**FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL**

**MINUTES**

**March 22, 2013**

PANEL MEMBERS PRESENT:

Ty Marsh, Chair; Pierre Bigby; Bill LaFayette; Frederick Ransier; Timothy Robinson; William Shkurti

ABSENT: Karen Morrison; Martyn Redgrave; Bea Wolper

OTHERS PRESENT: Commissioner Paula Brooks; County Administrator Don Brown; Deputy County Administrators Ken Wilson and Erik Janas; Jim Schimmer, Director of Economic Development and Planning; Deputy Director of OMB, Zak Talarek; OMB Staff, Heidi Hallas Warren

GUESTS: Shannon Cross Hanna Greer-Brown; Michael Hartley; Michael Salvadore

Materials in the order distributed:

- **Minutes from March 8, 2013 Panel Meeting**, 13 pages.
- **Top General Fund Budget Drivers 2013 Approved Budget**, prepared by Franklin County Office of Management and Budget (pie chart), 1 page.
- **2013 Unfunded Mandates and Core Services in Franklin County**, prepared by Franklin County Office of Management and Budget, 5 pages.
- **2013 Other Elected Officials and Miscellaneous Expenses in Franklin County**, prepared by Franklin County Office of Management and Budget, 2 pages.
- **2013 Grants**, prepared by Franklin County Office of Management and Budget, 3 pages.
- **Expanding Medicaid in Ohio: Analysis of likely effects**, Ohio Medical Expansion Study, 24 pages.
- **Budget Timeline Comparison**, prepared by Franklin County Office of Management and Budget (bar chart), 1 page.
- **Expanding Medicaid in Ohio: County-level analysis**, Ohio Medical Expansion Study, 12 pages.

Chair Ty Marsh convened the meeting at 2:08pm.

Mr. Marsh provided a very brief recap of the 3/8/2013 meeting. There will likely be another presentation related to the State budget, and relevant considerations for this Panel. The budget bill is in the House, it does appear that all the tax issues that were in HB 59 are being pulled out in the House version. That changes our dynamic. Today, we continue to go through core information, to get our arms around the County's finances and budgeting. Included in today is an overview of budget drivers and Medicaid expansion. At the end of this meeting, to lay the ground work for future meetings, we will discuss how we can confirm, as a committee, the structural budget imbalance that has been presented to us. This is one of our first acts; to say we indeed confirm this to be the case.

Mr. Marsh thanked Commissioner Brooks for her participation. Commissioner Brooks stated she is looking forward hearing the Panel's recommendations.

Mr. Wilson began at the top of the agenda. He stated that at the last meeting we began to discuss the General Fund budget drivers. First, I want to bring to your attention the pie chart: *Top General Fund Budget Drivers 2013 Approved Budget.* The biggest slice (in blue) is the Core Services.

In addition to the pie chart, we will look at accompanying information that more specifically breaks down the areas of funding illustrated by the pie chart. First we will look over the *2013 Unfunded Mandates and Core Services in Franklin County* document.

Mr. Wilson read the items in order. [Read pages 1 and 2 of this document for information].

**[Throughout this document, note the <u>amount of money spent</u> in each area, found on the right side of each item].**

Mr. Wilson moved to page 3 of the document, Core Services - General Fund. He pointed out the Board of Elections item (first item on the page). He stated as discussed at the last meeting, counties are obligated to provide funding to support Boards of Elections, as long as the BOEs requests are viewed as reasonable and necessary.

Commissioner Brooks stated that “reasonable and necessary” has often been the subject of litigation. It makes the notion of County Boards’ discretion more ambiguous.

Mr. Wilson continued to read the items in order. In regards to the Dog Warden (second item on page 3), Mr. Wilson stated the amount to fund the Dog Warden, listed on the right of the item, is a subsidy from the General Fund. The Animal Shelter is funded by fees; adoption, dog license, etc. However, those fee-based revenue streams do not raise enough to support the operation the department; hence the subsidy. The Commissioners recently approved a Resolution allowing OMB to do a study of the fees; to determine how the fees may be modified in order to lessen the reliance upon the General Fund subsidy.

Mr. Wilson continued by reading the last item on page 3, Courts. [Read this item in the document for information].

Mr. Wilson continued by reading the first item on page 4, Prosecuting Attorney. Mr. Wilson pointed out this is another area where litigation can be sought, if adequate funding is not provided by the Board of Commissioners. [Read this item in the document for additional information].

Mr. Wilson continued by reading the second item on page 4, Sheriff. Mr. Wilson pointed out this is the largest budget driver for Unfunded Mandates out of the General Fund. This money funds mandated Sheriff functions: calls for service, and operation of jails (Franklin County has two (2) correctional facilities).

