FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL

MINUTES

April 5, 2013

PANEL MEMBERS PRESENT:

Ty Marsh, Chair; Pierre Bigby; Bill LaFayette; Karen Morrison; Frederick Ransier; Martyn Redgrave; Timothy Robinson; William Shkurti

OTHERS PRESENT: County Administrator Don Brown; Deputy County Administrators Bill Flaherty, Ken Wilson and Erik Janas; Deputy Director of OMB, Zak Talarek; OMB Staff, Heidi Hallas Warren and Justin Navhi

GUESTS: Shannon Cross; Hanna Greer-Brown; Kristen Easterday; Josh Jarman; Michael Salvadore

Materials in the order distributed:

- **Auditor, Clarence E. Mingo, II, Annual Financial Reports**, 10 pages.
- **2011 Monthly Average Salary per Employee by Government Function**, sourced from U.S. Census Bureau, 6 pages.
- **MORPC's 2012 Salary Survey by Job Title,** 4 pages.
- **Franklin County Cooperative Plan Benchmark Analysis**, 2 pages.
- **Standard & Poor's <u>Global Credit Portal</u>**, 10 pages.
- **Standard & Poor's <u>Franklin County v National Average</u>**, 24 page (short table).
- **Moody's Investment Services Franklin County v National Median**, 1 page.
- **Franklin County Government Center Facilities Master Plan – Phase 2**, bound booklet.
- **General Fund <u>Actuals by Category 2008-2013</u>**, Franklin County OMB, 1 page (short table).
- **General Fund Long-Term Financial Forecast (2012-2016) <u>Baseline Forecast</u>**, Franklin County OMB, 3 pages.
- **General Fund Long-Term Financial Forecast (2012-2016) <u>Rosy Scenario</u>**, Franklin County OMB, 2 pages.
- **Monthly Economic and Budget Reports, February 2013**, Franklin County OMB, 17 pages.

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

Mr. Marsh stated Bea Wolper sent a letter of resignation.

Mr. Wilson began with the first item on the agenda. This topic will offer a comparison of Franklin County relative to other urban counties in Ohio. He asked the Panel to refer to *Auditor, Clarence E. Mingo, II, Annual Financial Reports.* Multiple years are reported in this packet. On the second page, Mr. Wilson pointed out Revenues per Capita. To the right of Revenues per Capita is a graph called Expenses per Capita. Taken together these two graphs illustrate how much money comes in to, and is spent by, Franklin County per person in that year. As of December 31, 2011, Franklin County spent less than it brought in. These charts reflect all funds.

Mr. Wilson continued with the next report on the 4th page. In 2010, Revenues per Capita were higher. The recent decline is a function of many factors we have discussed in the past several weeks. In 2010, the spread between Revenues per Capita was wider. Again, it is illustrated that Franklin County spent less than it brought in per capita, and our expenses were lower than our counterparts; Franklin County has a population size similar to that of Cuyahoga. Hamilton, Montgomery and Lucas Counties all have smaller populations than ours.

Mr. Marsh asked what drives that difference. Mr. Wilson explained the Sales Tax level, Property Tax base and expenditures all play a role.

Mr. Robinson asked how a county's unemployment rate may come into play. Mr. Wilson replied Cuyahoga County has a Human Services Levy. This drives higher Human Services spending compared to peer counties. Cuyahoga also operates a county hospital. These factors are drivers in higher expenses per capita seen on the graphs.

Mr. Wilson moved on to the next year in the document; 2009, 6th page. Franklin County again comes in the lowest in both graphs. Other counties have similar ratios. He then moved on to the 8th page, 2008 report. Franklin County has maintained the ability to have our Revenues per Capita be more than our Expenses per Capita. The Revenues per Capita is impacted by economic factors and increased Sales Tax revenue. He then moved onto the 10th (last) page, 2007 report. In 2007, there was a temporary Sales Tax in place that allowed the County to rebuild reserve balances, as discussed in prior meetings.

Mr. Shkurti asked out of the four other of Franklin's peer counties, how many of them run hospitals. Mr. Wilson replied Cuyahoga is the only one. Mr. Shkurti asked if the hospital revenue and expenses are reflected in the graphs in this document. Mr. Wilson stated he believed they are. There was some discussion as to whether Cincinnati (Hamilton County) has a county hospital. While the levy for it still exists, the hospital may have been sold. Mr. Wilson said OMB would research and provide additional information on this point.

Mr. Redgrave stated in the reports there is a statistic Net Assets as a Percentage of Expenses where Franklin County appears to be the strongest amongst the peer group. He asked why. Mr. Wilson replied one factor is Franklin County has been in a growth mode, older counties are more in a contraction mode in terms of population growth. Franklin County has been successful in creating commercial growth opportunities. For example, growth in health care and insurance industries has been significant in building assets compared to our peers. Cuyahoga is more reliant on manufacturing than Franklin County.

