Franklin County Children Services
2014 1.9 Mill Renewal Levy with .4 Mill Increase Proposal

HSLRC Meeting Minutes
May 1, 2014

The Human Services Levy Review Committee (HSLRC) meeting was called to order by Chair Jesse Hemphill on Thursday, May 1, 2014 @ 3:12 pm.

ROLL CALL

HSLRC members present: Jesse Hemphill, Jerry Friedman, Denise Bronson, Jean Carter Ryan, Ken Wilson, and Nathan Wymer.

HSLRC members absent: James Bowman

A committee quorum was present.

Office of Management and Budget (OMB): Heidi Hallas Warren, Zak Talarek, and Justin Nahvi.

WELCOME AND INTRODUCTION

Mr. Hemphill placed a motion on the floor to approve the April 10th meeting minutes. The motion was moved by Jerry Friedman and second by Jean Carter Ryan. The committee agreed to vote on the April 24th meeting minutes at the next meeting being held on May 22nd.

COMMITTEE DISCUSSION

Mr. Hemphill then stated that the next item on the agenda is to discuss the levy model options resulting from the meeting held on April 24th.

Ms. Hallas Warren discussed FCCS scenario's received in response to the committee's questions on staff capacity, cost for emancipated youth to remain in foster care, new staff, and the influx of parents requesting support from the agency. She stated that revenue collected would be under expenditures in the out years because you build up a cash balance in the early years, plus the agency currently has a significant cash balance. In general, this would be lower going forward. The scenarios include more expenses and seem to not include cost savings, cost efficiencies, or an increase to Alternative Response (AR).

Dr. Bronson stated that she was hopeful the scenarios would be presented as one package opposed to being broken out.

Mr. Talarek stated that it appears that each scenario builds on top of the previous one. For example, scenario 4 includes everything. Some of the information missing is the impact on placement if turnover decreases or if AR increases. The answer to all the scenarios provided appears to be that more people will equal the same result.

Mr. Wilson added that he is uncomfortable with the fact that placement cost will always absorb 50% of the budget, regardless of the size. Logically, if there is an increase in AR, there should be some type of impact on the agency.

Ms. Hallas Warren stated that placement was at 62% before AR, so the number has fluctuated with the number of kids in AR, so this assumption may not be based in the data.

Dr. Bronson then stated the agency mentioned that while placement cost went down, supportive services went up, therefore, there was a breakeven point.

Ms. Hallas Warren responded by stating that those did not breakeven. The cost increased about $.60 on the dollar. Placement Cost Dropped $15 Million and Supportive Services increased $9 Million.

Mr. Wilson stated that when he asked about the potential impact of AR increasing toward a goal of 65%, the response was that more children would be in the system but placement cost would still be at 50%. If scenario 4 was in play, there would be the same number of children with minimum increases over the next 10 years, but more money would be spent on placement. This allows no room for efficiencies to be controlled and providers are already operating at a loss.

Mr. Hemphill stated that there seems to be a disconnect between the responses received to the committee questions and the relationship to the components that reflect cost.

Mr. Wilson added that items described by the committee are not in the model and the agency indicates that a larger levy increase is needed. The 0.4 increase is the best conservative approach to maintain operations. This does not allow the opportunity to meet the needs of serving the 19-21 year olds at a higher level, providing care for the number of children with felonies, etc.

The initial estimate assumed the 2014 budget, OMB asked that they start with 2013 because it was based on actuals. This is important when looking at the trend. You should start with what you know and build from there opposed to starting at where you think you will be.

Ms. Hallas Warren stated that the agency started with 2013 and added growth. The 2014 projections are about $4 Million more than 2013 actuals. OMB was concerned about realistic growth and built new projections based on an additional 6 months of data since the last time at the budget process. The agency was at $171 Million in 2013 and is currently at almost $176 Million, so there is some growth in their model. FCCS projected more conservatively in their levy request, which was in line with historical spending. The budget is higher than what will be necessary to close out the year. OMB's main concern is the inflation of the base and it keeps growing as you go out 10 years.