Mr. Ransier asked if it is the case that the Common Pleas Court sets the aggregate amount, then the General Fund is used to furnish that amount. Mr. Brown stated the Prosecuting Attorney determines what is reasonable and necessary. If the Prosecuting Attorney’s opinion is challenged, the Court of Common Pleas is the arbiter of the dispute. Mr. Ransier asked if the Board of Commissioners has input into the Courts budgeting process. Mr. Brown stated the parameters of Board influence are found only in its power to negotiate with the Prosecuting Attorney and the Court of Common Pleas before it goes to court order. Mr. Shkurti asked what the history of such matters has been. Mr. Brown stated that in other counties, things have gotten rather “bloody”. In Franklin County, over the last 7 to 8 years, we have been able to successfully negotiate, and reach compromise with the Prosecuting Attorney, the Public Defender, the Board of Elections, and other offices that have the ability to seek a mandamus from the Court. Commissioner Brooks said it is a difficult situation; Boards want to have good relationships with these offices. She thinks it is a subject area that should be studied by the Modernization Commission. Mr. Brown stated the burden of proof is on the Commissioners, to demonstrate that the requested budget allocation is not reasonable and necessary. Mr. Shkurti asked when was the last time a case like this was in front of the Court in Franklin County. Mr. Wilson stated in 1999 there was a MOU attached to the appropriation measure that was signed by the sitting Commissioners and the Courts.

Mr. Brown explained, the Veterans Service Commission (VSC) did threaten, and voted as a commission, to challenge the Board of Commissioners' budget recommendation. They did so on the grounds that they (VSC) had constitutional power to set their budget. The Court of Common Pleas and Prosecutor advised them that they would lose that case. Commissioner Brooks stated the Board audited the VSC. It took place in 2009. Mr. Brown stated the Court decision was in favor of the Board of Commissioners.

Mr. Wilson turned the Panel's attention back to page 4 of the *2013 Unfunded Mandates and Core Services in Franklin County* document. He read the details of the third item, Indigent Defense. [Read this item in the document for information]. Mr. Wilson shared additional information regarding sup-item Appointed Counsel. Funding for appointed counsel in both the Domestic Relations and General Division of Common Pleas Courts is mandated. During the budget process, OMB reaches agreement with the respective Courts based on expense trend analysis of prior years. Normally, the Courts accept the outcome of this process, with the understanding that if they come back for supplemental appropriations, the Board has no choice but to provide them. Fortunately, there have been years in which the Courts have found funds in other areas of their budget that they can, and do, redistribute to fund the Appointed Counsel program.

Mr. Wilson continued to the last item on page 4, Debt Service Obligations. [Read this item in the document for information]. Mr. Wilson stated our ability to manage and keep County debt in line with available resources is a key area. It is constantly reviewed within the Office of Management and Budget.

Mr. Marsh asked how debt service is an unfunded mandate. Mr. Talarek answered this item is listed as a Core Service. True unfunded mandates are clear mandates from the State; in this report OMB is showing the net amount on those. [Top of page 3 labels a section of items as Core Services]. Core Services are somewhat mandated, in so much as appropriations deemed reasonable and necessary must be allocated to them. There is some, limited discretion and negotiation territory in setting budgets for these functions. However, the ability of these offices/agencies to have mandamus action informed OMB's decision to label these items as Core Services, and include them in a broader category of Unfunded Mandates. Mr. Brown restated the idea as three types of fixed obligations. One is constitutional, the second is statutory, the third is contractual. Debt Service Obligations are based on bond covenants in place that the obligate the County to a fixed expense to meet debt service.

Mr. Ransier asked if when there is a mandamus action, the County is "picking up the full tab." Mr. Wilson said yes that is the case. The obligation rests solely on the County. Some of the mandamus actions, when you read the decisions, the main focus is not *where* the money will come from, it is a matter of what amount is deemed necessary that the County is required to provide.

Mr. Robinson asked if the Debt Service Obligation includes principle and interest, making it a cash flow type of item. Mr. Brown and Mr. Wilson stated it is a cash flow item. Mr. Brown clarified; debt service is principle and interest. Mr. Wilson added the County maintains a policy of keeping out Debt Service Obligation to no more than 5% of available resources.

Mr. Wilson continued on to page 5 of the *2013 Unfunded Mandates and Core Services in Franklin County* document. This page lists significant mandates on the Non-General Fund side. These are mandates that are currently paid for by property tax levies requested by a community. He read down this list of items. [Read this item in the document for information; note that the first two items are called Unfunded Mandates, and the last two are called Core Services].

Mr. Janas stated Adult Protective Services is separate from the Senior Options program. The Senior Options program is discretionary, and it has been decided on by the community as a need. Adult Protective Services is a required mandate. Mr. Wilson read the description of the Adult Protective Services item.

Mr. Shkurti asked if the literal total of Unfunded Mandates in General Funds is the $15,737,235 figure found at the bottom of page 2. Mr. Brown clarified the total amount is the $15,737,235 figure, plus the $198,521,828 figure found at the bottom of page 4. Therefore, the total of Unfunded Mandates in General Funds is:

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| | TOTAL Unfunded Mandates-General Funds | $ 15,737,235 |
| + | TOTAL Core Services-General Funds | $198,521,828 |
| | TOTAL UM-GF | $214,259,063 |

Mr. Shkurti asked how much the County receives from the State via the Local Government Fund. Mr. Talarek stated in 2013 it is approximately $12,000,000. It used to be approximately $23,000,000. Mr. Shkurti stated that the State Legislature may argue "you have about $16,000,000 in Unfunded Mandates, you have a local government fund, what are you complaining about." But the point to make is that Unfunded Mandates have gone up, and the Local Government Fund has gone down.

