average per year from 2019 to 2023 (from $2.0 million to $2.3 million) across General Fund departments and functions. The baseline projection grows spending off the 2024 budgeted amount ($2.2 million) at a rate of 2.0 percent annually, based on utility and vehicle fuel forecasts from the U.S. Energy Information Administration.[22]

<u>Other Operating Costs:</u>

- The County **rents** some of the buildings and facilities in which it operates. Spending on rent declined from $853,000 in 2019 to $683,000 in 2023 (or an annualized decline of 5.4 percent), in part due to the completion of the Criminal Justice center and the relocation of some departments into County-owned facilities, rather than rented ones in 2021.

  Going forward, the projection grows rent expenditures at an annual rate of 2.7 percent, matching the historical growth rate from 2019 to 2023. The projection assumes no changes to the number of rented facilities.

- A small amount of **grant spending** is tracked separately for compliance or accounting purposes ($22,000 in the 2024 budget). The projection holds these expenditures flat at the 2024 budget level as it assumes no new grants are awarded beyond current levels.

- Other operating costs like **printing**, **postage**, **advertising**, and **publications** and program costs such as **drug testing**, **per diems for jurors**, and other **community outreach** items are adjusted in 2025 to a historical average in 2025 and then forecasted to grow with inflation through 2029.

Other Expenses

Lackawanna County's Budget also includes expenditures related to interfund transfers, contributions to funds and community organizations, debt expenses, and miscellaneous items.

<u>Transfers out to Debt Service and Culture & Education funds</u>

Prior to 2025, the County collected the real estate tax revenue associated with the general operating (49.6 mills), debt (14.24 mills), and culture and education (1.0 mill) millage rates into the General Fund and then

[22] U.S. Energy Information Administration, 2024.

transfers the debt and culture and education amounts to their respective funds. The budgeted transfer amount was $22.0 million in 2024.

As the baseline assumes no changes to current tax rates in a status quo scenario *although the County will very likely need to increase the debt millage in 2025 to pay for additional costs associated with the 2024 unfunded debt.* It is important to note that this projection does not include any added debt expense from the County's unfunded debt borrowing set to occur in November 2024.

Therefore, transfers to Debt and Culture and Education funds are expected to grow along with taxable assessed value (0.6 percent annually).

Starting in 2025, the County will collect real estate tax revenue related to debt directly in the sinking fund, without it touching the General Fund first. This will reduce the real estate tax revenue received in the General Fund and the interfund transfer from the General Fund by the same amount and should not impact the County's net financial performance.

<u>Contributions</u>

The General Fund makes payments to other County funds and authorities as well as required matches for County OYFS and human service funding. In some cases, these payments are characterized as "make whole" contributions, intended to use General Fund dollars to subsidize other County functions like the emergency dispatch (911 fund).

Budgeted contributions to Domestic Relations, Liquid Fuels, and the 911 funds associated with 2022 and 2023 were not made until mid-2024, therefore total contributions were lower in those years than they should have been. Going forward, the baseline assumes that the County makes all contributions on time and holds amounts constant at 2024 budgeted levels ($8.4 million).

<u>Other debt costs:</u>

While the County pays most of its debt from a dedicated Debt Service fund, there is a small amount ($55,000 to $838,000 historically) that is paid directly from the General Fund. The County is currently paying a small, short-term loan on behalf of the Redevelopment Authority to fund the purchase of tax liens in 2023. The loan term is 8 years, therefore the baseline projection keeps the 2024 budgeted amount ($550,000) flat through 2029.

<u>Other miscellaneous</u>

In the past, the General Fund included capital vehicle and equipment leases, but the County now pays all capital expenses out of a separate fund. *The baseline projection does not include any funding for capital projects.* The 2024 budget includes incentive spending by the economic development department as well as all expenses recorded as miscellaneous in the County's accounting system.

Historically, spending on other miscellaneous costs has varied as some years have included large one-time spikes (such as a $1.4 million jump in prior year tax refunds in 2022). Going forward, these expenses are assumed to remain flat at the 2024 budget level ($1.5 million), which is close to the average of the 2019 to 2023 period ($1.3 million) through the projection.

Expenditure summary

Overall, total General Fund expenses grew from $136.2 million in 2019 to $150.3 million in 2023, or an average annual growth of 2.5 percent. The 2024 budget shows a 10.3 percent ($15.5 million) increase over the prior year's spending, primarily driven by increases to personnel costs (salaries and wages, heath insurance) and contracted services spending.

In 2025, the baseline projection makes several key adjustments to the budget figure:

- A 5.0 percent vacancy saving factor is applied to both salaries and wages and health insurance based on actual expected spending through 2024 per PFM's cash flow analysis.

- Pension contributions are projected to increase by $7.8 million to meet the actuarial determined contribution (ADC) in 2025.

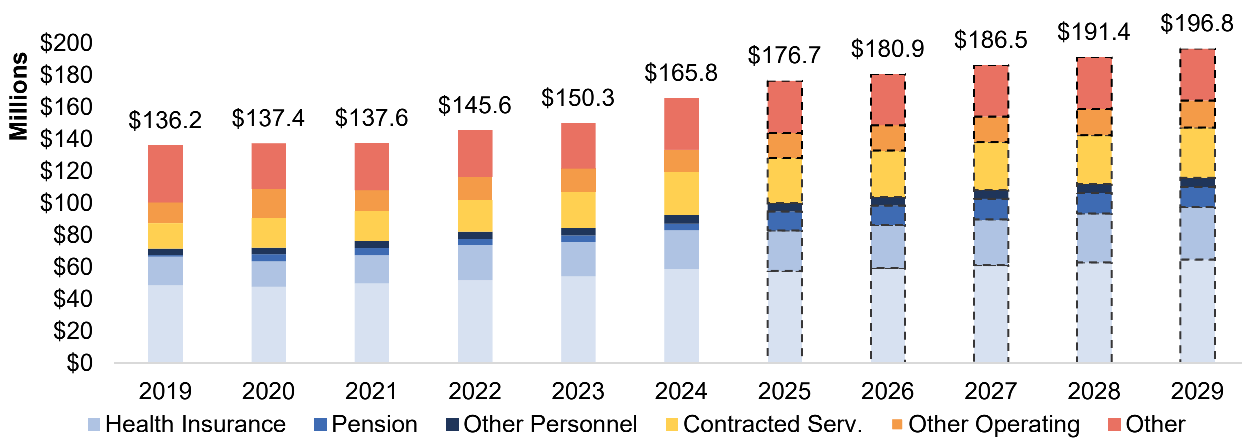
- While some short-term or one-time contracted services are expected to end in 2025, the projection adds a $3.5 million contract from OYFS that is expected to start in 2024 but was not budgeted.

- Workers' compensation costs, historically not budgeted for, are added to the 2025 projected figure ($1.4 million).

Taken together, these adjustments result in $176.7 million in total General Fund expenditures in 2025, $10.9 million or 6.6 percent higher than the 2024 budget.

Beyond these adjustments in 2025, the projection assumes that spending will grow from $176.7 million in 2025 to $196.8 million in 2029, or annual growth of 2.7 percent. Much of the projected spending growth is associated with personnel costs: salaries and wages grow steadily at 2.9 percent annually, health insurance spending grows by 6.7 percent each year, and many other operating costs grow by an inflationary 2.5 percent.

Total General Fund Expenditures, 2019 – 2029 ($ millions)



	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Prelim.	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Cash Compensation	$48.6	$47.7	$49.8	$51.9	$54.1	$58.8	$57.8	$59.4	$61.2	$63.0	$64.8
Health Insurance	$18.0	$15.9	$17.6	$21.9	$21.8	$24.3	$25.2	$26.9	$28.7	$30.6	$32.7
Pension	$0.8	$4.5	$4.4	$3.9	$3.9	$4.1	$11.9	$12.2	$12.9	$12.7	$12.7
Other Personnel	$4.3	$4.1	$4.3	$4.6	$4.8	$5.3	$5.1	$5.3	$5.4	$5.6	$5.8
Contracted Serv.	$15.8	$18.6	$18.9	$19.8	$22.7	$26.8	$28.4	$29.2	$29.9	$30.6	$31.4
Other Operating	$12.9	$18.1	$13.0	$14.2	$14.4	$14.0	$15.3	$15.7	$16.1	$16.5	$16.9
Other	$35.8	$28.5	$29.6	$29.4	$28.7	$32.4	$32.9	$32.2	$32.3	$32.4	$32.6
Total Expenditures	**$136.2**	**$137.4**	**$137.6**	**$145.6**	**$150.3**	**$165.8**	**$176.7**	**$180.9**	**$186.5**	**$191.4**	**$196.8**

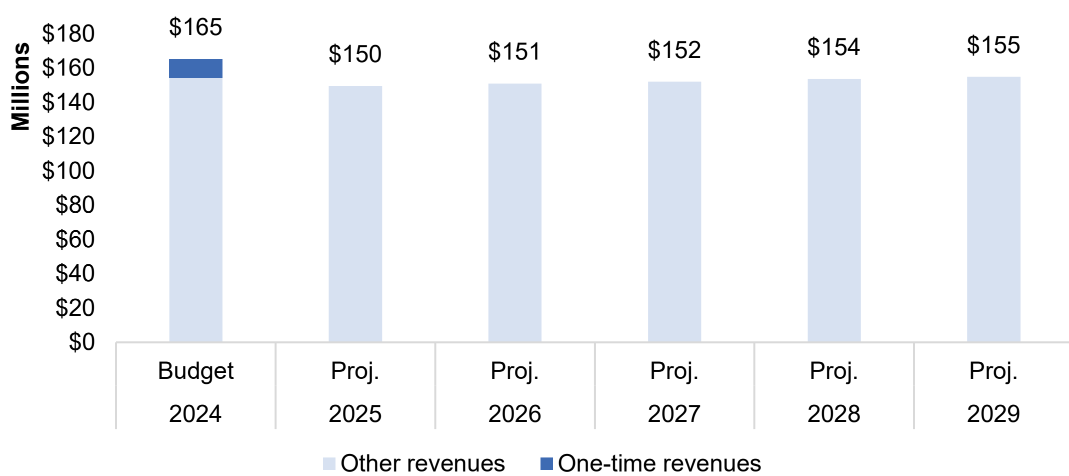
Key Trends

Trend 1: Loss of short-term deficit closing options drives the projected 2025 deficit.

The baseline projection shows a $27.2 million deficit in 2025, compared to a $500,000 shortfall in 2024. One of the main drivers of this large increase in the deficit is loss of short-term revenues. The County balanced its 2024 budget using $10.8 million (or 6.6 percent of the total General Fund budget) in one-time resources: $5.5 million from debt refinancing proceeds, $3.0 million from American Rescue Plan (ARPA) dollars, and a $2.3 million refund from the County's health insurance provider.

Although the County may use some of its remaining ARPA funding to close the 2025 budget deficit, the baseline does not assume use of ARPA funding in the projection period because this analysis is focused on structural stability (recurring revenues and recurring expenditures). The County cannot continue to rely on ARPA to help close its deficits through the end of 2029. Similarly, we do not assume any future cash influx from debt refinancing or health insurance refunds, though both events may occur during the projection period.

General Fund Revenues, 2024 – 2029



The result is an immediate $10.8 million revenue shortfall as shown in the chart above. Because revenues tend to remain flat and expenditures tend to grow without corrective action, the longer the County relies on these one-time deficit closing options without taking other steps to fix its structural imbalance, the more drastic corrective action will be needed to close the gap.

Trend 2: A large pension contribution increase is needed to meet the Actuarily Determined Contribution.

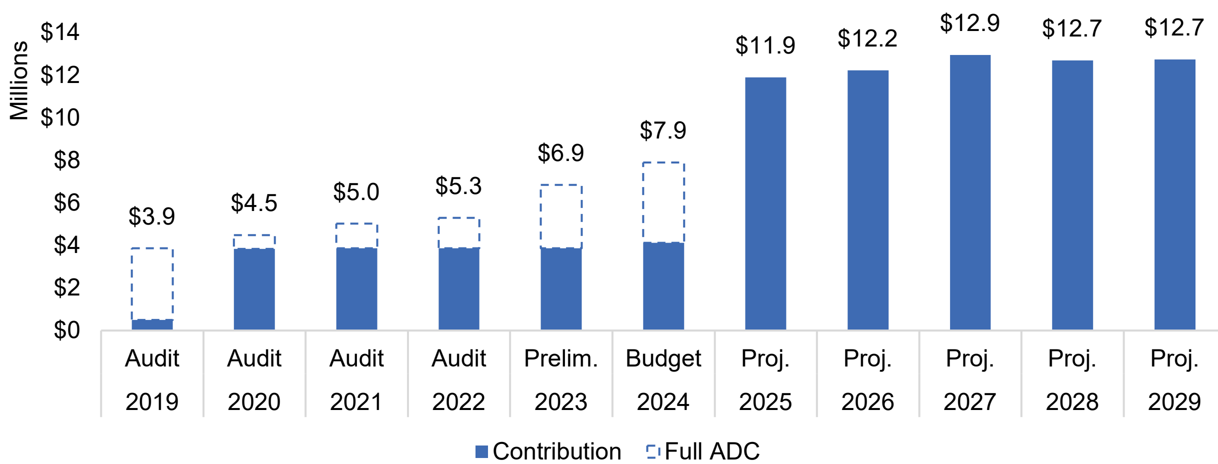
Another major driver of the 2025 deficit is an assumed increased pension contribution to meet the County's actuarially determined contribution (or ADC). The ADC is the amount the County should contribute each year to its employee pension plan to pay for current and future benefits under a specific set of assumptions about mortality, investment performance and other factors. The County has not made the full ADC payment to its plans in at least the past decade.

As we describe earlier in this chapter, when the County does not make this full payment, the ADC in subsequent years increases (all other assumptions like mortality and interest rate constant). By 2025, the

County's ADC has reached $11.9 million – the baseline projection assumes that the County makes this payment in 2025 (a $7.8 million increase over the 2024 budget) and every year thereafter.

While the baseline projection assumes the County begins making the full $11.9 million ADC in 2025, we recognize that the County may need to build up to these larger contributions over time. In either case, *the County will need to increase its contributions to the pension plan significantly during the projection period* if it wants to adequately fund its pension plan and stop the cycle of ADC increases due to underfunding. The chart below shows historical and projected pension contributions versus the ADC amount.

County pension contribution versus ADC, 2019 – 2029



Trend 3: The County's largest recurring revenues are stagnant while recurring expenses grow, driving the structural deficit beyond 2025.

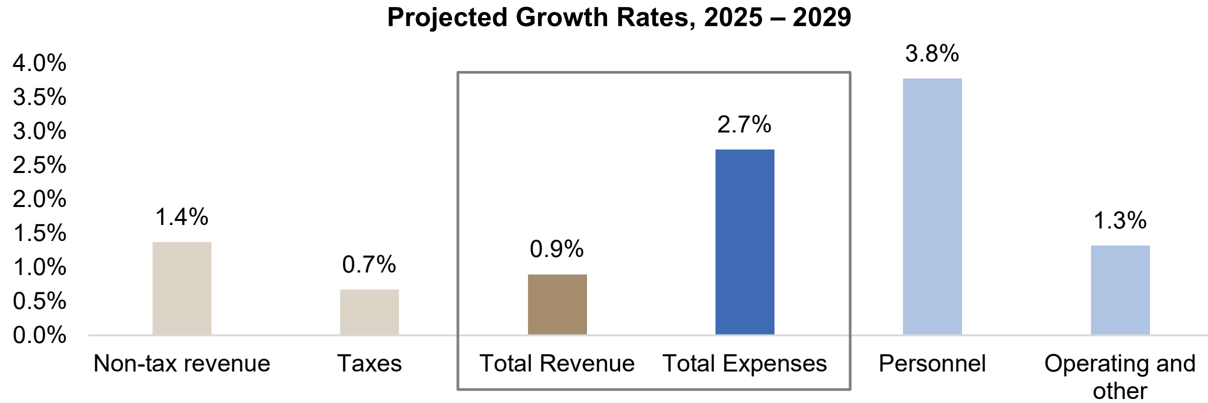
As discussed previously in this chapter, the County is facing risks to its largest recurring revenue source: its real estate tax. Falling collections, a reassessment that may trigger additional appeals, and loss of the Commonwealth Health system as taxable property result in a $2.0 million loss of real estate tax revenue in 2025 in the baseline projection.

Beyond 2025, the real estate tax revenue is anticipated to remain flat. The baseline methodology assumes no changes in tax rates *although the County will very likely have to increase taxes in 2025 to close the projected budget gap.* Without continued increases to the real estate tax millage, revenue will continue to stagnate following slow growth in the County's taxable assessed value. From 2025 to 2029, real estate tax revenue is anticipated to grow at a rate of 0.6 percent annually.

Projected real estate tax revenue growth, 2025 – 2029

	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2025 - 29 CAGR
Taxable assessed value ($ million)	$1,579.50	$1,588.60	$1,597.90	$1,607.10	$1,616.50	0.6%
Millage rate	64.6	64.6	64.6	64.6	64.6	0.0%
Collection rate (%)	89.8%	89.8%	89.8%	89.8%	89.8%	0.0%
Current year real estate taxes ($ million)	**$91.60**	**$92.20**	**$92.70**	**$93.20**	**$93.80**	**0.6%**

At the same time, the County's recurring expenses continue to grow: personnel costs increase by 3.8 percent annually on average and operating expenses like contracts and materials increase by an inflationary assumption (2.5 percent) every year. This structural imbalance grows the projected deficit every year without corrective action.



The County will need to take corrective action to balance its 2025 budget by raising taxes, cutting expenditures or both. Beyond 2025, the County will need to continue taking corrective action to move towards structural stability: where recurring revenues like the real estate tax are sufficient to cover recurring expenses (personnel costs, operating expenses) every year without significant cuts to services or steep tax hikes.

Trend 4: Health insurance costs drive expenditure growth more than any other category.

The 2024 budget assumed an 8.9 percent increase in spending on salaries and wages relative to 2023 actual spending. Historical trends analysis and PFM's work projecting the County's spending on a cash basis revealed that this number was probably overstated – the County would likely spend less than budgeted in this category, possibly due to savings from vacancies and turnover that were not captured in the budget. The same was true for health insurance costs. The baseline projection adjusts both of these spending categories to align better with historical averages.

Beyond these adjustments in 2025, health insurance spending drives growth in baseline projection deficits more than growth in other personnel costs, both on a dollar and percent growth basis.

General Fund expenditures, 2025 – 2029 increase

	$ increase (millions)	% increase
Health insurance	$7.5	29.8%
Cash compensation	$7.0	12.2%
Operating expenses	$4.5	10.3%
Pension	$0.8	7.0%
Other personnel	$0.6	11.9%
Other expenses	($0.4)	-1.1%
Total	**$20.1**	**11.4%**

From 2025 to 2029, spending on cash compensation is projected to increase from $57.8 million to $64.8 million, an impact of $7.0 million over five years (or an annual growth rate of 2.9 percent). Even with the 5.0 percent vacancy assumption applied, health insurance is the fastest growing expense in the projection period – from 20205 to 2029, health insurance spending is anticipated to grow from $25.2 million to $32.7 million, a total increase of $7.5 million or 29.8 percent over five years.

Trend 5: The County has less control over its non-tax revenues.

At least $32.3 million of the County's general fund revenue (or nearly 20.0 percent of the total General Fund budget) comes from other entities via grants or federal and state reimbursements. Unlike real estate taxes where the County can raise or lower the millage rate to support operations, the County has less control over how much revenue these sources can generate (including reimbursement rates), when revenues are received, or in some cases how they can be used, which are all set by those external entities.

This structure makes a large portion of County revenue difficult to anticipate, especially when some reimbursements (like those for court costs) are not set at a fixed dollar amount or percentage level. On a cash basis, the timing of these revenues presents a challenge when revenues do not come in when or in on time or at the dollar amount that is anticipated.

It also means that the County cannot easily use these revenues to cover shortfalls or unanticipated costs in other areas of County government. For example, the County cannot use additional OYFS revenues to offset overtime costs at the Prison.

Large non-tax revenues in the 2024 budget

	2024 budget ($ million)	% of total budget	Payment mechanism
ACT 148	$13.8	8.3%	Quarterly advance payments based on needs-based budget submissions, followed by quarterly reimbursement. Expenses are reimbursed at different **rates established by the Commonwealth** for different types of services.
Title IV-E	$4.9	3.0%	Foster care, adoption assistance, and subsidized permanent legal custodianships reimbursement based on whether children meet **eligibility requirements set by the federal government**.
U.S. Marshal	$6.4	3.9%	Reimbursement per federal detainee housed in the County Prison. Reimbursement **rates are set in a signed contract with the U.S. Marshal Service.**
Various Grants	$7.2	4.4%	Grant dependent – some are reimbursement-based or non-recurring.

Financial trends summary

The baseline projection shows a large deficit beginning in 2025 with the loss of one-time revenues and increased pension contribution. Beyond 2025, the baseline projects that the County's deficit will continue to grow incrementally as revenues are relatively stagnant absent tax rate increases and recurring expenditures continue to grow along with wage increases and inflationary factors.

Realistically, the County *must take corrective action* to close the large projected deficit in 2025, solve its current cash crisis, and move towards structural balance in the future. On the revenue side, the County has very little flexibility outside of increasing tax rates to raise additional revenue for operations. On the expenditure side, personnel related expenditures (health insurance, pension contributions, base wage increases) drive cost growth.

Subsequent chapters of this Plan describe specific actions that the County should take over the next five years to address these trends. The deficit closing measures focus on the County's spending on Criminal Justice and personnel costs since they account for most of the County's spending.

Financial Management

The preceding chapter of this Plan, the Financial Condition Assessment, describes the County's financial challenges. County government's finances have been out of balance for years, with spending exceeding revenues and the County drawing down its reserves and using other one-time measures to get through each fiscal year.

The County's reserve levels cannot continue to support the recurring trend of deficits described in the Financial Condition Assessment. The County's cash reserves could not support *this year's* deficit so the County had to borrow $11 million to sustain operations and repay its 2024 cash flow borrowing so it can do another cash flow borrowing in early 2025.

If the County wants to reach a place where it can pay its bills on time, balance its budget, and begin to fund necessary capital investments, it needs to move toward financial stability. There are three layers of financial stability that this chapter will address: cash, budgetary, and structural stability.

Cash Stability

- County has enough cash in its bank accounts to cover expenses through the rest of the year without needing to borrow cash or carry unpaid bills into the next year.

Budgetary Stability

- Budgeted revenues are sufficient to cover budgeted expenses on an annual basis.

Structural Stability

- Recurring revenues are sufficient to cover recurring costs and fund investments in County-owned infrastructure and support other strategic priorities.

These layers of stability build upon one another: Having enough cash on hand in one year means that the County can avoid carrying over unpaid bills into next year[1] and trying to stretch 12 months of budgeted revenue to cover 13 months of expenditures. Having a truly balanced budget makes cash management easier and can move the County close to structural stability. Achieving structural balance allows the County to be proactive and pass balanced budgets without the need for steep tax increases and deep service cuts.

The County will start 2025 in a very tenuous position from a cash perspective. In late 2024, the County completed an $11 million unfunded debt borrowing so it could repay the 2024 Tax Revenue Anticipation Note (TRAN, or cash flow borrowing), which will enable the County to access another TRAN for 2025. The County will repay that 2024 unfunded debt loan over the course of the next decade.

The County made it through 2024 without running out of cash, thanks to the unfunded debt borrowing; a hiring freeze that took effect in August 2024; a discretionary spending freeze that took place at the same time; more diligent management of interfund transfers; and other cash-conserving measures. The County will also carry some outstanding bills from 2024 into 2025. Most of those bills should be no more than 30 days past due and therefore a part of the normal course of operations. This is substantial improvement from when the County entered 2024 with $18.5 million in unpaid bills.

The County also took painful steps to bring its 2025 operating budget into balance, including a large real estate tax rate increase and cuts to spending like public safety overtime. Those adjustments were overdue and mark a departure from prior years' practice of closing budget deficits with short-term answers to a long-running problem.

[1] Because of the timing of when bills are received and when they can be paid in the normal course of the County's payment cycle, the County will carry some bills received in December into the following January. The unpaid bills that the County needs to minimize are those that are more than 30 days past due.

But the margin for error in 2025 is very small.

The 2025 budget effectively balances to zero with a positive projected result of $1,131, which is 0.001 percent of a $167 million operating budget. The cash carried into 2025 will likely be very small.[2]

Looking beyond the cash and budgetary challenges, our baseline projection (which does not account for the changes in the 2025 budget) shows a structural imbalance wherein the recurring revenues do not cover its annual expenses on a consistent basis. While the 2025 budget closes a large part of this structural deficit, it is unlikely that it closed all of it – the baseline projection showed deficits each year through 2029.

Some of the County's instability comes from needing to increase revenues (see FM13) and control costs (see Workforce and Criminal Justice chapters) which has not consistently happened in prior years.

Some level of stability can be achieved through improving the County's ***financial management*** practices. In its September 2023 ratings report, S&P Global Ratings ranked the County's financial management practices as "vulnerable." Throughout this engagement, PFM observed areas where poor fiscal management practices meant that data needed to assess the County's financial condition was unreliable or unclear, and some essential financial processes were not completed timely or at all. Beyond becoming financially stable, better financial management can improve County government's overall transparency and credibility with both rating agencies and its residents.

Those two goals – improving financial performance and strengthening financial management – are the focus of this chapter.

We start with a recommendation to add capacity to the Department of Revenue & Finance (or "Finance") so the County can make progress on all the other initiatives. We then provide time-sensitive initiatives related to cash management and the budget process and pivot to other daily functions (interfund transfers, contract management).

We follow the discussion of daily operations with recommendations related to the County's real estate tax base and tax rates since that remains the single most important driver for County financial performance on the revenue side of the ledger. We close with one final "big picture" initiative unrelated to financial management that the County should consider over the course of this plan.

Scaling up financial management staff

This chapter lays out several improvements to County financial management, including several that are critical for 2025 given the County's small margin for error. While some departments have their own fiscal staff, most of the County government's financial management duties are allocated to the Department of Revenue & Finance that reports to the Commissioners, the separately elected Treasurer and her staff, and the separately elected Controller and his Office.

The Revenue & Finance Department is not very large. It has eight (8) positions[3] responsible for a wide range of functions and the recommendations in this chapter suggest the Department take on *more* responsibilities. The current CFO has been our primary contact for questions about individual transactions, reviews the County's invoice aging list, follows up on outstanding transfers and payments, and likely fills gaps in multiple other daily processes. Suggesting he take on even more responsibility without additional support is not a good strategy.

Our experience working with other financially distressed governments is that adding a small number of positions to a department that is responsible for managing hundreds of millions of dollars is a very worthwhile investment that makes financial recovery more likely and less painful. So, while the County is

[2] Please see initiative FM02 for discussion of the difference between fund balance and cash reserves.
[3] Most recently available Seniority List dated 3-15-24, which the County uses as its roster.

rightfully in a mode of expenditure control, we recommend the County add a second senior position in Finance.

FM01	**Add Deputy CFO position in Revenue & Finance**
Responsible parties	County Commissioners
Time frame	Late 2025 or 2026

The initiatives described throughout this Plan give Finance shared or primary responsibility for the following:

- Improving the cash management and budget development processes
- Taking primary responsibility for bank account reconciliation (currently assigned to the Treasurer) and becoming the central point to initiate all interfund transfers (currently split with the Treasurer)
- Centralizing the grants management functions that are currently decentralized and uncoordinated
- Bringing a financial perspective to collective bargaining so the County's ability to pay and financial goals are incorporated in that crucial process that determines much of the County's expenditures

This is in addition to the current responsibilities Finance staff already carry.

Trying to shoehorn these new duties into the daily schedules of existing staff or hoping they will find enough time to advance them is not a good strategy. The County should create and fill a Deputy Chief Financial Officer position and allocate some of the responsibilities to the new employee as soon as practical.

While the CFO and Commissioners should discuss the specific job description for this new position further, our recommendation is that the Deputy CFO focus on managing and improving the daily financial processes, such as payroll, bank account reconciliation (see initiative FM06), and accounts payable.

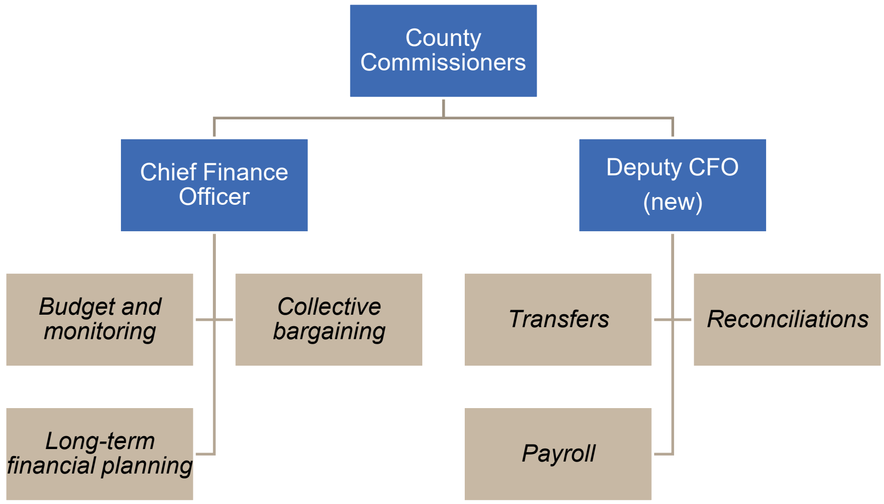
There is no shortage of other potential duties, including improving grants management (see initiative FM09) or implementing position-based budgeting for 2026 (see initiative WF14 in the Workforce chapter).

Adding capacity would allow the CFO to become less involved in day-to-day process, like reviewing aging invoices and following up with staff to ensure they are paid, and focus more on managing the budget, overseeing the County's precarious cash position, conducting long-term financial planning, and supporting collective bargaining (see initiatives WF02 and WF04 in the Workforce chapter).

Another benefit of this added capacity is succession planning. Having two senior employees familiar with County government's complicated finances would help the County avoid the problem it has encountered in recent years when several experienced, senior leaders left the County in a short period of time. The County's efforts to rebuild that capacity quickly are necessary and valiant, but they should not be repeated, if at all possible.

The figure below shows how functions in the Revenue & Finance department could be divided between CFO and a newly added Deputy CFO.

Sample organizational structure: Revenue & Finance



Given the County's very tight cash situation in 2025, it may be difficult to implement this position until the 2026 budget process. However, if the County identifies position savings not considered in this plan, we encourage the Commissioners to add this position this year. In either case, the County should first identify gaps in its current capacity before adding personnel.

Cash management

The County needs to have enough cash on hand in its General Fund to pay its employees, vendors, and other obligations (e.g., employee pension contributions) for the entire year – this is the most basic type of financial stability (***cash stability***) and it is a prerequisite to budgetary stability (revenues balanced against expenditures on an annual basis) and structural stability (recurring revenues balanced against recurring expenditures).

Lackawanna County entered 2024 with just $6.1 million in its General Fund bank accounts,[4] less than half of its average monthly operating expense or around three payroll runs.[5] The County also entered 2024 with $18.5 million in unpaid bills that it also carried over from 2023, around half of which ($8.9 million) were more than 30 days old. This emerging cash flow crisis prompted the County to enter the Commonwealth's Strategic Management Planning Program (STMP).

In April 2024, the County hired PFM under STMP to conduct an "MRI" of County operations and finances, including reviewing the County's cash position to determine whether it would have enough cash on hand to sustain operations through the end of the year and repay the $15 million cash flow loan due at the end of the year.

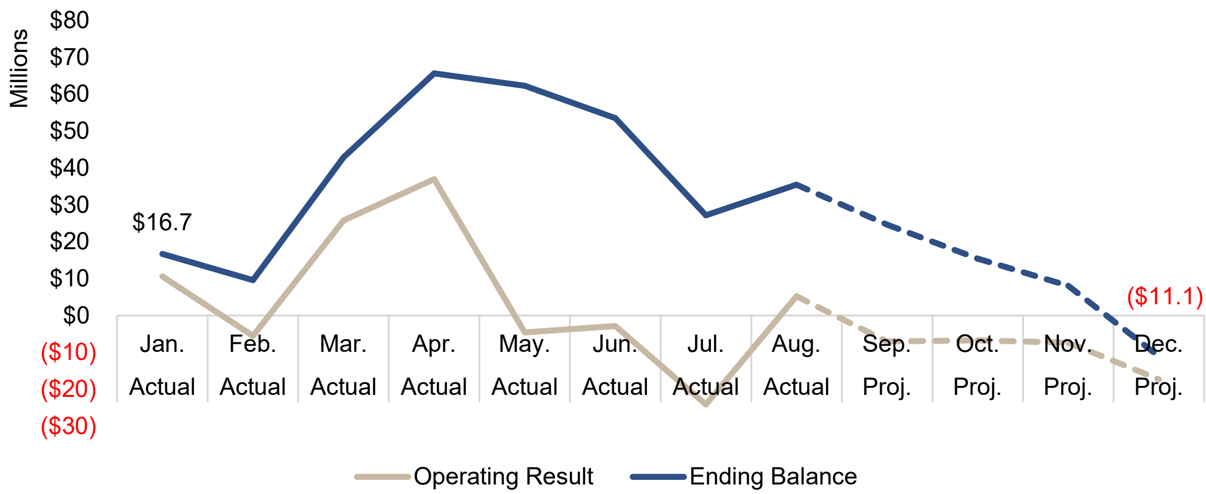
PFM developed a cash flow model that projects the County's current cash levels through the end of the year. Using five years of historical data, the model anticipates how much revenue the County will collect and how much it will spend each month on a cash basis.[6] The first projection used year-to-date results

[4] Our cash flow analysis includes all bank accounts that support General Fund functions.
[5] According to cash results produced by the County through September, the average payroll including just salaries and wages (no overtime, FICA, or health insurance) is around $2.0 million.
[6] The cash flow analysis uses *cash basis* accounting – wherein transactions are realized at the time revenues are received or payments are spent – rather than modified accrual data – wherein revenues are recorded in the period that they are due and measurable and expenses in the period that they are incurred. Other financial reports, like the County's external audit, use the modified accrual basis of accounting.

through June 2024 and showed the County ending the year with a large cash shortfall. PFM updated this projection on a monthly basis during the STMP engagement, updating year-to-date performance and adjusting assumptions as new information emerged.

The chart below shows actual and projected cash levels as of September 30, 2024. At that time, the County was expected to end the year with a $11.1 million shortfall, and very low cash levels beginning in November ($8.1 million, less than 1 month of average operating expenditures or around four payroll runs). [7] The cause of the 2024 shortfall was primarily that the County started the year out of balance, with basically an extra month's worth of expenditures carried from 2023 into 2024.

Cash flow projection as of September 30, 2024



The cash flow projection helped County leadership understand that immediate action was needed in order to avoid running out of cash by the end of the year and defaulting on repayment of the 2024 TRAN.[8] Less than 48 hours after the dire projection was presented publicly, the County immediately instituted a hiring and discretionary spending freeze and began the unfunded debt borrowing process to cover the projected shortfall.

While the County will hopefully not need to repeat the same emergency actions it took in 2024 to get through 2025, it should repeat the process used to manage its low cash flow levels.

FM02	Continue monitoring and projecting cash levels on a monthly basis
Responsible parties	Revenue & Finance
Timeframe	Continue in 2025 and beyond

As described above, the County's cash position during 2025 will be very tenuous again. It should not enter the year with a large amount of unpaid bills, but it will also likely enter the year with even less cash than it started 2024.

The County will need another TRAN in January 2025 to cover its operating costs until real estate tax revenues start to arrive in the spring. This is not unusual for Pennsylvania governments, though building a large enough cash reserve so that the County does not need to cycle through cash flow borrowings is a good long-term goal. Then the County will have to operate within the limits of the cash it receives during

[7] Estimated monthly expenditures from the General Fund is approximately $15 million, average payroll included salaries and wages and overtime spending only is around $4 million.
[8] If the County had not repaid the 2024 TRAN when due, it would not have been able to secure another TRAN to meet its cash flow needs in 2025 and would have likely run out of cash in the early part of that year.

2025 with enough left over at the end of the year to repay the 2025 TRAN so it can begin the cycle again in January 2026.

Throughout this engagement, PFM heard from departmental interviews, particularly in Revenue & Finance and the Treasury department, that staff capacity is a challenge – recent turnover in these departments resulted in substantial loss of institutional knowledge that will take time to rebuild.

While the County needs to manage its cash flow levels very carefully, including generating an updated set of monthly cash flow projections to manage against, the County may not have the capacity to do this type of analysis and monitoring in-house. It needs time to hire and/or train someone to take on this task. In the interim, the County should pursue STMP program funding to hire external resources for this task with the intent to hand it over to internal personnel in during 2025.

Fund balance and cash reserves

Governments need enough fund balance in reserve to cover unexpected shortfalls, pay for emergency expenditures, cushion the organization and taxpayers against the shock of economic downturns, and limit short-term borrowing to fund basic operations.

This is particularly true Pennsylvania County governments that rely heavily on real estate tax revenue (which does not arrive until the spring because of the billing cycle) and reimbursements from the state and federal government (the timing and amounts of which can be difficult to predict and not always within the County's control).

The table below shows the County's fund balance (including non-spendable, assigned, and unassigned) and cash levels over the past several years of audits.

Audited General Fund Balance, 2019 – 2022 ($ millions)

	2019	2020	2021	2022	CAGR
Non-spendable	$0.2	$0.1	$0.2	$0.2	-9.2%
Assigned	$1.3	$1.1	$1.2	$1.2	-3.3%
Unassigned	$19.5	$19.9	$24.3	$14.5	-9.3%
Total Fund Balance	**$21.1**	**$21.1**	**$25.7**	**$15.9**	**-8.9%**
Cash and equivalents	$16.8	$16.6	$15.4	$11.3	-12.4%

The difference between fund balance and cash is important because fund balance often includes assets that cannot be readily used to pay obligations, such as receivables – taxes, grants, and other forms of cash receipts that are due to the government but have not yet been received. Lackawanna County's fund balance has generally tracked its cash reserves as shown above, but they are not the same number, and the County cannot pay its employees, vendors, or other creditors with cash it has not yet received. For that reason, the County should focus on fund balance ***and*** cash reserves.

FM03	Adopt a minimum cash balance target and rebuild cash reserves
Responsible parties	Commissioners; Revenue & Finance
Time frame	2026 – 2029
Impact on baseline	Estimated $15 million in cash

The County should establish a cash reserve target and plan to build up its depleted financial reserves over the next five years.

What level of fund balance reserve should the County maintain in its General Fund?

The amount that a government should hold in reserves varies based on the size and financial condition of the government. Recognizing this variability, the Government Finance Officers Association (GFOA) provides a starting point for setting the appropriate level of reserves:

> *"GFOA recommends, at a minimum, that general purpose governments, regardless of size maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or […] expenditures.[9]"*

Using the GFOA minimum as a standard would mean keeping around $30 million in fund balance, compared to the most recent audit which showed $15.9 million in total fund balance in 2022. Lackawanna County could start with this 17 percent (see table below) but it should build a larger reserve because of its recent financial performance and the revenue structure described in the Financial Condition Assessment.

GFOA recommended fund balance and projected expenses, 2025 – 2029

	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
General Fund Expenditures ($ millions)	$176.7	$180.9	$186.5	$191.4	$196.8
GFOA recommended minimum (16.7%)	**$29.5**	**$30.2**	**$31.2**	**$32.0**	**$32.9**

Lackawanna County leaders took an important step towards rebuilding fund balance reserves in November 2024 when the County adopted a fund balance policy. The policy sets a target of 12.0 percent of General Fund revenues to be held in both assigned and unassigned reserves.[10]

Equally as important as the fund balance target is, the County needs to set a minimum cash balance target. Fund balance includes assets that are not spendable, restricted in how they may be used, and (at least in the short term) not liquid.

The County needs build a cash reserve so it can avoid the tension and uncertainty that it has endured in recent years, where leaders had to choose whether to pay its vendors or hold some cash in reserve for future payroll and health insurance spending. Ideally, the County should become less dependent on cash flow borrowings (TRANs) so its cash position is not perpetually tied to the borrowing cycle. Reliance on TRAN is not unusual, but it is also not beneficial.

How much cash should the County keep on hand in the General Fund to improve stability its cash flow?

One method to develop this target is to understand the County's cash shortfall in the beginning of each year.

[9] Government Finance Officers Association (GFOA), Best Practices: Fund Balance Guidelines for the General Fund
[10] Lackawanna County, Resolution 24-0269 Adopting an updated Fund Balance Policy, 11-6-24.

Lackawanna County like many county governments in Pennsylvania relies heavily on the real estate tax to fund its operating costs: $99.9 million, or 16.4 percent of total revenue in the 2024 General Fund budget is made up of real estate tax revenue. Real estate tax bills are typically mailed to property owners in February, and most of the County's revenue is received between when bills are received by property owners and June during the face value period. This means that each year, the County receives little revenue in January and February. At the same time, the County's operating expenses (like bills to vendors and payroll) must be paid each month.

In 2024, the County was able to stay afloat by using short-term (TRAN) and one-time (ARPA and health provider refund) revenues to pay for expenses early in the year. The County also held onto $6 million in unpaid bills more than 30 days old at the end of February. The table below shows the operating result (revenues minus expenditures on a cash basis) in January and February for each of the past three years, excluding short-term and one-time revenue sources.

According to the County's cash data, the average operating deficit in January and February is $14.1 million. The County borrowed $15 million for cash flow purposes in 2024, which aligns with this historical average. Therefore, $15 million is the initial target for the County to build as a cash reserve.

January & February Operating Results (cash basis, $ millions), 2022 – 2024

	2022	2023	2024	2021 - 2024 Average
January & February Revenue	$14.7	$7.7	$8.9	$10.4
January & February Expenditures	$24.3	$23.7	$25.6	$24.5
January & February Surplus/(Deficit)	**($9.6)**	**($16.0)**	**($16.6)**	**($14.1)**

The County will not be able to build up its fund balance and cash reserves to the recommended levels in one year, and a multi-year approach to improve cash stability is reasonable, provided the County makes progress each year. The County should use the multi-year financial projection to set a timeline for building its reserves and cash to the target levels. It should describe what sources of funding (i.e., one-time windfalls, a set amount each year as part of the budget, a combination of these sources) will be used to build this reserve and set the guidelines that the County will follow before drawing down its reserves below the target level and the requirements for replenishing that reserve.

Budget process

The second level of financial stability is ***budgetary stability***, where the County's revenues are sufficient to cover expenditures on an annual basis – in other words, *is the County able to balance its budget?*

By law, the County is required to pass a balanced budget by the end of each calendar year, but the legal threshold for a "balanced budget" is not rigorous. A budget that draws down reserves, uses one-time funding sources, or defers some expenditures into the future can still meet the legal requirement for a balanced budget, so long as the revenues and expenditures net to zero.[11] The County should then focus on whether its budget is structurally balanced with recurring revenues equaling or exceeding recurring expenditures.

During the cash flow analysis and the multi-year financial projection, PFM closely evaluated the County's 2024 budget and found a couple of flaws:

- In some instances, the 2024 budget does not align with recent spending or revenue trends. In most cases, the budget overstates how much the County would collect or spend on certain items.

[11] The legal standard for a balanced budget also does not use the accounting definition for revenues. Pennsylvania governments can show use of fund balance as a "revenue" in their annual budget, even though it is not categorized as a revenue in the external audit.

