TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Franklin County Budget and Economic Advisory Panel (the Panel) was created in February 2013 to review Franklin County's fiscal situation, determine whether a structural imbalance exists between the County's annual operating revenues and expenditures, and provide recommendations that would ensure that the County's services, financial stability, and Triple A credit ratings are maintained. The Panel held bi-weekly meetings and worked closely with County staff to conduct an examination of the County's General Fund finances. The Panel considered recent changes in state and federal funding for local governments and requested various budget scenarios based on projections of the financial landscape prepared by the Office of Management and Budget. The Panel did not conduct an operations review nor consider possible future capital investment needs, as those were outside the charge of the Panel.

The Panel concludes that Franklin County is very well managed. Franklin County enjoys Triple A credit ratings from Standard & Poor's and Moody's, which reflects its sound management and results in significant interest-cost savings to taxpayers and provides easier access to credit markets. The Board of Commissioners is correct to place a high priority on maintaining this high credit rating but, in order to do so, must maintain an adequate cash reserve.

However, recent state and federal cuts and legislative changes have resulted in a decline in Intergovernmental Revenue for all funds by almost $51.0 million in 2013. In addition to these reductions, the County has been faced with lower investment income and tax receipts as a result of the recession. As a result, Franklin County will use approximately $17.2 million in General Fund cash reserves this year. Current expectations are for that trend to continue, which will result in a projected structural deficit estimated at $13.0 million annually continuing for the foreseeable future.

In addition, the County may face further fiscal uncertainty in the coming years. Major sources of uncertainty include the future direction of the economy, future infrastructure needs, state tax policy changes, uncertain casino tax revenues, and health care reform and Medicaid expansion. For these reasons, the Panel recommends that Franklin County continue to practice prudence in managing its financial risks, but recognizes that a projected structural deficit will continue nonetheless.

The Panel recommends that Franklin County place a high priority on maintaining its AAA credit rating, which saves taxpayers millions and helps drive economic expansion. The projected structural deficit should be addressed through a combination of strategically applied revenue and expenditure adjustments. On the expenditure side, the County should set a goal of expense reductions of about $6.0 million to be achieved over the next 3 to 5 years by sharing services with other local governments, taking advantage of technological and other efficiencies, limiting health benefit cost increases, changing staffing requirements, and seeking certain legal and administrative rule changes. On the revenue side, the Panel identifies additional targeted user fee increases and an increase in the conveyance fee if the resources are needed to address the projected structural deficit alone.

If, however, the Board of Commissioners determines that additional investment is warranted for major capital needs, economic development, community partnerships and/or restoration of previous budget cuts, the Panel concludes that an increase in the sales tax is the most viable option under current law. The Panel does not recommend an increase of the inside property tax millage available to the County. The Panel also recommends the County continue its aggressive financial risk management policies by maintaining adequate cash reserves, continuing the use of performance measures in community partnership contracts, seeking additional state law changes to provide maximum flexibility for counties, and reviewing the County's current assets.

PANEL CREATION AND CHARGE

In recent years, a number of events and policy decisions have impacted Franklin County's budget and cash balance. The recession of 2007-2009 and subsequent slow recovery put government budgets at all levels under pressure. Franklin County has been faced with sharply-reduced state shared revenue. State shared revenues, which include the Local Government Fund (LGF) and the Public Utility Tangible Property (PUTP) and Tangible Personal Property Taxes (TPPT) reimbursements, were reduced in the State of Ohio 2012-2013 Biennium Budget (HB 153). The total impact of HB 153 on all Franklin County funds was a $41.4 million reduction in 2013. LGF support declined from $26.4 million in 2008 to a forecasted $12.1 million in 2013 – a decline of 54.2 percent in five years. While latest indications are that the allocation to Franklin County has stabilized, there are no indications that a restoration is likely.

Franklin County has absorbed $41.4 million in budget reductions because of policy changes enacted by the State of Ohio.

Franklin County has also been faced with decreasing Federal support. In March 2013, the Franklin County Office of Management and Budget (OMB) estimated that both the direct and indirect Federal sequestration effect on all Franklin County General and Non-General Fund supported operations was just under $1.0 million for 2013. An extended sequester could have a much more severe impact on Franklin County revenues as local Federal employees face furloughs and layoffs.

Additional fallout from the recession includes stagnant property tax revenue and declining investment earnings. As a result of the 2011 Sexennial Reappraisal of County residential and commercial properties following the recession, Franklin County ended the 2012 fiscal year with a $2.2 million (5.5 percent) decrease from the 2011 actual real estate tax collections. As a direct result of the Federal Reserve policy of keeping short term rates low to assist in the economic recovery, Franklin County's investment earnings decreased 81.6 percent from $43.5 million in 2007 to an estimated $8.0 million in 2013.

With the resulting revenue declines, projected expenditures, and greater citizen needs, Franklin County projects budget shortfalls for the foreseeable future. The concurrent outcome could be continued declines in the County's cash balance, leading to a loss of financial soundness and a downgrade of the County's AAA credit rating.

Following adoption of the 2013 budget and in consideration of the factors outlined above, the Franklin County Board of Commissioners asked the County Administrator to review the County's long-term sustainable fiscal condition. In response to their request, the County Administrator proposed to the Board of Commissioners that a panel be created to support such a review. On February 19, 2013, the Franklin County Board of Commissioners passed Resolution No. 0130-13 creating the County Budget and

Economic Advisory Panel (the Panel) consisting of nine (9) members[1] to fulfill the following charge:

- Review Franklin County's fiscal condition, structure, and capacity to sustain current service levels and existent unfunded state and federal mandates
- Analyze the fiscal condition of Franklin County to determine if a structural imbalance exists between the County's annual operating revenues and expenditures
- Determine whether long-term policy adjustments are needed to correct the imbalance
- Provide recommendations, including but not limited to revenue enhancements, that support service levels, sustain long-term fiscal balance, and maintain the County's Triple A credit ratings.

The Panel was charged to complete its review by August 1, 2013. This report is the County Budget and Economic Advisory Panel's response to the Board of Commissioners' request.

PANEL'S APPROACH

The Panel held bi-weekly meetings for more than five months to understand and review Franklin County's budget and the complexities associated with it. Materials were presented by County Administration and OMB to review the County's fiscal condition and structure. Panel members submitted requests for additional information and analysis to staff members who then provided them at subsequent meetings. All information detailed in the report's Appendix was presented to the Panel at these meetings, including an overview of County government, Franklin County's Budget Drivers, influences on the County's revenue in recent years and the reductions in expenditures that were made in response, and the forecast of the county's financial scenarios.

A financial examination of the agencies that drive most of the Franklin County's General Fund expenditures was conducted by the Panel. This included the Court of Common Pleas, Domestic and Juvenile Court, Probate Court, Prosecuting Attorney, Public Facilities Management, and Sheriff. These six agencies comprise 80.0 percent of the County's annual General Fund expenditures. The Budget Briefs presented to the Panel contain the agencies' revenue and expenditure history, budgeted staff Full Time Equivalents (FTEs), agency goals, strategic issues, General Fund budget, program overviews, outcome measures, requests for additional appropriation, and budget adjustments made since the passage of the 2013 budget. In addition to these agencies, the Panel reviewed a summary of the General Fund Debt Service through 2035.

[1] One member resigned from the County Budget and Economic Advisory Panel in April 2013.

Because this review process occurred while the State of Ohio 2014-2015 Biennial Budget (HB 59) was being developed, Panel members received updated briefings on the state budget decision-making process and the potential impact on the County's budget. Discussions included the Governor's proposed changes to the permissive sales tax and expansion of Medicaid. Although these proposed changes were not enacted, it was important for the Panel to be informed on potential budget influences during the simultaneous state Budget process.

The Panel was charged with analyzing the fiscal condition of Franklin County to determine if a structural imbalance exists between the County's annual operating revenues and expenditures. As part of the analysis, the Panel asked OMB to prepare three financial forecast scenarios projecting revenues and expenses for the Franklin County General Fund. Under the direction of the Panel, OMB developed the Baseline, Conservative, and Optimistic (referred to as the Rosy Scenario in the Appendix) Scenarios. All three scenarios assumed maintaining current service levels and county policies. The differences among the three scenarios included different assumptions regarding sales tax revenues, personnel expenses, health care expenses, utility costs, and debt service obligations. These were repeatedly revised by OMB as new information became available, such as the actual 2013 revenue receipts and the passage of HB 59.

The members of the Panel stayed focused on fiscal issues per the Panel's charge and therefore did not undertake operations reviews or needs assessments. The Panel was limited in its time and charge to understand the needs of the community fully. The Board of Commissioners has the ability and responsibility to prioritize needs and take action as required. These recommendations are based on the Panel's fiscal review and do not consider the greater needs of the community to address the challenges of lingering poverty and workforce development, or make the long-term capital investments necessary to ensure the future prosperity of the community.

CONCLUSIONS

At the completion of their review of the County's budget and financial condition, the Panel made a number of observations and conclusions.

Franklin County is well managed as evidenced by the professional staff who constantly seek to maintain appropriate levels of service and operational efficiencies at the lowest level of taxation possible.

1. Franklin County is well managed. The Panel believes this to be the case, as evidenced by its AAA credit rating, as well as the per capita spending and other benchmarks that are highly favorable when compared to other Ohio urban counties. The County has excellent professional staff who constantly seeks to maintain appropriate levels of service and operational efficiencies at the lowest level of taxation possible. Franklin County's fiscal security, stability, and sustainability, its ability to meet critical needs in difficult economic times, its excellent credit rating, and its necessary and essential programs and service delivery have been

maintained since 2005. The Panel appreciates the staff's dedication to providing them with the requested information and detailed analysis. The numerous documents presented to the Panel were comprehensive, informative, and essential to the Panel's work. These and the thorough presentations of those documents at the Panel's meetings were solid reflections of the high level of competency among those employed at the County.

The County's AAA credit rating results in a significant saving in interest costs and easier access to credit markets, so the Board of Commissioners is correct in the high prioritization placed upon preserving that rating. The County's fund balance policy is for the General Fund balance to exceed the average of all US counties rated Triple-A by both Standard & Poor's and Moody's as measured as either a percent of expenditure or as a percent of revenue, whichever is greater. Over the last few years, the percent of expenditures has been the greater value. Based on this policy, the General Fund cash balance must be at least 35.9 percent of expenditures. For 2016, Franklin County must maintain a cash balance of at least $116.4 million, or 35.9 percent of the forecasted expenditures.

When the County's sales tax rate was last increased in 2005, Franklin County was faced with a $55.0 million budget deficit. In response, the Board of Commissioners increased the 0.50 percent sales tax rate by 0.25 percent on a permanent basis to 0.75 percent. The Board of Commissioners also approved a temporary 0.25 percent increase to rebuild the County's cash reserves. That temporary rate expired as scheduled on December 31, 2007. The Board of Commissioners pledged not to increase the rate again for at least six years. They have fulfilled their pledge and are now in the eighth year since this commitment was made to the taxpayers.

When the County's sales tax was last increased in 2005, the Board of Commissioners pledged not to increase the rate again for at least 6 years; they have fulfilled that pledge.

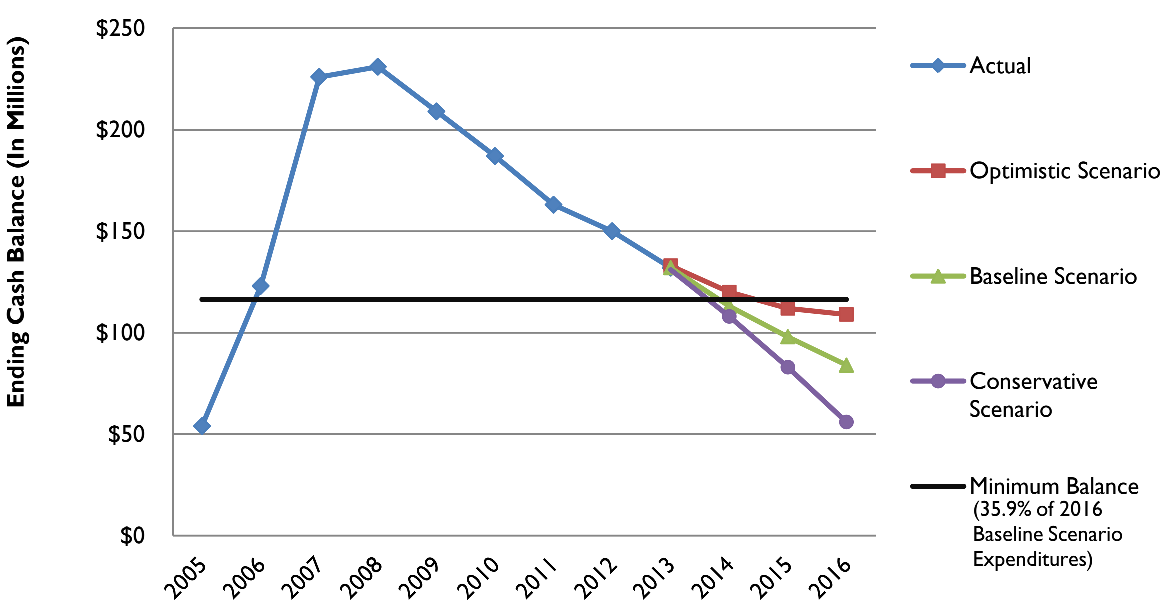
2. <u>Nevertheless, Franklin County faces a projected structural deficit in the range of $13 million annually.</u> State and federal government cuts and legislative changes affecting county revenues and expenses have had a significant negative impact on the County's fiscal resources. Intergovernmental Revenue for all funds including the Tax Loss Reimbursements, Local Government Fund, and other revenues declined from $378.0 million in 2009 to $327.1 million in 2013. These were exacerbated by the recession, but projections suggest that the economic recovery will not be sufficient to cure the problem. Even after the Board of Commissioners adopted policy changes to reign in expenditures in the face of declining revenue, the amount of forecasted expenditures will still exceed the revenues collected in 2013. This will result in the use of approximately $17.2 million in cash reserves by the end of 2013.

   Interest rates at their current historically low levels provide the benefit of extremely favorable borrowing costs (which the Board of Commissioners have strategically employed) but have significantly reduced the county's investment revenue. Franklin

County's investment portfolio produced over $43.5 million in 2007; this year it is expected to produce around $8.0 million. The reduction in investment earnings is not a function of declining balances, but due to a different interest rate environment. The Federal Reserve policy of keeping short term rates low is a key factor in the decline of the rates. In most cases, state law limits a county's investments to investment-grade securities with short-term maturities of no more than five years.

Based on the County's current projection of anticipated revenues and expenditures, annual projected structural deficits are forecast over the next three years ranging from $3 million to nearly $27 million depending on the scenario, with a projected structural deficit of about $13 million annually by the end of fiscal year 2016. As shown in the following chart, even under the most optimistic scenario, a significant reduction in the cash balance will develop if current revenue and expenditure plans remain unchanged. In turn, this prevents achieving the County's goal for cash reserves equal to 35.9 percent of expenditures.

Annual Ending Cash Balance



Unlike all other urban counties in Ohio, and most others in this region of the country, Franklin County's population is increasing at a significant rate, barely edging out Delaware as Ohio's fastest-growing county in 2011-2012. (Franklin County's population has never declined in any Census since the County was created in 1803.) The poverty rate has also increased significantly. The poverty rate for all Franklin County residents was 16.3 percent in 2007. That number increased to 18.2 percent in 2009 and 18.8 percent in 2011. The poverty rate for residents under 18 years grew at a greater rate between 2007 and 2011 from 21.5 percent to 26.4 percent, respectively. Whereas poverty was traditionally concentrated in the central city, poverty has suburbanized, requiring new models of service delivery. Both population growth and the increase in poverty have budget implications.

Currently, one out of every four children in Franklin County lives in poverty.

3. Community partnerships, infrastructure (including financing), and other needs appear to be significant and may have major budget implications, However, the Panel's charge, time and resources limited its exploration of these issues. Needs of citizens can never be completely fulfilled, but the Board of Commissioners' primary responsibility is to channel limited funding to address both the greatest needs and invest prudently in initiatives that earn a long-term return, such as buildings and other infrastructure, affordable healthcare, economic and workforce development, and tourism. These expenditures and investments must be driven by a clearly articulated vision and carefully defined priorities. Determining the vision and priorities is not the Panel's charge, nor does the Panel have the time and resources to do so. This is the responsibility of the Board of Commissioners.

4. No matter what the county does regarding the management of its financial resources, risks driven by external factors will remain and need to be taken into account in its financial planning. Projecting into the future is a difficult challenge at best. That is why the Panel has worked with the Board of Commissioners' staff to develop a range of likely outcomes rather than focus on a specific number. While we are reasonably confident the outcome over the next 12 to 24 months is likely to be within the ranges presented to the Panel, looking out beyond that time frame is more uncertain. Major sources of that uncertainty include the future direction of the economy, as well as changes in state and federal laws and policies. Currently, the economy appears to be improving, but no one is certain how long that trend may continue. The ongoing gridlock in Washington over the federal budget is a continuing source of uncertainty as well, and while the impact of the most recent State of Ohio budget on county governments, adopted last month, is relatively neutral after several years of steep cuts, it is not yet clear if the decline in investment in local governments by the State will continue into the next and future biennial budgets. Other significant unknowns include health care reform and Medicaid expansion, future state tax policy changes and projected casino tax revenues. As a local government, Franklin County is often impacted by mandates and funding decisions by the federal and state governments.

   For these reasons, the Panel recognizes and recommends that Franklin County continue to practice prudence in managing its financial risks. The projected structural deficit will continue if both current sources of revenue and spending to meet current level of needs continue. This deficit, however, can be addressed through a combination of strategically applied revenue adjustments and expenditure reductions.

   The objective of such adjustments is to address the charge given to this Panel: to address the projected structural deficit, which then preserves and enhances the

County's strong financial position, provides the resources required to meet current needs and maintain the County's high credit rating. However, the Panel did not address the question of whether additional County strategic investment to address deferred and identified needs is appropriate and, if so, how they should be paid for; this is appropriately a decision for the Board of Commissioners to make.

OPTIONS FOR REDUCING EXPENSES AND INCREASING REVENUES

The following are the expenditure and revenue options examined by the Panel to deal with the projected structural deficits over the next three years as outlined in current projections. These projections may need to be revised as economic conditions change and to address the needs of the County's citizens as determined by the Board of Commissioners. The Panel did not undertake an operations review to identify further cost savings in County General Fund expenditures. In addition to the options for efficiency opportunities presented by the County, the Panel identified several items that the County should continue to investigate.

1. <u>Options for Reducing Expenses</u>

Explore shared services with City of Columbus, such as additional water and sewer agreements, as well as with other governmental entities. An example of successful current shared services includes the Franklin County Economic Development and Planning Department working jointly with the City of Columbus Economic Development on projects such as the Scioto Mile, Columbus Commons, and Audubon Center. The County and City Departments are co-located at the Lazarus Building in Downtown Columbus to facilitate collaboration.

Use and apply technology for cost savings, operational efficiencies, and enhanced customer service. By replacing legacy systems and continuing to automate manual processes, operations will be streamlined, staff savings will be realized, and the level of service to County residents will be improved. Through the consolidation of redundant hardware systems, collaboration on and review of major software license purchases, and centralizing printing operations, the County may save more than $500,000 annually. The adherence to a defined purge schedule while complying with records retention policies, paper file storage and data storage may also result in substantially reduced expenditures.

Continue the current policy of limiting annual health benefit cost increases to three percent below the national trend and continue to ensure that employee contributions align with other public employers in the region. The County is self-insured through the Franklin County Cooperative Health Benefits Program that includes medical, prescription drug, dental, vision, employee assistance program, behavioral health coverage, wellness programs, and life insurance. Since 2005, the Franklin County Cooperative has remained below the national trend for the rate of increase in health care costs. The County achieves its strategic goal of being three percentage points below the national trend by investing in health and wellness initiatives, making plan design changes, and increasing employee contributions.

Use more civilians to staff jails. According to the U.S. Census Bureau, the 2011 monthly average salary per for corrections employees in Franklin County far exceeded the salary of those in Ohio peer counties. In the Franklin County Sheriff's Office Management Assessment Study, Voorhis Associates, Inc. stated that there are a number of posts within the Corrections Division that do not require Ohio Peace Officer Training Academy certified officers. The Sheriff's Office should review these posts and initiate the process to define those posts that may be filled by non-certified personnel.

Seek Ohio Revised Code (ORC) and/or Administrative Rule changes that enable the County to save funds. Per the Ohio Constitution, counties in Ohio can only perform those governmental functions specifically authorized by state law and in the manner specified in law. Some outdated requirements, such as eliminating the need to send court packets to other County entities via certified mail, are costly to the County. Working with the state legislature to remove this requirement would save Franklin County at least $200,000 annually in certified mail expenses.

2. Options for Raising Revenue

The range of revenue options is statutorily limited for county governments in Ohio, and the amount of revenue generated varies widely. This lack of revenue options limits the ability to offset less stable flows with more stable ones, and thus increases the risk of overall county government revenue flows. Nonetheless, additional revenues are necessary to deal with the projected deficit, and may be needed in varying amount depending on future actions and the needs determination by the county. The following are revenue options and opportunities that the Panel advances with appropriate comments. The panel's recommendations for specific revenue options are contained in the Recommendations section.

Enhancing revenues in existing sources through economic growth. Franklin County's population growth is due in large part to economic opportunity. Existing companies expand; new companies arrive; new jobs are created; and, in turn sales tax collections increase. Franklin County should continue to refine the economic development strategy that assists in and encourages such growth. It should be complementary – yet also add value – to the economic development plans of Columbus2020 and suburban communities and townships. Workforce development priorities should complement economic development efforts and provide skills development and connections to the job market to enable all households to move toward self-sufficiency. The County should continue its participation in public, private, and non-profit sector partnerships to expand economic opportunities such as the County's current initiative to offer and underwrite workforce training grants. Franklin County currently invests $1.5 million in travel and tourism, which with other public and private investments, yields approximately $7.8 billion in return to the local economy. Strategically deployed economic and workforce development outlays are essential investments in the County's future.

Implementing new and/or increasing user fees. The County imposes various user fees for services provided, and in some instances has the permissive authority to increase such fees. This Panel recognizes that a review and, as necessary, adjustment to such fees is a practical source of revenue for the County. The Board of Commissioners has already begun this process by recently revising the Department of Animal Care and Control fee structure, effective for 2014. The agency is primarily funded through annual dog licensing, adoption and enforcement fees; however, the annual revenue is not sufficient to sustain all operating and debt service costs. As such an operating subsidy of $2.1 million is provided to the agency for FY 2013 by the General Fund, in addition to the $1.3 million in debt service payments which are also paid by the General Fund for the new County Animal Shelter. The revised fee structure, amended by the Board of Commissioners in June 2013, will allow the agency to generate an estimated $869,900 in additional revenue, thereby reducing the General Fund subsidy. The County should conduct a review of user fees in similar counties within and outside of Ohio, and raise fees as appropriate and legally permissible – understanding that an increase in a fee may generate a less-than-proportional increase in revenue because the level of the service supplied may decline. The larger the increase in fee, the greater may be the decline in the level of service requested.

Increasing inside millage property tax rate. Franklin County currently levies a 1.47-mill property tax. Pursuant to section 5705.02 of the ORC, the aggregate amount of taxes that may be levied on any taxable property in any taxing unit shall not in any one year exceed ten mills on each dollar of tax valuation, except for taxes specifically authorized to be levied in excess thereof in the Code. To date, the Board of Commissioners has chosen not to use the maximum property tax rate available for County programs. This has not only kept property taxes from growing but has also protected the County's credit rating. Franklin County has an additional 0.88 mills available to levy before reaching the ten-mill limitation. Raising the inside millage to the total authorized mileage of 2.35 mills would result in an estimated revenue increase of $23,100,000 annually.

Increasing the real estate conveyance fee. Conveyance fees are collected by the Auditor's Office during the transferring of property deeds and deposited in the General Fund. The purpose of transferring deeds through the Auditor's Office is to maintain an accurate record of property ownership and parcel identification and to collect conveyance fees required by ORC 319.20 and 322.02. State law mandates a $1 fee per $1,000 of the sale amount, and allows counties to collect up to $4 per $1,000 of the sale amount. Currently, Franklin County collects $2 per $1,000 of the sale amount. Hamilton County also collects at the conveyance fee rate of $2, while Montgomery and Cuyahoga counties collect $3, and Lucas County collects $4. Increasing Franklin County's conveyance fee to $4 per $1,000 of the sale amount would result in an estimated annual revenue increase of $7.0 million.

Increasing the sales tax. The total sales tax rate in Franklin County is 6.75 percent. The State of Ohio levies a sales tax of 5.50 percent[2] in all counties and the Central Ohio Transit Authority levies a sales tax of 0.50 percent. (Transit authorities have the authority to collect, with the approval of voters, additional sales tax revenue for the purpose of running a transit system. Several metro counties have enacted such a tax to fund bus or transit systems; this additional rate increases a county's overall rate.) Franklin County levies a permissive sales tax of 0.75 percent pursuant to section 5739.021 of the ORC.

State law allows a county to levy a permissive sales tax up to 1.50 percent. Franklin County has a moderate county sales tax rate compared to the other large urban counties in Ohio and its neighboring counties. The county permissive sales tax rate of 0.75 percent in Franklin County is lower than the rates in Cuyahoga, Hamilton, Montgomery, and Lucas (ranging from 1-1.25 percent). Among contiguous counties, the Franklin County rate is less than Licking Counties (1.50 percent); Delaware and Union Counties (1.25 percent); and Fairfield County (1.00 percent). Increasing Franklin County's permissive sales and use tax rate by 0.25 percent would result in an estimated $48.8 million annual revenue increase.

The Board of Commissioners may determine that, in addition to the preservation of current services, additional investments need to be made to improve the quality of life of Franklin County residents. The County has made such strategic investments many times in the past, whether they are programmatic investments, such as the Better Birth Outcomes Initiative with Nationwide Children's Hospital, or capital investments, such as the Scioto Mile and Columbus Commons. These investments have been identified as priorities by the community.

The five Core Principles already approved by the Board of Commissioners provide good insight into the potential types of additional investments the County may make. They are:

- Provide community safety, security, and effective justice;
- Promote job creation, strategic economic development, and fiscal security;
- Provide supportive health and human services;
- Promote good stewardship of natural resources, environmental sustainability, and civic engagement; and,
- Provide efficient, responsive, and sustainable government operations.

The County has identified additional capital needs that must be addressed in order to provide efficient government operations and maintain community safety and security. Due to the facility's proximity to The Ohio State University Medical Center, the County anticipates the expanding hospital campus will require the relocation of the Coroner's Office. The County estimates the total cost for construction of a new morgue would be $50 million. The proposed annual General Fund Debt Service to support the project

[2] As passed in the State of Ohio 2014-2015 Biennial Budget, the State portion of the sales tax will increase from 5.50 percent to 5.75 percent on September 1, 2013.

would be approximately $3 million per year or $82.1 million over the life of the debt service.

Additionally, the County has, over an extended period of time, reviewed jail facility needs for Franklin County. The number of jail beds currently in use in Franklin County exceeds the state-approved capacity. In consideration of the health and safety of inmates and jail staff in the facilities and the physical disrepair of Center I, the County is planning to build a replacement jail facility. The County estimates the total cost for construction would be $150 million. The proposed annual General Fund Debt Service to support the project would be approximately $9 million per year or $233.3 million over the life of the debt service.

When considering community and economic development investments, it is important for Franklin County to continue to strategically partner with public and private entities. The Board of Commissioners provides programs for assisting families and those most vulnerable in the County through Community Partnership grants. Since the recession, the need for these services continues to grow. For example, between 2006 and 2010, the Mid-Ohio Food bank saw a 28 percent increase in the number of people seeking emergency food assistance. The Community Shelter Board reported that the single adult homeless population grew 20 percent since 2011.

The Board of Commissioners strongly promotes job creation and strategic economic development to increase resident access to good paying jobs. Through investing in strategic areas, such as retail, tourism, logistics, and research and development, the County can make a positive impact in supporting job growth.

Analysis of such additional strategic investments, in areas including the County's future capital needs, community partnerships, and strategic economic initiatives, remain beyond the scope of this Panel. However the Panel acknowledges the Board of Commissioners must make decisions on revenue and expenditure adjustments with these considerations in mind.

RECOMMENDATIONS

1. Franklin County should continue to maintain its AAA credit rating.

   In addition to lower borrowing costs which saves the taxpayers millions over the years, counties with the highest bond rating receive national recognition for attributes such as having an excellent financial management team, strong executive leadership, demographic characteristics, a strong stable economy as evidenced by the size and diversity of its tax base, adequate cash reserves, and low debt burden on its citizens. Generally, credit rating is an indication of government's managerial and financial reputation. As a result, the County receives intangible benefits such as the ability to attract businesses that support the high quality of life in Franklin County. Therefore, the Panel believes that solutions to the fiscal imbalance should be consistent with preservation of the County's AAA credit rating.

2. Solving the projected structural deficit will require the county to consider both targeted spending reductions and revenue increases from selected revenue sources.