Mr. Wilson summarized that by looking at these benchmarks, the County benefits by having a diverse economic base. It has several major companies headquartered here, it has a number of college and universities here, and it is a younger population compared to peer counties. Franklin County also has a relatively well educated workforce, which contributes to bringing jobs here. This allows us to maintain an unemployment rate that trends better than the State at large. Essentially, Franklin County has additional revenue capacity over and above what we have chosen to levy to date. For example, we levy 1.47 inside mills; we still have .88 mills available that could be levied within the 10 mill limitation. We have additional Sales Tax capacity, under the statute, given current law. We have capacity to levy an additional $2.00 on all real estate conveyance transfers. The capacity is there. These reports show that compared to our peers, the County has done a good job of living within its means and still having room to respond to the challenges that are facing us. The latest census data show we are the fastest growing county in Ohio. We're seeing multi-family and apartment construction picking up because more people are moving to the area and looking for homes.

Mr. Wilson turned the panel member's attention to the *2011 Monthly Average Salary per Employee by Government Function* document. This document uses US Census data. This document includes data on Franklin and peer counties, as well as the state of Ohio. The Government Functions are aggregate categories, with a key for breaking down what each category contains beginning on page 3. Mr. Marsh asked what data is reflected in the Ohio column. Mr. Wilson replied it is the average of all state employees in any given category. Mr. Wilson turned the Panel's attention to the bottom line of page 1, Average All Functions. Relatively speaking, all metro counties are similar to one another in regards to monthly salaries.

Mr. Shkurti stated the Franklin County Corrections amount appears to differ the most from its peer counties. Is there any idea why? Mr. Wilson replied further investigation will be needed to determine exactly why, however Franklin County does operate two (2) correctional facilities, as well as some DRC facilities and community-based corrections programs. Mr. LaFayette agreed that it would be worth digging into details on this as a matter of questioning efficiencies. Mr. Marsh asked if this data is reflecting an average over a several years. Mr. Wilson stated this reflects only 2011, however we can look at other years of US Census data and see what changes or trends may be present. Mr. Bigby asked for that multi-year data to be benchmarked against Cuyahoga County, considering that county's population marginally exceeds Franklin's. It would be interesting to see if we have a disproportionate number of facilities compared to Cuyahoga County.

Mr. Ransier referred to page 2 of the *2011 Monthly Average Salary per Employee by Government Function* document. Mr. Wilson stated that this table compares Franklin County to cities within Franklin County. Mr. Ransier took note of Upper Arlington's Corrections category; high salary. Mr. Flaherty stated it is the police force. Wages change based on employment classifications for employment. These classification systems may be different jurisdiction to jurisdiction. Other factors in wage setting are agreements with collective bargaining units. Mr. Talarek stated US Census reports are a snapshot in time. If there was some oddities, perhaps a large payout that occurred per a bargaining agreement, that could inflate it on the high end. If there were an inordinate number of vacancies, that might be lower than expected. The Census report was based on pulling one or two pay periods in the month of March 2011. Mr. Shkurti asked if data for other years is available, to see any trends. Mr. Wilson and Mr. Talarek said it is possible to do so. Mr. LaFayette expressed the importance of comparing each category over time in order to account for changes most accurately. Shifts in employment concentration could throw things off.

Mr. Marsh asked if "Police Officers Only" included sheriffs. Mr. Talarek stated it is persons with the authority to arrest. It would include sheriff's deputies. Corrections include deputies in jails. Mr. Shkurti stated Franklin County has an unusually high number of deputies working in jails, which would tend to raise the Corrections salary for the County. Mr. Wilson stated there are over 400 employed between the two (2) jails.

Mr. Redgrave asked if the vast majority of the all jobs listed are subject to collective bargaining agreements. Mr. Wilson stated a good majority would be, expect for Solid Waste Management, Judicial and Legal, and Financial Administration. Mr. Flaherty asked if the categories include employees that are in bargaining units (such as firefighters) and those not in bargaining units (such as supervisors). Mr. Talarek stated yes it does.

Mr. Redgrave asked what reasons may account for other counties to be more expensive (higher salaries paid) than Franklin; it is reasonable on its own that the state of Ohio amounts would be higher. Mr. Talarek stated the Ohio amounts are higher due to salaries related to higher education employees; that category only exists for the state. Mr. Wilson stated there are also state hospitals that add to the Ohio total; Cuyahoga is the only county with Hospital salaries. Mr. Janas asked if the Average All Functions is an average of the averages, or could that be skewed by the number of employees per a particular category. Mr. Talarek and Ms. Hallas Warren stated it should be a weighted average and that they would confirm. Mr. Flaherty stated a partial factor could be tradition. Franklin County has a tradition of having a lower wage scale relative to other communities. We did a wage study a few years ago to determine if we could remain competitive, we had to make some adjustments because of that. Mr. Marsh asked if that differential aligns itself with the pay scale generally of the private sector. I think the per capita in Cuyahoga County was always higher manufacturing, higher wage jobs, versus Franklin County. Is the Franklin County government employee wage scale somewhat in line with private sector? Mr. Flaherty stated he thinks the salaries were a bit less, and the benefits were more generous. Mr. Brown added the category Judicial and Legal would be made up strictly of employees none of whom are represented by collective bargaining; this is based on a statutory prohibition. With respect to Franklin County, the other Government Function categories will be highly concentrated with bargaining unit employees.