- The County struggles to project grant revenues, and grant receipts do not match the budget targets. In some cases, a department projected more revenue than it received and in others less.

- The budget document has a useful introductory message delivered by the Chair of the Commissioners, but the budget itself has very little in terms of explanatory narrative. If the reader is not already familiar with the revenue and expenditure lines, they will have a hard time deciphering what the departmental budgets mean.[12]

Some department managers expressed frustration that they do not have adequate opportunity to participate in revising their budget after they submit their initial request to Revenue & Finance. Concerns about lack of participation flow both ways. Finance staff noted that the quality of departmental budget submissions varies widely across the organization.

Budgets are large, complicated documents, especially for County governments that have hundreds of millions of dollars allocated across multiple funds, some of which interact with each other.

The most important attribute of a budget is that the numbers are ***accurate***, meaning they represent management's best estimate of what will actually be collected and spent during the upcoming fiscal year, recognizing that reality will often diverge from even the most carefully deliberated plans.

A strong budget document should be ***strategic*** and explain how the County's priorities, statutory duties and other limitations shape its spending and taxing decisions. It should be a useful ***communications*** tool where someone with relatively little familiarity with County finance can still direct themselves through the document and understand the major performance drivers and decisions incorporated in it.

We offer the following recommendations for improving the County's budget process and document.

FM04	**Improve budgeting practices**
Responsible parties	Revenue & Finance, Department directors
Time frame	Begin in 2025 for the 2026 budget cycle

Compare the budget figures to historical revenue and expenditure trends

During our review, we identified several lines where the County's budget target did not align with historical trends and its projected year-end result is also off target.

For example, prison phone revenue (a fee charged to inmates in County corrections for phone and video calls as well as courses and activities that inmates can access through tablets) increased in 2022 after signing a new contract with the County's provider, and then remained flat in 2023. The 2024 budget assumes that this revenue will increase by nearly 40 percent in one year, out of line with historical trends. Through September 2024, the County collected around $800,000 (or less than 60 percent of the budget target three quarters of the way through the year) and its projected year-end result was $1.0 – closer to the historical trend than the budget target.

The table below show three examples from our budget to actual analysis where the 2024 budget does not align with historical trends from 2020 through 2023: prison phone, tax claim and fees, and rent and interest. In each of these categories, the 2024 budget assumes higher growth than historical trends indicate, and the projected year-end revenues were also lower.

[12] The County is taking steps towards having a more detailed and transparent budget by developing a "digital budget book" for 2025. This digital budget should include narrative and some reference to past performance.

Actual versus budgeted revenue, departmental revenue examples

	2020 Actual	2021 Actual	2022 Actual	2023 Prelim	2024 Budget	2020 - 23 CAGR	2023 - 24 GR (%)
Tax Claim and Fees	$1.2	$1.3	$0.8	$1.0	$1.3	-6.9%	26.0%
Prison Phone[13]	$0.5	$0.6	$1.0	$1.0	$1.4	26.4%	39.4%
Rent and Interest	$0.5	$0.3	$0.5	$0.9	$1.3	22.8%	40.2%

In the case of prison phone revenue, the departmental submission ($0.9 million) was more in line with historical actuals than the $1.9 million budget target for 2024. Cash results through September indicate that $0.9 million was a more accurate projection.

A similar trend appears on the expenditures side. For example, the County budgeted 8.9 percent more than the previous year for salaries and wages despite a much lower growth rate historically (2.9 percent per year on average), partially because the budget did not account for vacancies. In another case, PFM found that the County did not budget at all for workers' compensation (see FM11).

When a department submits its preliminary budget, Revenue & Finance staff should evaluate the proposed budget, identify instances where numbers vary substantially from the historical trend, and then discuss those with the department staff. The deviation may be warranted, and no projection will be 100 percent accurate, no matter how carefully constructed it is. But checking projections against the recent trends can help avoid over- or understating a target, and that will help the County manage through the difficult cash flow situation that is likely to persist through at least 2026.

Please see the Workforce Chapter for more discussion on how to improve the accuracy of budgeting for employee salaries and wages.

Change presentation for departmental budgets

The County's current budget process requires department directors to submit their budgets to the Budget Manager in the late Summer so she can compile them into a preliminary budget for the Commissioners and CFO to review and then discuss with department directors. Department directors have varying degrees of financial management experience, and the budget submissions reflect that variance.

The best budget documents convey not just numbers but also narrative, so the reader understands what the numbers mean and how they tie to the department's daily operations and strategic priorities. While Lackawanna County's budget is not unusual relative to its peers, there is room for improvement, potentially with a relatively small amount of work. During our 2018 Lycoming County STMP engagement, we created a departmental budget template that briefly explains each department's revenues and expenditures at a summary level. An example of that template follows below.

[13] In 2022, the County received a $1.5 million bonus from its prison phone provider for signing on to a new contract. For the purposes of this analysis, we exclude the bonus payment from revenue to show normal actual collections.

Sample Departmental Budget Template

COURTS (DEPT 2090)

Lycoming County's courts system is part of the Unified Judicial System of Pennsylvania, so it is jointly funded by the Commonwealth and County governments. The highest court at the County level is the Lycoming County Court of Common Pleas which has four judges including the President Judge. There is a vacancy in one of the judicial positions that will be filled in January 2020, bringing the total number of judges to five. The Court of Common Pleas handles all major criminal and civil cases; those involving family law matters (e.g. divorce, alimony, child custody, protection from abuse); and appeals from the District Court level.

The judges are supported by the Court Administrator who helps oversee and support all aspects of court operations, including Domestic Relations, Adult Probation, Juvenile Probation and the Magisterial District Justices. In addition to the four current-term judgeships there are three senior (retired) judgeships, administrative staff and clerical staff.

Financial activity

There are several court costs and fines related to Lycoming court system, but most of those revenues are recorded in other parts of the budget, such as Adult Probation, Juvenile Probation and Central Processing. The Central Collections Office, which is separate from the courts, collects these revenues on behalf of the court system. The revenue shown below is mostly the Commonwealth's reimbursement for court costs ($230,000 in 2018), which have dropped since 2015.

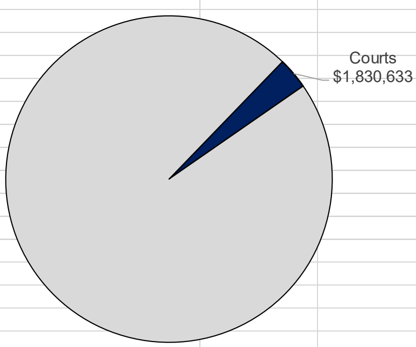
General Fund	2013	2014	2015	2016	2017	2018	2013-17	2018
Revenues	**Actuals**	**Actuals**	**Actuals**	**Actuals**	**Actuals**	**Budgeted**	**CAGR***	**Growth**
Fee Income	388,571	381,732	402,941	290,524	288,991	268,500	-7.1%	-7.1%
Miscellaneous Revenues	0	0	2,750	0	1,570	0	N/A	-100.0%
Courts	**$388,571**	**$381,732**	**$405,691**	**$290,524**	**$290,561**	**$268,500**	**-7.0%**	**-7.6%**

Most General Fund departmental expenditures are for employee salaries, which have been steady since 2013. The largest expenditure under contracted services is for Conflict Attorneys ($162,000 in 2018). For general operating expenditures, the most significant expenditures are for jury fees ($94,000 in 2018) and court appointed counsel in criminal cases ($89,000). The allocation for general operating expenditures also included $76,000 for the Law Library until 2018 (see more below).

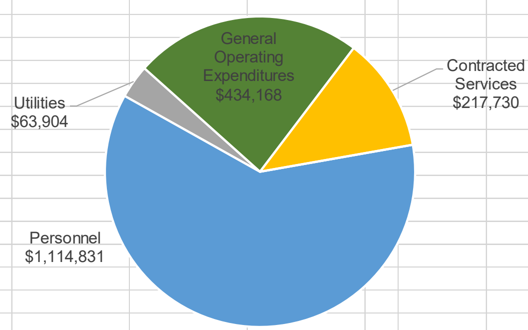
General Fund	2013	2014	2015	2016	2017	2018	2013-17	2018
Expenditures	**Actuals**	**Actuals**	**Actuals**	**Actuals**	**Actuals**	**Budgeted**	**CAGR***	**Growth**
Salaries	1,110,401	1,105,051	1,106,218	1,129,105	1,151,404	1,112,001	0.9%	-3.4%
Overtime	4,375	5,089	4,317	3,857	3,513	2,830	-5.3%	-19.4%
Other Cash Compensation	19,205	11,615	24,014	7,773	6,281	0	-24.4%	-100.0%
General Operating Expenditures	299,768	368,559	326,563	395,228	452,256	434,168	10.8%	-4.0%
Contracted Services	201,027	198,122	215,099	193,570	195,157	217,730	-0.7%	11.6%
Material & Supplies	77,290	58,754	61,549	79,189	111,421	63,090	9.6%	-43.4%
Utilities	1,020	1,050	733	765	804	814	-5.8%	1.2%
Maintenance and Repairs	0	0	26	17	7	0	N/A	-100.0%
Courts	**$1,713,086**	**$1,748,240**	**$1,738,519**	**$1,809,504**	**$1,920,843**	**$1,830,633**	**2.9%**	**-4.7%**

* CAGR stands for compound annual growth rate

2018 General Fund Budget Share



2018 Budget by Category



This type of presentation simplifies the information presented and draws the reader's attention to the key information. The County should continue to provide the line-by-line detail since this type of summary presentation combines individual lines into broad categories. Through the County's new Digital Budget book initiative, the County should eventually be able to quickly generate charts and graphs and improve other aspects of budget presentation.

The County should also create a short narrative leading into its General Fund revenue projections, as the current staff created for the City of Scranton's operating budget. The Financial Condition Assessment also provides a starting point for creating graphs and charts to help County residents understand the revenue structure created for County governments under Pennsylvania law.

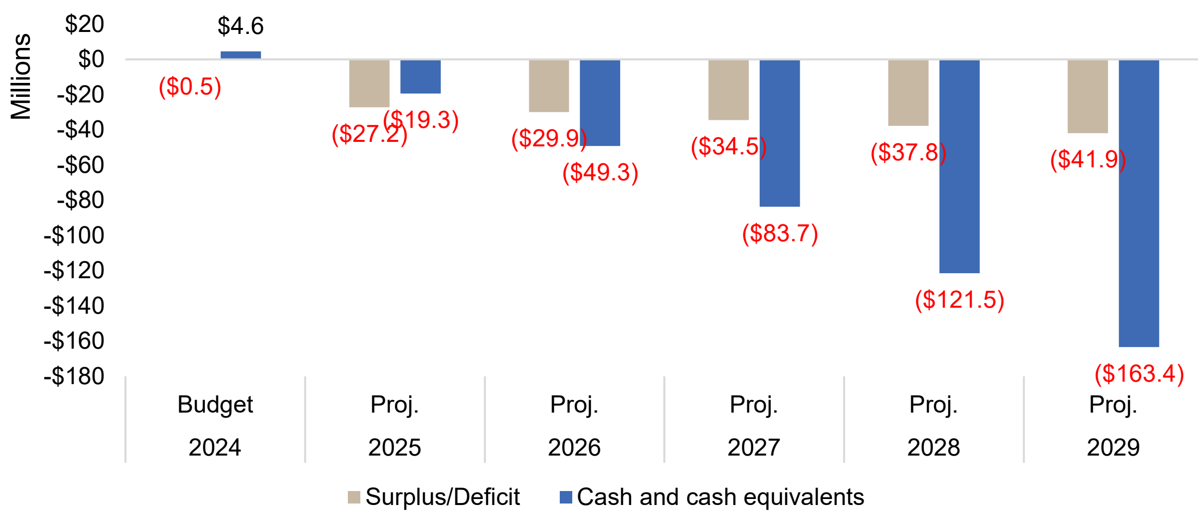
Multi-year financial planning

In addition to ensuring the budgets are truly balanced on a one-year basis (budgetary stability), the County should work towards ***structural stability*** – meaning recurring revenues balance against recurring expenditures, not only in the current budget year, but every year.

While the 2024 budget was balanced on paper, it was not structurally balanced. The County's recurring revenue (primarily real estate tax revenue) was not sufficient to cover its recurring costs (primarily personnel costs), and the County needed to rely on $10.8 million in one-time revenues to close the budget deficit. The multi-year financial projection revealed that that in 2025, the County would face a $27.2 million deficit absent corrective action as the baseline assumes these one-time sources do not recur.

As a result of this structural instability, the County needed to take painful actions to balance the 2025 budget. Beyond 2025, the baseline projects that the County's deficit will continue to grow incrementally as revenues are relatively stagnant absent tax rate increases and recurring expenditures continue to grow along with wage increases and inflationary factors.

Baseline projection, 2024 – 2029



FM05	Continue updating the multi-year financial projection
Responsible parties	Revenue & Finance
Time frame	Twice a year, beginning in 2025

As described in the Financial Condition Assessment chapter of this Plan, the County's structural imbalance did not occur overnight – years of using non-recurring sources of funding (drawing down County's cash reserves, use of one-time revenues in 2024) to balance its budget has widened the gap between recurring costs and recurring revenues.

To break this cycle, the County should adopt a multi-year perspective when financial planning.

Using a multi-year perspective when making financial decisions can help the County to be proactive rather than reactive and avoid sharp cuts or tax increases like those needed to close a large deficit like in 2025. For example, if the multi-year projection financial reveals that the County will face a large deficit in several years, County leaders can start to take to reduce expenses or increase taxes gradually over multiple years rather than all at once during the budget process. This approach is easier to manage operationally and spreads the increased burden on taxpayers over several years.

County leaders have already started to introduce this multi-year approach to financial management by hiring PFM to draft this Plan. The Financial Condition Assessment chapter serves as a diagnostic tool for the County to understand its finances, and findings therein inform the recommendations throughout this Plan.

Initiative

Going forward, the County should continue to update the multi-year financial projection at least twice per year on at critical points in the budget and reporting cycle: once when the prior year's final results are available (late spring or early summer), and again after adopting the budget for the following year. The County should also consult the multi-year projection when making financial decisions such as:

- Taking out new debt or restructuring/refinancing existing debt;
- Negotiating with collective bargaining units;
- Renewing the County's insurance plans; or
- When the County learns of unexpected overages and/or shortfalls (i.e., the loss of assessed value due to the sale of Commonwealth Health to a non-profit provider).

We understand that, much like continuing the cash flow monitoring, the County's Revenue & Finance department may not have the internal capacity to complete this analysis in-house today. While the department builds its internal capacity, the County should look towards external resources like those provided using STMP funding, to supplement department resources. Eventually, this task should be handed off to the Revenue & Finance department to manage in-house.

Day-to-day financial processes

This section discusses opportunities to improve the execution of daily financial processes, other than those associated with the budget. In many cases, improving execution of these functions will also help the County better manage its cash and adopt structurally balanced budgets.

<u>Monthly bank reconciliation</u>

Bank reconciliation is the process of comparing the data in the County's accounting system (Tyler New World) with the list of transactions on its bank statements, and then correcting any difference between those two sets of records. Transactions recorded in Tyler New World, like revenue receipts, invoice payment and payroll, should also appear on the County's bank statements. Bank reconciliations should happen at least on a monthly basis for most funds and potentially even more frequently for very large funds.

The staff we interviewed during our engagement indicate the County has not completed timely bank account reconciliation in years. The Treasurer noted that one of her senior employees completes a manual reconciliation process where she records her work on paper in a thick binder that sits in the Treasurer's Office. But that paper-based record is not easily accessible or shareable, which limits its value across the organization, and it is unclear whether transactions in Tyler New World are included in this reconciliation process.

While completing the cash flow analysis described above, we found the month-end results reported in New World did not match those shown on the bank statements provided by the Treasury Department. While timing could explain some of the variance (see below), the variances were so large that it posed a major challenge for understanding the County's cash position and managing accordingly.

For example, the County entered February 2024 with $15.5 million according to its General Fund bank accounts. The transactions recorded in New World showed the County spent $5.5 million more than it collected in General Fund revenues during February 2024, so we expected the next bank statement to show a balance around $10 million entering March ($15.5 minus $5.5). Instead, the bank balance showed the General Fund had $17 million – $2.0 million ***more*** than it started the month, despite having expenditures in excess of revenues.

This variance was not a one-time event. The table below shows the net results as recorded in the bank statements compared to net results implicated by the New World transaction data[14] through September 2024. Without understanding what is driving these variances, it is very difficult to understand the County's cash position and manage to it accordingly.

Comparison of Operating balances – Bank Balances versus Tyler New World reports[15]

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Monthly result bank balances	$9.0	$2.0	$11.5	$38.2	($10.5)	($5.1)	($21.0)	$1.4	($9.5)
Monthly result Tyler New World reports	$10.6	($5.5)	$25.8	$37.0	($4.6)	($2.8)	($24.1)	$5.2	($7.0)
Variance	**$1.6**	**($7.5)**	**$14.2**	**($1.2)**	**$5.9**	**$2.2**	**($3.1)**	**$3.8**	**$2.5**

The month-end variances also do not net to zero, at least not through the first nine months of the year. Theoretically, the County could have a $3 million negative variance in one month and a $3 million positive variance in the next month that offset each other. In this case, the net variance across the first nine months was positive $18.4 million with the transaction data indicating the County would have more cash than the bank statements showed was available.

The following factors could explain some of the variance:

- ***Timing differences: Expense incurred versus expenditure made***

  The County typically records expenditure transactions in New World on the date that the expenses are incurred. For example, payroll runs appear in the New World a couple of days before the actual pay date. Bank accounts, on the other hand, reflect transactions on the date that cash moves. So payroll would not appear on the bank statement until paychecks are actually issued to employees. If the County incurs a large expenditure at the end of one month, but the cash is paid out the following month, this could explain some of the variance.

- ***Timing differences: Checks issued versus checks cashed***

  When the County issues payments to a vendor, transaction is recorded in New World on the date that the check is issued. The transaction does not hit the bank statement until the payment clears. If the County issues a large number of checks at the end of the month that do not clear until the following month, the bank accounts would show a higher balance than Tyler results suggest.

  While this and the previous factor could explain some of the variances, we would expect these types of timing-related variances to offset each other relatively quickly, unless a vendor did not

[14] A positive number indicates the County collected more revenue than it had expenditures according to New World transaction data. Bank balances should increase by a comparable amount, accounting for some timing differences.
[15] We conducted this analysis through September as part of our cash flow projections for the rest of the year.

process a large payment from the County for several months. As noted above, that was not the case during the first nine months of 2024 when the County had an $18.4 million difference through September.

- ***Transactions are not entered into New World and processed for receipt/payment from the bank accounts on a consistent, timely basis***[16]

  County staff in Revenue & Finance and the separately elected Treasurer's Office have primary responsibility for entering transactions into New World and processing deposits/payments so they appear in the bank statements. These are two separate processes – entering the transaction in New World does not automatically trigger payments or deposits, nor does moving money into or out of a bank account automatically trigger transaction creation in New World. If a transaction was entered into one place but not the other, this would cause variance between the two records. **The best way to identify and rectify these problems is through bank account reconciliation, so the County needs to complete them.**

FM06	Complete monthly bank reconciliations
Responsible parties	See below
Time frame	2025

The County should reconcile the transactions recorded in New World against its bank accounts on at least a monthly basis and, ideally, twice per month in the General Fund, considering the high volume of transactions. This will help the County identify transactions that are not entered in both systems (or those that are entered incorrectly), correct the mistakes, and have a coherent, complete statement of its cash position.

This initiative is crucial for the County to understand its cash position and manage its cash flow, which we expect will be very tight again in 2025.

Three departments are candidates for taking the lead on this work:

- The Treasurer's Department is currently responsible for reconciling bank accounts to the information in New World but acknowledges that has not been completed on a timely basis, beyond the paper-based binder that is not accessible electronically. The Treasurer cited concerns about staff turnover, unclear delineation of responsibilities, and her staff's lack of familiarity with New World.

- The separately elected County Controller and his staff "shall supervise the fiscal affairs of the county…[and is] charged with the management or custody of the public assets of the county".[17] This includes auditing and related activities. We did not evaluate whether the Controller's staff has the capacity to take on this work and, if the Controller views his role as reviewing the County's financial records, as opposed to creating them, this may fall outside of his office's purview. But we encourage his participation in the process at some level since reconciled bank records are required for effective auditing, by his office or the County's external auditor.

- Revenue & Finance is not responsible for bank account reconciliation, but many of our questions regarding the status of transactions were fielded by leaders in that department. So, they may be a natural place to move these responsibilities, if they are also given capacity to execute the work.

[16] We discuss a specific instance of this in the Transfer section of the chapter.
[17] County Code, PA Title 16, § 14902. Functions of controller.

While the County Commissioners and row officers should discuss this critical function and agree on its assignment in early 2025, our initial recommendation based on our experience to date is to assign this function to Revenue & Finance, add capacity to that department so they can execute it (which is addressed in the first initiative of this chapter), and have Revenue & Finance provide the initial reconciliation to the Controller for verification.

Transfers

Lackawanna County transfers money between funds and bank accounts to complete transactions throughout the year. For example, prior to 2025,[18] the County received all real estate tax revenue in its General Fund, including those associated with debt service and culture and education (C&E). Revenue associated with debt and C&E millage must be moved from the General Fund to separate accounts so that they can be used to fund those expressed purposes. This is done using an interfund transfer.

The current process for transfers as described by staff in Finance and Treasury departments is inconsistent and disorganized. In some cases, departments request a transfer, usually by email. There is no standard process for submitting these requests (i.e., whom to email, what backup documentation is needed, when requests should be submitted), and this leaves room for errors and omissions, especially if the departments involved in the transfer do not request them.

For example, in October 2024, Finance leadership became aware of an outstanding transfer of around $2.0 million owed to the General Fund from the County's Liquid Fuels fund to reimburse expenses paid as far back as 2021. Since no department requested the transfer, the staff in Revenue & Finance and Treasury did not know to initiate it in New World or via the bank accounts.

In other cases, Finance and Treasury staff know which transfers need to take place each month and they initiate them. However, since Finance manages the process in New World and Treasury in the bank accounts, at times there is insufficient coordination and the transfers are not completed in both places.

For example, in Summer 2024, the CFO and PFM discovered that the interfund transfers related to debt and C&E real estate tax revenues were posted in New World but the money did not actual move between bank accounts. As a result the County's bank statements overstated the actual cash position by around $6.4 million and, because the County does not do regular bank account reconciliations, the error went undetected until it was uncovered in the cash flow analysis.

Improper management of interfund transfers also leads to inappropriate usage of funds. In aforementioned delayed transfer involving Liquid Fuels funds, the General Fund carried the cost of projects that should have been born by the Liquid Fuels fund for a couple of years. While the County has completed that transfer, the delay left less cash available for other needs until the CFO identified and rectified the problem.

FM07	Improve interfund transfers process
Responsible parties	Revenue & Finance; Treasurer; Controller
Time frame	Beginning in 2025

Transfers should happen consistently and completely (i.e. in New World and the bank accounts), on time, and with appropriate documentation. Since Pennsylvania county governments have several funds, and Lackawanna County in particular has very limited cash in its General Fund to start 2025, improving this process is a priority for 2025.

We recommend the following improvements to make interfund transfers simpler and more uniform.

[18] Beginning in 2025, real estate tax associated with debt service will flow directly to the fund associated with that purpose.

Reduce the need for interfund transfers

The County uses its General Fund to pay many invoices, including those that ultimately should be charged to another fund, and then uses interfund transfers to reimburse the General Fund accordingly. This increases the number of interfund transfers and increases the likelihood that some will not be completed in full and on time. As much as possible, the County should pay invoices from the fund that will incur the expenditure and reduce the number of interfund transfers. PFM observed that this is the case for the Liquid Fuels and Capital funds, but there may be others.

The County should also consider whether it would be beneficial to move financial activity related to the Office of Youth and Family Services into its own fund, as other Pennsylvania counties have done. The services offered by OYFS are a critical part of County government, and they generate millions of dollars in revenues and expenditures.

But OYFS' financial activity is also different in fundamental ways, including the reliance on federal and state funding and the different fiscal calendars used by those organizations. If OYFS incurs large expenditures in one calendar year and is reimbursed in the next calendar year, that crosses two fiscal years for the General Fund. It also can exacerbate cash flow problems in the primary operating fund.

Creating a separate fund for OYFS would not alleviate the General Fund from its responsibility to cover any year-to-year shortfalls in that new fund, but it could improve efforts to track performance and manage cash flow levels in both of them.

Reduce the number of departments involved in the process

Today, transfers are initiated by either the Treasurer's Office or Revenue & Finance, and then approved by the Controller's office, meaning that three departments – two of them run by separately elected officials -- are involved in a process that should be a simple, standard part of operations. Communication between these departments is a major challenge for ensuring transfers are complete in full and on time.

The aforementioned example of the $6.4 million incomplete real estate tax revenue transfer was the partially due to one department making the transfer in one place and another making it the second place. While that was an extreme example of the problem, other more commonplace issues – like which department is responsible for initiative the transfer – are also prevalent.

One department should be primarily responsible for ensuring interfund transfers are completed correctly and reflected in both the bank and financial system to cut down on miscommunication and simplify the process. We recommend Revenue & Finance take ownership of this function because it is responsible for other, similar core financial processes like purchasing and because Finance staff are better able to enter the transactions into the accounting system. The Controller's Office should retain its oversight role.

Establish standard practice for interfund transfers, both in Tyler and the bank accounts

There is currently no standard process for initiating and completing interfund transfers. In some cases, departments will send an email to either Treasury or Finance to initiate a transfer. In other cases, veteran staff in one of those offices know which transfers to initiate. The County should establish a clear, standard procedure for interfund transfers, whether those transfers are recurring or ad hoc. To the extent Finance can create a schedule for completing recurring transfers, it should do so. For non-recurring transfers, Finance should be the central contact for departments to submit their requests.

This process should also include confirming that transfers have actually taken place in both the bank and Tyler financials. **Bank reconciliations should be part of the interfund transfer management process.**

In the real estate tax revenue transfer example provided above, had reconciliations been completed, it would have shown transfers in Tyler that were missing from the bank statements and alerted the Treasury department that they needed to make this transfer. In the Liquid Fuels example, timely reconciliation of that account would have revealed earlier that funds needed to be transferred to the General Fund.

Contract management

Contracted services are the County's largest expenditure category outside of its personnel expenditures,[19] accounting for 16.4 percent of the 2024 General Fund budget. Spending has increased in recent years, both as a dollar amount and as a share of total expenditures. In 2019, the County spent $15.8 million on contracted and professional services, 11.6 percent of the total General Fund spending in that year. By 2023, spending had increased to $22.7 million, 15.1 percent of total spending and a 9.5 percent average annual growth overall.

Contracted services as a share of total General Fund spending ($ millions), 2019 – 2023

	2019	2020	2021	2022	2023	CAGR
Contracted services	$15.8	$18.6	$18.9	$19.8	$22.7	9.5%
Total General Fund expense	$136.2	$137.4	$137.6	$145.6	$150.3	2.5%
Share of total expense (%)	**11.6%**	**13.6%**	**13.7%**	**13.6%**	**15.1%**	

The County does not have a centralized department or database to manage its all of its contracts and vendors. Many contracts are managed by the departments themselves. Participants in the department reviews cited the following challenges associated with this decentralized approach:

- Some contracts automatically renew, removing the County's ability to rebid for more favorable terms.
- Some contracts have automatic cost escalators but that information is not shared with Finance for budgeting purposes.
- Some contracts expire before the County or the vendor realizes they have reached their end, and services may be inadvertently procured without an active contract.
- Some vendors have not completed a standard process for approval or procurement.

Contracts should be carefully managed to ensure the County does not pay more than needed for these services. Potential savings associated with better contract management grows as contracted services account for a larger share of the County's budget.

FM08	Consider centralizing contract management
Responsible parties	Chief of Staff; County Commissioners
Time frame	After 2025

The County should consider centralizing contract management responsibilities within Purchasing Office. That Office would manage the process for issuing requests for proposals and associated documents,[20] receiving bids, coordinating the bid review process, and ensuring selected vendors have completed all requirements for certification and payment. The Office would build and maintain a database that shows the expiration date for existing contracts and alert user departments of the end of a contract before it

[19] Please see the chapter on Managing Workforce Costs for a full discussion of personnel costs.
[20] Some processes involve requests for qualifications (RFQs) before issuing the formal RFP.

approaches. The Office would document any cost escalators or other provisions that impact the County's budget and share it with other Finance staff and the department managers so they can manage spending appropriately. Over time, the Purchasing Office would develop service contract templates that include important or strategic provisions for the County, if they do not exist already.

Centralizing contract management does **not** mean that the Purchasing office assumes responsibility for all aspects of service procurement. Departments that use the services should participate in creating the bid documents; provide guidance on how to score bids before the RFP is issued; participate in the bid review process; and work with the Purchasing Office to complete the process as directed.

We also acknowledge that the full scope of work required to centralize purchasing is much longer than we have described here. The County will have to work through issues such as whether row officers participate, whether contracts related to materials and supplies are included, and whether the County needs to add or reassign staff to execute the concept.

This is important, especially given the growth in contracted service spending, but the County should sequence this work after it adds capacity to the department as described in initiative FM01 and after it completes the other initiatives related to cash flow, bank account reconciliations, and interfund transfers.

Grants management

A large portion of County funding comes through external grants from the state and federal government and other agencies. The 2024 budget includes at least $7.2 million in grant revenue for the Office of Youth and Family Services (OYFS), District Attorney's office (DA), and other essential County functions,[21] making up 4.4 percent of the total budgeted General Fund revenue.

Much like contracts management, the County does not have a centralized department to manage its grant applications, budgeting, reporting, and spend down. Some departments, like Economic Development or the District Attorney's office have assigned staff to grants management, but most do not. During departmental interviews, we learned the grants staff in Economic Development have supported other departments (Roads and Bridges, Public Defender's Office) but this responsibility is not formally prescribed.

The County should have strong grants management considering how dependent County is on this funding source to support essential operations.

FM09	Coordinate grants management
Responsible parties	Revenue & Finance
Time frame	After 2025

The County should build capacity in Finance to coordinate grants management across all Commissioner-let departments. We recommend Revenue & Finance be assigned responsibility for coordinating grants management. This is a less aggressive restructuring than contracts management, where Finance staff would have more responsibility for executing parts of the process. Some departments like OYFS, Economic Development, and the District Attorney's Office have already developed the experience and subject matter expertise to effectively manage their own grants. That does not need to be duplicated or moved into Finance.

But a more coordinated approach to grant management would provide the following benefits:

- ***Provide a formal process for determining whether the County should apply for grants.***

[21] This does not include major external revenue sources like the OYFS Act 511 and Title IV-E revenues which are on a reimbursement basis, or the U.S. Marshal service funding for County corrections.

Staff outside of Finance should continue to identify grant opportunities, grants are not always "free money." There are often matching or spending requirements. Some grants cover part of the cost of the associated item, but not all costs. Some grant funded activities create future, new costs (e.g. a grant funded facility or piece of equipment has ongoing maintenance costs). Some grants operate on a reimbursement basis, where the County has to spend the money and then submit for reimbursement, which has implications for cash flow. And some grants create the expectation (formally or implicitly) that the County will continue a new service or retain grant-funded staff after the grant expires. The County should consider these costs before investing time in grant applications.[22]

- **Improve grant budgeting practice.**

  Discussing the issues described above will also improve the County's budgeting for grant revenues and expenditures. The current process is inconsistent. In some cases, departments include grant revenues in their budget requests, but not the match requirement, which overstates the grant's financial benefit. In our 2024 cash flow analysis, we found that some budgeted grant revenues did not arrive during the year or were lower than expected. Other grant funding arrived without being included in the budget, which again raises the question whether the County also incurred additional unbudgeted costs associated with the related activity. Based on our review of historical financial performance in the General Fund, in most years the County receives more grant revenue than it budgets, which is positive. Even in those cases, better budgeting will reduce some of the pressure to make difficult decision to close deficits.

- **Ensure timely and complete drawdowns and close outs.**

  We did not evaluate whether the County has difficulty completing processes or providing information needed to draw down a grant or receive reimbursement. But given the County's struggles to manage other processes that require interdepartmental coordination, the potential for grant reimbursements to more complicated since they involve external actors, and the potential for financial sanctions associated with violating the terms of some grants, we note here the potential benefits of having one central office responsible for tracking the status of grant reimbursements and close out processes.

<u>Insurance cost management</u>

County functions like caring for inmates, placing children into foster care, and other criminal justice or health and human safety functions are highly specialized and inherently carry risk. Aside from health insurances (medical, prescription, vision, dental, etc.) that the County provides to its workforce, Lackawanna County is covered for workers' compensation, unemployment, liability, and property insurance for its personnel, operations, and assets.

For most of these property, liability, and unemployment insurances, Lackawanna County is fully-insured, meaning that it pays an annual premium to an insurance company. When claimants file, the County is only responsible for paying up to the deductible amount (which varies per policy). This protects the County from the risk of having a year with very high claims that it cannot afford.

Spending on liability, property, and unemployment insurance premiums and claims remained relatively flat from 2019 through 2021, and then spiked in 2022 due to a large property insurance claim.[23] The 2024

[22] This is another area where using a multi-year perspective is helpful. Some grants run for a couple of years or provide funding on a declining basis (100 percent first year, 75 percent the second, etc).
[23] According to Risk Management department interview.

budget includes $2.8 million, which the baseline projection grows along with inflation (2.5 percent) through 2029.

Liability, property, and unemployment insurance spending, 2019 – 2024

Lackawanna County has 28 different insurance policies which are managed by five different brokers. The insurance brokers advocate on behalf of Lackawanna County to insurance companies to negotiate the most favorable plans and rates, and in exchange the County pays a broker fee. In recent years, the County's plans have started to carry higher deductibles to keep premiums stable. This means that while premiums are not increasing from year to year, the County takes on more risk by having higher deductibles.[24]

Because the County requires several highly specialized insurance policies to cover nursing, prison, and youth and family functions, there are few choices in insurance provider to cover the County. There are also cases where the County may have overlapping coverage – the Risk Management department described several lawsuits where the County was covered by more than one policy. It is unknown whether this overlap means that the County can dispense with an entire policy or reduce coverage to save money.

FM10	Hire firm to analyze insurance brokers and coverage
Responsible parties	County Commissioners, Chief of Staff
Time frame	2026 or 2027

Insurance is a significant share of the County's annual operating expenses – County functions are highly specialized and carry risk, and therefore having the right mix of protection against losses and cost control is important to both financial management and operations. The County should hire an external firm to holistically evaluate their insurance coverage, including:

- Whether the County can consolidate the number of brokers that it uses to negotiate insurance policies;
- The cost and quality of those brokers;
- Fees that the County is charged for brokers and other insurance-related services relative to industry standards;
- Cost the County is charged for premium coverage relative to industry standards;

[24] Risk Management department interview.

- Whether the County is exposed to an amount of risk or high deductibles that exceeds what the County should tolerate; and

- Whether they have redundant and/or entirely overlapping insurance coverage that can be reduced to save on overall cost.

This analysis can help the County understand whether it is overpaying or *double* paying for fees and coverage, or in some cases, where coverage can or should be reduced to save money while still insulating itself from undue risk. The County may be able to consolidate the number of brokers that it uses and save on redundant fees. This kind of short-term, specialized, and targeted analysis is well suited for external insurance or audit firms.

Workers' compensation

The County is self-insured for workers' compensation, meaning that it pays the cost of claims rather than an annual premium. The County also pays an annual stop-loss premium for workers' compensation – if any single claim exceeds the stop-loss amount ($800,000), any amount owed in excess will be paid by the insurance company instead of the County.

When a claimant files for workers' compensation, the County may be responsible for paying lost wages, legal fees if the case is litigated, and some applicable medical or transportation costs. In addition to the lost wages of the injured employee, the County may need to pay for overtime or additional wages to backfill the employee. Workers' compensation costs are paid directly out of the General Fund.

The County has not historically budgeted for workers' compensation spending, and at the end of each year after costs have been expended, Finance makes an adjustment to "clear" these costs from the General Fund. This means that the cost of workers' compensation is not reflected anywhere in the General Fund historical results or the 2024 budget even though costs ultimately come out of the General Fund. The table below shows the scale of the costs because, at the time of analysis, the County had not yet cleared the costs for 2023.

Workers' Compensation General Fund results, 2019 – 2024

2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Budget
$0.0	$0.0	$0.0	$0.0	$1.1	$0.2

The 2024 budget included just $200,000 for workers' compensation settlements, but no dollar amount for other spending to cover lost wages, medical costs, or legal fees. Preliminary results from 2023, which have not been adjusted like other year-end results, show that the County spent $1.2 million on workers' compensation including settlements. Cash results as of September 2024 anticipates $1.6 million spending on a cash basis through December, exceeding the budget target by $1.4 million.

FM11	Budget for workers compensation spending
Responsible parties	Revenue & Finance
Time frame	2026

The County should budget for workers' compensation spending and track this cost like other General Fund expenditures.

Some of the cost of workers' compensation paid as lost wages swill simply offset pay that would otherwise be paid as normal salaries and wages. However, operationally the County would likely need to backfill for employees that are not able to work due to being on leave, either using more overtime, adding regular hours for existing employees, or hiring extra staff to fill positions. Further, the Risk Management department explained that a larger share of workers' compensation now goes to medical costs specifically related to workplace injuries like physical therapy – these costs are not offset by savings elsewhere in the County budget.

The County should budget each year for estimated spending on workers' compensation, including legal or medical costs that may be incurred as a result of claims. Because the General Fund is ultimately paying for these costs, the baseline factors them into the projection from 2025 through 2029.

Projected workers' compensation spending, 2025 – 2029

2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
$1.6	$1.6	$1.6	$1.7	$1.7

Heath insurance is a significant cost driver for Lackawanna County – this Plan includes specific cost control initiatives in the Workforce chapter.

Real estate taxes

As discussed in the Financial Condition Assessment chapter of this Plan, Lackawanna County has a structural deficit wherein its recurring revenues are insufficient to cover recurring costs. While the initiatives described to this point will help the County better respond to the current fiscal crisis, the County will have to increase revenues and reduce expenditure growth to achieve structural balance.

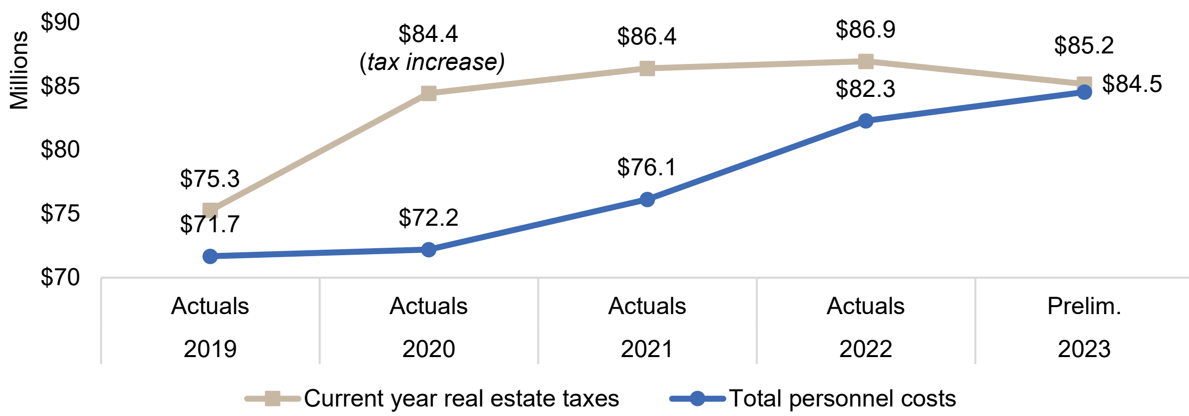
The next two chapters lay out several initiatives to reduce expenditures. This section discusses how the County can better manage its largest recurring revenue: its ***real estate tax***.

Current year real estate taxes are the single largest source of revenue for the County and account for over half (56.6 percent in the 2024 budget) of all revenues to the General Fund. ***The real estate tax is the County's largest recurring revenue that it can use for general operating purposes like the prison and courts.***

From 2019 to 2023, the taxable assessed value grew slowly at a rate of 0.6 percent. Due to the slow growth in assessed value and relatively steady collection rate, the current year real estate tax revenue only increases significantly when tax rates do. In 2020, the County increased its millage rate that is remitted to the General Fund,[25] and revenues increase by 12.2 percent. Outside of that increase, revenues remained relatively flat around $85 million. At the same time, the County's recurring expenditures increase every year. The County's largest expenditure category, personnel, grew at an annual rate of 4.2 percent from 2019 to 2023, outpacing growth in real estate tax revenue during that period.

[25] The County also levies 3.07 mills for its library system, however this chapter does not include discussion of this revenue because it is remitted directly to the Library fund. Debt and Culture & Education revenue is remitted first to the General Fund and then transferred to those respective funds.

Current year real estate tax revenue versus total personnel cost growth, 2019 – 2023



If the County does not take corrective action, the baseline projection assumes that the County's largest recurring revenue source will remain stagnant while recurring expenditures grow each year. And while the County needs to reduce expenditure growth below baseline projection where it can, it cannot perpetually cut its way to structural balance.

The 2020 tax increase described above was intended to fund the County's increased contribution to its pension plans that was desperately needed, and the small increase in 2024 was entirely concentrated in the County's debt millage and does not fund general operating costs like personnel or supplies for County departments.

Prior to 2025, the last time the County had a meaningful increase in its general purpose tax millage rate was 2012 when it increased the rate from 26.748 to 28.288 mills, or a 29.7 percent increase in one year. The County did another large tax increase in 2025 to balance the large projected deficit (see the Financial Condition Assessment chapter) and begin to repay the unfunded debt that it took out in response to the cash emergency.

FM12	**Regularly increase general purpose real estate tax rate to keep pace with expenditures**
Responsible parties	Commissioners; Revenue & Finance
Time frame	2027 – 2029
Impact on baseline	Between $10.9 million and $16.9 million from 2027 to 2029

Rather than sporadic, large tax increases in response to fiscal crisis or deferred obligations, the County should regularly and incrementally increase the real estate tax millage rate dedicated to general operating expenses to keep pace with growing expenditures. Regular tax increases allow residents to absorb the higher tax bill over multiple years rather than all at once and moves the County towards structural stability. Below are methods that the County should consider when increasing general purpose taxes to ensure recurring revenues cover recurring costs.

Method 1: Increase general purpose real estate tax millage with personnel costs.

The County's structural deficit is driven by the fact that its largest recurring revenue is flat while its recurring expenditures grow. It logically would follow that the County should grow real estate taxes used to cover these costs at the same rate as the largest recurring expenditure category – personnel costs.

Personnel cost growth is driven primarily by base wage increases for County employees, many of whom are members of collective bargaining units and therefore have their salaries and benefits set by agreements. Other personnel costs like health insurance, contributions to the County's pension plans, and other personnel expenses grow annually due to other factors (see the Financial Condition Assessment chapter).

The table below shows the estimated impact on the baseline projection of the County tying general purpose millage increases to projected growth in personnel costs (between 3.3 and 4.2 percent from 2027 through 2029). **Please note the County should not just accept the personnel cost growth rate in the baseline but rather work to reduce it. The Workforce chapter offers several initiatives to do so.**

	2026 Proj.	2027 Estimated	2028 Estimated	2029 Estimated
Personnel cost growth	*N/A*	*4.2%*	*3.3%*	*3.7%*
General purpose millage	49.36	51.46	53.17	55.12
General purpose RE tax revenue	$70,414,310	$73,830,330	$76,735,514	$80,013,974
Impact on baseline	**$0**	**$3,006,871**	**$5,500,530**	**$8,365,072**

Method 2: Increase general purpose real estate tax millage with price inflation.