   The projected annual structural deficit of between $3 and $27 million annually assumes economic conditions and policy decisions within a certain range of likely outcomes. Yet much about the future remains uncertain especially three to five years out. Consequently even though a combination of spending reductions and revenue increases will be needed, the exact amount will depend on the scale a size of the problem to be addressed.

   As a first step, the Panel recommends the County set a goal of reducing expenses by about $6 million from the baseline projection to be achieved over the next three to five years by using the list of options for reducing expenses as previously discussed. If additional resources are needed to address the structural deficit alone, then the Panel recommends targeted user fee increases in the range of $1.5 million plus an increase in the conveyance fee.

   If more funds are necessary to address the structural deficit, or if the Board of Commissioners determines additional investments are needed, we recommend the course of action outlined in the next recommendation.

3. If the County Commissioners determine additional investment is warranted for major capital needs, economic development, community partnerships, and/or restoration of budget cuts previously implemented, the panel concludes that an increase in the sales tax is the most viable option under current law.

   The Panel has examined the option of raising the permissive sales tax. As mentioned earlier in the report, the county sales tax rate of 0.75 percent is half of the 1.50 percent permitted for counties by state law. Each additional 0.25 percent increase in the sales tax raises an estimated $48.8 million in revenue, and while that may be more than this Panel determines is necessary to address the projected structural deficit alone, it may be the only available source of funding large enough to address both the structural deficit and the above-stated additional County needs as determined by the Board of Commissioners. It is important to note that Franklin County currently has the lowest county-applied sales tax rate among the contiguous counties of Central Ohio, and is among the lowest of all of the metro counties in Ohio. As such, the permissive sales tax is a practical source of funding for the County to consider if the Board of Commissioners determines that additional revenue needs exceed simply addressing the projected structural deficit.

   Regarding the property tax, the County should continue to leave a portion of its tax capacity available, not only to maintain the strong credit rating, but also to provide flexibility to respond quickly in the event of future challenges and/or emergencies.

This is why the Panel does not recommend an increase in the inside property tax millage. In doing so, the Panel also acknowledges that the property tax is the main source of revenue for levy agencies, such as human service agencies and the zoo, as well as school districts. Raising the County property tax may make it more difficult for these other entities to do so, especially given the state's decision not to provide the real estate property tax rollbacks on new or replacement levies. This change in state policy will require homeowners, instead of the state, to pay the 10.0 percent rollback on residential homeowner properties and 2.5 percent rollback on owner occupied properties when the new or replacement levies are approved.

If the Board of Commissioners determines that a sales tax increase is necessary, the panel recommends the conveyance fee not be raised at this time, but instead hold the option in reserve if additional revenue is needed in the future.

4. Franklin County should continue its aggressive financial risk management policies.

In addition to the recommended expenditure reductions and options for revenue increases, the Panel has provided feedback regarding the management of Franklin County's finances and current policies. OMB should continue to update actual projected revenue and expense on a monthly basis and make changes as needed. This also means maintaining a cash balance of at least 35.9 percent of annual expenditures (or revenue when appropriate), not just for credit rating purposes, but also as a hedge against unexpected economic downturns or financial needs. As mentioned above, the county should also keep some tax capacity unused.

The Panel notes that Franklin County has moved to make its discretionary investments in community partnerships and economic development time-limited rather than open-ended, and based on measured standards of performance. The Panel feels this is a good policy because it preserves flexibility to meet changing needs. It should thus be continued.

The County should also work with officials from other Ohio counties and state associations to develop proposals to revise state law to give counties more flexibility to manage their own revenues and expenses in light of the new normal of declining state and federal support.

A review of assets currently owned by the County should be completed. Consideration should be given to the sale of unused assets in order to raise one-time funds and reduce the expenditures related to maintaining these assets. As permitted by law, the County should look into the sale or leasing of unused real estate, while taking care not to mortgage its future needs just for one-time revenue. This should be part of the planning process as the County looks to make additional capital investments.

In summary, this Panel has identified the existence of a structural deficit based on projected revenue and expenditure estimates, and reviewed options to address that deficit. The Panel recommends that the Board of Commissioners must solve the imbalance in order to preserve the County's fiscal health and credit rating, and should determine the combination of options necessary to solve the deficit, through both revenue enhancements and efficiencies on the expenditure side. Finally, the Panel acknowledges that the Board of Commissioners must make decisions on revenue and expenditure adjustments based on additional priorities or needs that are beyond the scope of the Panel's review.

Signatures of Agreement

We, the undersigned members of the Franklin County Budget and Economic Advisory Panel, do hereby agree with the following Report and Recommendations, as attested to by our signatures below, and direct that said Report and Recommendations be delivered to the Board of Commissioners: John O'Grady, President, Paula Books, and Marilyn Brown.

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

APPENDIX CONTENTS

INTRODUCTION

In July 2005, Franklin County was faced with a $55.0 million budget deficit. In response, the Board of Commissioners increased the 0.50 percent sales tax rate by 0.25 percent on a permanent basis to 0.75 percent. The Board also approved a temporary 0.25 percent increase to rebuild the County's cash reserves. That temporary rate expired as scheduled on December 31, 2007, at which time the Central Ohio Transit Authority (COTA) added an additional 0.25 percent for its operating needs. At the time of the sales tax rate increase, the Board of Commissioners told the public they would stretch those dollars for at least six years. It is now the eighth year since this commitment was made to the taxpayers.

Franklin County's fiscal security, stability, and sustainability, its ability to meet critical needs in difficult economic times, its excellent credit rating, and its necessary and essential programs and service delivery have been maintained since 2005. Like other local governments, Franklin County's revenue has been negatively impacted by the 2008-2009 recession and subsequent slow recovery, resulting in stagnant property tax revenue, declining investment earnings, and sharply-reduced state shared revenue. Franklin County has absorbed more than $41.0 million in budget reductions because of policy changes enacted by the State of Ohio, including support for family safety-net programs, and a 50 percent decrease in state support through the Local Government Fund. Following adoption of the 2013 budget and in consideration of the factors outlined above, the Board of Commissioners asked the County Administrator to review the County's long-term sustainable fiscal condition.

In response to their request, the County Administrator proposed to the Board of Commissioners that a County Budget and Economic Advisory Panel be created to support such a review. On February 19, 2013, the Franklin County Board of Commissioners passed Resolution No. 0130-13 (see Attachment A) creating the County Budget and Economic Advisory Panel consisting of nine (9) members to fulfill the following charge:

- Review Franklin County's fiscal condition, structure, and capacity to sustain current service levels and existent unfunded state and federal mandates

- Analyze the fiscal condition of Franklin County to determine if a structural imbalance exists between the County's annual operating revenues and expenditures

- Determine whether long-term policy adjustments are needed to correct the imbalance

- Provide recommendations, including but not limited to revenue enhancements, that support service levels, sustain long-term fiscal balance, and maintain the County's Triple A credit ratings.

The Panel was charged to complete its review by August 1, 2013. Panel members[3] appointed by the Franklin County Board of Commissioners are:

1. Ty Marsh (Chair)
   Principal, Ty Marsh & Associates

2. Pierre Bigby
   Owner & President, Bigby Financial Planning, LLC

3. Bill LaFayette
   Owner, Regionomics

4. Karen Morrison
   President, OhioHealth Foundation
   & Ohio Health Senior VP of External Affairs

5. Frederick L. Ransier, III
   Partner, Vorys, Sater, Seymour and Pease LLP

6. Martyn Redgrave
   Senior Advisor, Limited Brands

7. Timothy Robinson
   Executive Vice President & CFO/CAO, Nationwide Children's Hospital

8. William Shkurti
   Adjunct Professor, The John Glenn School of Public Affairs

This Appendix is a summary of the information that was provided to the County Budget and Economic Advisory Panel, and includes an overview of county government, Franklin County's Budget Drivers, influences on the County's revenue in recent years and the reductions in expenditures in response, and the forecast of the county's financial scenarios

[3] One member resigned from the County Budget and Economic Advisory Panel in April 2013.

County Government

Franklin County, Ohio is governed by a complex organization of elected officials. Administrative powers rest with a three-member Board of Commissioners and eight other elected officials who function as the independent heads of their departments. In addition, there are 31 elected members of the judiciary, and various independently appointed boards and commissions (see Attachment B: Organizational Chart of County Government). An appointed County Administrator administers Board policies and prepares the county's budget with the assistance of the Office of Management and Budget (OMB).

The Board of Commissioners is the county's taxing, budgeting, and purchasing authority, and every county agency relies on the Commissioners for funding. Per the Ohio Constitution Article X, Section 1, "the General Assembly shall provide by general law for the organization and government of counties, and may provide by general law alternative forms of county government...." Counties can only perform those governmental functions specifically authorized by state law and in the manner specified in law. If the Ohio Revised Code (ORC) is silent on the subject, counties do not possess the authority to act. In contrast, municipalities in Ohio were granted almost unlimited authority to exercise powers of local self-government by the Home Rule Amendment to the Ohio Constitution. Therefore unlike cities, counties are limited by state law regarding the ability to raise revenues and the range of services that they can provide.

While the Board of Commissioners establishes the county budget, the independent agencies, such as the Alcohol, Drug, and Mental Health Board, Children Services, and the Board of Developmental Disabilities, largely determine how they will spend it. Under Ohio law, some county agencies are given the authority to mandate their budget. The Ohio Constitution grants courts the power to maintain their independence from the other branches of government; this includes the power to compel the Board of Commissioners to provide the requested appropriations for judicial purposes. The county courts are permitted to issue a Writ of Mandamus that would require the Board of Commissioners to appropriate funds the court declares necessary for its operation. Per ORC 2731.01, mandamus is a writ, issued in the name of the state to the Board commanding the performance of an act which the law specially enjoins as a duty resulting from an office, trust, or station. Per ORC 3501.17, the Board of Elections may apply to the Court of Common Pleas to fix its budget if it feels the Board of Commissioners has not provided sufficient appropriation for the necessary and proper expenses of elections. The Veteran Services Commission also may apply to the Court of Common Pleas if it feels that the Board of Commissioners has not provided sufficient appropriation for the necessary and proper expenses of veteran services.

The Franklin County Board of Commissioners is guided in its governance by the county vision, mission, and core principles and goals.

FRANKLIN COUNTY VISION

The vision is to provide responsible, efficient, and effective government that delivers outstanding public services through innovative leadership and sound fiscal management, and improves the quality of life for the residents of Franklin County.

BOARD OF COMMISSIONERS' MISSION

The mission of the Board of Commissioners' Office is to provide leadership and fiscal stewardship for our community so that Franklin County remains among the best managed counties in the nation.

In order to accomplish this, the Board of Commissioners' Office will maintain Franklin County's fiscal security, stability, and sustainability; maintain Franklin County's ability to meet critical needs in difficult economic times; maintain Franklin County's excellent credit ratings; and maintain necessary and essential programs and service delivery capacity.

BOARD OF COMMISSIONERS' CORE PRINCIPLES AND GOALS

In April 2011, the Franklin County Board of Commissioners revised their "core principles" and created "county-level goals" as a first step in an initiative to provide more clarity about why the programs the County offers exist, what value they offer to citizens, how they benefit the community, what price we pay for them, and what objectives and citizen demands they are achieving. The result of this initiative will also enhance the capabilities of the Board of Commissioners to address current fiscal realities while adhering to these core principles, and to meet the expectations of Franklin County residents. These core principles are to:

1) PROVIDE COMMUNITY SAFETY, SECURITY, AND EFFECTIVE JUSTICE

- Provide comprehensive and effective programs for crime prevention, treatment, and rehabilitation
- Improve the quality of service delivery of public safety and justice services through commitment to ongoing employee training
- Strengthen the bond between the public safety offices, courts, and the community
- Improve public safety through the use of community planning and involvement and other means to protect the quality of life
- Provide coordinated homeland security and emergency response team readiness to prepare and protect citizens

2) PROMOTE JOB CREATION, STRATEGIC ECONOMIC DEVELOPMENT, AND FISCAL SECURITY

- Expand the local economy in ways that strengthen and leverage the core assets of the community to compete in the global marketplace

- Increase the number of jobs with a focus on the increase of higher-paying jobs in our community
- Link the skills of the unemployed and underemployed with the workforce needs of local business and industry
- Increase transportation options to encourage more compact land use patterns, lower transportation costs, promote healthy lifestyles, and improve access to local business districts and main streets
- Promote an adequate supply of affordable housing, shelters, and supportive/transitional housing for residents in need

3) PROVIDE SUPPORTIVE HEALTH AND HUMAN SERVICES

- Provide assistance to vulnerable populations in the community and families in need
- Prevent child and adult abuse and neglect
- Increase access to basic health care
- Ensure that children are born healthy and that they can develop to their fullest potential
- Promote early childhood learning and developmental programs
- Reduce juvenile and adult behavioral health problems

4) PROMOTE GOOD STEWARDSHIP OF NATURAL RESOURCES, ENVIRONMENTAL SUSTAINABILITY, AND CIVIC ENGAGEMENT

- Provide safe water and effective sewer systems
- Promote responsible and sustainable stewardship of natural resources (air, water, land, and wildlife)
- Improve and expand community green spaces, parks, and recreational facilities
- Promote community planning, zone enforcement, and building code enforcement that will improve the quality of life, health, and safety of county residents
- Promote civic participation that builds good community relations and improves the quality of life of county residents

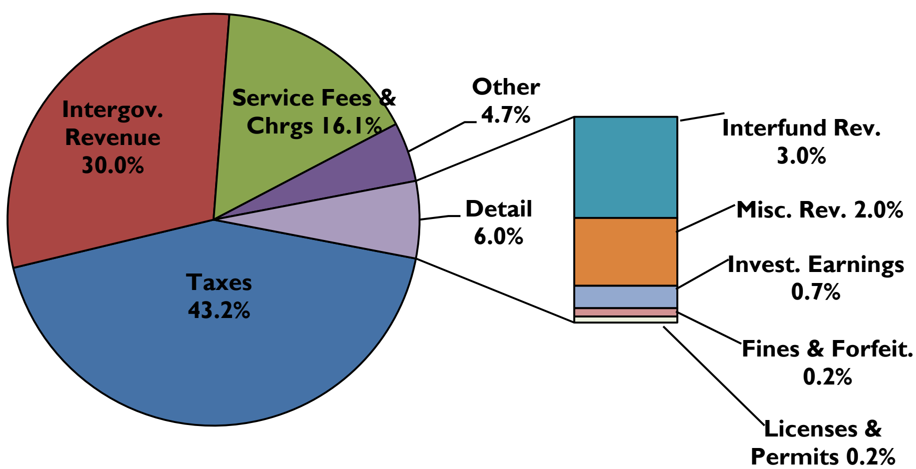
5) PROVIDE EFFICIENT, RESPONSIVE, AND FISCALLY SUSTAINABLE GOVERNMENT OPERATIONS

- Provide accountability, transparency, and responsiveness to the public
- Provide quality customer service to citizens through efficient and effective internal services
- Provide long-range planning and organizational stability
- Provide efficient and quality centralized services to county agencies and other governmental entities
- Develop and enhance collaborative partnerships and other best practices to improve service delivery and management of County resources

FUND STRUCTURE

Within Franklin County, there are approximately 100 funds included in the 2013 Approved Budget that are under the budgetary authority of the Board of Commissioners. A fund is a grouping of related accounts that is used to maintain control over resources by segregating them according to their intended purpose. Financial statements are prepared for each fund to demonstrate compliance with legal and contractual requirements. When the 2013 budget was implemented, the estimated revenue for all sources was $1.21 billion.

2013 Estimated All Funds Revenue by Source ($1.21 Billion)



The county General Fund is the chief operating fund of the county; it is used to account for all resources except those required to be accounted for in another fund. The General Fund receives revenue from various sources including sales and property taxes, service fees and charges, intergovernmental sources, investment earnings, and other sources such as licenses and permits. When the 2013 budget was approved by the Board of Commissioners, the estimated General Fund Revenue was $276 million. This constitutes 22.7 percent of the County's budgeted revenues. The non-general funds cover various purposes. There are special revenue funds that receive revenue from tax levies, grants, federal and state social service programs, and other sources. Included among the major special revenue funds are the Board of Developmental Disabilities Fund, the Public Assistance Fund, the Children Services Levy Fund, and the ADAMH Levy Fund. There are also debt service funds, enterprise funds, internal service funds, and fiduciary funds. The non-general fund revenues were estimated at $936 million, or 77.3 percent of the 2013 approved budget.

GENERAL FUND REVENUE

General Fund Revenue Sources

	2012 Actuals	2013 Forecast
Major Revenue Sources		
Sales Taxes	144,759,817	148,031,264
Real Estate Tax	37,544,871	38,557,081
Conveyance Fees	8,353,127	8,910,504
Housing of Prisoners	7,551,519	8,035,000
General Fees	10,652,663	8,780,000
Local Government Allocation	15,822,666	12,093,304
State Public Defender Reimbursement	7,037,841	6,703,725
Investment Earnings	10,958,597	7,921,020
Casino Tax Revenue	1,541,373	8,052,376
Major Revenue Sources Subtotal	244,222,474	247,084,274
Other Revenues	38,327,412	31,191,732
Total General Fund Revenue	**$282,549,886**	**$278,276,006**

**2013 Forecast as of May 17, 2013*

The focus of the County Budget and Economic Advisory Panel review is the County's General Fund. The Franklin County Board of Commissioners utilizes the General Fund in order to support the mission and services that County agencies provide to achieve the targeted goals. The major revenue sources of the General Fund are Sales Taxes, Real Estate Tax, Conveyance Fees, Housing of Prisoners, General Fees, Local Government Allocation, State Public Defender Reimbursement, Investment Earnings, and Casino Tax Revenue.

Sales Tax

Franklin County levies a permissive sales tax of 0.75 percent pursuant to section 5739.021 of the ORC. In addition to the County's collection, the State of Ohio levies a sales tax of 5.50 percent and the Central Ohio Transit Authority levies a sales tax of 0.50percent. As a result, the total sales tax rate in Franklin County is 6.75 percent.[4]

State law allows a county to levy a permissive sales tax up to 1.50 percent. As shown in the chart entitled State and Permissive Sales Tax Rates, January 2013 on the following page, ***Franklin County has the lowest county rate among urban counties in Ohio. Cuyahoga and Lucas counties have the highest urban county rate of 1.25 percent. Franklin County also has the lowest county sales tax rate among its contiguous counties in Central Ohio.*** Franklin County receives the revenue from its sales tax three months after the actual sale occurs. For example, for a sale made in

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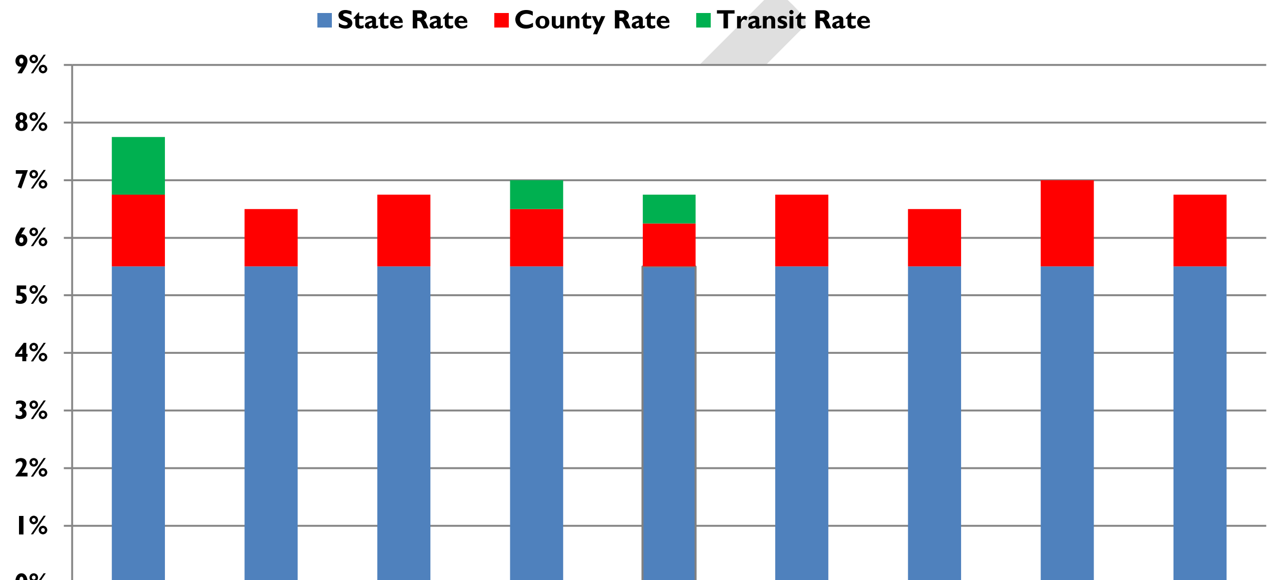
[4] As passed in the State of Ohio 2014-2015 Biennial Budget, the State portion of the sales tax will increase from 5.50% to 5.75% on September 1, 2013.

December 2012, the vendor transmits all of the sales taxes collected to the state in January 2013. The state then transmits to the County its share of the sales tax revenue in March 2013. Therefore, the sales tax collections for the 1st quarter of 2013 are based on the sales that occurred during the 4th quarter of 2012. As of May 2013, the 2013 forecast for sales tax revenue was $148.0 million.

State and Permissive Sales Tax Rates, January 2013



	Cuyahoga	Hamilton	Lucas	Mont-gomery	Franklin	Delaware *	Fairfield*	Licking*	Union*
Transit Rate	1.00%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%
County Rate	1.25%	1.00%	1.25%	1.00%	0.75%	1.25%	1.00%	1.50%	1.25%
State Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

*Municipalities whose boundaries extend both within and beyond Franklin County assess a COTA rate of 0.50% in addition to the posted state and county sales tax rate: Cities of Columbus and Westerville located in Delaware County; Cities of Columbus and Reynoldsburg located in Fairfield County; City of Reynoldsburg located in Licking County; and City of Dublin located in Union County.

The sales tax data in this analysis is reported net of the one percent administrative fee charged by the state for the collection of the County sales tax. While the County does not receive this revenue, the Auditor of State requires the County to record the revenue and the expenditure associated with the sales tax administrative fee. Neither the revenue nor appropriations associated with the sales tax administrative fee are included in the 2013 approved budget. The revenue adjustment and the necessary appropriations to record this expenditure will be made at the end of the year.

Real Estate Tax

Another source of revenue in the Franklin County General Fund is a 1.47 mill property tax levy. Pursuant to section 5705.02 of the ORC, the aggregate amount of taxes that may be levied on any taxable property in any taxing unit shall not in any one year exceed ten mills on each dollar of tax valuation, except for taxes specifically authorized to be levied in excess thereof in the code. To date, the Board of Commissioners has chosen not to use the maximum property tax rate available for county programs. This not only kept property taxes from growing but also protected the county's bond rating. Franklin County has an additional 0.88 mills available to levy before reaching the ten-mill limitation.

Franklin County's 2013 revised budget included $35,014,992 in real estate taxes, which is a 3.8 percent increase as compared to actual receipts for this revenue line item in fiscal year 2012. For Franklin County, first half real estate taxes were due January 20, 2013 (and distributed in March), while second half real estate taxes were due June 20, 2013 (and scheduled for distribution in August). For the first half collection, Franklin County received $18,260,591, which represents 52.2 percent of the revised budget amount.

State Real Estate Tax reimbursements include a 10.0 percent rollback on residential homeowner properties, an additional 2.5 percent rollback on owner occupied properties, and property taxes on the first $25,000 value of homestead properties. The revenue is generally received one month after the settlement of the applicable real estate tax collection. As a result, the revenue is received in the 2nd and 3rd quarters. As passed in the State of Ohio 2014-2015 Biennial Budget, the 2.5 percent and 10.0 percent real estate property tax rollbacks may not be applied to reduce the taxes due on new or replacement levies approved at elections held after the provision's 90-day effective date.

Conveyance Fees

Conveyance fees are collected by the Auditor's Office during the transferring of property deeds and deposited in the General Fund. The purpose of transferring deeds through the Auditor's Office is to maintain an accurate record of property ownership and parcel identification and to collect conveyance fees required by ORC 319.20 and 322.02. Conveyance fees are based on property sales, of which Franklin County collects $2 per $1,000 of the sale amount. This includes the mandated $1 fee plus a $1 permissive fee. State law allows counties to collect conveyance fees up to $4 per $1000 of the sale amount. Hamilton County also collects at the conveyance fee rate of $2, while Montgomery and Cuyahoga counties collect $3, and Lucas County collects $4.

Sales of new and previously owned homes in the Columbus area during calendar year 2012 were 16.5 percent higher than 2011. Conveyance fees in the 2013 approved budget were estimated at $7,504,904. The County collected $1,886,914 or 25.1 percent of the revised budget amount of $7,504,904 through the end of the first quarter of 2013. The total amount of conveyance fees collected in the first quarter reflects an increase of $581,474 or 44.5 percent increase in receipts as compared to the first quarter of 2012.

Housing of Prisoners

The Franklin County Sheriff's Office operates two correctional facilities which currently have a daily combined population of approximately 1,900 inmates, although at times in recent years, the average daily population has risen to a high of nearly 2,400. Franklin County Corrections Center I at 370 S. Front Street was designed and rated a 402 bed facility, while Franklin County Corrections Center II at 2460 Jackson Pike is rated a 1,091 bed facility. . Approximately 90.0 percent of the population at Center I are felons, while approximately 60.0 percent of the population at Center II are felons[5]. In recent years, the average daily population in the jail has risen to nearly 2,400. Deputies and civilians assigned to these facilities are responsible for the security, safety, feeding, medical treatment, and social service needs of the inmates.

Municipalities within Franklin County, including the City of Columbus, pay a housing per-diem for inmates charged under their municipal ordinances. The Sheriff’s Office also has a contract with the U.S. Marshal’s Office to house a limited number of inmates on an as-needed basis. The current municipal inmate rate of $79 per day went into effect on May 1, 2011 and the U. S. Marshal’s Office rate of $68 per day went into effect April 1, 2012. The 2013 budgeted revenue projection for the housing of prisoners for the City of Columbus is $4,435,000. The 2013 budgeted revenue estimate for the housing of prisoners for local municipalities, except for Columbus, and for the U.S. Marshal’s office was $3,600,000.

General Fees – Recorder

Pursuant to Chapter 317 of the ORC, it is the duty of the County Recorder to record all deeds, mortgages, plats, or other instruments of writing that are required or authorized by the ORC. The Recorder’s Office makes records of the conveyance and encumbrance of land, and collects fees to file related documents. The Recorder’s Office deposits a portion of these fees in the General Fund, with the remainder going to the Recorder’s Equipment Fund and the State’s Housing Fund. The amount collected is directly correlated with real estate sales, mortgage refinances, and residential building permits. The 2013 budgeted revenue projection for the Recorder’s Office General Fees in the General Fund is $4,457,800.

General Fees – Clerk of Courts

Franklin County Clerk of Courts provides court services, records and manages legal documents, issues and maintains certificates of title, and provides related financial management services to the legal and business communities, along with the general public, so they can conduct their business in a timely and accurate manner. The Clerk of Courts collects fees in the General Fund for each filing in the Clerk’s Office. The 2013 budgeted revenue projection for the Clerk of Courts General Fees is $2,945,000.

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[5] Franklin County Sheriff’s Office 2011 Annual Report

Local Government Fund Allocation

The Local Government Fund (LGF) was established in 1934, along with the first state sales tax, to support local government activities in Ohio. The LGF is based on the principle of "revenue sharing" between the state of Ohio and its local governments. The LGF is used primarily by counties, cities, villages, townships and park districts for current operating expenses.

A designated portion of state revenues are deposited into the LGF. Then, a formula is used to allocate the monies to the county undivided local government fund in each Ohio county. County budget commissions determine the distribution of the undivided monies to eligible local entities, which include counties, cities, villages, townships, and park districts. ***The LGF allocation from the state included in the 2013 approved budget for Franklin County was $12,093,304, which is a $3,729,362 or 23.6 percent reduction from 2012 actual receipts.***

State Public Defender Reimbursement

The Office of the Ohio Public Defender reimburses counties for their appointed counsel costs. Each month, after the county pays appointed counsel, the county must complete and send its reimbursement requests to the Ohio Public Defender. The Ohio Public Defender then audits each request to ensure compliance with the *Ohio Public Defender Standards and Guidelines and State Maximum Fee Schedule for Appointed Counsel Reimbursement,* calculates the allowable total cost for appointed counsel for that month, and makes reimbursement for up to 50.0 percent of that amount pursuant to Section 120.33 and 120.35 of the ORC.[6]

Counties are responsible for paying attorneys and guardians *ad litem* for appointed counsel services. The county auditor makes payment after the attorney or guardian *ad litem* has submitted the appropriate forms to the court, and the court has approved payment of requested fees and expenses. The county may then seek reimbursement for these expenses from the Ohio Public Defender.