Mr. Ransier stated the Judicial and Legal monthly salary amount looks rather low. Mr. Janas stated all staff wages are averaged in this number, so it includes support staff wages; for example probation officers.

Mr. Wilson stated that only Lucas County has Library salaries. Franklin County has a Solid Waste Authority. Mr. Janas stated these represent outliers. In rough terms, all peer counties will have similar salary numbers in most categories. His main area of interest is the bottom Average All Functions row, where there are high and low amounts, with all counties fitting in between. Mr. Wilson stated that he thinks the averages are a reliable statistic.

Mr. Wilson turned the Panel's attention to the *MORPC's 2012 Salary Survey by Job Title* document. The full report is found on the link Panel members received in email. Mr. Wilson focused on a few specific positions (highlighted in document). [Review the document and note highlighted salary information]. The salary ranges for Franklin County is based on a salary study completed in 2009, based on 2008 data. The purpose of looking at this position is to compare how Franklin County salaries compare with salaries in local jurisdictions. Mr. Wilson turned to page 3 and read over the highlighted information.

Mr. LaFayette asked if it would be fair to say that Franklin County employees more people than other jurisdictions. If so, it seems somewhat surprising that the Human Resources Director's salary is where it is; not out of line with the others. Mr. Wilson said the County does employee more people than those other listed jurisdictions, with the exception of perhaps Columbus.

Mr. Wilson stated that the Franklin County salary review of 2008, mentioned above, included analysis of a select market of peer local governments and private sector positions. Every position in the County was reviewed and individuals had to complete Comprehensive Position Questionnaires (CPQ), and list all of the duties associated with their position. The positions were point factored and plotted out against comparable positions. Mr. Shkurti asked what the review showed, overall. Mr. Wilson replied it showed Franklin County a little behind in the aggregate. However, for the most part, most of our positions were comparable. Within our Child Support Enforcement Services (CSES), some entry level positions were found to be out of line with market rates. Within Job and Family Services (JFS), some entry level clerk positions were found to be out of line with market rates. In both cases, they were too low. Mr. Flaherty stated some of our trade positions had to be upgraded, and some of our management positions were right on target. Some adjustments include: non-bargaining unit salaries getting a 40% spread in range, and collective bargaining units getting a 20% spread in range. Mr. Talarek added the pay ranges were set so that the market rate was the mid-point for the non-bargaining, so the starting rate is 20% below market, and the maximum is 20% above market. For bargaining units, the starting rate is 20% below market, and the maximum is market.

Mr. Marsh asked if there are positions for which it is generally hard to find qualified workers. Mr. Wilson stated with some positions in Public Facilities Management, such as Environmental Technicians, specialized positions; it is harder to find qualified workers. Frequent turnover in some agencies, due to competition in the market, is more of an issue. Mr. Flaherty stated we are training grounds of sorts; we lose people to the State of Ohio. One problem with CSES and JFS are case managers; they are hired by Franklin County, they develop their skills, and then get opportunities for higher salaries are Bureau of Workers' Compensation or Ohio JFS. It is common in many sectors where somewhere is a great place to get started in a career, but then they can't hold onto to their people as long as they would like to. Franklin County does have a good number of long term employees that have found successful careers here.

Mr. Marsh asked if changes in the state pension plan precipitated a big spike in retirements. Mr. Wilson stated we saw it over about a twenty-four (24) to thirty-six (36) month period, not an immediate exodus.

Mr. Marsh asked Mr. Wilson to talk about information technology jobs. He stated that generally what I hear there is a lot of competition with the private sector to find qualified IT people. [See page 4 for salaries]. Mr. Wilson stated in the past there have been some turnover challenges in the Data Center. During the Recession, a lot of IT professionals turned to local governments due to perceived stability and better benefits. Some people accepted lower salaries in exchange for security.