Mr. Talarek added that after reviewing old levy books, OMB found that the forecast used for the 2004 levy were 5 years out and they were actually spending $40 million less than projected, and this year spending should be at $300 Million, and they are currently at $175 Million. Per the budget comparison, in 2009, 5 years out they were projected to spend $28 Million more than they are now projected to spend. Because they used the budgeted as baseline, OMB asked them to step back and not use budget since historically you have spent 92-93% of the budget. You need to look at an actual projection of expenditures and build your forecast that way. This is where the $8 Million difference comes into play. There was extra in the budget from using the budget versus projecting actuals.

Mr. Wymer asked what would happen if the agency went for a straight renewal.

Ms. Hallas Warren stated that with shortening the window there would be adequate cash. The agency's argument is that this is a conservative view of what they feel is going to happen. The levy model was based on 10 years and the renewal only would not be enough money at the end of the 10 year period.

Mr. Wymer then stated that the voter appetite is becoming very clear. People simply don't have the money. He questioned how realistic projecting 10 years out is and if a simple renewal will work. He stated that the committee should air on the conservative side if this will work.

Mr. Hemphill stated that he thought the committee agreed to use 5 year projections opposed to 10 year projections.

Ms. Hallas Warren then stated that it will be a 10 year levy but the view will be based on 5 years. The idea behind closing in on 5 years is that the next levy is up in 5 years and you can watch and see what is happening and adjust at that time. There are a lot of unknowns or what if's as opposed to them being based on data and will be hard to convince voters on "just in case" money.

Mr. Wilson stated that the committee tried to express the concerns on why additional information was needed as to how the 0.4 increase would be used and how it would put the community in a safe position to meet the needs. There was not a better model to forecast on other than the number of investigations. The need is to improve and reduce the number of paid placements because research suggests that these outcomes are worse. The agency's response scenarios actually show that a 0.6 renewal is actually needed. Now, the committee is faced with making the case that you can protect children and be prepared for unexpected things that could happen. Taking a 5 year approach, respects the fact that it's difficult to project 10 years out with the required ending balance in 2024. The agency budgets conservatively and leaves room for the unexpected. At the end of March 2014, the ending cash balance represented 306 days.

Mr. Hemphill asked what circumstances created the excess cash balance.

Ms. Hallas Warren answered by stating that AR worked. The model has been changed to show that the number of kids in placement is not nearly as much. During the 2009 levy process, there was the feeling that something will occur but you didn't know what. The second argument was that if the state changes their mind, money will be needed in order to go back to traditional care for those children. Therefore, there is significant cash due to them being conservative. The question is how long do you take this what if approach and will the tax payers be supportive of this approach. We are missing this support in order to back the request.

Dr. Bronson stated that she can't find the data needed to support some of the items mentioned by the agency to determine what it means.

Mr. Talarek stated that one of his concerns with the provider rates is that with restoring the 5% provider rates, the agency indicated that they won't receive it if they are currently above the Title IV-E, but with the projections, if you include CPI plus the 3%, this is over 5%, which would imply that everyone is getting a 5% bump. So, this brings up the question of what will the actual increase be.

Ms. Hallas Warren added that the rates provided is the total spent divided by the total number of kids. At the end of the day, the question is, what is the contract rate, and what are these agencies receiving? OMB continues to question this and has yet to receive a response back.

Mr. Talarek stated that he found JFS reimbursement caps online provided on an annual basis.

Ms. Hallas Warren stated that some agencies supplement the federal reimbursement rates. So, the concern is if the agency is paying the federal cap or if they are also using non-federal dollars to supplement providers. The Board of Developmental Disabilities does this for some of their services. OMB has yet to see the hard rate. This is important because if you are paying above the rates, are you getting a return on your investment? It may be a low cap, but if the outcomes aren't any better, than you question have what is being achieved.

Mr. Wilson stated that in terms of placement, each of the new scenarios include 3% plus a combination of CPI and projected growth. When forecasting, you pick growth and base it on one thing, you don't usually pick two different factors and add them together to project growth.