The revenue estimate for State Public Defender reimbursement for Franklin County in the 2013 approved budget was $6,703,725. The Ohio Public Defender increased the reimbursement rate to 35.1 percent in September 2009 from the 25.0 percent that the County was previously receiving. This increase in the reimbursement rate was due to increased funding in the State's Indigent Defense Support Fund.[7]

Investment Earnings

In accordance with Section 135.31(c) of the ORC, the County investing authority resides with the Franklin County Treasurer. In addition to Chapter 135 of the ORC, the Franklin County Treasurer's Investment and Depository Policy sets forth the investment and

[6] Office of the Ohio Public Defender
[7] As passed in the State of Ohio 2014-2015 Biennial Budget, the reimbursement rate is scheduled to increase to 40%.

operational policies for the management of all monies under the control of the Treasurer. “These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with those of comparable funds and financial market indexes.”[8] Franklin County is entitled to the investment earnings on all property tax collections while those taxes are in collection and prior to settlement or disbursement.

The County’s investment portfolio in 2012 was at an average of approximately $950 million, with $890 million allocated to the core portfolio and $60 million in the liquid portfolio. The 2013 revenue estimate by the Treasurer’s Office for Investment Earnings was $7,900,000. When comparing 2012 actuals to 2013 estimates, Investment Earnings for Franklin County are expected to decrease by 28.0 percent. As of March 31, 2013, Franklin County has collected $1,859,457 or 23.5 percent of budget. Investment earnings peaked in 2007 at $43.5 million. With strict investment policies to protect public funds in place, even with an economic recovery underway, investment income is not expected to increase significantly in the near future.

Casino Tax Revenue

The gross casino revenue tax is imposed on licensed casino operators at the rate of 33.0 percent in Ohio. “Gross casino revenue” is the total amount of money exchanged for tokens, chips, and tickets at a casino facility, less any winnings paid out to wagerers. The tax revenue collected from the gross casino revenue tax is split among seven funds benefiting the counties and certain large cities, school districts, host cities, the Casino Control Commission, the Ohio State Racing Commission, law enforcement training, and problem gambling and addictions. The Ohio Department of Taxation collects all revenue generated from the tax and allocates such tax revenue to the appropriate funds on a quarterly basis.[9] State forecasts from casino revenues have been optimistic but the industry struggles to adjust to the proliferation of facilities throughout the country. Thus, tax revenue forecasts without any historic Ohio data are subject to great volatility.

Fifty-one percent of the Ohio Casino Tax Revenue Fund is transferred into the Gross Casino Revenue County Fund. Money is distributed quarterly from this fund to all 88 counties based upon county population. If the most populated city located in that county had a population over 80,000 according to the 2000 census, then that city will receive 50 percent of the county money. Therefore, Columbus receives half of the Gross Casino Revenue County Fund revenues received by Franklin County. The 2012 actual revenue for Franklin County was $1,541,373. The 2013 Casino Tax Revenue allocation forecasted for Franklin County in May 2013 was $8,052,376, which was 10 percent below the amount in the 2013 Approved Budget.[10]

[8] Franklin County Treasurer Investment and Depository Policy
[9] Ohio Department of Taxation
[10] Casino Tax Revenue is expected to decline by at least another 10% following notice of the County’s July distribution.

General Fund Expenditures
Expenditures by Agency

	2013 Approved Budget
Animal Care and Control	0
Benefits & Risk Management	235,532
Board of County Commissioners	3,242,746
Child Support Enforcement Agency	0
Community Partnerships	10,270,346
Economic Development & Planning	6,324,443
General Services Department	5,716,971
Human Resources Department	939,991
Job & Family Services Department	0
Office of Homeland Sec & Justice	0
Office on Aging	0
Public Facilities Management	26,137,491
Reserves and Debt	41,585,135
Sanitary Engineering Department	0
Subtotal - Commissioner Agencies	**$94,452,655**
ADAMH Board	0
Auditor's Office	3,152,187
Board of Developmental Disabilities	0
Board of Elections	7,815,684
Children Services Board	0
Clerk of Courts	8,331,138
Common Pleas Court	19,032,356
Coroner's Office	3,311,771
Court of Appeals	558,570
Data Center	7,583,342
Domestic and Juvenile Court	26,718,005
Emergency Management Agency	0
Engineer's Office	595,430
Law Library	0
Municipal Court	1,751,993
Municipal Court Clerk	128,086
Probate Court	3,344,139
Prosecuting Attorney's Office	14,370,033
Public Defender Commission	11,289,289
Recorder's Office	2,916,165
Sheriff's Office	91,859,461
Treasurer's Office	1,904,057
Veterans Service Commission	4,867,621
Subtotal Non-Commissioner Agencies	**$209,529,327**
Franklin County - General Fund	**$303,981,982**

GENERAL FUND EXPENDITURES

The General Fund supports expenditures made by both Commissioner Agencies and Non-Commissioner Agencies in Franklin County. Commissioner Agencies are under the direct authority of the Board of Commissioners, such as the Community Partnerships, Human Resources, and Public Facilities Management. The Non-Commissioner Agencies include elected officials, elected members of the judiciary, and various independently appointed boards and commissions. While the Board of Commissioners establishes the county budget, the independent Non-Commissioner Agencies largely determine how they will spend it. The approved General Fund budget for 2013 expenditures was $303,981,982. Commissioner Agencies' budgets totaled $94,452,655, or 31.1 percent of the total General Fund expenditures. Non-Commissioner Agencies totaled $209,529,327, or 68.9 percent of the total General Fund expenditures in the 2013 approved budget. The Sheriff's Office is the largest portion of the General Fund expenditures at 30.2 percent. The next largest expenditure in the 2013 approved budget is Reserves and Debt at 13.7 percent. Domestic and Juvenile Court represents 8.8 percent of the total General Fund expenditure budget, while Public Facilities Management is 8.6 percent.

The General Fund Expenditures by Major Category table provides the 2012 actual expenditures and 2013 forecasted expenditures as of May 17, 2013. Although the Total 2013 General Fund Approved Budget was $303,981,982, the expenditures are forecast to be $295,470,489 for the year. Personnel expenses make up a majority of the General Fund expenditures with Personal Services and Fringe Benefits representing 45.0 percent and 18.2 percent, respectively, in 2012. Personal Services includes employee wages and salaries, term payouts, shift differential pay, and overtime wages. Fringe Benefits include benefits paid for by the County on behalf of its employees, including Ohio Public Employees Retirement System (OPERS) contributions, Medicare, healthcare benefits, and workers compensation. Personal Services and Fringe Benefits are forecasted to represent 43.4 percent and 18.6 percent, respectively, of the General Fund expenditures in 2013.

General Fund Expenditures by Major Category

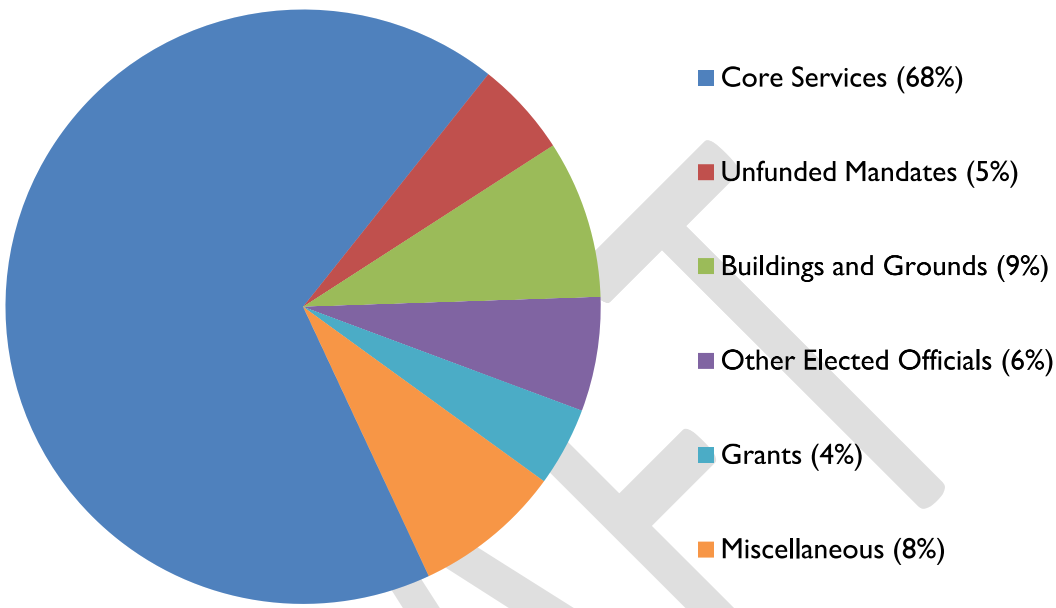
	2012 Actuals	2013 Forecast*
Personal Services	$133,250,427	$128,344,356
Fringe Benefits	53,876,595	55,036,045
Materials & Services	56,453,167	56,976,512
Capital Outlays	1,528,355	1,407,080
Grants	16,358,066	16,290,120
Interfund	34,834,839	31,894,692
Contingency	-	5,521,684
Total Expenditures	**$296,301,449**	**$295,470,489**

**2013 Forecast as of May 17, 2013*

The next largest expenditure category within the General Fund is Materials and Services. These expenses represented 19.1 percent of the actual expenditures in 2012 and are projected to be 19.3 percent in 2013. Materials and Services includes charges for services performed by persons, firms, or other County agencies, utilities, rentals, leases, insurance, and travel. It also includes payments for purchases of materials, supplies, and equipment valued under $5,000. The Interfund category is used for moneys transferred from one County fund to another to be used for operations or in anticipation of future debt service obligation. Interfund expenditures were 11.8 percent of the 2012 expenses and forecasted to be 10.8 percent in 2013. Grants represented 5.5 percent of the 2012 actual and 2013 forecasted expenditures. Grants include payments to other governmental entities, County agencies, non-profit organizations, and vendors for commodities or services for clients of County agencies. Capital Outlays were 0.5 percent of the 2012 actual and 2013 forecasted expenditures. These expenses include payments for equipment with a cost of $5,000 or more and a useful life of more than one year, and for major construction, renovation, and remodeling projects. Finally, Contingency expenditures are forecasted to be $5.5 million, or 1.9 percent, in 2013. Expenditures will not be made from this category, but appropriations will be transferred to the other six major budget categories when they are required to be made throughout the year. This is why the 2012 Actual expenditures do not include an amount in Contingency.

COUNTY BUDGET DRIVERS

Top General Fund Budget Drivers
2013 Approved Budget



Franklin County has identified six major categories that drive the County's General Fund budget: Core Services, Unfunded Mandates, Buildings and Grounds, Other Elected Officials, Grants, and Miscellaneous. Two of these categories, Core Services and Unfunded Mandates, are defined as mandated expenditures. These services must be provided by the County as mandated by the Ohio Constitution, Ohio laws or statutes, or bond covenants where debt has been issued and the County has pledged to repay those dollars. Almost three-fourths, or 73.0 percent, of the 2013 Approved Budget is tied to mandates. The other four categories include discretionary services and represent the remaining 27.0 percent of the approved budget. Discretionary services are defined as those services where the level of spending may be reduced or increased by the Commissioners.

Core Services

In 2013, Core Services total $198.5 million, or 68.0 percent of the Approved Budget. The largest expense in this category is the Franklin County Sheriff's Office at $91.9 million. Per ORC 311.07 (A), 311.08 (A), 325.071, and 341.05 (A), the Sheriff shall preserve the public peace and serve as the executive officer for the courts and administrator of the county jail. There are 857 full-time equivalent (FTE) staff positions within the Sheriff's Office that support the operation of the County's two jails, patrols, investigations, civil enforcements, and calls for service.

The Courts make up the next largest Core Service. The Ohio Constitution grants the courts the inherent power to maintain their independence from the other branches including the power to compel appropriations or expenditure of public funds for judicial purposes. The budget request must be “reasonable and necessary,” which is a question of fact to be determined on a case-by-case basis, with the burden on the commissioners to prove otherwise. The court is free to modify its budget at any time. The 2013 Approved General Fund Budget for the Franklin County Court of Common Pleas Division of Domestic Relations and Juvenile Branch (ORC 2301.03 and 2151.10) was $26.7 million. The Domestic and Juvenile Court has a staff of 370 FTEs who provide judicial, program, and juvenile detention services to children, parents, families, and the community. Program services include adjudication and dispositional services, civil protection orders, probation services, custody investigation, and residential detention services. The Franklin County Court of Common Pleas, General Division (ORC 307.01) has a 2013 Approved General Fund Budget of $19.0 million and a staff of 248.31 FTEs. The Court of Common Pleas adjudicates crimes and civil disputes, provides civil stalking orders, supports jury services, appoints assigned counsel, and manages the adult probation department. The Clerk of Courts for the Court of Common Pleas had a 2013 Approved Budget of $8.3 million. The Clerk of Courts’ 231.5 FTEs support the auto title program, records management, court services, and electronic filing system.

The General Fund also supports the Court of Appeals of Ohio and Probate Court in Franklin County. Per ORC (2501.18), the Board of Commissioners must provide the facilities, operating expenses, and supplies for the 10th District Court of Appeals. The 2013 Approved Budget was $558,570 and supported the Court in providing administrative, information technology, case management and dispute resolution services and opinions to the public and legal community so they can receive resolution of appeals and original actions. The Franklin County Probate Court (ORC 2101.01) provides probating of wills, estate administration, trusts, guardianships of incompetent individuals, marriage licenses, name changes, civil commitments, and administration of court records. The 2013 Approved Budget was $3.3 million and 56.3 FTEs.

The third largest Core Service in the General Fund is the Debt Service Obligations (ORC 133.01-99) with a 2013 Approved Budget of $19.7 million. The Board of Commissioners office manages the Bond and Debt Retirement Program to provide centralized payment services for Franklin County so bond and debt retirement payments are made on a timely basis and contractual obligations are met. The County’s debt portfolio is managed to ensure that the level of debt obligations is affordable so that the amount of resources required for debt service payments does not place a burden on the County’s operations.

The Prosecuting Attorney and Indigent Defense are additional Core Services supported by the General Fund and are related to the Commissioners’ core principle to Provide Community Safety, Security, and Effective Justice. The Office of the Franklin County Prosecuting Attorney (ORC 309.06-07, 325.12-13) had a 2013 Approved Budget of $14.3 million. The Prosecutor’s Office has a staff of 217 FTEs that provide legal representation and advice, prosecution of adult and juvenile offenders, and protection to government clients and victims of crime. The Prosecutor also serves as the legal counsel to the Board of Commissioners. In Ohio, counties have four options to provide

Indigent Defense: County Public Defender, Joint County Public Defender, Assigned Counsel, or a contract with State Public Defender's Office (ORC 120.13-33). Each county gets a proportional share of the funding to provide Indigent Defense appropriated by the General Assembly. Appointed Counsel rates are established by resolution of the Board of Commissioners. Franklin County utilizes the County Public Defender and Appointed Counsel. The total 2013 Approved Budget for the Franklin County Public Defender's Office was $11.3 million, including $3.9 million in state reimbursements and $1.1 million for the contract with the City of Columbus. The Public Defender's Office has a staff of 143.8 FTEs that provides legal representation services in criminal, juvenile, and custody proceedings to indigent persons to fulfill the constitutional mandate of "equal justice under the law." The total 2013 Approved Budget for Appointed Counsel is $7.5 million including $2.7 million in state reimbursements. The funds for Appointed Counsel are budgeted in each Court's 2013 budget.

Per ORC 3501.17, the expenses of the Board of Elections shall be paid from the county treasury, in pursuance of appropriations by the Board of Commissioners, in the same manner as other county expenses are paid. If the Board of Commissioners fails to appropriate an amount sufficient to provide for the necessary and proper expenses of the Board of Elections, such board may apply to the Court of Common Pleas within the county, which shall fix the amount necessary to be appropriated. The mission of the Franklin County Board of Elections is to provide election services, information, and education to the residents of Franklin County so they may exercise their right to vote and have confidence that the elections are fair, impartial, and accurate. The 2013 Approved Budget for the Board of Elections includes $7.8 million from the General Fund.

The final Core Service supported by the General Fund is the Dog Warden. Per ORC 955.01-955.12, the registration of dogs and the employment of a dog warden are mandatory. A Board of Commissioners may raise dog and kennel fees in any year for the following year. The fees must be deposited in the dog and kennel fund and used to pay for the dog warden's office, animal claims against the county, and the auditor's costs of administering dog registration. The total 2013 Budget for Franklin County Animal Care and Control is $4,671,242, which requires a subsidy of $2,124,000 from the General Fund. In June 2013, the Board of Commissioners raised the fees for dog licenses, kenneling, and impound services to reduce the amount of operating subsidy required by the department.

Unfunded Mandates

In 2013, Unfunded Mandates total $15.7 million, or 5.0 percent, of the Approved Budget for the General Fund. Unfunded Mandates are defined as functions and services that the County is required to provide by the State of Ohio or the federal government, but for which the state or federal government does not provide any type of funding to facilitate the requirement. The largest unfunded mandate in the General Fund for 2013 is the Mandated Share of Public Assistance Program expenditures at $5,257,438. Per ORC 5101.16, the Board of Commissioners share is the sum of all the following: (1) 25.0 percent of the county's Disability Assistance expenditures and administration; (2) 10.0

percent of Supplemental Nutrition Assistance Program (SNAP) and Medicaid administration minus federal reimbursement (or alternative formula calculated by the Ohio Department of Job and Family Services (ODJFS) for counties with high poverty or poor economic conditions); and (3) Temporary Assistance for Needy Family (TANF) Maintenance of Effort which is a fixed amount based on 1994 reports.

Another Unfunded Mandate supported by the General Fund is the Veteran Services Commission (VSC). The mission of Franklin County VSC is to provide financial assistance and consultation services to active duty personnel, veterans, and their dependents so they may obtain benefits and entitlements from federal, state, and local agencies. Per ORC 5901.11, the VSC shall meet and determine in an itemized manner the probable amount necessary for the aid and financial assistance of persons entitled to such aid and assistance and for the operation of the veterans' service office for the ensuing year. The County Commissioners shall provide whatever the VSC lawfully requests, up to five-tenths of a mill. The 2013 Approved Budget for the VSC was $4.9 million and a staff of 22.88 FTEs.

The next largest Unfunded Mandate in the 2013 Approved General Fund Budget is Tuberculosis treatment and control expenditures at $1.6 million. Per ORC 339.71-339.89, the Board of Commissioners is the payer of last resort for TB treatment and must pay for treatment only to the extent that payment is not made through third-party benefits. The individual pays detention costs unless the individual is indigent. Commissioners from the county where the individual was removed pay the indigent expenses. Counties historically have received some offset from the Centers for Disease Control and Prevention that is passed through the Ohio Department of Health, though the amount has been less than 10.0 percent of the program's cost.

Per ORC 1901, the Board of Commissioners is responsible for 40.0 percent of the costs for the judges, magistrates, bailiffs, and clerk of the Franklin County Municipal Court. The 2013 Approved Budget in the General Fund was $1.8 million. The Franklin County Municipal Court has jurisdiction over traffic citations, criminal misdemeanor charges and civil case filings regarding disputes that range up to $15,000, as well as actions regarding building, health, housing or safety codes.

The General Fund also supports costs related to storm water permits in the amount of $1.4 million in 2013. The National Pollutant Discharge Elimination System (NPDES) permitting program is the result of enactment of laws by Congress and development and implementation of federal regulations based on the authorities vested to U.S. EPA through those laws. As authorized by the Federal Water Pollution Control Act (known as the Clean Water Act), the NPDES permit program controls water pollution by regulating point sources that discharge pollutants into waters of the United States. Point sources are any discernible, confined and discrete conveyance, including but not limited to any pipe, ditch, channel, tunnel, conduit, well, discrete fissure, container, rolling stock, concentrated animal feeding operation, or vessel or other floating craft, from which pollutants are or may be discharged. Individual homes that are connected to a municipal system, use a septic system, or do not have a surface discharge do not need an NPDES permit; however, industrial, municipal, and other facilities must obtain permits if their discharges go directly to surface waters.

Per ORC 315.11, the Board of Commissioners must support the Tax Map Office of the County Engineer. The Franklin County Engineer's Tax Map Office maintains the County Auditor's GIS property base map and other information, such as road records, historical maps, annexation plats, and city ordinances. They also provide all of the information for the Franklin County Highway Map and Atlas; assign addresses in unincorporated areas; review deed descriptions and survey plats for the transfer and recording of real estate deeds; and locate new streets which are not yet shown on the county map. The Board of Commissioners shall provide office space in rooms to be furnished with all necessary cases and other suitable articles. Such office shall also be furnished with all tools, instruments, books, blanks, and stationery necessary for the proper discharge of the official duties of the Engineer. These expenses are required to be paid from the General Fund and were $595,430 in the 2013 Approved Budget.

ORC 3709.34 states that the Board of Commissioners may furnish suitable quarters for any board of health or health department having jurisdiction over all or a major part of such county. The Franklin County Board of Commissioners provides the office space for Franklin County Public Health at Memorial Hall at a cost to the General Fund of $372,809 in 2013. The mission of Franklin County Public Health is to improve the health of our communities by preventing disease, promoting healthy living and protecting against public health threats through education, policies, programs and partnerships. As defined by Ohio law, Franklin County Public Health provides service to all of the townships and villages in Franklin County. In addition, 14 cities in Franklin County contract with the department to serve as their health department and provide comprehensive public health services to their residents.

The Franklin County Emergency Management & Homeland Security coordinates and prepares for county-wide all-hazards disaster planning, community education, warning, training, grant funding, response, and recovery efforts in order to prepare and protect the citizens of Franklin County before, during, and after natural and man-made disasters. The countywide agency is governed by an advisory committee representing all participating parties and an executive committee selected by the advisory committee. The executive committee, which is composed of a County Commissioner, as well as, municipal and township officials, appoints a director or coordinator who administers an emergency management program. While some financial participation is required per ORC 5502.26 for emergency management, the level of participation in a countywide plan is locally determined. Franklin County Board of Commissioner’s support for the emergency management agency was $155,338 in 2013.

Finally, the ORC mandates that the County support the Cooperative Extension Service and County Agricultural Society. Per ORC 3335.36, counties are required to provide office space for cooperative extension employees who work in the county. For 2013, the amount budgeted in the General Fund for this support was $50,568. If requested, ORC (1701.01, 1701.03, and 1711.22) requires county aid to county agricultural societies for the purpose of encouraging agricultural fairs, provided the county society has been certified by the director of agriculture as complying with state laws, rules and regulations. The Franklin County Agricultural Association objectives are the improvement of agriculture, horticulture, better livestock, uniform domestic science and art, and the promotion of youth activities and the general community betterment together with all other industrial, commercial, and educational interests of the County. The aid budgeted for the Agricultural Society in 2013 is $3,300.

Building and Grounds

Another budget driver for Franklin County is Building and Grounds at 9.0 percent of the Approved General Fund Budget in 2013. The purpose of the Franklin County Department of Public Facilities Management (PFM) is to provide professional, technical and non-technical support and services to County staff and guests in order to create and maintain a safe, comfortable and functional environment for the conduct of public business. This will be accomplished by managing the County's physical assets through efficient, cost-effective, eco-friendly and innovative utilization of available resources. PFM had a 2013 General Fund Budget of $26.1 million. PFM has a staff of 266.25 FTEs who support general amenities, telecommunications, parking facilities, building maintenance, construction, safety, and security. Included in PFM's budget are the utility expenses for County facilities such as the Franklin County Courthouse, Memorial Hall, Common Pleas Courthouse, Job and Family Northland Village, and James A. Karnes Building. PFM also provides construction administration and management, protective and safety enhancements, and workers compensation administration services to ensure a safe and secure environment.

In order to ensure the County has the appropriate building space to perform its necessary functions and is using that space efficiently and cost effectively, Franklin County develops and regularly updates a facilities master plan. The most recent study was completed in 2012 and was intended to provide a detailed analysis needed to create the best long term space usage plan for the Franklin County Government Center. The major focus of the plan was the renovation of the Hall of Justice and how its reuse will improve the functioning of County agencies located in the Franklin County Government Center.

The County reports the need to construct a new morgue for the Franklin County Coroner's Office to replace the current facility in the immediate future and is reviewing the jail facility needs. Combined these projects could well exceed $200.0 million before 2020.

Other Elected Officials

Other Elected Officials consists of those officials not included in Core Services above, and which directly support the services provided by Franklin County. This includes business practices and policies which the County is investing in that can more than pay for themselves, such as the expenses for the County Auditor and Treasurer incur to bill and collect taxes. It makes financial sense to bill and collect taxes, but it is not required spending per ORC. Other Elected Officials make up 6.0 percent of the 2013 Approved Budget.

As authorized by ORC 319, the Auditor's Office provides financial services for the political subdivisions and County agencies so they can fulfill their financial obligations.

The office is responsible for payments, settlements and distributions of taxes, licenses and inspections of weighing and measuring devices. The county auditor also prepares a financial report of the county for the preceding fiscal year in such form as prescribed by the auditor of state. The Approved General Fund Budget for the Franklin County Auditor's Office in 2013 was $3.2 million. Per ORC 307.84-307.847, the county auditor shall be the chief administrator of the county automatic data processing board and may employ a deputy who shall serve under direction of the auditor. The auditor deputy shall supervise the operation of the automatic data processing center. Salaries and expenses of the center shall be paid from funds budgeted and appropriated to the board by the Board of Commissioners. The Franklin County Data Center received $7.6 million from the General Fund in 2013 to serve the business operations of the County by providing enterprise-wide, integrated solutions with emphasis on collaboration and customer service, ensuring effective and efficient utilization of new and existing technology resources and investments, and implementing leading-edge solutions in line with established E-Gov best practices.

The next largest General Fund expenditure in 2013 for Other Elected Officials was the Franklin County Coroner's Office at $3.3 million. Per ORC 313, the Board of County Commissioners may establish suitable quarters, laboratories, and equipment necessary for the proper performance of the duties of the coroner. The Franklin County Coroner's Office is an independent agency that investigates and certifies the cause and manner of death of persons who die within the county under circumstances that are sudden, unexpected, unnatural, suspicious, or violent as designated in ORC 313.12.

Another elected official supported by the General Fund is the Franklin County Recorder's Office with a 2013 Approved Budget of $2.9 million (ORC 317). The county recorder shall keep six separate sets of records as follows: deeds, mortgages, a record of powers of attorney, plats, leases, and declarations executed pursuant to ORC 2133.02 and durable powers of attorney for health care executed pursuant to ORC 1337.12. The Franklin County Recorder's Office also provides archival document conversion and indexing services to Franklin County agencies, so that they can preserve public records, reducing space requirements for records storage and redacting confidential data from archived documents.

The final elected official supported by the General Fund is the Franklin County Treasurer's Office with a 2013 Approved Budget of $1.9 million (ORC 317). The County Treasurer provides billing and collection services to property owners, manufactured home owners, and business owners and their agents so they can meet their tax obligations in a timely manner. They also provide cash management and investment strategy services that ensure the safety, liquidity, and yield to Franklin County and its agencies so they can receive a reasonable return on their monies and have their funds available as needed.

Grants

Grants are discretionary budget driver for Franklin County and make up 4.0 percent of the 2013 Approved Budget for the General Fund. The services are not mandated through federal or state laws therefore the level of spending is determined by the

Franklin County Board of Commissioners. These grants are awarded through the County's Community Partnerships or Economic Development and Planning Department. Even though they are "discretionary," the expenses can have a high return on investment. An example is Experience Columbus. The County is investing $1.5 million in travel tourism, which with other public and private investments, yields approximately $7.0 billion dollars in return to the local economy.

The Franklin County Board of Commissioners partners with agencies in the community to address issues related to poverty, such as food insecurity, homelessness, and access to health care. The goal of Community Partnerships is that area residents will have access to goods and services that help them meet their basic human needs, live safely, and have access to institutions and the programs they provide, in order to help residents realize a higher quality of life and earn a sustainable income. The Community Partnership Program is a competitive grant process whereby the Commissioners support local community-based organizations that serve county residents. In order to qualify, the applying organization must have attained 501(c)(3) non-profit status from the Internal Revenue Service. Grant proposals must demonstrate how effectively and efficiently the initiative or program will help the Board of Commissioners address the County's core principles. The total awarded for Community Partnership grants was $8.4 million in 2013. The following table lists the Community Partnership Grants for 2013, including the agency, description, linkage to the Commissioners' core principles, and the 2013 award amount.