Mr. Wilson began to cover the *Other Elected Officials and Miscellaneous Expenses in Franklin County* document. He quickly went through the Elected Officials listed on page 1 of in this document. [Read these items in the document for information].

**[Throughout this document, note the <u>amount of money spent</u> in each area, found on the right side of each item].**

Mr. Shkurti asked if there is the same statutory obligation for "reasonable and necessary" funding for those elected official listed on page one of this document. Mr. Wilson stated no there is not. Mr. Talarek stated that why OMB separated this group out. It is in statute that these offices need support, but they do not have the ability to take mandamus actions.

Mr. Wilson turned to page 2 of the *Other Elected Officials and Miscellaneous Expenses in Franklin County* document. This page lists Miscellaneous Expenses from General Fund. He quickly went through the Elected Officials listed on page 1 of in this document. [Read these items in the document for information].

Mr. Talarek turned the Panel's attention to the *2013 Grants* document. The light blue area on the *Top General Fund Budget Drivers…* document illustrates the relative impact grants have on the General Fund budget; 4%. The grants are split up between Community Partnership Grants (pages 1 and 2) and Economic Development Grants (page 3). He quickly reviewed pages 1 and 2 of the document. [Read these items in the document for information]. Mr. Talarek provided a bit of background on the Core Principle column. The Board of Commissioners has five main governance priorities in support of the community.

**[Throughout this document, note the <u>amount of money spent</u> in each area, found on the right side of each item].**

Mr. Marsh asked if these grants are ongoing every year. Mr. Talarek stated the agencies listed, and the amounts that they will receive from the County (listed as Grant Award), reflects only 2013 agreements. Of the Community Partnerships, Nationwide Children's Hospital has a multi-year agreement through 2015.

Commissioner Brooks stated it may be helpful if the Panel is given a retrospective of the Community Partnerships the Board has funded in the past. Mr. Janas agreed. What the Panel members would see is that the trend has gone significantly downward over the past few years.

Other than the Community Partnerships that are multi-year contractual obligations, each of the Community Partnership organizations goes through an application process that is reviewed every year. After review, organizations are recommended to the Board of Commissioners for consideration. Mr. Bigby asked if the decline in trend is related to the frequency of applications, or it is in regards to amounts actually granted. Mr. Janas stated it is reference to amounts actually awarded. Commissioner Brooks stated, in 2005 there was not a policy procedure in place for awarding grants. In response, policy was created as the Core Principle areas, and application process was put in place. Additionally, we work to match budgeting outcomes, community outcomes, with the grant awards. Mr. Talarek stated a couple of years ago the grant awards were over 20 million dollars. Mr. Janas stated you can see the significant change in amount. [Total-Community Partnerships $8,364,210 is found in the bottom right of page 2.]

Mr. Shkurti asked if in the 5-year budget projection the Panel received, is assumed the grant awards would continue at the current level. Mr. Talarek stated we assumed current level, and assumed the Nationwide Children's Hospital Better Birth Outcomes will drop off after 2015. In the Economic Development and Planning grant area (page 3), 2013 is the last year of support for the agreement with Columbus Regional Airport Authority; related to Rickenbacker merging with Port Columbus. Mr. Shkurti stated it appears there are some reductions already built in. Mr. Talarek stated yes, in the forecast provided to the Panel, it reflects that Better Birth Outcomes goes up in 2014 and 2015 to 2.25 million dollars, and then drops off. The 2 million dollars provided to Columbus Regional Airport Authority is assumed to be zero (0) in the out years of the forecast. Mr. Janas stated this was forecasted as such for a strategic reason. We knew one big number was coming off (the Airport Authority) so we could increase the amount of dollars we give to Better Birth Outcomes in the out years.

Commissioner Brooks stated in the past some grants have included Scioto Mile, Columbus Commons, and Lincoln Theater. Mr. Janas stated this is the line item under which the Commissioners have the ability to assist in large community priorities.

Mr. Marsh asked for clarification of how long ago Community Partnership grants total 20 million dollars. Mr. Talarek stated it was about 3 years ago. Commissioner Brooks stated those grant amounts were very high for several years prior as well. Mr. Talarek and Mr. Wilson stated they will provide the Panel with funding history. Mr. Wilson explained that due to the Great Recession, as State funding declined, this is the area in which the County had to make reductions. Mr. Janas stated in the same time period of the declines discussed thus far, there was a similar downward trend in contracts through the Department of Job and Family Services for providers. Four years ago, it was 28 million dollars, now it is 12 million dollars. As the County has seen our structural issues exacerbated by the Great Recession, we have had to pull back on our funding ability.