Mr. Talarek stated that the initial scenario for placement cost was similar to the aging model. It used CPI plus the change in the number of individuals served. This is a benchmark used by Office on Aging that the committee seemed to agree with where if you have a higher case load, it should drive the results. Originally, it was a flat percent, so OMB provided them with the CPI used from the general fund forecast and then they used the population figures to forecast their caseload increase when they came back to us plus the inflationary rate.

Mr. Wilson then stated that this means FCCS is predicting that the number of placements will increase by 3% each year even though they have AR and Managed Care in place, which is 1/3 of your caseload, plus the CPI is the cost of the providers doing business.

Ms. Hallas Warren added that it is actually 3% increase in placement plus the projected increase by population. So, it would be about a 5% growth at that point, plus CPI. This would be an 8% increase in the placement budget.

Mr. Hemphill asked if the initial request from FCCS submitted to the Commissioners was for a $1.9 Million renewal with a $0.4 Million increase and based upon the information received now, the agency is stating that this is not adequate.

Ms. Hallas Warren confirmed that the agency is stating that if these other unknowns occur, the initial request would not be adequate.

Dr. Bronson stated that some of the unknowns are more probable than others such as increased services to youth between the ages of 18-21.

Ms. Hallas Warren stated that the agency currently has a unit that provides services to a number of children within the age of 18-21. During the last meeting, the agency stated that they currently service costs between $5,000-11,000 per month per child. However, the question is how much more would be required based on the law change and how many of the youth would want to remain in foster care.

Dr. Bronson stated that the way the information is presented makes it look as if the agency is not asking for enough money and that the agency didn’t provide any scenarios to show that the request would be adequate. She feels the missing piece is why the 0.4 mill increase is necessary. The overall picture is confusing and it doesn’t appear that clear rationalization has been put forward to justify the request.

Mr. Friedman stated that he is having trouble verifying if the projected expenses asked for are gross or net. There is nothing provided by the agency that reflects any cost savings or achieving any efficiencies. It appears that only costs are being provided and not any information on a return on the investment. If there is efficiency because there are no longer gaps, what is that worth? If the projection is a net, the savings should be shown and how it offsets the cost because otherwise the cost would be even higher. With scenario 2, they say stable staffing has been a problem. So, if they go ahead and spend this money to eliminate this problem with staffing, it will cost even more money

Mr. Wilson added that in terms of staffing, you could have the money and you will still have vacancies. Regardless of recruitment efforts, any agency with 500 employees or more, you will never be at full employment. So, if you build a model that says you will eliminate a vacancy at any given year, tells me that there are dollars that will not be spent that could actually go towards placement or supportive services. They will be parked in the personal services line but can be moved because the reality is that you will not get there. If asked to adopt scenario 2, this could be the first modification due to the strong argument. He stated that you would be unable to find a public child welfare agency in the state at full employment unless they are really small

Dr. Bronson stated that Franklin County child welfare pays more than other counties. The pay is higher than the more rural counties where salaries are quite low.

Mr. Hemphill asked if there is a naturally high turnover rate with caseworkers.

Dr, Bronson responded by stating that child welfare is a difficult job. The climate and culture of the environment is a major factor in keeping people around. Most people come into child welfare straight out of undergraduate studies coming out of fields such as history, psychology and sociology that have no idea of what it means to be in child welfare work. They are put through intensive training, where many of them come back after the training who are no longer interested because they simply can't go into these homes to deal with children that have been abused and neglected. There is now a program titled UPP that puts students into the agency to get one year experience, if they walk away, at least they have been exposed to child welfare and could possibly use it in another social work career. If they decide to stay, they receive a signing bonus and make a one year commitment to staying, but they go in with their eyes open already. So many of the entry level jobs in child welfare are being filled by people who have no idea what they are getting into. Given the difficulties of the job, the front line worker is really the one that carries the responsibility of the case. It is stressful and challenging because the problems cannot often be easily remedied. About ten years ago, FCCS was really working hard to target the reduction of turnover.