2013 General Fund Grants - Community Partnerships

Agency	Grant Description	Core Principle	Grant Award
Access Health Columbus	Support the creation of medical homes for patients.	Health & Human Services	$ 25,000
Affordable Housing Trust for Columbus and Franklin County	Support the production of affordable housing units.	Job Creation, Economic Development & Fiscal Security	$1,802,415
Cancer Support Community Central Ohio	Provide programs and support services for persons living with cancer.	Health & Human Services	$ 40,000
Capital Area Humane Society	Financial support to conduct animal cruelty investigations, provide education and support to area residents about responsible pet ownership.	Safety & Security	$ 35,000
Center for Family Safety and Healing	Assist victims of domestic violence with civil protection orders and to secure other support as needed.	Safety & Security	$ 213,750
Central Ohio Diabetes Association	Provide diabetes detection, counseling and support services.	Health & Human Services	$ 50,000
Central Ohio Trauma System	Provide system-wide independent support leadership for the coordination of trauma of emergency health resources/services.	Health & Human Services	$ 61,750
Charitable Pharmacy of Central Ohio	Provide uninsured/underinsured County residents access to prescription drugs.	Health & Human Services	$ 50,000

2013 General Fund Grants - Community Partnerships (continued)

Agency	Grant Description	Core Principle	Grant Award
Columbus Neighborhood Health Center	Provide prenatal and perinatal services, screenings and education services for obesity.	Health & Human Services	$ 475,000
Community Shelter Board	Provide services to combat homelessness in Franklin County.	Job Creation, Economic Development & Fiscal Security	$3,319,545
COSI - Center of Science and Industry	Provide programs for families, individuals and students designed to foster and strengthen interest in the sciences, technology and research.	Health & Human Services	$ 75,000
Franklin County Public Health	Administer contracts for health care services for low income or uninsured county residents.	Health & Human Services	$ 135,000
Franklin Park Conservatory	Promote programs that foster environmental understanding and promote travel/tourism to Franklin County.	Good Stewardship Natural Resources	$ 261,250
Lincoln Theatre	Financial support to afford cultural benefits, economic welfare and opportunities to Franklin County.	Job Creation, Economic Development & Fiscal Security	$ 50,000
Mid-Ohio Food Bank	Provide food relief for Franklin County residents in need.	Health & Human Services	$ 85,500
Nationwide Children's Hospital - Ohio Better Birth Outcomes	Support efforts to reduce infant mortality in Franklin County.	Health & Human Services	$1,000,000
Ohio Alliance for Arts Education	Support educational programming for the arts.	Health & Human Services	$ 285,000
OSU Extension, Franklin County	Provide youth and adult educational programs relating to agriculture, natural resources, home economics and 4-H programs.	Good Stewardship Natural Resources	$ 150,000
Physicians CareConnection	Provide health services and prescription drugs to uninsured/underinsured county residents.	Health & Human Services	$ 250,000
Total - Community Partnerships			**$8,364,210**

The Economic Development and Planning Department (EDP) also issues General Fund grants on behalf of the Franklin County Board of Commissioners. Through the Incentive Program, EDP provides inducements on behalf of Franklin County in the form of tax abatement incentives, grants, technical assistance and other targeted inducements that result in leveraging public sector incentives and private investment to provide resources that strengthen the county's local tax base and sustainable economic development. EDP issued $4.3 million in grants in 2013. The following table lists 2013 EDP General Fund Grants, including the agency, description, linkage to the Commissioners' core principles, and the 2013 award amount.

2013 General Fund Grants - Economic Development & Planning

Agency	Grant Description	Core Principle	Grant Award
Franklin County Finance Authority	Facilitate capital investments by the private, non-profit and public sectors in Central Ohio.	Job Creation, Economic Development & Fiscal Security	$ 150,000
Columbus 2020/Chamber of Commerce	Support Public-Private Partnership to add jobs, increase per capita income, and foster capital investment within Franklin County.	Job Creation, Economic Development & Fiscal Security	$ 450,000
Columbus Regional Airport Authority	Financial support for the operations of the Rickenbacker Airport.	Job Creation, Economic Development & Fiscal Security	$ 2,169,150
Experience Columbus	Financial support to Experience Columbus to promote Franklin County as a tourism destination.	Job Creation, Economic Development & Fiscal Security	$ 1,250,000
Sister Cities Contract	Financial support to Columbus Sister Cities International to foster economic opportunity and cultural partnerships between Franklin County and international communities.	Job Creation, Economic Development & Fiscal Security	$ 50,000
Tech Columbus – Tech Start	Financial support to Tech Columbus to foster the 315 Research and Technology Corridor as well as emerging sustainable technology companies in Franklin County.	Job Creation, Economic Development & Fiscal Security	$ 250,000
Total - Economic Development & Planning			**$ 4,319,150**

Miscellaneous

The final Budget Driver for Franklin County is the remaining discretionary General Fund expenses. These Miscellaneous expenses represent 8.0 percent of the 2013 Approved Budget with a total budget of $25.0 million. The expenses fall directly under the authority of the Board of Commissioners. The largest of these is the Reserves program at $13.0 million for 2013. The purpose of the Reserves Program is to provide economic stabilization services for Franklin County so basic services can be maintained in the event of a financial crisis. Included in this amount are appropriations held in reserve for termination and other payouts not budgeted as well as amounts held in contingency.

The next largest General Fund expenditure within this category is for the Franklin County Board of Commissioners' General Services Department with a 2013 Approved Budget of $5.7 million and includes a staff of 28 FTEs. The mission of the General Services Department is to position itself as a leader with Franklin County through implementation of cost effective procurement, printing, mail and surplus property services measures, as well as to provide safe vehicles to county employees so that supported county agencies have the goods and services they need to perform their jobs.

The mission of the Board of Commissioners' Office (ORC 305) is to provide leadership and fiscal stewardship for our community so that Franklin County remains among the best managed counties in the nation. In order to accomplish this, the Board of Commissioners' Office will maintain Franklin County's fiscal security, stability, and sustainability; maintain Franklin County's ability to meet critical needs in difficult economic times; maintain Franklin County's excellent credit ratings; and maintain necessary and essential programs and service delivery capacity. In addition to the Board of Commissioners and their staff, the Office includes County Administration, Clerk to the Board of Commissioners, Office of Management and Budget, Public Affairs, and Board of Revision. The 2013 Approved Budget was $3.2 million and includes a staff of 31 FTEs.

The Economic Development & Planning (EDP) Department's mission is to create and retain jobs, to organize growth supporting environmental sustainability, social equity, and economic vitality for all communities in Franklin County (ORC 307.07, 303.02). EDP's goal is to create business growth and opportunity, provide inducements in the form of incentives, technical resources and assistance, and create jobs and retail sales tax for sustainable economic development; by targeting retail, green development, high-tech, business workforce training, infrastructure, and planning. EDP also strives to increase the overall quality of life, health, and safety of all areas of service and to provide protection to the environmentally sensitive areas found throughout the county. The 2013 Approved General Fund Budget, not including Grants, was $1.9 million and includes a staff of 22.04 FTEs.

The final Miscellaneous Budget Drivers are the Human Resources Department and Department of Benefits and Risk Management. The Human Resources Department's mission is to provide quality employment services, effective training, technical human resources assistance, innovative group insurance benefits programs, and risk management services for the Franklin County Board of Commissioners' and other designated agencies so they can continue efficient agency operations (ORC 124.14). The 2013 Approved General Fund Budget for Human Resources was $939,991 and 15.55 FTEs. The Department of Benefits and Risk Management provides health and wellness benefits to members of the Franklin County Cooperative Health Benefits Program and mitigates occupational and property risk to Franklin County employees so that they can live healthier, safer lives (ORC 305.171). The 2013 Approved General Fund Budget for 2013 was $235,532, which is related primarily to the expenses associated with the County's property insurance. The Department of Benefits and Risk Management has a staff of 13.45 FTEs.

INFLUENCES ON THE COUNTY'S BUDGET

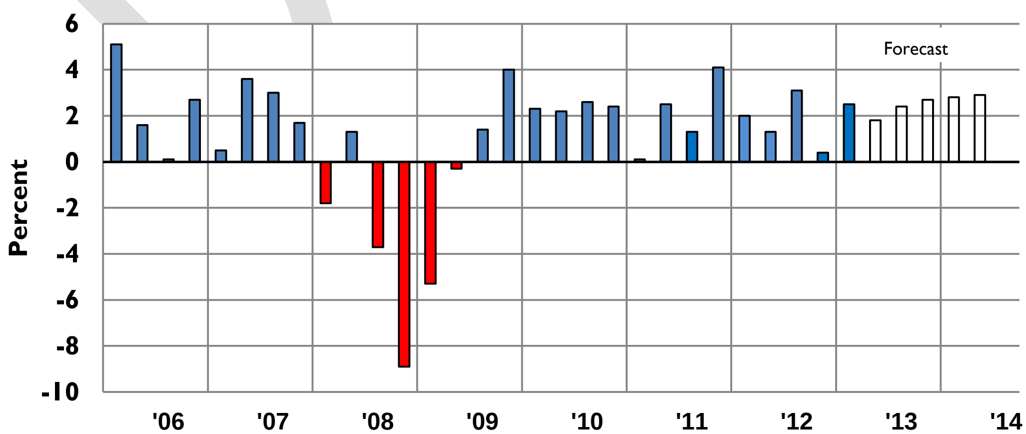
A historical review of the influences on the budget is necessary to understand Franklin County's current financial situation. The previous sections of the Appendix included recent budget numbers to show the relative size of the Major Revenue Sources, Approved Budget by County Agencies, and Major Categories of the County Budget Drivers. Since the last increase in the County's Sales Tax in 2005, a number of events and policy decisions have impacted Franklin County's budget and cash balance, including the 2007-2009 Recession, community needs, federal and state budget reductions, and the Triple A credit rating.

2007-2009 Recession

Franklin County's revenue has been negatively impacted by the recession and subsequent slow recovery, resulting in stagnant property tax revenue, declining investment earnings, and sharply-reduced state shared revenue. OMB issues a Monthly Economic and Budget Report to monitor the economic influences on Franklin County's anticipated revenue. A review of the trends shows the impact of the recession on the economic indicators and resulting impact on Franklin County revenue.

One economic indicator monitored by OMB is the U.S. real gross domestic product (GDP). Real GDP is the output of goods and services produced by labor and property located in the United States. As shown in the following chart, real GDP decreased during the 2007-2009 recession. The duration of the recession was longer, and the total decline was larger than in any recession of the post-World War II period. The greatest percent change occurred in the fourth quarter of 2008 when the real GDP decreased at an annual rate of 8.9 percent from the third quarter – the largest quarterly decline in more than 50 years. While real GDP has been edging up since the recession, the overall growth is erratic and short of the rate required for the national economy to recover fully.

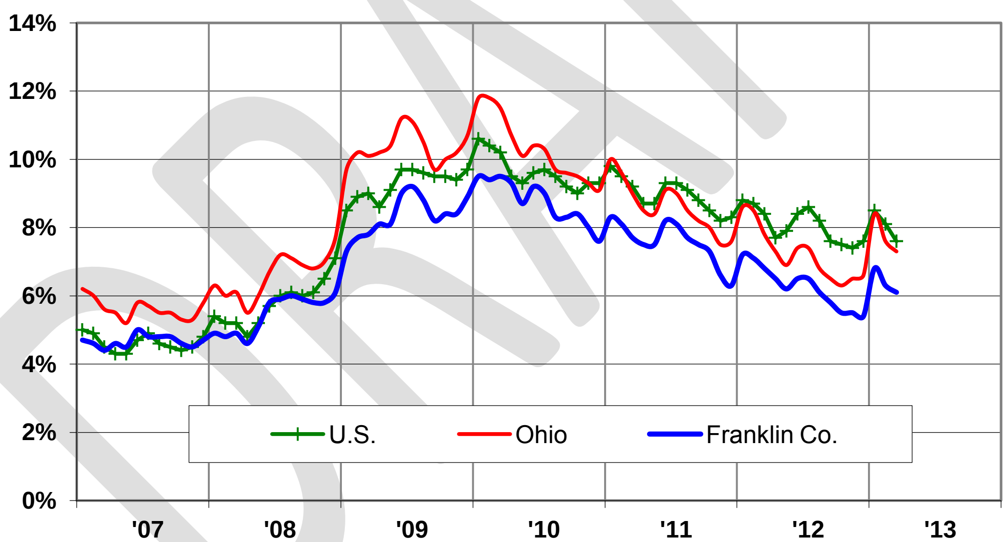
Real GDP
Percent Change, Annual Rate



Source: U.S. Dept. Commerce. Real GDP growth is measured at seasonally adjusted annual rates. Forecast by Wall Street Journal Forecasting Survey, April 5-9, 2013.

OMB also monitors the unemployment rate as measured by the U.S. Department of Labor. When workers become unemployed, they and their families lose wages, and the country loses the goods or services that could have been produced. In addition, the purchasing power of these workers is lost, which can lead to additional unemployment. If workers remain unemployed for a substantial period – which has been the case for a substantial share of the workforce in recent years – their skills deteriorate, making reemployment an even greater challenge. Prior to the Great Recession, the unadjusted unemployment rate for Franklin County was around 4.5 percent. Following the recession, the rate for Franklin County peaked at 9.5 percent during the 1st quarter of 2010. As shown in the following Unemployment Rate chart, the Franklin County unadjusted unemployment rate has remained below the Ohio rate since 2007. While the Franklin County rate was consistent with the U.S. rate prior to the recession in 2007, the U.S. rate has exceeded the County since late 2008. The U.S., Ohio, and Franklin County have all seen a decrease in unemployment since early 2010. However, these rates have yet to return to the pre-recession numbers. This is another indicator of a sluggish recovery for the U.S. economy.

Unemployment Rate
2007 - 2013
(not seasonally adjusted)



Source: U.S. Bureau of Labor Statistics

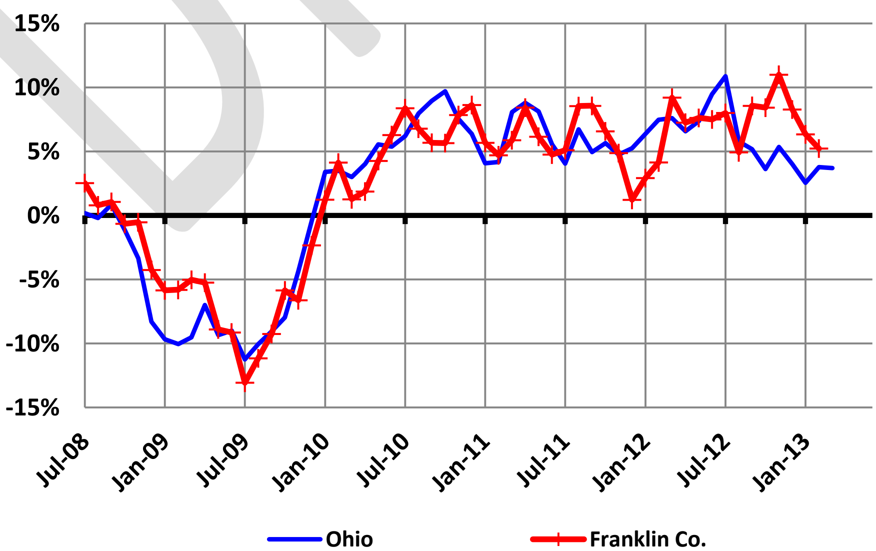
Another economic indicator tracked is manufacturing activity reported in the Purchasing Managers Index (PMI), which is compiled by the Institute for Supply Management. The PMI is based on a survey of the purchasing managers for manufacturing firms on five fields: production level, new orders from customers, speed of supplier deliveries, inventories, and employment level. A PMI reading above 50.0 percent indicates that manufacturing is generally expanding. A PMI reading in excess of 42.6 percent, over a period of time, indicates an expansion of the overall economy. As shown in the following PMI chart, the PMI reached a low point of 33.1 percent in the heart of the economic downturn in late 2008. While the index increased to a high of 59.9 percent in early 2011 following the recession, the PMI has fallen to the low 50.0 percent range since that time.

Purchasing Managers Index
Neutral = 50%

Source: Institute for Supply Management

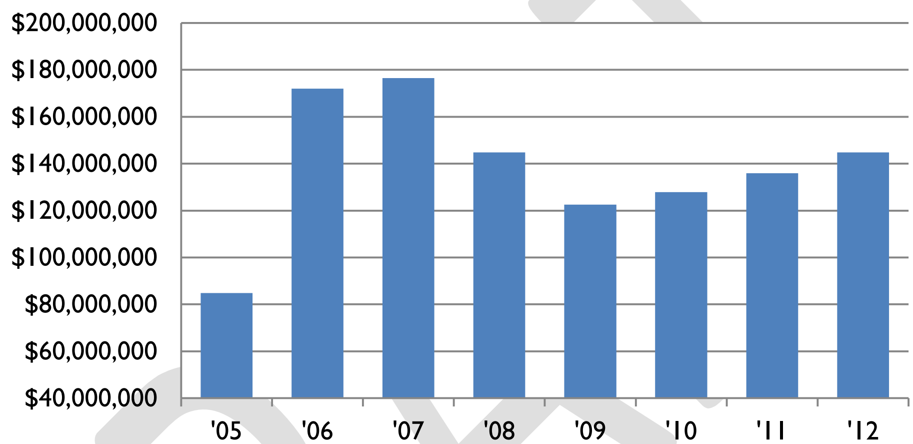
In response to the reduced production and increased unemployment, consumers reduced their spending during the recession. In order to smooth out monthly volatility, the data in the following Ohio & Franklin County Sales Tax Receipts chart are presented as a three-month moving average, and have been aligned to the month of collection. The sales tax information is plotted in the month that the sale actually occurred since the State receives the sales tax revenue in the month following the sale while the County receives the sales tax revenues three months after the sale. Both the State of Ohio and Franklin County faced significant year-over-year reductions in sales tax receipts in 2009. Sales tax receipts have improved since 2010.

Ohio & Franklin County Sales Tax Receipts
(12-mo. change, 3-month avg.)



Sales tax is the largest source of General Fund revenue for Franklin County. The following Franklin County Sales Tax Revenue chart shows the actual revenues from 2005 to 2012. The 2006 and 2007 increase is related to the Board of Commissioners increasing the 0.50 percent sales tax rate by 0.25 percent on a permanent basis, and a temporary 0.25 percent increase to rebuild the County's cash reserves. That temporary rate expired as scheduled on December 31, 2007. In 2008, the county collected $144.9 million, which included $12.0 million from the last quarter of collections from the temporary sales tax since revenues are received three months after the month of sale. This amount decreased to $127.8 million in the midst of the recession in 2009. The sales tax collections did not return to their 2008 levels until 2012.

Franklin County Sales Tax Revenue

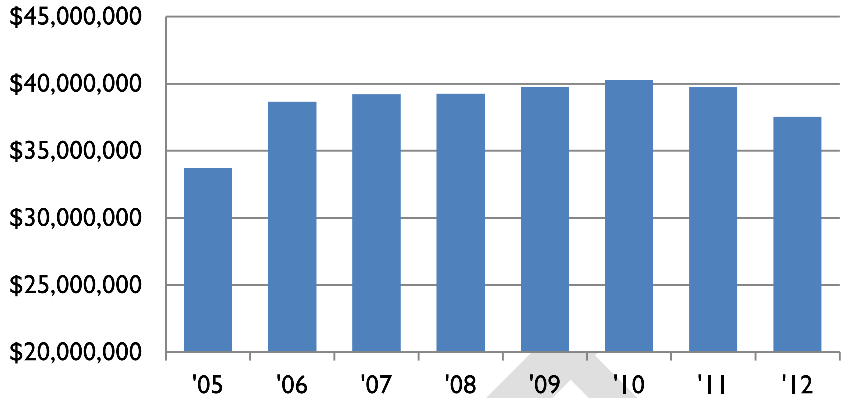


Source: Franklin County OMB

The real estate market is also an indicator of the state of the economy. Franklin County property values decreased following the downturn in the economy. In Ohio, county auditors are required to do a full general reappraisal once in every six years. This process is called the Sexennial Reappraisal. The Auditor or his qualified appraiser is required to view and appraise every property in the county for this purpose. The process takes between two and two-and-a-half years for a county the size of Franklin to be completed. The Franklin County Auditor's Office completed the Sexennial Reappraisal of county residential and commercial properties in 2011. The assessment resulted in a 6.0 percent decrease in property values from 2010. Because property taxes are collected in arrears, the impact on real estate tax collections did not occur until 2012.

Real estate tax collections are currently the second largest General Fund revenue for Franklin County. Franklin County ended the 2012 fiscal year with a 5.0 percent decrease from the 2011 actual real estate tax collections. The following Franklin County Real Estate Tax Collections chart shows the actual revenues from 2005 to 2012. The Franklin County 2012 real estate tax collections are the lowest since the previous Sexennial Reappraisal in 2005. Even though the residential real estate industry is rebounding from the effects of the recent recession, the 2011 reappraisal will continue to effect county revenues until the Triennial update in 2014.

Franklin County Real Estate Tax Collections

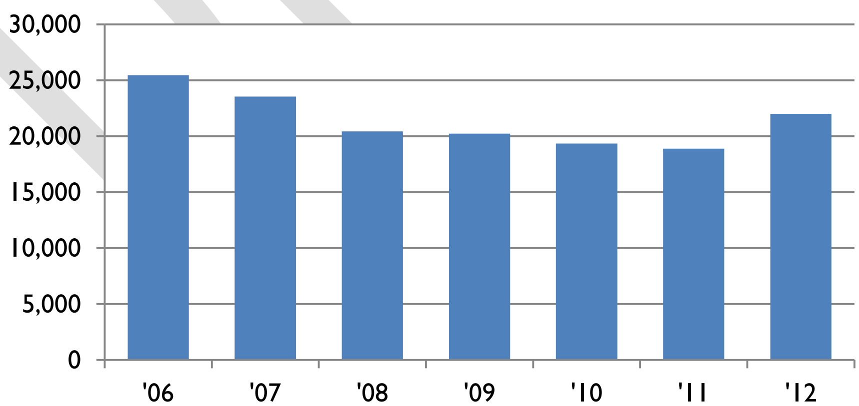


Source: Franklin County OMB

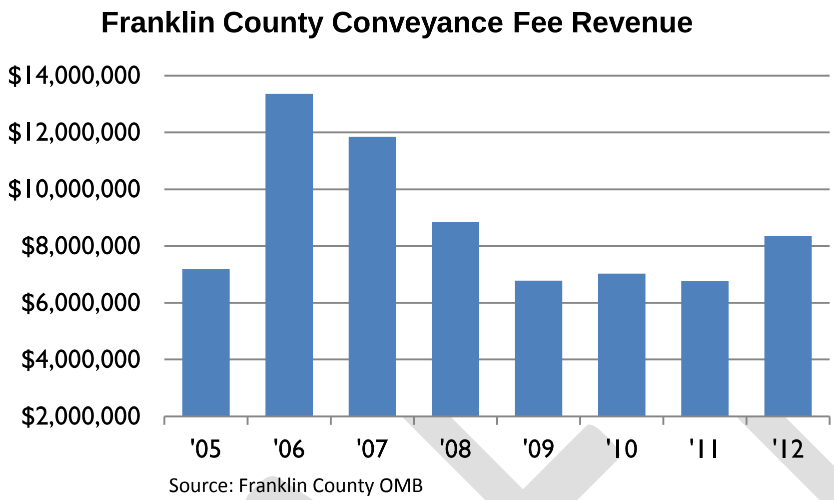
Most Franklin County peer counties reported decreases in their real estate tax collections between fiscal years 2011 and 2012. Montgomery County had a 10.0 percent decrease, Hamilton County a 9.0 percent decrease, and Lucas County a 1.0 percent decrease. However, Cuyahoga County realized a 4.0 percent increase due to an increase in inside millage based on debt service requirements as well as additional revenue from delinquent tax lien sales.

As a direct result of the mortgage crisis and decline of the real estate market, real estate sales in the Columbus Metropolitan Listing Area generally decreased from 2006 through 2011. Since late 2011, however, there is considerable evidence that the real estate market has begun to recover. As shown in the following chart, 2012 sales of new and previously owned homes increased 16.5 percent, from 18,883 units in 2011 to 21,997 units in 2012.

Columbus Metro Area Real Estate Sales
Number of Units Sold, 2006-2012



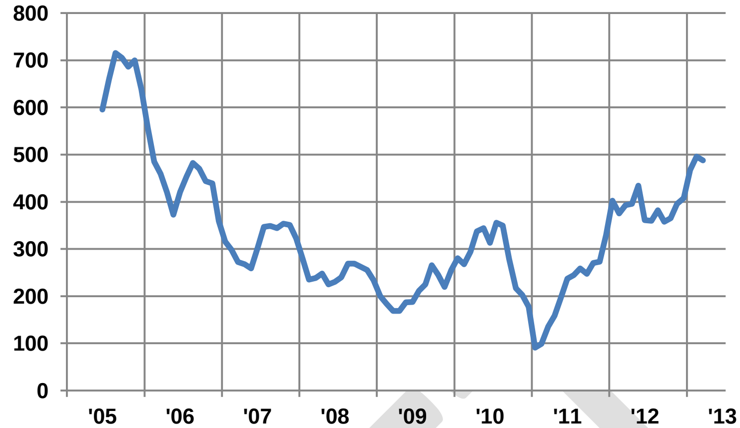
Conveyance fees are collected by the Auditor's Office during the transferring of property deeds and deposited in the General Fund. Conveyance fees are based on property sales, of which Franklin County collects $2 per $1,000 of the sale amount. As shown in the following Franklin County Conveyance Fee Revenue chart, the conveyance fee revenue reflects the overall trend in the real estate market with decreasing property values and number of sales since 2006 through 2011. In addition to the increase in the number of real estate sales in 2012, the average sale price is beginning to increase. The average home in Franklin County sold for $149,741 in January as well as February 2013, a 1.8 percent increase over the same two month period from 2012. Therefore, OMB is projecting an increase in conveyance fee revenue in 2013.



The Recorder's Office makes records of the conveyance and encumbrance of land, and collects fees to file related documents. The Recorder's Office deposits a portion of these fees in the General Fund under the General Fees major revenue category with the remainder going to the Recorder's Equipment Fund and the State's Housing Fund. Revenue received from these fees generally declined from 2006 through 2011. Annual collections from 2012 were higher than 2011 by $1,337,539 (a 19.5 percent increase) and 130.0 percent of the amount budgeted for the year. The 2013 first quarter revenue collections for the Recorder's Office were up substantially from the same period in 2012. In the first quarter, revenue collections increased 26.6 percent, from $1,029,230 in 2012 to $1,302,829 in 2013. The higher than anticipated revenue collections for the first quarter and 2012 as a whole are partly due to the recovering real estate market. Other factors that could have had an impact are the increased number of mortgage refinances within the last year due to historically low interest rates, and the introduction of a new technology in the Recorder's office that permits an electronic form of payment for services.

The issuance of building permits in Franklin County also declined from 2005 through 2009. In 2005, there were 7,284 building permits issued for residential units. By 2009, this figure had decreased to 2,661. 2010 saw an increase to 2,944, followed by 3,396 in 2011. Permits for 2012 were 4,611 – the highest level since 2006. Available data on building permits issued in January and February of 2013 reflects the issuance of 1,322 permits in Franklin County as compared to 668 permits issued during the same two month period from 2012 which is a 97.9 percent increase.

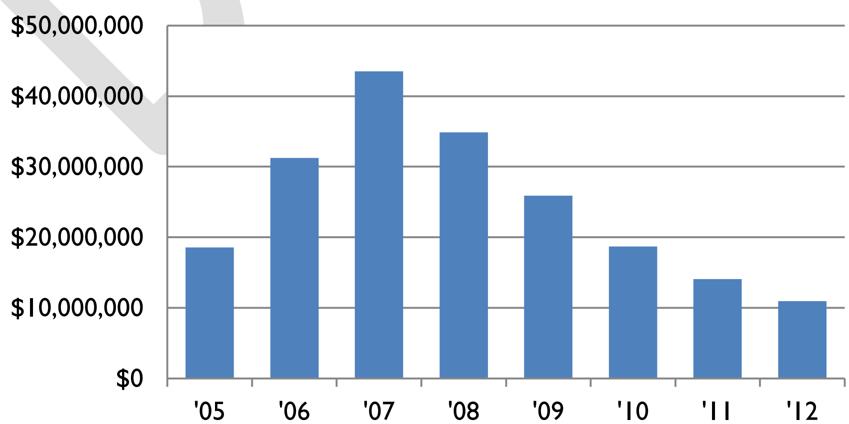
Franklin County Residential Building Permits, 2005--2013
(6-month moving average, single & multi-family units)



The data for real estate sales and building permits issued suggest that the Columbus area real estate market has begun to recover. Recent economic forecasts indicate an increase in the number of housing starts and building permits over the next few years, with recovery in the market particularly strong in 2013 and 2014.

Investment earnings have also been impacted by the economic downturn. The Franklin County Auditor and Treasurer serve as the tax assessment and collection agents for all districts (cities, villages, school districts, libraries, levy agencies) for real estate taxes. Franklin County is entitled to the investment earnings on all property tax collections while those taxes are in collection and prior to settlement or disbursement. The County's investment portfolio does not produce the revenue for the General Fund that it produced five years ago, or even one year ago. As shown in the following Franklin County Investment Earnings Revenue chart, the portfolio was producing more than $43.5 million in 2007; this year it expected to produce around $8.0 million.