Mr. Talarek turned the Panel's attention to the *Franklin County Cooperative Plan Benchmark Analysis* document; he started with the side with six (6) tables. He reviewed the document which compares aspects of Franklin County's medical plan to both the Education and Non-profit sectors, and to All Industries. [Read the key found at the bottom of the page]. The second side of this document shows a composite rate that Franklin County agencies are charged for health care, for each plan year back to 2005. You can see, since 2005, the County has been below the national trend for the rate of increase in our health care costs. We have a strategic goal of being three (3) percentage points below the national trend. In 2005, we had plan design changes that instituted a monthly employee contribution. Prior to 2005, there were no employee contributions for health care. In 2008, there were some additional plan design changes as health care costs kept going up. In 2010, we had some additional catastrophic claims that challenged the revenue side. Therefore, more plan design changes were needed, including the implementation of the deductible. Mr. Brown stated that the cost per employee includes health care, dental care, vision care, and term life insurance benefits. Employee contributions vary based on whether a spouse is covered by the plan or not. But for budgetary purposes we charge a blended rate based on the average each year. Therefore if an employee is going from a spouse to no spouse situation (or vice versa), it does not cause as many budgetary issues. Mr. Shkurti asked what percentage of the premium is paid by employees. Mr. Talarek stated it is about 11.5% to 12%. Mr. Shkurti asked how that compares to the market. Mr. Wilson stated that can be researched and provided to this Panel. Mr. Janas stated an employee contribution was not assessed prior to 2005. Over the last seven to eight years the rate of employee contribution has been increasing toward the national mean. Mr. Janas further stated it is important to see the trend in our numbers; up from 0 to about 12% in eight years.

[The following was shared later in the conversation by Mr. Talarek and placed in this section of the notes for easy reference]. Mr. Talarek explained statewide in the last SERB Report the percent of premium paid by the employee was 10.7% for a single person, and 11.6% for family coverage. Franklin County is currently slightly above those rates at 11.5% to 12%.

Mr. Shkurti asked about retirement pick-ups. Mr. Brown stated there are no pick-ups, except for Children's Services Agency (FCCS) employees. The bargaining unit there some years back, negotiated an employee share pick-up, and it has remained in their agreement.

Mr. Marsh asked how bargaining works with the FCCS. Mr. Brown stated the FCCS has a separate governing board, which serves as the appointing authority for that agency. It negotiates and approves a bargaining agreement for its workforce. Mr. Marsh asked if the process is the same for all levy supported agencies. Mr. Janas stated it is so for three (3) of the four (4); Developmental Disabilities, FCCS, and ADAMH all have separate boards. The Office on Aging, which is also levy-supported, is overseen by the Franklin County Board of Commissioners. Mr. Marsh asked if the Board of Commissioners had any formal role in those collective bargaining negotiations. Mr. Brown stated the Board of Commissioners is not at the table during those negotiations, and does not approve the agreement as the appointing authority or employer. However, as the legislative body for the County, the Board has the right to accept, reject, or allow an agreement to go into effect. The Commissioners would have to act within 30 days to reject.

Mr. Flaherty stated CSEA, in the past, provided all employees with the PERS pick-up. That was taken out a few years ago at the employees' request. We have a couple of executive level positions that have the pick-up. Mr. Marsh asked if all employees have the same pick up rate for PERS. Mr. Flaherty stated yes, the County pays 14%, the employee pays 10%. Mr. Wilson stated this is set by statute. Law enforcement has a different contribution rate; OPERS Law Enforcement. Mr. Brown stated the County pays 17.95% for law enforcement.

Mr. Redgrave stated the percent change (in the table on the back of the *Franklin County Cooperative Plan Benchmark Analysis* document) seems very low compared to the national trend, and I what I have seen at corporations. What factors could contribute to this? Mr. Brown stated it is due to plan design changes. We have raised deductibles, established insurance contributions, and increased co-pays for emergency room visits. We have made changes to affect consumer behavior, or to lower the level of coverage, change the benefit mix, to control the growth in cost year over year. Mr. Flaherty stated it is a rather arbitrary issue. Our strategic plan says limit growth to less than 3% of the national average. Because the Board set that as the policy, we've kept our costs low. Anytime we approach something more than that 3%, we modify the plan. Mr. Wilson stated we have also changed our prescription formularies to encourage more utilization of generics via a formulary structure called Step Therapy. We've mandated use of over-the-counter versions of the specific drugs; such as pills for simple heart burn. Mr. Brown stated additionally we're self-insured and have enjoyed a favorable claims history over the past several years. A year with catastrophic claims could undue a lot of work on plan design changes. Mr. Wilson stated in the current year, that began on April 1, 2013, we made a conscious decision to reduce the difference between rates you see on this paper (8.1 national, 6.1 Franklin), we drew down the actuarial surplus. We set an internal goal if the actuarial surplus reached 10% or more of anticipated claims; we would look at drawing that reserve down. Mr. Flaherty shared we also carry Stop-Loss Insurance, but we have not used it. Mr. Redgrave stated age distribution is usually another variable in plan costs. What is County's age distribution? Mr. Wilson stated we are around 45 to 50 years old as the median age.