Mr. Marsh asked if the percentages illustrated on the *Top General Fund Budget Drivers* pie chart have remained consistent over the years. Mr. Wilson stated the Core Services area has been consistent. The Grants area would see more significant shifts if snapshots were taken for any given year. Mr. Wilson stated there was a period when the new Courthouse was built, the Animal Shelter was built, and the American Recovery and Investment Act dollars flowed through our budget, you would see more significant numbers. Mr. Robinson inquired if those would be considered capital expenditures. Mr. Talarek stated they would be. Building and Grounds is basically the budget for the County's Public Facilities Management. It would include utilities, building maintenance, housekeeping services, and telephone system operations. It is the basic backbone for the operations of facilities; these would be required to support the core services of the Prosecutor and Public Defenders, etc.

Mr. Shkurti asked if the County has conducted a study of building and land to determine if facilities can be consolidated. Mr. Wilson stated the County has just completed a space study master plan that looks out to 2030. Mr. Shkurti asked what the results were. Mr. Wilson stated one of the recommendations was the abatement and renovation of the Hall of Justice. Initially, a couple of years ago, the thought was to build the Hall of Justice all the way out; an 80 to 85 million dollar project.

However, the space study demonstrated we needed to only build out about three floors to provide facilities relative to actual need. That saved the County debt and the project is actually 42 million dollars. Commissioner Brooks stated Deputy County Administrator Bill Flaherty is the key resource for information on this topic. Mr. Shkurti asked if OMB and the Commissioners are convinced that County space is being optimally used. Mr. Janas and Mr. Wilson stated that was the purpose of the study. We will provide the Panel members with copies of this study. Mr. Flaherty can also brief the Panel. Mr. Ransier stated the County's population growth is also a factor in the Panel's considerations. The assumption is additional service provision will be required. He asked if the space study took this population growth, and subsequent need, into consideration. Mr. Janas and Commissioner Brooks stated it did. Mr. Shkurti stated the Panel members had been told that the number of County employees has either stayed the same, or declined. Mr. Wilson clarified the number of employees has declined over the last several years. Commissioner Brooks stated the decline is due to cuts and a deliberate focus on workforce management. Mr. Shkurti asked if space has been reevaluated in that context. Commissioner Brooks stated yes, and changes based on those considerations have been made. Job and Family Services Department's leased space has been reconfigured; including movement of a facility. This space oriented evaluation and action is constant. Mr. Janas stated Memorial Hall, for example, is overcrowded. The Office on Aging, a growing area of policy concern, continues to need more space. We're having conversations on space management every year. The space study was to try to look out over the long term. Commissioner Brooks added the County has space planners on staff.

Mr. Talarek returned to the *2013 Grants* document. He began an overview of page 3, Economic Development & Planning. He stated the Community Partnerships (pages 1 and 2) focus on housing, human services, and environmental stewardship. He read the details of the Economic Development & Planning Grants. [Read these items in the document for information]. Mr. Talarek did note, related to Experience Columbus, the County's investment of $1,250,000 supports a 7.8 billion dollar travel/tourism industry. Mr. Janas added it is important to understand how each of these grants awards line up with the Commissioners' Core Principles. Refer to the third column on each page for that explanation.

Mr. Robinson asked, with the funding for the Regional Airport Authority ending after 2013, are replacement items already scheduled in the out years. Mr. Janas explained that part of the immediate change will be the Better Birth Outcomes Program. It will go up from $1,000,000 to 2.25 million dollars. Movement will occur between the categories of grants. This was done intentionally in order to effectively address community needs related to Core Principles. Commissioner Brooks stated there may be additional needs at Rickenbacker as well. Mr. Janas stated there will be future evaluation of Rickenbacker as well. There will be future logistical priorities to consider. Commissioner Brooks stated we want those to be successful. Mr. Wilson stated the County is trying to keep as much flexibility as we can to meet emerging community needs. Over the course of time when we were reducing the number of community partnerships, there was an increased demand for homelessness services. The Commissioners were asked to provide supplemental funding, over and above the permissive conveyance fee that was passed to support those programs. Commissioner Brooks stated, specifically the homeless families center was serving three times the number of people it was designed to serve. Mr. Talarek explained in the Affordable Housing Trust (AHT), the original agreement stated the dollar permissive fee that from the transfer tax. Fifty (50) percent was to go to the AHT, and 50% to the Community Shelter Board. The AHT share of the permissive fees is 1.8 million dollars, but they are also getting General Fund dollars to ensure there are enough funds to support the needs of the community. [See page 1 of *Grants 2013* document].

Commissioner Brooks added COSI, the number one STEM opportunity in the community, in 2006 asked the Commissioners to grant 2 million dollars each year for three (3) years. The County deemed this support an important need as we see the technology corridor open up. We need to have good STEM education programs. Requested amounts from COSI have gone down, but it is a strong need in our community.

Mr. Janas summarized: Grant awards change year-over-year. Policy decisions are made based on community needs. I ask that you step back and look at the larger trend as we provide this information to you.

Additionally, recognize, in context, that when you add these two grant categories together (Community Partnerships and Economic Development & Planning) it totals about 12.6 million dollars, out of a roughly 300 million dollar General Fund budget.