Franklin County Investment Earnings Revenue



Source: Franklin County OMB

The reduction in investment earnings is not a function of declining balances, but because of a different interest rate money market environment. The Federal Reserve policy of keeping short term rates low is a key factor in the decline of the rates. ORC 135.35 limits where the counties can invest their inactive monies (see Appendix C - Franklin County Treasurer Investment and Depository Policy). In most cases, counties are limited to short-term maturities of no more than five (5) years such as U.S. Treasuries or Federal Agency Paper. Certain other investment vehicles can constitute a specific percentage of the county's portfolio. A one percent allocation can be used for foreign bonds denominated in U.S. dollars. Franklin County is currently at that maximum one percent, through the purchase of State of Israel Bonds. There is a provision that allows for up to 25.0 percent of the portfolio to be in commercial paper, if it is rated at one of the two highest levels by Standard & Poor's and Moody's.

Another option the county has looked into recently is the purchase of the debt obligations of other political subdivisions to add to the County's portfolio. The Treasurer's Office has purchased bonds issued by the Convention Facility Authority for the construction of a parking facility in the Arena District. Similarly, the Columbus Metropolitan Library had a bond issuance, and there was a taxable portion of that debt which the Treasurer purchased. These bond purchases result in higher investment earnings. It also helps those subdivisions in the community because they have lower cost of bond issuance by avoiding the market costs of issuing the bonds in a public sale.

As shown in the following Franklin County's Investment Portfolio table, the principal balance has increased from 2009 to 2013. Currently, the balance is between $850 and $900 million in the investment portfolio. However, the interest rate has declined during the same period. The percent yield has decreased by 2.90 percent since 2008, from 3.74 percent to an estimated 0.84 percent in 2013. The low yield is expected to continue as the Federal Policy keeps short term rates low.

Franklin County's Investment Portfolio

Year	Average Portfolio Balance	Gross Interest Income	% Yield
2008	$935,080,000	$34,971,680	3.74%
2009	$826,450,000	$23,595,107	2.85%
2010	$863,130,681	$19,010,432	2.20%
2011	$903,269,630	$14,200,181	1.57%
2012	$891,840,339	$10,944,529	1.23%
2013	$950,000,000	$8,000,000	0.84%

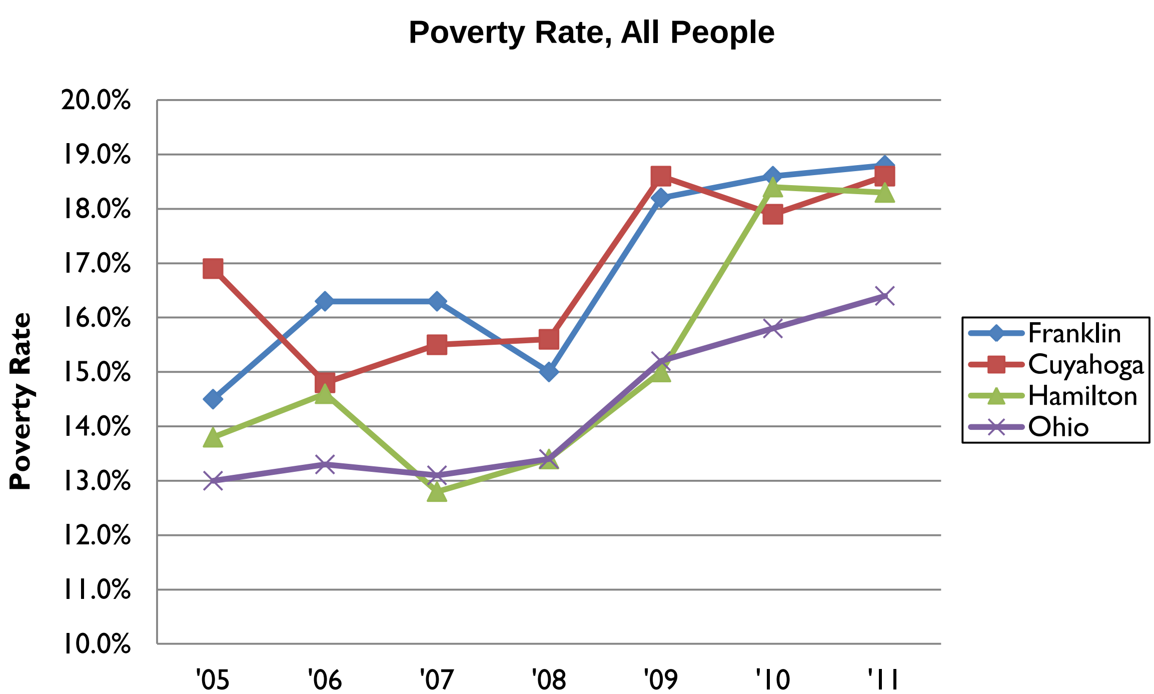
Source: Franklin County Treasurer's Office

It is important to note that not all of the dollars in the Investment Portfolio belong to the County's General Fund. A large portion of the existing principal ultimately belongs to other County funds or will be distributed to other taxing districts in the County. Only the investment earnings while the funds are in the County Treasury may be collected by the

County General Fund. As of May 2013, $122.3 million of the Investment Portfolio was General Fund dollars.

IMPACT OF POVERTY

While Franklin County has seen some improvement in the unemployment rate since the recession, the poverty rate continues to rise. The poverty rate for all residents was 16.3 percent in 2007. That number increased to 18.2 percent in 2009 and 18.8 percent in 2011. [11] As seen in the Poverty Rate, All People chart below, the State of Ohio and the major urban counties in Ohio have all seen an increase in poverty following the recession. ***In 2010 and 2011, Franklin, Cuyahoga, and Hamilton had poverty rates at least two percentage points higher than the statewide average. The poverty rate for all Franklin County residents for the same time period exceeded the rate of its peer counties.***



Source: American Community Survey 1-Year Estimates, U.S. Census Bureau

The poverty rate for children grew at a greater rate than all residents between 2007 and 2011 in Franklin County. Residents under 18 years had a poverty rate of 21.5 percent in 2007. That number increased to 26.4 percent in 2011. ***Currently, one in every four children in Franklin County lives in poverty.***

The Census Bureau uses a set of dollar value thresholds that vary by family size and composition to determine who is in poverty. Further, poverty thresholds for people living alone or with non-relatives (unrelated individuals) and two-person families vary by age (under 65 years or 65 years and older). For 2011, the poverty threshold for a person

[11] American Community Survey 1-Year Estimates, U.S. Census Bureau

under the age of 65 living alone was $11,702. A family of four with two parents and two related children under the age of 18 had a poverty threshold of $22,811.

The number of Franklin County households receiving public assistance also increased during the recession and has remained high. ***The percentage of households who received cash public assistance income in 2007 was 2.1 percent. That rate increased to 3.3 percent in 2011. In 2007, the percentage of households receiving Food Stamps/Supplemental Nutrition Assistance Program (SNAP) in the past 12 months was 9.2 percent. Those receiving food assistance increased to 15.2 percent in 2011.***

The "Map the Meal Gap" report by Feeding America estimated that ***208,940 people in Franklin County faced food-insecurity in 2011, meaning they were unsure where their next meal would come from. The food-insecurity rate has been increasing from 16.6 percent in 2009 to 17.3 percent in 2010 and to 18.1 percent in 2011.*** Meanwhile, the statewide rate dropped to 17.8 percent in 2011 from 18.1 percent in 2010.

Other measures indicate that there is increasing poverty in Franklin County among those who are employed and live in the suburbs. Poverty is not just a result of unemployment. Many residents worked full- or part-time, yet their wages did not break the poverty threshold. For all Franklin County families with one worker in 2011, one in five (20.5 percent) were below the poverty level. Of the families with two workers, 3.5 percent lived in poverty. ***For those Franklin County residents age 18 to 64 in the labor force and employed in 2011, 14.6 percent did not have health insurance coverage. The Brookings Institution lists metropolitan Columbus, including surrounding counties, among 15 regions in the nation with the fastest-growing poverty rates in its suburbs between 2000 and 2010.*** The suburban poverty rate in Central Ohio had risen 4.5 percentage points from 6.0 percent in 2000 to 10.5 percent in 2010, which was the ninth highest rate in the nation.

The Franklin County Board of Commissioners partners with agencies in the community to address issues related to poverty, such as food insecurity, homelessness, and access to health care. The goal of Community Partnerships is that area residents will have access to goods and services that help them meet their basic human needs, live safely, and have access to institutions and the programs they provide, in order to help residents realize a higher quality of life and earn a sustainable income. ***Between 2006 and 2010, the Mid-Ohio Foodbank saw a 28.0 percent increase in the number of people seeking emergency food assistance.*** The Board of Commissioners awarded a community partnership contract to the Mid-Ohio Foodbank in 2013 in the amount of $85,500. ***The Foodbank provides 130,200 meals to Franklin County residents, of which 37 percent are children, 5 percent are seniors, and 77 percent fall below the poverty threshold***. All Foodbank recipients fall under the 200 percent poverty threshold. The Mid-Ohio Foodbank reported that the biggest increase in food pantry use since the recession has been in the suburbs.[12]

[12] "Central Ohio on Brookings list of fastest-growing suburban poverty rates," Columbus Business First, (May 20, 2013)

Another impact of poverty is increased homelessness. According to the Community Shelter Board (CSB), a public-private partnership organization that creates collaborations, innovates solutions and invests in quality programs to end homelessness in Columbus and Franklin County, reported that the ***single adult homeless population grew 20.0 percent since 2011.*** While the CSB has had successful outcomes with families experiencing homelessness, more single adults face repeated homelessness. Single men and women make up 60.0 percent of the homeless population in the County. ***The waiting list for a Franklin County shelter in 2013 can be as high as 125 people.*** A waiting list means the number of individuals who were being turned away from the shelters because capacity was met. The CSB projects that 7,200 persons will be served in emergency shelters and 1,260 will be provided supportive housing in 2013. The Board of Commissioners awarded a community partnership contract to the CSB for $3.3 million in 2013 to develop and implement strategies that decrease homelessness and increase the placement of homeless individuals in permanent housing in the community. The CSB is currently working towards addressing the cycle of homelessness for single adults with the implementation of a new system using case managers as navigators who connect homeless individuals with community services.

Individuals who are at or below the poverty level are often uninsured or underinsured and therefore lack access to healthcare and prescription services. ***Franklin County's preterm birth rate of 13 percent is almost double the U.S. public health goal of 6.9 percent and higher than Ohio overall. Infant mortality is a decisive indicator of a community's health status because it reflects in part the general health of women in the community, access to medical services (or lack thereof) for young women, and care provided to infants. Since 2010, the Board of Commissioners has partnered with Nationwide Children's Hospital in support of the Ohio Better Birth Outcome (OBBO) Initiative. With OBBO, Nationwide Children's Hospital employs medical intervention and education strategies through the Center for Child and Family Advocacy Nurse Family Partnership and the Safe Spacing Program. These programs are improving pregnancy outcomes by helping women engage in good pre- and post-natal health practices and to prolong inter-pregnancy intervals. The total commitment to the OBBO by the Board of Commissioners in the multi-year community partnership agreement is $7 million through 2015, with $1 million provided in 2013.***

Columbus Neighborhood Health Centers (CNHC) is a key provider of quality health care to the uninsured/underinsured individuals and families in Franklin County, with special emphasis on critical women's health services and support services that enable adults and children to live healthy lives. CNHC has had a significant increase in the number of patients in the Women's Health Program. Through a $475,000 community partnership contract with the Board of Commissioners, CNHC will provide pre- and post-natal services to at least 465 women, monitor 100 low birth weight babies, and conduct regular gynecological exams for 200 women.

The Physicians CareConnection (PCC) is the largest coordinator of voluntary health care services in Franklin County with over 1,000 primary/specialty care doctors and 12 hospitals participating. Through its Voluntary Care Network program, the PCC connects low-income, uninsured residents with medical homes, improves access to specialty care, provides for access to affordable prescription drugs and other needed services, and thereby helps keep medical conditions more manageable and lowers the cost of care. In 2013, PCC received a $250,000 community partnership contract to provide at least 3,500 patients with referrals for specialty care and diagnostic services and coordinate access to at least 11,000 affordable prescriptions for low-income uninsured people.

FEDERAL AND STATE BUDGET REDUCTIONS

The economic downturn has impacted revenues across all levels of government in the U.S., including the Federal Government and State of Ohio. In response to these declining resources, federal and state governments have reduced their funding to local governments. The historic partnership between the federal, state, and local governments to fund and administer programs has been changed dramatically. This has been beyond the influence of local governments and to their disadvantage.

The Federal Sequester, originally passed as part of the Budget Control Act of 2011 (BCA), took effect March 1, 2013. The sequester cut discretionary spending across-the-board by $85.4 billion in 2013 and $109.3 billion a year from 2014 through 2021. The cuts are evenly split between domestic and defense programs. Most mandatory programs, like Medicaid and Social Security, and in particular low-income programs like Temporary Assistance for Needy Families (TANF) and SNAP were exempt from the sequester. However some low-income programs, most notably aid for Women, Infants, and Children (WIC) and the Low Income Home Energy Assistance Program (LIHEAP), are subject to cuts.[13]

In March 2013, OMB estimated that both the direct and indirect Sequestration effect on all Franklin County General and Non-General Fund supported operations was just under $1.0 million for calendar year 2013. The impact of potential furloughs at the Defense Supply Center Columbus (DSCC/DCSC) located in Franklin County was a $60,000 to $90,000 loss in County Sales Tax revenue. An extended Sequester could have a much more serious impact on Franklin County revenues. If a large number of employees lost their jobs at the DCSC, there would be a loss of buying power in the community. The County could also receive reduced funding for economic development and community development programs in the long term. Franklin County could face a potential loss of some 10,000 Head Start placements. This impacts everyone with pre-school aged children who are trying to place them in quality early learning facilities. As those numbers of slots shrink, the number of available, quality classroom openings is affected. Finally, a reduction in federal funding in Non-General Funds that support critical services in Franklin County would require a subsidy from the General Fund in order to maintain current service levels.

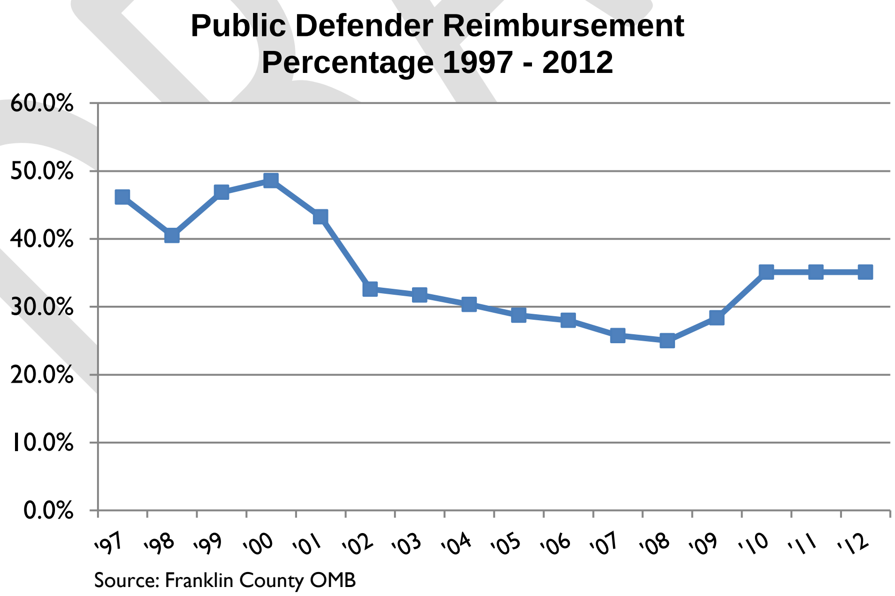
Franklin County had some Build America bonds as part of the County's 2010 bond issuance. The Build America bonds have an annual subsidy of approximately $1.0

[13] "The Sequester," The Washington Post (March 1, 2013)

million in the early years. However, the subsidy amount was reduced as part of the Federal Sequestration. Franklin County is looking into refinancing those bonds in 2013.

The U.S. Congress is currently considering eliminating or capping the tax exempt status on municipal bonds. Any move to change the current tax treatment of local government bonds would lead to higher borrowing costs for local governments. If there were an outright elimination, OMB has estimated a $5 million impact on the 2013 Budget. In Resolution No. 0278-13, the Franklin County Board of Commissioners stated that without the tax-exemption, the effectiveness of the bond market would be significantly dampened, creating higher borrowing costs for county governments, less investment in infrastructure, and fewer jobs.

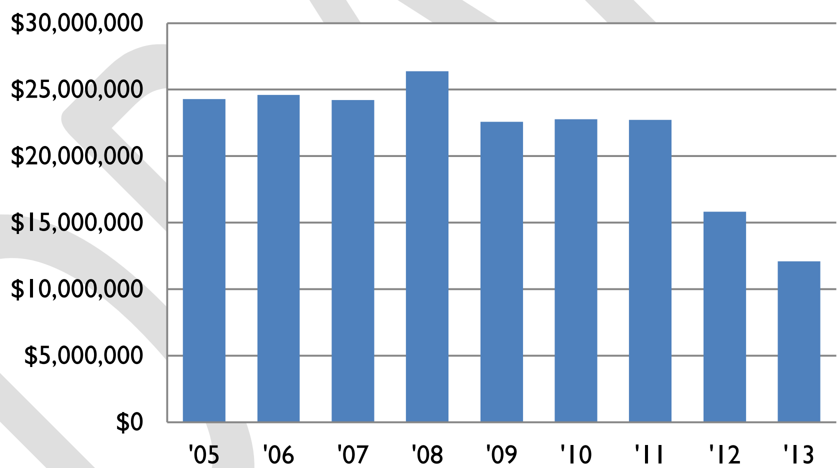
Even before the recession, some support received by the County from the State of Ohio has been declining. Below is the Public Defender Reimbursement chart showing the state reimbursement percentage for appointed counsel since 1997. Franklin County was receiving 48.6 percent reimbursement for appointed counsel costs in 2000. That amount steadily declined to a low of from the 25.0 percent in 2008. The State Public Defender's Office increased the reimbursement rate to 35.1 percent in September 2009. This increase in the reimbursement rate was due to increased funding in the State's Indigent Defense Support Fund (IDSF). An increase to the budget of the State Public Defender's Office as passed in HB 59 is expected to produce an estimated reimbursement rate of 40 percent in SFY 2014 and SFY 2015. Even with the increase proposed for 2014, the reimbursement rate has will not return to its previous rate of almost 50.0 percent.



The Local Government Fund (LGF) was established in 1934 as a means of revenue sharing when the State instituted the first sales tax. Through the years, a certain percentage of sales tax and income tax revenues that would go into the LGF. From July 2001 to January 2008, faced with potential budget deficits due to a poorly-performing economy and a drastic downturn in the stock market, the General Assembly imposed a “temporary” freeze on the distribution of LGF money along with a one-time cut. When the freeze was lifted, the State tied the LGF to a strict percentage of all State tax receipts rather than identifying specific revenue sources. Therefore 3.68 percent of all State tax revenue was to go into the LGF for distribution to counties, municipalities, townships, etc. If state revenues increase, local governments share in that increase. However, when state revenues decline, the funds local governments receive from the major state tax sources decrease.

State shared revenues, which include the LGF and tax reimbursements, were reduced in the 2012-2013 State Biennium Budget (HB 153). LGF receipts were cut by 25.0 percent the first year of the biennium, and then an additional 25.0 percent in the second year of the biennium. The local subdivisions only received 50.0 percent of the amounts they had received the previous two years. As shown in the following Franklin County Local Government Fund Revenue chart, Franklin County saw a high of $26.4 million in LGF revenue following the end of the freeze. This decreased to $22.6 million during the impact of the Great Recession. This amount fell further to $15.8 million in the first year of the 2012-2013 State Biennium Budget. Franklin County anticipates $12.1 million in LGF revenue in 2013. That 50.0 percent cut is continuing through the 2014-2015 Biennium Budget (HB 59).

Franklin County Local Government Fund Revenue



Source: Franklin County OMB

General and Non-General Funds in Franklin County were also impacted by the accelerated phase out of the Public Utility Tangible Property (PUTP) taxes reimbursement and Tangible Personal Property Taxes (TPPT) in HB 153. Over the past decade Ohio has implemented major changes in how it subjects tangible personal property to taxation. The first set of law changes reduced PUTP taxes as part of electric power generation deregulation and natural gas deregulation enacted in 1999 and 2000, respectively. The other major law change, enacted in 2005, reduced and eliminated the state’s TPPT tax. Under these law changes, several state taxes were created in part to generate revenue for the local governments and school districts who were recipients of the reduced or eliminated TPPT. The kilowatt-hour (KWH) tax and natural gas distribution (MCF) tax were earmarked in part (KWH) or whole (MCF) for the reimbursement of schools and local governments as a result of property taxes lost due to electricity and gas deregulation. Under the law that existed before the enactment of the 2012-2013 Biennium Budget, the fixed-rate TPPT reimbursement payments to local governments began phasing out in 2011 and final payments were scheduled to be made in 2018. PUTP fixed-rate reimbursement payments began phasing out in calendar year 2007. However, under the previous law the local government utility tax payments were not fully terminated; these payments were allocated in a different manner.[14] The 2012-2013 State Budget Bill, HB 153, accelerated the phase out of both the PUTP tax reimbursement and TPPT reimbursement programs so that continued fixed-rate levy replacement payments are based on a measure of relative need for school districts and local governments. The impact of the accelerated phase out of TPPT and PUTP on Franklin County as passed in HB 153 is listed in the following Operating Budget (HB 153) - Estimated Impact on Franklin County table.

OPERATING BUDGET (HB 153) - ESTIMATED IMPACT ON FRANKLIN COUNTY

	ESTIMATED IMPACT*		
Provision in HB 153	**CY 2011**	**CY 2012**	**CY 2013**
General Fund			
Reduction of Local Government Fund	(937,224)	(7,261,355)	(11,376,628)
Accelerated phase out of TPPT reimbursements	(2,404,310)	(2,177,536)	(1,793,441)
Accelerated phase out of PUTP reimbursements	(118,765)	(237,530)	(237,530)
IMPACT TO GENERAL FUND	**(3,460,299)**	**(9,676,421)**	**(13,407,599)**
Job and Family Services			
TANF (federal and state, 600-689 & 600-410)	(4,500,000)	(9,100,000)	(9,100,000)
Entitlement Administration - Local (600-521)	(400,000)	(800,000)	(800,000)
Child, Family, and Adult Comm. and Protective Services (600-533)	(75,000)	(150,000)	(150,000)
IMPACT TO JFS	**(4,975,000)**	**(10,050,000)**	**(10,050,000)**
Child Support Enforcement Agency			
Child Support Match (600-502) (state increase & gain of federal match)	432,753	432,753	432,753
IMPACT TO CSEA	**432,753**	**432,753**	**432,753**
Children Services			
Children and Family Services (600-523)	(129,000)	(258,000)	(258,000)
Kinship Permanency Incentive Program (600-541)	(100,000)	(160,000)	(120,000)
Accelerated phase out of TPPT reimbursements	(1,744,213)	(2,491,659)	(4,075,260)
Accelerated phase out of PUTP reimbursements	(343,369)	(686,738)	(686,738)
IMPACT TO CHILDREN SERVICES	**(2,316,582)**	**(3,596,397)**	**(5,139,998)**

[14] Ohio Department of Taxation

OPERATING BUDGET (HB 153) - ESTIMATED IMPACT ON FRANKLIN COUNTY

	ESTIMATED IMPACT*		
Provision in HB 153	**CY 2011**	**CY 2012**	**CY 2013**
Office on Aging			
Adult Protective Services (600-534)	(2,032)	(4,064)	(4,064)
Accelerated phase out of TPPT reimbursements	(326,738)	(503,873)	(821,747)
Accelerated phase out of PUTP reimbursements	(68,673)	(137,346)	(137,346)
IMPACT TO AGING	**(397,443)**	**(645,283)**	**(963,157)**
Family and Children First Council			
Reduction of Administrative line (335-405)	(5,804)	(11,608)	(11,608)
Help Me Grow (440-459)	(145,000)	(280,000)	(280,000)
IMPACT TO FCFC	**(150,804)**	**(291,608)**	**(291,608)**
Board of Developmental Disabilities			
Reduction of lines 322-501, 503, & 451	(1,328,957)	(2,478,957)	(2,300,000)
Accelerated phase out of TPPT reimbursements	(3,062,434)	(3,795,373)	(5,765,161)
Accelerated phase out of PUTP reimbursements	(603,520)	(1,207,040)	(1,207,040)
IMPACT TO BDD	**(4,994,911)**	**(7,481,370)**	**(9,272,201)**
Alcohol, Drug, and Mental Health Board			
Accelerated phase out of TPPT reimbursements	(680,614)	(974,020)	(1,631,692)
Accelerated phase out of PUTP reimbursements	(177,743)	(355,486)	(355,486)
IMPACT TO ADAMH	**(858,357)**	**(1,329,506)**	**(1,987,178)**
Zoological Park			
Accelerated phase out of TPPT reimbursements	(232,868)	(342,060)	(575,734)
Accelerated phase out of PUTP reimbursements	(60,594)	(121,188)	(121,188)
IMPACT TO ZOOLOGICAL PARK	**(293,462)**	**(463,248)**	**(696,922)**
IMPACT TO NON-GENERAL FUNDS	**($13,553,806)**	**($23,424,659)**	**($27,968,311)**
IMPACT TO ALL FUNDS	**($17,014,105)**	**($33,101,080)**	**($41,375,910)**

*Assumes appropriation levels in HB 153 continue throughout CY 2013

The adoption of HB 153 had a major impact on local government revenues in Franklin County. The reductions in the LGF, TPPT reimbursements, and PUTP reimbursements had a $3.5 million and $9.7 million impact on the Franklin County General Fund in 2011 and 2012, respectively. The loss to the General Fund increased to $13.4 million in 2013. In addition to the accelerated phase out of TPPT and PUTP reimbursements, some Non-General Fund agencies were faced with additional cuts in state funding for local programs and services. Franklin County Job and Family Services (FCJFS) saw a $4.5 million reduction in TANF funding in 2011 and $9.0 million loss in both 2012 and 2013. Support was lost for FCJFS Entitlement Administration and Child, Family, and Adult Community and Protective Services. State support for the Franklin County Board of Developmental Disabilities services was reduced by $1.3 million in 2011 with additional losses of $2.5 million and $2.3 million in 2012 and 2013 respectively.

Additional cuts were made to Franklin County Children Services, Office on Aging, and the Family and Children First Council. Overall, Non-General Fund support from the state was decreased from $13.6 million in 2011 to $28.0 million in 2013. Franklin County has absorbed more than $41.3 million in budget reductions for 2013 because of policy changes enacted by the State of Ohio.

TRIPLE-A CREDIT RATING

Financing long-term capital improvements for the County often requires the issuance of debt. In 2005, Franklin County bonds were evaluated and awarded Triple-A credit ratings by two of the top three credit rating agencies: 1) Moody's Investors Service and 2) Standard and Poor's Ratings Services. These prime bond ratings produce the most favorable interest rates when the County needs to finance its long-term capital improvements. In addition to lower borrowing costs which saves the taxpayers millions over the years, counties with the highest bond rating receive national recognition for attributes such as having an excellent financial management team, strong executive leadership, demographic characteristics, a strong stable economy as evidenced by the size and diversity of its tax base, adequate cash reserves, and low debt burden on its citizens. Generally, credit rating is a measurement of government's managerial and financial reputation. As a result, the County receives intangible benefits such as attracting businesses that support the high quality of life in Franklin County. To ensure that the County maintains its AAA credit rating, the Franklin County Board of Commissioners adopted the Debt Management Policies per Resolution No. 793-05 in October 2005 (see Attachment D). The policy states that debt will not be sold without integrating and considering the impact that debt service costs will have on the County's operating budget.

In response to the 2007-2009 recession, the Board of Commissioners adopted Resolution No. 0928-08 in October 2008 approving fiscal sustainability principles for the 2009 budget year (see Attachment E). This resolution limited General Fund debt service obligations to no more than five percent of the total resources available in the General Fund. Franklin County continues to receive strong ratings because it has been able to maintain its commitment to keeping healthy cash reserves that are benchmarked against other Triple-A rated counties nationally. In February 2013, Moody's affirmed its Triple-A rating and stable outlook for Franklin County's general obligation debt due to the County's strong history of market access, healthy cash reserves, sizeable tax base and stable economy, and improving sales tax trends. Moody's noted a challenge was the County's exposure to enterprise risk for providing security for debt issued for the baseball stadium, convention facility, and hotel. However, the exposure is offset by the historically sufficient revenues for these enterprises.[15] In May 2013, Standard & Poor's affirmed its Triple-A long-term rating on Franklin County's general obligation bonds. Reasons for Standard & Poor's rating include a deep and diverse economy, very strong general fund reserves despite consecutive deficits, strong financial management practices, and moderate overall net debt burden. Standard & Poor's noted that unless Franklin County remains committed to its fund balance policy and makes the necessary

[15] "Moody's assigns MIG 1 rating to Franklin County's (OH) $8 million Taxable Special Obligation Bond Anticipation Notes, Series 2013," Moody's Investors Service (February 15, 2013)

adjustments to achieve structural balance over the next two years, a downgrade could be considered.[16]

The County's fund balance policy is for the General Fund balance to exceed the average of all US counties rated Triple-A by both Standard and Poor's and Moody's as measured as either a percent of revenue or as a percent of expenditure, whichever is greater. Over the last few years, the percent of expenditures has been the greater value. Based on this policy, the General Fund cash balance must be 35.9 percent of expenditures. For 2013, Franklin County must maintain a cash balance of at least $106.1 million, or 35.9 percent of the forecasted expenditures. This fund balance policy is considered when OMB and County Administration presents the annual recommended budget to the Board of Commissioners.

