FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL

MINUTES

June 14, 2013

PANEL MEMBERS PRESENT: Ty Marsh, Chair; Karen Morrison; Frederick Ransier; Martyn Redgrave; Timothy Robinson; William Shkurti

ABSENT: Pierre Bigby; Bill LaFayette;

OTHERS PRESENT: County Administrator Don Brown; Deputy County Administrators Bill Flaherty, Erik Janas, and Ken Wilson; Director of Economic Development and Planning, Jim Schimmer; Deputy Directors of OMB, Zak Talarek and Kris Long; Chief Information Officer of OMB, Adam Luckhaupt; OMB Staff, Heidi Hallas Warren

GUESTS: Shannon Cross; Kristen Easterday; Michael Salvadore

Materials in the order distributed:

- **Potential IT Related Savings**, Franklin County OMB, 2 pages.
- **Impact of Poverty in Franklin County**, Franklin County OMB, 3 pages.
- **Intergovernmental Revenue – All Funds**, Franklin County OMB, 1page (chart).
- **Public Facilities Management – Comparison of Operations and Capital Budget**, Franklin County OMB, 2 pages.
- **Court of Common Pleas – General Division Comparison of Overall Caseloads,** Source: The Supreme Court of Ohio, 1 page (table).
- **Retail Report,** EDP.

Chair Ty Marsh convened the meeting at 2:04 P.M.

Mr. Marsh stated today will consist of follow-up discussions based on past presentations. To begin we will discuss Information Technology Efficiencies.

Mr. Luckhaupt referred the Panel to the *Potential IT Related Savings* document. In regards to expanding centralized printing operations, some has occurred over the years resulting in cost savings. However, there are a few agencies remaining with large printers/copy devices, and these agencies do their own printing. By consolidating them, we'd be able to reduce the number of capital leases that we have, and potentially consolidate staff.

Mr. Redgrave asked that for each topic in this document, can you tell us why we have not already made the recommended changes? Mr. Luckhaupt stated; I can explain why we haven't done it as an overview, because the reasons generally apply to all these items. One reason lies in the way our County government is structured. We have separate elected officials. Technologies have evolved in silos and not all at once. Different funding streams come in, and (for example) an agency decides to have a software application custom made; i.e. a real estate system. Due to budget constraints that we've had, we've been looking for shared service models and ways to consolidate a lot of the IT infrastructure.

Mr. Robinson asked if there was a way to get a sense of magnitude or scope in terms of dollars. Mr. Luckhaupt said I can give you general dollars. When we talk about expanding centralized printing operations, we're talking about a magnitude of hundreds of thousands of dollars, not millions of dollars. Mr. Luckhaupt continued; on the 2nd item (consolidating network (LAN), server, storage, and internet services), the magnitude is millions of dollars, however, in cycles. For example, if we do a refresh cycle for storage and hardware, between 5 and 7 years, that would be millions of dollars.

Mr. Luckhaupt stated; on the 3rd item (refine, educate staff, and enforce records retention policies), there is the most significant cost reduction capabilities for the agencies. This is because we have a situation where we get public records requests, certain agencies have case files, and they tend to keep all the files "just in case." In some situations, it is not useful or necessary to keep all that data. By educating and informing the staff that an expiration date is needed on every piece of data and every record that we store, we could reduce storage, according to some estimates, by 50%. That would also save on our Storage Area Network (SAN) in our disaster recovery sites.

Mr. Ransier asked about paper. Mr. Luckhaupt said storing cases of paper files itself isn't that expensive. But, when you need to retrieve a file the money starts adding up. The charges for a retrieval of an item filed off-site can be as high as $7.00 per file pull. Mr. Ransier asked if the storage spaces are rented or are they spaces owned by the County. Mr. Luckhaupt said we use rented spaces, an example is a company called Fireproof. We do also have records stored on County property. Mr. Wilson added; a few years ago when we looked at this, we put about a $200,000 savings estimate on having a County facility rather than agencies contracting out for storage at Fireproof or Iron Mountain. Mr. Talarek added; our Purchasing Department recently estimated a quarter million dollar payment to the private company for storage records on an annual basis.