Mr. Ransier noted the Miscellaneous portion in the *Top General Fund Budget Drivers…* pie chart is 8%. He asked what this represents. Mr. Talarek stated a lot of it falls under the Commissioners' authority, the various agencies. In would include: the HR functions for the 1500 individuals under the Board of Commissioners authority, the General Services department – Fleet Management, Purchasing Department (which handles competitive bidding process and purchasing guidelines), Mailroom (postage costs), and the County's Print Shop. Another portion of Miscellaneous is the non-grants within Economic Development and Planning; the staff of EDP, zoning work done in townships the County is responsible for. Miscellaneous also includes the operations of the Board of County Commissioners itself: salaries for administration employees (OMB, Clerk, Commissioners, etc.). Another portion, about 50% of Miscellaneous, is what's called Reserves and Contingencies. The Commissioners has the Reserves Program that sets aside monies that may not be identified at the point the budget is approved, but we know that there may be collective bargaining agreements that is approved during the year and an agency would need to be provided dollars. We typically do not budget for termination payouts (when individual leaves County service and are paid out leave time); we basically expect agencies to absorb that. Then at the end of the year we reconcile. Since it is a random event, we don't want to build that into the agency budget; especially since the Commissioners only have authority over their direct reports. Once you give dollars to an elected official, or independent board, they are able to spend those dollars as they see fit, they are their own appointment authority (they can set raises, and hire and fire). Commissioner Brooks stated it includes litigation reserves. Mr. Talarek stated this year there is also $3,000,000 in reserve for complete unknowns that may come up; new initiatives, unexpected repair/replacement of equipment, etc.

Mr. Shkurti if the quasi-independent agencies (the Judiciaries and the other Elected Officials) do any purchasing through the centralized purchasing operation. Commissioner Brooks answered yes, mostly. Mr. Wilson added there are few exceptions, but the majority of the purchases and contracts go through the Commissioners and are approved. Mr. Janas stated that number has been increasing. Mr. Wilson stated, within General Services, such as mail, mail is an area driven by number of court filings, and number notices sent on behalf of Clerk of Courts. Paying a change in postage, or an increase in volume, that is mandated. Mr. Talarek stated we spend over $1,000,000 on postage, and 85% is related to the Clerk of Courts. Commissioner Brooks stated it is mandated by statute. Mr. Wilson stated these court filings and notices have to be sent certified mail.

Mr. Shkurti stated central purchasing, known as Strategic Purchasing in the corporate sector, has yielded big savings. This type of purchasing process is also seen in the public sector. Mr. Talarek stated when the County's Purchasing department put contracts out, they usually do cooperative contracts. The result is that not only can all County agencies individually purchase off those, but also other municipalities (counties, townships, even the State) can purchase off of them too. Likewise, Franklin County is allowed to use some of the State's cooperative contracts. Mr. Wilson added that most agencies/offices under the umbrella of County government use our Purchasing department, as opposed to their own. The large exception is the levy agencies. Children Services has a budget of almost 190 million dollars. However, outside of the purchase of real estate, their purchases are approved by their Board of Trustees. Developmental Disabilities has a budget of 244 million dollars. However, outside of the purchase of real estate, their purchases do not go through the County's Purchasing department, or PO procedures. Commissioner Brooks stated it is because they are levy funded, and we can't mix the dollars. Mr. Shkurti stated it would save these types of agencies more money to go with the County. Mr. Janas stated the County continues to encourage levy-funded agencies to purchase through County contracts. Mr. Shkurti asked if any of the agencies funded by the General Fund are a major outlier in terms of purchasing process. Mr. Talarek stated the Board of Elections is the only one that we do not have oversight over purchases. Voting machine purchases do have to go before the Board of Commissioners.

Mr. Janas repeated the County's Purchasing department does volume purchases for other municipalities; it drives down the cost of government in our region, which is a principle of our Commissioners.

Mr. Robinson asked if the County has a group purchasing organization (GPO). For example, his organization aggregates with all of the Children's Hospitals, and then aggregates with another group that purchases medical supplies on a national basis. Commissioner Brooks and Mr. Wilson replied yes, the County has structures of that sort in place. Mr. Wilson stated we purchase natural gas through the County Commissioners Association of Ohio. The Franklin County Healthcare Cooperative benefits Fairfield and Pickaway Counties (they are members); Prairie Township will be joining the Cooperative on April 1, 2013. Mr. Shkurti asked if those counties were insuring their employees through Franklin County's health care plan. Mr. Wilson replied yes, they are members through our program. Mr. Janas stated there is a sophisticated analysis we go through to determine whether or not having a municipality as a Cooperative member is mutually beneficial. We expect that as the Affordable Care Act is implemented, more municipalities will want to sign up as part of it. It might marginally reduce costs to Franklin County, but it is important to notice when we are driving down the cost of government in the region. Mr. Shkurti stated he assumes Franklin County is charging these Cooperative members. The response was a resounding yes. Commissioner Brooks stated it was actuarially set. Mr. Shkurti stated there are two parts. One, you are charging them actuarially. Two, at some point will the County be at enough of a market advantage that it could be an entrepreneurial endeavor. Commissioner Brooks stated the County is not yet at that point. CBiz is the County's actuary. We feel good about where we are at with the program. Mr. Janas stated it is an evolving process.