As directed by the Debt Management Policies, Franklin County benchmarks its debt capacity against means and medians published by Moody's and Standard and Poor's for other Triple-A rated counties of similar size and complexity. The following table shows Franklin County versus the National Medians as reported by Moody's in February 2013. The Financial Statistics and Ratios as well as the Direct Net Debt Per Capita and Overall Net Debt Per Capita for Franklin County exceed the National Medians.

Moody's Investor Services
Franklin County v. National Medians

Financial Statistics and Ratios	**National Medians**	**Franklin County**
Total GF Revenues ($000)	$277,385	$286,077
GF Balance as % of Revenues	32.4	76.2
Unreserved GF Balance as % of Rev	25.0	77.1
Unrsvd, Undesig, GFB as % of Rev	16.5	67.5
Tax Base Statistics and Ratios	**National Medians**	**Franklin County**
Total Full Value ($000)	$60,111,114	$75,151,457
Full Value Per Capita ($)	$110,047	$64,341
Average Annual Increase in FV (%)	2.5	-1.5
Top Ten Taxpayers as % of Total	3.9	3.5
Debt Statistics & Ratios	**National Medians**	**Franklin County**
Direct Net Debt as % of Full Value	0.6	0.6
Direct Net Debt Per Capita ($)	$582	$403
Debt Burden (Overall Net Debt as % FV)	2.3	3.3
Overall Net Debt Per Capita ($)	$2,874	$2,138
Debt Service as % of OE	9.4	12.8
Payout, 10 Yrs	70.7	48.1

Source: Moody's Investor Services, February 2013

[16] "Franklin County, Ohio; General Obligation," Standard and Poor's Ratings Services (May 29, 2013)

Moody's Investor Services
Franklin County v. National Medians

Demographic Statistics	National Medians	Franklin County
Population 2010 Census	512,875	1,163,414
Per Capita Income as % of U.S. (2000 Census)	120.6	106.8
Median Family Income as % of U.S. (2000 Census)	125.8	107.7
Population Change 2000-2010 (%)	12.6	8.8
Median Home Value (2000 Census)	$146,150	$116,200
Poverty Rate (%) (2000 Census)	6.7	11.7

Source: Moody's Investor Services, February 2013

The following table shows Franklin County versus the national average as reported by Standard and Poor's in January 2011. The General Fund Balance as a percent of Expenditure and Unreserved Fund Balance percentage for Franklin County exceeded the national average. The Total Direct Debt was lower than the national average.

Standard and Poor's
Franklin County v. National Average

	National Average	Franklin County
Population	788,428	1,167,641
Household Effective Buying Income (EBI) as a % of US	124	96
Per Capita EBI as a % of US	124	103
Total Market Value (mil. $)	93,139,708	80,275,731
Per Capita Market Value ($000s)	125,648	68,750
General Fund Balance as a % of Expenditure	35.9	103.7
Unreserved Fund Balance %	31.4	97.2
Total Direct Debt (mil. $)	695,993	331,839
Overall Debt as a % of Market Value	2.6	5.1
Overall Debt per Capita ($)	2,816	3,516

Standard and Poor's Sector Review, January 5, 2011

COUNTY'S RESPONSE TO BUDGET INFLUENCES

In response to the Great Recession and declining revenues, the Franklin County Board of Commissioners issued Resolution No. 0928-08 mandating that the County minimize expenditures through tighter budgetary controls and spending restraints (see Attachment E). The Commissioners asked that the following fiscal sustainability principles be met in the budget recommendations for calendar year 2009:

1. Tighten spending controls by limiting general revenue fund budget growth either to four percent (4%) or the change in the Midwest Consumer Price Index (U.S. City Average), whichever is less.
2. Control payroll expenditures by limiting the number of budgeted positions to currently authorized levels except for a) mandated additions; b) additions supported by new revenue for the intended service period; c) additions that are essential to protecting life and property. Personnel policies shall also be revised to limit growth in overtime expenditures, compensatory time, and other cash payouts.
3. Tighten fiscal controls by limiting General Revenue Fund debt service obligations in 2009 to no more than five percent (5%) of the total resources available in the General Revenue Fund, and by refinancing long-term debt obligations where the potential for Present Value Savings is at least five percent (5%).
4. Control fuel and energy expenditures.
5. Control other discretionary expenditures by limiting the total amount budgeted for community partnership contracts at the 2008 level.
6. Further cost-effective management of County health care expenditures and enhance County employee recruitment, retention, and job satisfaction by providing incentives for participation in employee wellness programs.

As revenues remain below their pre-recession levels, Franklin County Administration has continued to follow fiscal sustainability practices in order to maintain core services and adhere to the General Fund balance policy. Over the past five years, General Fund expenditures have been reduced, employee salary and benefits have remained in line with peer counties, and discretionary grants have been cut.

EXPENDITURE REDUCTIONS

Franklin County General Fund expenditures have remained relatively flat and even declined between 2008 and 2012. As shown in the Franklin County General Fund Expenditures by Major Category table, Franklin County has held expenditures below the pre-recession amounts in 2008. Following the mandate of Resolution No. 0928-08, General Fund expenditures in 2009 were 1.0 percent less than 2008, decreasing from \$308.0 million to \$304.9 million. While expenditures increased slightly in 2010 by 0.8 percent over 2009 to \$307.2 million, they remained unchanged in 2011 followed by a 3.5 percent decrease in 2012 to \$296.3 million. OMB forecasts that 2013 expenditures will be \$295.5 million, which is a 0.3 percent decrease from 2012 and \$12.5 million or 4.1 percent below the pre-recession 2008 level.

Franklin County General Fund Expenditures by Major Category

	2008 Actuals	2009 Actuals*	2010 Actuals	2011 Actuals	2012 Actuals	2013 Forecast
Personal Services	130,045,656	138,768,182	135,834,206	135,895,148	133,250,427	128,344,356
Fringe Benefits	47,532,923	51,333,222	52,821,339	54,530,579	53,876,595	55,036,045
Materials & Services	62,728,833	57,363,058	59,403,809	55,966,578	56,453,167	56,976,512
Capital Outlays	3,681,506	3,305,300	3,381,845	1,910,797	1,528,355	1,407,080
Grants	22,475,659	23,824,641	23,228,580	20,935,227	16,358,066	16,290,120
Interfund	41,489,118	30,277,574	32,503,333	37,804,801	34,834,839	31,894,692
Contingency	-	-	-	-	-	5,521,684
Total Expenditures	**$307,953,697**	**$304,871,978**	**$307,173,112**	**$307,043,130**	**$296,301,449**	**$295,470,489**
Percent Change		**-1.0%**	**0.8%**	**0.0%**	**-3.5%**	**-0.3%**

*2009 included a 27th pay period
Source: Franklin County OMB

As indicated in the Annual Financial Audit Reports issued by the Franklin County Auditor, one way of evaluating a government's performance is to benchmark it against its peers. The following Government-Wide Expenses Per Capita chart compares expenses per capita for five of Ohio's metropolitan counties from 2008 to 2012. The data used for the calculations were taken from each county's most recently available Comprehensive Annual Financial Report (CAFR) and focused on the government-wide expenses. ***Franklin County's expenditures per capita decreased by 15.2 percent between 2008 and 2012 from $979 to $830. Franklin County was also the lowest in expenditures per capita when it is benchmarked against its peer counties from 2008 to 2012. Franklin County's expenses for each resident were $119 less than the next highest peer county, Montgomery County, in 2012. They were also 17.6 percent lower than Lucas County, which had the largest expenses per capita in 2012.***

Government-Wide Expenses Per Capita

County	2008	2009	2010	2011	2012
Franklin	$979	$981	$920	$885	$830
Cuyahoga	$1,054	$1,054	$1,124	$1,124	$ 974
Hamilton	$1,118	$1,190	$1,118	$1,049	$986
Montgomery	$1,004	$1,025	$1,078	$988	$949
Lucas	$1,218	$1,209	$1,039	$1,039	$1,007

Source: Franklin County Auditor
Based on each county's most recently available Comprehensive Annual Financial Report (CAFR)

EMPLOYEE SALARIES AND BENEFITS

Personal Services is the largest expenditure category for the County's General Fund. As previously mentioned, Resolution No. 0928-08 directed County Administration to control payroll expenditures by limiting the number of budgeted positions to currently authorized levels with few exceptions. As shown in the following Franklin County Full-Time Equivalents (FTE) table, Commissioner and Non-Commissioner Agencies embraced this fiscal sustainability principle by reducing FTEs since 2009. ***This commitment to controlling payroll expenses in the face of declining revenues resulted in a 6.3 percent reduction in FTEs from 2009 to 2013.***

Franklin County Employee Full-Time Equivalents (FTE)

	2008	2009	2010	2011	2012	2013
Commissioner Agencies	1,621.52	1,635.08	1,559.68	1,562.68	1,545.68	1,532.02
Non-Commissioner Agencies	5,193.83	5,219.83	5,137.19	5,064.74	4,966.67	4,889.80
Total	**6,815.35**	**6,854.91**	**6,696.87**	**6,627.42**	**6,512.35**	**6,421.82**

Source: Franklin County OMB

As indicated in the Franklin County General Fund Expenditures by Major Category table on the previous page, Franklin County has reduced Personal Services expenditures. Personal Services expenditures include employee wages and salaries, term payouts, shift differential pay, and overtime wages. ***Actual General Fund Personal Services expenses decreased 1.9 percent from $135.8 million in 2010 to $133.3 million in 2012. OMB forecasts that these expenses will continue to decline into 2013.***

A review of Franklin County, peer counties, and the State of Ohio average employee salaries were compared for 2011 as a benchmark for Franklin County's performance. As shown in the 2011 Monthly Average Salary per Employee by Government Function table on the following page, Franklin County has maintained average employee salaries that are comparable to peer counties and below the State of Ohio employee rates. However, Corrections and Police Officers Only are higher in Franklin County than the peer counties.

Fringe Benefits is the only General Fund Major Category expenditure that has consistently increased since 2009. Fringe Benefits includes benefits paid for by the County on behalf of its employees, including Medicare, workers compensation, retirement contributions, and healthcare benefits. The Medicare rate is set by Federal law. As of April 1, 2012, Franklin County became self-insured for workers' compensation. The switch from the Ohio Bureau of Worker's Compensation insurance will realize a cost savings for the County.

2011 Monthly Average Salary per Employee by Government Function*

Government Function	Franklin County	Cuyahoga County	Hamilton County	Lucas County	Montgomery County	Summit County	Ohio
Air Transportation		$3,580					
All Other and Unallocable	$3,762	$3,724	$3,958	$2,843	$4,575	$2,989	$5,091
All Other Higher Education							$3,722
Corrections	$4,777	$3,526	$3,592	$3,383	$3,422	$2,847	$4,247
Electric Power							
Financial Administration	$4,094	$3,977	$4,419	$3,813	$4,006	$3,078	$5,128
Firefighters Only				$4,214			
Gas Supply							
Health	$3,949	$4,217	$4,289	$3,752	$3,781	$2,773	$5,363
Higher Education Instructional Employees							$6,589
Highways	$4,478	$4,878	$4,515	$4,997	$4,527	$3,874	$4,539
Hospitals		$5,566					$4,884
Housing and Community Development		$3,345	$1,545		$5,281		
Judicial and Legal	$3,783	$3,531	$3,791	$4,100	$3,631	$3,714	$5,771
Local Libraries				$3,083			
Natural Resources	$3,551	$3,708	$4,010		$3,409	$3,853	$4,167
Other Education							$4,968
Other Fire Employees							
Other Government Administration	$4,287	$4,499	$4,767	$4,245	$3,986	$3,227	$4,404
Other Police Employees	$4,313	$3,670	$4,864	$4,065	$4,376	$3,293	$4,132
Parks and Recreation	$3,605	$2,813	$3,433	$2,733	$3,671	$3,741	$3,729
Police Officers Only	$5,700	$5,066	$5,601	$5,488	$5,722	$3,450	$5,769
Public Welfare	$3,603	$3,554	$3,385	$3,791	$3,689	$3,222	$5,193
Sewerage	$3,847	$4,264	$3,966	$4,974	$4,193	$3,242	
Social Insurance Administration							$4,265
Solid Waste Management		$4,478	$4,063	$3,825	$4,664		
Transit							
Water Supply					$4,366	$3,182	
All Functions	**$3,993**	**$4,514**	**$3,887**	**$3,882**	**$3,947**	**$3,266**	**$4,699**

Source: U.S. Census Bureau
*As reported for gross payrolls for March 2011

Employer retirement contributions made by Franklin County are determined by state law. For the Ohio Public Employees Retirement System (OPERS), the 2013 employer contribution rate for local government is 14.0 percent of salary and the employee contribution rate is 10.0 percent. For OPERS Law Enforcement, the 2013 employer contribution rate for is 18.1 percent of salary and the employee contribution rate is 12.6 percent. Although the retirement systems allow employer "pick-up," Franklin County agencies supported by the General Fund generally do not pay any portion of the employees' pension contribution.

The increasing cost of Fringe Benefits is mostly related to the increase in costs for healthcare benefits. The County is self-insured for healthcare benefits. The Franklin County Cooperative Health Benefits Program includes medical, prescription drug, dental, vision, employee assistance program, behavioral health coverage, wellness programs, and life insurance. Since 2005, the Franklin County Cooperative has been below the national trend for the rate of increase in health care costs.[17] ***The County has the strategic goal of being three percentage points below the national trend in rising health care cost. The savings are realized by investing in health and wellness initiatives, making plan design changes, and increasing employee contributions.***

2012 Average Monthly Percent of Medical Premiums Paid by Employee

	January 1, 2012		April 1, 2012[1]	
	Employee	Employee w/ Spouse	Employee	Employee w/ Spouse
Franklin County[2]	7.7%	10.3%	11.5%	11.9%

[1]Franklin County's benefit year begins April 1st
[2]Franklin County medical premiums include the cost of all health benefits including medical, pharmacy, dental, behavioral health, vision, and life insurance.

Public Sector[3,4]	Single	Family
Statewide	10.7%	11.5%
State of Ohio	15.1%	15.8%
Counties of 100,000 or more	11.2%	12.3%
Cities of 100,000 or more	10.0%	9.2%

[3]Public sector medical insurance plans in effect on January 1, 2012

[4]A majority of medical premiums in the SERB report include medical and pharmacy. Of all plans statewide, 11.3% include dental benefits and 18.8% include vision in the medical premium.

Source: Franklin County Cooperative Health Benefits Program and State Employment Relations Board 2012 20th Annual Report on the Cost of Health Insurance in Ohio's Public Sector

In response to rising healthcare costs, Franklin County has increased the average monthly percent of medical premiums paid by employees. The contribution for an employee increased 3.8 percentage points, from 7.7 percent for the benefit year beginning April 1, 2011 to 11.5 percent for the benefit year beginning April 1, 2012. After the April 1, 2012 increase, the County's employee contribution is in line with other

[17] CBIZ, Inc.

public sector entities statewide, including counties with 100,000 or more residents. However, the employee paid premium is lower than the State of Ohio employees.

When determining employee salaries and benefits costs, state and local governments must consider the terms of bargaining unit agreements. Franklin County currently has 3,124 employees (almost half of the budgeted full-time FTEs) represented by 16 union contracts. Wages, paid time off, and employee contributions to health insurance benefit costs are defined by the bargaining unit agreements that can last up to three years. Changes to these provisions can only be made through the collective bargaining process. During difficult financial times, such as the recession and declining state support, the costs associated with the bargaining contracts can limit the immediate options available to County Administration to control expenses.

SHARED SERVICES

In an effort to reduce costs, Franklin County has in recent years developed and implemented a number of shared services initiatives with other entities such as the Federal government, State of Ohio, local governments, associations, and even among Franklin County agencies. The Franklin County Cooperative Health Benefits Program is an employee benefit program administered by the Franklin County Board of Commissioners and managed by the Franklin County Department of Benefits & Risk Management. Cooperative Members include Franklin County Board of Commissioners' Agencies and Elected Officials, Metro Parks, Solid Waste Authority of Central Ohio, Mid-Ohio Regional Planning Commission, Pickaway County, and Fairfield County.

Franklin County has entered shared purchasing agreements in order to reduce costs associated with county purchases of goods and services. The Franklin County Purchasing Department provides for contracts that are bid out to be available to other political subdivisions throughout the county and central Ohio region. They also participate in joint purchasing ventures through the U.S. General Services Administration, the State of Ohio Cooperative Purchasing Programs, and the National Joint Powers Alliance (NJPA). Franklin County is a member of the County Commissioners Association of Ohio Natural Gas Cooperative. The County Commissioners Association of Ohio Service Corporation partnered with Palmer Energy Company to help manage a natural gas program for member counties. The program was designed to help counties save money on their natural gas bill by utilizing the strength of group buying.

Franklin County partners with the City of Columbus to meet prosecution, public defender, and economic development needs. The Franklin County Public Defender's Office contracts with the City of Columbus to represent defendants in the Municipal Court charged under the city code. Franklin County reimburses the City Attorney's Office for the costs of prosecuting state code cases in the Municipal Court. The Franklin County Economic Development and Planning Department has worked jointly with the City of Columbus Economic Development on projects such as the Scioto Mile, Columbus Commons, and Audubon Center. The

County and City Departments are co-located at the Lazarus Building in Downtown Columbus to facilitate collaboration.

Another example of shared services is centralized services provided within the County. The Print Shop and Mail Room operated by the Franklin County Purchasing Department provides centralized services to County agencies. The Franklin County Fleet Management Department is responsible for preventative maintenance, minor and major vehicle repairs, emergency repairs, towing of disabled vehicles, providing fuel, expediting accident repairs and claims, new vehicle purchasing and preparation for departmental use, and the disposal of obsolete vehicles for all vehicles owned by the Franklin County Board of Commissioners.

Franklin County agencies provide cost effective and coordinated services with other local governments. The Franklin County Coroner's Office contracts with other counties to perform autopsies and other investigations. The Franklin County Engineer's Office partners with city, townships, and municipalities to meet the continuing development and infrastructure needs of Franklin County. The Franklin County Auditor's Office provides centralized appraisal and assessment of real estate for all of the taxing jurisdictions within the County. The Franklin County Treasurer's Office provides for the billing and collection of the associated property taxes.

The Franklin County Sheriff's Office operates the only jail facilities in the County: Franklin County Corrections Center I at 370 S. Front Street and Franklin County Corrections Center II at 2460 Jackson Pike. Municipalities within Franklin County, including the City of Columbus, pay a housing per-diem for inmates charged under their municipal ordinances. The Sheriff's Office also has a contract with the U.S. Marshal's Office to house a limited number of inmates on an as-needed basis.

Discretionary Grants

Another response to the County's revenue decrease was the reduction in discretionary spending. Franklin County has reduced the Economic Development and Community Partnership discretionary grants, from a high of $21.6 million in 2009 to $14.7 million in 2013, a decrease of 32.2 percent. Although these are considered discretionary, the grants meet critical needs in the community. As previously mentioned, the Franklin County Board of Commissioners partners with agencies in the community to address issues related to poverty, such as food insecurity, homelessness, and access to health care. As discussed in the Impact of Poverty section, these reductions come at a time when the need for services is increasing.

COUNTY'S CURRENT BUDGET CONDITION AND FUTURE NEED

While some General Fund revenue sources are showing signs of improvement in 2013, others continue to decline, resulting in an anticipated net revenue loss. The amount of Sales Tax revenue collected in the first quarter of 2013 shows a significant improvement over the amounts from the previous five years. Franklin County's tax allocation in May 2013 (from February sales and March collections) was $724,797, or 6.7 percent, above the prior year. Franklin County's 2013 revised budget included $38.6 million in real estate taxes, which is a 2.7 percent increase as compared to actual receipts for this revenue line item in fiscal year 2012. However, this amount is lower than previous years due to the decline in property values. Casino tax revenues are in their first full year of collection in 2013. This revenue for Franklin County is forecasted to reach $8.1 million in 2013, which was 10 percent below the amount in the 2013 Approved Budget and is expected to decline by at least another 10 percent following notice of the County's July distribution. These amounts are much less than the projections provided when casino gambling was legalized in Ohio. The 2013 estimated impact of the SFY 2012-2013 State Budget to the General Fund is a $13.4 million loss. The recently passed SFY 2014-2015 State Budget (House Bill 59) does not include additional revenue for local governments. Also, Investment Earnings are forecasted to be another $3.0 million less than 2012.

Even after the Franklin County Board of Commissioners adopted policy changes to rein in expenditures in the face of declining revenue, the amount of forecasted expenditures will still exceed the revenues collected in 2013. This will result in the use of approximately $17.2 million in cash reserves by the end of 2013. OMB estimates that maintaining current service levels will result in the continued use of cash reserves in the near future.

FINANCIAL FORECAST SCENARIOS

The County Budget and Economic Advisory Panel was charged with analyzing the fiscal condition of Franklin County to determine if a structural imbalance exists between the County's annual operating revenues and expenditures. As part of the analysis, the Panel asked OMB to prepare three financial forecast scenarios projecting revenues and expenses for the Franklin County General Fund. Under the direction of the panel, OMB developed the Baseline, Conservative, and Rosy Scenarios. All three scenarios assumed maintaining current service levels and county policies. The variables between scenarios include Sales Tax revenues, personnel expenses, health care expenses, utility costs, and debt service obligation. ***Based on these scenarios, the Panel agreed at its May 17, 2013 meeting that a structural imbalance exists between the County's annual operating revenues and expenditures.***

The economic outlook for governments was gathered primarily from Moody's and the Congressional Budget Office (CBO) for the scenarios. Moody's and the CBO base their outlook on a variety of information sources, including the Department of Commerce, the

Bureau of Economic Analysis, the Department of Labor, the Bureau of Labor Statistics and the Federal Reserve Board. The primary inflationary assumptions utilized in the long-term forecast are the Consumer Price Index (CPI), Core CPI, and the Employment Cost Index (ECI). The estimates included in the forecast are:

	CPI	**Core CPI**	**ECI**
2014	2.7%	1.8%	3.0%
2015	2.7%	1.9%	3.2%
2016	2.6%	2.1%	3.3%
Source	Moody's	CBO	Moody's

Baseline Scenario

The Baseline Scenario on the following page has a revenue forecast base of the 2013 approved budget amount, with the amounts for sales tax, conveyance fees, and general fees adjusted to reflect the growth over the 1st quarter of 2013, though Casino Tax Revenue is forecasted to be 10 percent below the budgeted amount. Revenues are inflated for the 2014 – 2016 period based on the revenue source. The base assumptions for the revenue forecast are:

- Sales Tax – 5.0 percent increase in 2014 and 5.8 percent increase in 2015, and 4.5 percent in 2016 (expected increase in retail sales within Franklin County; Source: Moody's)

- Property Tax – No growth in 2014, 6.2 percent increase in 2015 (triennial update), and 2.2 percent increase in 2016

- General Fees, Housing of Prisoners, Permissive Transfer Taxes, Conveyance Fees, Service Fees and Charges, Public Defender Reimbursement, Miscellaneous Revenue and Interfund Revenue – Increased at CPI

- Board of Elections – Includes $2.0 million in 2014 and 2016 related to the reimbursement received from municipalities for the prior year elections pursuant to Ohio statute

- Licenses and Permits, Assessment Fees, Fines and Forfeitures, Intergovernmental Revenue, Investment Earnings, Other Financing Sources – No growth

The Baseline Scenario expenditure forecast base is the 2013 approved budget amount less 2.8 percent, which is based on the average percentage of lapsed appropriations during the previous five years (2008 - 2012). Expenditures are inflated based on the type of expenditure. If significant non-recurring expenditures were included in the 2013 approved budget, the amounts for 2014 - 2016 were adjusted to reflect the reduction. Likewise, the amounts for 2014 – 2016 include significant items based on contractual obligations that are not reflected in the 2013 approved budget (such as $1.5 million for the Prosecutor's case management system). The base assumptions for the expenditure forecast are:

- Personnel Expenses – Increased at ECI

- Health Care Expenses and Employee Contribution – 8.0 percent annual increase

- Utilities – 0.4 percent increase in 2014, 0.5 percent increase in 2015, and 5.1 percent increase in 2016 (Source: EIA), plus savings of $0.4 million per year for the purchase of electricity from an energy service provider.

- Fuel – 0.8 percent decrease in 2014, no growth in 2015, and 1.5 percent increase in 2016 (Source: EIA)

- Materials, Services, and Capital Outlays – Increased at Core CPI

- Debt Service – Actual debt service obligations plus an estimate of $1.9 million annually from 2014 – 2016 for the debt service requirements related to the rehabilitation and renovation of the Hall of Justice and $0.3 million annually for the construction of the Sheriff's Training Academy.

- Grants – No Growth, with adjustments for changes in long-term contractual obligations

- Interfund, Contingency – No Growth

General Fund
Long-Term Financial Forecast (2012-2016)
Baseline Forecast

Summary of Revenues and Expenditures*	**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenue	$282,549,887	$278,276,006	$289,028,554	$299,526,670	$311,088,660
Total Expenditures	$296,301,444	$295,470,489	$307,291,051	$314,657,479	$324,280,004
Utilization of Reserves	($13,751,557)	($17,194,484)	($18,262,496)	($15,130,809)	($13,191,344)
Ending Cash Balance					
General Fund – Unrestricted Cash	$118,964,382	$101,769,898	$83,507,402	$68,376,593	$52,820,249
General Fund – Economic Stabilization	$14,517,000	$14,517,000	$14,517,000	$14,517,000	$14,517,000
27th Pay Reserve Fund**	$600,000	$600,000	$600,000	$600,000	$600,000
Risk Management Fund	$1,709,927	$1,379,927	$1,049,927	$719,927	$389,927
Stadium Pledge Fund	$3,643,596	$3,643,596	$3,643,596	$3,643,596	$3,643,596
Hotel Pledge Fund	$10,082,384	$10,082,384	$10,082,384	$10,082,384	$12,447,384
TOTAL	**$149,517,289**	**$131,992,805**	**$113,400,309**	**$97,939,500**	**$84,418,156**

2016 Cash Balance:	$84,418,156	
Target Cash Balance:	$116,416,522	35.9% of Expenditures (S&P)
Difference:	($31,998,365)	

*Expenditures exclude transfers to Hotel Pledge Fund in 2012 ($10,082,384) and 2016 ($2,365,000).

Revenues and Expenditures exclude amounts associated with the 1% sales tax administrative fee withheld by the State of Ohio in 2012 ($1,462,220).

**The next 27th pay for the County will occur in 2020.

Conservative Scenario

The Conservative Scenario on the following page has a revenue forecast base that is the 2013 approved budget amount, with the amounts for sales tax, conveyance fees, and general fees adjusted to reflect the growth over the 1st quarter of 2013, *though Casino Tax Revenue is forecasted to be 20 percent below the budgeted amount*. Italicized text in the Conservative Scenario section reflects differences from the Baseline Scenario. Revenues are inflated for the 2014 – 2016 period based on the revenue source. The base assumptions for the revenue forecast are:

- *Sales Tax – 2.5 percent increase in 2014 and 2.9 percent increase in 2015, and 2.25 percent in 2016 (one-half of the expected increase in retail sales within Franklin County; Source: Moody's)*

- Property Tax – No growth in 2014, 6.2 percent increase in 2015 (triennial update), and 2.2 percent increase in 2016

- General Fees, Housing of Prisoners, Permissive Transfer Taxes, Conveyance Fees, Service Fees and Charges, Public Defender Reimbursement, Miscellaneous Revenue and Interfund Revenue – Increased at CPI

- Board of Elections – Includes $2.0 million in 2014 and 2016 related to the reimbursement received from municipalities for the prior year elections pursuant to statute

- Licenses and Permits, Assessment Fees, Fines and Forfeitures, Intergovernmental Revenue, Investment Earnings, Other Financing Sources – No growth

The Conservative Scenario expenditure forecast base is the 2013 approved budget amount less 2.8 percent, which is based on the average percentage of lapsed appropriations during the previous five years (2008 - 2012). Expenditures are inflated based on the type of expenditure. If significant non-recurring expenditures were included in the 2013 approved budget, the amounts for 2014 -– 2016 were adjusted to reflect the reduction. Likewise, the amounts for 2014 – 2016 include significant items based on contractual obligations that are not reflected in the 2013 approved budget (such as $1.5 million for the Prosecutor's case management system). The base assumptions for the expenditure forecast are:

- Personnel Expenses – Increased at ECI

- Health Care Expenses and Employee Contribution – 8.0 percent annual increase

- Utilities – 0.4percent increase in 2014, 0.5 percent increase in 2015, and 5.1 percent increase in 2016 (Source: EIA), plus savings of $0.4 million per year for the purchase of electricity from an energy service provider.