Mr. Hemphill stated that the committees charge is to come up with a recommendation for the Commissioners on a levy increase and amount that the taxpayers could vote on. The committee is rapidly approaching a point in which a recommendation needs made to fulfill that obligation.

Dr. Bronson asked OMB to go through the additional scenarios.

Ms. Hallas Warren referred the committee to the packet that provides the 5 year projections that show adequate ending cash balance.

Ms. Carter Ryan asked if there is a standard in terms of when you look for the 3 month cash balance.

Mr. Wymer asked if the other levy agencies are consistent with this cash balance model.

Ms. Hallas Warren responded by stating that ADAMH is lower because they came 10 years ago, their current policy is 60 days and is heading toward the 3 month model. All of the other levy agencies follow the 3 month standard.

Mr. Talarek added that the 60 day standard was the old GFOA recommendation of 17% which was about 2 months. Those standards have been revised to talk about impacts that could drive the number higher or lower or how quickly you're able to change your expenditure patterns. In terms of the General Fund, Franklin County bond rating agencies use the average of the double Triple - A which is about 30%. This is a little higher than the 3 months cash balance, its closer to 4 months. Franklin County is the only double Triple - A County within the State of Ohio and tries to benchmark to its peers. Therefore, as a double Triple - A rated County, these are our peers and this is what our benchmarks should be based on.

Ms. Carter Ryan stated that her opinion is to stay in line with GFOA standards since they are the experts. She then questioned if there were other types of standards in terms of how the levies should be reviewed or projected out.

Dr. Bronson stated that 5 years seems reasonable since they have another levy coming up in 5 years. This will allow room for adjustment if needed.

Ms. Carter Ryan then stated that when you look at FCCS ending numbers after 5 years, $118 Million is a lot of money. The committee's job is to determine what enough is and what is too much. This ending balance is way too much money to just sit on. The question would be how are you managing and why that money isn't being spent on programming for kids.

Mr. Wymer then asked are we making a difference, is there enough being done on the front end of being proactive versus reactive. The goal is to have a major impact on the problem. A tax payer is going to be much more supportive if they know you're trying to prevent opposed to just throwing money on the problem.

Ms. Carter Ryan stated that the first thing in the report should be feedback to the agency stating that the committee wants to see goals about reducing the amount of kids abused and neglected. That should be the number one priority and then what are you doing to help them get their life back.

Dr. Bronson stated that in reference to some of the programs the agency discussed in the last meeting such as Choose Your Partner are good programs, but they are not having an incredible preventive impact. She would like to see them think outside the box and become a leader in preventing kids from coming in.

Mr. Friedman stated that the committee should tell the agency that the committee is inclined to approve a straight renewal and that the only way an addition would be considered would be with an itemization with the types of programs and projected return on that investment in terms of something that could be measured.

Mr. Hemphill added that you could measure the outcomes. A list of the dashboard that contains those outcomes and follow the results year to year and cycle to cycle. Right now, the agency is asking for things but not justifying by outcomes that you can measure by.

Mr. Friedman added that the agency says that they are meeting the federal standards but it sounds like process not outcome standards.

Dr. Bronson mentioned that there are a few outcome measures such as the length of time the children are in care and the number of reunifications that fall apart and children are returned to care. She added that this is an entirely new team from the previous levy and that also has an impact on information provided.

Ms. Hallas Warren and Mr. Talarek continued to go through the OMB scenarios.

Mr. Talarek discussed that going through the model, OMB looked more incrementally and reduced placement cost by 1%, which would say placements would be level with current cases served to offset population growth. So, some of the initiatives on the front end that they have talked about such as preventive services and a few other supportive services. So, while population is increasing, they are able to keep those people outside the system. So, OMB took a more conservative approach to ensure the difference isn't that great.

Ms. Hallas Warren added that that was a 0.5% change in the AR rate instead of 1%. In 2015, it would be a 1% reduction in their estimated cost. The rest of the budget assumptions are based on the 2014 projections and then using the difference assumptions depending on the category. FCCS had a flat 3% for salary, benefits and healthcare. This seemed low because healthcare alone is more than 3%. So, OMB used the Employment Cost Index (ECI) for salary, other benefits and personal service contracts. Then, an estimated 6% was used for healthcare contracts because this is what the county typically operates on.