The County has other recurring expenditures outside of personnel like maintenance on County-owned buildings and equipment, contracted services, materials and supplies, and other goods and services that the County pays for every year to conduct essential services. The baseline projection assumes that price inflation for many of these goods and services will drive cost growth, using the headline consumer price index (CPI), or an annual rate of 2.5 percent.

The table below shows the estimated impact on the baseline projection of the County tying general purpose millage to projected price inflation to keep pace with other recurring costs.

	2026 Proj.	2027 Estimated	2028 Estimated	2029 Estimated
Inflationary growth assumption	*N/A*	*2.5%*	*2.5%*	*2.5%*
General purpose millage	49.36	50.59	51.86	53.16
General purpose RE tax revenue	$70,414,310	$72,594,045	$74,841,256	$77,158,031
Impact on baseline	**$0**	**$1,770,586**	**$3,606,271**	**$5,509,129**

Best practice: Do not decrease the general purpose millage rate in response to necessary increases in the debt millage.

The County levies a specific millage rate for debt and ties this rate to what it must pay that year in debt service. In 2021 and 2023 when the debt millage was increased in response to higher debt services costs in those years, the County kept the total General Fund millage rate flat at 61.10 by reducing the general purpose millage rate by the same amount as the debt increase.

This approach does not mathematically work unless the County also reduces general purpose *spending* that is supported by this revenue. During this period, general purpose tax revenue declined slightly while expenditures continued to increase by 3.0 percent annually.

General purpose real estate tax revenue versus spending, 2020 – 2023

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2020 - 23 CAGR
General Operations (mills)	47.60	46.90	46.90	46.56	-0.7%
Debt Service (mills)	12.50	13.20	13.20	13.54	2.7%
Arts and culture (mills)	1.00	1.00	1.00	1.00	0.0%
Total Millage Rate	61.10	61.10	61.10	61.10	0.0%
General purpose RE tax revenue ($ millions)	**$65.8**	**$66.3**	**$66.7**	**$64.9**	**-0.4%**
General purpose spending ($ millions)[26]	**$137.4**	**$137.6**	**$145.6**	**$150.3**	**3.0%**

Going forward, when the County must increase the debt millage rate, it should increase the overall tax rate unless there are meaningful efforts to curb spending in that same year. *The impact of this recommendation on the baseline projection is revenue neutral for the General Fund.*

The County will not be able to increase its millage rate beyond parameters set by Pennsylvania state law in 2026 following the property reassessment taking effect, so we recommend commencing these regular increases in 2027 and beyond.

Reassessment and appeals

Lackawanna County government is currently undergoing property reassessment for the first time since 1968 to obtain more current and accurate assessments for all properties (land and buildings). Because it has been many decades since the last assessment, the total taxable assessed value (currently $1.6 billion per the 2024 budget) will increase sharply when the reassessment is completed. While individual property owner bills will increase or decrease, the reassessment process as a whole is expected to be revenue neutral for the County[27] – this means that the County and other taxing bodies will decrease the millage rate when the reassessment goes into effect in January 2026 to offset the anticipated large increase in taxable assessed value.

Property owners may appeal their newly assessed values, or the County may experience a decrease in collection rate which would have a net negative impact for County revenues.

FM13	**Adjust the tax rate after assessment appeals following the current reassessment**
Responsible parties	Revenue & Finance
Time frame	2027
Impact on baseline	Revenue neutral ($0)

In the years following reassessment, the County should calibrate the real estate tax millage rate to account for assessment appeals and changes in total assessed value so that the reassessment does not result in net negative revenue. For example, if assessment appeals result in the taxable assessed value decreasing by 1.0 percent, the County should increase the millage rate by 1.0 percent to remain revenue neutral.

The County will not know what impact the reassessment will have on collections until the year after the reassessment takes effect in 2026, therefore we recommend making these adjustments in 2027 once the County sees the effect of reassessment.

[26] Total General Fund spending less transfer to the Debt Service fund to make annual debt payments.
[27] The County may, as a separate action following the reassessment, increase taxes so that revenue generated is no more than 10% higher than the prior year per Pennsylvania Law (16 P.S. § 4980.2).

Tax credits

The collection rate dropped from an average of 90.1 percent from 2019 to 2022 to 88.4 percent in 2023. While the County does not have a full year of results for 2024, at the time that this report was completed, analysis of the County's monthly cash results anticipates that the County will end the year with a $1.7 million collection shortfall on a cash basis.[28]

We heard that one reason for falling collections is an increase in real estate tax credits that property owners receive against part or all of their property tax bill due to mid-year property assessment appeals.

Property owners in Lackawanna County can appeal their assessed property value at any point in the year if they feel it is too high. If the appeal is granted, properties are assessed lower in following years, and property owners may receive either a reimbursement or future credit for taxes already paid at the higher assessed value. These credits and reimbursements are netted against current year real estate tax collections.

Appeals can happen at any point in the year and could affect a small single-family home or a large, high-value commercial property – this makes their impact on County revenues difficult to predict. These appeals have grown in recent years. Data provided by the Single Tax Office shows the dollar amount of court orders (credits to property owners associated with assessment appeals) increased from just $51,000 in 2022 to $331,000 in 2023. Data through October shows that court orders associated with assessment appeals will finish even higher in 2024.[29]

It is unknown what level of appeals the County will see each year, or if all appeals will be granted. Due to the unpredictable nature of these appeals and because the County relies heavily on real estate tax revenue to fund its operations and support cash flow supports the recommendation that the County should maintain cash reserves to offset these unexpected shortfalls (see FM03).

Tax rolls

Another possible explanation for the falling current year collection rate is that the tax rolls are becoming less accurate over time. For example, if the tax roll that underlies the revenue projection in the budget includes a number of properties that are not really taxable (or have a lower assessed value or are owned by different people whom are hard to contact), then it will be more difficult for the County to hit its collection rate target. Interviews with staff in the Single Tax, Tax Claim, and Assessment offices revealed data issues present in County tax rolls:

- The assessed value of improvements is incorrect. Structures on properties may have been built, demolished, or altered between the last assessment date and today, adjusting the taxable value of the property.

- Property owner mailing addresses may be outdated, incorrect, or invalid, making collecting on current and prior year revenue difficult or creating confusion around what taxes property owners actually owe.

- There may simply be errors in the data, such as multi-family homes classified as single dwellings or other inaccuracies.

Some of these data issues may be related to the County's outdated assessment or lack of coordination between municipalities and the County. For example, if a property is built in a municipality but the

[28] Cash basis revenue is reflected in the year that it is collected – this means that revenue collected in January 2024 that is associated with the 2023 billing cycle is included here, while 2024 revenue anticipated in January 2025 is not.
[29] As of October 22, the amount of court order credits granted in 2024 totals $385,000.

municipality does not communicate this information to the County, the improved assessment value is not updated in the tax rolls.

The County hired an external firm, Tyler Technologies, in 2022 to assist with its property reassessment. Tyler staff visit each property to confirm whether vacant parcels marked are actually vacant and update the property value information. Assessors collect information about the age and physical condition of the interior and exterior, number of bedrooms and bathrooms if applicable, and other information about each property to obtain an updated property assessment.[30]

The current reassessment process will help to solve many of these discrepancies that exist in the County's tax rolls, particularly where the value is out of date due to lapsed assessments or structures on 'vacant' parcels exist. However, even with this effort, data issues persist – the department has found cases where homes are misclassified or residents have received mailers for properties that they do not own, even after the reassessment process should have captured the correct information.

FM14	**Invest resources to maintain/improve tax rolls accuracy**
Responsible parties	Commissioners, Tax Claim Office, Assessment
Time frame	Late 2025 into 2026

The real estate tax is Lackawanna County's largest recurring revenue, and inaccurate tax rolls hurt the County's ability to collect that revenue and fund daily operations. The field work associated with reassessment should help improve the tax roles and, if not, property owners are likely to file appeals in instances where they are being taxed more than they should be. But the County needs to be diligent about maintaining accurate tax rolls after reassessment is complete and fill the gaps that are not covered by reassessment, especially in instances where the County is taxing a property owner less than they should pay.

As reassessment process nears conclusion, the Commissioners should meet with leadership in the Assessment and Tax Claim Office to discuss what resources they need to maintain or improve data accuracy. The County is currently investing in new software that will help the Tax Claim Office more easily send targeted delinquency notices, which is currently a very manual process. There may be other technological investments that have a similar benefit.

The Commissioners should also discuss staffing with the Assessor's Office. At the time of our review, the Office had five assessors (one Chief assessor and four "sub assessors") who identify and assess the value of property improvements throughout the county.

While this field work has a cost, it also should generate revenue. The 2024 budget included $400,000 in revenue associated with interim tax billings, where the County identifies an improvement in taxable assessed value after the annual tax bills have been delivered. This is a good concept, but it depends on the County's ability to identify these improvements, which could in turn relate back to staffing.

<u>Growing the tax base</u>

Lackawanna County's real estate tax revenue is a function of its millage rate, collection rate, and tax base. The ideal way to grow that revenue is to grow the tax base – the assessed value of taxable land and buildings in the County. "Organic" growth in real estate tax revenues occurs when people develop or redevelop properties and give them a more productive use. The community benefits from having new economic and residential activity, and the government also benefits through higher tax receipts, without changing its tax rates.

[30] Tyler Technologies, *Lackawanna County Property Reassessment Frequently Asked Questions*.

While several parts of County government contribute to economic development, the unit with primary responsibility for doing so is the **Department of Planning and Economic Development.** As its website notes, it is "committed to a variety of programs to enhance quality of life, support the growth and development of existing businesses, attract new businesses and industries, create and retain family-sustaining jobs, and develop a business-friendly regional reputation."

The Economic Development staff also support the **Land Bank, Industrial Development Authority**, and the **Redevelopment Authority**. The **Regional Planning Commission**, which is headed by the Department Director, is responsible for policy decisions related to land use planning and subdivision and land development proposals. The Commission has four full-time team members who handle statutory planning duties, support the smaller municipalities that do not have their own planning staff, and coordinate planning in areas that are critical to the overall economy, like transportation.

During our interviews, department staff identified two areas that will impact Lackawanna County's economic development for years – housing and transportation.

Staff noted that there is a mismatch between current housing demand (quality, affordable rental housing) and housing supply (single-family homes, higher-end duplexes), which makes it more difficult for people to locate near jobs or other amenities. While private developers are reportedly meeting the demand for new higher cost housing, planning staff expressed concern about the lack of affordable rental units, particularly in Scranton.

Economic development staff also commented on how crucial transportation planning is for capitalizing on economic development opportunities. They noted the disconnect between the jobs available at office parks and suburban locations and the urban County residents that cannot reliably access those jobs.

Improving the region's housing and transportation challenges will require large investments, years of planning, and large-scale projects – a level of scale that positions County government to lead from a coordinating perspective. But many important land-use decisions happen at the *local* level, within the municipalities where the specific project is located. So, there is a disconnect between the regional nature of these challenges and the ultra-local mechanism for dealing with them.

To help bridge this disconnect, the County should continue to invest resources in its Planning and Economic Development Office, especially for land use planning related to housing and transportation. Lack of access to housing or jobs will undercut property development efforts, which will in turn undercut County government's tax base and weaken financial performance.

We also encourage the County to address an apparent disconnect that we identified between the quantitative analysis in our Financial Condition Assessment and the qualitative analysis in the Management Review.

During the management review, multiple participants spoke about favorable economic trends. We received comments like "There's population growth up and down the valley" and heard about several development projects, some residential (new high-end housing in Scranton, condominiums in Olyphant) and some commercial (potential warehouse and logistic projects along Interstates 81 and 380).

While these anecdotes are encouraging, the external data we reviewed tells a different story.

Lackawanna County's population trend is basically flat. The annual growth from 2012 to 2022 was 0.1 percent, and the Census Bureau's population estimates for 2023 anticipate just 0.1 percent annual growth between April 2020 and July 2023. To this point, the data does not corroborate the anecdotal evidence that Lackawanna County saw population growth because people moved here from New York City or other densely populated urban areas during COVID.

Similarly, it was hard to reconcile the anecdotes about robust development activity with the County's flat tax base. From 2019 to 2023, the taxable assessed value was basically flat, growing by just 0.6 percent per year. It is possible that some parts of the County have development activity and others have falling assessed values, which combined result in a stagnant total assessed value.

The Commissioners should convene a conversation where the relevant staff (Economic Development, Planning, Assessment, Single Tax Office) take a couple of recently completed large development projects, walk through the processes through which the construction activity translates to new/higher tax bills, and get a more quantified view how recent economic development impacts County government's financial performance.

One final initiative

FM15	Formalize Chief of Staff or create Chief Clerk position
Responsible parties	County Commissioners
Time frame	After 2025

The County Commissioners themselves have direct oversight responsibility for a large number of departments. The County's website lists more than 30 departments, offices and programmatic units that report to the three-person Board.

The Commissioners are supported by a Chief of Staff who serves as the buffer and liaison between the Commissioners, the separately elected row officers, the department directors*, and* the courts. His duties include ensuring that critical matters are brought to the Commissioners' attention and resolving more minor matters. He does not formally supervise any departments, but works closely with the internally-focused units like Human Resources, Maintenance, Information Technology, and Finance.[31]

The County charter creates an Administrative Director position "who shall coordinate, execute, and implement ordinances and resolutions." The Charter charges this position with responsibility for working with row officers (as the Chief of Staff currently does), sitting on the Personnel Review Board, and supervising the "Data Processing Bureau." The charter requires the Administrative Director to "hold a degree in accounting or other professional training in budgetary or financial procedures."

From an external perspective, this structure is unusual because more than two dozen people (not including the staff in the Commissioners' Office) report to three Commissioners. The Commissioners are charged with overseeing functions ranging from emergency management to Human Resources, from information technology to services to the aging, from risk management to the prison.

Practically, the County has two positions – one as financial lead and one as administrative lead – but the Chief of Staff is not formally empowered to act as the administrative lead. As a result, the CFO carries the Administrative Director title which implicitly gives him more responsibilities than he could practically execute well – serving as the CFO is a large enough responsibility without adding the Administrative Services title to it.

Meanwhile, the County charter recognizes the need for a financial lead and an administrative lead, but that document blurs the lines between the two by requiring the *administrative* lead to carry a degree in a *financial* field.

Other Pennsylvania counties use a different senior management structure. Pennsylvania's Third Class County Code describes a Chief Clerk position that reports to the Board of Commissioners and whose duties and powers are relatively broad and generally administrative (such as record keeping, administering oaths,

[31] Lackawanna County's charter also includes an "Administrative Director" position, a title held dually by the current CFO. Some of the responsibilities outlined in the charter are carried out by the current Chief of Staff.

etc.). Some counties have gone further and charged their Chief Clerk with managing and directing finance, human resources, or information technology staff; or overseeing and administering programs.

For example, Berks County has a Chief Operating Officer[32] who reports to the Commissioners and oversees the daily administrative functions and operations. Chester County has a Chief Operating Officer[33] who oversees departmental operations. Lycoming County has a Chief Clerk/Director of Administrative Services who has a similar function.

We recommend Lackawanna County consider one of the following options:

- Amend the County charter to formally create and empower the Chief of Staff position as the Administrative Director, while also eliminating the requirement that the administrative lead hold a degree in accounting. The person holding this position does not need to have formal training in accounting to be an effective administrator, so long as there is a strong CFO and Finance Department.

- Creating a Chief Clerk, CAO or COO position that oversees at least the internally focused functions including Human Resources, Purchasing, Information Technology, Insurance/Risk Management, and Maintenance.

In our hypothetical structure, the formally empowered Chief of Staff or Chief Clerk would report directly to Commissioners (as the Chief of Staff already does) ***and*** serve as the formal supervisor and decision maker for the departments they oversee. Finance would continue to report directly to the Commissioners via the CFO. Most departments with externally facing functions like the Prison or Office of Youth and Family Services would also report directly to the Board of County Commissioners, though allocating oversight of some of those departments to the Chief Clerk/Chief of Staff is also possible as needs and subject matter expertise permits.

If the County decides to pursue this initiative, we encourage the Commissioners to contact their colleagues in Berks, Chester, and other counties that use this structure to learn from their experience.

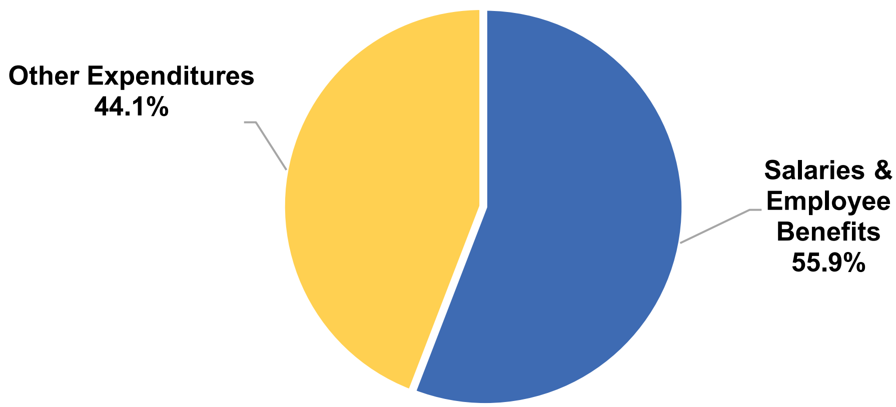
[32] Berks County refers to this position as Chief Administrative Officer in some documents.
[33] Chester County refers to this position as County Administrator in some documents.

Managing Workforce Costs

At the beginning of 2024, Lackawanna County employed a total of 1,128 full-time and part-time employees across all funds.

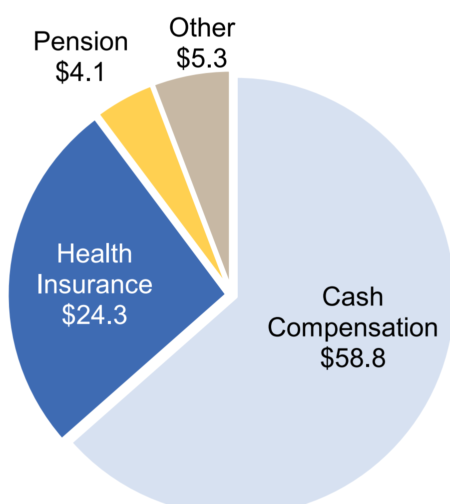
Like most County governments, Lackawanna County allocates a significant portion of its budget to personnel costs. In 2024, the County budgeted $92.6 million—or approximately 56% of its General Fund—for personnel expenditures, including salaries, cash compensation, employee health benefits, and pension contributions.

FY 2024 General Fund Budgeted Expenditures



Personnel costs comprise cash compensation, health insurance, pension contributions, and other expenses such as travel and parking. In 2024, cash compensation accounted almost two thirds of personnel spending, and the balance was split between health insurance, pension contributions and other personnel expenditures.

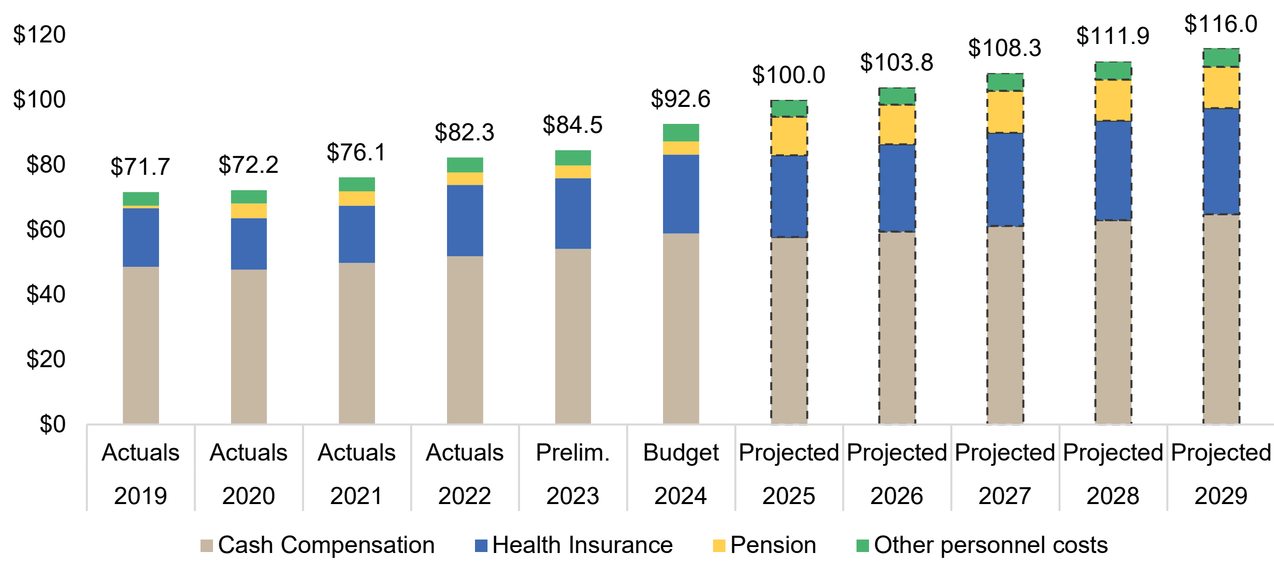
FY 2024 General Fund Budgeted Personnel Expenditures ($ millions)



The County's personnel costs rose each year during the review period (2019 to 2023) and grew at a compound annual growth rate (CAGR) of 4.2 percent. Each of the three major categories – cash compensation, health insurance and pension contributions – grew over this period. Pension contributions grew the most on a percentage basis but remain a relatively small part of the total. Health insurance costs grew by 4.8 percent and the County's broker anticipates a 9.0 percent growth in health insurance costs absent any changes to the plan design from 2024 to 2025.

The Financial Condition Assessment describes the County's past spending in each of these areas and projects future expenditures in a baseline scenario. Cash compensation grows by 2.9 percent per year, assuming the County provides the same levels of base wage increases as in recent years. The County's health insurance expenditures grow by 6.7 percent a year and eclipse the projected growth in cash compensation on a percentage and dollar basis. The County's pension contribution also grows by a very large amount in 2025 as the County reckons with underfunding its employee pension plan for years.

Total Personnel Costs, 2019 – 2029 ($ millions)[1]



County employees are integral to County government, and they need to be compensated fairly for their work. However, Lackawanna County – like most others in Pennsylvania – has a very real, practical limit on its ability to cover rising personnel costs. The County relies heavily on real estate tax revenue to fund daily operations. Unlike income tax revenue or sales tax revenue, real estate tax revenue in Pennsylvania is flat unless tax rates increase because the real estate tax revenue is generated by *assessed* values and reassessments happen very infrequently. The current reassessment in Lackawanna is its first in decades. Some departments, the Office of Youth and Family Services (OYFS), have their own designated revenue sources, and hopefully those revenue sources grow enough to cover rising personnel costs in those departments. But that money generally cannot be used to fund other departments.

Lackawanna County also is not starting from a position of financial strength. The County had a credit rating downgrade in 2023 and then depleted its cash reserves to the point of needing an unfunded debt borrowing to sustain operations in late 2024 and early 2025. It will likely need a significant tax increase in 2025 to balance its budget and even that would not help the County rebuild its reserves.

[1] All 2023 figures cited in this chapter are preliminary unless otherwise noted. The County's 2023 audit was not complete at the time of analysis.

With that context – the prevalence of personnel costs in the County's' General Fund Budget, the revenue limitations, and poor recent performance – the County will not be able to follow the baseline assumptions related to personnel costs.

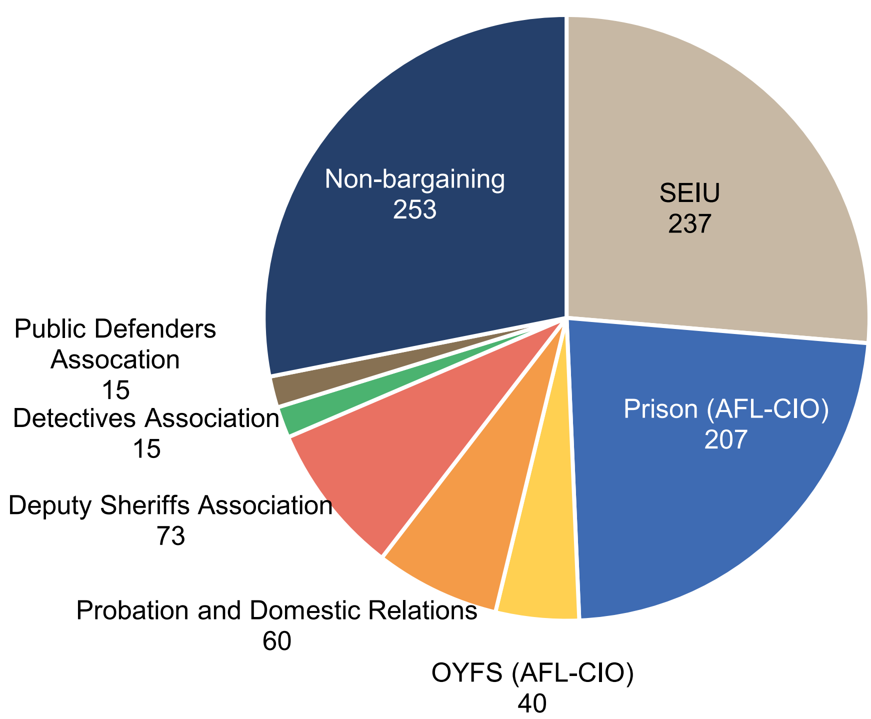
It will need to provide more moderate wage increases and change its health insurance plan offerings, design, cost sharing features or all of the above. It will need to eventually increase its annual contribution to the employee pension plans to address recent underfunding. And it should take steps to improve position control, which is one of its most important tools for managing spending.

Collective Bargaining Context

Understanding the collective bargaining landscape in Lackawanna County is essential for evaluating the opportunities and limitations in managing workforce costs.

As of January 2024, more than two thirds of Lackawanna County employees were represented by collective bargaining units (67 percent of all employees; 72 percent of General Fund employees). The County has seven bargaining units whose contracts govern compensation, benefits, leave time, and work practices—all of which can significantly impact the County's fiscal situation. The Service Employees International Union (SEIU) represents more than a quarter of the County workforce across 33 different departments or offices. The Prison Unit represents close to another quarter. The remaining employees are represented by five different unions, each typically covering employees in a single department (e.g., Office of Youth and Family Services) or a group of departments with similar responsibilities (e.g., Adult and Juvenile Probation and Domestic Relations).

General Fund Bargaining Unit Membership, January 2024



Lackawanna County Bargaining Units, January 2024

Collective Bargaining Unit	Covered Departments & Offices	Covered Employees (All Funds)	Covered Employees (General Fund Only)
Service Employees International Union ***(SEIU)***, AFL-CIO, Local 668	Employees in 33 of 50 budget departments; largest number in Court Administration, District Courts, Areas Agency on Aging, Emergency Services, and Maintenance	328 (29%)	237 (26%)
American Federation of State, County, and Municipal Employees District Council 87, AFL-CIO ***(Prison Unit)***	Prison, Community Corrections (House Arrest)	207 (18%)	207 (23%)
American Federation of State, County, and Municipal Employees District Council 87, AFL-CIO ***(OYFS Unit)***	Office Youth & Family Services	40 (4%)	40 (4%)
Lackawanna County ***Adult and Juvenile Probation*** and ***Domestic Relations*** Employees Association	Adult Probation, Juvenile Probation, Domestic Relations	76 (7%)	60 (7%)
Lackawanna County ***Deputy Sheriffs*** Association	Sheriff's Office	73 (6%)	73 (8%)
Lackawanna County ***Detectives'*** Association	District Attorney's Office (and DA Grants)	15 (1%)	15 (2%)
Teamsters Local Union No. 229 ***(Public Defenders)***	Public Defender's Office	15 (1%)	15 (2%)
	Bargaining Unit Employees	**754**	**647**
	Non-Bargaining Employees	**373**	**253**
	Total Employees	**1,127**	**900**

Each contract term lasts three or four years. The County is currently in negotiations with the SEIU, whose contract expires on December 31, 2024. The contract with the Adult and Juvenile Probation and Domestic Relations Employee Association expires on December 31, 2025. Four other agreements will expire at the end of 2026. Only the contract with the AFSCME Prison union extends through 2027.

Bargaining Unit Contracts

Collective Bargaining Unit	Contract Period	Contract Term Length
Service Employees International Union ***(SEIU)***, AFL-CIO, Local 668	2021 - 2024	3 years

Collective Bargaining Unit	Contract Period	Contract Term Length
American Federation of State, County, and Municipal Employees District Council 87, AFL-CIO ***(Prison Unit)***	2023 - 2027	4 years
American Federation of State, County, and Municipal Employees District Council 87, AFL-CIO ***(OYFS Unit)***	2023 - 2026	3 years
Lackawanna County ***Adult and Juvenile Probation*** and ***Domestic Relations*** Employees Association	2022 - 2025	3 years
Lackawanna County ***Deputy Sheriffs*** Association	2023 - 2026	3 years
Lackawanna County ***Detectives'*** Association	2022 - 2026	4 years
Teamsters Local Union No. 229 ***(Public Defenders)***	2023 - 2026	3 years

With nearly half of the County workforce either non-unionized or covered by the current SEIU contract negotiations, the County has an opportunity to make immediate, meaningful changes to its workforce costs.

However, the County does not maintain a master list of employees in each of the seven bargaining units, which poses significant challenges for analysis and effective management. To perform this analysis in the absence of complete and reliable data, PFM made bargaining unit assignments based on a review of collective bargaining agreement recognition articles and interviews with individual department heads. This list was then shared with the Human Resources Department (HR) for corrections, with both the initial assumptions and County review completed manually.

Subsequently, PFM received additional sources of bargaining information, including the County's Employee Benefit Plan Report, an SEIU roster drafted by County HR, and a list of all employees the County believed were unionized (without distinctions between the different unions). PFM reviewed these sources and made further adjustments to the union designation of each position title. Despite these efforts, inconsistencies among the various sources remained, and as such, the final bargaining unit assignments used in this report may not align with some of these sources.

WF01	Integrate bargaining unit membership into finance and human resources data systems
Responsible parties	County HR, Payroll Office
Timeframe	Complete by January 2026

The absence of authoritative data underscores the importance of the County addressing this information gap. Accurate records of union membership are essential for several reasons: union membership directly affects employees' benefits eligibility and the rates they pay for health coverage; union negotiations shape the entire compensation package of bargaining unit members; and the County must have accurate information to correctly pay workers and forecast future costs.

Furthermore, it is vital that department heads are aware of which employees are covered by collective bargaining agreements to ensure compliance with contractual obligations and understand employees' rights. In interviews with PFM, multiple department heads stated they did not believe they were legally allowed to know which employees were covered by collective bargaining agreements. Lackawanna County's Human Resources Department confirmed there is no factual basis for this belief, indicating it was likely a misunderstanding on the part of the department heads.

To address these issues, Lackawanna County's Human Resources Department and Payroll Office (within the Revenue and Finance Department) should integrate bargaining unit membership into finance and human resources data systems. This integration would improve the County's ability to conduct accurate analysis for ongoing financial and workforce planning, ensure compliance with contractual obligations, and enhance overall management and operations.

Cash compensation

Salaries and wages[2] are the largest component of personnel spending. They comprise more than half of personnel expenditures and approximately one third of *all* General Fund expenditures. In 2023, the County spent $48.8 million on salaries and wages in its General Fund. These expenditures increased by 2.9 percent per year during the review period, and the baseline projects the same growth rate through 2029 absent corrective action.

Increases in salary and wage spending can reflect rising wages, a growing workforce (more employees, more full-time employees), or more hours worked. The latter two topics we analyze later in this chapter. First, we examine wage growth and what it means for the County.

PFM analyzed salaries and wages for all County government employees as of January 5, 2024,[3] and the median annual base salary was $50,542. This does not include other types of cash compensation, such as overtime. In comparison, the most recently reported median annual salary for the Scranton, Hazelton, and Wilkes Barre region was $43,701.[4,5]

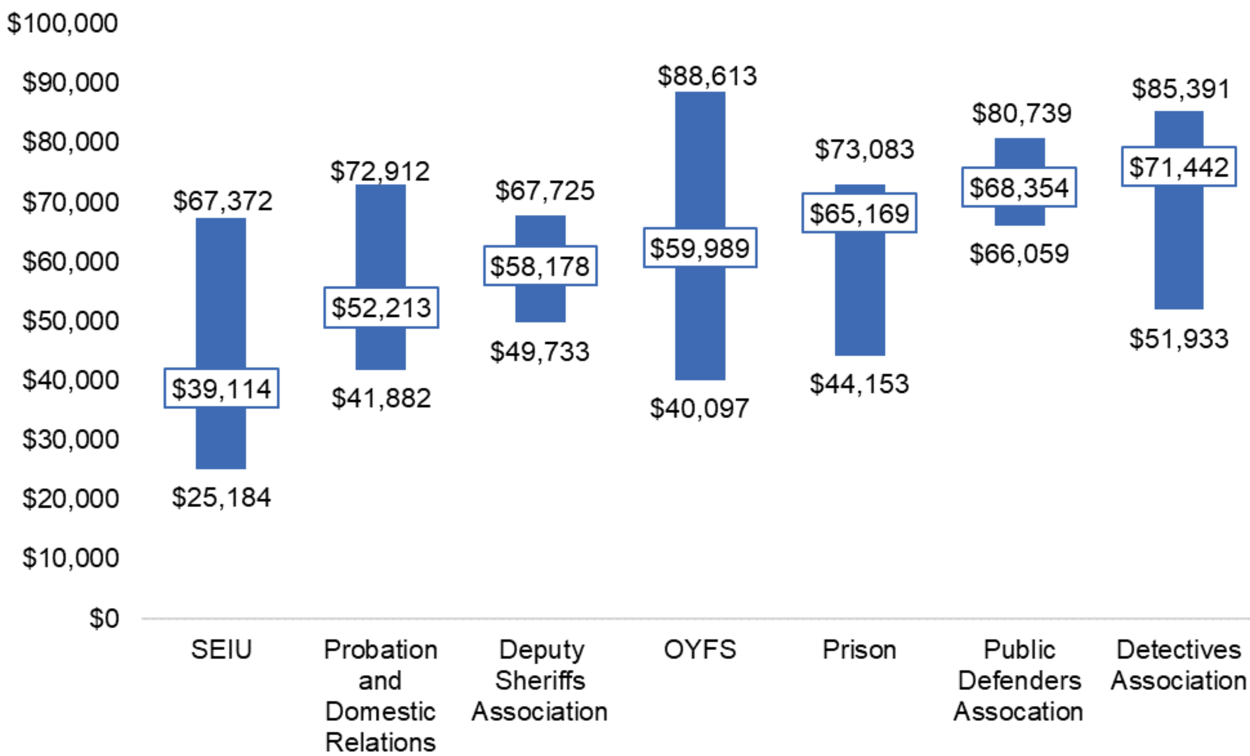
While County government employees on average have higher salaries than the rest of the region, there is a lot of variance within County government. The median annual base salary for full-time employees represented by SEIU was $39,114 while the median for members of the Detectives Association was

[2] Under the County's accounting system, salaries and wages include those paid to part-time employees; pay employees receive when they are using sick, vacation and holiday leave; and shift differential (premiums paid for working outside of traditional business hours).
[3] This analysis included employees paid from all County funds and grants, except for 12 employees split funded from multiple sources.
[4] Both the Lackawanna County data and the regional data include part-time employees, but annualizes their wages assuming 2080 hours worked
[5] Bureau of Labor Statistics Occupational Employment (OES) survey for May 2023 (most recent available). OES Wage data are, "straight-time, gross pay, exclusive of premium pay." https://statics.teams.cdn.office.net/evergreen-assets/safelinks/1/atp-safelinks.html

$71,442. Except for SEIU, the median annual base salary for all employee groups was well above the $43,701 regional median.

The size of salary ranges also vary between the bargaining units. For example, SEIU represents a wide range of employees from Clerks and Accountants to Maintenance Workers and Engineering Technicians, so it has a very large range. There are just two job titles in the Deputy Sheriff's Association, so its range is relatively small. While salary ranges help contextualize how much the County government pays to members of each bargaining unit, please note that minimums and maximums include all employees in each unit. One outlier at either end of the spectrum may skew the range, so we include the median in the presentation below.

Maximum, Minimum and Median Base Salary by Bargaining Unit (2024)



Base salary and wage increases

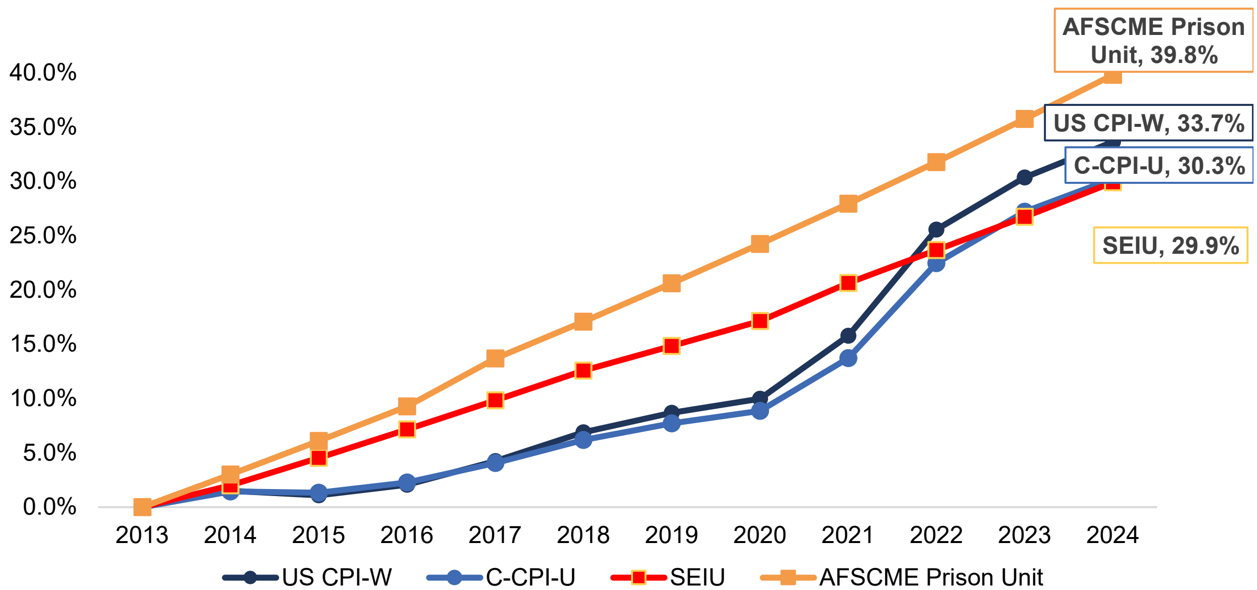
In most years, County government employees receive increases in their salary or hourly wage rate that is not tied to performance, tenure, or specialization. PFM analyzed these "across-the-board" (ATB) wage increases over the past decade where information was available[6].

[6] PFM relied on current and past collective bargaining agreements for this analysis. The County was not able to provide a full set of agreements for all unions in all years.

Union employees have typically received ATB increases between 2.5% and 3.5%. In recent years, the County has given non-unionized employees ATB raises of 2.5 percent.[7]

ATB increases for the County's two largest bargaining units generally kept pace with or exceeded inflation. From 2013 to 2024, Prison bargaining unit members received 3 to 4 percent annual increases for a total compound increase of 39.8 percent. During that same period, SEIU members saw base increases between 2 and 3 percent for a total compound increase of 29.9 percent. Both groups had wage increases comfortably above inflation until the pandemic when inflation rose rapidly. Two common measures of inflation grew by 33.7 percent (CPI-W) and 30.3 percent (Chained CPI-U) over this period with much of that growth over the last five years. Even so, the Prison unit's wage increases remain above inflation and SEIU wage increases track it closely.

Across-the-Board Wage Increases vs. Consumer Prices



This analysis does not include any additional base pay or starting salary adjustments that occurred during the review period. In SEIU, there were a number of these adjustments including base pay enhancements for the Area Agency on Aging and Emergency Services departments in 2022[8]; starting salary adjustments for all bargaining unit positions in 2018[9]; base pay increases for IT, Tax Claim, and Maintenance employees in 2018[10]; and base salary increases for former recycling center employees in 2016 and 2021.

Based on recent contracts and county descriptions of non-bargaining wage increases, the baseline projection described in the Financial Condition Assessment assumes the following wage increases. Blue cells denote wage increases set by collective bargaining agreements while white cells show projections for unions or estimates for non-union employees.

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[7] Per PFM's interview with County Chief of Staff.

[8] In 2022, SEIU workers in the Area Agency on Aging received base pay adjustments ranging from $2,500 to $3,000, 911 Dispatchers received a pay adjustment depending on years of service, and employees making less than $15 per hour had base pay increased to at least that rate. Other positions receiving enhancements included IT Systems Administrator, Gypsy Moth Coordinator/Grant Specialist, GIS Mapper, and Sub-Assessor

[9] All new hire salaries were increased by 4%, and any current employee making less than the new starting pay was elevated to that rate.

[10] Certain positions within these departments saw base pay increases between $1,500 and $2,000

Lackawanna County Across The Board Wage, 2019 (actual) to 2029 (projected)

Bargaining Unit	Number of General Fund Employees (Jan 2024)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Non-Bargaining	253	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
SEIU	237	2.0%	2.0%	3.0%	2.5%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Prison	207	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Deputy Sheriffs	73	N/A	N/A	N/A	N/A	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Probation & Dom. Relations[11]	60	N/A	1.1%	1.3%	2.5%	3.0%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
OYFS[12] *	40	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%
Detectives	15	N/A	N/A	N/A	2.0%	2.5%	3.0%	3.3%	3.5%	3.5%	3.5%	3.5%
Public Defenders	14	N/A	2.5%	2.0%	2.0%	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Assuming no changes in the number of positions or mix of positions (full- versus part-time), this pattern results in an aggregate annual increase of 2.9 percent per year in salaries and wages per year from 2025 through 2029, which would bring salary and wage expenditures to $58.3 million by 2029.

Given the County's recent financial performance, current condition, and projected future deficits, it is unlikely that the County will be able to afford these salary increases unless it achieves savings elsewhere (e.g. health insurance costs are reduced and some of the savings are directed to salaries).

WF02	Moderate across-the-board salary and wage increases
Responsible parties	Commissioners, HR, Revenue and Finance
Timeframe	Ongoing throughout collective bargaining cycle

County government cannot unilaterally determine the wage increases that it will pay to all its employees. Wage increases for union employees are set through collective bargaining. Acknowledging that limitation, the County's leaders have an opportunity now to set a new, less costly wage pattern that will help close the projected deficits and restore financial stability.

[11] Wage increases reflect across the board (ATB) increases within each step and do not reflect step increases that an employee would have received according to the wage schedule active in that period. In 2020 and 2021, ATB increases differ between steps – figures shown in this table are the average ATB increase in that year across all 20 steps.