- Fuel – 0.8 percent decrease in 2014, no growth in 2015, and 1.5 percent increase in 2016 (Source: EIA)

- Materials, Services, and Capital Outlays – Increased at Core CPI

- *Debt Service – Actual debt service obligations plus an estimate of $2.0 million annually from 2014 – 2016 for the debt service requirements related to the rehabilitation and renovation of the Hall of Justice and $0.3 million annually for the construction of the Sheriff's Training Academy.*

- Grants – No Growth, with adjustments for changes in long-term contractual obligations

- Interfund, Contingency – No Growth

General Fund
Long-Term Financial Forecast (2012-2016)
Conservative Forecast

Summary of Revenues and Expenditures*		**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenue		$282,549,887	$277,381,297	$284,433,064	$290,316,306	$297,991,115
Total Expenditures		$296,301,444	$295,470,489	$307,391,051	$314,757,479	$324,380,004
Utilization of Reserves		($13,751,557)	($18,089,192)	($22,957,986)	($24,441,173)	($26,388,890)
Ending Cash Balance						
General Fund – Unrestricted Cash		$118,964,382	$100,875,190	$77,917,204	$53,476,030	$24,722,141
General Fund – Economic Stabilization		$14,517,000	$14,517,000	$14,517,000	$14,517,000	$14,517,000
27th Pay Reserve Fund**		$600,000	$600,000	$600,000	$600,000	$600,000
Risk Management Fund		$1,709,927	$1,379,927	$1,049,927	$719,927	$389,927
Stadium Pledge Fund		$3,643,596	$3,643,596	$3,643,596	$3,643,596	$3,643,596
Hotel Pledge Fund		$10,082,384	$10,082,384	$10,082,384	$10,082,384	$12,447,384
	TOTAL	**$149,517,289**	**$131,098,097**	**$107,810,111**	**$83,038,937**	**$56,320,048**

2016 Cash Balance:	$56,320,048	
Target Cash Balance:	$116,452,422	35.9% of Expenditures (S&P)
Difference:	($60,132,374)	

*Expenditures exclude transfers to Hotel Pledge Fund in 2012 ($10,082,384) and 2016 ($2,365,000).

Revenues and Expenditures exclude amounts associated with the 1% sales tax administrative fee withheld by the State of Ohio in 2012 ($1,462,220).

**The next 27th pay for the County will occur in 2020.

Rosy Scenario

The Rosy Scenario on the following page has a revenue forecast base that is the 2013 approved budget amount *(including the amount for Casino Tax Revenue)*, with the amounts for sales tax, conveyance fees, and general fees adjusted to reflect the growth over the 1st quarter of 2013. Italicized text in the Rosy Scenario section reflects differences from the Baseline Scenario. Revenues are inflated for the 2014 – 2016 period based on the revenue source. The base assumptions for the revenue forecast are:

- *Sales Tax – 6.5 percent increase in 2014 and 5.8 percent increase in 2015, and 4.5 percent in 2016 (year-over-year increase in sales tax collections from 2011 to 2012 used in 2014; and expected increase in retail sales within Franklin County in 2015 and 2016; Source: Moody's)*

- Property Tax – No growth in 2014, 6.2 percent increase in 2015 (triennial update), and 2.2 percent increase in 2016

- General Fees, Housing of Prisoners, Permissive Transfer Taxes, Conveyance Fees, Service Fees and Charges, Public Defender Reimbursement, Miscellaneous Revenue and Interfund Revenue – Increased by CPI

- Board of Elections – Includes $2.0 million in 2014 and 2016 related to the reimbursement received from municipalities for the prior year elections pursuant to Ohio statute
- Licenses and Permits, Assessment Fees, Fines and Forfeitures, Intergovernmental Revenue, Investment Earnings, Other Financing Sources – No growth

The Rosy Scenario expenditure forecast base is the 2013 approved budget amount less 2.8percent, which is based on the average percentage of lapsed appropriations during the previous five years (2008 - 2012). Expenditures are inflated based on the type of expenditure. If significant non-recurring expenditures were included in the 2013 approved budget, the amounts for 2014 - 2016 were adjusted to reflect the reduction. Likewise, the amounts for 2014 – 2016 include significant items based on contractual obligations that are not reflected in the 2013 approved budget (such as $1.5 million for the Prosecutor's case management system). The base assumptions are:

- *Personnel Expenses – ECI less one percentage point*

- *Health Care Expenses – 6.0 percent annual increase*

- Employee Contribution – 8.0 percent annual increase

- Utilities – 0.4 percent increase in 2014, 0.5 percent increase in 2015, and 5.1 percent increase in 2016 (Source: EIA*), plus savings of $0.5 million per year for the purchase of electricity from an energy service provider*.

- Fuel – 0.8 percent decrease in 2014, no growth in 2015, and 1.5 percent increase in 2016 (Source: EIA)

- Materials, Services, and Capital Outlays – Increased by Core CPI

- Debt Service – Actual debt service obligations plus an estimate of $1.9 million annually from 2014 – 2016 for the debt service requirements related to the rehabilitation and renovation of the Hall of Justice and $0.3 million annually for the construction of the Sheriff's Training Academy.

- Grants – No Growth, with adjustments for changes in long-term contractual obligations

- Interfund, Contingency – No Growth

General Fund
Long-Term Financial Forecast (2012-2016)
Rosy Forecast

Summary of Revenues and Expenditures*		**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenue		$282,549,887	$279,170,714	$292,143,732	$302,770,635	$314,438,341
Total Expenditures		$296,301,444	$295,470,489	$304,974,166	$309,945,827	$316,975,909
Utilization of Reserves		($13,751,557)	($16,299,775)	($12,830,434)	($7,175,193)	($2,537,567)
Ending Cash Balance						
General Fund – Unrestricted Cash		$118,964,382	$102,664,607	$89,834,173	$82,658,980	$77,756,413
General Fund – Economic Stabilization		$14,517,000	$14,517,000	$14,517,000	$14,517,000	$14,517,000
27th Pay Reserve Fund**		$600,000	$600,000	$600,000	$600,000	$600,000
Risk Management Fund		$1,709,927	$1,379,927	$1,049,927	$719,927	$389,927
Stadium Pledge Fund		$3,643,596	$3,643,596	$3,643,596	$3,643,596	$3,643,596
Hotel Pledge Fund		$10,082,384	$10,082,384	$10,082,384	$10,082,384	$12,447,384
	TOTAL	**$149,517,289**	**$132,887,514**	**$119,727,080**	**$112,221,887**	**$109,354,320**

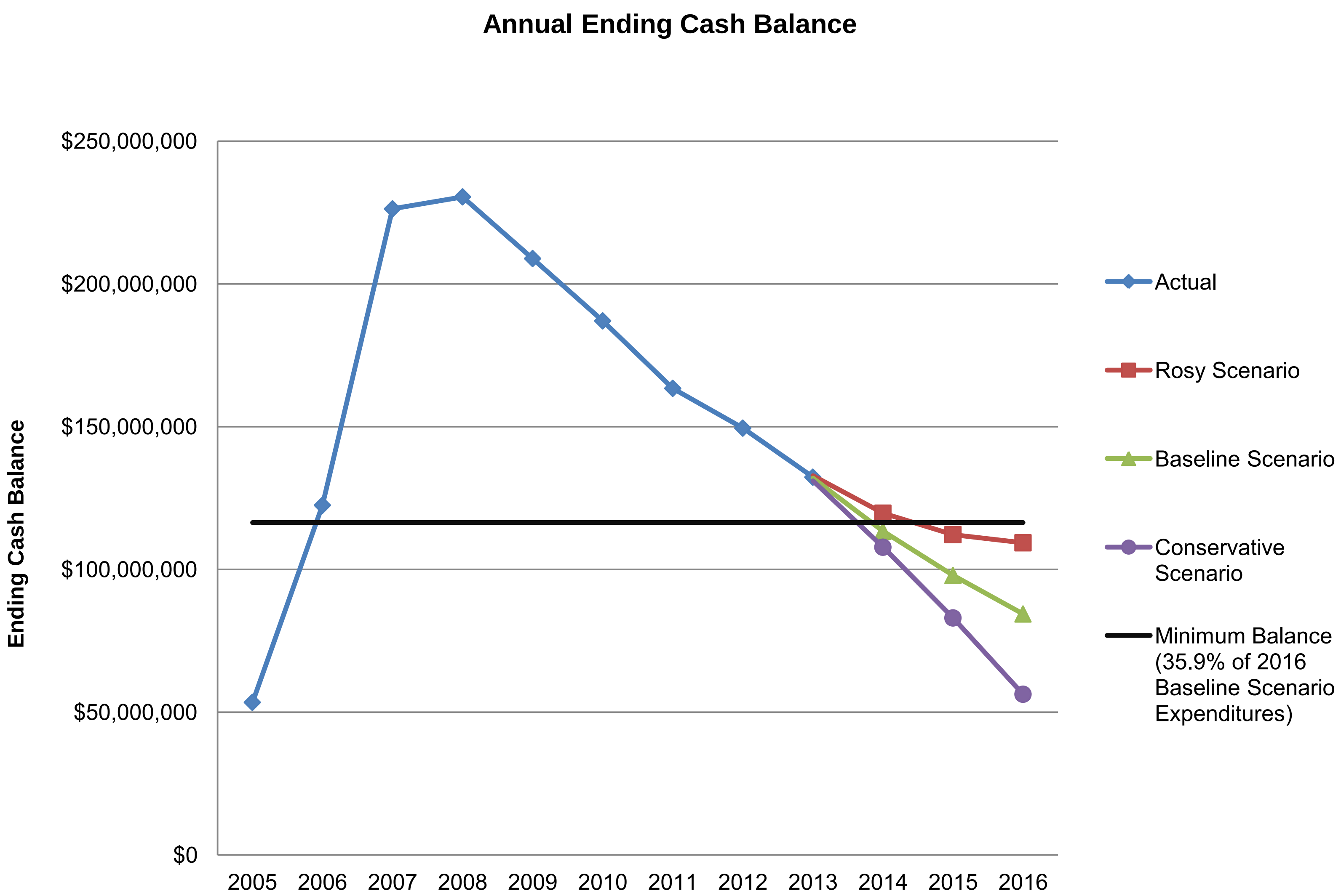
2016 Cash Balance:	$109,354,320	
Target Cash Balance:	$113,794,351	35.9% of Expenditures (S&P)
Difference:	($4,440,031)	

*Expenditures exclude transfers to Hotel Pledge Fund in 2012 ($10,082,384) and 2016 ($2,365,000).
Revenues and Expenditures exclude amounts associated with the 1% sales tax administrative fee withheld by the State of Ohio in 2012 ($1,462,220).
**The next 27th pay for the County will occur in 2020.

The Panel also requested a sensitivity analysis of the inflationary factors used in the Financial Forecast Scenarios. The following table provides the impact of a one percentage point increase in each of the inflationary factors used in the forecast for the Baseline Scenario. The table includes the total change on the ending cash balance as of December 31, 2016. For example, a change in the Core CPI from 1.8 percent to 2.8 percent in 2014, 1.9 percent to 2.9 percent in 2015, and 2.1 percent to 3.1 percent in 2016 would decrease the ending cash balance by $3.2 million, from $84.4 million to $81.2 million. A change in the growth in sales tax revenue from 5.0 percent to 6.0 percent in 2014, 5.8 percent to 6.8 percent in 2015, and 4.5 percent to 5.5 percent in 2016 would increase the ending cash balance by $9.6 million, from $84.4 million to $94.0 million.

Inflationary Factor	TOTAL
Consumer Price Index (CPI)	$3.1 million
Core CPI	($3.2 million)
Employment Cost Index (ECI)	($9.5 million)
Healthcare	($2.4 million)
Employee Contribution	$0.3 million
Flat	($0.5 million)
Gasoline & Fuel	($0.1 million)
Property Tax	$2.1 million
Sales Tax	$9.6 million
Utilities	($0.3 million)
Percent of Budget Spent	($9.6 million)

The Panel also asked for an update to the Baseline forecast to incorporate any changes resulting from the recently passed state biennial budget. While HB 59 included an increase in the public defender reimbursement rate from 35 percent to 40 percent, this is expected to be more than offset by the continuing declines in the casino tax revenue. At this time, it appears that the enacted state biennial budget will have no other material impact on the General Fund. As a result, no changes were required to be made to the baseline General Fund forecast.


Annual Ending Cash Balance
Ending Cash Balance
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Actual
Rosy Scenario
Baseline Scenario
Conservative Scenario
Minimum Balance (35.9% of 2016 Baseline Scenario Expenditures)

PROJECTED NEED

As previously mentioned, ***Franklin County has an ending General Fund balance target equal to the average of all US counties rated Triple-A by both Standard & Poor's and Moody's.*** A history of the Annual Ending Cash Balance chart since 2005 is shown on the previous page. The cash reserve grew with the implementation of the 0.50 percent sales tax rate increase in 2006 and 2007. After the temporary 0.25 percent sales tax rate ended on December 31, 2007 and the recession began in 2008, the County's cash reserve began its decline in 2009. The County has had to use the reserve funds in order to maintain current service levels to the county. Based on all of the scenarios reviewed by the Panel, the need for utilizing reserve funds will continue and the annual ending cash balance will be below 35.9 percent of expenditures by 2016.

As part of a review of the County's finances, consideration was given to the impact of a reduction in the County's credit rating in order for the County to spend additional cash reserves and put the cash balance below the 35.9 percent of expenditure threshold. As shown in the following Estimated Impact Change in the Credit Rating table, the estimated impact for a change in 10 and 25 basis points is significant. The change would impact not only current debt obligations but also debt issuances planned in 2013 and to meet future needs.

Estimated Impact
Change in Credit Rating

	Principal	Change in 10 basis points		Change in 25 basis points	
	Balance	1st Year Cost	Total Cost*	1st Year Cost	Total Cost*
Current Debt Obligations	$288,925,000	$288,925	$5,250,207	$722,313	$13,125,517
2013 Planned Issuance	$50,000,000	$50,000	$626,143	$125,000	$1,571,337
Future Debt Issuances	$103,000,000	$103,000	$1,289,856	$257,500	$3,236,955

Source: Franklin County OMB

*Total Cost based on present value of interest payments discounted at 3%
Total Cost of Current Debt Obligations based on change from current debt service schedule, while 2013 Planned Issuance and Future Debt Issuances based on level debt service payments over 25 year period

Another important concern is that the Financial Scenarios only include maintaining current service levels. As previously discussed in the Appendix, the rate of poverty is increasing in Franklin County. Also, according to the U.S. Census Bureau, Franklin County was the fastest growing county in Ohio in 2012. Unlike two-thirds of Ohio that saw a decrease in population for the same time period, Franklin County must consider that a continued increase in the number of residents will increase the demand for services that it is required to provide. According to the Ohio Development Services Agency, Franklin County's population is estimated to grow an additional 10.7 percent between 2010 and 2030. Increased demand may also increase the need for additional or renovated facilities in which to provide these services.

The Franklin County's Coroner's Office is located at 520 King Avenue. This facility is currently leased from The Ohio State University through 2015. Due to the facility's proximity to The Ohio State University Medical Center, the County anticipates the expanding hospital campus will require the relocation of the Coroner's Office. A new facility will need to be built in order to meet the requirements for the specialized services provided by the Coroner, such as the morgue, pathology, and toxicology. ***The County estimates the total cost for construction would be $50.0 million. The proposed annual General Fund Debt Service to support the project would be at least $3.0 million per year.***

Additionally, the County is reviewing the jail facility needs for Franklin County. A Detention Center Master Plan was completed for the County in 2009. The number of jail beds currently in use in Franklin County exceeds the state-approved capacity. Franklin County Correctional Center I at 370 S. Front Street was built in 1971 and underwent a two year renovation in the late 1990s. Franklin County Correctional Center II at 2460 Jackson Pike was built in 1986 with the south addition built in 1990. Both facilities were built using the old detention philosophy of linear jail design which does not promote supervision and operational efficiencies. Substantial maintenance and replacement costs must be made for various building system components to extend the service life of the existing facilities. As might be anticipated based on the age of the facilities, Center I requires replacements and renovations sooner than Center II. In consideration of the safety of inmates and jail staff in the linear jail design facilities and the physical disrepair of Center I, the County is reviewing the option to build a new jail facility. ***The County estimates the total cost for construction would be $150.0 million. The proposed annual General Fund Debt Service to support the project would be at least $9.0 million per year***.

In response to maintaining an austere budget, Fleet Management increased its recommended replacement mileage for County vehicles from 100,000 to 150,000 miles. Franklin County Fleet Management projects that 44 vehicles will be in need of replacement in 2014 due to mileage accumulations of over 150,000 miles. The Sheriff's Office has 33 of these cars needing replacement, including corrections transportation vans and patrol cars. The estimated cost to replace the 44 vehicles is $1.1 million in 2014. Fleet management is currently projecting an additional 28 vehicles will need replaced in 2015 and 21 in 2016.

Declining revenues forced the reduction in Franklin County Economic Development and Community Partnership discretionary grants, from a high of $21.6 million in 2009 to $14.7 million in 2013, a decrease of 32.2 percent. The grants support programs that address critical needs in the County. They also support the Board of Commissioners' core principles of providing community safety, security, and effective justice; promoting job creation, strategic economic development, and fiscal security; providing supportive health and human services; promoting good stewardship of natural resources, environmental sustainability, and civic engagement; and providing efficient, responsive, and sustainable government operations. Franklin County would like to continue to invest in appropriate projects in partnership with public and private entities in order to improve the quality of life for Franklin County residents.

ATTACHMENTS

A - Resolution No. 0130-13, authorizing the creation of the County Budget and Economic Advisory Panel

B - Organizational Chart of County Government

C - Franklin County Treasurer Investment and Depository Policy

D - Resolution No. 793-05, resolution to adopt the Debt Management Policies for the County of Franklin, Ohio

E - Resolution No. 0928-08, approving fiscal sustainability principles for the 2009 budget year

Resolution No. 0130-13 February 19, 2013

Resolution appointing members to the County Budget and Economic Advisory Panel

(COMMISSIONERS)

Whereas, each year the Franklin County Board of Commissioners approves a balanced operating budget that meets the essential needs of Franklin County residents by focusing on job creation, community safety, health and human services, children, and stewardship of our environment; and

Whereas, Franklin County's fiscal security, stability, and sustainability; its ability to meet critical needs in difficult economic times; its excellent credit ratings; and its necessary and essential programs and service delivery have been maintained since 2005; and

Whereas, like other local governments, Franklin County's revenue has been negatively impacted by the 2008-09 recession and subsequent slow recovery, resulting in stagnant property tax revenue, declining investment earnings, and sharply-reduced state shared revenue; and

Whereas, Franklin County has absorbed over $41 million in budget reductions because of policy changes enacted by the State of Ohio, including support for family safety-net programs and a 50% decrease in state support through the Local Government Fund; and

Whereas, following adoption of the 2013 budget and in consideration of the factors outlined above, the Board of Commissioners asked the County Administrator to review the County's long-term sustainable fiscal condition; and

Whereas, the County Administrator has proposed to the Board of Commissioners that a *County Budget & Economic Advisory Panel* be created to support such a review; and

Whereas, the proposed *County Budget & Economic Advisory Panel* would consist of nine (9) financial experts and community leaders from throughout Franklin County, and will be charged with analyzing the fiscal condition of Franklin County to determine if a structural imbalance exists between the County's annual operating revenues and expenditures, and whether long-term policy adjustments are needed to correct the imbalance; and

Resolution appointing members to the County Budget and Economic Advisory Panel

Whereas, if the *Panel* determines the need for structural adjustment, it shall provide the Board of County Commissioners with recommendations that target revenue options which will enhance economic growth balanced with both the physical and human infrastructure needs of the County. The *Panel* shall also review and report as to the County's cost to support unfunded state and federal mandates; and

Whereas, the *County Budget & Economic Advisory Panel* is expected to undertake and complete its review by August 1st; **NOW, THEREFORE,**

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, FRANKLIN COUNTY, OHIO:

1. That the *County Budget & Economic Advisory Panel* is hereby created.
2. That the *County Budget & Economic Advisory Panel* shall review Franklin County's fiscal condition, structure, and capacity to sustain current service levels and existent unfunded state and federal mandates.
3. That the *County Budget & Economic Advisory Panel* shall provide the Board of County Commissioners with recommendations, including but not limited to revenue enhancements, that support service levels, sustain long-term fiscal balance, and maintain the County's *Triple A* credit ratings. The *Panel* shall complete its work by August 1, 2013.
4. That the following nine (9) individuals are hereby appointed as members of the *County Budget & Economic Advisory Council*:

1.) Pierre Bigby
Owner & President, Bigby Financial Planning, LLC
2966 Pleasant Colony Drive
Lewis Center, OH 43035
614-568-7768
pierre@bigbyft.com

Resolution appointing members to the County Budget and Economic Advisory Panel

2.) **Bill LaFayette**
Owner, Regionomics
1293 South Fourth Street
Columbus, OH 43206
614-443-3992
bill.lafayette@att.net

3.) **Karen Morrison**
President, OhioHealth Foundation
& Ohio Health Senior VP of External Affairs
180 East Broad Street
Columbus, OH 43215
614-544-4423
kmorriso@ohiohealth.com

4.) **Frederick L. Ransier, III**
Partner, Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, OH 43215
614-464-8226
flransier@vorys.com

5.) **Martyn Redgrave**
Senior Advisor, Limited Brands
Three Limited Parkway
Columbus, OH 43230
614-415-7200
mredgrave@limitedbrands.com

6.) **Timothy Robinson**
Executive Vice President & CFO/CAO, Nationwide Children's Hospital
7th Floor Administration/OCC
700 Children's Drive
Columbus, OH 43205
614-722-5958
tim.robinson@nationwidechildrens.org

Resolution appointing members to the County Budget and Economic Advisory Panel

7.) **William Shkurti**
Adjunct Professor, The John Glenn School of Public Affairs
1877 Baldridge Road
Columbus, OH 43221
614-481-7599
wshkurti@gmail.com

8.) **Bea Wolper**
President, Emens & Wolper Law Firm LPA
One Easton Oval, Suite 550
Columbus, OH 43219
614-414-0888
bwolper@emenswolperlaw.com

9.) **Ty Marsh (Chair)**
Principal, Ty Marsh & Associates
140 East Town Street, Suite 1200
Columbus, OH 43215
614-783-4988
ty@tymarshassociates.com

DLB: skm

SIGNATURE PAGE FOLLOWS

SIGNATURE SHEET

Resolution No. 0130-13 February 19, 2013

RESOLUTION APPOINTING MEMBERS TO THE COUNTY BUDGET AND ECONOMIC ADVISORY PANEL

(Board of Commissioners)

Upon the motion of Commissioner Paula Brooks, seconded by Commissioner Marilyn Brown:

Voting:

John O'Grady, President	**Aye**
Paula Brooks	**Aye**
Marilyn Brown	**Aye**

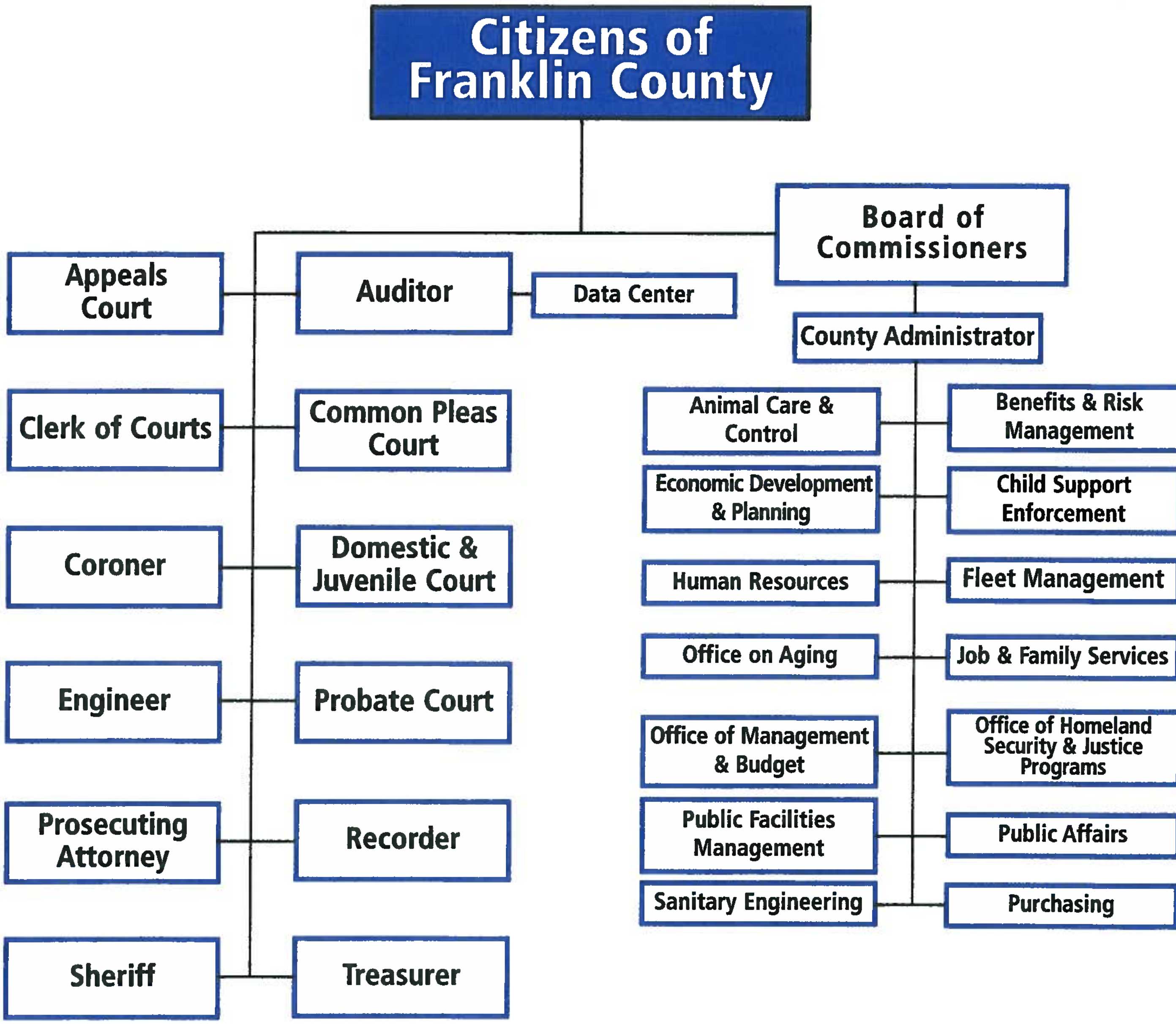
Board of County Commissioners
Franklin County, Ohio

CERTIFICATE OF CLERK

IT IS HEREBY CERTIFIED that the foregoing is a true and correct transcript of a resolution acted upon by the Board of County Commissioners, Franklin County, Ohio on the date noted above.

Sandra K. Menedis

Sandra K Menedis, Clerk
Board of County Commissioners
Franklin County, Ohio



Commissioner Appointed Authorities, Boards, Committees and Commissions

Alcohol, Drug and Mental Health Services Board
Appointed Board of the Columbus Zoo
Board of Trustees of the Columbus Metropolitan Library
Central Ohio Transit Authority (COTA)
Columbus Downtown Development Corporation Board of Directors
Columbus Metropolitan Housing Authority Board
Columbus Regional Airport Authority
Columbus/Franklin County Affordable Housing Trust Corporation
Community Reinvestment Area Housing Council #1
Community Reinvestment Area Housing Council #2
Community Shelter Board of Trustees
County Hospital Commission of Franklin County, Ohio
Franklin County Board of Elections
Franklin County Board of Mental Retardation and Developmental Disabilities
Franklin County Board of Parks and Recreation
Franklin County Board of Zoning Appeals
Franklin County Children Services Board
Franklin County Community Corrections Planning Board
Franklin County Community Improvement Corporation
Franklin County Convention Facilities Authority (CFA)
Franklin County Criminal Justice Planning Board
Franklin County Development Advisory Committee
Franklin County Planning Commission
Franklin County Public Defender Commission
Franklin County Rural Zoning Commission
Franklin County Veterans Memorial Board of Trustees
Franklin County Workforce Policy Board
Franklin Park Conservatory Joint Recreation District Board of Trustees
Human Services Levy Review Committee
Intergovernmental Placement Oversight Committee
Joint Columbus and Franklin County Housing Authority Board
Mid-Ohio Regional Planning Commission
Solid Waste Authority of Central Ohio Board of Trustee (SWACO)
Tax Incentive Review Council of the City of Grandview Heights
Tax Incentive Review Council of the City of Hilliard Enterprise Zone
Tax Incentive Review Council of the City of Upper Arlington
Tax Incentive Review Council of the Franklin/Prairie Townships Enterprise Zone
Tax Incentive Review Council of the Hamilton Twp. CRA Housing Council
Tax Incentive Review Council of the Jefferson Township Enterprise Zone
Tax Incentive Review Council of the Village of Groveport Enterprise Zone
Tax Incentive Review Council of the Village of New Albany Enterprise Zone
Tax Incentive Review Council of the Village of Obetz
The New Albany Community Authority District

Probate Court Appointed	Metro Parks Board	Auditor Appointed	Automatic Data Processing Board Board of Revision Budget Commission	Recorder Appointed	Microfilming Board

FRANKLIN COUNTY TREASURER
INVESTMENT AND DEPOSITORY POLICY

PURPOSE

I. The purpose of this Policy is to set forth the investment and operational policies for the management of all monies under the control of the Franklin County Treasurer. In addition to the policies detailed below, Chapter 135 of the Ohio Revised Code will be adhered to at all times. These policies have been adopted by, and can be changed only by, a majority vote of the Investment Advisory Committee.