Mr. Shkurti stated that in the longer run it would be good for the County to look at appropriate ways to be more entrepreneurial. Mr. Talarek stated another area to look at in this context is Public Facilities. Public Facilities has rental agreements with Non-General Fund agencies. At the end of last year we instituted a lease with the parking garages. They are funded through their own Enterprise Fund, outside of the General Fund. There'd never been any kind of recognition that the County owned the land these garages are operating on; so we instituted a lease agreement. We are looking at other places where a Non-General Fund supported agency is operating in a General Fund supported facility, paid for through the debt service. Mr. Shkurti stated it is commonly observed that government and non-profit general funds see cuts, while enterprise funds do not. It is important to be sure enterprise funded entities are "paying their fair share." Mr. Talarek stated that General Fund agencies generally don't pay the Purchasing department, since it is within the same fund. The Non-General Fund agencies who use those services do reimburse the General Fund. We are looking at the charge backs. Right now there is no overhead rate used to charge the agencies back, so we're working currently with the Purchasing department to determine what is needed. Mr. Wilson stated we are continuing to take a harder look at our indirect cost plan each year, and we are looking for new members. Mr. Talarek stated we do have an indirect cost plan that some of the Non-General Fund agencies do pay back. However, the way the statute, case law, and Attorney General opinions line up, there is only a very few agencies that are required to pay cost allocation. If an agency is not mandated by the Ohio Revised Code (ORC) to pay cost allocation, the Board of Commissioners cannot force the agency to pay for the services. Mr. Shkurti would like to see the topic revisited to make sure all entities are paying their fair share; to keep the General Fund sustainably funded. Mr. Talarek stated that is one of the benefits of looking at the direct charges with the General Services. With cost plan it is only the voluntary agencies you're picking up, but by using direct service, and including overhead, those agencies that have decided to not pay cost allocation will recoup some overhead costs. We are working with our Purchasing department now to refine; make sure labor rates are accurate, finding a balance so General Fund can recoup.

Mr. Ransier stated he assumes the cost of postage is trending down due to e-filing. Mr. Talarek stated it is not really; perhaps largely due to processes mandated by ORC. For example, if there is a filing that needs to go to the Prosecutor's Office, it has to be sent certified mail from our mail room on the 16th floor, to the Prosecutor's Office on the 14th floor. It cannot be hand delivered. Commissioner Brooks stated this is in the ORC. Mr. Ransier stated this is part of modernization, and we have not yet caught up.

Mr. Talarek stated the in the new e-filing system that the Courts have been working on, the case packets still have to be printed on paper, provided and mailed out to the individuals on the case. There is now a dollar processing fee the Courts are charging as part of the court fees. The packets used to be printed by the Data Center. We looked at the process and determined they should be printed at the County's Print Shop. It has increased the efficiency of the Clerk of Courts work; by dint of the Print Shop having the needed expertise and equipment to make packets more appropriately designed. Many of the Franklin County Courts have converted to e-filing.

Mr. Marsh asked, in a broad sense, where does Franklin County stand in relation to peer counties in terms of management and initiative techniques. Mr. Wilson stated we benchmark. We occasionally meet with other metro-county budget offices and share ideas. Often other counties look to Franklin to see what management practices and innovations are coming from us. Commissioner Brooks stated you can objectively ask Larry Long and others at the CCOA, and they would say we are the gold standard.

Mr. LaFayette asked if there is a possibility of devising the analog of financial ratios, such as what is used in the private sector. For example, X expense relative to total expenses; X expense relative to assets, etc. Mr. Wilson stated a model could be developed, but it has not been done at this point. Mr. Talarek stated OMB has used some ratios as we look at the General Fund cash balance. We also look at the General Fund balances of our peer, AA, AAA rated counties; GF balance as a percent of revenue, and percent of expenditures. We are in the process of getting updated figures from S&P and Moody's so we can provide updated forecast numbers. Commissioner Brooks wondered if S&P and Moody's have done an analysis similar to the county comparison Mr. Talarek explained. Mr. Wilson stated S&P implemented, about 3 years ago, a Standard Management Formula. S&P devised a list of questions. It is part of their rating review process. We can bring a copy of S&P's explanation of what elements go into the Formula. Mr. Shkurti stated he thinks that will help with benchmarking fiscal strength and stability, which is one part of good management. The Census of Government does per capita spending comparisons on various spending categories; perhaps also by counties. It would be interesting to see how Franklin County compares, over a period of time, with the other big Ohio counties. Mr. LaFayette emphasizes it is important to compare only Ohio counties. Mr. Ransier pointed out Cuyahoga County's government is structured very differently to Franklin's. Is their structure more costly, less costly? It is serving comparatively to the traditional county government structure? The resounding sentiment of the Panel members was it is too early in the formation of the new structure to know. Commissioner Brooks stated Cuyahoga officials borrowed $100,000,000 to create an Economic Development Fund, so right from the start the fiscal picture is skewed. Mr. Shkurti restated, a report from CCOA, or the Census of Government, or other relevant entity, would be very helpful. Sometimes reports reflect accounting variations, so it is good to keep that in mind when looking at them, but they can at least be suggestive. Mr. Shkurti stated he thinks reports such as this would show Franklin County spending less per capita than somewhere like Cuyahoga. It would be worthwhile to see. Mr. Marsh stated it is also worth noting, related to Cuyahoga County, the new Treasurer and Finance Director are from Franklin County. Commissioner Brooks stated in Hamilton County, Children Services is not a levy agency. In Cuyahoga, there is a Human Services levy. There are a lot of differences among the Ohio counties. Mr. Shkurti stated that, in theory, the Census of Government takes differences such as these into account, but in practice it is difficult. However, it will still be useful even if the information is suggestive rather than definitive. Mr. Shkurti stated that we need to ask ourselves any questions, particularly the critical ones, which someone may ask. Mr. Wilson stated it is important to have those benchmarks as part of this overall examination by the Panel.