[12] OYFS Unit employees will also receive base salary enhancements in addition to annual raises in 2023 through 2026

That effort began in late 2024 when the County adopted a 2025 budget with no base wage increase for non-represented employees. That one-year wage freeze does not automatically carry over to the first year of all union contracts, but it does show the severity of the County's financial challenges and the Commissioners' attention to addressing them.

The County is also in negotiations with the SEIU since that union's contract expired at the end of 2024. SEIU is the first union to go through negotiations since the severity of the County's financial problems came to light, and it is also the largest union. The wage increases set by the SEIU negotiations will be monitored closely by the other unions.

While the County can revisit base wage increases for its non-represented employees each year through the budget process, negotiations usually set future wage increases for a few years at a time. Options include doing a one-time freeze, doing a one-time signing bonus that does not build into the base, and reducing base wage increases by 0.5 percent to 1.0 percent a year.

To illustrate the potential fiscal impact, the tables below show the savings associated with two scenarios relative to the baseline projection.

- Scenario 1 shows the impact of freezing wages for the first year of each new contract and then proceeding according to the baseline pattern. The County has already taken the first step in this scenario by freezing wages for non-represented employees in the 2025 budget.
- Scenario 2 shows the impact of reducing base wage increases by 0.5 percent for each year. There are wage increases every year but they are less than assumed in the baseline projection.

Cumulatively, Scenario 1 saves more because the benefits of a one-year wage freeze compound over time. Any wage increase that follows the one-year freeze will be applied to a lower base and therefore cost less than the baseline.

Scenario 1: Wage freeze for first year following new contract

	2025	2026	2027	2028	2029	Cumulative 2025 - 29
Non-bargaining	0.0%	2.5%	2.5%	2.5%	2.5%	10.0%
OYFS	3.5%	3.0%	0.0%	3.0%	3.0%	12.5%
Detectives	3.3%	3.5%	0.0%	3.5%	3.5%	13.8%
Prison	3.0%	3.0%	3.0%	0.0%	3.0%	12.0%
Public Defenders	3.0%	3.0%	3.0%	0.0%	3.0%	12.0%
Deputy Sheriffs	3.0%	3.0%	0.0%	3.0%	3.0%	12.0%
Probation and Domestic Relations	3.5%	0.0%	3.5%	3.5%	3.5%	14.0%
SEIU	0.0%	3.0%	3.0%	3.0%	3.0%	12.0%
Savings against baseline (+)	**$0.8**	**$0.9**	**$1.1**	**$1.6**	**$1.6**	**$6.0**

Scenario 2: Reduce current contract assumption by 0.5%

	2025	2026	2027	2028	2029	Cumulative 2025 - 29
Non-bargaining	2.0%	2.0%	2.0%	2.0%	2.0%	10.0%
OYFS	3.5%	3.0%	2.5%	2.5%	2.5%	14.0%
Detectives	3.3%	3.5%	3.0%	3.0%	3.0%	15.8%
Prison	3.0%	3.0%	3.0%	2.5%	2.5%	14.0%
Public Defenders	3.0%	3.0%	3.0%	2.5%	2.5%	14.0%
Deputy Sheriffs	3.0%	3.0%	2.5%	2.5%	2.5%	13.5%
Probation and Domestic Relations	3.5%	3.0%	3.0%	3.0%	3.0%	15.5%
SEIU	2.5%	2.5%	2.5%	2.5%	2.5%	12.5%
Savings against baseline (+)	**$0.2**	**$0.3**	**$0.5**	**$0.8**	**$1.1**	**$2.9**

Legend
Active Contract
Baseline Assumption
Scenario

The County needs to bring a quantified financial perspective to collective bargaining, starting with the SEIU negotiations. The County should have a target dollar amount that it can afford to pay employees in all forms of cash compensation and negotiate to (or ideally below) that number. It should not negotiate changes for each individual type of compensation. Someone from Finance should participate in the negotiations and then evaluate the cost of proposals to make sure they stay on target.

Other forms of cash compensation

The prior analysis only addressed across-the-board wage increases but employees salaries and wages can also grow based on an employees tenure (longevity or step increases) or when they work (shift differential, holiday pay).

Aside from uniform allowances, which have their own line items in the County's accounting system, these other forms of cash compensation are included in the line items for salaries and wages in the County's finances.[13] The table below summarizes the different types of cash compensation and premium pays that are included in each of the County's current collective bargaining agreements. All seven bargaining units have tenure-based longevity payments. Step increases, uniform allowances, and tuition reimbursements are also common features, found in five of seven agreements each.

Cash Compensation Types by Bargaining Unit, 2024

Bargaining Unit	Annual Base Increases	Step Increases	Longevity	Shift Differential	Uniform Allowances (cash)	Other
SEIU	✓	✓	✓	✓	✓	Car insurance payments Damage replacement payment Tuition reimbursement

[13] It is not uncommon for shift differential or other incentives to be broken out in distinct line items, however, the same is not true for step and longevity increases.

Bargaining Unit	Annual Base Increases	Step Increases	Longevity	Shift Differential	Uniform Allowances (cash)	Other
Prison (AFSCME)	✓	✓	✓	✓	✓	Tuition reimbursement
Deputy Sheriffs Association	✓	✓	✓	✓	✓	Vacation buy-back Tuition reimbursement
Probation and Domestic Relations	✓	✓	✓		✓	On-call pay Education incentive Tuition reimbursement
OYFS (AFSCME)	✓		✓			Tuition reimbursement Vacation buy-back Car insurance payments Education incentive
Detectives Association	✓	✓	✓		✓	
Public Defenders Association	✓		✓			Licensing reimbursement Stipend for taking advanced homicide cases
Total	**7 of 7**	**5 of 7**	**7 of 7**	**3 of 7**	**5 of 7**	

As shown on the table above, ***most Lackawanna County collective bargaining agreements include base, step, and longevity increases.*** The schedule and amounts differ in each agreement. The example below takes provisions from the Deputy Sheriffs Association agreement and shows how they increase total cash compensation above ATB increases.

The Deputy Sheriffs agreement provides an annual base wage increase in each year of the contract, step increases at five points in a deputy's career, and annual longevity increases beginning after five years of service.[14] Step and longevity increases are earned based on years of service. Step increases are concentrated in the earlier part of a deputy's career (the last one occurs after eight years of service), whereas longevity begins after five years of service and increases over time. Base wage increases apply to deputies at all stages of their career each year.

In practice, this means that new hires and deputies with one or two years of service in 2024 would receive a 7.1 percent increase per year (CAGR) from 2024 to 2026. Looking over the span of a deputy's career, the base salary often only increases by the ATB amount. But at seven points in their career, the current contract would afford between 3.2 and 7.1 percent annual increases. The table below demonstrates how this works for deputies at various points in their career.

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[14] Step increases are set as the hourly wage ($), the percent difference from one step to the next is calculated and shown in the table.

Deputy Sheriffs Association Annual Base & Longevity Provisions, 2023-2026 Contract

Tenure	Step Increase	Base Wage Increase	Longevity Increase
New Hire			
1 year	4.0%	3.0%	
2 years	3.9%	3.0%	
3 years	4.1%	3.0%	
4 years	3.9%	3.0%	
5 to 7 years		3.0%	1.5%
8 to 9 years	4.1%	3.0%	1.5%
10 to 14 years		3.0%	2.0%
15 to 19 years		3.0%	2.0%
20 to 24 years		3.0%	2.0%
25 years +		3.0%	2.5%

Deputy Sheriff Compensation by Years of Service: Inclusive of Base, Step, and Longevity Increases, 2024 to 2026

Annual base wage increases

Step & Longevity Increases

Tenure as of 2024	Annual Salary 2024	Annual Salary 2025	Annual Salary 2026	Annual Increase (2024-2026 CAGR)
New hire	$49,733	$53,269	$57,013	7.1%
5 years of service	$59,008	$60,781	$62,597	3.0%
7 years of service	$59,008	$63,252	$65,152	5.1%
9 years of service	$61,415	$63,563	$65,473	3.3%
10 years of service	$61,717	$63,563	$65,473	3.0%
20 years of service	$61,717	$63,563	$65,473	3.0%
24 years of service	$61,717	$63,875	$65,794	3.2%
25 years of service	$62,020	$63,875	$65,794	3.0%
25-year average	$59,795	$61,586	$63,434	3.0%

Although not shown in these tables, the agreement provides for shift differentials, which are higher hourly wage rates for hours worked at certain times of day. Deputies whose shifts begin after 2:00 pm (“second shift”) or after 10:00 pm (“third shift”) are paid $0.80 and $0.90 per hour more than they would otherwise earn.

Lackawanna County can take two important lessons from this example. Firstly, the County must include all components of cash compensation in its budget to accurately anticipate personnel costs. Second, it should take a wholistic view of these costs during negotiation.

WF03	Budget for total cash compensation
Responsible parties	Revenue and Finance, Human Resources
Timeframe	Summer 2025 leading into 2026 budget process

The County may be under-budgeting for current staff salaries. Lackawanna County department heads and Revenue and Finance personnel explained that the current process for budgeting salary and wage increases accounts for salary increases approved by the Salary Board and across-the-board base wage increases. The County has not typically budgeted for other increases (such as step and longevity increases) and shift differential. Importantly, some of the county's collective bargaining agreements award step and longevity increases on the anniversary date of hire, which could occur at any time throughout the year – making it even easier to overlook in the budgeting process.

In the previous Deputy Sheriff example, the average annual increase, inclusive of base, step, and longevity pay, was 3.8 percent. If the County's budget only accounts for a three percent base increase, salary spending will exceed the budget, all other variables held equal. Moreover, as noted above, this example shows only three components of cash compensation. Other components, such as shift differential and educational incentives could push the variance higher.

These factors may contribute to some departments frequently spending more than budgeted on employee salaries and wages. PFM analyzed budgeted and actual expenditures for salaries and wages and found three departments frequently went over budget: the Prison, Court Administration, and the Sheriff's Office.

The three collective bargaining agreements that govern compensation for union employees in these departments each include base, step, and longevity increases, plus shift differential. If the County does not adequately or consistently account for these types of pay in the budget allocation, and collective bargaining agreements require that they are paid, then the departments will exceed budget.

The County should ensure that all forms of cash compensation are included in the annual budget allocations for departmental staff. The County will first need a list showing which employees are in which bargaining unit since union membership determines eligibility for these types of pay (see initiative WF01). The County will also need use position-based budgeting and vacancy assumptions, which we address later in this chapter.

Incorporating all forms of cash compensation in the budget is the first priority. Then, the County could calculate the full cost of each type of position, inclusive of all forms of cash compensation; the County's share of employee health insurance costs; and the County's contribution to the pension plan associated with that position. If the County creates those estimates for a new hire, that same position after 5 years, and that same position after 10 years[15], that will help the County make better-informed budgeting and staffing decisions with a clear picture of the long-term fiscal impact of adding or reducing staff.

WF04	Control total cash compensation growth
Responsible parties	Revenue and Finance, Human Resources, Commissioners
Timeframe	Ongoing throughout collective bargaining cycle

It is also vitally important to evaluate the total cash compensation package during collective bargaining negotiations, and when deciding compensation increases for non-bargaining employees. Individual

[15] The 5-year and 10-year milestones are examples to illustrate the concept that costs grow over time. The County could use other milestones or different milestones for different positions.

elements of a compensation package may increase at manageable levels, but when layered on top of each other, especially at key junctures in an employee's career, the actual total cost to the County may be harder to afford.

PFM reviewed the compensation enhancements that were added or increased in the most recent round of bargaining for each of the three largest bargaining units: SEIU, Prison, Probation and Domestic Relations. As shown in the table below, between four and six distinct types of enhancements were added in each agreement, each of which will have a quantifiable cost impact.

Enhancements to Cash Compensation &
Other Pay Premiums by Bargaining Unit, 2024

Bargaining Unit	Most Recent CBA	Enhancements to Pay Premiums in Most Recent CBA
SEIU	2021 - 2024 CBA	• Added option for employees to sell back up to 5 sick days per year if they have a bank of over 100 days • Added $2 per-hour bonus for time spent training in Emergency Services • Added retention raises to base salary • Increased on-call pay
Prison (AFSCME)	2024 - 2027 CBA	• Added Juneteenth as a paid holiday[16] • Increases in annual longevity pay (which is added to base) • Increase second shift differential from $0.70 to $0.80 and third shift differential from $0.80 to $0.90 • Increased annual uniform allowances by $45 per employee • Increased tuition reimbursement from $1,500 to $2,500 per semester
OYFS (AFSCME)	2023 – 2026 CBA	• Added one-time ratification payments for all members January 2023 • Added 6-month retention bonus of $500 for new hires • Increased retirement sick leave buy-out cap from 100 days to 120 days • Increased annual car insurance payment from $500 to $600 • Increased tuition reimbursement from $4,500 to $6,000 per semester • Increased emergency services pay from $12 to $14 an hour

There can be good, strategic reasons for adding or enhancing these types of cash compensation, especially when they help address a documented recruitment or retention problem. For example, if adding a six-month

[16] Juneteenth was added as a holiday for other unions, but it only directly generates new cash compensation costs when employees receive extra pay for working that day.

retention bonus helps recruit new OYFS case workers, where the County is becoming increasingly dependent on contractors, then the additional cost is worth the investment.

In the near term, it will be very difficult for the County to afford any new forms of cash compensation, unless there are offsetting savings. As a general principle, except for instances where the County has documented staffing problems, the County should not create any new forms of cash compensation through at least 2027.

For the elements that already exist, the County should not treat each one as a separate item during negotiations. Instead, the County should set establish a target for total cash compensation paid to all members of a bargaining unit on an annual basis, and then negotiate with that goal in mind.

Estimating the cost of each type of cash compensation will help both parties understand how much a proposal costs before agreeing to it. It will also help the County and unions think collaboratively about balancing cash compensation with other competing needs, such as health insurance coverage for the same employees, the County's contribution to the employee pension plan, or purchasing the vehicles and equipment employees need to do their job.

Over time, the County should convert elements of compensation that are currently indexed to base salary to a flat, fixed dollar amount. The County's "natural" revenue growth absent tax increases is flat so, as much as practical, the compensation elements should be as well.

To carry out this and other initiatives, the County should continue to use experienced public employment labor counsel for its labor relations activities, including collective bargaining. The County's Revenue and Finance Department should also have a representative at the table to provide fiscal analysis and oversight as relevant during the negotiation process.

Overtime

Lackawanna County spent $5 million on overtime in 2023, accounting for 5.7 percent of General Fund personnel costs. Overtime does not account for a large piece of the General Fund budget but spending in this area increased sharply in 2023 and is on track for another record year in 2024. Moreover, it is a rising cost that the County can avoid with targeted action.

In its 2025 budget, Lackawanna County has assumed a 28.7 percent decrease in overtime compared to projected 2024 expenditures.[17] Reducing overtime is an effective deficit closure strategy, but the budgeted decrease will not come to fruition if staffing levels, scheduling, and work practices remain as they are now.

Two departments – the Prison and the Sheriff's Office – accounted for 82.9 percent of all overtime spending in 2023 and 75.5 percent of projected spending in 2024.[18] OYFS and Adult Probation had the next highest expenditures, and all other departments combined for less than $320,000 in 2023.

[17] The budget released on October 15, 2024 shows a 30 percent decrease below 2024 year-end estimates at the Prison and a 55 percent decrease in the Sheriff's Office..

[18] Ibid.

Overtime Expenditures, 2019 - 2023

Department	2019	2020	2021	2022	2023	% Total
All Overtime Spending	**$4,785,614**	**$3,188,254**	**$4,109,782**	**$4,734,028**	**$5,001,656**	**100%**
Prison	$2,502,671	$1,172,465	$2,051,503	$2,452,105	$2,474,778	**48.8%**
Sheriff	$1,328,989	$1,128,151	$1,163,666	$1,291,033	$1,449,062	**29.2%**
OYFS	$336,031	$359,118	$415,242	$460,840	$579,995	**9.9%**
Adult Probation	$249,332	$143,793	$138,642	$159,839	$178,857	**4.0%**

Prison overtime expenditures dipped in 2020 as the prison population shrank. Since then, overtime expenditures and overtime hours worked per employee increased to near pre-COVID levels. During the sample period we reviewed, the Prison needed 156.4 posts filled per 24-hour period but only had staff to fill 125.7 posts, leaving 30.7 overtime posts needed each day, or 24.6 percent of hours worked.[19]

OYFS overtime has increased by large percentages each year since 2021 and 14.6 percent per year during the review period, though that may abate if the County can meet its staffing challenges. Adult Probation overtime dropped during the review period and is now less than $200,000.

Please see the Criminal Justice chapter for more discussion of overtime usage at the Prison and in the Sheriff's Office, along with recommendations to reduce that spending.

Health insurance

Union employees receive a benefits package that includes medical insurance (including prescription drug coverage), vision insurance, dental insurance, and life insurance. The specific insurance plan offerings vary by bargaining unit, as discussed in this section. Non-union employees have traditionally received the same benefits package as the SEIU unit. Most benefits are currently provided at low or no cost to employees.

Lackawanna County is "self-insured" for medical insurance, meaning its spending is more directly tied to the claims costs incurred when an employee or their dependent receives care.[20] The County pays monthly premiums to its Health Insurance Trust, which then pays actual medical claims on behalf of the County. The monthly premiums are based on the insurance company's projections of actual claims costs for the upcoming year.

If claims costs run higher than projected, and the County did not contribute enough to the Trust, then the County makes an additional payment, or "true-up," as was the case in most years during the review period. If claims costs are lower than projected and County contributed too much to the Trust, then the County receives a reimbursement. The County received a large reimbursement for 2022 that was paid out in 2023 and 2024. From 2019 through 2023, health insurance expenditures grew by 4.8 percent, which is higher than expenditure growth for salaries and wages.

[19] Please see the Criminal Justice Chapter for more information from this analysis.
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County Spending on Health Benefits, 2019 - 2023

	2019	2020	2021	2022	2023	CAGR
Health Insurance	$18,033,413	$15,981,078	$17,601,044	$21,931,252	$21,774,547	4.8%
Group Health Refund	$0	$0	$0	$2,673,161		-
Net Cost	$18,033,413	$15,981,078	$17,601,044	$19,258,091	$21,774,547	4.8%

* In this table, the Group Health Refund is shown in the year for which premiums paid were lower than anticipated (2022) not the year in which the reimbursement was received on a cash basis (2023 and 2024). Likewise, the net cost is calculated based on years in which the expense and refund are shown.

Self-insurance differs from the "fully insured" model where the County would pay a set monthly premium amount to an insurance company for each covered employee based on their plan type (e.g. HMO, PPO) and tier of coverage (e.g. Employee only, Family). Insurance companies set their premiums higher in fully insured model than the premium equivalencies in self-insurance, and those higher premiums cover administrative costs and generate profit.

Many governments have moved away from the fully insured to a self-insured arrangement because it results in lower monthly costs in the near term, and it positions the government and its taxpayers to reap the financial benefits in a good year. If claims costs are less than projected, the government and its taxpayers receive the benefit, as was the case in 2022.

The offsetting risk is self-insurance shifts the financial burden of a bad year from the insurance company to the government. If claims costs are higher than projected – if employees need more care or more expensive care than projected – then the government and its taxpayers are responsible for paying the difference.

Since self-insurance shifts the risk/reward dynamic of claims potentially being higher or lower than expected from the insurance company to the government, the government needs enough cash in reserve that it can use when claims costs are higher than expected.

Lackawanna County's cash reserves are now depleted very close to zero. Even the unfunded debt loan that the County issued in late 2024 will only help the government get through the end of 2024. The County will need another Tax Anticipation Note (i.e. cash flow borrowing) in early 2025 that it will have to repay by the end of the year.

The County must build a sufficient level of cash reserves, so it has a contingency to cover the risks associated with being self-insured. Please see the Financial Management Chapter for more discussion of the importance of financial reserves.

Plan selection

At the time of analysis, the County had 957 employees enrolled across four health insurance plans, according to the County's Benefits Plan Report. The two HMO plans have the highest enrollment, and the First Priority Health Plan (i.e. Highmark HMO) is the most frequently selected plan, overall and for each employee group. The PPO plan has the lowest enrollment and the lowest cost to the County in terms of monthly premiums. It also has a modest deductible and higher co-pays. The traditional indemnity plan is the costliest for the County, and it has the fewest enrollees after the PPO plan, about half of whom are in SEIU.[21]

County Health Plan Selections[22]
(As of August 2024)

Health Maintenance Organization (HMO) Plan			
Plan has an established network of providers and no coverage for providers outside that network			
Geisinger HMO	214 enrollees	82 single	77 family
First Priority Health	625 enrollees	211 single	236 family
Preferred Provider Organization (PPO) Plan			
Employees pay less for care from in-network providers and do not need to use a "gatekeeper" for specialty care or hospital visits			
Highmark PPO	41 enrollees	11 single	13 family
Conventional or Indemnity Plan			
No preferred provider network and same cost sharing regardless of provider			
Aetna EPO	77 enrollees	22 single	28 family

Across all employers nationally, traditional indemnity plans like the Aetna EPO are becoming increasingly rare. According to one survey, 73 percent of all covered workers were enrolled in indemnity plans in 1988. By 1999, that percentage had plummeted to 10 percent, and it was just 1 percent in 2023. Even among this part of the public sector, these plans are rare. Less than 1 percent of covered workers in state and local government had these types of plans in 2023.

In contrast, PPO plans have become more common, rising from 11 percent of covered workers in 1988 to 39 percent in 1999 and up to 47 percent in 2023. More than half of covered workers in state and local government (52 percent) used PPOs in 2023.

The other plan type gaining popularity is High Deductible Health Plans with savings options (HDHP/SO). ***Notably, Lackawanna County does not currently offer an HDHP.*** HDHPs may be paired with Health Savings Accounts (HSAs) where the employee or employer makes regular contributions toward the cost of future health care.

In 2006, only four percent of covered employees nationally used HDHP/SOs. That share grew steadily to 29 percent in 2016 and remains at that level in 2023. Among state and local governments, this is the second most common plan type (20 percent) behind only PPOs[23].

[21] Plan definitions come from Kaiser Family Foundation 2023 Employer Health Benefits Survey. The Kaiser Family Foundation 2024 Employer Health Benefits Survey was released on October 9, 2024, after this analysis was completed.
[22] In addition to single and family enrollments shown in this table, total enrollees include husband/wife, employee/child, and employee/children enrollments. In total, Lackawanna County's 957 enrolled employees were split about one third each between single (34 percent), family (37 percent), and another configuration of employee and spouse or child(ren) (29 percent).
[23] Kaiser Family Foundation 2023 Employer Health Benefits Survey, pages 85-86

Plan design

Health plan design refers to the rules governing what types of care are covered and how much; how costs are shared between the employer and the employee when they receive care; and whether there is a defined care provider network where the cost of care is lower. Some important plan design elements relate to employee cost sharing: the presence/level of deductibles or co-insurance; out-of-pocket maximums; and copayments for office visits, emergency room visits, and prescription drugs.

Among the County's current health plans, only the Highmark PPO has an in-network deductible that employees must pay before insurance covers most other costs, and that deductible is $250 for single coverage and $500 for family coverage. ***The other 96 percent of County plan enrollees do not have any in-network deductible to meet before the plan begins covering costs***.

The absence of deductibles is rare in comparison to other employers that use HMOs and PPOs. Nationally, only 33 percent of covered workers on HMOs and 10 percent of covered workers on PPOs did not have a deductible. The national average deductible for single coverage PPOs in 2023 was $1,281 – more than five times higher than the $250 deductible Lackawanna County employees pay under the Highmark PPO.

County Health Plan Deductibles[24]

	Enrollees	In-Network Deductible (Single/Family)
Geisinger HMO	214	$0 / $0
First Priority HMO	625	$0 / $0
Highmark PPO	41	$250 / $500
Aetna EPO	77	$0 / $0
HMOs with in-network deductibles	67% of covered workers	$1,200 / $2,949
PPOs with in-network deductibles	90% of covered workers	$1,281 / $2,979

Focusing on co-payments, most County employees pay $5 for primary care visits and $0 or $5 for specialist care visits. Both are well below the national averages for HMO plans. The County's PPO copayments are close to the national average.

The copayments for emergency room visits range from $15 to $75 across the County's plans. Nationally, most HMOs have an ER copayment (81 percent), as do most PPOs (52 percent). For all plans that have this feature, the average ER visit copayment is $217. Most plans waive the copayment if the person is admitted to the hospital and have lower cost-sharing amounts at Urgent Care facilities.

[24] Kaiser Family Foundation 2023 Employer Health Benefits Survey, pages 108 and 111

County Plan Design vs. National Average[25], Copayments

	Primary Care	Specialist	ER Visit
Geisinger HMO	$5	$0	$25
First Priority HMO	$5	$5	$15
Highmark PPO	$20	$40	$75
Aetna EPO	$5	$5	$50
Average for all firms, HMOs	$25	$40	$217[26]
Average for all firms, PPOs	$26	$44	

Premiums and Cost Sharing by Plan Type[27]

The monthly premium for each employee enrolled in County health coverage is shared between the County and the employee. As discussed above, the County pays into a health trust fund monthly while employees contribute toward the premium costs of that coverage through payroll withholdings.

The County's monthly premium costs for the two most common plans are high relative to national averages. The 2024 premium for single coverage on the County's two HMO plans are 27.3 percent higher than the 2023 national average for HMOs. That gap was 68.4 percent for HMO family coverage. The County's premium cost for its PPO plan was closer to the national average for single coverage (3.9 percent higher) but 39.4 percent higher for family coverage. The traditional indemnity (EPO) plan is by far the most expensive to the County on a per-employee basis.

Employer Cost: 2024 Monthly County Premium Rates
(Net of Employee Contributions)[28]

	Enrollees	Single	Family	Estimated Cost
Geisinger HMO	214	$719	$2,329	$3,810,000
First Priority Health	625	$719	$2,329	$11,591,000
Highmark PPO	41	$641	$2,105	$674,000
Aetna EPO	77	$1,013	$3,239	$2,021,000
All employers, all plans		*$586*	*$1,449*	*N/A*
All employers, HMOs		*$565*	*$1,383*	*N/A*
All employers, PPOs		*$617*	*$1,510*	*N/A*
All employers, HDHP/SOs		*$547*	*$1,420*	*N/A*

25 Kaiser Family Foundation 2023 Employer Health Benefits Survey, pages 130, 135-136

26 Average for all plans with ER copayments

27 This analysis focuses on employee contributions to medical insurance. Union and non-union employees do not currently make any monthly contributions toward the cost of their dental, vision, or life insurance coverage.

28 National averages come from Kaiser Family Foundation 2023 Employer Health Benefits Survey, pages 90-91.

Employee monthly contributions vary according to the tier of coverage (single, employee/child, family); the plan selected; and the employee's union membership. The following tables show employees' monthly contributions on a dollar basis and as a percentage of total premiums.

On a dollar basis, County employee contributions range from $65 - $108 per month for single coverage versus a national average of $118 per month for HMOs and $126 for PPOs. Employee contributions for family coverage range from $130 - $217 per month versus a national average of $597 for HMOs and $592 for PPOs[29].

Employee Cost: 2024 Monthly Premium Contributions[30]

Plan	Tier	SEIU	AFSCME Prison	Non-Bargaining
Geisinger HMO	Single	$81	$87	$81
	Family	$152	$152	$152
First Priority HMO	Single	$81	$87	$81
	Family	$152	$152	$152
Highmark PPO	Single	$108	$108	$108
	Family	$217	$217	$217
Aetna EPO	Single	$81	$87	$81
	Family	$152	$152	$152
National Average	*Single HMO*		*$123*	
	Family HMO		*$597*	
	Single PPO		*$126*	
	Family PPO		*$592*	

On a percentage basis, County employee contributions range from 5.2 percent to 10.8 percent of the total monthly premiums for the two HMO plans; 9.3 percent to 14.5 percent for the PPO plan; and just 4.5 to 7.9 percent for the Aetna EPO plan. **In all cases, Lackawanna County employee contributions trail the national averages for single and family coverage on HMOs and PPO[31].**

[29] Kaiser Family Foundation 2023 Employer Health Benefits Survey, page 91
[30] For brevity, this table only shows employee contributions for the County's two largest unions plus non-union employees. Employees in the other unions contribute a little more, a little less or the same amount as the two largest unions.
[31] Kaiser Family Foundation 2023 Employer Health Benefits Survey, page 91

Employee Cost: 2024 Employee Contributions as a Percent of Total Premiums[32]

Plan	Tier	SEIU	AFSCME Prison	Non-Bargaining
Geisinger HMO	Single	10.2%	10.8%	10.2%
	Family	6.1%	6.1%	6.1%
First Priority HMO	Single	10.2%	10.8%	10.2%
	Family	6.1%	6.1%	6.1%
Highmark PPO	Single	14.5%	14.5%	14.5%
	Family	9.3%	9.3%	9.3%
Aetna EPO	Single	7.4%	N/A	7.4%
	Family	4.5%	4.5%	4.5%
National Average	*Single HMO*	17%		
	Family HMO	30%		
	Single PPO	17%		
	Family PPO	28%		

Lackawanna County employees contribute less toward the total cost of their health care than the national average. Moreover, employee cost sharing is lowest in absolute cost to employees (monthly premium amount) and relative cost to employees (percent of total costs) for the most expensive plan offered by the county (Aetna EPO). Although a relatively small number of employees are enrolled in the Aetna plan, as shown above, it is disproportionately expensive for the County.

In summary, Lackawanna County employees pay below-average rates for above-average health coverage. Further, the County's plan offerings are far behind national trends with regards to eliminating high-cost indemnity plans and offering HDHP/SOs. It is essential that Lackawanna County take action to control these costs, as health insurance premiums have become the fastest growing personnel expense for the County.

Health insurance initiatives

WF05	Change health plan offerings and design
Responsible parties	Commissioners, County HR, Health Insurance broker
Timeframe	Ongoing throughout collective bargaining cycle

Lackawanna County should change the types of plans it offers to align with national health insurance market trends and reduce costs. Specifically, the County should phase out its traditional indemnity plan (Aetna EPO). As of August 2024, only eight percent of enrolled employees were on the Aetna EPO, but that plan costs the County nearly 50 percent more per covered employee than the existing HMO and PPO plans. It

[32] For brevity, this table only shows employee contributions for the County's two largest unions plus non-union employees. Employees in the other unions also contribute less than the national averages for single and family coverage for HMOs and PPOs.

is understandable if the County wants to give employees the option of seeking care from a provider that is outside their network (which is not allowed on the HMO plans), but the County has that option available at a much lower cost through the PPO plan.

Additionally, the County should add a high deductible health plan with a savings option (HDHO/SO). Nationally, HDHP/SOs are the second most common plan type used by state and local governments. Moreover, monthly premiums for these plans were lower than the average for HMOs and PPOs, on average among all employers nationally in 2023.

Finally, Lackawanna County should make changes to plan designs with respect to deductibles and copayments to bring terms in line with national averages. The County should add deductibles to all plans and increase the deductible for its HighMark PPO, and it can still remain below the national average to preserve its competitive advantage for current and prospective employees. Additionally, the County should increase copayments for its HMOs, which are currently well below national averages and are the plans in which most county employees are enrolled.

Some of these changes can be implemented as early as next year for non-bargaining employees. Additionally, the County has already begun to incorporate some of these recommendations into its negotiations with SEIU for the new CBA to begin in 2024. Doing so will set an important precedent as other bargaining units come up for negotiation in the next few years.

The County should consult with its health insurance broker on the appropriate changes and savings associated with each one. To provide a sense of magnitude, if the County made a series of changes that reduced the projected growth in health insurance spending from 6.7 percent to 5.0 percent beginning in 2026, that would save $438,000 in 2026; $1.5 million in 2028; and $2.1 million in 2029.

WF06	Change employee cost-sharing structure
Responsible parties	Commissioners, County HR, Health Insurance broker
Timeframe	Ongoing throughout collective bargaining cycle

Lackawanna County should also take steps to change the share of total health plan cost covered by County employees. As discussed above, County employees cover a much lower percentage of the total cost of their health care, ranging from 5.2 percent[33] to 10.8 percent for HMOs. The national average for 2023 was 17 percent for single coverage and 30 percent for family coverage for HMOs.

Although the County's collective bargaining agreements govern premium cost sharing arrangements for union employees, the County has discretion to change the monthly premiums for non-bargaining employees immediately. As the bargaining units enter negotiations, the County can then use the rates it sets for non-bargaining employees as a starting point for proposals.

There are three primary ways the County can increase the employee's share of health care cost:

- Increasing employee premiums across the board (e.g. increasing premiums for single and non-single coverage)
- Increasing employee premiums for the higher-cost health plans, like the Aetna EPO (Buy-up concept)

[33] This amount does not appear in the prior table but it is the percentage contribution for employees in the Detectives Association on family coverage.

- Differentiating employee premium contributions between Employee/Child, Employee/Children, Husband/Wife, and Family coverage, which currently pay the same rate.

The County should generally avoid fixed dollar amount employee contributions unless those contributions grow every year of the contract. Percentage contributions that grow (or fall) in line with premium costs are a better cost sharing arrangement.

The County can use one or all of these methods to alter cost sharing in a way that balances concerns for fiscal stability with the desire to provide quality health insurance to its employees. The County should set a savings target for each bargaining unit that accounts for the current plan offerings and negotiate toward that target during negotiations.

WF07	**Conduct health benefit eligibility audit**
Responsible parties	Commissioners, County HR, Health Insurance broker
Timeframe	2025, leading into 2026 budget

Several facets of the County's health plan can be audited to find unnecessary costs:

- Whether terminated employees and their dependents are being removed from the plan in a timely manner
- Whether dependents on the plan are, in fact, eligible for County coverage ("dependent eligibility audit")
- Whether County employees are only on plans permitted under their collective bargaining agreement

The County should discuss the potential for conducting these audits with its health insurance broker in the first half of 2025 and determine if the investment is likely to generate an adequate return. As part of that discussion, the County should also consult with its broker on whether there are any opportunities to strengthen internal controls regarding dependent eligibility; employee plan selection and participation, and timely removal after employee separation.

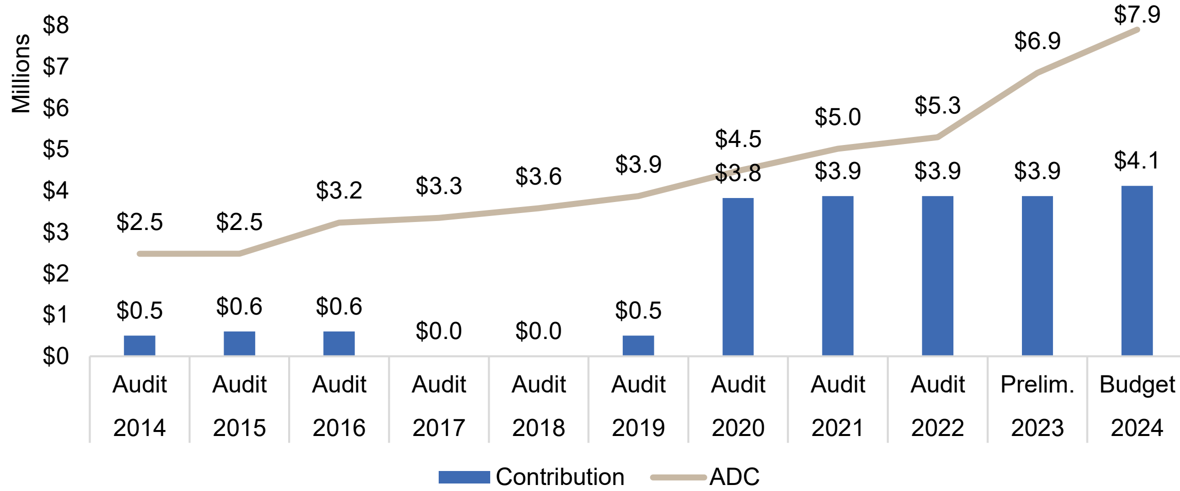
Pension

The County provides a defined benefit pension plan for its employees. Each year, the County's actuary determines the amount that the County should deposit into the pension plan to ensure that it can pay the full cost of current and future benefit payments to retirees. The actuary calculates this Actuarially Determined Contribution (or "ADC") using assumptions about investment returns, mortality, and other factors.

While County governments should deposit the full ADC into their pension plan each year, they are not legally required to do so[34], and Lackawanna County has not done so in at least a decade. Prior to 2020, the County's contributions were very small and sometimes non-existent.

[34] This is in contrast with Pennsylvania cities, towns and boroughs that are subject to interest and other penalties if they do not make their full annual contributions on time.

County contributions to pension plan versus ADC
2014 – 2024



In 2020, the County started contributing a much larger amount to the pension plans using proceeds from a real estate tax millage increase. County leaders planned to increase this contribution amount by $250,000 per year starting in 2024 with the goal of eventually reaching the full ADC.

Unfortunately, this plan has not worked. While the contributions starting in 2020 were much higher than in previous years, they still fell short of the ADC (see graph above). For each year that the County contributed less than the full ADC, the unfunded pension liability grew because the plan did not have enough assets to generate the investment earnings needed to fund future benefits. The rising unfunded liability translates to a higher ADC because the County is expected to cover that liability by making higher annual contributions. That makes it even more difficult for the County to reach the full ADC, and the cycle continues.

During 2024, the actuary calculated that the County's ADC has risen to $11.9 million for 2025 – nearly three times the amount the County budgeted in 2024. The actuary also showed that, if the County started to make the full ADC in 2025, the ADC would level off at $12.7 million in 2029. If not – if the County continued to follow its plan of increasing contributions by $200,000 per year – then the ADC could climb to $16.9 million in 2029.

To incorporate the County's unfunded pension liabilities in this plan, the baseline projection assumes the County makes the full $11.9 million ADC contribution beginning in 2025[35]. Practically speaking, the County cannot absorb the full $7.8 million increase in its pension contribution, address the other budgetary shortfalls, and produce a balanced budget for 2025. The 2025 budget instead increases the County's pension contribution to $7.9 million, which is $4.0 million less than the ADC but also nearly $4.0 million more than the County contributed in 2024.

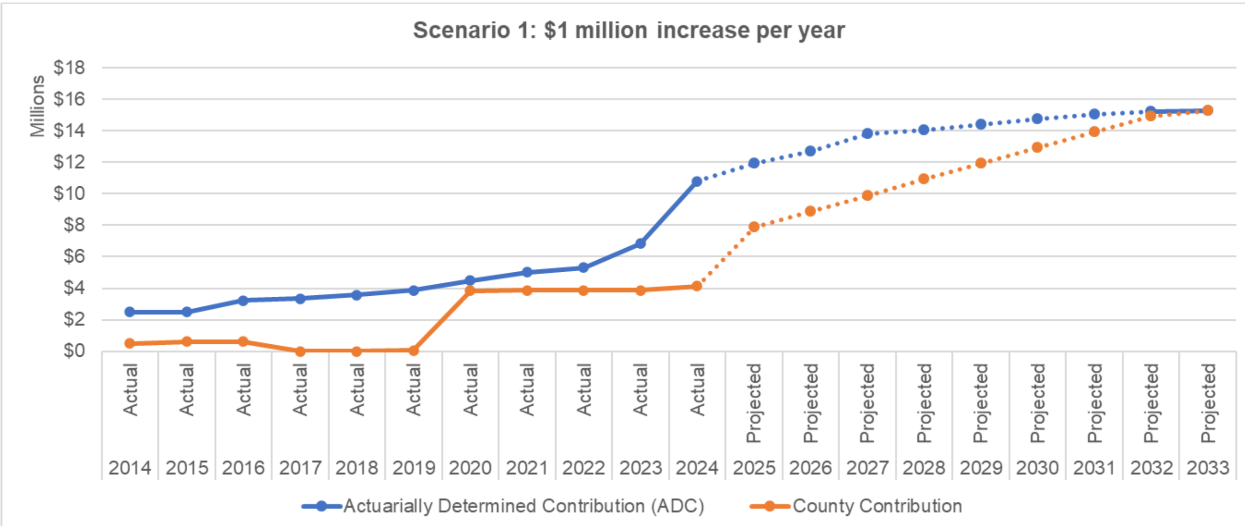
WF08	**Increase County contribution to eventually meet ADC**
Responsible parties	Commissioners, Revenue and Finance, Others (see description below)
Timeframe	Continue work in 2025

Increasing the County's contribution to $7.9 million for 2025 is a very good – and costly – first step toward addressing the pension problem. As experience has shown, contributing a larger amount that is still less

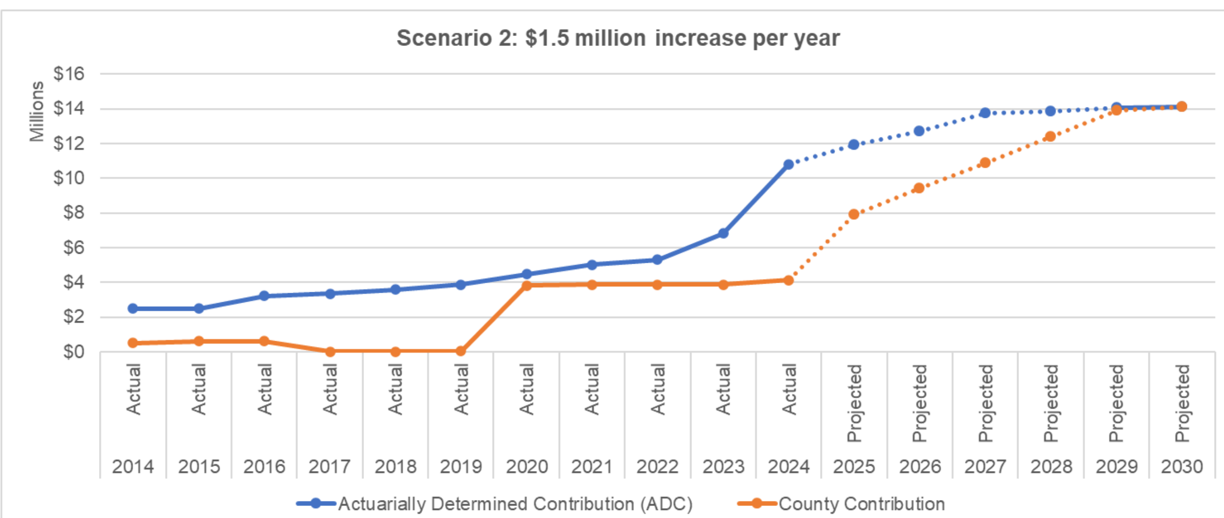
[35] Please see the Financial Condition Assessment for the full baseline projection presentation.

than the ADC does not stop it from growing. The County needs to chart a course so that its contribution eventually reaches the ADC and then make the ADC each year thereafter.

The County's actuary has provided two scenarios that project how much the County would have to increase its contribution each year to eventually catch the ADC[36]. In the first scenario, the County would increase its contribution by $1.0 million every year beginning in 2026. In that scenario, the contribution catches the ADC in 2033 at which point it has grows to $15.3 million.



In a second scenario, the County increases its annual contribution by $1.5 million per year beginning in 2026. Making larger contributions faster enables the County to catch the ADC by 2030 instead of 2033. At that point the ADC would be $14.1 million instead of the $15.3 million projected in the first scenario. The tradeoff is clear – holding all other variables constant, making higher contributions faster will enable the County to catch the ADC sooner and at a lower level.



The actuary rightly notes that both scenarios are based on assumptions about key variables. One central assumption is that the pension plan's investment performance meets the assumed 7.5 percent return target

[36] Analysis provided by Korn Ferry in September 2024.

each year. The scenarios also assume employees generally retire when expected, start to draw retirement benefits when expected, live as long as expected, etc.