Mr. Ransier stated; some records can be converted to electronic format. Mr. Wilson agreed and added we need more help from the General Assembly in that area, such as on procurement documents, our Purchasing Director is required to keep physical files for 10 years in some cases.

Mr. Luckhaupt said people view paper files and electronic files much differently. They don't think about what they're storing on the electronic medium: email just continues to grow, or file storage is added. By educating the staff and trying to enforce retention policies, we could experience a significant savings.

Mr. Luckhaupt stated; on the 4th item (MSELA license structure), 10 or 12 years ago the Data Center engaged with Microsoft for the Enterprise Licensing Agreement for all computers that participate in that. This agreement gives us assurance that we're compliant with Microsoft, and gives us the ability to upgrade software at will for Microsoft Office and Windows. However, what I've seen over the past few years is that we're not upgrading as fast as Microsoft gives us the ability to. For instance, we have many workstations that are still running on Windows XP. We're starting to go Windows 7, but now Windows 8 is available. The idea here would be to purchase a robust software auditing package, so we can ensure and prove that we are in compliance, and then purchase software and upgrades on an as needed basis.

Mr. Luckhaupt stated; on the 5th item (centralize licensing for enterprise-wide software), agencies have acted autonomously, and have bought enterprise licenses for their own use. For example, an agency bought an enterprise license for Share Point before the Data Center bought it, and the County ended up buying two. By working together before making these types of purchases, the County can realize savings based on economy of scale.

Mr. Redgrave asked if there are technical barriers, based on the legal structure of County, which would make this recommendation difficult to put into practice. He shared his experience in the private sector.

Mr. Luckhaupt said for certain agreements, restrictions on the number and holder of licenses will occur. For example we have an imaging solution provided for the County, and if there are multiple servers you get charged for it; however, if everyone is consolidated to one server you wouldn't. Licensing has become a bit of an art form, with companies trying to rewrite them to maximize profit. The County has quad-core processors that do four times the amount of work, and now companies are charging per core.

Mr. Luckhaupt stated; last on this list is replacing the Franklin County Justice System (FCJS) and all applications on the iSeries Platform. Basically this is a mainframe platform, the support agreements, and even the programming language on it, is a lot more expensive to maintain than a Windows or Linux based machine. This would require significant capital investment, but it would help us go into the future and provide cost savings down the road; probably 5 years before we realize the savings.

Mr. Redgrave asked for the rough scope of the size of the capital investment versus the savings realized. Mr. Luckhaupt said those numbers have not yet been calculated, but that work will be done before any work is proposed.

Mr. Robinson asked the same question as Mr. Redgrave, but in regards to the centralized licensing item. Mr. Luckhaupt said it would be hundreds of thousands of dollars.

Mr. Luckhaupt stated; with FCJS, over time we're talking millions of dollars in savings because we'd be uniting all our Courts in an efficient way. The eFiling system is a beginning step in this sort of process. I can put together a general estimate on this. Mr. Wilson asked what a projection on current costs to maintain FCJS would be. Mr. Luckhaupt said we have literally 3.5 full-time staff members that maintain just the FCJS. Because of the way the programming was written it is not a modular code, and it is not portable. Also, the hardware is very expensive; two years ago we had to pay $700,000 for the server it is on. Windows servers are a fraction of that cost. For a server as robust as the one currently supporting FCJS it would be closer to $50,000.

Mr. Shkurti asked; other than the upfront capital costs, are there any other barriers to replacing the FCJS? Are the Courts opposed, neutral, supportive? Mr. Luckhaupt said everyone is on board at this point. Since the eFiling project has been going so smoothly, the eGovernance Board has voted to amend the charter to include the replacement of FCJS. Everyone is on board, from the Clerk of Courts to all the divisions of the Court of Common Pleas, to replace this. We also contract with outside vendors to augment the 3.5 full-time staff in order to maintain the system.