Mr. Talarek turned the Panel's attention to the *Standard & Poor's* *Global Credit Portal* document. This is the most recent report, issued in 2011. In determining AAA status of counties, S&P does not look at size and location. In this report there are AAA counties in 25 of the 50 states. In establishing a rating, S&P looks primarily at the debt profile, how quickly the debts amortize, how much of a burden the debt service is, growing tax bases, effective buying income, predictability of revenues, and financial policy and procedures adopted and how closely they are followed. S&P states that typically less than 10% of AAA county's budgets are used for debt service. Franklin County's policy is that no more than 5% of resources will be used for debt service payments. The strength in the local economy of Franklin County has helped to provide the rating agencies will predictability and the income stream at the County that has helped protect the AAA rating. The report lists the most recent sixty-eight (68) AAA counties.

Mr. Talarek stated the *Standard & Poor's* *Franklin County v National Average* document reflects the national average of all AAA counties compared to Franklin County. He then turned the Panel's attention to the *Moody's Investment Services Franklin County v National Median* document. The Moody's document is similar to S&P. The major differences is that Moody's provides medians rather than averages, and they look at debt as a percent of the value of property, per capita debt, per capita income, and median family income rather than effective buying income.

Mr. Wilson stated on page 7 of the *Standard & Poor's* *Global Credit Portal* document you can review the Financial Management Scoring system that S&P uses to evaluate credit quality.

Mr. Flaherty provided an overview of the *Franklin County Government Center Facilities Master Plan – Phase 2* booklet. Recommendations start on page 13. We have done master planning at a variety of times. One example, in late 1990's there was a plan to build a new County Courthouse. That plan was delayed after 911 and the Recession. It didn't get back to the table until 2005. Looking at the original plan, it was 400,000 square feet. We looked at it, looked a new concepts of court management and facilities. We reduced it to just over 300,000 square feet. We took a project that was on the shelf and considered it again before we moved forward, and reduced it. Likewise, we looked at all our space in the downtown complex as an asset. We had a Master Plan done in 2007, and we updated it in 2012. Based on that, we can tell you that we have 850,000 square feet of downtown office space. We are making modifications within that space, although it is perceived as being used very efficiently now. As we go ahead with renovation of the Hall of Justice, we are doing that with a stacking plan that is based on finding adjacencies of programs, finding collaboration to make programs more efficient, and to utilize space to the greatest efficiency. In doing that, the Master Plan for 2012 tells us we have enough space to get us through 2030, and at that time, we would have the margin of vacant space that would be normal for an enterprise of our size; about 39,000 square feet of space. We have tried to consolidate programs to reduce space, to reduce our operating costs; not in downtown, but at JFS we closed "two (2) centers" [it was a total of 3 sites] and relocated them into one on Morse Road. We look for opportunities to reduce operating costs by controlling space. We have looked at other assets in terms of space, or land, that we might have available to use differently. The only large parcel of land that we have is the old Franklin County Children's Services Village at Frank Road and Gantz Road; it is 74 acres. We have a significant conservation easement on that, so that restricts the use of it, but we also had a request a few months ago from Southwest City Schools asking if the County would do a land swap with them. We did that, we took out about 16 acres of the 74, and swapped with the Schools for about 10 acres of equal value approximately half a mile away from there. That one piece of property, it is a school building, which we are letting them lease for two (2) years, when it becomes available to us, we don't have a plan for the use of that asset. We have also tried to manage our downtown space in an operationally efficient way, by building in energy conservation measure over the last few years. We have taken advantage of low cost dollars from State programs and we're now in our second round of energy conservation measures.

Mr. Marsh asked what the greatest need in terms of this work is. Mr. Flaherty replied the report points we could probably use 650 parking spaces. We have one plot of land downtown, across from the parking garage; it's a nice flat grassy area on Mound Street. It's our last open parcel downtown. We are trying other ways of accommodating parking needs rather than making that a surface parking lot. We have just raised parking rates to make them more in line with market rates. We also have an initiative to offer employees COTA bus passes at reduced rates, to minimize the amount of car traffic coming here. Mr.

Marsh asked if employees who park in the garages pay. Mr. Flaherty said they do, virtually all do, a very few have parking privileges.

Mr. Marsh stated with the continued talk of shared services, opportunities for more efficient joint operations with other government entities, what impact would changes have on facilities planning in the future. Mr. Flaherty said it hasn't affected planning yet. We have done collaborations with other groups. It tended to be coordination or collaborations of activities, like purchasing. Our Purchasing Department issues contracts that other entities can utilize. That does not reduce the amount of space that our Purchasing Department uses. We have tried to, when there is a need for space for an agency, to look inside first; seeing if the existing space can be redesigned.