Mr. Talarek added that the current plan budgeted this year is 4.6%. The 6% benchmark on healthcare is used for the General Fund forecast.

Ms. Hallas Warren stated that materials and services was left at 1.5% and capital was left at 0.85% that they requested. Except, some of the expenses in the bottom section such as computers, hardware and furniture were inflated because they included one-time costs related to the building purchase. There was $600,000 budgeted for computers, this was cut down to about $280,000.

Mr. Talarek added that there were also some building rental cost for facilities that were closed. Also, the debt on the 855 West Mound building was refinanced, so OMB backed out the $46,000 savings per year.

Ms. Hallas Warren then stated that by going through line by line the net difference over the 5 years of the levy in materials and services was brought down $7.5 Million and capital outlays $400,000. These were the items that stood out and didn't seem appropriate to be in the baseline.

Mr. Friedman asked if OMB would allow the agency to review and respond to these items found.

Ms. Hallas Warren stated that OMB just completed the numbers discussed and will share them with FCCS. Based on OMB's findings $10 Million would net over the 5 years. In terms of a cash window, we are within about $3 Million.

Mr. Friedman then asked what happens if property evaluation rises once this millage is in place. What are the triggers?

Mr. Talarek stated that HB920 states that when a levy is passed, the amount of revenue collected each year is fixed. If property values grow on existing properties, you have to have a reduction factor that would reduce the effective millage from the state. You are able to capture new growth with the exception of a Tax Income Financing (TIF). FCCS had minimum growth in the out years to take into count new construction.

My Wymer stated that he agreed with Mr. Friedman's recommendation of a straight renewal with the understanding of trying to justify from the agency why the additional is needed.

Mr. Hemphill then asked for clarification on the projections from OMB versus FCCS.

Ms. Hallas Warren walked the committee through the expense differences by categories. For personal services, OMB increased salary by ECI opposed to the flat 3% used by FCCS. For fringe benefits and healthcare, OMB used their 2014 projections as the baseline. So, $175 Million this year is reasonable. In reference to fringe benefits, the healthcare benefit would be 6% every year, and all other fringe benefits would be ECI. The FCCS numbers were simply 3% for fringe which was too low. For materials and services, OMB kept in the 1.5% except for the line items we discussed that were pulled out because they seemed to be related to one-time building expenses. OMB agreed on the capital outlays minus any items related to one-time expenses that were building related. Social services is where OMB introduced the AR rate going up 0.5% every year, assuming that in 2015, this would be the -1% decrease over what FCCS projected and then a 2% increase in supportive services because those kids would need additional support since they wouldn't be in placement.

Mr. Hemphill asked for clarification on what scenarios without the $0.4 Mill increase.

Ms. Hallas Warren responded by stating that page 2 reflects the approval of the request submitted with the new expenses calculated by OMB. There would be a substantial amount of money left, so she referred the committee to page 1 using just the renewal, the ending cash balance would be $17-$20 Million above what they need. This includes the $13 Million in reductions and about $10 Million reduction in revenue with a more conservative collection approach. Revenue projections will be worked on provided to the committee as well.

Ms. Carter Ryan stated that she is also comfortable with just a renewal and is willing to listen to FCCS if they have something else to provide regarding how the additional money can be spent on reducing the number of abused and neglected children in Franklin County.

Mr. Hemphill stated that he is also in agreement with the renewal only and believes that benchmarks should be established in order to measure performance in future years and maybe come in year three to see the status of those benchmarks.

Ms. Hallas Warren reminded the committee that the information in front of them does not consider any of the other issues that may come, such as if the 18-21 year olds may remain in FCCS care. There would be about $17 Million to address any of the unknowns coming into play. FCCS did not provide the dollars behind the unknowns so that OMB could add it in. Maybe by telling them that you are looking at a straight renewal, and see if they could provide those costs, the committee could then consider those pieces.