Mr. Robinson asked for clarification on the five plus years it would take for savings to be realized on a replacement of FCJS. Mr. Luckhaupt said that is based on the capital investment. Mr. Robinson asked if the 5 years would be when the County would get a return versus getting immediate savings. Mr. Luckhaupt said yes. What we would have to do is basically get the savings from the initial investment, which will be in the multi-millions of dollars. I can put projections together.

Mr. Flaherty stated two of our large agencies, Jobs and Family Services (JFS) and Child Support Enforcement (CSEA), run programs on behalf of the State, and they have large staff populations and large computer operations. Will you talk about how they are different than some of our "home-based" agencies, such as OMB and Fleet Management? Mr. Luckhaupt agreed and said this goes back to the 2nd item in my document: consolidate network (LAN), server, storage, and internet services. Where it fits to do it, this sort of consolidation makes sense, but we have agencies that are kind of satellites of the State. The County manages these types of agencies, but the systems are supplied and supported by ODJFS. In cases like this, it would not fit the scope of the consolidation. But, for many of the County agencies, the scope fits.

Mr. Shkurti asked; if we were to ask for an estimated range, to the nearest million or hundreds of thousands of dollars, of what the County could expect in savings from doing the things you think need to be done, what would that annualized savings range (over a period of 3 to 5 years) be? Mr. Luckhaupt said he would need to report on that number at a later time. A quick guess would be millions of dollars. Mr. Shkurti said some of that would obviously take time to materialize.

Mr. Ransier asked; what would be the cost of not implementing these changes? Mr. Luckhaupt said the FCJS costs will be substantial because programmers don't learn COBOL anymore. Those human resources are going to be more and more expensive. Also, the programmers that are currently working on this system will be eligible for retirement within 5 years, all of them. So that is a significant cost. It's been fully customized for over 20 years, working with the same vendors and staff for a very long time; that's your knowledge pool. With the way this system is set up, if a judge changes they have to change the code in many, many places in the program. Compare that with modern systems in which you make just one change that automatically updates the system.

Mr. Luckhaupt continued; regarding records retention, the storage (paper and electronic) space will just continue to grow. For instance, when the SAN maintenance expires, the County has to buy a new SAN and all those new hard drives, because the life of a hard drive is about 5 years. Mr. Marsh asked if the County is permitted to outsource that storage, for example use cloud storage. Mr. Luckhaupt said it depends on the agency and the type of data. For instance, in the Recorder's Office everything is public information, anyone can access it, so there's a good chance that could be outsourced. Whereas with Domestic and Juvenile Court, that data needs to be as secure as possible. There are also hybrid storage solutions where part of it is cloud based and part of it is secured server based; from a practical perspective it is seamless like one drive.

Mr. Marsh thanked Mr. Luckhaupt and asked for follow-up of additional details from him.

Mr. Marsh moved on to the next agenda item "Future Impact of Increasing Poverty on Franklin County's Budget." I asked for this report because the County's poverty rate continues to go up despite our reported economic growth. My presumption is that this does, and will continue to, have an impact on the County's budget one way or another.

Ms. Hallas Warren presented the *Impact of Poverty in Franklin County* report. She began reading directly from the document. She stated we're seeing a rise in working poor during this post recession period.

Mr. Ransier said it seems there is a difference between the number of households receiving assistance and the number of people in poverty. Are there a large number of households that are not accessing services? Ms. Hallas Warren stated that could be the case, or it could be based on the threshold for the assistance. Mr. Wilson stated; one situation is that many of the families that are working, and not receiving Ohio Works First (OWF) assistance, are working full time jobs. But, because of the increase in costs to remain above poverty, they're working at wages that keep them in poverty. They are working at jobs that pay between minimum wage and those that pay up to $14 per hour, but depending on how many kids are in the household, the families are effectively in poverty but aren't eligible for public assistance.

Mr. Janas added there are program requirements at OWF, work requirements, which some people may not be interested in, willing to do, or simply not doing. Additionally, there are lifetime limits, in terms of months, that a person can receive assistance. Mr. Wilson said it is a five year lifetime and only 36 of those months can be consecutive. Mr. Janas said there are some people who are no longer eligible, and some that chose not to participate.