Reality will differ from what is assumed and create "experience losses" (if performance is worse than projected) or "experience gains" (if performance is better than projected). If the County has significant experience gains during this period, its contributions could catch the ADC faster than shown above. If there are significant experience losses, the opposite would be true.

But the County should strive to have its contributions catch the ADC and then match it going forward because that provides a chance for the ADC to stabilize and potentially even start to decline. If the County consistently contributes the full ADC, there will eventually be years with experience gains that will reduce the unfunded liability, which will in turn reduce the ADC.

While Scenario 2 (contributing $1.5 million more per year) is clearly better than Scenario 1 if the pension challenge is viewed in isolation, that is not how the pension challenge exists. It is one of several financial challenges and competing demands that are described throughout this plan, including the need to ensure the County has enough money available each year to pay salaries and wages to its active employees while also living within the confines of its real estate tax dependent budget.

In early 2025, the County should first update the baseline financial projection[37] presented in the Financial Condition Assessment to determine how much of the deficit has been closed by the changes enacted in the 2025 budget. Then, the County should then use the updated baseline as a framework for discussing this pension problem within the context of other competing demands and decide the right level of additional contributions for the next couple years.

Position control

The County's personnel expenditures are the product of two sets of variables – how much the County spends on each position and how many of each position the County has.

The discussion to this point has focused on the first set of variables, and the City's spending on cash compensation, health insurance, and pension contributions. We now turn to the second set of variables including the size of the County's workforce; the number of filled versus vacant positions; when and how the County fills vacancies (position control); and the mix of full-time versus part-time positions.

The primary data source for our analysis is the County's Seniority Report, which is the organization's only comprehensive list of authorized positions. The County does not budget expenditures on a position-by-position basis, so there is no list of authorized positions in the annual operating budget. Instead, the County's Payroll staff in Revenue and Finance manually update this list each payroll period[38]. The Seniority Report shows the position title, department, employee (if the position is filed), and approved salary for each authorized position, including any vacancies.

Since the Seniority Report's primary function is payroll management, there are some important limitations to its use for budgetary or staffing analysis.

- **Authorized versus approved:** The report shows all filled and vacant positions that have been authorized by the *Salary Board* but does not indicate if a vacant position has been approved to be filled by *Human Resources* and the *Commissioners.*

[37] Scenarios 1 and 2 have savings relative to the current baseline because the County would increase its contribution more gradually than assumed in the baseline. The offset, though, is that the contributions would catch the ADC later and at a higher number than in the baseline.
[38] Email from Lackawanna County Budget Director.

- **Authorized versus funded:** The report shows each authorized position but it does not show whether the position is funded by the operating budget. From analysis and interviews, PFM learned the budget allocates funding for some vacancies but not others, and those assumptions are not clearly or consistently explained.

- **Manually created versus integrated and automated:** The Human Resources Director noted, because the report is created by manual data entry in an Excel spreadsheet, there is a higher chance of errors relative to other reports that are automatically generated by the County's personnel management system.

Even with these weaknesses, the report is an important management tool for the County and a useful data source for our work. We have used the Seniority Report issued closest to the first payroll period of each year to calculate County government's annual headcount and vacancies, though we acknowledge that both figures fluctuate throughout the year.

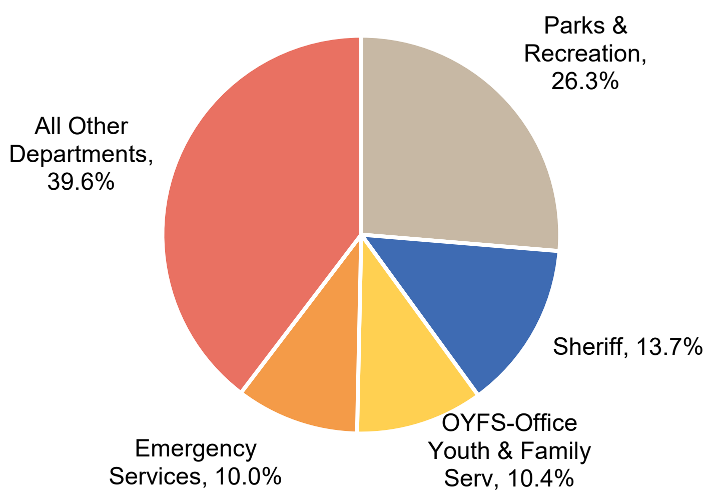
Across all funds, the number of filled positions (full-time and part-time) has remained remarkably consistent from year to year. The County had 1,130 filled positions in January 2019 and that number did not differ by more than seven in either direction for the next five Januarys. The number of vacant positions increased from January 2019 to January 2024, creating the appearance of a rising vacancy rate.

Filled and Vacant Positions (All Funds[39]), 2019-2024

All Funds	2019	2020	2021	2022	2023	2024
Filled	1,130	1,131	1,137	1,123	1,130	1,128
Vacant	216	215	226	255	255	311
Vacancy Rate	**16.0%**	**16.0%**	**16.6%**	**18.5%**	**18.4%**	**21.6%**

Over this review period, four departments accounted for more than 60 percent of the vacancies: Parks and Recreation; the Sheriff's Office; OYFS; and Emergency Services.[40]

Total Vacant Positions, All Funds, 2019-2024



[39] While we show the vacancy rate for all funds here, the General Fund on its own has tracked this measure very closely. The vacancy rate for all funds varied from the General Fund vacancy rate by less than 1.5 percentage points in each year.
[40] Parks and Recreation, the Sheriff's Office, and OYFS are General Fund Departments. Emergency Services is funded primarily by the Emergency Services 911 Account.

The high vacancy rate in **Parks and Recreation** is mostly due to the Seniority Report including part-time positions, including seasonal positions in this department that are only filled during the summer. The inclusion of part-time positions also skews the vacancy rate for County government as a whole. As the table below shows, part-time positions accounted for just 8.0 percent of the total in January 2024 – and the percentage would be even smaller if the part-time positions were converted to full-time equivalents (FTEs) – but more than half of the vacancies. The vacancy rate for full-time positions in January 2024 was 12.5 percent, much lower than the 21.6 percent reported across all positions.

Full- and Part-Time Vacancy Rate, All Funds, 2024

	Full-Time	Part-Time	Total	Percent Part-Time
Filled Positions	1,038	90	1,128	8.0%
Vacant Positions	148	163	311	52.4%
Authorized Positions	**1,186**	**253**	**1,439**	**17.6%**
Vacancy Rate	**12.5%**	**64.4%**	**21.6%**	

In the **Sheriff's Office**, there is a similar trend of unfilled part-time positions—although roles in this office are not seasonal. As of January 2024, the Sheriff's Office had only 12 out of 52 part-time deputy positions filled, leaving 40 vacant positions. The department's full-time positions, on the other hand, were fully staffed.

Vacancies in **Emergency Services** are split more evenly, with 10 part-time vacancies and 17 full-time vacancies at the beginning of 2024. Emergency Services often hires dispatchers in part-time roles while they are in training and moves them up to full-time when training is complete, so many of these part-time roles are essentially temporary positions.

On the January 2024 seniority report, **OYFS** had the most full-time vacancies with 52 full-time unfilled positions and only 2 part-time vacancies. The County has engaged external consultants to address their recruitment and retention challenges and has recently brought on additional part-time staff to address the County's case backlog.

Further data analysis on the County's vacancies is very difficult because the data source is essentially a series of manually updated spreadsheets that do not cleanly and clearly connect to the hiring or budget process. Positions on the Seniority Report may technically exist (i.e. they were approved at some point by the Salary Board), but they may not really be approved to be filled by HR and the Commissioners. Even if they are approved, they may not be funded in the budget.

This confusion about which vacant positions are real makes it difficult to track a department's vacancy rates over time, short of reviewing each apparent vacancy and hoping the data points align to tell a consistent story. Reviewing vacancies across the entire organization is even more challenging, and that also complicates position control, where the County makes decisions regarding when to fill vacancies.

PFM analyzed the County's salary expenditures on a department-by-department basis and found the departments with the largest negative spending variances often have significant vacancies, even though the opposite should be true (more vacancies make it less likely a department spends more than budgeted). As the table below shows, the Sheriff's Office (average vacancy rate 30.2 percent); Prison (average vacancy rate 8.7 percent), and Court Administration (average vacancy rate 5.6 percent) have consistently spent *more* on salaries and wages than budgeted, despite reportedly having several vacancies.[41]

[41] This analysis includes salaries and wages only. It does not include, nor is it impacted by, overtime spending.

Departmental Actual vs. Budgeted Salary and Wage Spending, 2019 - 2023

	2019	2020	2021	2022	2023	Average 2019 - 23
Sheriff						
Budgeted ($ millions)	$3.1	$3.2	$3.6	$3.9	$3.8	$3.5
Actual ($ millions)	$3.3	$3.4	$3.6	$3.8	$4.1	$3.7
% over/under	**6.2%**	**4.3%**	**0.2%**	**-0.2%**	**9.5%**	**3.9%**
Court Administration						
Budgeted ($ millions)	$3.0	$3.0	$3.1	$3.4	$3.6	$3.2
Actual ($ millions)	$3.1	$3.2	$3.4	$3.5	$3.7	$3.4
% over/under	**4.8%**	**5.3%**	**11.3%**	**4.9%**	**5.4%**	**6.3%**
Prison						
Budgeted ($ millions)	$12.5	$12.6	$12.8	$13.3	$14.4	$13.1
Actual ($ millions)	$13.6	$13.9	$13.8	$14.3	$14.6	$14.0
% over/under	**8.9%**	**10.2%**	**7.4%**	**7.3%**	**1.9%**	**7.0%**

There may be more than one factor driving the spending variances shown above. If the County is not adequately budgeting for all forms of cash compensation, as discussed earlier in this chapter, that would cause a budget variance. But it is also possible that the County is not funding all vacant positions in its budget, and then filling them anyway.

The County needs to be able to confidently manage its headcount across the organization so it can control spending. This is critical to improving the County's cash position, its performance relative to budget, and its long-term structural stability. We offer three position control initiatives to start this process in early 2025.

Position-based budgeting

WF09	Budget on a position-by-position basis
Responsible parties	County HR and Revenue and Finance with support from departments and row offices
Timeframe	Summer 2025 leading into 2026 budget process

The County budget does not list the individual positions that are funded in each department. Instead, there is an expenditure line for wages in each department that shows the total amount allocated for employees in that department. There is not a clear connection between the Senior Roster that the County generally uses to manage vacancies and the budget that funds positions.

Going forward, the County should budget on a position-by-position basis. In a position-specific budget, the County would list the title and quantity of each position in each department along with the position's base salary; its full- or part-time status; and its union status. The sum of salaries across individual positions minus some vacancy allowance (e.g. 5 percent, 10 percent) should equal the salary allocation in the budget. The salary amount should account for any longevity payments or step increases due to employees in those positions each year. Non-salary forms of cash compensation, such as education incentives or uniform allowance, can be budgeted separately at the departmental level, just as overtime already is.

While this will take more time initially, it will have several benefits:

- **It improves transparency:** The budget is a public document that is more readily available than the Seniority Report, so putting the list of positions in the budget will share this information with more people. This will also facilitate discussions regarding to what extent vacancies generate cash compensation savings. There should be a direct correlation between vacancies and salary savings for departments that are not 24-7 operations, but that relationship could look different for departments like the Prison that backfill open slots using overtime.
- **It improves accuracy:** Budgeting for each position will make it less likely that the County will miss elements of cash compensation such as step increases or longevity increases across an entire department.
- **It will create one list for position control:** There will no longer be confusion whether positions that are authorized (i.e. on the Seniority Roster) are also funded. The simple rule of thumb is, "If a position is not on the budget list, it does not exist." Vacant positions that are not listed in the budget are eliminated. Filled positions that are not listed in the budget are also defunded.

At the time of writing, the County has a hiring freeze such that the Commissioners have to approve any job posting. This is a useful cost control mechanism as needed but, outside of hiring freezes, budgeting on a position-by-position basis should eliminate the need for the Commissioners to approve posting job openings. Jobs incorporated in the budget are already approved for filling (provided they are not seasonal), just as an adopted budget authorizes other types of expenditures.

The County should use 2025 to create the position roster it needs to implement this initiative in the 2026 budget. Then, once it has the list of authorized positions, the HR Department can work toward producing monthly reports to the Commissioners, Department leadership and Row Officers that show the number of authorized, filled, and vacant positions in each department. The County can track specific positions of interest where there are concerns about high vacancy rates. Once the County is comfortable with data accuracy and relevance, the reports should be issued publicly.

Implementing this change may require changes in technology, policies or staff assignments, but it is a worthwhile investment. **Better information leads to better decisions, and better decisions leads to better results.**

Hiring process

WF10	Document and streamline hiring process
Responsible parties	Human Resources, Commissioners, Salary Board
Timeframe	Continue improvements in 2025

Interviews with Human Resources and department heads revealed disconnects in the County's hiring process that was generally described as follows.

Lackawanna County Hiring Process

When a department head is ready to hire for an existing position (one that is already vacant in the Seniority Report), they must obtain approval from County HR and the County Commissioners to begin the hiring process. Once a candidate is identified, the Commissioners review the prospective employee's resume and provide final approval for the hire.

If the desired position is new or requires a change to title or salary, the Salary Board must approve changes or additions. The Salary Board is comprised of the three Commissioners; the Controller; and a department head. Since the Commissioners account for the majority of the board, they are acting three times to fill each position – once to create it via the Salary Board; a second time to authorize the position before HR posts the opening; and a third time to approve the hire.

Based on department interviews, the County does not actively recruit to fill all vacancies. Even departments with a small number of vacancies may not seek (or may not be approved to) to fill vacancies for the following reasons:

- **Hiring approval:** Department heads (excluding elected Row Officers) must receive approval from County Commissioners and HR to begin the hiring process. In some instances, the department head may not have requested to fill one vacancy because they are prioritizing others. In other instances, the department head may have requested approval and is pending a response or their request was not approved.

- **Using vacancies as a contingency:** Some department heads prefer to keep vacant positions on their roster in case they later identify another need. This strategy is partly driven by the belief that it is harder to get the Salary Board approval to authorize a new position than it is to get Salary Board approval to convert an existing position into something different.

- **Recruitment challenges:** Some departments are not attempting to fill certain vacancies because past experience has shown they will have difficulty doing so. This is especially true for positions where the County is seeking someone with specialized skills but struggles to compete in terms of compensation with other employers. If the department head is concerned that the salary is too low to draw qualified candidates, they may sit on the vacancy.

Moving forward, the County should formalize and increase transparency in its hiring process to avoid the disconnect between authorized positions (those that exist) and approved positions (those where the County is actively recruiting). Using position-specific budgeting (prior initiative) should prevent confusion whether an authorized position is funded, but some positions may still linger between authorized and approved.

The County has already taken steps to formalize and improve its hiring process. The County should continue in this direction by better documenting department's requests; operational and budgetary considerations; and the final decision. Adding dates to the correspondence will assist in identifying bottlenecks and inefficiencies throughout the process.

At the time of analysis[42], the Salary Board had only met four times during 2024. More regular meetings could reduce the perception among department heads that the Salary Board approval process is too long and reduce the incentive to "bank" vacancies. The Salary Board should adopt a consistent meeting schedule to facilitate regular review of requests. Requests for additional positions, changes to position title, and changes to position salary should be considered within the broader context of other existing positions in the County and the relevant department or office. Requiring departments to document the operational or budgetary reasons for their request (see previous page) will facilitate those discussions.

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[42] This observation was made in September 2024.

Turnover and retention

Along with using data to improve hiring, the County could use data to better manage the other end of a employee's career.

The County maintains separation data for all employees who leave county employment throughout each calendar year. The County does not track at an department or organization level how many separations are due to retirement, quit, or terminations. This information is available only in individual employee files and would need to be retrieved one-at-a-time for analysis.

However, the County data provides for an overall picture of turnover. Among General Fund employees, the turnover rate has fluctuated between 10.5 percent and 13.0 percent over the last five years.[43] Based on this data[44], the County's turnover rate is well below the national average turnover rate for state and local governments, which has fluctuated between 18.7 percent and 22.4 percent.

Turnover Rate, General Fund Positions, 2019-2024

	2019	2020	2021	2022	2023	2024
Separated	117	98	111	113	122	46
Turnover Rate	**12.6%**	**10.5%**	**11.9%**	**12.0%**	**13.0%**	**-**
National turnover rate	**19.6%**	**20.7%**	**20.2%**	**22.4%**	**18.7%**	**-**

In the review period, some departments experienced spikes in turnover within a calendar year. For example, the Assessor's Office had a 75 percent turnover rate in 2021 with nine of 12 filled positions separating during the year.

OYFS, on the other hand, has seen a more gradual escalation in turnover driven by increasing vacancies. The average number of separations from 2020 through 2023 varied only modestly (about 15 per year), but the turnover rate increased because headcount decreased and the separations represented an increasingly higher proportion of department personnel.

Departmental Turnover Spikes, 2019 - 2023

		2019	2020	2021	2022	2023
Assessor's Office	Filled headcount	12	12	12	11	19
	Hired in year	0	0	6	7	2
	Separated in year	0	0	9	1	0
	Turnover rate	**0.0%**	**0.0%**	**75.0%**	**9.1%**	**0.0%**
Treasurer's Office	Filled headcount	10	10	10	10	10
	Hired in year	1	1	0	0	1
	Separated in year	0	1	0	0	2
	Turnover rate	**0.0%**	**10.0%**	**0.0%**	**0.0%**	**20.0%**
	Filled Headcount	100	100	93	88	78

[43] Turnover is calculated as the number of employees separated divided by the number of active employees at the start of the period.
[44] Data excludes activity in the Public Defender's Office.

		2019	2020	2021	2022	2023
OYFS	Hired in Year	3	12	15	8	6
	Separated in Year	7	17	15	12	18
	Turnover Rate	**7.0%**	**17.0%**	**16.1%**	**13.6%**	**23.1%**
State and local government, excluding education (national) turnover rate		19.6%	20.7%	20.2%	22.4%	18.7%

If turnover spikes or gradually increases alongside sustained or growing vacancy rates, it can lead to pervasive cycles of over-worked and burnt-out employees and eventual service disruptions. Turnover in OYFS has reached that level. The department has seen a significant spike in vacancies driven by low hiring rates and increasing separations. The County is engaged with external support to address this challenge separately.

Understanding the reasons for separation (e.g., anticipated retirements, voluntary resignations, or involuntary terminations) is important so that the County can each calls for different solutions from management.

WF11	**Use data to inform recruitment and retention strategies**
Responsible parties	County HR; Department leadership where challenges exist
Timeframe	Ongoing effort

Going forward, the County should add reason for separation to its personnel data systems in a manner that allows the data to be extracted for analysis. This is critical to understand differences between separations due to planned retirement versus those that may be related to retention challenges that the County should address.

While analyzing turnover data, PFM noted some additional data limitations pertaining to the County's records of employee hires and terminations:

- Some separations are not recorded in the County's separations data. PFM identified instances where employees dropped off the Seniority Report but were never recorded in the employee termination report.
- There is some misalignment between the County's hiring and separation reports. Looking at all hires and separations across every Fund and Department, the County's net change in headcount over the calendar year does not always align with the headcount number at the beginning of the next year.

All Funds	**2019**	**2020**	**2021**	**2022**	**2023**
Total Headcount (start of year)	1,130	1,131	1,137	1,123	1,130
Hired (total calendar year)	142	120	131	179	-
Separated (total calendar year)	151	133	159	171	-
Expected Net Change in Headcount	*-9*	*-13*	*-28*	*+8*	*-*
Actual Net Change in Headcount	***+1***	***+6***	***-14***	***+7***	***-***

While there may be explanations for these misalignments, the reasons are not readily apparent. The County must increase accuracy in these reports to gain more insight to recruitment and retention trends.

The reason that this and the prior initiative emphasize data collection is that the first step to addressing a recruitment or retention problem is understanding it. Using quantitative and qualitative data, the County should be able to answer the following questions:

- Does the County have a problem recruiting and filling particular vacancies?
- Does the County have a problem retaining people in those positions and avoiding costly and disruptive turnover?
- If the County does have a recruitment or retention problem, what are the factors that lead to excessive vacancies and turnover?
- What are the alternatives for addressing those recruitment and retention factors?

When discussing recruitment and retention, it is tempting to start with an assumed answer to the first two questions and then jump right to the fourth question. *We have a bunch of vacancies right now, so we must have a recruiting and retention problem. We must not be paying people well enough, so let's increase the salary by $X and hope that fixes our problems.*

The conclusions here may be ultimately correct, but they need to be validated and measured through data.

For example, if the County has a problem recruiting Corrections Officers, that should be evident in the data. Corrections Officer openings should remain open longer than similar positions in the County or similar positions for other employers; there should be fewer qualified applicants for openings; and new employees should have shorter tenures, either because they separate on their own or are not qualified for the job.

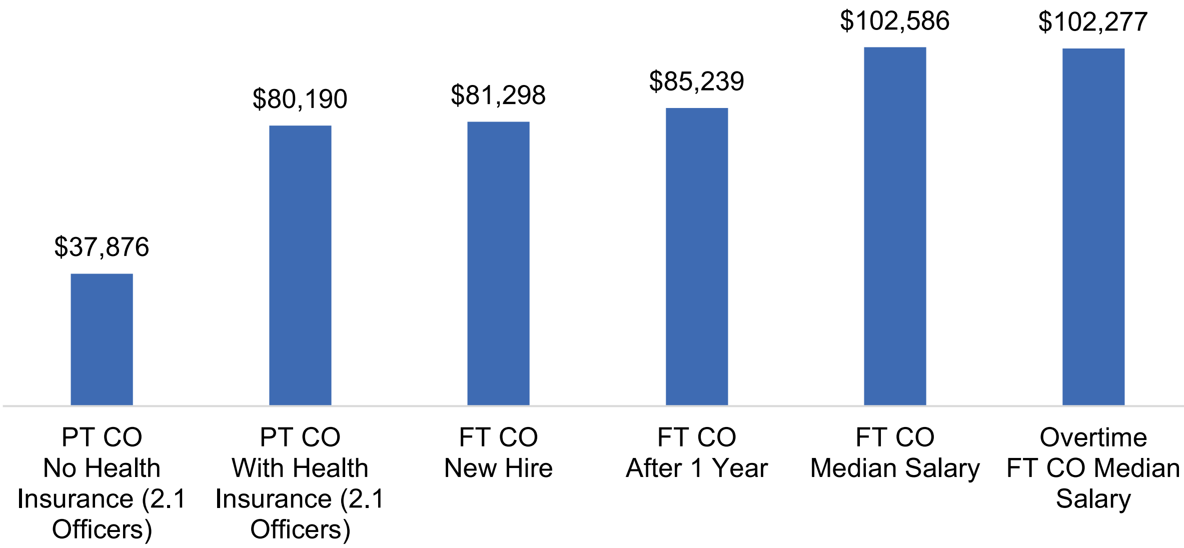
Quantified data alone may not clearly tell the full story, so it should be supplemented by qualitative analysis – using surveys and roundtables to discuss the reasons for vacancies and turnover with existing staff, supervisors, and (where available) former staff or would-be applicants. Our experience in analyzing recruitment and retention problems is that compensation often does contribute to these challenges. If these problems are serious enough to hurt operations, and if it is a priority to mitigate this impact, the County should expect to make some investment in the solutions. But not all investments have the same return, and it is possible that non-economic factors also contribute to recruitment and retention challenges. **The key is to measure twice and cut once – to make sure that the investments and changes are responsive to the full set of challenges.**

Part-time positions

WF12	Maximize use of part-time positions
Responsible parties	Commissioners, Human Resources, Department heads where appropriate
Timeframe	Ongoing effort

As discussed earlier in this report, health insurance costs are the fastest growing component of personnel costs and pension costs are poised to increase significantly. Part-time positions can help reduce costs without reducing service levels for the community. For example, here are the comparative costs associated with using part-time and full-time positions to fill open posts at the Lackawanna County Prison. While employee tenure and overtime-versus-straight time impacts costs, the largest differentiator is whether an employee receives health insurance.

All-In Cost for 1,748 hours worked*



Lackawanna County's use of part-time positions has decreased modestly from 117 part-time positions in January 2019 (12 percent of filled position headcount), to 102 part-time positions (10 percent of filled headcount) in 2024.[45]

Across the County's 50 distinct budget departments, current use of part-time positions varies substantially. Most departments (27 of 50) did not use any part-time positions from 2019 through 2024. Another quarter (12 of 50) used part-time positions sparingly, with no more than four part-time positions in any given year and a small percentage of their headcount.[46]

Part-time positions were more prominent in the remaining 11 departments. Most departments had small changes in their use of part-time positions. Two departments had large decreases in the number of filled part-time positions, accounting for nearly all of the county-wide decrease in the overall number of filled part-time positions: the Sheriff's Office and the Prison.

The Sheriff's Office reduction was primarily caused by scheduling challenges and the Prison's reduction was primarily due to recruitment challenges. ***In both the Sheriff's Office and the Prison, lower use of part-time positions has contributed to increasing personnel costs. The challenges and proposed solutions are detailed in the Criminal Justice Management Review chapter that follows.***

During the 2026 budget cycle, the County should identify opportunities to reduce costs by using of part-time positions where it is operationally feasible to do so. This review should include non-union and administrative support positions. *Discussion of Prison and Sheriff part-time staffing options are discussed in the Criminal Justice section of this Plan.*

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[45] Lackawanna County's Seniority Report does not have a definitive indicator of which positions are part-or full-time; however, filled positions have a number of hours per pay period associated with each position. PFM used this information, assuming employees assigned to work 70 or more hours in a two-week pay period were full time employees. Additionally, PFM assumed any position titles with descriptors such "part-time" or "PT" were part-time positions. Because the County only assigns hours for filled positions, additional analysis was needed to identify part-time *vacant* positions. PFM only completed this additional review for 2024.

[46] Community Corrections Center, Clerk of Judicial Records, Register of Wills, District Attorney, Court Administration, Office of Youth and Family Services, Treasurer, Controller, Recorder of Deeds, Commissioners, Planning Commission, and Adult Probation.

Position Funding Sources

WF13	Track employee funding source
Responsible parties	County HR, County Revenue and Finance, Department Heads
Timeframe	Ongoing effort

At the outset of this engagement the County wanted more insight into which positions are funded by non-recurring sources, such as grants. Personnel costs usually increase due to annual wage increases or higher health insurance costs. Therefore, it is critical to know whether personnel costs are linked to funding sources with risking, flat or disappearing revenue sources.

We analyzed funding sources to determine which positions were supported by the General Fund, other Funds, or both. For General Fund positions, we evaluated if the positions were supported by Commonwealth funding or grants – the two most common sources for funding specific position – and whether the General Fund share of costs was increasing.

As of January 2024, the county had 1,128 filled positions, comprised of 901 General Fund positions (79.9 percent) and 227 positions funded wholly or partially from other funds (20.1 percent). Using 0.5 FTEs as an approximation for each part-time position, the distribution between the General Fund and other funds remains approximately 80/20.

Filled Positions by Funding Source, January 2019 - January 2024

	2019	2020	2021	2022	2023	2024	2019-2024 CAGR	% of Total 2024
General Fund Full-Time	844	845	850	867	860	841	-0.1%	74.6%
General Fund Part-Time	81	81	79	71	70	60	-5.8%	5.3%
Other Funds Full-Time	169	169	175	156	172	186	1.9%	16.5%
Other Funds Part-Time	36	36	33	29	28	41	2.6%	3.6%
Total Headcount	**1,130**	**1,131**	**1,137**	**1,123**	**1,130**	**1,128**	**0.0%**	**100%**
Approximate General Fund FTEs	884.5	885.5	889.5	902.5	895.0	871.0	-0.3%	80.8%
Approximate Other Fund FTEs	187.0	187.0	191.5	170.5	186.0	206.5	2.0%	19.2%
Approximate Total FTEs	**1,072**	**1,073**	**1,081**	**1,073**	**1,081**	**1,078**	**0.1%**	**100%**

Most non-General Fund positions are supported by one of the following funds[47]:

- Area Agency on Aging Fund
- Hotel Tax Fund
- Culture and Education Fund
- Library Fund,
- Domestic Relations Fund
- Workforce Development Board
- Liquid Fuels Fund
- 911-Emergency Fund

[47] Most positions have their associated compensation supported by one fund. The major exception is in the Human Services and Area Agency on Aging departments, where 10 positions were split funded in 2024.

- Human Services Fund

Several of these funds have a restricted State or Federal funding source that the County can only use for a certain purpose. Others are supported by a designated County tax, such as the Hotel Tax Fund or the Culture and Education Fund.

The County does not have a centralized or standardized list of which fund(s) supports which positions. The County District Attorney tracks this information for his Office and budgets grant-funded positions separately. Other row officers and department directors typically have some information which positions are grant- or externally-supported, but this information is not compiled in a way that County HR or Revenue and Finance can access it for budgetary, hiring or other planning purposes.

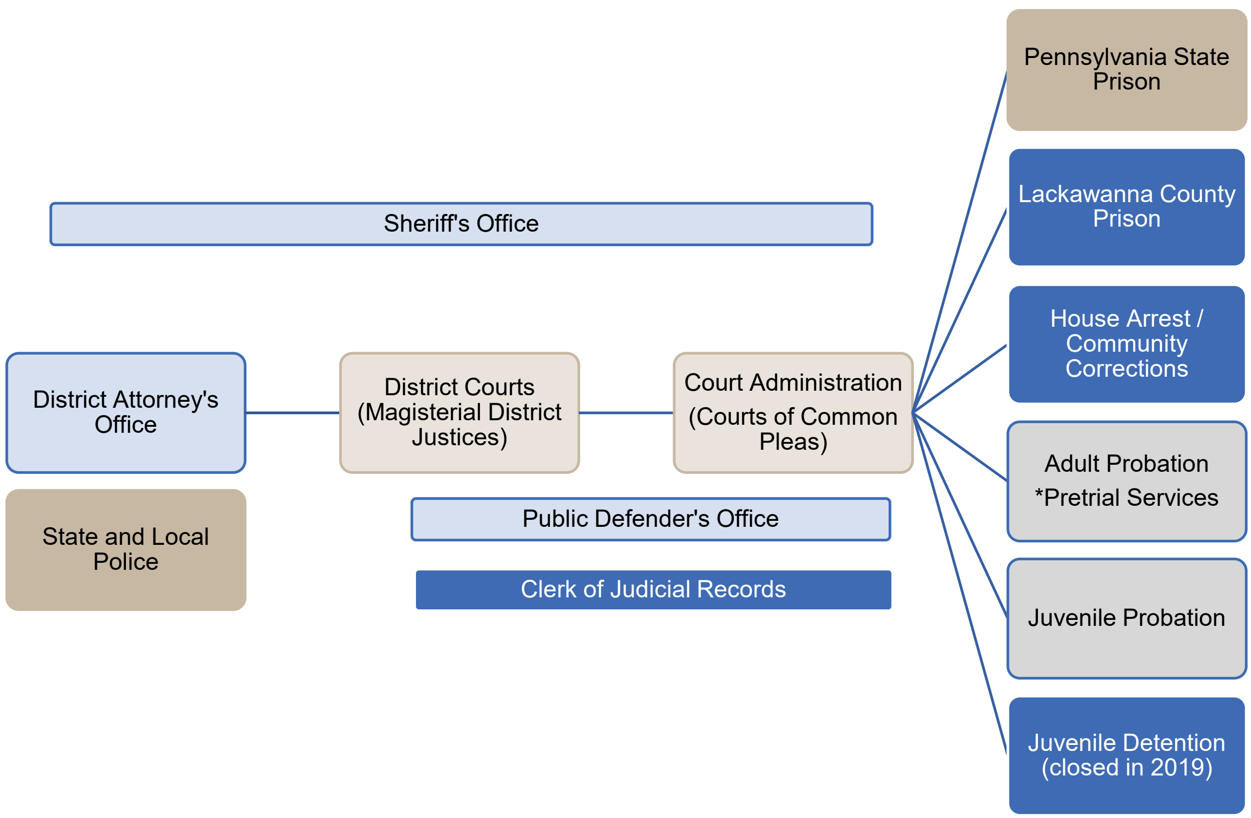
The County should track the funding sources used for each FTE's salary and benefits, for its own internal planning purposes and to comply with any external reporting requirements.

Criminal Justice System

System overview

This chapter examines the Lackawanna County criminal justice system, which includes 13 separately budgeted departments with responsibilities for law enforcement (Sheriff's Office, District Attorney's Office), the court system (Court Administration, District Courts), the Clerk of Judicial Records, the Public Defender's Office, and departments that detain or supervise justice involved individuals (Prison, Adult and Juvenile Probation, House Arrest/Community Corrections, and Juvenile Detention). Notably, the Community Corrections Center (a portion of the House Arrest / Community Corrections Department) and Juvenile Detention ceased operations in 2020 and 2019, respectively.

Lackawanna County Criminal Justice System

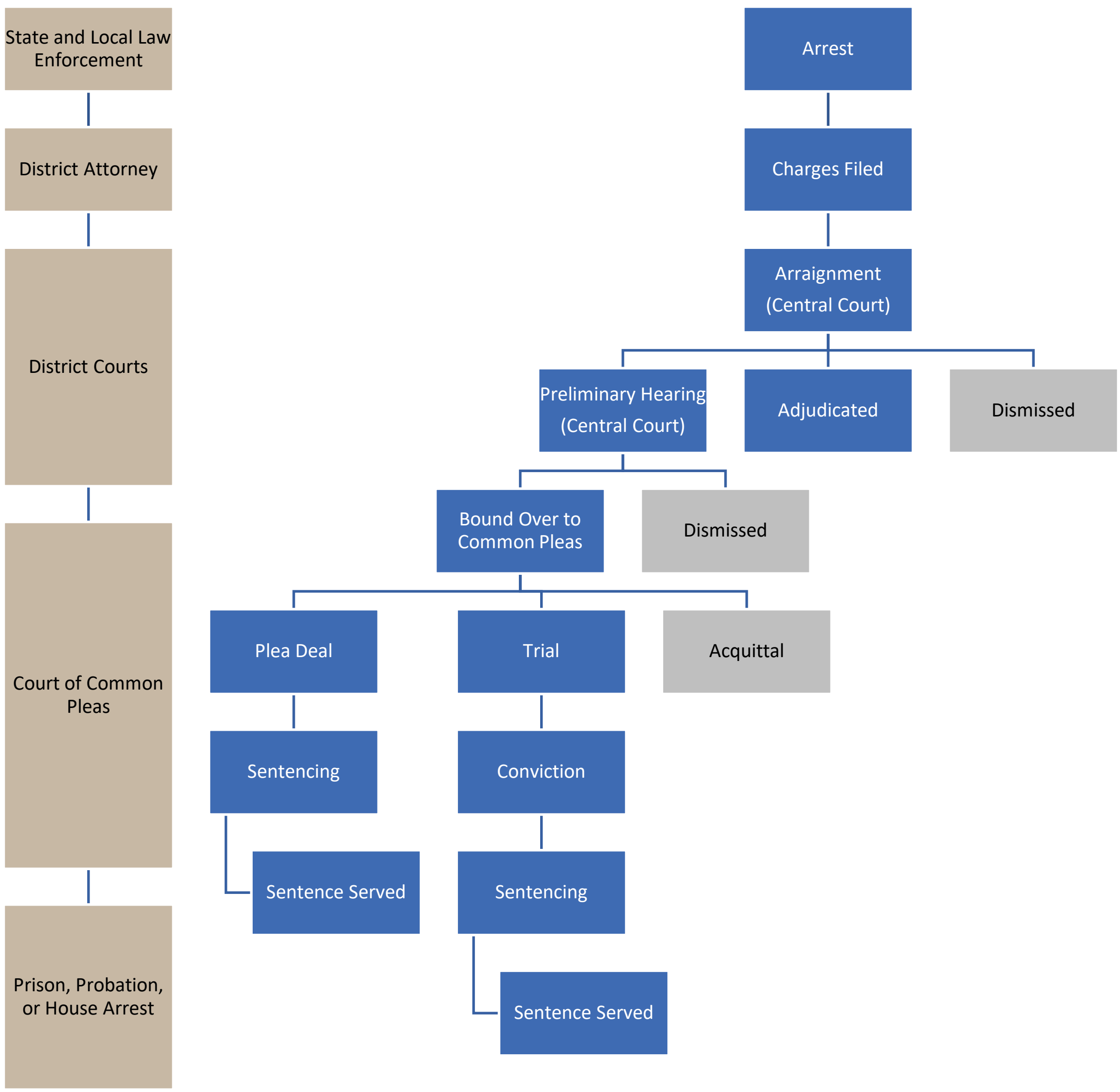


Legend

County Department
County Row Office
County Entity (Partial County Funding)
State Entity (Partial County Funding)
State/Local Entity (No County Funding)

The diagram below shows the typical process flow through the criminal justice system, from arrest to sentencing. Labels on the left show the primary entity responsible for each step in the process.

Lackawanna County Criminal Process



Together, these departments, row offices, and the court system comprise almost half (46.0 percent) of General Fund expenditures[1] in the 2024 budget. The Prison alone is one fifth of county general fund

[1] Unless otherwise noted, this analysis focuses on the General Fund only, and not does include any separate funds associated with the criminal justice system.

expenditures (20.5 percent); the next largest part of County government is the Court System (including Court Administration and District Courts) at 6.9 percent of county general fund expenditures.

The County is responsible for funding its own staff and operating costs for the Magisterial District Courts, the Courts of Common Pleas, and supporting administrative functions. The Courts of Common Pleas hear Criminal, Civil, Juvenile and Family cases. Top court management positions and all judges are state employees; these positions are not included in county budgets or personnel data.

Criminal Justice spending has consumed a consistent portion of the General Fund budget, but it has grown much faster (3.8 percent) than the other types of General Fund expenditures (1.4 percent). From 2025 through 2029, the baseline budget model projects these expenditures to continue increasing at a rate of 3.7 percent per year. **Given the size of the Criminal Justice system and its faster pace of growth, the County's expenditure control efforts must extend to the criminal justice system, even while acknowledging the crucial role these units play.**

Lackawanna County Criminal Justice System Expenditures, 2019-2024 (General Fund)

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Preliminary	2024 Budget	2019-2023 CAGR[2]
Prison	$29,037,882	$26,785,480	$28,891,276	$31,514,676	$32,610,730	$33,919,299	2.9%
Court Administration & District Courts	$8,940,287	$8,833,544	$9,527,945	$10,414,882	$10,791,186	$11,472,095	4.8%
Sheriff's Office	$6,835,722	$6,692,702	$6,987,578	$8,106,304	$8,744,746	$8,413,762	6.4%
District Attorney's Office & DA Grants	$6,028,248	$6,110,196	$6,055,673	$6,505,065	$7,485,911	$7,805,911	5.6%
Adult Probation	$4,230,538	$4,224,543	$4,347,773	$4,865,891	$5,155,948	$5,440,097	5.1%
Juvenile Probation & JPO	$3,882,975	$3,328,509	$3,391,661	$4,050,268	$4,313,216	$5,027,357	2.7%
Public Defender's Office	$1,246,434	$1,314,502	$1,329,340	$1,497,065	$1,545,220	$1,792,670	5.5%
Clerk of Judicial Records	$1,172,696	$1,104,339	$1,128,636	$1,240,433	$1,245,492	$1,303,090	1.5%
Community Corrections Center (House Arrest)	$1,368,074	$1,184,773	$1,111,900	$1,131,015	$1,156,747	$1,107,119	-4.1%
Juvenile Detention	$291,200	$0	$108	$0	$0	$0	-100.0%
Criminal Justice Subtotal	**$63,034,055**	**$59,578,588**	**$62,771,890**	**$69,325,600**	**$73,049,196**	**$76,281,400**	**3.8%**
Other General Fund Functions subtotal	**$73,173,353**	**$77,855,294**	**$74,817,818**	**$76,306,302**	**$77,240,682**	**$89,552,006**	**1.4%**
General Fund Total	**$136,207,407**	**$137,433,882**	**$137,589,708**	**$145,631,902**	**$150,289,878**	**$165,833,406**	**2.5%**
Percent of General Fund	**46.3%**	**43.4%**	**45.6%**	**47.6%**	**48.6%**	**46.0%**	

The 2024 budget anticipates 21.0 percent of the County's criminal justice system expenditures will be offset with revenues from fine and fees, state funding, grants, and contract revenue generated by the system.

[2] Compound annual growth rate (CAGR)

During the first year of the pandemic, criminal justice system revenues decreased from $16.3 million, or 12.6 percent of all County General Fund revenues in 2019 to $12.5 million or 9.2 percent in 2020. From 2022 through 2024 (budget) criminal justice revenues have returned to $16 million per year (average).

Since expenditures are growing and revenues are flat, the criminal justice system is becoming increasingly dependent on other General Fund revenues, primarily County real estate taxes. As we will discuss further below, the baseline budget model projects criminal justice system revenues to decrease to $14.7 million by 2029, largely due to Federal regulatory changes that will reduce prison phone system revenue (money paid by inmates and their family members or other associates). As costs continue to rise and revenues fall, projected criminal justice revenues would cover just 16.5 percent of criminal justice costs in 2029.

Lackawanna County Criminal Justice System Revenues, 2019-2024 (General Fund)

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Preliminary	2024 Budget	2019-2023 CAGR
Prison	$8,978,089	$5,456,689	$6,092,530	$9,292,742	$7,265,554	$7,860,350	-5.2%
District Attorney's Office & DA Grants	$1,332,881	$1,593,749	$1,585,053	$1,511,247	$2,862,971	$2,652,291	21.1%
Clerk of Judicial Records	$1,912,166	$1,722,891	$1,644,803	$1,737,513	$1,825,906	$2,007,000	-1.1%
Court Administration & District Courts	$1,569,190	$1,530,611	$1,318,783	$836,645	$2,365,132	$1,160,300	10.8%
Adult Probation	$1,031,745	$1,139,963	$751,941	$1,110,906	$440,630	$950,500	-19.2%
Community Corrections Center (House Arrest)	$701,454	$403,674	$648,916	$630,825	$679,478	$675,000	-0.8%
Sheriff's Office	$532,793	$338,350	$375,027	$467,452	$443,954	$484,000	-4.5%
Juvenile Probation & JPO	$262,420	$352,642	$437,138	$265,563	$264,667	$257,066	0.2%
Criminal Justice System Subtotal	**$16,320,738**	**$12,538,568**	**$12,854,192**	**$15,852,893**	**$16,148,292**	**$16,046,507**	**-0.3%**
General Fund Total	**$129,678,302**	**$136,348,830**	**$137,488,352**	**$144,043,270**	**$144,114,339**	**$165,314,525**	**2.7%**
Percent of General Fund	**12.6%**	**9.2%**	**9.3%**	**11.0%**	**11.2%**	**9.7%**	
Percent of Criminal Justice Costs Offset by Revenues	**25.9%**	**21.0%**	**20.5%**	**22.9%**	**22.1%**	**21.0%**	

As of January 2024, two thirds of all County General Fund employees were in criminal justice departments, row offices, or the Courts[3]. As of January 5, 2024, there were 568 full-time positions and 36 part-time positions in the criminal justice departments (see appendix for full- and part-time employee counts). As shown in the table below, part-time positions are primarily used in the District Attorney's Office and Sheriff's Office. These functions and the decrease in use of part-time positions are discussed further in the department-level findings and recommendations section that follows.