Dr. Bronson stated that FCCS would need to also provide some detail that explains the difference between what they are currently doing and the changes associated with the cost.

Mr. Friedman then asked if this is a state or federal policy that would change.

Ms. Hallas Warren stated that it would be federal and is sponsored by a couple representatives in Ohio.

Mr. Friedman then asked if this would be an unfunded mandate or will it be phased in, and Mr. Wymer asked who the representatives from Ohio are.

Ms. Hallas Warren responded by stating that she would research and provide the information to the committee.

Mr. Friedman then stated that in reading some of the materials when you compare it to other counties who were basically mandated to manage to a number. They didn't have an open spigot every time they saw cost go up. The three month carryover should only be if you are blindsided. However, a manager should be able to see it coming between the 2nd and 3rd year into this 5 year cycle. You should see of the predictions are on or off. This monitoring falls under the Board, not the levy committee. He then questioned what the Board has in place in terms of monitoring the management practice. It usually takes the committee to this point in the review to get wrapped back around what the agency promised last time and what they are proposing this time. Someone has to be managing the day to day management because the agency is asking for the renewal plus increase to maintain.

Mr. Wilson asked the committee how they would like this information to be communicated to the agency. After several meetings, the committee at this point has concluded that they can support a renewal of the 1.9 mills. Consideration for the 0.4 mill increase would only be given if a list of items are provided that are above status quo, with a cost estimate and details attached to each item.

Mr. Wymer stated that he is not opposed to having another dialog with the agency if more is available to present. At the end of the day, this is a process that the voters have to decide.

The committee discussed how the outcome of the upcoming Zoo Levy may have an impact on voter's response to the FCCS request.

Dr. Bronson asked if it would make since to allow FCCS to take a look at the alternative view point before them on some of the numbers backed out by OMB.

Ms. Hallas Warren responded by stating that the agency's request is still a renewal if you look at the 5 year renewal even without OMB backing anything out. We can share it, but looking at the levy book, based on expenditures, a renewal is needed for a 5 year window. The levy book states that there will be 3.84 month's carryover at the end of 2019.

Mr. Hemphill asked if the number OMB came up with is pretty close to the number provided in the fact book.

Ms. Hallas Warren confirmed that the numbers are about $2 Million off. The OMB scenario would have a larger cash balance. She then asked if the committee would like to provide an opportunity to the agency to try and support the additional 0.4 mill increase.

Ms. Carter Ryan and Dr. Bronson agreed that this would only be acceptable if something new is brought to the table.

Mr. Hemphill advised Mr. Wilson that he would like for Ms. Hallas Warren to communicate with the agency and advise the committee's position and recommendation but also allow the door to be open for them to come back if something major was missed that they would like considered.

Mr. Hemphill placed a motion on the floor for approval of the committee's position of a renewal of the 1.9 mill levy and that recommendation to be communicated from OMB to FCCS. Dr. Bronson moved and Mr. Friedman second. The motion passed.

Ms. Hallas Warren verified that the committee is still available to meet on May 22nd. She stated that she would have a rough draft to the committee by May 16th that will include numbers discussed today with the renewal under the OMB scenario and to start adding in some recommendations that the committee would like FCCS to address in the next levy cycle. This could be used as the basis for the conversation on May 22nd regarding what the committee would like to see going forward, what the recommendations are, and a discussion any responses received back from the agency.

Dr. Bronson asked OMB to remind the committee of the items on the timeline.

Ms. Hallas Warren stated that the current timeline is to have the final report to the Board of Commissioners by June 25. There is some room if it needs to be pushed back a week or two. There are meetings scheduled on May 22 and June 5. If a wrap up meeting is needed in mid-June to say here is the final report and to vote on its approval that would be an option since there is room in the schedule

CLOSING REMARKS

Mr. Hemphill placed a motion on the floor to adjourn, Mr. Friedman moved and Mr. Wymer second. The meeting was adjourned at 4:51 pm.

The next meeting will be held at 3:00 PM on May 22nd at 373 South High St, 26th Floor in the West Conference Room.