Mr. Ransier said; what I am concerned about is if there is a large number of people not being captured by the services provided; if and should they begin to access services, the County's cost factors are impacted. The gap appears wide in this report because perhaps people didn't know that they could have applied. Mr. Flaherty stated single adults could be in poverty, but not counted as recipients of services because they are not eligible for services other than SNAP. Mr. Wilson said if Medicaid expansion happens, people would show up in this figure as receiving public assistance because they may reach out and take advantage of Medicaid.

Ms. Hallas Warren continued reading on page 2, paragraph 2.

Mr. Wilson added the CSB's new homeless assistance system (page 3, end of paragraph 1) is a pilot project. The estimated cost of the project is $300,000, they've asked the City of Columbus for $150,000 and Franklin County for $150,000 to try to address this issue of increased numbers of single adults in the system. Mr. Janas stated this funding is just for the pilot phase. As it is implemented, there could be additional funding requested.

Ms. Hallas Warren finished reading the document and stated; in closing, as our poverty rate's increasing, the need is increasing and the potential investment continues to grow for the County.

Mr. Marsh stated; the County provides grants to non-government agencies. Are any of these operations or the funding mandated? Ms. Hallas Warren said this spending is considered discretionary, but it's an important need for our Community. Ms. Morrison, using the funding to CNHC as example, asked how long we've been providing funds for these programs. Mr. Brown stated; in the case of CNHC, it has been 7 to 8 years. Prior to that time, the Columbus Health Department attempted to provide services to this population and pulled back that service for reasons unknown to me. The County stepped in at that time. Mr. Flaherty said these sorts of grants are through our Community Partnerships program. They are not just contracts with one group. Our partnerships tend to be with places that the Columbus Foundation has invested in, the City has invested in, the State, or private sector has invested in, where they really are identified as community initiatives and community needs. There has been this approach to projects where partners will look to the City of Columbus for a third of the funding, to the County for a third, and the private sector for a third. Ms. Morrison said the City funds CNHC in the amount of $2 million.

Mr. Marsh asked for a chart that tracks the County's poverty rate and the amount of County spending in these programs. I know most of it is grants, but include the other spending items that are not grants. I think it would be good to see as the poverty rate has increased how the number of dollars has been allocated for those programs.

Mr. Talarek stated in previous presentations we've shown how discretionary dollars have dropped as we've had our fiscal constraints. In 2010-2011 the County provided $830,000 to the Columbus Neighborhood Health Center. So the $475,000 in this year's contact is more than $300,000 less than it was just two years ago. From the high point of 2009, I think we're spending a third less than we did. Again, even though poverty has gone up, because of the same recessionary impacts that have affected the County, the County has had to pull back funding. Mr. Janas stated even though a program like this is not funded by General Fund dollars, our JFS department contracts out for various services. Three or four years ago it was north of $20 million, now it's less than $10 million (closer to $8 million). This is a result of less money coming from the State, and more money being needed for core services that the County is mandated to provide.

Mr. Marsh asked if the Office on Aging runs programs for seniors living in poverty. Mr. Brown stated: yes, there are programs related to health care, nutrition, and daily living. They operate on a sliding scale basis. Those seniors that have little to no means are essentially provided the services at no charge. Mr. Wilson stated; we've been moving things around. For example the levy that the voters just approved for Office on Aging allows us, in the face of Title XX cuts at JFS, to transition just fewer than 1,000 JFS clients to receive services under the Office on Aging levy. Mr. Janas said this levy passed the vote due to the fact that more seniors are seeing their revenues go down as a result of property taxes, and there are an increasing number of baby boomers nearing retirement age.

Mr. Wilson stated that as there have been declines in intergovernmental funds from the Federal Government, the County has tried to respond by moving dollars to levy funds, or simply reducing contracts in the community.