Mr. Robinson asked what the vacancy rate is. Mr. Flaherty stated right now it is high because we have a totally vacant building, being renovated... At the end it will be between 3% and 5%, about 35,000 to 40,000 square feet. That would be by 2030. In the meantime, we are tight. We have vacant space in 80 East Fulton Street, as a result of JFS moving to Morse Road. Counting only the useable space available now (not space that is offline for renovation) we have about that much useable vacant space currently (35,000 to 40,000 square feet).

Mr. Robinson asked a few clarifying questions about space. Mr. Brown summarized we had satellite offices leased, which we consolidated at the Morse Road location, and we terminated those leases. There were three (3) sites we consolidated. About two (2) years ago a commercial realty firm surveyed our surplus vacant properties to determine if we had anything that was marketable. Mr. Flaherty added they looked at the slivers of land we have around the county; pieces we've inherited, or are not using at this point. There are many, but they are minimal in size. There were about three (3) that were marketable. One was the property on Gantz Road, but there is an easement on that. Overall, I don't think we have any marketable piece of property at this point. Mr. Brown stated a second property identified by the firm is an island at the interchange of Route 33 and 161. We are awaiting the City of Dublin's plans to expand Bridge Street because that might make that isolated island marketable at some point in the future. But now it's cut off by both 33 and Dublin Road. The third site that could be marketable is the Services Building (see inside back cover of booklet) at 80 East Fulton. It is currently in use, but the Master Plan identified it as the least efficient building in our inventory at the Government Center. It is perhaps in a location that might be marketable if we wanted to further consolidate operations, demolish that building, and market the property. However, it depends on market demand for that location.

Mr. Robinson asked if the new courthouse, the Common Pleas Courthouse, was filled to capacity. Mr. Brown stated there are three (3) spare courtroom suites to allow for growth. The building is expandable on the west end. There is a knockout wall on the west end and the building can be expanded to sidewalk. That could create another twenty (20) courtrooms to serve demand beyond the current configuration including the three (3) spare courtrooms.

Mr. Ransier asked about the old courthouse (Hall of Justice). Mr. Flaherty stated it is being renovated. Right now it looks like a brand new construction site; it is stripped to the bones. The reason we built the new courthouse was because the old courthouse did not have a fire suppression system in it. It was necessary to relocate the Court to install those systems, because the building had asbestos in it. By building the new courthouse, we could strip the old courthouse down. The cost of the rebuild of the Hall of Justice is about 65 million dollars. We decided not to build out the whole building now. We decided to invest only 45 million dollars in the project now. Then we will bring the rest of the space online as we need to in the future. Mr. Brown added the Law Library is in leased space in the Municipal Court building, and Adult Probation is in leased space in the Municipal Court building. When the Hall of Justice is ready, in 2014, we will vacate the leased space and occupy three (3) of the ten (10) floors in that building. The other seven (7) we will grow into and outfit as we need them. The growth space for the next twenty years or so is those seven (7) floors.

Mr. Bigby asked with the cost of money right now, could waiting to build out pose a problem. Mr. Flaherty stated that taking on the full 65 million dollar build out would eat up all of the County's debt capacity.

Mr. Marsh asked if the Land Bank plays a role in the County's surplus property situation. Mr. Flaherty stated the Land Bank is not banking the County's land. The County helps the Land Bank identify properties that are delinquent and in need of demolition, and the Land Bank takes those. We do not anticipate turning any land held by the Land Bank into County use.

Mr. Wilson turned the Panel's attention to the process of determining if a structural fiscal imbalance is likely in 2014 and beyond. The first document to provide context is *General Fund <u>Actuals by Category 2008-2013</u>*. Mr. Wilson read over the table.

Mr. Wilson then turned the Panel's attention to the *General Fund Long-Term Financial Forecast (2012-2016) <u>Baseline Forecast</u>* document. It is an amended Baseline Forecast from what discussed at the first meeting. He read through the document. [Read this document in its entirety]. This Baseline Forecast is essentially what OMB would be looking at based on the current economic environment, and be in a position to project out, putting the County in a sound financial position through 2016.

An alternative forecast was provided; *General Fund Long-Term Financial Forecast (2012-2016) <u>Rosy Scenario</u>*. This is a more optimistic view of the economy, and as a result we would assume that Sales Tax growth would be rather robust. In this scenario, we would have more attractive health care expenses; 8% in Baseline Forecast versus 6% in the Rosy Forecast. Mr. Wilson continued reading the Rosy Scenario document. He highlighted another point included in it that is not in the Baseline Forecast; Personnel Expenses would be 1% below the Employment Cost Index (ECI) for salary and wages.