Mr. Wilson continued to the next point on the agenda, Impact of Medicaid Expansion on Ohio Counties. He turned the Panel's attention to the *Expanding Medicaid in Ohio: Analysis of likely effects* document. [Read this document for information]. As discussed in a previous meeting, Franklin County's Department of Job and Family Services handles various administrative functions related to Medicaid. Program administration work is done by the FTE staff we are afforded to hire based upon the IM dollars provided by the State. This next point is not in this document, however, if Medicaid is expanded, there will be an increase of Sales Tax revenue into the General Fund. Currently, the providers of Medicaid are under the Sales Tax based on the number of clients they have.

When more people are included under Medicaid coverage, Sales Tax revenues will increase. This information is found in the *Expanding Medicaid in Ohio: County-level analysis* document. Mr. Talarek stated the Sales Tax revenue increase projected in the *County-level analysis* is approximately $3,000,000. Mr. Shkurti said this $3,000,000 can help a bit close budget short falls. Commissioner Brooks asked for clarification as to where these revenues would go. Mr. Wilson stated they would go into the General Fund. Some of the funds will be diverted. Mr. Janas stated the equation gets more complicated because there will be costs associated with this expansion. Mr. Janas agrees this increase in revenue may help a bit, but more will be needed.

Mr. Talarek moved to the next item on the agenda, Comparison of Budget Timelines. He referred the Panel to the *Budget Timeline Comparison* chart. He read the chart. [Read this document for information]. Mr. Wilson stated the most important time frame for the Panel is where the green and the blue bars meet. This Panel's advise with be key advice the County Administrator will providing to agencies, and direction the Commissioners will set for this budget process.

Mr. Janas referred back to the *Expanding Medicaid in Ohio: County-level analysis* document. He asked for clarification on the projected Sales Tax revenues for Franklin. Mr. Wilson stated OMB has to check if any of that revenue would go to COTA. Mr. Janas asked if the increased revenue is based only on the Medicaid expansion, or were the analysts also taking into consider the Governor's Sales Tax Base proposal. Mr. Wilson said it is based only on the Medicaid expansion. Managed Care companies are current law under the sales tax rate. Commissioner Brooks clarified this report assumed current Managed Care Sales Tax rate. If proposals were put on the table at the State House to narrow the tax base, this revenue would go away. There has been discussion that Federal regulations will be put in place to remove Managed Care from the base. So no new Sales Tax would be realized. We needed to be cautious in assuming growth in this area.

Mr. Marsh asked if the State budget does not include Medicaid expansion, than this is a moot point. Mr. Wilson replied yes, that is correct. Mr. Marsh asked what the odds are of Medicaid expansion staying in the budget bill. Mr. Hartley stated the expansion has to stay in the budget bill. There was speculation in the Panel about the policy pathway for Medicaid expansion at the State House.

Mr. Shkurti stated a very important milestone, relevant to this Panel, will be when the House proposes its changes to the budget. Mr. Hartley stated the House version is due out on April 18$^{th}$.

Commissioner Brooks asked if the recent Federal Budget Continuation legislation has been considered in any analysis. Mr. Janas stated the amount cut in sequestration will stay, but different programs will be balanced in different ways. We have to see how it will affect us in time. Those would not be Franklin County General Fund dollars. Commissioner Brooks stated that funds may have to moved around (out of General Fund) to compensate for losses elsewhere. Mr. Shkurti stated that another big question is what the full effects of the Sequester will do the economy, given the number of Federal employees in the County. Commissioner Brooks stated that Battelle, OSU, and perhaps also Children's Hospital will be affected by the Sequester.

Mr. Shkurti stated I'm sure you make some comparisons of what county employees make, and their benefits, compared to some reference groups; perhaps compared to State employees, City employees, and to the market generally. It would be good to see that. Mr. Janas stated a study was done a couple of years ago of Commissioner Agencies. We don't have a county-wide policy of a pick-up, with the exception of Children's Services because it is a levy agency.

Mr. Marsh read from the Resolution which approved the creation of the Panel. Our charge is to determine if a structural imbalance exists between the operating revenues and expenditures; and if long term policy adjustments are needed to correct the imbalance. So, first we need to determine if an imbalance exists.