Mr. Talarek stated; the *Intergovernmental Revenue* chart illustrates the declines since 2009. In 2009 to 2010, there was still funding from the American Recovery and Reinvestment Act. In addition to the $41 million in cuts we've seen from the State and Federal Government for 2013, the elevation (transfer) of the Medicaid Program budget to state government has brought a drop in ADAMH's revenue from the State, child care payments in JFS were also elevated, so that is driving some. But again, there is a significant amount of cuts from the decreases in the various tax replacements that the State provided to these levies when it phased out the personal property tax, as well as the cuts to TANF and JFS. Mr. Wilson stated; the loss of enhanced Medicaid match was part of the stimulus bill. Mr. Talarek stated it went from roughly $547,000,000 in 2009 to a budget amount of $328,000,000 in 2013.

Mr. Shkurti asked; if you went back and took out the stimulus money (which was supposed to be a onetime payment), what would these Intergovernmental Revenue numbers look like? Mr. Talarek said OMB can pull those numbers and present them at an upcoming meeting.

Mr. Ransier stated; as we begin to reduce service we still have people, so there are cost factors presenting themselves somewhere. Do they hit the County's budget? There has to be a consequence to un-served needs. Do we have an analysis of how it hits the County budget in different pockets; could be the jails, the courts?

Mr. Flaherty stated in regards to the homeless population, national studies have shown that if you provide permanent supportive housing that brings a person in from living on the streets, or from living shelter to shelter, and you provide that person with additional basic support, such as access to jobs or job training, access to health services, overall it costs less than if that person is going from the streets to shelter after shelter, then shelter to jail, then jail to psychiatric hospital. The cost to the community for permanent supportive housing and ongoing assistance is about $20,000 to $25,000, versus over $100,000 for a person that goes down the homelessness to hospital pathway. Mr. Ransier is right, when you don't meet a need, you don't understand the hidden costs of not meeting that need. That hidden cost might be three or four times the cost you're spending than you would if you spend to meet the needs.

Mr. Ransier said it must hit the County budget somewhere. As we're decreasing support services, are we seeing increases in the number of people in jail? Mr. Flaherty said it is hard to get a holistic response or review because funding is coming from so many different sources. There is no consolidated tracking of dollars. It can be done academically to show a case, but when the service providers get together they can't pool all their money and structure services that way; funding comes from State, local, and private investment for different purposes with differing requirements.

Mr. Redgrave summarized for clarity: We say that Franklin County is the fastest growing in Ohio, that is population growth, not economic growth. But, our economy is also growing, unemployment is decreasing, and yet the poverty rate (on a percentage basis) is increasing. Do we understand any root causes of that? I am on the United Way Board and we've just spent a great deal of time working on issues of poverty, but I find that the community has no answers as to why poverty is increasing.

There was discussion about the root causes of the poverty trends in Franklin County. Potential reasons ranged from: more people working low-wage jobs (working poor); people are drawn to urban counties due to more opportunities available and those people may be currently underemployed or unemployed; there is a growing (yet still relatively small to mid-sized) immigrant/refugee population rate which may have a disparate number of poor.

Mr. Shkurti and Mr. Raniser asked for more information about the number of international and interstate immigrants in Franklin County. Mr. Brown stated that can be provided.

Mr. Ransier stated; increasing poverty rates is an issue for cities around the world.

Mr. Flaherty stated; there is a lot of job creation in the $30,000 to $70,000 and up salary range. The retail report showed that job growth in the retail sector, usually lower level jobs, is down significantly. It is getting more difficult for people to get that first work experience to begin building a resume; the bottom of the ladder has been cut off.

Mr. Schimmer told a story of witnessing the effects of job cutbacks recently as he saw a news reporter working as both a reporter and a camera man. He said:I see a lot of what happened in the Great Depression when people moved to where there was opportunity. Perhaps that is at play here.

Mr. Marsh said; a dilemma in economic development is that our region's attraction has always been the strength of our workforce, which was a pipeline from the small farming communities around it, and now that pipeline is drying up.