Mr. Talarek stated these forecasts, compared to the ones presented in February, include revenue adjustments from the 1st Quarter of this year. The Sales Tax revenues are about 1 million dollars ahead of what we had projected for the 1st Quarter, so we built that in to the 2013 base and project off of that revised number. We also projected off of the actual 1st Quarter numbers for General Fees for the Recorder, as well as the Conveyance Fees collected by the Auditor's Office. We build those, looked at what the growth in those areas was from 2012 to 2013, banked the increase, and used that as the base to project forward. The other major change is on the Sales Tax assumption. The original forecast in February used half of projected growth in Retail Sales that Moody's Analytics had put out, both of this new Baseline Forecast document uses the full Retail Sales growth rate; 5% in 2014, 5.8% in 2015, and 4.5% in 2016. The older forecast in February had a more conservative approach of 2.5%, 2.9% and 2.25%.

Mr. Wilson stated in the new Baseline Forecast and the Rosy Scenario, focusing in on 2013 (on the second page of both documents) the projected expenses of approximately 295.5 million dollars is not the same as the original budget we discussed previously of 304 million dollars. That is because for forecasting purposes, looking at what we tend to lapse, it is 2.8% of our budget each year – dollars that go unspent; Carryover Savings. Mr. Talarek said some of that would be unutilized Contingency Funds, unutilized Reserve Funds, or agencies may have lapsed appropriations.

Ms. Morrison asked for clarification on the 2% difference in Health Care projections between the Baseline Forecast (new one) and the Rosy Scenario. Mr. Wilson stated the 6% in the Rosy Scenario is the increase we have in the existing budget. In the Rosy Scenario, we would assume it would it would carry out through 2016. Rather than going back to 8% which has historically been the amount of growth we have allowed within the budget. In other words, looking at the national health care trend, doing whatever we have to do to beat mark by 3% (plan design changes, employee contribution increases, etc.).

Mr. Ransier asked if as the host county to a casino, are there any revenues that come to the County? Mr. Brown stated yes there is, but not because we are the host county. Counties receive a share of the casino tax revenues from all four (4) casinos in the State. The city that hosts the casino gets an additional share of the local casino's revenue. Franklin County receives a share of the Cleveland, Toledo, Cincinnati, and Columbus revenues; as do all counties. It's allocated to the counties in proportion to population of the county. Franklin County represents roughly 10% of the State's population. We receive roughly 10% of the casino tax revenues allocated to counties, which is about 50% of the casino tax revenue. We expect to receive roughly 10% of the 50% or 5% of revenues. That is in our budget forecasts. Then we have to give half of our share to the City of Columbus. So the net, net to Franklin County is 2.5% of the casino tax revenues.

Mr. Shkurti asked what is in the baseline estimate. Mr. Talarek replied the baseline estimate would use the current budget, I believe inflated with Consumer Price Index (CPI) (Mr. Talarek will double check). We used a report from CCAO to calculate casino revenues. Mr. Wilson stated we have also received two (2) payments of casino tax revenue; last fall and a quarterly installment in January. Mr. Shkurti asked for half a page on what is in your projections and why regarding the casino revenue. Mr. Talarek stated the budget this year had 8.9 million in it, but it has underperformed. Last year we had 2.1 million, based on State projections, we only received 1.5 million. A discussion was had about why those revenues are underperforming. Ideas of why included initial unrealistic expectations of performance, competition with internet-based gambling, and the newest casino not yet yielding expected revenues. Mr. Brown stated if it continues for the rest of the year at the pace that it did in the 1st Quarter, we will probably net 80% to 85% of the target budget.

Mr. Shkurti asked about the underlying assumption. Why did you use Moody's for CPI and ECI, but not Core CPI? Those things tend to be related. Mr. Talarek stated Moody's does not report Core CPI. Mr. Shkurti asked how does the Congressional Budget Office's (CBO) CPI compare with Moody's CPI? Mr. Talarek stated he does not have those numbers immediately available. From the analysis we have done in the past, we've thought that Moody's has trended better than the CBO numbers. Which is why we have a preference to use that metric, but where it is not available, we use the CBO number. Mr. Lafayette asked for clarification of Moody's accuracy. Is it historical accuracy such as the forecast compared to what actually happened? Mr. Wilson stated yes, when we first developed this forecast in 2006, we did not subscribe to Moody's, so we were more reliant on the CBO number.

Mr. Shkurti asked what the fiscal year was. Mr. Wilson replied it is a calendar year. Mr. Shkurti asked at which point you normally do revenue revisions. Mr. Talarek stated we do revenue revisions monthly. We have a certificate of estimated resources that goes before the County's Budget Commission, and those are updated monthly. Mr. Wilson stated it based on a statutory requirement.