I want the members of this Panel to think of what resources you may need to help inform your answer to the first question. I ask Mr. Wilson, for our next meeting, to present that to us packaged in a way that helps us answer this first question.

Mr. Marsh asked Mr. LaFayette what a good first step would be, based on his experience. Mr. LaFayette replied the way we did it for the City of Columbus in 2008, was started by looking at the operations of the various, major City departments. We wanted to ensure they were being run and managed in an effective, efficient, cost effective way. That gave us the baseline to say "these are the costs that exist, and the costs have had the inefficiencies 'bled out' of them." Then we compared that to the revenue, and it was pretty compelling that revenue and costs were not heading in the same direction. The difference was getting wider over time, with no upcoming economic change that would cause the difference to narrow. At that point, we determined that in fact, an imbalance existed. It required us to first assess the baseline in terms of inefficiencies. It that case we really didn't find any, and I wouldn't expect us to find anything to significant here (at the County level).

Mr. LaFayette said, when you look at the Commissioners' grants, you think about things like Columbus 2020 and Experience Columbus – they actually create more dollars than they put out. The grant total is so much smaller now than a few years ago. Is that hurting our long-term economic growth and competitiveness? Based on what the City of Columbus did last year with its Bed Tax Committee, it may be. We may want to think about added more to those grant funds, to get a positive return in the future – more dollars back for what we put out. Mr. Janas stated we would welcome that analysis. One of the things the County has done over the last couple of years was separate out the Development projects. We did this so people could clearly understand that segment of our Grants program. Mr. Schimmer stated that some of these grant funded improvements would be hard to trace back to subsequent Sales Tax receipt bumps. Certainly, you can look at jobs created, and salary ranges. Mr. LaFayette stated you can also look at income and come up with an amount for consumer expenditures. I have an equation that does that. Mr. Schimmer asked if that can then be traced back to Sales Tax. Mr. LaFayette said yes, that can be done. Mr. Janas added, grants on the list that are not focused explicitly on Economic Development, nevertheless, not only match up with the core mission of the Commissioners, clearly the core business of the County is we are the Health and Human Service provider for the community. We might not see the same type of return on investment from something like the Foodbank or Shelter Board, but we feel it is very much a core part of the mission of the County. Mr. Schimmer stated our argument is that it is a quality of life issue, which is an Economic Development issue. Mr. LaFayette added in some of those cases, what you do spend on prevention, you do not spend on incarceration and emergency room fees later.

Mr. Marsh stated at the next meeting the OMB team will give a presentation to help direct us toward answering the first question.

Mr. Shkurti asked Mr. LaFayette if the City task force came up with recommendations on the income tax. Mr. LaFayette said yes. Mr. Shkurti stated that group, independent of outcome, did a great job at establishing credibility. They established that credibility because it was clear they were looking at both the expense and the revenue sides. They also made rather powerful recommendations on the expense side, which added credibility. It is a good model. He also asked if the City had a five (5) or six (6) year spending projection. Mr. LaFayette stated he believes they did. Mr. Shkurti stated that would be a good thing to focus on, because this Panel is not only looking at the present, but also trying to project into the future. I know there are economic assumptions in that five (5) year plan, and we need to be comfortable that those are middle of the road. We could compare inflation estimates and unemployment estimates with other entities; to be sure those are appropriate as well. Part of my purpose in asking for the benchmark data, both on expenses by category, and on employee compensation, is to feed into the same argument. One of the advantages we have is that everything is on the table for discussion and analysis. We need to be sure we look at the spending side, and the revenue side. I suspect we will find a structural imbalance of some sort, and the questions are how big is it, and how do you overcome that.

Mr. Ransier stated, it occurred to me, as I looked through the Grant items, some of these things are also being done at the City-level too. There seems to be some duplication. I'm not sure if there is duplication in administrative costs. Mr. Janas explained that with something like Experience Columbus, as an example, both the City and the County feel compelled as part of their missions and responsibilities to fund such an effort. Columbus has been having conversations for a couple of years about how they address social service needs at their level. That is a community-wide conversation. If there are easily identifiable cost saving areas the Panel discovers related to this dual funding, the County welcomes that conversation. Mr. LaFayette stated even if we don't discover there are cost savings opportunities related to this sort of thing, it will nonetheless increase the credibility of the report to illustrate that we did look at these programs closely.

Mr. Robinson stated it will also be important to get historical trends. If they show a lot of lines going down, with some type of inventory of the categories of County deployed interventions aimed at bringing costs down; having that would be helpful. I would be interested in hearing what kind of due diligence at this high level you are able to do related to creditability checks to say, yes we think they are efficient. Some sort of metrics to demonstrate a credible trend line. We need broad measures. Mr. LaFayette stated during the process with Columbus, major departments gave presentations. Mr. Janas stated the the City decided to address the recommendations that came out of the City's panel over a ten (10) year period, on the expenditure side.

The meeting was adjourned at 3:33 P.M.

These minutes are a synopsis of the meeting of the Franklin County Budget and Economic Advisory Panel of Friday, March 22, 2013.

Submitted by:

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Shannon Zee Cross
Clerk to the Board of Commissioners