Mr. Marsh continued; at last meeting we asked for more detail on operations versus capital budgets.

Mr. Talarek referred the Panel to the Public *Facilities Management – Comparison of Operations and Capital Budget* document.

Mr. Talarek stated; in governmental accounting, most large scale capital projects (i.e. new buildings) are housed in a separate fund rather than a general or operating fund. On the revenue side of this report, with the planned issuance of bonds for the rehabilitation of the Hall of Justice (HOJ), you're seeing a large increase from 2012 to 2013; since those dollars are recorded when they come in – on a cash basis. On the expenditure side, you can see where capital bond proceeds were spent to complete the long-term building projects for Common Pleas Court, the Animal Shelter, and other items around the complex. You can also see the anticipated expenditures in the capital column moving forward with the HOJ project. Generally it's been a 60/40 split on both sides, operating to capital, during the last three years. On the operating side you see the decrease in expenditures as they have been controlling costs using internal maintenance, leaving positions vacant (which is partly due to needing less security staff because there is one less entrance to guard), and deferring some projects. In most cases overall in the General Fund, looking at what would be capitalized out of a $300 million dollar budget, we were spending about $3 million in capital in 2010/2011, we're now down to about $1.5 to $2 million this year and last. This is due to the constraints on revenues, and where we've pulled back. In the short term, the plan is to pull back on capital needs such as vehicle purchases, as well as some major maintenance items that would be able to be capitalized.

Mr. Ransier said those would be deferred expenditures. Mr. Talarek said that is correct, and you can only do that for so long.

Mr. Talarek then referred the Panel to the *Court of Common Pleas – General Division Comparison of Overall Caseloads* document. If we were to look at number of new cases opened, the numbers would fall in line to about this relative to comparison counties. Usually number of new cases and terminated cases is within 2% to 3% of each other.

Mr. Marsh stated; at the last meeting we had presentations on the key budget driving agencies. Do any members have follow up questions or requests about that now?

Mr. Schimmer commented on the *Retail Report*. We're definitely seeing an uptick in the economy in terms of retail sales revenues. It's been interesting to see since 2006 that our employment in retail continues to fall off. The questions that come to mind are: Is this a result of technology, are we selling more with less employs? Areas such as clothing, accessories, food and beverage, and gas stations have been pretty solid in their performance. Some of the traditional hard goods like furniture, and car sales to a small degree, have seen losses. I think a lot of it goes back to the demographic trend of retail chases rooftops. One of the things that we believe is that some of this economy, in terms of e-commerce, is actually working its way through. For example, in the past a retail company may have been hiring earlier in the year for the holidays, but these days it seems like it's into November or December before holiday hiring picks up. Our goal in presenting this information is to try to make sure we understand where the trends are going, and have a better sense of what we're going to do with retail in general. Car sales and large equipment sales have been pretty solid in Franklin County for a number of years, but the issue is, do we want to try and incentivize keeping our large sales tax generators in place, and not let them slide across to other areas where things are doing better. The key is for us to try to illustrate to the public that sales tax revenue is a driver for the County, and it is an important part of what we do.

There was discussion about the data presentation technique of figure 18, a tapestry and word cloud.

Mr. Shkurti said; what's interesting about this is, given the discussion we just had, I caught this headline, "The Franklin County Consumer: Younger and More Affluent." What may be happening is the middle part is getting squeezed as we have more people on the lower end, more people on the professional/wealthy end, and less people in between.

Mr. Redgrave asked; when we talk about retail employment, are we included just the associates (those employed at a retail location), or would it include home office staff of retailers? Mr. Schimmer said it is holistic. Mr. Redgrave asked; you'd count Limited Brands home offices staff as well? Mr. Schimmer said yes. The other side of that is service related retail; it's not always retail in the sense of selling a tangible good.

The meeting was adjourned at 3:07 P.M.

These minutes are a synopsis of the meeting of the Franklin County Budget and Economic Advisory Panel of Friday, June 14, 2013.

Submitted by: Shannon Zee Cross, Clerk to the Board of Commissioners