Mr. Shkurti stated at some point we, as a Panel, will have to decide which revenue revision we want to use to project forward. If I understand it, part of what you're calling the Rosy Scenario is simply the updating of revenue estimates, which results in a rosy result, because you had a good couple of months. But it seems for our purposes, that there is a difference between revenues that are coming in because of an updated revenue estimate and revenues where you're trying to deliberately look at a rosier scenario. Mr. Brown stated "the door swings both ways" on the revenue updates. It could trend down. Mr. Shkurti reiterated his point about choosing a point in time to use. Part of that process is for OMB to help us understand how much fluctuation from month to month may change the fluctuation six (6) years out. Mr. Talarek stated that was part of thought process as we attempted to do with the Sensitivity Analysis, with the example of a 1% change (page 3 of the *General Fund Long-Term Financial Forecast (2012-2016) Baseline Forecast* document).

Mr. LaFayette and Mr. Shkurti very briefly discussed the impact on ECI illustrated in the Sensitivity Analysis. It shows were the uncertainty is in a budget.

Mr. Redgrave asked for some additional clarity. We had a Budget Forecast that we started with in February, which would have had a lower revenue base, if I understand you correctly. Now we have a Baseline budget that has a higher revenue base; essentially that is the major variance between the February forecast and this baseline. Mr. Talarek stated that is correct. Mr. Redgrave continued, now you have given us a Rosy Scenario, or an upside budget. So we actually have three (3) views. Given that forecasts are challenging processes, it is good to have at least three (3) views. This is a good way to frame the question of if the County has a structural issue in terms of economic viability, or not. I would perhaps recommend that we keep the three (3), not go back and redo them. The February Budget Forecast could be the downside forecast. The other comment I have is that, relatively speaking, the number of variables that you changed between the forecasts you gave us today (Baseline and Rosy) is small. I like to see a bigger range. I'm not trying to define the range, but when I looked at these, I saw that there is not a lot of change between the two. Are there other scenarios to look at, such as one including manageable changes versus those changes the County has very little control over, which could articulate management to an outcome? For example, the health care plan management (to keep at that 3% mark).

Mr. Robinson noted that something to consider is the volatility in each budget driver. Some are more volatile than others, and some will be bigger than others. Understanding the combination of volatility and size would help the Panel frame the spectrum.

Mr. Wilson stated the stronger the economy is, the more pressure there is on the Employment Cost Index (ECI). It is then played out in the bargaining process and contracts to give hire wages.

Mr. Robinson stated he assumed that if things are going well, there is more inflationary pressure, which means that your sales tax are moving in tandem. Where we (the hospital) get into trouble is with Medicaid we don't get increases, but there is inflationary pressure on nursing salaries because of demand, it creates a squeeze. But if all things are moving together it can work out.

Mr. Brown added that as the economy improves, employee turnover rates increase; movement to competitive employers. So we have the cost of re-hiring and re-training personnel. Mr. LaFayette noted there is also efficiency loss in that sort of scenario.

Mr. Redgrave added since it is such a success that Franklin County is AAA rated; we might want to express the goal to remain AAA rated. That creates something to articulate against the budget, perhaps telling us what the mathematical gap is, given your projections on the three (3) scenarios, between what we are projecting and what would be required to remain AAA rated. Mr. Wilson stated that the 35.9% of expenditures is what are attaching our cash balance target to, which is the average of the AAA counties. It is not the only variable, but it is one that Moody's uses. Also, we use cash balance a percentage of revenues, and that is what S&P uses. Mr. Brown stated that we are raising the bar higher and also comparing ourselves to those thirty-eight (38) or forty (40) counties that have double AAAs – which is AAA rating from both Moody's and S&P. That means that the cash reserve levels are higher than the national average for all counties, and it's also higher than those counties with the single AAA rating. And we have held staying AAA as a policy goal. If we were to give that up, it would change our cost of capital and could change the argument for how we leverage debt.

Mr. Bigby asked if it is possible to get a year over year summary of revenue revisions, how much it has been revised year over year in the past 5 to 7 years. Also, can we see a year over year summary of what agencies are not spending their full allocations?

Mr. Wilson stated that will be provided. We have also started giving you the monthly budget reports. We provide a year to date snap shot of percent of budget disbursed. The panel will be able to monitor on a monthly basis how we are running against budget. Mr. Talarek said each one will compare the prior year, and we can also offer a longer term perspective.

Mr. Shkurti asked if a longer term perspective can also be created for revenue by category. Mr. Talarek said OMB can do so. Mr. Shkurti also asked to see the average annual percentage change. I think managing three (3) scenarios is a good idea. We will have to watch out and not project out several based on one-time anomalies.
There was discussion on the affects the State Budget will have on the Panel's process. The legislature should have a budget finalized by June.

Mr. Marsh requested that the Panel set their schedules for two hours for each meeting.

The meeting was adjourned at 3:42 P.M.

These minutes are a synopsis of the meeting of the Franklin County Budget and Economic Advisory Panel of Friday, April 5, 2013.

Submitted by:

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Shannon Zee Cross
Clerk to the Board of Commissioners