[3] Please see the Workforce chapter or a full discussion of data limitations and caveats.

Lackawanna County Criminal Justice System Personnel, 2019-2024 (General Fund)[4]

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim	2024 Budget	2019-2023 CAGR
Prison	234	234	228	225	225	227	-1.0%
Court Administration & District Courts	105	105	104	107	104	103	-0.2%
District Attorney's Office & DA Grants	68	69	84	86	89	86	7.0%
Sheriff's Office	80	80	83	77	74	75	-1.9%
Adult Probation	47	47	52	59	58	58	5.4%
Juvenile Probation & JPO	21	21	24	24	23	23	2.3%
Public Defender's Office	18	18	22	22	22	22	5.1%
Community Corrections Center (House Arrest)	15	15	11	11	10	10	-9.6%
Juvenile Detention	11	11	0	0	0	0	-100.0%
Criminal Justice Subtotal	**599**	**600**	**608**	**611**	**605**	**604**	**0.2%**
County Total	**929**	**930**	**936**	**945**	**941**	**910**	**0.3%**
Percent of County Total	**64.5%**	**64.5%**	**65.0%**	**64.7%**	**64.3%**	**66.4%**	

Public safety context

To contextualize the County's criminal justice responsibilities and priorities, PFM analyzed publicly available and County-provided public safety data.

Laws are enforced in Lackawanna County communities primarily by 27 local police departments and the Pennsylvania State Police Troop R (Dunmore Barracks). These entities respond to crimes, perform proactive patrols, investigate crimes, and make arrests. The local chiefs of police association, of which the District Attorney's Office is a member, meets regularly to coordinate across agencies on law enforcement.

Crime

The tables below show the number of crimes reported and cleared by all law enforcement agencies in Lackawanna County, including the Lackawanna County District Attorney's Office, as reported to the Pennsylvania Unform Crime Reporting program.

In the context of law enforcement, an offense is considered cleared once a suspect has been arrested and charged.[5] From January 2019 through September 2024 the number of reported Part 1 violent and property crime offenses decreased and the rate of clearance (typically cleared by arrest) increased modestly.

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[4] As documented in the Seniority Report, all personnel in the departments shown in this table are funded from the General Fund.
[5] The PA Uniform Crime Reporting program states, "An offense is considered cleared when at least one person involved in the commission of the offense has been arrested, charged, and turned over to the court for prosecution. An offense can be cleared by

Lackawanna County Part 1 Crimes, 2019-2024

	2019	2020	2021	2022	2023	2024 (Jan-Sep)	2019-2023 CAGR
Murder and Nonnegligent Manslaughter	1	4	1	5	6	10	56.5%
Rape	71	29	127	132	86	66	4.9%
Robbery	79	48	40	39	30	22	-21.5%
Aggravated Assault	1,270	859	305	323	321	161	-29.1%
Part 1 Violent Crimes	**1,421**	**940**	**473**	**499**	**443**	**259**	**-25.3%**
Burglary	380	315	262	255	252	153	-9.8%
Larceny - Theft	1,698	1,502	1,502	1,931	1,524	911	-2.7%
Motor Vehicle Theft	121	168	197	127	132	78	2.2%
Arson	29	31	42	30	28	15	-0.9%
Part 1 Property Crimes	**2,228**	**2,016**	**2,003**	**2,343**	**1,936**	**1,157**	**-3.5%**
Total Part 1 Crimes	**3,649**	**2,956**	**2,476**	**2,842**	**2,379**	**1,416**	**-10.1%**

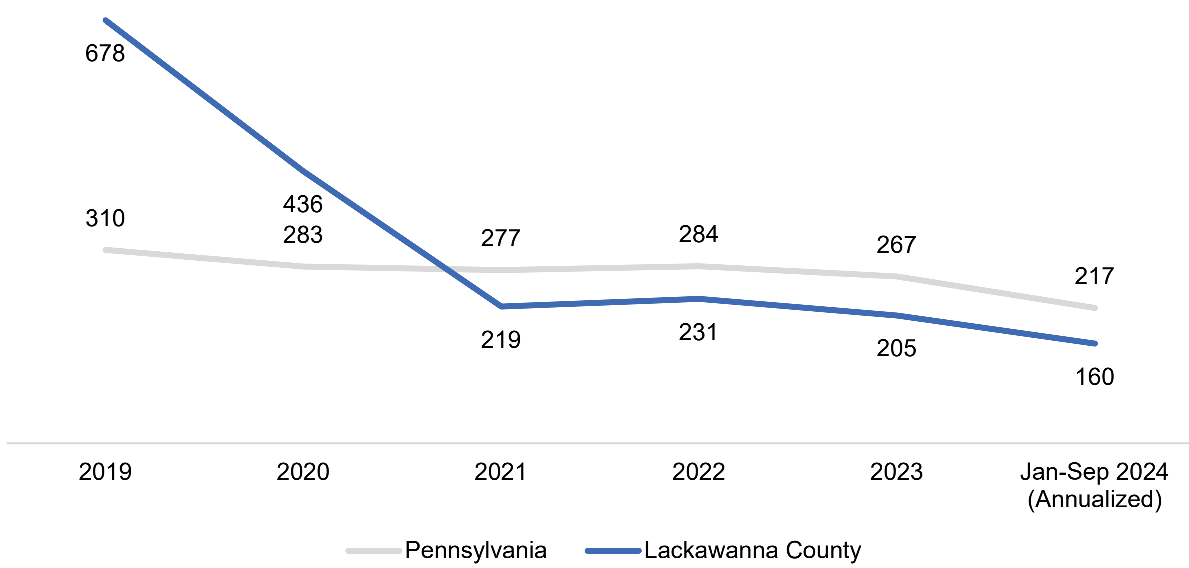
Lackawanna County Part 1 Clearance Rate, 2019-2024

	2019	2020	2021	2022	2023	2024 (Jan-Sep)	Percentage Point Change 2019-2023
Murder and Nonnegligent Manslaughter	100.0%	25.0%	100.0%	80.0%	116.7%	90.0%	16.7%
Rape	35.2%	44.8%	18.1%	18.9%	17.4%	22.7%	-17.8%
Robbery	19.0%	10.4%	37.5%	23.1%	26.7%	27.3%	7.7%
Aggravated Assault	44.3%	42.8%	53.1%	44.3%	53.9%	60.9%	9.6%
Part 1 Violent Crimes Cleared	**42.5%**	**41.2%**	**42.5%**	**36.3%**	**45.8%**	**49.4%**	**1.9%**
Burglary	9.5%	10.5%	12.2%	15.3%	14.3%	11.8%	4.8%
Larceny - Theft	15.8%	14.7%	16.8%	16.8%	21.1%	18.3%	5.3%
Motor Vehicle Theft	17.4%	14.9%	9.6%	13.4%	14.4%	12.8%	-3.0%
Arson	34.5%	12.9%	26.2%	26.7%	32.1%	26.7%	-2.3%
Part 1 Property Crimes Cleared	**15.1%**	**14.0%**	**15.7%**	**16.6%**	**19.9%**	**17.2%**	**7.2%**
Total Part 1 Crimes Cleared	**25.8%**	**22.7%**	**20.8%**	**20.1%**	**24.8%**	**23.1%**	**-1.0%**

exceptional means when an element beyond law enforcement control prevents filing of formal charges against the offender." Such circumstances may include, for example, death of the offender, refusal of victim to cooperate in the prosecution, or being in custody of another jurisdiction.

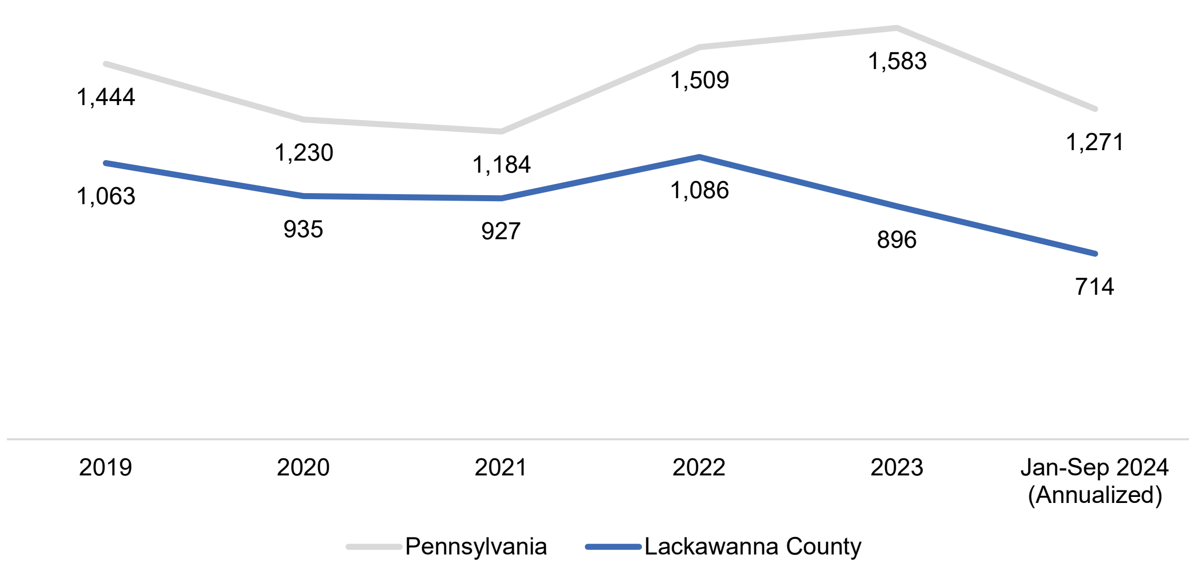
Compared to the Commonwealth as a whole, Lackawanna County has had fewer violent crimes per 100,000 residents since 2021.

Comparison of Violent Crimes Per 100,000 Residents: Lackawanna County and Pennsylvania



The County had fewer property crimes per 100,000 residents than Pennsylvania in each year, 2019 through September 2024 (annualized).

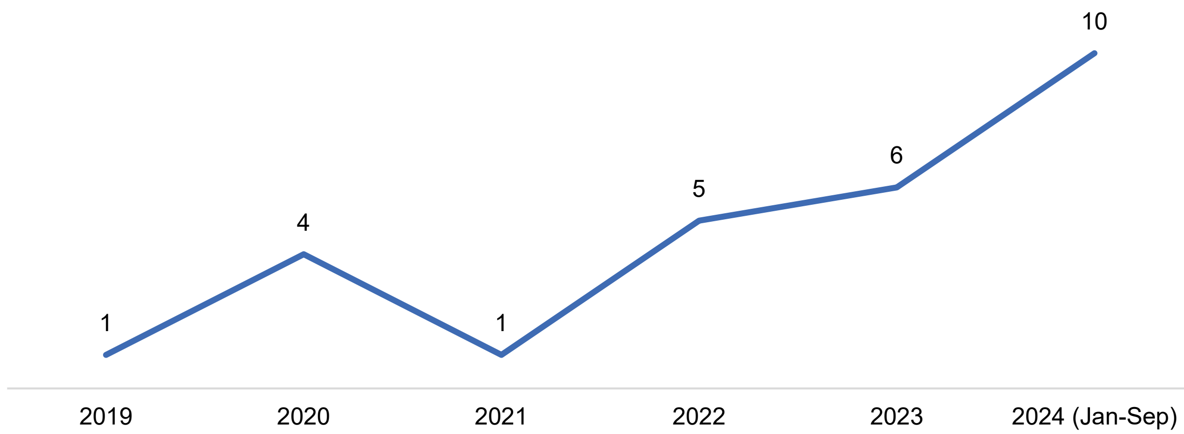
Comparison of Property Crimes Per 1,000 Residents: Lackawanna County and Pennsylvania



However, there has been a significant increase in murders over the past three years with 10 reported in the first 9 months of 2024 (compared to one in 2019 and four in 2020). This brings reported murders per 100,000 residents in Lackawanna County above the statewide rate for January through September 2024; Lackawanna County's murder rate was lower than the statewide murder rate 2019 through 2023.

Data reported by the Pennsylvania Unform Crime Reporting Program showed 7 of the 10 murder incidents reported between January and September 2024 were in Scranton. ***Importantly, murder cases are more time intensive, and therefore more costly to prosecute and defend. The District Attorney's Office and Public Defender each noted the impact on workload. Additionally, these cases take more of the Courts' time, which can slow case processing for other cases.***

Lackawanna County Murder and Nonnegligent Manslaughter Offenses Reported, 2019 - September 2024



Prosecution

All crimes in Lackawanna County are prosecuted by the District Attorney's Office, which works in close coordination with the arresting agencies to prepare cases for trial. From 2019 through 2022, the Office accepted 4,070 cases per year. Like crime, the number of cases accepted for prosecution dipped significantly in 2020. However, ***while Part 1 reported crimes decreased again in 2023, the number of cases accepted by the DA's Office in 2023 rose, surpassing pre-COVID levels with 4,913 new cases.*** Part 2 offenses, which are not shown in the charts above, include simple assault, weapons offenses (carrying, possession, etc.), drug offenses, and others.

Criminal cases are filed in Pennsylvania's District Courts, which preside over the first steps of the process: arraignment, initial setting of bail (or granting pretrial release), and preliminary hearings.[6] In Lackawanna County, this mostly occurs in the Central Court. Each of the ten District Justices preside over Central Court in turn on a rotating basis. After the preliminary hearing, cases that are not resolved are waived forward to the Court of Common Pleas, at which point the case is assigned a Common Pleas case number and tracked for reporting purposes by the Administrative Office of Pennsylvania Courts.

From 2019 through 2022, there were 2,123 cases per year opened in the Courts of Common Pleas, including new case filings and a smaller number of re-opened cases. In most years, just under half of the

[6] There are 60 judicial districts in Pennsylvania, many, but not all, align with county borders. Lackawanna County is served by the 45th Judicial District of Pennsylvania

cases accepted by the District Attorney move past the District Courts to be filed with the Courts of Common Pleas, meaning the balance of those cases are resolved by adjudication or dismissed in the District Courts.

Lackawanna County Criminal Cases, 2019-2022

	2019	2020	2021	2022	2019-2022 CAGR
New Cases Accepted (District Attorney)	4,761	3,575	3,669	4,275	-3.5%
Appeals and Post-Conviction	36	41	36	20	-17.8%
Cases Diverted	455	434	307	483	2.0%
Total Cases (District Attorney)	**5,252**	**4,050**	**4,012**	**4,778**	**-3.1%**
New Cases Files (Courts of Common Pleas)	2,156	1,801	1,947	1,965	-3.0%
Felony	923	729	810	838	-3.2%
Misdemeanor	1,205	1,027	1,129	1,107	-2.8%
Summary	28	45	8	20	-10.6%
Cases Reopened (Courts of Common Pleas)	146	138	193	144	-0.5%
Total Cases (Courts of Common Pleas)	**2,302**	**1,939**	**2,140**	**2,109**	**-2.9%**
Percent of Cases Continued to Common Pleas	**43.8%**	**47.9%**	**53.3%**	**44.1%**	**0.2%**

Of the approximately 2,000 cases disposed in the Lackawanna County Courts of Common Pleas each year, the majority (71.8 percent in 2022) are disposed by guilty plea. Another 13.7 percent are disposed through a diversion program, which in Lackawanna County all require a guilty plea to enter. In 2022, 6.7 percent of cases disposed were withdrawn or dismissed, and less than 1.5 percent went to trial.

The balance, 5.6 percent, were disposed by other means, which could include entry into the Accelerated Rehabilitative Disposition (ARD) program. The ARD program is a deferred disposition program in Pennsylvania, which in Lackawanna County is primarily used for first-time driving under the influence (DUI) offenses.

Lackawanna County Case Dispositions, 2019-2022

	2019	2020	2021	2022	2019-2022 CAGR	Percent of Cases Disposed (2022)
Guilty Plea	1,535	1,215	1,468	1,431	-2.3%	71.8%
Diversionary Disposition	478	337	322	273	-17.0%	13.7%
Withdrawn/Dismissed	165	103	169	134	-6.7%	6.7%
Inactive	69	125	101	112	17.5%	5.6%
Other	11	8	6	18	17.8%	0.9%
Jury Trial	20	7	13	17	-5.3%	0.9%
Non-Jury Trial	4	9	4	8	26.0%	0.4%
Total Cases Processed	**2,282**	**1,804**	**2,083**	**1,993**	**-4.4%**	

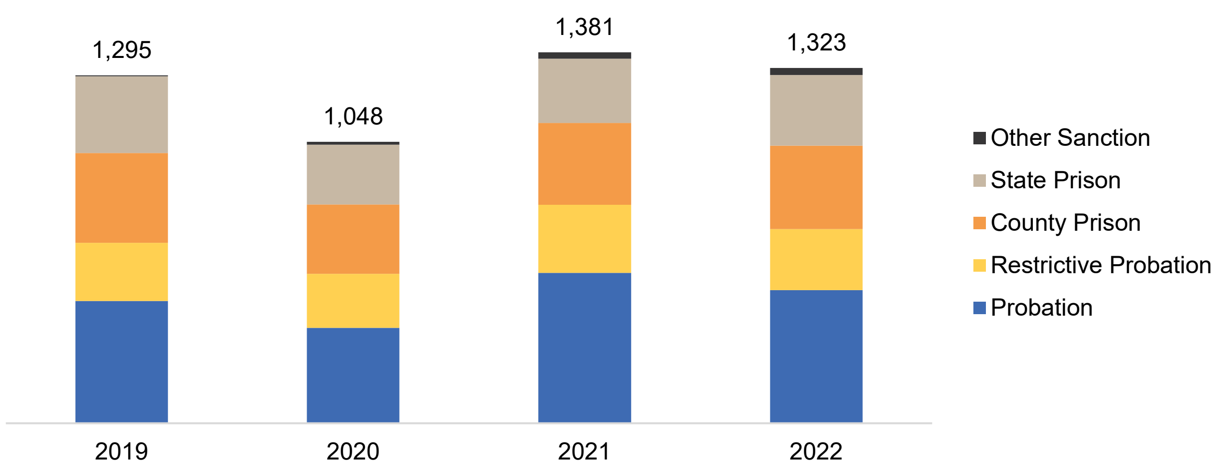
Sentencing

In 2022, about two thirds of cases disposed resulted in a sentence. The percent of cases resulting in a sentence increased each year since 2019, when just 56.7 percent of cases resulted in a sentence. Over the most recent four years for which data was available (2019-2022), ***sentences to probation have increased the most (2.8 percent more per year), while sentences to state and county prison each decreased by a similar rate.*** Other sanctions saw the largest percent increase but remain a small proportion of total sentences. As we will show at the end of this chapter, probation and other sanctions are far less expensive for the County than a sentence to County Prison.

Lackawanna County Sentences, 2019-2022

	2019	2020	2021	2022	2019-2022 CAGR	Percent of Cases Disposed (2022)
Probation	455	355	560	495	2.8%	37.4%
County Prison	334	259	305	310	-2.5%	23.4%
State Prison	285	222	239	263	-2.6%	19.9%
Restrictive Probation	217	201	253	228	1.7%	17.2%
Other Sanction	4	11	24	27	89.0%	2.0%
Total Sentences	**1,295**	**1,048**	**1,381**	**1,323**	**0.7%**	**100.0%**
County Sentences (Prison, Probation, RP)	**77.7%**	**77.8%**	**81.0%**	**78.1%**		
Percent of Disposed Cases Sentenced	**56.7%**	**58.1%**	**66.3%**	**66.4%**		

Lackawanna County Sentences, 2019-2022



Each year between 2019 and 2022, more than half of all cases sentenced in Lackawanna County were sentenced to probation (54.6 percent, or 723 cases in 2022). In addition to new sentences to probation, many individuals sentenced to county prison are released on probation supervision. As of September 13, 2024, there were 3,232 cases supervised by Lackawanna County Adult Probation. It is typical for county probation to comprise the largest percentage of the actively supervised or detained population, due both to the number of individuals sentenced to probation and the duration of probation sentences.

About one quarter of cases sentenced in Lackawanna County are sentenced to the County Prison, 23.4 percent, or 310 newly sentenced cases in 2022. However, the Prison also holds pretrial detainees. The total number of annual admissions to the prison is about ten times more than the number of individuals newly sentenced to County Prison (3,616 total county prison admissions in 2022 and 3,700 in 2023).

In addition to pretrial and county sentenced individuals, state sentenced individuals awaiting transfer to the state Department of Corrections, probation violators, and individuals held for another law enforcement entity are also housed in the prison. The average daily population in custody of the prison was 1,020 in 2019, of which 831 were held in the prison on average, and 190 were outside of the prison (e.g., at court, hospital, or another location).[7] The County Prison population dipped substantially in 2020 and has since increased. In the first seven months of 2024 there were 882 inmates in LCP's custody per day, of which 786 were physically in the prison at the time of the daily count.

Incarceration

The inmate population dropped in 2020 as Lackawanna County, like jurisdictions nationally, saw the court system slow down and prioritized releasing low level offenders to minimize health risks inherit to a large, detained population. Since then, the County prison population increased but has not yet reached pre-COVID levels (as of September 2024). The recent pace of growth indicates the prison population would surpass pre-COVID levels as soon as 2026. The growth rate has been faster for in-house county inmates,[8] which increased 9.7 percent per year from 2020 to 2023 and would surpass the 2019 average daily population (ADP) in 2025 if trends continue.

Lackawanna County Prison Average Daily Population, 2019 – September 2024

	2019	2020	2021	2022	2023	2024 (Jan-Sep)	2019-2023 CAGR	Post-Covid CAGR (2020-2023)
In-House County Inmates	640	421	457	541	557	614	-3.4%	9.7%
USMS Detainees[9]	191	168	165	178	181	161	-1.4%	2.5%
Outboard Inmates[10]	190	151	128	111	133	106	-8.5%	-4.2%
Sub-Total In-House ADP	**831**	**589**	**623**	**719**	**737**	**786**	**-2.9%**	**7.8%**
Total ADP	**1,020**	**741**	**751**	**830**	**870**	**882**	**-3.9%**	**5.5%**
Percent Female[11]	**13.1%**	**11.0%**	**10.7%**	**12.2%**	**13.7%**	**11.6%**		

The annual flow in and out of the county prison through admissions and releases is approximately five times larger than the average daily population. Like prison population, admissions and releases decreased in 2020 and have increased thereafter. Overall, admissions and releases have decreased 4.9 and 6.2 percent, respectively, per year from 2019 to 2023. However, the post-COVID growth rate from 2020 to 2023 has been an increase of 10.2 and 7.8 percent per year. Average length of stay has remained stable throughout this period at about 22 days. Importantly, individuals may be detained for just a few hours or up to five years.[12]

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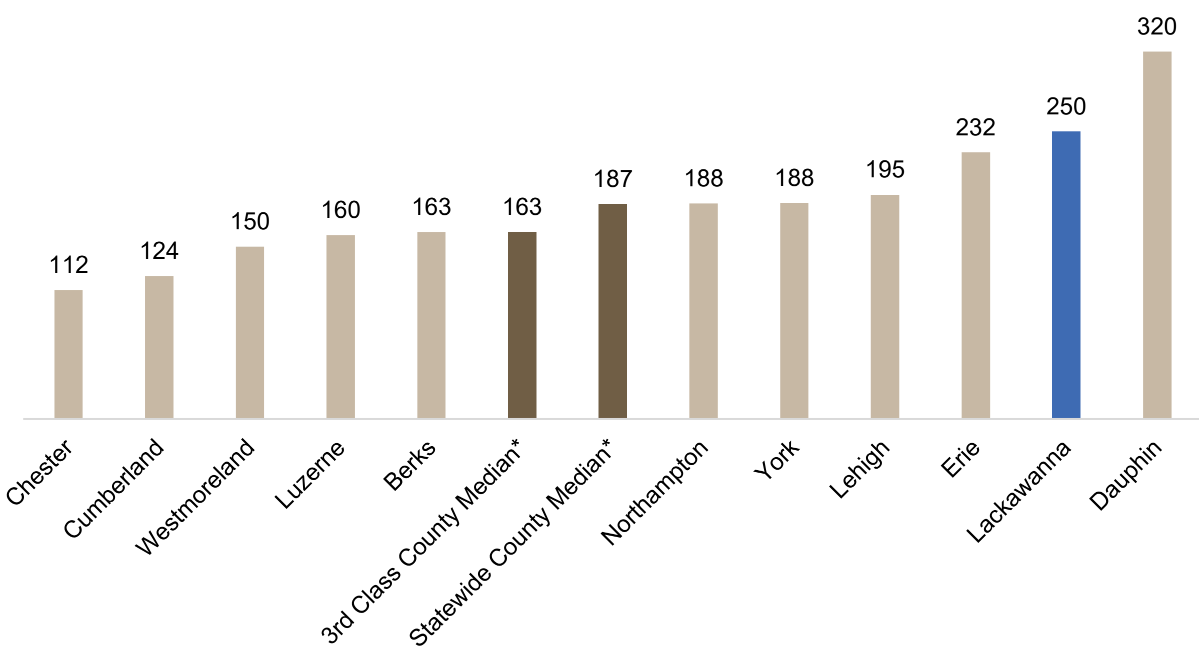
[7] It is typical for daily prison population to be measured based on the population at a specific time of day and to measure in-house versus total inmate population separately.
[8] The County Prison's "in-house" population refers to all individuals who are physically in the prison at the time that population data is retrieved daily for reporting purposes. This typically excludes individuals who are on house arrest, in court, or at a hospital. Additionally, the prison population is differentiated between "county" inmates and US Marshal Service detainees who are housed in the prison for a per diem fee.
[9] United States Marshals Service (USMS)
[10] Outboard includes individuals in locations such as hospital, court, house arrest, and other counties.
[11] Percent female calculated from in-house population only, inclusive of county and USMS inmates.
[12] Pennsylvania Consolidated Statutes Title 42 §9762 states that sentences less than two years must be served with the County, longer than five years with the State, and terms between two and five years, "may be committed to the Department of Corrections for confinement or may be committed to a county prison within the jurisdiction of the court."

Lackawanna County Prison Admissions and Releases, 2019 – July 2024

	2019	2020	2021	2022	2023	2024 (Jan-Jul)	2019-2023 CAGR	Post-Covid CAGR (2020-2023)
Admissions (annual)	4,529	2,767	3,262	3,616	3,700	2,239	-4.9%	10.2%
Releases (annual)	4,714	2,908	3,243	3,505	3,643	2,248	-6.2%	7.8%
Average Length of Stay (days)	22.1	23.3	22.4	22.5	22.4	22.3	0.4%	-1.2%

Despite having numerous well-established diversionary programs, ***the county has a higher county incarceration rate than other Pennsylvania third-class county and counties statewide.***[13] In 2022 Lackawanna County had 250 county prison inmates per 100,000 residents (average daily in-house inmate population excluding USMS detainees). In comparison, the third-class county median was 163 inmates per 100,000 residents and the statewide county median was 187. Of third-class counties, only Dauphin County had a higher incarceration rate. Importantly, PFM excluded USMS detainees; other counties may have included comparable populations. If USMS detainees were included, Lackawanna County's incarceration rate would be higher.

County Incarceration Rate per 100,000 Residents in Third Class Counties, 2022



*Medians exclude Lackawanna County.

[13] Statewide median includes 60 counties for which data was included in the county jail population dataset collected and published by the Pennsylvania Department of Corrections.

Treatment courts

According to the District Attorney's Office, about 400-500 cases per year are diverted into one of Lackawanna County's treatment courts – just over 10 percent of new cases accepted for prosecution by the Office. There are currently nine treatment court programs in Lackawanna County. To be admitted to a treatment court, the defendant must enter a guilty plea and the judge and prosecutor must each agree to their participation.[14]

Lackawanna County Cases Diverted, 2019-2023

	2019	2020	2021	2022	2023	2019-2023 CAGR
Restrictive Probation / Gagnon Court	86	114	64	123	130	10.9%
Veterans Court	38	10	27	32	92	24.7%
Domestic Violence Court	75	58	0	115	92	5.2%
DUI Court	105	103	80	62	70	-9.6%
Drug Court	74	80	91	103	55	-7.1%
Mental Health Court	27	32	12	42	N/A	N/A
Co-Occurring Court	32	29	80	N/A	53	13.4%
Women's Pretrial Diversion (New in 2023)	0	0	0	0	32	N/A
Family Court	18	8	5	6	10	-13.7%
Cases Diverted	**455**	**434**	**307**	**483**	**534**	**4.1%**
New Cases Accepted (District Attorney)	**4,761**	**3,575**	**3,669**	**4,275**	**4,913**	**0.8%**
Percent of Cases Diverted	**9.6%**	**12.1%**	**8.4%**	**11.3%**	**10.9%**	**3.3%**

Source: Data provided by Lackawanna County District Attorney's Office in response to PFM information request.

Community supervision

The County Adult Probation Department supervises almost all (95 percent) of adults on community supervision in Lackawanna County. At year-end 2019, there were just over 4,000 individuals on probation. The number dipped in 2020, coinciding with fewer new sentences to probation and a broader slowing of the courts and justice system during COVID. Since then, the adult probation caseload has fluctuated but remained stable at about 3,300 individuals supervised at any given point in time.

The Community Corrections department operated a work release and house arrest program until March 2020, at which time the work release program closed due to health risks associated with frequent ingress and egress from the prison at the onset of the COVID-19 pandemic. Before its closure, the program served an average of 47 men and seven women at a time (2019 through March 2020). The house arrest program continued, and the number of participants increased from 119 in 2019 to 178 in 2023.

Community Supervision Population, 2019 – September 2024

	2019	2020	2021	2022	2023	2024 (Jan-Sep)	2019-2023 CAGR	Post-Covid CAGR (2020-2023)
Adult Probation*	4,091	3,498	3,125	3,302	3,462	3,232	-4.1%	-0.3%

[14] Diversion participation data shown here may differ from totals reported by court administration due to differences in timing or definitions.

	2019	2020	2021	2022	2023	2024 (Jan-Sep)	2019-2023 CAGR	Post-Covid CAGR (2020-2023)
House Arrest	119	145	152	156	178	170	10.6%	7.2%
Work Release	58	37	0	0	0	0	-100.0%	-100.0%
Total on Community Supervision	**4,268**	**3,680**	**3,277**	**3,458**	**3,640**	**3,402**	**-3.9%**	**-0.4%**

*Adult probation data systems changed during this period. Probation caseload data is provided in this table as follows: year-end (2019-2020), average of quarterly reports (July 2021-June 2023), and current as of Sept. 13, 2024.

Findings

In Lackawanna County, as in the Commonwealth overall, the reported crime rate per 100,000 residents decreased from 2019 through September 2024.[15] Further, Lackawanna County's property crime rate was lower than the Commonwealth throughout the period and the County's violent crime rate was lower each year 2021 through September 2024.

Despite decreasing crime, Lackawanna County's criminal justice system expenditures have increased at a significantly faster rate over the review period (3.8 percent per year, 2019 through preliminary 2023) than other General Fund expenditures (1.4 percent increase per year). There are several reasons for this, perhaps unintuitive, result.

- The most expensive part of the criminal justice system is the Prison, which accounts for nearly one half of criminal justice system expenditures and one fifth of total county general fund expenditures. Reducing Prison costs is a critical element of any cost containment strategy. *Despite having a lower crime rate, Lackawanna County incarcerates more people in the county prison per 100,000 residents than other counties in the Commonwealth.*
- Lower crime rates alone are not an immediate lever to reduce prison spending. As we will show at the end of this chapter, *significant cost savings for the prison can be most directly achieved if the inmate population decreases enough to close one or more housing units and if personnel costs are decreased as a result – either through a headcount reduction or less overtime usage.*
- Lower crime rates do not directly or immediately translate to lower expenditures for County government because there is a lag between crime reductions and the number of people sentenced to prison. Even without that time lag, the reduction in crime may not lead to a proportional reduction in the number of cases that result in a County prison sentence.
- Finally, while it is a small proportion of total crime, Lackawanna County saw a marked increase in the murder rate. Murder cases are more costly to prosecute and defend, and consume a disproportionately larger amount of court resources.

[15] January through September 2024 crime rate is annualized for comparison to prior years. Most recent data available at the time of this analysis. Up to date data may be viewed at https://www.ucr.pa.gov/PAUCRSPUBLIC/.

District Attorney's Office

The District Attorney's Office, inclusive of grant-related expenditures, was allocated $7.8 million (or 4.7 percent) in the County's 2024 General Fund budget. Over the past five years from 2019 through 2023[16], annual expenditures have increased 5.6 percent per year on a compound annual growth rate (CAGR). From 2025 through 2029, the baseline projection anticipates continued growth at 3.7 percent per year, reaching $9.0 million in 2029.

The Office had 65 full-time and 21 part-time employees as of January 5, 2024. Total personnel costs for 2024 were budgeted at $6.7 million, or 85.2 percent of the Office's budget. The Office's headcount increased from 68 in January 2019 to its total of 86 in January 2024; most of that growth was driven by an increase in the number of part-time booking agent positions. The growth in General Fund revenues (predominantly grants) is described later in this chapter.

District Attorney's Office Budget and Personnel by Type, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Personnel	$4,888,119	$5,024,583	$5,499,361	$5,905,576	$6,262,987	$6,652,582	6.4%
Operating	$1,140,130	$1,085,613	$556,212	$582,845	$1,216,942	$1,131,567	1.6%
Other	$0	$0	$100	$16,644	$5,981	$21,762	N/A
General Fund Expenditures	**$6,028,248**	**$6,110,196**	**$6,055,673**	**$6,505,065**	**$7,485,911**	**$7,805,911**	**5.6%**
Grants and State Support	$679,216	$978,773	$1,006,979	$982,692	$2,352,421	$2,037,319	36.4%
Central Booking Revenue	$531,095	$470,252	$449,619	$384,640	$363,893	$450,000	-9.0%
Wage Reimbursement	$117,544	$120,279	$122,372	$129,611	$119,962	$137,472	0.5%
Other	$5,027	$24,445	$6,083	$14,304	$26,696	$27,500	51.8%
General Fund Revenues	**$1,332,881**	**$1,593,749**	**$1,585,053**	**$1,511,247**	**$2,862,971**	**$2,652,291**	**21.1%**
Filled (Full-Time)	60	61	64	62	64	65	1.6%
Filled (Part-Time)	8	8	20	24	25	21	33.0%
Vacant	19	18	6	4	6	10	-25.0%
Authorized Employees	**87**	**87**	**90**	**90**	**95**	**96**	**2.2%**

The Office's budget and personnel are broken into two departments in the County's financial and human resources systems, and further categorized using sub-department codes.

District Attorney's Office Budget and Personnel by Sub-Department, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
District Attorney's Office	$4,269,110	$3,923,392	$3,879,322	$4,353,075	$4,548,606	$4,657,953	1.6%
DA Grants	$1,154,774	$1,601,872	$1,541,829	$1,526,216	$2,303,762	$2,357,282	18.8%

[16] All 2023 financial results are preliminary since the 2023 audit in progress at the time of analysis

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Central Booking	$604,364	$584,932	$634,521	$625,773	$633,542	$790,676	1.2%
General Fund Expenditures	**$6,028,248**	**$6,110,196**	**$6,055,673**	**$6,505,065**	**$7,485,911**	**$7,805,911**	**5.6%**
District Attorney's Office	$122,571	$144,724	$128,455	$143,915	$146,658	$164,972	4.6%
DA Grants	$679,216	$978,773	$1,006,979	$982,692	$2,352,421	$2,037,319	36.4%
Central Booking	$531,095	$470,252	$449,619	$384,640	$363,893	$450,000	-9.0%
General Fund Revenues	**$1,332,881**	**$1,593,749**	**$1,585,053**	**$1,511,247**	**$2,862,971**	**$2,652,291**	**21.1%**
District Attorney's Office	39	39	41	39	41	41	1.3%
DA Grants	18	18	20	20	21	21	3.9%
Central Booking	30	30	29	31	33	34	2.4%
Authorized Employees	**87**	**87**	**90**	**90**	**95**	**96**	**2.2%**

Primary responsibilities

The District Attorney is an elected row officer serving four-year terms. The District Attorney's Office represents the interest of the state in criminal proceedings, investigating and prosecuting cases through disposition and in appeals and other post-adjudication matters. Each year, the Lackawanna County District Attorney's Office accepts charges for approximately 4,000 criminal cases. About half of these are resolved at or before the preliminary hearing, while the other half proceed to the Court of Common Pleas.

In addition to prosecuting attorneys, the District Attorney's Office employs booking agents and detectives to perform two key functions that intersect with, and support, state and local law enforcement agencies.

The ***Detective Division*****,** overseen by a Chief Detective, assists local law enforcement agencies and may serve as co-affiants (co-authors of criminal affidavits). The Office most often supports smaller municipal police departments for specialized cases such as murder, financial fraud, and child sexual assault. The Office also receives direct referrals to investigate crimes from case inception. In these instances, the District Attorney's Office may take the case or refer it to another local law enforcement agency. The Office is not typically the arresting agency; however, as the leader of the county's Drug Task Force, when the Office does make arrests, they are predominantly for drug abuse violations.

The District Attorney's Office also employes part-time ***booking agents*** who take custody of detainees at the County's Criminal Justice Center (CJC), handling tasks such as fingerprinting and processing arrestees. This allows local police officers to return to patrol more quickly. Booking agent costs are accounted for separately from most other expenditures in a sub-department of the DA Grants budget department – a misnomer since the function is not grant funded.

In addition to these primary functions, the District Attorney's Office takes pride in its role co-establishing the County's Safe Schools Coalition. Through the Coalition, the District Attorney's Office coordinates with schools and provides school safety training and resources.

Grant funding

PFM categorized the Office's grants by focus area to illustrate where those funds are directed. Ninety percent of grant revenue between 2019 and 2023 was for drug response, victims' services, or investigation and prosecution of specific crimes.

The largest amount of grant revenue per year was focused on ***drug response***, with just under $400,000 per year across five grants. Many of these grants specifically target opioids. From 2019 to 2023, drug-focused grants had a net cost (expenditures less revenues) of $115,801 per year, amounting to 78 percent cost recovery.

Victims' services and ***specialized prosecution*** were the second and third largest categories of grant funding (measured by average revenue per year). Most of these grants are state-funded and recur annually – although the annual award may vary and is not guaranteed in perpetuity.

District Attorney's Office Grants by Focus Area, 2019 - 2023

	Number of Grants	Average Expenditure 2019-2023	Average Revenue 2019-2023	Cost Recovery Rate	Net Cost
Drug	5	$515,542	$399,740	78%	$115,801
Victims	3	$432,104	$362,341	84%	$69,763
Other Specialized Prosecution	4	$319,026	$316,269	99%	$2,757
DUI	1	$247,392	$62,730	25%	$184,662
Other Operations and Training Support	4	$68,952	$47,119	68%	$21,833
Violence Reduction	1	$9,957	$10,000	100%	($43)
Other	1	$2,587	$0	0%	$2,587
Total DA Grants	**19**	**$1,595,561**	**$1,198,200**	**75%**	**$397,361**

Two grants associated with DUI prevention through a sobriety check-point had the highest net cost ($184,662 per year) and lowest cost recovery rate (25 percent).

There was just one grant in the violence reduction category, a federal grant for Gun and Gang Reduction and Intelligence (GGRIP). Average spending and revenue for this grant was low during this period, however the grant is a $2 million award, which indicates the Office may have higher spending and associated revenues in 2025.

<u>Recurring grants</u>

Eight of the District Attorney's Office's 19 grants described above are recurring grants, including the victim services grants which are awarded by the Pennsylvania Commission on Crime and Delinquency (PCCD). These funds are federal pass-through dollars associated with specific acts of Congress that must be renewed periodically. From 2019 through 2023, the Office spent $432,104 per year (average) and recouped $362,341 per year, or 84 percent of costs.

The victims' services grants fund salaries for 7.5 FTEs. As described by the District Attorney, these services are core to the mission of the District Attorney's Office and would need to be funded by another means if the grant funding were to end or be substantially reduced.

The Office received five other recurring grants between 2019 and 2023, each targeting a specific type of offense. Together these totaled $643,181 per year (average expenditures) and recouped 67 percent of those costs through revenue ($433,725 per year, on average). These grants were for investigation and prosecution of insurance fraud, auto theft, drunk driving, and drugs. Each was funded by the Commonwealth or a local entity (the Housing Authority).

District Attorney's Office Recurring Grants, 2019 - 2023

Grant	Funder	Positions Funded (FTEs)	Average Expenditure 2019-2023	Average Revenue 2019-2023	Cost Recovery Rate
Victims of Crime Act	Federal via PCCD	Portion of 6.5	$189,279	$175,620	93%
Victims of Juvenile Offenders (VOJO) & Rights and Services Act (RASA)	Federal via PCCD	Portion of 6.5	$167,389	$125,305	75%
STOP Violence Against Women Act (VAWA)	Federal via PCCD	1	$75,437	$61,416	81%
Subtotal Victim Services Subtotal		**7.5**	**$432,104**	**$362,341**	**84%**
Insurance Fraud Prosecution	PA Insurance Fraud Prevention Authority	4	$162,589	$157,921	97%
Scranton Housing Authority Prosecution	Scranton Housing Authority	1	$96,857	$97,079	100%
Sobriety Checkpoint	PCCD	1	$247,392	$62,730	25%
Lackawanna County Unified Drug Enforcement Task Force (LUDET)	PA Attorney General	Overtime	$154,454	$58,547	38%
Auto Theft Prosecution	Pennsylvania State Police	1	$56,173	$57,862	103%
Subtotal Specialized Prosecution Resources		**7**	**$717,466**	**$434,139**	**61%**
Total Recurring Grants		**14.5**	**$1,149,571**	**$796,481**	**69%**

<u>Non-recurring grants</u>

One-time grants and grants that may be renewed but are not expected to become recurring constitute another important revenue stream, accounting for the other 11 of 19 active DA grants from 2019 to 20234. The total award amount for these grants was $6.4 million, some of which will be spent after 2024. The largest of these awards, summing to $5 million, are from federal agencies including the Department of Justice (DOJ) and Bureau of Justice Assistance (BJA).

