

Getting the county's financial house in order

By Duane Murner, Oldham County Judge-Executive

A year ago, a group of 20 Oldham Countians, called the vision council, delivered to us a well-thought-out document described as a roadmap for the future of Oldham County. Six months ago, fiscal court adopted that document as a guideline. But there is an oft-quoted statement (Congressman Hal Rogers may be the original author) that says, "A vision without financing is a hallucination."

The work of our administration during the past fiscal year has been devoted principally to getting our financial house in order. This was necessary because years of relentless growth had begun to drain our finances to the point that eight of the past nine years have required dipping into reserves to meet current expenses. There is no blame and, even if there were, it is spread and diluted over several administrations (two of which included me as a member of fiscal court).

The financial housecleaning has involved four steps: (1) reducing expenses; (2) increasing revenue; (3) reducing our exposure to long-term debt where our ability to meet debt service is uncertain; and (4) doing what we can to mitigate unfunded mandates from the state and federal government.

Our expenses have been dramatically pared, including a 15 percent reduction in staff, partly through attrition, but largely through a painful layoff, as well as creative combining of responsibilities. Contracts have been re-negotiated. Through great cooperation with our jailer and his staff, we have dramatically increased use of inmate labor. Many other examples have resulted in our ability for the first time in many years to propose and pass a balanced budget, i.e., one that begins to restore reserves.

There are three principal revenue sources on which counties depend. They are: (1) occupational tax; (2) real estate tax; and (3) insurance premium tax. Most counties have an occupational tax that provides the bulk of their revenue. (Metro Louisville pays 57 percent of its expenses from its occupational tax.) We have none. Our real estate tax was reduced in 2006 from 9.3 cents per \$100 to 9 cents, where it remains in the lowest 30 percent of Kentucky counties. Our insurance premium tax is 10 percent which makes it one of the highest in the Commonwealth. But on balance, given these relative positions, Oldham County government is among the most efficient in Kentucky.

We have two worrisome exposures to long-term debt. The first of these is Oldham Reserve which has been cured through a partnership with the Talmadge Hocker Group which exchanged debt exposure for a reduced profit potential and the agreement to facilitate some infrastructure. Oldham Reserve remains a beacon to continued economic development done the right way. The other exposure belongs to the Oldham County Sewer District where we have some direct, and some collateral, exposure. We are assisting OCSD in a financial workout involving expense reduction, rate increase and debt re-structuring.

Finally, we have some unfunded mandates which we are working to relieve through our magistrates and judges associations and through our legislators. The pension relief which just passed the state legislature should result in about \$112,000 benefit (2 percent of our payroll). We

face significant expenses in connection with federal EPA enforcement of the Clean Water Act, which now applies to us under Phase II of the Storm Water Management program, and we will have to create a Storm Water Utility. The jail subsidy requirement of about \$360,000 from our general fund remains unanswered.

Our principal efforts in the new fiscal year will center on making this balanced budget plan a reality, and an orderly approach to planning for capital improvements. A newly-formed committee of magistrates, chaired by Magistrate Steve Church, will tackle the capital improvements challenge. We not only welcome, but need, positive, constructive and specific input from Oldham County residents, and we are grateful for those who communicate with us in on-going efforts to make this a great community.

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