These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with those of comparable funds and financial market indexes.

A copy of this Policy will be provided to all securities dealers and investment bankers doing business with the Franklin County Treasurer, and will also be provided to other interested parties upon request. Receipt of this Policy, including confirmation that persons dealing directly with the Franklin County Treasurer's account have reviewed and signed it, will be received prior to any organization providing investment services to the Franklin County Treasurer.

INVESTMENT PHILOSOPHY

II. Except where specifically directed by the Ohio Revised Code, the general investment policies of the Franklin County Treasurer will be guided by the "prudent person" rule. Those with investment responsibility for public funds are fiduciaries and, as such, shall exercise the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

OBJECTIVES

III. The following objectives will apply to the management of the Franklin County Treasurer's funds:

A. The primary investment objectives of this Policy are preservation of principal (safety) and liquidity; income (yield) is a secondary objective. To attain the objective of safety, diversification is required in order that potential losses on individual securities, whether by default or erosion of market value does not exceed the income generated from the remainder of the portfolio. The governing body, however, recognizes that in a diversified portfolio occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return. The portfolio will also remain sufficiently liquid to enable the Treasurer to meet reasonable anticipated operational requirements.

B. The portfolio will be managed in such a way as to exceed or at least equal the market average rate of return over the course of budgetary and economic cycles, taking into account state law (which restricts the type of investments), safety considerations and cash flow requirements. Some principal volatility is tolerated, but enough of the portfolio will be invested in nonvolatile, liquid investments to ensure payment of operational or special project expenditures when due. Moderate-income volatility is permitted. Financial risk is unacceptable, and because the investment time horizon of the portfolio is relatively short, exposure to interest rate risk and purchasing power risk will be minimal.

C. Bank account relationships will be managed in order to secure adequate services while minimizing costs.

D. All of the Franklin County Treasurer's deposits will be concentrated in one account except where audit control considerations dictate otherwise.

PERSONAL CONDUCT

IV. The Investment Advisory Committee for Franklin County is acutely aware of the responsibilities that the staff has in administering the investment assets of the Franklin County Treasurer. Therefore, the integrity of the staff and all others involved in making investment decisions must be unquestioned.

Members of the Investment Advisory Committee, the Treasurer and the Investment staff may not have direct or indirect interest in the gains or profits of any investment made by the Franklin County Treasury and may not receive any pay or emolument for services other than as designated compensation and authorized expenses.

All persons responsible for investment decisions or who are involved in the management of the Franklin County Treasurer's assets shall be governed in their personal investment activity by the codes of conduct established by the applicable state statutes, the National Association of Securities Dealers, and the Securities and Exchange Commission, and the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research.

STATUTORY AUTHORITY

V. In accordance with Section 135.31(c) of the Ohio Revised Code, the investing authority resides with the Franklin County Treasurer. Such authority shall allow for the explicit delegation of authority to persons responsible for investment transactions, including the appointment of an Investment Officer.

EXECUTIONS

VI. The responsibility for the execution of security transactions shall rest with such qualified members of the investment staff as designated by the Treasurer. The selection of the broker/dealer for a specific transaction shall be on a best execution, although every effort shall be made to obtain appropriate discounts on individual orders. Security orders shall be placed on the basis of accepted investment practices. All Investment Transactions shall be transacted on a Delivery Versus Payment (DVP) basis (per ORC§135.35(J)2).

The conditions under which a security may be sold prior to maturity include: meeting additional liquidity needs, to purchase another security to increase yield or gain current income, to purchase another security to lengthen or shorten maturity or duration, to realize capital gains and income, or to increase the portfolio quality.

Receipts for the confirmation of trades of authorized securities will include information on trade date, par value, maturity, interest rate, price, yield, settlement date, description of securities purchased, broker/dealer name, amount due, CUSIP, and third party custodial information. Confirmations will be received within three business days after the trade.

Certificates of Deposits shall be transacted only through commercial banks or savings and loans with either FDIC or FSLIC coverage with which the Franklin County Treasurer has a Depository Agreement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

VII. The Investment Advisory Committee upon the recommendation of the Investment Officer shall approve investment firms with whom orders are executed.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must on an annual basis supply the following as appropriate:

* Audited Financial statements
* Proof of National Association of Securities Dealers (NASD) certification
* Proof of state registration
* Certification of having read and understood and agreeing to comply with the Franklin County Treasurer's investment policy

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

AUTHORIZED INVESTMENTS

VIII. The investing authority may invest on behalf of and in the name of the Franklin County Treasurer in those securities as defined in the Ohio Revised Code, Section 135.35 at a price not exceeding their fair market value. The investing authority may further enter into Securities Lending Agreements

(Please see ORC §135.35 – Appendix B).

PROHIBITED INVESTMENTS

IX. The following investments and investment practices are prohibited:

A. Purchases on margin or short sale

B. Investments in derivative securities that are, in effect, a leveraged speculation on future movements of interest rates or some price index; specifically IO's and PO's. Collateralized mortgage obligations, because of their complexity and prepayment rate uncertainty.

C. Investments in reverse repurchase agreements and the leveraging of security positions.

MATURITY

X. Market conditions and cash flow requirements are considered in determining the term of an investment. Provided cash flow requirements have been satisfied, maturity length will be determined by market conditions and interest rate forecasts, with the goal being to buy where relative value exists along the maturity spectrum not to exceed five years from the settlement date. Securities may be liquidated prior to maturity when found to be in the best interest of the County as determined by the Investment Officer.

DIVERSIFICATION

XI. The Franklin County Treasurer's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U. S. Treasury securities.

	Securities	Maximum % Allowed
a.	Commercial Paper and/or Banker's Acceptance	25%
b.	Corporate Notes	15%
c.	Federal Agency (Callable)	75%
d.	Federal Agency (Fixed rate)	100%
e.	Federal Agency (Variable Rate)	10%
f.	Foreign Govt. Debt	1% (of total avg.)
g.	No-load money market mutual funds	50%
h.	Municipal Bonds	5%
i.	Repurchase Agreements	25%
j.	STAR Ohio	100%
k.	U.S. Treasury	100%
l.	U.S. Treasury STRIPS	10%
m.	U.S. Treasury TIPS	10%

CORPORATE NOTES

XII. All corporate notes shall be purchased only from a list approved by the Investment Officer. The notes shall be rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase, and the notes shall mature not later than two years after purchase. The Investment officer shall monitor the issuers by performing a full credit analysis once quarterly, monitoring for ratings changes, and providing an update to the Investment Advisory Committee during each quarterly meeting. If an issuer is downgraded between IAC meetings, the Investment Officer shall notify all IAC members, and may request a special IAC meeting to determine by IAC member vote whether sale of, or holding of the notes to maturity is the appropriate action.

COLLATERAL

XIII. All deposits shall be collateralized pursuant to the Ohio Revised Code, Section 135.37.

REPORTING

XIV. The Investment Officer shall submit monthly investment reports to the Treasurer and the members of the Investment Advisory Committee. The report shall describe the portfolio in terms of security type, maturity and other features. The report shall also explain the month's investment return.

INVESTMENT ADVISORY COMMITTEE

XV. Chapter 135.341 of the Ohio Revised Code will be adhered to at all times. There shall be an Investment Advisory Committee consisting of five members: the three Commissioners, the County Treasurer, and the Clerk of the Court of Common Pleas of the County.

The Investment Officer shall always be present at the Investment Advisory Committee meetings.

The Committee shall meet at least quarterly. In addition to quarterly meetings, the Committee may meet at other times, either in person or by telephone, as requested by the Investment Officer or any of its' members.

FRANKLIN COUNTY TREASURER
INVESTMENT POLICY

Approved this Date October 27, 2011

BY: Kenneth N. Wilson, Rep
Marilyn Brown, President
Franklin County Commissioner

BY: Zachary Talcik, Designee
Paula Brooks
Franklin County Commissioner

BY: John O'Grady NB
John E. O'Grady
Franklin County Commissioner

BY: DESIGNEE
SHAWN RIEDER
Maryellen O'Shaughnessy
Franklin County Clerk of Common Pleas Courts

BY: Edward J. Leonard
Edward J. Leonard
Franklin County Treasurer

Signature Section – Brokers/Dealers and Financial Institutions

Note: To be completed and filed with the Investment Authority

The undersigned broker, dealer or financial institution hereby signs this approved Investment Policy of Franklin County, Ohio, and acknowledges that it has read the contents of the Investment Policy and comprehends and agrees to abide by the contents of the Investment Policy and has retained a copy of the Investment Policy for its records:

______________________________ Printed Name of Broker/Dealer Registered Representative or Bank Officer/Representative	____________ Date
______________________________ Signature of Registered Representative or Bank Officer/Representative	____________ Date
For: ____________________________ Name of Broker/Dealer or Bank	____________ Date

Appendix B:

135.35 County inactive moneys.

(A) The investing authority shall deposit or invest any part or all of the county's inactive moneys and shall invest all of the money in the county public library fund when required by section 135.352 of the Revised Code. The following classifications of securities and obligations are eligible for such deposit or investment:

(1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury, any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States.

Nothing in the classification of eligible securities and obligations set forth in divisions (A)(2) to (11) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible securities and obligations.

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

(3) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts, in any eligible institution mentioned in section 135.32 of the Revised Code;

(4) Bonds and other obligations of this state or the political subdivisions of this state, provided that such political subdivisions are located wholly or partly within the same county as the investing authority;

(5) No-load money market mutual funds consisting exclusively of obligations described in division (A)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.32 of the Revised Code;

(6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code;

(7) Securities lending agreements with any eligible institution mentioned in section 135.32 of the Revised Code that is a member of the federal reserve system or federal home loan bank or with any recognized United States government securities dealer meeting the description in division (J)(1) of this section, under the terms of which agreements the investing authority lends securities and the eligible institution or dealer agrees to simultaneously exchange similar securities or cash, equal value for equal value.

Securities and cash received as collateral for a securities lending agreement are not inactive moneys of the county or moneys of a county public library fund. The investment of cash collateral received pursuant to a securities lending agreement may be invested only in instruments specified by the investing authority in the written investment policy described in division (K) of this section.

(8) Up to twenty-five per cent of the county's total average portfolio in either of the following investments:

(a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:

(i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.

(ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.

(iii) The notes mature not later than two hundred seventy days after purchase.

(b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and to which both of the following apply:

(i) The obligations are eligible for purchase by the federal reserve system.

(ii) The obligations mature not later than one hundred eighty days after purchase.

No investment shall be made pursuant to division (A)(8) of this section unless the investing authority has completed additional training for making the investments authorized by division (A)(8) of this section. The type and amount of additional training shall be approved by the auditor of state and may be conducted by or provided under the supervision of the auditor of state.

(9) Up to fifteen per cent of the county's total average portfolio in notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States, or by depository institutions that are doing business under authority granted by the United States or any state and that are operating within the United States, provided both of the following apply:

(a) The notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase.

(b) The notes mature not later than two years after purchase.

(10) No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and consisting exclusively of obligations described in division (A)(1), (2), or (6) of section 135.143 of the Revised Code;

(11) Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds. The investments made under division (A)(11) of this section shall not exceed in the aggregate one per cent of a county's total average portfolio.

The investing authority shall invest under division (A)(11) of this section in a debt interest issued by a foreign nation only if the debt interest is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt interest matures not later than five years after purchase. For purposes of division (A)(11) of this section, a debt interest is rated in the three highest categories by two nationally recognized standard rating services if either the debt interest itself or the issuer of the debt interest is rated, or is implicitly rated, at the time of purchase in the three highest categories by two nationally recognized standard rating services.

(12) A current unpaid or delinquent tax line of credit authorized under division (G) of section 135.341 of the Revised Code, provided that all of the conditions for entering into such a line of credit under that division are satisfied, or bonds and other obligations of a county land reutilization corporation organized under Chapter 1724. of the Revised Code, if the county land reutilization corporation is located wholly or partly within the same county as the investing authority.

(B) Nothing in the classifications of eligible obligations and securities set forth in divisions (A)(1) to (11) of this section shall be construed to authorize investment in a derivative, and no investing authority shall invest any county inactive moneys or any moneys in a county public library fund in a derivative. For purposes of this division, "derivative" means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Any security, obligation, trust account, or other instrument that is created from an issue of the United States treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An eligible investment described in this section with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (A)(1) or (2) of this section, is not a derivative, provided that such variable rate investment has a maximum maturity of two years. A treasury inflation-protected security shall not be considered a derivative, provided the security matures not later than five years after purchase.

(C) Except as provided in division (D) of this section, any investment made pursuant to this section must mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the county or to a specific obligation or debt of a political subdivision of this state located wholly or partly within the county, and the investment is specifically approved by the investment advisory committee.

(D) The investing authority may also enter into a written repurchase agreement with any eligible institution mentioned in section 135.32 of the Revised Code or any eligible securities dealer pursuant to division (J) of this section, under the terms of which agreement the investing authority purchases and the eligible institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B)(1) to (5), except letters of credit described in division (B)(2), of section 135.18 of the Revised Code. The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight written repurchase agreement by at least two per cent. A written repurchase agreement must exceed the principal value of the overnight written repurchase agreement, by at least two per cent. A written repurchase agreement shall not exceed thirty days, and the market value of securities subject to a written repurchase agreement must exceed the principal value of the written repurchase agreement by at least two per cent and be marked to market daily. All securities purchased pursuant to this division shall be delivered into the custody of the investing authority or the qualified custodian of the investing authority or an agent designated by the investing authority. A written repurchase agreement with an eligible securities dealer shall be transacted on a delivery versus payment basis. The agreement shall contain the requirement that for each transaction pursuant to the agreement the participating institution shall provide all of the following information:

(1) The par value of the securities;

(2) The type, rate, and maturity date of the securities;

(3) A numerical identifier generally accepted in the securities industry that designates the securities.

No investing authority shall enter into a written repurchase agreement under the terms of which the investing authority agrees to sell securities owned by the county to a purchaser and agrees with that purchaser to unconditionally repurchase those securities.

(E) No investing authority shall make an investment under this section, unless the investing authority, at the time of making the investment, reasonably expects that the investment can be held until its maturity. The investing authority's written investment policy shall specify the conditions under which an investment may be redeemed or sold prior to maturity.

(F) No investing authority shall pay a county's inactive moneys or moneys of a county public library fund into a fund established by another subdivision, treasurer, governing board, or investing authority, if that fund was established by the subdivision, treasurer, governing board, or investing authority for the purpose of investing or depositing the public moneys of other subdivisions. This division does not apply to the payment of public moneys into either of the following:

(1) The Ohio subdivision's fund pursuant to division (A)(6) of this section;

(2) A fund created solely for the purpose of acquiring, constructing, owning, leasing, or operating municipal utilities pursuant to the authority provided under section 715.02 of the Revised Code or Section 4 of Article XVIII, Ohio Constitution.

For purposes of division (F) of this section, "subdivision" includes a county.

(G) The use of leverage, in which the county uses its current investment assets as collateral for the purpose of purchasing other assets, is prohibited. The issuance of taxable notes for the purpose of arbitrage is prohibited. Contracting to sell securities not owned by the county, for the purpose of purchasing such securities on the speculation that bond prices will decline, is prohibited.

(H) Any securities, certificates of deposit, deposit accounts, or any other documents evidencing deposits or investments made under authority of this section shall be issued in the name of the county with the county treasurer or investing authority as the designated payee. If any such deposits or investments are registrable either as to principal or interest, or both, they shall be registered in the name of the treasurer.

(I) The investing authority shall be responsible for the safekeeping of all documents evidencing a deposit or investment acquired under this section, including, but not limited to, safekeeping receipts evidencing securities deposited with a qualified trustee, as provided in section 135.37 of the Revised Code, and documents confirming the purchase of securities under any repurchase agreement under this section shall be deposited with a qualified trustee, provided, however, that the qualified trustee shall be required to report to the investing authority, auditor of state, or an authorized outside auditor at any time upon request as to the identity, market value, and location of the document evidencing each security, and that if the participating institution is a designated depository of the county for the current period of designation, the securities that are the subject of the repurchase agreement may be delivered to the treasurer or held in trust by the participating institution on behalf of the investing authority.

Upon the expiration of the term of office of an investing authority or in the event of a vacancy in the office for any reason, the officer or the officer's legal representative shall transfer and deliver to the officer's successor all documents mentioned in this division for which the officer has been responsible for safekeeping. For all such documents transferred and delivered, the officer shall be credited with, and the officer's successor shall be charged with, the amount of moneys evidenced by such documents.

(J)(1) All investments, except for investments in securities described in divisions (A)(5) , (6), and (12) of this section, shall be made only through a member of the national association of securities dealers, through a bank, savings bank, or savings and loan association regulated by the superintendent of financial institutions, or through an institution regulated by the comptroller of the currency, federal deposit insurance corporation, or board of governors of the federal reserve system.

(2) Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

(K)(1) Except as otherwise provided in division (K)(2) of this section, no investing authority shall make an investment or deposit under this section, unless there is on file with the auditor of state a written investment policy approved by the investing authority. The policy shall require that all entities conducting investment business with the investing authority shall sign the investment policy of that investing authority. All brokers, dealers, and financial institutions, described in division (J)(1) of this section, initiating transactions with the investing authority by giving advice or making investment recommendations shall sign the investing authority's investment policy thereby acknowledging their agreement to abide by the policy's contents. All brokers, dealers, and financial institutions, described in division (J)(1) of this section, executing transactions initiated by the investing authority, having read the policy's contents, shall sign the investment policy thereby acknowledging their comprehension and receipt.

(2) If a written investment policy described in division (K)(1) of this section is not filed on behalf of the county with the auditor of state, the investing authority of that county shall invest the county's inactive moneys and moneys of the county public library fund only in time certificates of deposits or savings or deposit accounts pursuant to division (A)(3) of this section, no-load money market mutual funds pursuant to division (A)(5) of this section, or the Ohio subdivision's fund pursuant to division (A)(6) of this section.

(L)(1) The investing authority shall establish and maintain an inventory of all obligations and securities acquired by the investing authority pursuant to this section. The inventory shall include a description of each obligation or security, including type, cost, par value, maturity date, settlement date, and any coupon rate.

(2) The investing authority shall also keep a complete record of all purchases and sales of the obligations and securities made pursuant to this section.

(3) The investing authority shall maintain a monthly portfolio report and issue a copy of the monthly portfolio report describing such investments to the county investment advisory committee, detailing the current inventory of all obligations and securities, all transactions during the month that affected the inventory, any income received from the obligations and securities, and any investment expenses paid, and stating the names of any persons effecting transactions on behalf of the investing authority.

(4) The monthly portfolio report shall be a public record and available for inspection under section 149.43 of the Revised Code.

(5) The inventory and the monthly portfolio report shall be filed with the board of county commissioners.

(M) An investing authority may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration to settle any controversy that may arise out of the agreement, including any controversy pertaining to losses of public moneys resulting from investment or deposit. The arbitration provision shall be set forth entirely in the agreement, and the agreement shall include a conspicuous notice to the parties that any party to the arbitration may apply to the court of common pleas of the county in which the arbitration was held for an order to vacate, modify, or correct the award. Any such party may also apply to the court for an order to change venue to a court of common pleas located more than one hundred miles from the county in which the investing authority is located.

For purposes of this division, "investment or deposit agreement" means any agreement between an investing authority and a person, under which agreement the person agrees to invest, deposit, or otherwise manage, on behalf of the investing authority, a county's inactive moneys or moneys in a county public library fund, or agrees to provide investment advice to the investing authority.

(N) An investment held in the county portfolio on September 27, 1996, that was a legal investment under the law as it existed before September 27, 1996, may be held until maturity, or if the investment does not have a maturity date the investment may be held until five years from September 27, 1996, regardless of whether the investment would qualify as a legal investment under the terms of this section as amended.

Amended by 128th General Assembly File No. 31, HB 313, § 1, eff. 7/7/2010.

Effective Date: 06-15-2004; 2008 SB185 06-20-2008; 2008 SB353 04-07-2009

RESOLUTION NO. 793-05 October 4, 2005

RESOLUTION TO ADOPT DEBT MANAGEMENT POLICIES FOR THE COUNTY OF FRANKLIN, OHIO (COMMISSIONERS)

WHEREAS, Franklin County's general obligation bonds were recently evaluated and awarded prime *Triple-A* credit ratings by Moody's Investors Service and by Standard and Poor's, two of the top three national credit rating agencies; and,

WHEREAS, prime bond ratings produce the most favorable interest rates when the County needs to finance its long-term capital improvements; and,

WHEREAS prime bond ratings are indicators of how the financial community views the fiscal stability of an organization, on the basis of the organization's financial and overall management practices, its maintenance of a structurally-balanced budget and healthy reserves, and the strength of the local economy; and

WHEREAS, Franklin County will rely on the strength of its *Triple-A* ratings, conservative fiscal practices, substantial revenue capacity, reasonable debt ratios, and central location within a larger regional economy to access capital markets for its future project financings; now, therefore upon the motion of Commissioner Stokes, seconded by Commissioner Brooks

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, FRANKLIN COUNTY, OHIO:

That the attached Debt Management Policies are hereby authorized and adopted.

Voting Aye thereon:

Mary Jo Kilroy
MARY JO KILROY, PRESIDENT

Dewey R. Stokes
DEWEY R. STOKES

Paula Brooks
PAULA BROOKS
BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY, OHIO

Voting Nay thereon:

MARY JO KILROY, PRESIDENT

DEWEY R. STOKES

PAULA BROOKS
BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY, OHIO

:dlb
Attachment
COPY TO: County Auditor
County Treasurer
County Administrator
Office of Management & Budget

Franklin County
Where Government Works

Debt Management Policies
September, 2005

Franklin County bonds have been evaluated and awarded *Triple-A* credit ratings by two of the top three credit rating agencies: 1) Moody's Investors Service and 2) Standard and Poor's.

Financing long-term capital improvements often requires the issuance of debt. Various debt instruments are available to Franklin County, depending upon the type of capital improvement undertaken. The county's financial policies dictate a balanced approach to financing capital improvements; these policies consider capital improvement financing in terms of the county's capacity to pay for that debt while maintaining long-term financial strength.

The county will normally rely on the strength of its *Triple-A* ratings, conservative fiscal practices, substantial revenue capacity, reasonable debt ratios, and central place within a larger regional economy to access capital markets for future project financing. When otherwise beneficial, in view of interest rates and the general economic picture, the county will pay for capital improvements from current tax revenues and available cash balances.

Franklin County's debt management practices are guided by the following policy standards:

- The county will analyze its capital-financing alternatives before a specific project transaction is scheduled.
- The county will issue long-term, fixed rate debt to permanently finance the acquisition of long-lived capital assets when current tax revenues or cash balances are not sufficient to finance these projects. The county will consider key economic variables, local economic trends, revenue and expenditure projections, and the overall debt burden on the community before issuing bonds.
- The county will sell bond anticipation notes instead of bonds only when market conditions dictate or as part of a multi-step construction program.
- The county will consider using either a competitive process or a negotiated process when issuing bonds. The county's *Triple-A* bond ratings typically provide for a full complement of bids at

the most favorable market interest rates. At the same time, the county is aware that issues of market timing, as well as considerations of the economic benefits of locally retailing or underwriting bonds, lead many government entities increasingly to utilize a negotiated process, especially in issuances involving any complexities, such as issuing bonds for multiple purposes relating to multiple projects.

- The county will seek credit agency ratings whenever bonds and notes are sold to secure the most favorable market interest rate.
- Consistent with Ohio law, the county will not issue bonds or bond anticipation notes to support its operations.
- Debt will not be sold without integrating and considering the impact that debt service costs will have on the county's operating budget. The county will regularly review opportunities to refund its debt when it is advantageous for the county's financial position to do so.
- Consistent with Ohio law, the county will maintain a segregated Bond Retirement Fund to provide for principal and interest payments. The county will invest available bond proceeds in compliance with the limitations imposed by Ohio law, and will closely monitor and document the investment, custody, and expenditure of bond proceeds to ensure compliance with federal arbitrage requirements.
- The county will exercise due care in both its annual budgeting and its debt management to maintain and preserve its *Triple-A* bond ratings and Mig-1 and SP-1+ note ratings.
- The county will continue to issue a Comprehensive Annual Financial Report (the county has consistently issued award-winning reports) so that current and comprehensive financial, economic, and demographic information will be readily available to the public, investors, and rating agencies. All of that same information is also made immediately accessible on-line at the county's web site.
- The county's capital plan, debt obligations, and debt capacity will be evaluated together, in an integrated manner, on an annual basis. Any changes that occur in capital plans, debt obligations, or debt capacity will be incorporated and highlighted for consideration in the county's quarterly financial review.
- The county will continue to adhere to all the direct and indirect debt limitations provided for in applicable Ohio law.

- The county will benchmark its debt capacity against means and medians published by Moody's Investor Services and by Standard and Poor's for other *Triple-A* rated counties of similar size and complexity.
- The county will maintain contact and communicate at least annually with the rating agencies, even when project-specific debt transactions are not planned in the immediate future.

Resolution No. 0928-08 October 28, 2008

RESOLUTION APPROVING FISCAL SUSTAINABILITY PRINCIPLES FOR THE 2009 BUDGET YEAR

(COMMISSIONERS)

WHEREAS, Franklin County has achieved financial stability resulting in a double *Triple A* credit rating status and has previously set well-ordered priorities for its operating and capital budgets; and,

WHEREAS, current worldwide financial conditions require spending restraint and prudent cash management to protect against the impact of negative economic trends; and,

WHEREAS, these financial conditions have impacted tax-exempt credit markets and regional growth and development require that the County minimize expenditures through tighter budgetary controls and spending restraints: and,

WHEREAS, the Franklin County Board of Commissioners must ***1)*** maintain Franklin County's fiscal security, stability, and sustainability; ***2)*** maintain Franklin County's ability to meet critical needs in difficult economic times; ***3)*** maintain Franklin County's excellent credit ratings; and ***4)*** maintain necessary and essential programs and service delivery capacity; now, therefore:

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS, FRANKLIN COUNTY, OHIO:

That the following fiscal and budgetary principles be met by the County Administrator, Deputy County Administrator, and Director of the Office of Management and Budget in presenting budget recommendations for calendar year 2009:

1. **Tighten spending controls** by limiting general revenue fund budget growth either to four percent (4%) or the change in the *Midwest Consumer Price Index (U.S. City Average)*, as published by the U.S. Department of Labor, whichever is less.

2. **Control payroll expenditures** by limiting the number of budgeted positions to currently authorized levels except for a) mandated additions; b) additions supported by new revenue for the intended service period; c) additions that are essential to protecting life and property. Personnel policies shall also be revised to limit growth in

overtime expenditures, compensatory time, and other cash payouts.

3. **Tighten fiscal controls** by limiting General Revenue Fund debt service obligations in 2009 to no more than five percent (5%) of the total resources available in the General Revenue Fund, and by refinancing long-term debt obligations where the potential for Present Value Savings is at least five percent (5%).
4. **Control fuel and energy expenditures** by further retrofitting the lighting systems, water systems, temperature control systems, and insulating systems for all buildings maintained and operated by the Board of County Commissioners, by promoting the increased use of compressed natural gas (*CNG*), methanol fuels available from *SWACO,* and other alternative fuels, and by raising the average mile-per-gallon standards for the fleet of County vehicles.

5. **Control other discretionary expenditures** by limiting the total amount budgeted for community partnership contracts at the 2008 level**.**

6. **Further cost-effective management of County health care expenditures** and enhance County employee recruitment, retention, and job satisfaction by providing incentives for participation in employee wellness programs.

DLB:skm

SIGNATURE PAGE FOLLOWS

SIGNATURE SHEET

Resolution No. 0928-08 October 28, 2008

RESOLUTION APPROVING FISCAL SUSTAINABILITY PRINCIPLES FOR THE 2009 BUDGET YEAR

(Board of Commissioners)

Upon the motion of Commissioner Paula Brooks, seconded by Commissioner Marilyn Brown:

Voting:

Marilyn Brown, President	**Aye**
Paula Brooks	**Aye**

Board of County Commissioners
Franklin County, Ohio

CERTIFICATE OF CLERK

IT IS HEREBY CERTIFIED that the foregoing is a true and correct transcript of a resolution adopted by the Board of County Commissioners, Franklin County, Ohio on the date noted above.

Debra A Willaman

Debra A Willaman, Clerk
Board of County Commissioners
Franklin County, Ohio