From 2019 through 2023, average expenditures for one-time grants were $445,990 per year with $401,720 revenue, or 90 percent of costs recovered in the year. ***Four of these grants fund 10.3 FTEs to support drug and violence reduction initiatives – positions that the District Attorney stated may not continue to be funded beyond the grant.***

District Attorney's Office Non-Recurring Grants, 2019 - 2023

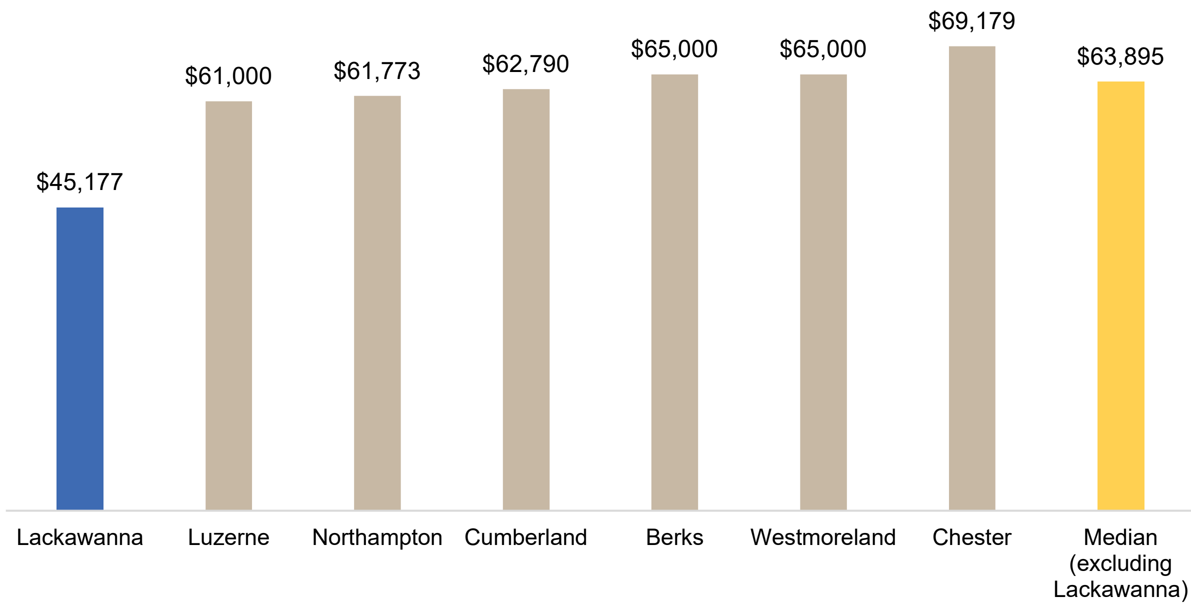
Grant	Award Period	Positions Funded (FTEs)	Total Award Amount	Average Expend per Year, 2019-2023	Average Revenue per Year, 2019-2023	Percent Costs Recovered
Opioid Abuse (DOJ)	2019 - 2023	3	$900,000	$183,040	$179,513	98%
Gun and Gang Reduction and Intelligence (GGRIP)	2022 - 2025	3.6	$2,000,000	$9,957	$10,000	100%
COVID Supplemental Funding	2020 - 2022	0	$58,008	$31,797	$31,518	99%
Drug Endangered Children Alliance (DOJ)	2022 - 2025	1.1	$739,322	$24,566	$7,128	29%
Investigative Technology Project	2023 - 2024	0	$1,003,598	$2,587	$0	0%
Harm Reduction (BJA)	2020 - 2021	0	$50,000	$114,182	$116,823	102%
Opioid Abuse (DOJ COSSAP)	2022 - 2025	2.6	$1,300,000	$39,299	$37,730	96%
Body Warn Cameras (PCCD)	2021 - 2022	0	$17,110	$25,130	$25,130	100%
Criminal Justice Task Force Training	2023 - 2025	0	$100,000	$10,209	($9,529)	-93%
MDIT Improvement and Expansion (PA DCED)	2024	0	$100,000	$1,816	$0	0%
Gambling (PCCD)	2019	0	$106,380	$3,407	$3,407	100%
Total Non-Recurring Grants		**10.3**	**$6,374,418**	**$445,990**	**$401,720**	**90%**

Attorney compensation

Attorney compensation is a significant concern for the District Attorney's Office in Lackawanna County. The District Attorney spoke very directly about problems associated with the salaries paid to his Assistant District Attorneys (ADAs), which he noted are lower than neighboring counties and, in some cases, lower than the salaries paid to administrative assistant in the same office. PFM's analysis confirmed both claims, and we provide additional context to inform the County's next steps.

The District Attorney shared a statewide survey conducted by the Pennsylvania District Attorneys Association in 2024, with participation from 55 of 67 counties, that found all other third-class counties offer starting salaries for Assistant District Attorneys at or above $60,000 - $15,000 more than Lackawanna County's starting salary for ADAs in 2024. PFM analyzed starting salaries in six third-class counties, which aligned with the reported survey data. Starting salaries in six third-class counties ranged from $61,000 in Luzerne County to $69,179 in Chester County.

Full-Time ADA Starting Salaries in Third-Class Counties, 2024



Lackawanna County employes ADAs and deputy district attorneys, who typically have more experience and expertise in specific areas of caselaw. In 2023, the median salary for full-time attorneys in the District Attorney's Office (excluding the District Attorney himself) was $56,826. At the same time, the median salary for full-time attorneys in the Lackawanna County Public Defender's Office (excluding the Public Defender) was $65,706.

PFM also examined Bureau of Labor Statistics data for attorneys in the Northern Pennsylvania non-metropolitan area and the Scranton–Wilkes-Barre–Hazleton area. The median salary for attorneys in these regions, encompassing both public and private sectors, was $106,000 and $105,000, respectively. Although it is common for private sector salaries to exceed those of the public sector, these figures underscore a competitive disadvantage faced by the District Attorney's Office in recruiting and retaining attorneys at the current compensation rate.

Median Attorney Salary Comparison, 2023

	Number of Attorneys Employed	Median Salary 2023	Variance from DAO Median
District Attorney's Office Attorney (full-time only)	14	$56,826	0%
Public Defender's Office Attorney (full-time only)	4	$65,706	16%
Region: Scranton--Wilkes-Barre--Hazleton, PA	760	$105,060	85%
Region: Northern Pennsylvania nonmetropolitan area	150	$106,100	87%

Employment policies

The District Attorney's Office and Public Defender's Office have taken different approaches to part-time attorneys and policies on outside employment, reflecting their different philosophies.

The District Attorney currently prohibits attorneys from maintaining private practices, a policy the District Attorney identifies as a challenge for recruitment and retention. However, he stated this is an important value in his view because it ensures attorneys in the DA's Office are fully focused on their responsibilities to the public as prosecutors.

The Office also does not employ any attorneys who are officially part-time. However, when reviewing the lowest paid attorney positions in the Office, the District Attorney noted that two of the lowest-paid attorneys work part-time or flexible schedules in exchange for lower compensation. The DA also indicated that the number of cases prosecuted by attorneys in the office varies substantially.

In contrast, the Public Defender's Office (PDO) allows both part-time attorneys and continued work in private practice outside of their employment with PDO.

The Public Defender himself works part-time and maintains a private practice, viewing this flexibility as a significant advantage in attracting and retaining qualified attorneys. PFM reviewed caseload sizes of full- and part-time attorneys in the PDO during this period and found that part-time attorneys, on average, were assigned about 80 percent as many cases as full-time attorneys. Cases are assigned based on the attorney on-duty for Central Court at the time that the case comes in, which is intended to result in an even (or at least random) distribution of cases of different levels of complexity and time-intensiveness. The data shows that part-time attorneys in the PDO do carry lower caseloads than full-time attorneys, but not so low as the difference in their salaries might suggest.

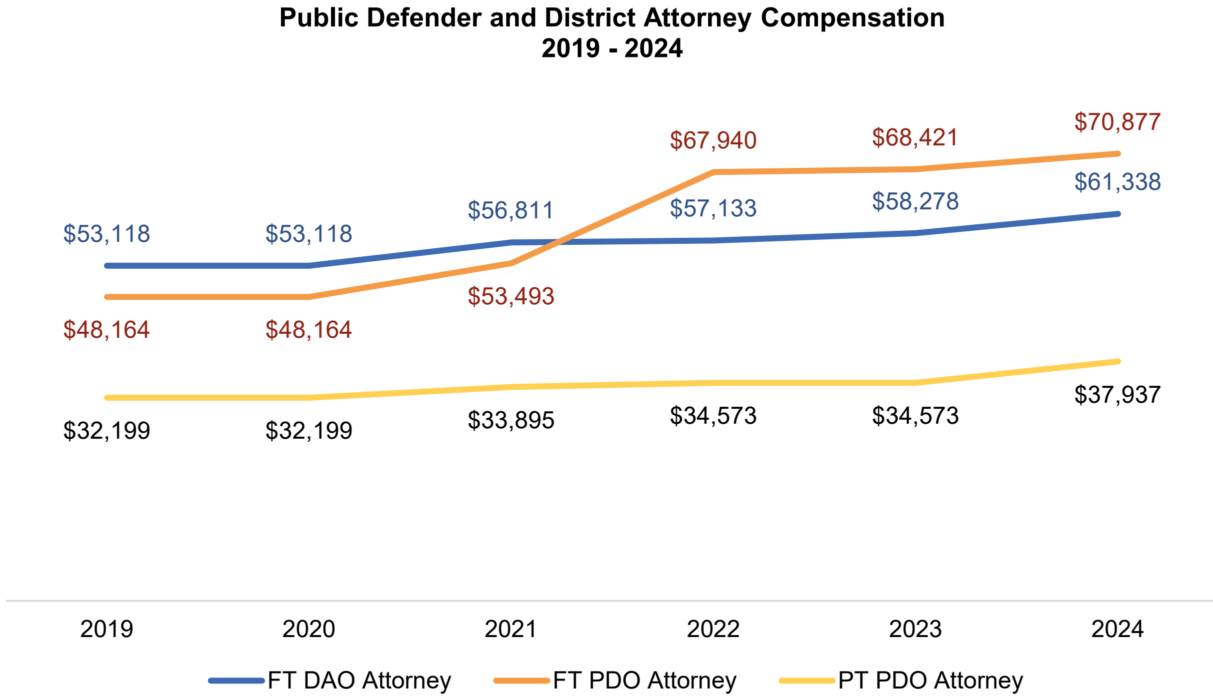
Public Defender Office Average Cases Assigned per Attorney, 2019 - September 2024

	2019	2020	2021	2022	2023	Jan-Sep 2024
Full-Time	208	121	109	123	167	102
Part-Time	167	98	87	100	138	128
PT as percent of FT	80.4%	80.6%	80.6%	81.1%	82.4%	125.1%

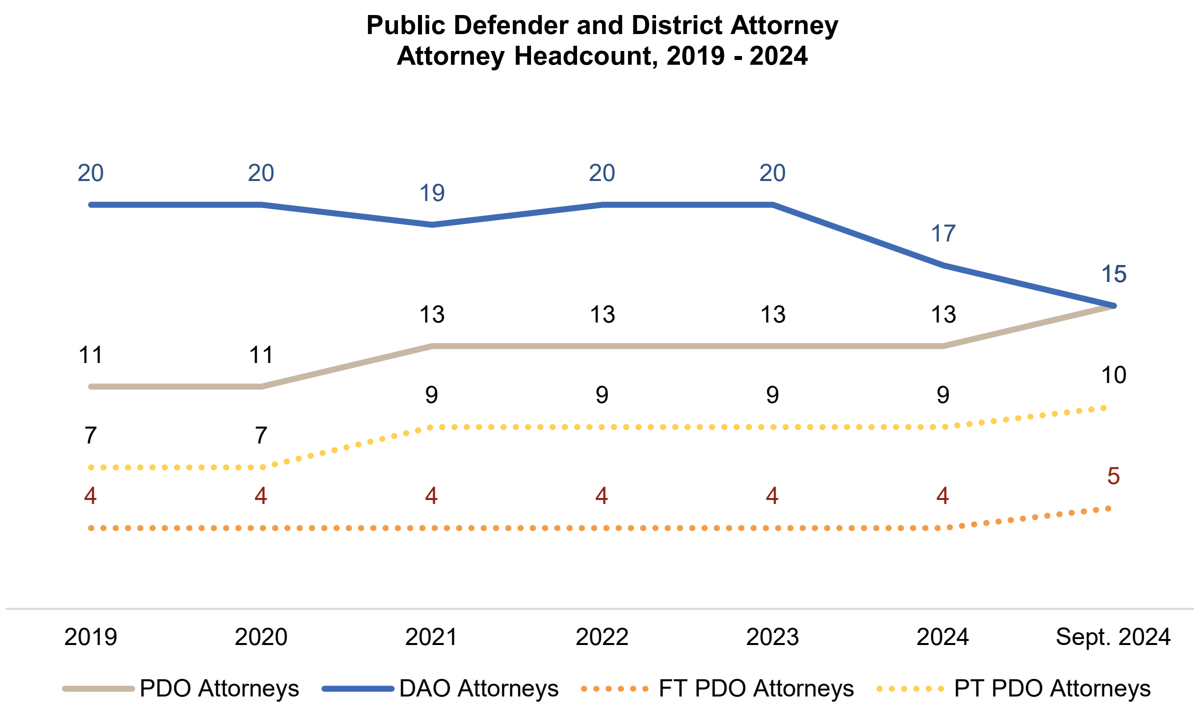
Staffing and compensation trends

The average salary for full-time attorneys in the District Attorney's Office increased 4.8 percent per year from January 2019 to January 2024. Part-time attorneys in the PDO saw slightly slower growth, 3.3 percent per year during the same period. However, full-time attorneys in the PDO received large increases in 2021 and 2022, resulting in an overall growth rate of 8 percent from January 2019 to January 2024. These increases, 11.1 percent on average in 2021 and 27 percent on average in 2022, were the result of proactive advocacy from the Public Defender. Assistant Public Defenders are members of a union – which ADAs and Deputy DAs are not – but the Public Defender stated the increase was awarded outside of the collective bargaining process and was intended to remedy low pay for the attorneys.

Notably, the increase for full-time APDs was less costly than a comparable increase would be for the District Attorney's Office because the Public Defender's Office employes more part-time attorneys (nine) than full-time (four), compared to 17 full-time attorneys in the DA's Office.



The District Attorney voiced concerns about recruitment and retention challenges associated with the relatively low compensation levels. Analysis of filled staffing levels from January 2019 through January 2024 shows the number of attorneys employed by the District Attorney's Office has indeed decreased from 20 in 2019 to 15 in January 2024. Another two attorneys resigned in fall 2024 and were not expected to be replaced immediately due to the County's hiring freeze. Over the same period the filled attorney headcount increased for the Public Defender's Office with three more part-time and one more full-time attorney.



Central Booking

The District Attorney's Office handles central booking for detainees at the County's Criminal Justice Center (CJC), which includes fingerprinting and processing arrestees. It is good practice to provide this service regionally so local law enforcement can return to patrol more quickly. While this function is not typically housed within the District Attorney's Office, County criminal justice leaders expressed that this process works well for Lackawanna County as it is currently structured.

The County receives a portion of court costs and fines as revenue to offset the cost of the central booking function, inclusive of booking agents. From 2019 through 2023, central booking expenditures increased 1.2 percent annually while revenues decreased by 9 percent. As a result, the percentage of costs recovered decreased from 88 percent in 2019 to 57 percent in 2023 (and budgeted for 2024).

District Attorney Central Booking Expenditures and Revenues, 2019 - 2023

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
General Fund Expenditures	$604,364	$584,932	$634,521	$625,773	$633,542	$790,676	1.2%
General Fund Revenues	$531,095	$470,252	$449,619	$384,640	$363,893	$450,000	-9.0%
Net Cost	$73,269	$114,680	$184,902	$241,134	$269,650	$340,676	38.5%
Percent Cost Recovery	88%	80%	71%	61%	57%	57%	N/A

Initiatives

CJ01	Evaluate grants for cost recovery and operational impact
Responsible parties	District Attorney's Office; County Commissioners; County Finance
Timeframe	Begin in 2025

The District Attorney's Office has been very successful in securing grants to fund operations and those revenues grew from $0.7 million in 2019 to $2.4 million in 2023. As described above, these grants support critical services that help the region's law enforcement agencies respond to and prevent crimes and support victim services. On the whole, the Office's success securing grants is a major boon to the County government and Lackawanna residents financially and operationally.

That said, grant-funded programs are not "free money," as they are sometimes described by people unfamiliar with the program requirements. Most grants do not cover the full cost of providing the service they support and, even if they do cover the direct costs associated with the services, there may be indirect costs related to grant administration that are not fully covered by the grant.[17] Beyond these cost recovery considerations, if the County receives a grant to fund a new service and then chooses to continue providing that service after the grant expires, the net financial result is a long-term cost.

For these reasons, we recommend that the District Attorney's Office and County leaders (including the Revenue and Finance Department) do the following:

[17] Some of the District Attorney's Office's federal grants provide funding for a portion of administrative and project management staff to support grant management and operations.

- **Review the costs and benefits of recurring grants with low-cost recovery rates:** The prior table listing recurring grants show three where the grant appears to cover less than 40 percent of the associated costs. These low cost-recovery rates signal that the County's General Fund – and more directly real estate tax revenues – pay for more than half of the associated program costs. The County should review these grant-funded efforts and determine if this is a good investment.

  This question should **not** be answered solely in terms of the financial impact. If the services provided are central to the Office's mission – if they are services the County would provide even there was no grant funding – then the cost recovery rate is less important. The District Attorney indicated this is the case for the grants that fund victim services.

  But if the services are not mission critical and the County is paying the bulk of the costs, then the County should consider reducing or eliminating these activities until its financial situation improves. While evaluating the costs and benefits of these grants, the County should also determine whether the costs recorded are truly associated with the grant.

- **Consider any long-term program costs for non-recurring grants before applying:** The prior table listing non-recurring grants indicates that the cost recovery rate for these programs is usually very good. Many have cost recovery rates over 90 percent and those with very low cost recovery appear to be just beginning. While the County should continue to monitor cost recovery for these programs, the data indicates the County is doing well here.

  From a financial perspective, the bigger question is what the County will do when the non-recurring grants expire or if the County is not successful in securing further funding. If the County decides to end the program upon grant expiration – and if it can do so quickly enough that that there are limited costs after the grants are exhausted – then the County will do well from a financial management perspective. ***The County will have used a non-recurring revenue for a non-recurring cost and followed financial management best practices.***

  However, if the County decides it will not or cannot end the service after the grant expires, then the grant's net financial impact is a net, recurring cost. Even if the service is valuable, this is hard to absorb into the County's budget that relies heavily on flat real estate tax revenues.

  As much as possible, the County should identify net recurring costs and decide whether they are worth incurring **before** applying for the grant. Since these programs are split funded by grants secured by the District Attorney's Office and real estate taxes managed by the County Commissioners, the County's elected officials should work cooperatively on these evaluations.

While this initiative is focused on the District Attorney Office's grants, these guidelines should be applied more broadly across County government, and the County Revenue and Finance Department needs more grants management capacity to do so. This is addressed in further detail in the Financial Management chapter.

Financial impact

The baseline projection makes the simplifying assumption that all grants incorporated in the 2024 budget carry forward through 2029. In some cases, this assumption's accuracy should hold since the grants recur or may be extended beyond their end date (e.g., no-cost extension). However, if there are grants that do not recur through 2029, then the County would need to reduce the costs or continue to fund them using real estate tax revenue, which would cause financial results to be worse than projected. If the County decides to curtail any grant-funded programs with low cost-recovery-rate or ends grant-supported programs after the grant expires, such actions could reduce the County's net spending and improve financial results.

CJ02	Increase investment in ADA salaries
Responsible parties	Commissioners, Salary Board
Timeframe	2026 budget
Impact on baseline	($199,000) to ($220,000) per year from 2025 to 2029

In 2021 and 2022, when the Public Defender pushed for salary increases for his staff, attorneys in the PDO were paid less than those in the DA's Office, on average. After the salary increases, the relative position of attorney salaries in the two offices reversed.

Organizations such as the American Bar Association recommend funding parity between District Attorney's Offices and Public Defender's Offices. Nationally, at least 11 states require some form of compensation parity between public defenders and district attorneys.[18]

Over time, the County should strive to achieve and maintain equitable compensation for equivalent positions in the District Attorney and Public Defender's Offices.

Additionally, the above analysis shows Lackawanna is an outlier in its relatively low starting ADA salary compared to neighboring counties. To address both concerns, the County should increase its investment in ADA and Deputy DA salaries to bring compensation in line with full-time APD salaries and the starting salary for ADAs to be competitive with neighboring counties. Additionally, the Salary Board should review salaries of all attorneys in the Office and make additional adjustments as needed to prevent pay compression, which occurs when increases to salaries for newer or lower ranking positions results in their compensation approaching or exceeding that of more senior or more tenured employees.

PFM calculated the total cost of increasing the starting salary for ADA positions to $64,000 and the starting rate of Deputy DAs to $69,000. The costing model assumed that current staff would be raised above these starting rates relative to the proportion of their current wage to the current (2024) minimum salary for their position. The methodology also ensured that all current Deputy DAs are paid higher than all existing ADAs to prevent pay compression.

Under these assumptions, the model shows ADAs 2025 salaries increasing between $7,000 and $18,000 from 2024 levels and Deputy DA salaries increasing between $2,000 and $13,000. Compared to a baseline scenario with no changes to starting rates and current staff receiving only 2.5 percent raises, the combined cost of these increased salaries, corresponding increases in overtime rates, FICA, and pension costs come out $199,000 above baseline for 2025. Assuming continued annual wage growth of 2.5 percent, the total "above baseline" cost rises to $220,000 in 2029.[19]

CJ03	Revisit policies that disallow engagement in private practice
Responsible parties	District Attorney's Office
Timeframe	Complete in 2025

[18] Alabama, Arizona, Connecticut, Idaho, Illinois, Massachusetts, Mississippi, Nebraska, Ohio, Oklahoma, Tennessee. These policies are often aimed at ensuring public defense funding parity with prosecutors, but some specify that prosecutor funding or compensation must be at least as much as that of defense. For more information see PFM's report on Indigent Defense Funding.

[19] Estimated salary and wage increases in the projection period include base salary increases only. As discussed in the Workforce chapter of this report, actual costs may be higher due to additional cash compensation elements such as, but not limited to, longevity payments, step increases, and shift differentials.

The District Attorney's Office should consider reinstating a policy that allows attorneys in the District Attorney's Office to retain outside employment or private law practices within acceptable bounds. If adopted, the Office should develop a written policy outlining the parameters within which private practice is allowed and the expectations for time and commitment to the District Attorney's Office. This change may enhance recruitment and retention efforts by offering attorneys greater professional flexibility.

We also note that the Public Defender's Office (PDO) allows both part-time attorneys and continued work in private practice outside of their employment with PDO. If it is a priority to provide equitable compensation for equivalent positions in the District Attorney and Public Defender's Offices, as we suggest in the prior initiative, then it is reasonable to also have equity in terms of the conditions under which employees can work part-time or in private practice.

CJ04	Procure a new case management system
Responsible parties	Revenue and Finance, District Attorney's Office, Information Services
Timeframe	Include in 2027 capital budget
Financial Impact	$200,000 in one-time costs within context of capital budget, partially offset by $82,000 in recurring savings from personnel reduction

The District Attorney's Office has experienced operational challenges related to records management.

Prior to his tenure, the District Attorney noted the Office did not consistently track continuances as required by legal rules. To remedy this, he implemented a policy requiring staff to track continuances and requiring the District Attorney or First Assistant District Attorney to approve all continuances.

There is another challenge related to handling "discovery" – case evidence which the Office is legally required to provide promptly to defense counsel. The District Attorney's current case management system does not have functionality to share discovery with defense, which is a core legal responsibility of the office in all cases. Instead, the Office shares electronic evidence using memory sticks and hard copies.

The District Attorney raised concerns that this practice is time intensive, with at least two FTEs currently allocated to manage discovery, and increases risk for failure to meet legal requirements for timely provision of discoverable evidence. If discovery is not accurately processed, tracked, and shared in accordance with legal requirements, the Office can face legal challenges and the case may be thrown out – which has occurred in recent years, according to the District Attorney.

The Office should move to a new case management system that fully integrates discovery management. Such a move would require an initial investment of $200,000, but it should result in recurring savings if the County can reduce staffing levels currently assigned to discovery. Eliminating one of the two positions would save $82,000 that recurs annually over time.[20] It would also improve the office's efficiency and the criminal justice processes overall.

When procuring the system, the County should refer to available guidance on the proper technical specifications, like the National District Attorney's Association's "standardized approach to identify and document functional requirements and application components when procuring a prosecutor case

[20] Based on the median salary for full-time support staff in the DA's office and estimate inclusive of typical costs for pension, health insurance, and life insurance. Estimated salary and wage increases in the projection period include base salary increases only. As discussed in the Workforce chapter of this report, actual costs may be higher due to additional cash compensation elements such as, but not limited to, longevity payments, step increases, and shift differentials.

management/tracking system." Technical experts from the District Attorney's Office and the Information Technology Department should work together to select and implement a system.

CJ05	Eliminate County subsidy for central booking
Responsible parties	Revenue and Finance, District Attorney's Office
Timeframe	Address in 2025
Financial Impact	$300,000 - $400,000 per year

As described above, central booking is net positive for the county, increasing the operational efficiency of the criminal justice system as a whole. However, the County appears to be subsidizing the cost of a service that should be primarily carried by the local governments that use it. According to Revenue and Finance records, Central Booking revenues only covered 57 percent of the costs in 2023, down from 88 percent in 2019. The baseline projection shows this trend getting worse without corrective action. The baseline assumes revenue carries forward at the level in the 2024 budget, but that expenses grow at an annualized rate of 3.4 percent. By 2029, the projected cost recovery is only 50 percent.

District Attorney Central Booking Projected Expenditures and Revenues, 2025 - 2029

	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2025-2029 CAGR
Central Booking Expenses	$779,096	$805,455	$832,896	$861,476	$891,251	3.4%
Central Booking Revenues	$450,000	$450,000	$450,000	$450,000	$450,000	0.0%
Cost Recovery	58%	56%	54%	52%	50%	-

The County has several levers it can use to close the gap: increase fees, increase collection rate, or identify an additional revenue source – potentially through cost-sharing with other local governments who benefit from their law enforcement agencies' use of the Center. Even if the County cannot recover 100 percent of its costs, getting back to the 88 percent reported in 2019 would save the County hundreds of thousands of dollars a year.

Sheriff's Office

The Sheriff's Office was allocated $8.4 million in the County's 2024 General Fund budget, or 5.1 percent of the total. From 2019 through 2023, annual expenditures have increased 6.4 percent per year. From 2025 through 2029, the baseline projection grows by 3.8 percent per year, reaching $9.8 million in 2029.

The Sheriff's Office had 63 full-time and 12 part-time employees as of January 5, 2024. In contrast, the Office had 45 full-time personnel and 35 part-time personnel in January 2019 – the decrease in part-time and increase in full-time positions over the period contributed to increasing personnel expenditures. This shift was spurred by the conversion of 12 part-time deputy sheriff positions to full-time deputy positions in 2021.

Total personnel costs in 2023 were $7.8 million – of which $1.5 million was spent on overtime. However, the County's 2025 budget only allocates $700,000 for Sheriff's Office overtime, a more than 50 percent reduction. ***To achieve the budgeted reduction in overtime, the County must take deliberate action – those savings will not happen naturally through a more fortunate set of circumstances. The analysis***

presented below identifies several opportunities to reduce overtime use by improving scheduling and increasing use of part-time deputies, some of which can be implemented outside of collective bargaining.

The Sheriff's Office collects fee revenue for services performed according to a statutorily-set fee schedule. Outside of the pandemic, the Office has collected $450,000 - $500,000 per year.

Sheriff's Office Budget and Personnel by Type, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Personnel	$6,374,376	$6,142,444	$6,552,260	$7,492,624	$7,860,917	$7,751,836	5.4%
Operating	$461,346	$550,259	$435,318	$613,680	$883,829	$661,926	17.6%
Other	$0	$0	$0	$0	$0	$0	
General Fund Expenditures	**$6,835,722**	**$6,692,702**	**$6,987,578**	**$8,106,304**	**$8,744,746**	**$8,413,762**	**6.4%**
Fines and Fees	$378,319	$231,360	$267,473	$287,511	$273,685	$300,000	-7.8%
Other	$154,474	$106,989	$107,555	$179,941	$170,269	$184,000	2.5%
General Fund Revenues	**$532,793**	**$338,350**	**$375,027**	**$467,452**	**$443,954**	**$484,000**	**-4.5%**
Filled (Full-Time)	45	45	57	63	61	63	7.9%
Filled (Part-Time)	35	35	26	14	13	12	-21.9%
Vacant	29	29	26	37	41	40	9.0%
Authorized Employees	**109**	**109**	**109**	**114**	**115**	**115**	**1.3%**

Primary responsibilities

The Sheriff's Office, like the District Attorney's Office, operates alongside county and local law enforcement agencies to ensure public safety. The Sheriff's Office performs four primary functions:

- **Routine security posts:** The Sheriff's Office assigns 30 deputies per day on weekdays and 15 per day on weekends to provide security at the County Government Center, the Brixx Building, the Criminal Justice Center, the Courthouse, and Magistrate Offices (upon request). On weekends, the Sheriff assigns deputies to provides security at the Brixx Building and the McDade Park Pool. The Sheriff's Office assigns deputies to provide security at the District Attorney's Office and other court related functions upon request or as public safety requires. Typically, District Magistrates request security details a week in advance, however, unanticipated needs may arise.
- **Secure transport:** The Sheriff's Office provides secure transport of inmates between the Lackawanna County Prison and court as well as secure transport of other individuals in custody or juveniles.
- **Special units:** The Sheriff's Office operates four special units staffed on weekday daytime shifts: Warrant Unit, Civil Division, Protection from Abuse (PFA) Unit, and Firearms Qualification. The K-9 Unit and SWAT team are deployed as needed.
- **Public event security:** The Sheriff's Office provides security at events such as concerts and cultural festivals as needed basis.

While many of the Sheriff's Office's responsibilities are statutorily required, how they are carried out and the supplemental public safety services the Office provides are more subjective. The ***Sheriff's Office, in coordination with County Leaders, should continually review its duties to ensure scheduled posts align with community public safety needs and priorities.***[21]

For example, the County does not charge private entities for security services, such as deputies posted to concerts and festivals. This may be a conscious trade-off for the business or tourism that these events bring to the County. However, the County should consider charging organizers for the cost of security if they divert resources away from regularly scheduled assignments.

<u>Data analysis</u>

Data analysis is a powerful tool for identifying factors that cause higher overtime usage so management can determine what types of corrective actions will be most effective in reducing overtime spending.

At this start of this engagement, we heard that secure prisoner transports, including transporting adult inmates and juveniles, were a primary driver for overtime usage in the Sheriff's Office. The closure of the County's juvenile detention center in 2019 was cited as a key factor in the increasing demand for transports, and there was an intuitive link between that facility closure, more long prisoner transports, and higher overtime usage.

Our analysis did not look back to 2019, so we cannot verify whether the volume of prisoner transports has changed since the juvenile detention center closed. But the period we did analyze did not have many prisoner transports. They only accounted for 28 of 2,239 shifts worked (or 1.2 percent), so they were not a significant factor in overtime usage during that period. The issues described above related to scheduling and deployment of part-time deputies are a much bigger driver for overtime usage.

Analyzing a longer or different time frame could lead to a different conclusion, though we do not expect it would change the conclusions related to scheduling and deployment. Perhaps the period evaluated had an unusually low level of transport activity.

The key finding from this analysis is not that prisoner transports do not drive overtime, which would require more analysis to conclude, but rather that data analysis helps provide a fuller understanding of any problem. Acknowledging that the County cannot afford to add a lot of staff to generate new analysis, County leaders should use whatever reports and data are available to guide their decisions.

Scheduling optimization

<u>Challenges</u>

The collective bargaining agreement between the County and the Deputy Sheriff's Association, which is effective through 2026, includes several important requirements for scheduling. Moreover, the manner in which Sheriff's Office implements these requirements contributes to high rates of overtime use.

The agreement dictates the number of hours and shifts in a standard workweek, and the starting and ending time of each shift (Article XIV Sections 1-3). However, the agreement does not specify on which days regular shifts may be scheduled. In fact, it explicitly provides that the Sheriff, "shall retain the sole and exclusive right to determine work schedules, [and] the number of shifts required" (Article XIV, Sections 1-3).

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[21] As described further below, the Sheriff is already conducting these reviews when deciding whether to fill open shifts created by call outs on overtime.

The Sheriff confirmed that, throughout his tenure, the standard workweek has been Monday through Friday. All weekend shifts are filled first with overtime by posting the shift to the "When to work" app. If no deputies sign up for the overtime shift within 20 minutes, remaining shifts may be filled using part-time deputies.

The Office's practice of offering all additional shifts to full-time deputies on overtime ***before*** offering it to a part-time deputy is required by the collective bargaining agreement (Article IX, Section 6, regarding seniority). However, there is no rule that precludes the Sheriff from scheduling part-time deputies for standard shifts before they become an additional shift. Additionally, there is no requirement that prevents the Sheriff from scheduling regular shifts on weekends.

The Sheriff stated he does not include weekends in the regularly scheduled workweek because he believes call-offs would be high on weekends, which in turn he believes would increase overall overtime hours used. It is true that if leave usage increases, and if the Office already does not have enough employees to cover all necessary shifts, there would be more open shifts to fill, potentially with overtime. However, defaulting to overtime for all weekend shifts is not an effective solution to that problem.

PFM analyzed 6 weeks of detailed scheduling data provided by the Sheriff's Office to better understand the typical number of posts required; the breakdown between routine (regularly recurring) and all other posts; and how many are filled on overtime by full- or part-time deputies. Our analysis shows 90 percent of weekend shifts (313 of 346 posts worked) were filled by full-time deputies working overtime. Most shifts (21 of the 29 shifts worked per day) were regular assignments for security at government buildings, meaning the need for these shifts was known in advance.

Progress to date

In recent years the Sheriff's Office has taken steps to increase its efficient use of personnel by reducing the number of regularly scheduled posts and reviewing overtime slots based on daily workload before determining whether a shift needs to be filled via overtime or can be sufficiently covered by staff on hand.

Until recently, the Sheriff's Office maintained an on-call juvenile transport position which was assigned 24/7. For each eight-hour shift, the deputy assigned would be paid for at least four hours of work, even if they were not called in for service. In lieu of this position, the Sheriff's Office now assigns an additional position to the Processing Center, which can be used to fill in other responsibilities, including but not limited to juvenile transports, based on workload.

Additionally, in an effort to use personnel resources efficiently, the Sheriff's Office reports that it determines whether call-offs should be filled on a case-by-case basis depending on workload. In some instances, as seen by the PFM team during a site visit, this means the Sheriff and his chief deputy fill a court security post rather than calling in a deputy on overtime.

Initiatives

CJ06	Align schedules with workload and available staff resources
Responsible parties	Sheriff's Office; Human Resources Department
Timeframe	Implement in 2025
Financial Impact	This initiative would help the Office achieve the savings incorporated in the 2025 budget

The Sheriff's Office should make two immediate changes to the way it schedules shifts to ensure the Office can achieve the overtime savings incorporated in the 2025 budget.

- ***Schedule regular shifts on weekends.***

The Sheriff should include weekends in the regular schedule. This would increase the Sheriff's Office's control and flexibility over which employees are scheduled on weekends because the shifts would not be considered "additional shifts," and therefore filled predominantly by full-time deputies on overtime.

At a minimum, the number of regular shifts scheduled each day should be sufficient to cover all required posts. Based on scheduling data provided to PFM for a six-week period, it appears that there are 21 government building security posts required each Saturday and each Sunday. It is normal for law enforcement agencies and other departments that have responsibility for 24/7 posts to schedule regular shifts on all days, even if each individual employee works only five days per week.

- ***Schedule regular shifts for part-time deputies.***

  The Sheriff's Office should begin including regularly scheduled shifts for part-time deputies. As described to PFM, the Sheriff's Office's does not have any regularly scheduled shifts for part-time deputies. Part-time deputies are instead scheduled via the "When To Work" app for available posts that are not taken by full-time deputies choosing to work overtime. In practice, this means that part-time deputies have relatively little notice for the shifts they are offered to work.

  As described above, this will be a change from current practices but does not directly conflict with collective bargaining terms as they are currently understood. The Sheriff's Office should coordinate with Human Resources and labor counsel as needed to address any concerns that may arise.

  During our review, we heard some concerns that part-time deputies could be scheduled to work more hours than they are eligible, which would inadvertently quality them for benefits associated with full-time employment. This is a reasonable concern, especially since health insurance costs are one of the primary drivers for the County's deficits,[22] but also one that can be addressed. The Human Resources Department work with the Sheriff's Office to ensure part-time deputies are scheduled for the correct total number of hours flag any overages or significant under-utilization for immediate review.

CJ07	Institute leave controls
Responsible parties	Sheriff's Office, Human Resources
Timeframe	Implement in 2025

The Sheriff expressed serious concern that if regular shifts were scheduled on weekends, there would be frequent call-offs on weekends after the regular schedule had been set. Since vacation must be requested by September 15 and approved/denied well in advance of the schedule shift, scheduled leave should not be an issue. It is possible that unscheduled leave – sick days – could increase, though a disproportionate use of sick leave on the weekends is evidence of potential sick leave abuse. If leave abuse is a concern, the Sheriff should work with the Human Resources Department to improve leave use monitoring and enforcement of relevant County and Office policies, including any changes required through collective bargaining.

[22] Please see the Financial Condition Assessment for more information on this trend.

Lackawanna County Prison

The Lackawanna County Prison (LCP) was allocated $25.4 million in the 2024 General Fund Budget, or 20.5 percent of the total. From 2019 through 2023, annual expenditures have increased 2.9 percent per year. From 2025 through 2029, the baseline projects continued growth at 3.6 percent per year, reaching $39.3 million in 2029.

The Prison had 224 full-time and three part-time employees as of January 5, 2024. Total personnel costs for 2024 were budgeted at $25.4 million, or 75.0 percent of the department budget. The County's contract for inmate healthcare is the second highest expenditure, budgeted at $4.6 million in 2024, or 13.6 percent of the department budget.

In 2023, the Prison brought in $7.6 million in revenue, comprising 4.8 percent of the General Fund total. The Prison as two primary revenue sources: a contract with the United States Marshall Service (USMS) through which the County is paid a per diem fee for detaining USMS inmates (listed below as Contracted Services), and a revenue sharing agreement with the vendor that provides user-fee-funded inmate phone and tablet services. Prior to 2020 the Pennsylvania Department of Corrections paid the County to house and provide programming for state parole violators at the Prison.

Lackawanna County Prison Budget and Personnel by Type, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Personnel	$22,575,692	$20,929,638	$22,311,465	$24,481,001	$24,966,050	$25,432,544	2.5%
Operating	$6,384,190	$5,855,842	$6,579,811	$7,033,675	$7,644,681	$8,486,755	4.6%
Other	$78,000	$0	$0	$0	$0	$0	-100.0%
General Fund Expenditures	**$29,037,882**	**$26,785,480**	**$28,891,276**	**$31,514,676**	**$32,610,730**	**$33,919,299**	**2.9%**
Contracted Services	$8,274,047	$4,884,937	$5,401,930	$6,654,830	$6,281,837	$6,391,150	-6.7%
Fines and Fees	$487,894	$498,554	$618,723	$2,507,672	$1,007,214	$1,404,500	19.9%
Other	$216,149	$73,197	$74,294	$130,241	($23,497)	$64,700	N/A
Grants and State Support	$0	$0	($2,417)	$0	$0	$0	N/A
General Fund Revenues	**$8,978,089**	**$5,456,689**	**$6,092,530**	**$9,292,742**	**$7,265,554**	**$7,860,350**	**-5.2%**
Filled (Full-Time)	222	222	226	222	223	224	0.1%
Filled (Part-Time)	12	12	2	3	2	3	-36.1%
Vacant	17	17	22	25	25	25	10.1%
Authorized Employees	**251**	**251**	**250**	**250**	**250**	**252**	**-0.1%**

Primary responsibilities

The Lackawanna County Prison is responsible for secure detention of pretrial and sentenced inmates, and others held on the legal authority of another entity (such as the USMS) or pending transfer to another jurisdiction.[23] The Prison is a 1,183-bed facility with indirect supervision housing units (each with cells and a dayroom) and three open dormitory style housing units.

Many key inmate services, including medical care, food services, phone and video visitation, and commissary are provided through contracted vendors. Correctional Officers and Correction Counselors, who are members of the AFSCME Prison Unit bargaining group, supervise inmates and manage their day-to-day needs.

Prison Units and Housing Capacity

Type of Unit	Description	Number of Units	Number of Blocks	Total Bed Capacity	Average Beds per Block
Indirect Supervision	Each pod has 2-4 housing blocks, each housing block has 8-30 cells; most are double cells	8	22	838	38.1
Direct Supervision	Dormitory style direct supervision pods with most beds in a single open room	1	3	288	96.0
Other Housing	Special housing units with lower capacity, designated for intake or special needs populations	2	2	57	28.5
Non-Housing	Intake unit, medical unit, gymnasium, and four classrooms in which programming or virtual court hearings may be held	N/A	N/A	N/A	N/A
	Total Housing Unit Capacity	**11**	**27**	**1,183**	**43.8**

The Prison is responsible for inmate security even when they leave the facility, unless custody is taken over by another law enforcement professional (e.g., when the Sheriff's Office transports inmates to court). Department policy requires two officers to escort each inmate during all movement outside of the facility. So, when an inmate goes to court or the hospital, two Corrections Officers accompany the inmate and remain with them until they are returned to the prison. This type of policy is common among corrections and law enforcement agencies nationally, as are staffing challenges associated with executing these duties.

Staffing Needs

LCP staff accounts for about 20 percent of the County's full-time employees and most of its overtime expenditures. In 2024 the Prison is expected to spend $3.6 million on overtime (37.9 percent over budget). The County's 2025 budget calls for a $1.1 million decrease (30.3 percent) from that amount to $2.5 million. As noted above for the Sheriff's Office, this decrease will not be possible without targeted action.

PFM reviewed the Prison's staffing plan and employee time data to determine what drives Prison overtime. Prison management use post-based staffing analysis to determine its overall staffing needs. The staffing

[23] While it is common to refer to county correctional facilities in Pennsylvania as the "County Prison," the department is more formally classified as a jail according to federal and accepted industry definitions. County jails hold a mix of pretrial and inmates sentenced to short sentences, whereas state and federal prisons hold only sentenced inmates, typically with longer sentences. In Pennsylvania, sentences up to two years are served in county facilities, and sentences over two years are served in custody of the state DOC. Sentences with a maximum between two and five years may be ordered to be served in the county facility at the discretion of the judge.

plan identifies all required posts and the hours of coverage required for each. The 2024 staffing plan determined that LCP needed 187.5 corrections officer full-time equivalents to staff 114 distinct officer posts, after accounting for expected leave usage. The calculation of total employees needed to provide full coverage is called a “shift relief factor,” which is a standard part of 24-hour shift-based staffing plans.

PFM compared the staffing plan to staffing data provided by the Prison for August 2024.[24] That month, the prison scheduled 112 regular officer shifts per 24-hour period – which aligns with the 114 posts identified in the staffing plan.[25]

To account for scheduled leave and additional duties that may arise outside of the regularly planned shifts, the Prison scheduled an additional 13 officers per 24-hour period. That supplemental scheduling was not enough -- in addition to the 126 total scheduled per day, the Prison deployed another 31 per day on overtime.

Correctional Officer Staffing, August 2024[26]

	Day Shift (7am-3pm	Evening Shift (3pm-11pm)	Overnight Shift (11pm-7am)	24 Hour Total
Officers scheduled for regular shifts	42.6	39.6	30.0	112.3
Officers scheduled to accommodate leave and additional duties	7.1	2.0	4.3	13.4
Total officers scheduled	**49.8**	**41.6**	**34.3**	**125.7**
Total officers needed	**61.3**	**52.2**	**42.9**	**156.4**
Overtime reported	11.5	10.8	8.6	30.9

Two factors could help explain gap between officers scheduled and officers needed:

- ***The prison does not have enough officers to meet needs determined by its staffing plan.***

  As noted above, the Prison’s 2024 staffing plan calculates 114 unique posts requiring 187.5 FTE correctional officers to fill. However, the Prison is only authorized for 182 correctional officers (5.5 fewer than the staffing plan requires). Additionally, as of the November 25, 2024, the Prison had five vacant full-time positions and seven full-time officers not available for work due to being on administrative leave, FMLA, or workers comp – leaving just 170 FT officers available, or 17.5 fewer than the current staffing plan calls for.[27]

- ***The staffing plan does not include all necessary posts.***

  Specifically, the staffing plan includes a row for medical transport and one for rover. These lines are entered as 0, meaning the staffing plan does not include staff for these roles at baseline. Since these positions are necessary, especially for medical transports, these posts need to be

[24] August 2024 is the first month for which the Prison began collecting this data and was the only month available at the time of PFM’s analysis.
[25] During this review, the Warden identified one extra position that had been removed from the staffing plan but was still being scheduled. He removed that post from future schedules.
[26] Numbers are rounded to the nearest tenth which results in small differences in totals (52.2 – 41.6 = 10.***8***).
[27] The staffing plan does include part-time correctional officer positions separately. As of November 25, 2024 there were 0 PT officers on duty, 9 in training, and 4 vacancies (13 total authorized).

accounted for in the plan.[28] It would be reasonable to keep them at zero if the shift relief factor accounted for time spent on these duties. However, PFM's calculation of shift relief factor based on leave data suggests this is not the case. As a result, the 2024 staffing plan underestimates the total staffing need on a daily basis.

Correctional Officer Posts Needed, August 2024

	Day Shift (7am-3pm	Evening Shift (3pm-11pm)	Overnight Shift (11pm-7am)	24 Hour Total
Regular posts	42.6	39.6	30.0	112.3
Leave (including workers compensation and FMLA)	11.3	7.0	7.2	25.5
Medical trips	6.6	5.1	5.0	16.8
All other additional duties	0.7	0.4	0.7	1.8
Total officers needed	61.3	52.2	42.9	156.4

Inmate medical transports

Another strategy to reduce personnel costs at the Prison is reducing the number and frequency of additional duties that occur outside of regularly scheduled posts, especially those related to inmate medical transport. As described above, inmate medical transports are a daily occurrence with a very real impact on staff time and county expenditures.

Inmates are sent to a local hospital for emergencies, inpatient hospital procedures, and medical observation. Data provided by the Prison's medical contractor, Wellpath, shows there were 163 off-site hospital trips between January 1 and August 20, 2024. On average, the number of hospital trips per month increased from 12 per month in 2022 to 21 per month in the first part of 2024. Just over half of all hospital trips (55 percent) were same-day trips, meaning the inmate was sent to the hospital and returned to the prison on the same day.

Number of Off-Site Medical Trips by Length of Hospital Stay, 2022 - August 20, 2024

	2022	2023	January 1 - August 20, 2024	Percent of Trips YTD 2024
Same day	79	125	89	55%
Next day	17	18	22	13%
Multiple days	50	72	52	32%
Total Trips	**146**	**215**	**163**	**100%**
Average Trips per Month	**12**	**18**	**21**	

PFM estimated the total correctional officer time required for transporting inmates and providing security during their hospital stays. To calculate total time, we assume one half shift (four hours) is used for the first and last day of each trip, on average; we assume 24 hours of coverage is required for each additional day.[29]

[28] Staffing and overtime data provided by the Prison for August 2024, the first month for which this data was collected, show the Prison needed between 6 and 28 officers for medical trips each day and it needed at least 10 correctional officers for medical transports on 22 out of 27 days in the month for which data was collected. All of these positions are outside of the regular post schedule, contributing significantly to overtime used that month.
[29] Calculation assumes four hours per officer for two officers on first and last day of offsite medical services. Therefore, each same-day medical trip is estimated to use 8 hours total (4 hours per officer) and each next day medical trip is estimated to use 16 hours

Because two officers must provide around-the-clock coverage for each inmate in the hospital, the bulk of officer time is spent on a smaller number of longer hospital stays. Using this methodology, PFM estimates 94 percent of officer time for hospital transports is due to multi-day hospital stays. Same day trips would amount to only 4 percent of officer time on this task. Importantly, much of officer time on hospital details is staffed with overtime.

Estimated Correction Officer Time for Hospital Transports, 2022 - August 20, 2024

	2022	2023	January 1 - August 20, 2024	Percent of Trips YTD 2024
Same day	632	1,000	712	4%
Next day	272	288	352	2%
Multiple days	15,968	12,768	17,680	94%
Total Hours, All Trips	**16,872**	**14,056**	**18,744**	**100%**
Average Hours per Month	**1,406**	**1,171**	**2,457**	
Average Hours per Day	**46**	**39**	**81**	

The actual officer time recorded for hospital details by the Prison in August 2024 was even higher than this estimate. That month, the Prison recorded 16.8 shift openings per day (over each 24-hour period), equivalent to 134.3 correction officer hours (16.8 * 8 hours per shift).

This analysis yields two important findings:

- ***Inmate medical trips are increasing.***

  The number of inmate medical trips per month increased in 2023 and year-to-date 2024. Additionally, longer and more costly medical stays increased substantially in 2024. It will be critical for the Prison to continue to monitor these trends and identify opportunities to address their cause.

- ***Most officer time is spent on multi-day hospital stays.***

  Most of the officer time, 94 percent according to these estimates, is consumed with a relatively small number of inmate hospital stays lasting three days or more. The Prison, its healthcare provider, and relevant stakeholders should prioritize preventative care and work proactively to minimize the need for long hospital stays. This may result in more total hospital stays but fewer serious hospital admissions.

Off-site hospital visits are a necessity for most correctional facilities, which do not typically contain full hospital care capabilities in-house. The Prison and the healthcare vendor should continuously work to prioritize preventative care and ensure off-site hospital visits are used only when necessary. To reduce use of overtime, the Prison must continue to monitor the number of off-site medical trips and officer time spent on this purpose – and incorporate these posts into the staffing plan.

total. Medical trips lasting more than two days are calculated as an additional 24 hours of coverage for each additional day for two officers.

Initiatives

If the County's staffing plan accounted for inmate medical transports, and if the County added staff to fill those added posts, overtime spending would be lower but other personnel costs (salaries, health insurance costs, pension contributions) would be higher. To provide adequate staffing at an affordable cost, the County needs to manage the following variables:

- Number of posts
- Number of full-time and part-time officers available to fill the posts
- Amount of leave, which can only be changed through collective bargaining
- Frequency/length of additional duties that occur outside of regularly scheduled posts

The initiatives below provide recommendations on how to better manage these variables.

CJ08	Regularly update the post-based staffing plan
Responsible parties	Prison
Timeframe	Annually, beginning in 2025

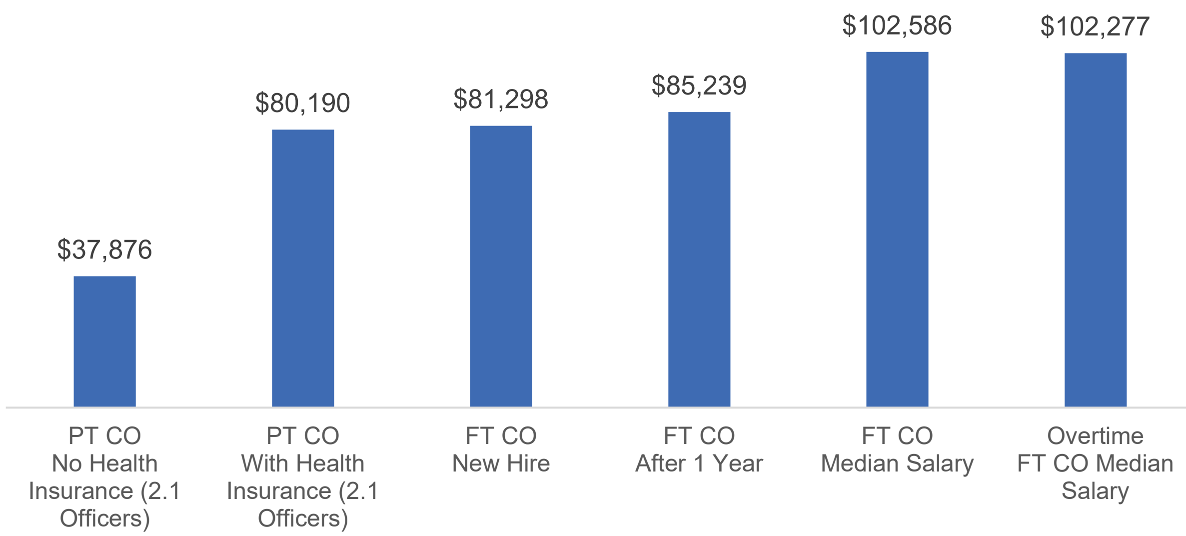
Prison leadership should review the staffing plan and make data-informed adjustments on a regular basis. This could be done annually using the type of staffing data that was provided to PFM for the month of August. The Prison stated that this data collection was a new initiative at that time, which they have continued to collect in the months since.

Although PFM's analysis is based on just one month of data, it suggests that medical trips should be incorporated into the baseline staffing model. While the exact number of trips needed is unpredictable, in August there were, on average, at least five correctional officers needed for these trips on each shift each day, which was not accounted for in the staffing plan. As noted above, there are different approaches the Prison can take to incorporating its full baseline staffing needs into the staffing plan, which may take the form of increasing the number of posts or adjusting the shift relief factor to incorporate time away from regular posts for purposes other than paid leave (such as medical trips).

However it is done, it is critical that the County and Prison leadership make hiring and staffing decisions from a complete and accurate understanding of baseline staffing needs. Factors such as the inmate population (and subsequently if any housing units can be closed), the number and duration of medical trips, leave usage, and other conditions can change Prison's staffing and operational needs. Therefore, it is imperative that the Prison monitor these variables and review its staffing plan annually, or when significant changes occur. While Prison officials are best positioned to collect and monitor this data, the size and cost of the Prison personnel make it imperative that these data should be shared, interpreted, and acted upon in partnership with the Prison Board, Human Resources, and Revenue and Finance.

Once the number of hours to be worked is fully understood, the County must consider how it will staff the prison within the County's existing financial constraints. A full-time officer works 2,080 hours per year, less time on leave. In 2023, average leave time for full-time correctional officers employed for the full year was 332 hours per officer, meaning each full-time officer worked 1,748 hours, on average. The total cost (including benefits) to the County in 2024 to employ one full-time correctional officer (median salary) was $102,586. In comparison, the cost to fill the same number of hours using overtime (also assuming a median salaried CO) would be very similar, $102,277.[30] In contrast, the cost to staff those hours using a newly hired officer or a part-time officer is less expensive.

Annual Cost for One Correctional Officer Equivalent Labor: Part-Time, Full-Time, and Overtime



County Commissioners, Salary Board, and Prison Board may be called upon to approve additional staffing based on revised staffing plans. When reviewing these requests, County decision-makers and Prison leaders should consider whether there are any levers within the Prison's control to reducing staffing needs in the near term whether through inmate population reduction or other means.

In the short term, the County may determine it is more cost effective to hire additional officers than to use overtime. Indeed, as noted at the start of this section, the County's ***2025 budget already assumes a 30 percent reduction in prison overtime.*** More staff is one way to achieve that reduction. However, in the longer term, the County must also consider how the cost of added staff will grow. Understanding the reason more staffing is needed and whether that level of staffing will continue to be needed is critical to making an informed decision.

CJ09	Improve recruitment strategies for part-time positions
Responsible parties	County Commissioners, Salary Board, Prison Board, Prison
Timeframe	Begin in 2025

The prior initiative focuses on evaluating how many posts the County needs to fill and then finding the right balance between hiring enough staff to support the staffing plan versus filling some slots on overtime

[30] The all-in cost to add 1,748 hours of overtime is lower if the officers working the overtime are less senior. All-in costs include base salary, health insurance, pension, life insurance, and workman's compensation as applicable in each category. As discussed in the Workforce chapter of this report, actual costs may be higher due to additional cash compensation elements such as, but not limited to, longevity payments, step increases, and shift differentials.

because in instances when it is more cost effective (e.g., short term staffing need influxes, or if the employees that work the overtime are generally less senior and therefore less expensive).

Another way to reduce personnel costs is to better utilize part-time positions, which have the advantage of filling open slots at a lower cost since the County may not incur health insurance or pension benefit costs for those employees.[31]

The first step is to fill the part-time positions that already exist. The Prison is authorized to have 13 part-time correctional officers. However, since 2021, it has had no more than three of these positions filled at the start of each fiscal year. In recent months the Prison has had no part-time officer positions filled.[32]

The Prison has struggled to maintain its part-time positions because it routinely transfers individuals in training to full-time positions as soon as they become available. The Warden believes this practice is necessary to keep qualified candidates in the pipeline whom he believes are only willing to enter training because they know a full-time position may become available in the future.

The most recent cohort of new correctional officer hires provides an illustrative example of the dynamic at play. In September the County Commissioners and Human Resources approved the Prison's request to begin a new training class with 13 full-time officer candidates and seven part-time officer candidates in an effort to fill existing vacancies. At the conclusion of training, just six of the 20 candidates in the class remained, all of whom were offered and took full-time correctional officer positions at the Prison.

This example highlights two key challenges:

- Less than one third of candidates entering CO training ultimately went on to complete and take positions with the prison.
- Because the attrition rate was so high, and because the remaining candidates wanted full-time employment, *all* available part-time positions remain vacant.

Additional data and analysis are needed to determine whether the attrition rate in the most recent cohort is anomalous or reflective of a trend. However, Prison officials shared that it was common for part-time candidates and officers who want a full-time position to move into it quickly.

Using the part-time positions as a pipeline to identify, hire, and train future full-time officers is a good practice. However, available data suggests it is not sufficient to fill both part- and full-time vacancies for the Prison. To remedy this, the Prison must work in partnership with Human Resources to evaluate the timing and effectiveness of its current recruitment process, including the frequency with which new officer training classes begin.

CJ10	**Digitize record keeping and maintenance at LCP**
Responsible parties	Prison, Information Technology
Timeframe	Complete by December 2026

Many departments across the county government, including the Prison, rely heavily on paper records for essential operations. At LCP, several pieces of critical and very sensitive information—such as payroll,

[31] Non-union employees who work more than 1,000 hours per year are eligible for a pension. Additionally, retired correctional officers hired for part-time correctional officer positions are eligible for health insurance.
[32] August, September, October 2024 as reported to the prison board. Further data collection required to determine the total number of months with zero part-time officers employed.

benefit time, duty rosters, administrative segregation orders, use of force reports, separations, and some grievance requests—are managed exclusively on paper.

This dependence on paper records can lead to inefficiencies, delays in information retrieval, and potential inaccuracies. For instance, sentencing data from the courts is manually entered into the Offender Management System (OMS) at the prison, raising concerns about the timeliness and accuracy of this vital information. Paper records (which do not require a password to access and cannot easily have information redacted) are also less secure.

To address these challenges, the Prison should implement integrated electronic systems that enhance administrative efficiency and reduce reliance on paper records. This initiative aligns with broader issues identified throughout County government, where many departments face insufficient storage space for paper records and find it time-consuming to retrieve specific documents when needed. The size of the operation and sensitivity of the information collected at LCP move the Prison to the front of the line for addressing this need.

Manage inmate population growth

The previous initiatives have described strategies the County should use to reduce personnel costs and improve service effectiveness and efficiency at LCP, under the assumption that the Prison population itself will not change.

As noted in the chapter opening, Lackawanna County has the second highest county prison incarceration rate out of third class counties, surpassed only by Dauphin County. In 2022 Lackawanna County's in-house county inmate incarceration rate was 250 inmates per 100,000 residents (i.e., excluding USMS detainees and outboard inmates on house arrest or detained elsewhere). This exceeds the third class county median of 163 inmates per 100,000 residents and the median of all Commonwealth counties reporting data (n=60) of 187 inmates per county residents.

Post-COVID, the LCP inmate population increased 9.7 percent per year from 2020 to 2023. Although the county prison population had not surpassed pre-covid levels yet as of September 2024, it will within the next two years if the current growth rate continues.

From a financial perspective, the County's high incarceration rate, relative to other Pennsylvania counties, and increasing prison population indicate a need for more proactive population management. Incarcerating individuals is costly since it puts the County in the position of being food and medical provider in a secure residential facility. While financial results should obviously not be the sole or perhaps even the primary lens through which the County thinks about prison population, the financial implications of a large and growing incarcerated population also cannot be dismissed. The Prison's budget consumes too large a portion of the County budget for it to be exempted from cost control efforts.

County leaders should staff to meet operational needs for critical public safety positions, while simultaneously pursuing long-term strategies to reduce staffing needs and improve efficiency.

The following initiatives focus on population management within the Prison and system-wide coordination. The final section of this chapter will explore alternative sentences as a tool to reduce reliance on incarceration.

CJ11	Re-tool existing positions to proactively manage population growth
Responsible parties	Prison
Timeframe	Determine changes in 2025; include in 2026 budget

From 2014 to 2017, the Prison had a grant-funded Reentry Manager position. After the grant ended, the individual in that role assumed additional duties and became the Deputy Warden of Administration. Although she continued to perform many reentry manager functions for several years, the role was effectively eliminated by 2021.

The Prison has another position—the Population Control Officer— that is a permanent, County-funded role that could assume the most critical functions of the Reentry Manager related to proactive population management. The Population Control Officer, a supervisory role within the Records Unit, is currently responsible for ensuring that sentencing, bail, and other court orders are accurately and promptly entered into the Offender Management System (OMS). The County should update the job description for the Population Control Officer and may need to marginally increase the salary if there is a significant addition in duties.

This will enable LCP to regain the core functionalities of the Reentry Manager without adding a new position. The Population Control Officer should collaborate closely with relevant County partners, including the Criminal Justice Coordinator if such a role is established (see Recommendation CJ12 below).

Additionally, LCP employs seven correctional counselors responsible for responding to inmate requests, counseling inmates individually regarding their needs, and managing relevant records. Prison officials believe these positions could be more fully leveraged to help inmates navigate the criminal justice system, reduce detention time, and improve post-release outcomes. For example, counselors could proactively ensure inmates understand the public defense process, provide applications upon admission, prepare home plans, and coordinate with courts and probation to facilitate speedy access to justice.

Notably, expanding and refocusing the correctional counselor role is not unprecedented. In 2017 and 2018, when the Prison contracted with the state Department of Corrections to house and provide programming for technical state parole violators, additional correctional counselor positions were added, and specialized training was provided to enable them to administer the necessary programming directly.

CJ12	Increase strategic coordination on criminal justice system initiatives
Responsible parties	Commissioners (with support and buy-in from the Courts & Prison Board)
Timeframe	Begin in 2025

While it is critical for the Prison to act, it cannot achieve goals of long-term population reduction in isolation. Moreover, there is no shortage of criminal justice initiatives and alternatives to incarceration in Lackawanna County. What the County needs now is a coordinated strategic approach to managing the criminal justice system.

The County should establish a criminal justice coordination and oversight function within the executive level of County leadership. This role could sit within the Department of Revenue and Finance or a central administrative function[33]. The Criminal Justice Coordinator's primary responsibilities would be to:

1. Increase coordination between departments, row offices, and the Courts; breaking down silos and administrative or regulatory barriers where they exist

2. In partnership with criminal justice leaders, establish key performance metrics that can be readily collected and will inform long-term strategic planning and investments, and

[33] Please see the Financial Management chapter for discussion of creating a new Chief Clerk position.

3. Make recommendations to the Commissioners, salary board, prison board, and other bodies as appropriate with respect to policies, funding, position creation or consolidation, and the reallocation of responsibilities.

While it is not the focus for this report, criminal justice leaders raised important questions about how bail may contribute to the prison population in Lackawanna County. Data for analysis was not available, nor within the scope of this engagement. However, this topic warrants further review as part of the County's long-term criminal justice strategy.

The next section provides an overview of the current alternatives to incarceration and a high-level comparison of investment required for each.

Alternatives to Incarceration

County resources allocated to alternatives to incarceration include the entirety of the Adult Probation and Community Corrections budgets. In addition to these departments, the Courts play a leading role developing treatment courts and authorizing use of alternatives to incarceration. The Courts' roles are broader, however, and much of their budget and staffing is allocated to other criminal, civil, family, and juvenile cases.

In addition to these entities, the District Attorney's Office is a key partner with authority to approve or deny participation in some programs. The Prison, framed here as the alternative to these programs, is a key stakeholder and partner in the County's broader effort to manage its criminal justice population safely and efficiently.

Adult Probation

Adult Probation is an arm of the Courts and is overseen by the Court Administration. Its budget and personnel, as shown below, are funded by the County except for an annual state appropriation for grant-in-aid. This structure is standard across the Commonwealth.

Adult Probation was allocated $5.4 million in the County's 2024 General Fund budget, or 3.3 percent of the total. From 2019 through 2023, annual expenditures have increased 5.1 percent per year. The baseline projection shows continued growth at 4.1 percent per year, reaching $6.4 million in 2029.

Adult Probation had 58 full-time employees as of January 5, 2024. The department did not have part-time employees during the review period. Total personnel costs for 2024 were budgeted at $4.9 million, or 89.6 percent of the department's budget.

The department collects monthly fees from individuals under its supervision. Previously, the Commonwealth retained 50 percent of supervision fee revenue and then returned it to counties through annual budget appropriations. Counties now retain the full amount collected.

In Lackawanna County, probation supervision fee revenue was approximately $800,000 per year from 2019 through 2022. The preliminary data for 2023 does not show any revenues collected, although County officials expect that revenue will eventually be recorded here through the auditing process. The baseline projection assumes $700,000 per year in supervision fees. Adult Probation also receives "grant-in-aid" that averaged $136,000 per year from 2019 through 2023.

Adult Probation Budget and Personnel by Type, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Personnel	$3,757,757	$3,736,063	$3,940,576	$4,396,519	$4,633,212	$4,872,692	5.4%
Operating	$472,780	$488,479	$407,197	$469,372	$522,736	$567,405	2.5%
Other	$0	$0	$0	$0	$0	$0	N/A
General Fund Expenditures	**$4,230,538**	**$4,224,543**	**$4,347,773**	**$4,865,891**	**$5,155,948**	**$5,440,097**	**5.1%**
Fines and Fees	$845,562	$924,410	$526,327	$909,838	($98,325)	$700,000	N/A
Grants and State Support	$100,457	$198,581	$141,665	$0	$238,176	$158,000	24.1%
Other	$85,726	$16,972	$83,950	$201,068	$300,779	$92,500	36.9%
General Fund Revenues	**$1,031,745**	**$1,139,963**	**$751,941**	**$1,110,906**	**$440,630**	**$950,500**	**-19.2%**
Filled (Full-Time)	47	47	52	59	58	58	5.4%
Vacant	5	5	6	1	2	3	-20.5%
Authorized Employees	**52**	**52**	**58**	**60**	**60**	**61**	**3.6%**

Community Corrections

The Community Corrections Department (or House Arrest) was allocated $1.1 million in the 2024 General Fund budget, or 0.7 percent of the total. From 2019 through 2023, annual expenditures have decreased 4.1 percent per year due to the elimination of the work release program in 2020. The baseline projects the department budget to grow 3.8 percent per year, reaching $1.3 million in 2029. It does not assume that the work release program will be restored.

Community Corrections had 10 full-time employees as of January 5, 2024; the department had one part-time employee in 2019 and 2020. Total personnel costs for 2024 were budgeted at $886,000 or 80.1 percent of the department's budget. The department's largest operational expense is its contract for electronic monitoring, which was budgeted at $153,000 in 2024. Under the current contract, which runs through 2027, the County pays $2.80 per day for active electronic monitoring bracelets, with a minimum monthly contract cost of $12,775 (150 bracelets).

The department collects daily fees from participants to offset the costs of supervision. In 2023, the department collected $679,000. Fee collection is discussed in more detail below.

Community Corrections (House Arrest) Budget and Personnel by Type, 2019-2024

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Personnel	$1,201,092	$935,158	$917,027	$929,786	$932,539	$886,319	-6.1%
Operating	$166,981	$249,614	$194,874	$201,229	$224,209	$220,800	7.6%
General Fund Expenditures	**$1,368,074**	**$1,184,773**	**$1,111,900**	**$1,131,015**	**$1,156,747**	**$1,107,119**	**-4.1%**

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Prelim.	2024 Budget	2019-2023 CAGR
Fines and Fees	$701,454	$403,674	$648,916	$630,825	$679,478	$675,000	-0.8%
General Fund Revenues	**$701,454**	**$403,674**	**$648,916**	**$630,825**	**$679,478**	**$675,000**	**-0.8%**
Filled (Full-Time)	14	14	11	11	10	10	-8.1%
Filled (Part-Time)	1	1	0	0	0	0	-100.0%
Vacant	1	1	0	0	0	0	-100.0%
Authorized Employees	**16**	**16**	**11**	**11**	**10**	**10**	**-11.1%**

Overview of programs

Lackawanna County offers different types of programs as alternatives to incarceration, aiming to rehabilitate offenders, reduce jail populations, and mitigate the collateral consequences of criminal charges. Lackawanna County's available programs range from pretrial diversion with the possibility of charge dismissal (least restrictive), to sentences with a mix of detention and electronic monitoring (most restrictive alternative to incarceration). Most programs involve community supervision by probation officers, including pretrial supervision, treatment courts, restrictive probation, and alternative rehabilitative disposition (ARD) programs. Individuals who are ordered to house arrest, or any other program with the condition of electronic monitoring, are supervised by the House Arrest Department. The total active caseload for community supervision in September 2024 was 3,232 supervised by probation officers and 169 supervised by House Arrest resident managers.[34] In comparison, there were 770 individuals detained in the County Prison (in-house).

Pretrial diversion programs

Five probation officers, including one supervisor, manage the pretrial caseload which consists of two programs as well as any individual ordered to pretrial supervision by a District Court or Common Pleas judge. Adult Probation reported 396 individuals under pretrial supervision.

- **Fresh Start Program:** Operated by the District Attorney's Office and the Courts, pretrial diversion allows individuals charged with low-level offenses, like minor marijuana possession, to participate in the Fresh Start Program. Successful completion leads to dismissed charges, helping participants avoid a criminal record.

- **Women's Re-entry Court:** Established in 2023, this program is intended to expedite the release of incarcerated women, and thereby prevent loss of housing, employment, or child custody. The Women's Re-entry Court enrolled 32 participants in 2023 and 56 from January to September 2024.

Treatment courts

Treatment courts offer specialized programs requiring participants to plead into the program, resulting in a conviction on their record. However, successful graduates can seek expungement six months after completion. The entry process involves identification and approval: the Specialty Courts Coordinator reviews jail rosters to find eligible individuals. In the future, she plans to begin weekly visits to engage with potential participants. The Prison's mental health coordinator screens newly booked inmates and makes

[34] Individuals who are on probation with electronic monitoring (typically under a sentence to Restrictive Probation) are counted in both caseloads.

referrals as appropriate. The District Attorney must approve applications, and the Coordinator ensures genuine interest before acceptance.

The County's treatment courts include:

- **Adult Drug Court:** For individuals with substance use disorders.
- **Co-Occurring Court:** For those with both substance use and mental health disorders.
- **Veterans Court:** Tailored to military veterans.
- **Family Treatment Court:** For individuals with open cases with Children and Youth Services.
- **Adult Mental Health Court:** For those with mental health disorders.
- **DUI Court:** For repeat DUI offenders, distinct from the ARD program for first-time offenders.
- **Domestic Violence Court:** For cases related to domestic violence.
- **Gagnon Court:** For probation violators or those who have failed other treatment courts, aiming to help individuals get back on track.

These courts are supported by grants from the Substance Abuse and Mental Health Services Administration (SAMHSA) and the Drug Court Pretrial Diversion grant that pay for staff and operations. Court data shows an average of 413 individuals served annually in specialty courts from 2019 to 2023, with 392 active in the first half of 2024. Ten probation officers, including one supervisor, oversee treatment court cases, each handling 40 to 45 individuals. Additional support includes a Treatment Court Coordinator, a Treatment Court Director, and six specialists across Court Administration and Adult Probation.

County personnel data (seniority report) indicates the SAMHSA grant funds 3.5 FTEs and the Pretrial Diversion grant funds 1 FTE. The SAMHSA grant award amount is $390,000 per year.[35] It is possible this revenue is recorded in a different line item. Grant revenue for the pretrial grant in Court Administration is recorded in 2019 ($75,000) and 2023 ($301,000).

<u>Restrictive probation</u>

Restrictive Probation, formerly County Intermediate Punishment, is a sentencing option more restrictive than traditional probation but less so than incarceration. Sentences may combine jail time and probation supervision, often with electronic monitoring under the House Arrest program. The County received state grants averaging $376,000 from 2019 to 2023, with $102,000 budgeted for 2024. From 2019 to 2022, there were an average of 225 restrictive probation sentences annually, with an average length of 2.6 months.

<u>Accelerated Rehabilitative Disposition (ARD)</u>

ARD is a statewide program offering deferred adjudication for low-level, first-time offenders. In Lackawanna County, it is primarily used for first-time DUI cases. Participants who successfully complete the program avoid a conviction on their record, as the offense is considered a deferred adjudication.

<u>Probation services</u>

As of September 2024, there were 3,232 individuals on probation, including those in pretrial supervision, treatment courts, and ARD. Traditional probation involves supervision without additional treatment or electronic monitoring. Nine probation officers, including one supervisor, manage these cases, each with 110 to 120 individuals. State grants help offset personnel costs, with an average of $136,000 received annually from 2019 to 2023 and $158,000 budgeted for 2024.

[35] Award amount provided by Court Administration. The county financial system contains a line for Court Administration, Sub-Department SAMHSA Treatment Court, Object 4286, Special Project Grant Revenue." However, this does not appear to be where revenue is coded for the grant because $0 revenue was recorded each year 2019-2024.

House Arrest Program

Judges may sentence individuals directly to house arrest for offenses like driving with a suspended license. It can also be part of restrictive probation with electronic monitoring or used for temporary release from County prison. Resident managers, who are trained corrections officers, monitor compliance and can return violators to prison. The program aims to reduce incarceration while ensuring public safety.

In 2023, there was an average of 178 individuals on house arrest, up from 119 in 2019, reflecting its expansion after the elimination of the Work Release program in 2020. Eight resident managers handle the caseload, which has not required staff increases due to the low case-per-manager ratio compared to other programs. House Arrest operates as a distinct county department reporting to the Prison Board and County Commissioners, differing from many jurisdictions where electronic monitoring falls under probation.

Work release program

Closed in March 2020 due to health risks associated with frequent ingress and egress from LCP at the onset of the COVID-19 pandemic, the work release program previously allowed incarcerated men to work outside the prison during approved hours and housed women separately (outside of the prison) near the University of Scranton. Before its closure, the program served an average of 47 men and seven women at a time (2019 through March 2020)

As public health restrictions eased and access to COVID testing and vaccines has increased, the Courts have urged the County to reinstate the work release program. However, the Prison and House Arrest departments are reticent to reinstate the program as it previously operated. The House Arrest director cited significant security concerns related to introduction of drugs and other contraband into the prison by participants coming and going daily, which required strip searches each time a participant returned to the prison. There were also operational and security challenges with the women's work release program, which was run out of a rental near the University of Scranton. In addition to needing a separate facility, department leadership estimates at least five FTEs would be needed to staff a reinstated work release program.

Throughout Pennsylvania there are different models for work release or community corrections centers, including programs operated by the County or by a private or non-profit entity. As of 2022, according to statewide county jail data collected and published annually by the Pennsylvania Department of Corrections, 13 counties reported having a work release or community corrections program operated in a facility separate from the county prison. Six counties reported having participants in the externally housed work-release programs in 2022 with an average of 32 participants. The largest of these programs was Bucks County, which reported 117 (average daily work-release population) at a separate facility.

Because the anticipated facility and staffing needs of a new work release program are substantially different from the program that existed pre-COVID, PFM does not include an average cost estimate for work release in the table below. PFM recommends further consideration of the goals and needs of a work release program in Lackawanna County to determine the type of program that would best serve the County's needs and align with its current financial limitations.

Program cost comparison

As shown above, personnel accounts for more than 80 percent of Adult Probation and House Arrest department expenditures. Programs described in this section are personnel heavy, but average caseload size – and therefore average cost per participant – varies widely. Probation officers supervising a traditional probation caseload have the highest caseloads, typically 110 to 120 per officer as estimated by the department head. Probation officers assigned to pretrial supervision and treatment courts have smaller caseload sizes, about 80 and 40-45, respectively. House Arrest, in contrast, had just 21 participates (average daily caseload) in 2024 per resident manager. County prison staffing ratios and costs are shown for context. In 2024 there were approximately four inmates for every corrections officer.

Community Supervision Typical Caseload

Program	Cases Supervised by	Average Caseload per Employee
Traditional Probation	Adult Probation	110-120
Pretrial Supervision	Adult Probation	~80
Treatment Courts	Adult Probation	40-45
House Arrest	Community Corrections	~20
County Prison (in-house)	Prison	~4[36]

The other primary determinant of staffing costs is salary. House Arrest resident managers are members of the Prison collective bargaining group and earned a base salary of $53,867 on average in 2024. Probation Officers are members of the Probation and Domestic Relations bargaining group and earned $54,877 base salary in 2024 (average). Both employee groups have lower average base salaries than Corrections Officers according to the County data.

House Arrest, Probation, and Prison Base Salaries, 2024, 2029 (projected)[37]

Department	Position Title	Collective Bargaining Group	Average Employee Salary 2024	Average Projected Employee Salary 2029
House Arrest / Community Corrections	Resident Manager	Prison (AFL-CIO)	$53,867	$62,446
Adult Probation	Probation Officer	Probation and Domestic Relations	$54,877	$65,177
Prison	Correctional Officer	Prison (AFL-CIO)	$61,457	$71,246

As shown in the table below, the average cost of County prison detention per inmate dwarfs the cost of house arrest and probation alternatives per participant, even if one adjusts for the potential duplication of services between the two community supervision departments.

Department-Level Program Costs

Department	Department Costs 2023	Department Revenue 2023*	Net Cost 2023	Percent Cost Recovery	Average Net Cost per Participant for one year
Adult Probation (pretrial, treatment courts, straight supervision)	$5,155,948	$950,500	$4,205,448	18% (Monthly supervision fees and state grant revenue)	$1,301

[36] Total inmates in the prison divided by total correctional officers employed. This is necessarily lower due to the 24/7 nature of prison operations, and is on par with typical inmate to officer staffing ratios nationally.
[37] Base salary only. Does not include benefits, pension, or other cash compensation.

Department	Department Costs 2023	Department Revenue 2023*	Net Cost 2023	Percent Cost Recovery	Average Net Cost per Participant for one year
House Arrest (Community Corrections)	$1,156,747	$679,478	$477,270	59% (Daily electronic monitoring fees)	$2,681
Lackawanna County Prison	$32,610,730	$7,265,554	$25,345,176	22% (use-based phone fees)	$34,377

Note: Probation calculation uses current supervision population as of September 2024 (historical not provided) and assumes 2024 budgeted revenue due to inconsistencies in 2023 revenue recorded relative to prior years.

However, average costs do not tell the full story. It is important to understand how the cost of operations and the number of staff required will change if the number of inmates or supervised individuals changes.

- **House Arrest:** As noted above, the average caseload size for house arrest is quite low, meaning the average cost per participants has decreased as the average supervised population increases. The program does not face a hard capacity ceiling from a caseload perspective, although a substantial increase in supervisees could require an increase to the contract for electronic monitoring bracelets and technical support services.
- **Probation:** In contrast, probation caseloads are at recommended levels. A significant increase in the supervised population there would warrant consideration of additional staffing.
- **Prison:** In the prison, there are some marginal costs for food, laundry, and some healthcare costs that would increase for each inmate added to the population. However, larger cost changes occur when there is a change in inmate population large enough to necessitate opening (or allow closure of) a housing unit – about 100 inmates.

Initiatives

CJ13	Increase use of alternatives to incarceration
Responsible parties	Courts, with support of District Attorney
Timeframe	Begin in 2025
Fiscal Impact	Between $50,000 and $1.6 million per year, 2025-2029

From a financial perspective, the direction that the County should head is clear -- it should increase use of alternatives to incarceration. While we are aware that there are many non-monetary considerations related to criminal justice, the information we present here is focused on the financial benefits of this strategy. Other parties should provide their perspective on those considerations in the conversations that follow this plan's release.

We also acknowledge this change that must be carried out through many individual decisions made by Judges and supported by the District Attorney. It is not something the County Commissioners can implement, though they are responsible for funding and hiring processes and many administrative functions that support criminal justice. If implemented, the criminal justice coordination function described in a prior initiative would help effectuate this change.

To illustrate the financial impact, PFM provides fiscal analysis in three scenarios below:

- **Scenario A:** Reduce Prison population by 25 inmates; assume a corresponding increase in the increase in the House Arrest population.
- **Scenario B:** Reduce Prison population by 50 inmates; assume a corresponding increase in the increase in the House Arrest population.
- **Scenario C:** Reduce Prison population by 100 inmates; assume a corresponding increase in the increase in the House Arrest population.

Some of this population change could be achieved by moving currently detained inmates to house arrest, if there are inmates who are appropriate candidates and can be safely supervised in the community. However, that is not the only avenue, nor likely to be sufficient to sustain a larger population reduction over time.

Key fiscal assumptions

PFM's fiscal analysis assumes the population reduction for the prison would be achieved in 2025 and sustained throughout the projection period (2029). Recognizing it takes time to make operational and staffing changes, however, PFM phases in the fiscal impact by 50 percent in 2025, 75 percent in 2026, and assumes full impact beginning in 2027.

The largest of these population changes, assuming an equal number of participants would be added to the House Arrest caseload, would increase the average caseload to about 35 participants per resident manager – still below the target of 40 participants per resident manager. Therefore, no staffing changes are included in the cost.

The current House Arrest contract with the electronic monitoring vendor extends through 2027 and allows additional bracelets above 150 (already surpassed by the current caseload) to be added for $2.80 per day. Fee revenue would also increase. The projections shown here assume continuation of the current 70 percent collection rate.

Prison cost savings would be minimal until the prison population reduction is significant enough to close a housing unit. For illustrative purposes, PFM shows the savings if 15 percent of prison expenditures grow at a marginal cost rate. These would include costs such as food, laundry, electricity, and some medical costs that increase based on usage in proportion to the inmate population.

Based on operational information provided by the Prison, one of the three dormitory units would be the most likely candidate for closure (one is already closed), resulting in a decrease of 10 FTEs required to operate the facility.[38] Importantly, the Prison is currently accruing high overtime costs because its staffing levels are below the level needed for full operations.

The costing assumptions shown here assume full staffing as a starting point to illustrate the cost impact in each scenario. If a housing unit were closed today, the prison may first reduce overtime before considering a decrease in its complement. If a decrease in complement is appropriate in the future, it could be achieved through attrition or transferring employees to the House Arrest department. Under current collective bargaining agreement, corrections officers keep their seniority and accrued leave when they transfer to House Arrest.

[38] Estimated salary and wage increases in the projection period include base salary increases only. As discussed in the Workforce chapter of this report, actual costs may be higher due to additional cash compensation elements such as, but not limited to, longevity payments, step increases, and shift differentials.

Net impact on baseline budget projection

As shown in the table below, the County would save a cumulative total of between $500,000 and $6.6 million over the projection period (2025 through 2029) under the three scenarios.

Net Change from Baseline (Expenditure Reduction)

Volume of Criminal Justice Population Change	2025	2026	2027	2028	2029	Cumulative Total
Scenario A: 25	($55,000)	($84,000)	($112,000)	($113,000)	($115,000)	**($479,000)**
Scenario B: 50	($110,000)	($167,000)	($225,000)	($227,000)	($229,000)	**($959,000)**
Scenario C: 100	($726,000)	($1,120,000)	($1,537,000)	($1,582,000)	($1,630,000)	**($6,595,000)**

The fiscal impact can be further disaggregated by department as follows. Prison cost savings are minimal under the first two scenarios. Only with a population change large enough to close a housing unit can more significant savings be achieved. Importantly, closing the housing unit could allow for an immediate reduction in overtime, however the savings projected show the impact of reducing the number of correctional officers by 10 FTEs (assuming the median salaried officer).

Notably, the proposed changes would result in savings for House Arrest even though its participant count would increase. This would occur because the number of staff would remain the same and fees collected (even assuming a 70 percent collection rate, which is the current rate) would more than cover the added operating cost of additional electronic monitoring bracelets under current contract terms.

Change from Baseline for Prison: Expenditures

Volume of Inmate Population Reduction	2025	2026	2027	2028	2029	Cumulative Total
Scenario A: 25	($20,000)	($31,000)	($42,000)	($43,000)	($44,000)	**($180,000)**
Scenario B: 50	($40,000)	($62,000)	($84,000)	($86,000)	($88,000)	**($361,000)**
Scenario C: 100	($585,000)	($909,000)	($1,256,000)	($1,301,000)	($1,349,000)	**($5,400,000)**

Change from Baseline for House Arrest: Expenditures

Volume of House Arrest Participant Count Increase	2025	2026	2027	2028	2029	Cumulative Total
Scenario A: 25	$13,000	$19,000	$26,000	$26,000	$26,000	**$109,000**
Scenario B: 50	$26,000	$38,000	$51,000	$51,000	$51,000	**$217,000**
Scenario C: 100	$51,000	$77,000	$102,000	$102,000	$102,000	**$435,000**

Change from Baseline for House Arrest: Revenues

Volume of House Arrest Participant Count Increase	2025	2026	2027	2028	2029	Cumulative Total
Scenario A: 25	$48,000	$72,000	$96,000	$96,000	$96,000	**$407,000**

Scenario B: 50	$96,000	$144,000	$192,000	$192,000	$192,000	**$815,000**
Scenario C: 100	$192,000	$288,000	$384,000	$384,000	$384,000	**$1,630,000**

To achieve the above-described savings, the county should consider increasing its use of electronic monitoring with pretrial release supervision for low- and moderate- risk pretrial individuals in lieu of incarceration. Individuals that can be safely released without supervision should continue to be. For eligible charges, judges should also consider house arrest or restrictive probation as an alternative to incarceration.

CJ14	**Evaluate use of fees to fund alternatives to incarceration**
Responsible parties	Commissioners, Revenue and Finance
Timeframe	Complete by December 2026

The County currently requires participants in alternatives to incarceration programs to pay fees to offset supervision and program costs. Judges have the discretion to reduce or waive these fees based on a participant's ability to pay. Reducing or waiving fees can increase equity and access to these programs, potentially benefiting the justice system as a whole.

The House Arrest Department Director has a different perspective. He prioritizes fee collection and views it as a key measure of his program's success. To facilitate this, he has instituted a practice of requiring the full upfront payment for 90-day house arrest sentences ($1,350) to ensure payment. Fee revenue dropped significantly in 2020 due to state-mandated fee waivers during COVID-19. Since then, average collections from 2021 through 2023 were 74 percent, assuming the total that could be collected in each year was equal to $15 per day multiplied by the average active caseload in the year[39].

Fee collection was also cited by the department head as a strength of the work release program compared to house arrest. In work release, the department could garnish participants' wages to cover fees, court costs, and child support, leading to better fee collection than in house arrest.

The County should reconsider its goals in setting and collecting fees. If ensuring participants are committed to their programs is the objective, a sliding scale based on ability to pay may be more appropriate. This approach could maximize cost recovery while ensuring fairness. Reducing or eliminating fees could lower barriers to entry, enabling more individuals to participate in house arrest and potentially reducing the prison population. Notably, house arrest costs the County significantly less than incarceration—$2,681 versus $34,377 per participant annually – so the cost advantages for increasing participation in these programs are clear.

[39] This may differ from the budgeted revenue amount which is based on projected caseloads.