FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL

MINUTES

February 22, 2013

PANEL MEMBERS PRESENT:

Ty Marsh, Chair, Pierre Bigby, Bill LaFayette, Karen Morrison, Frederick Ransier, Martyn Redgrave, William Shkurti, Bea Wolper

ABSENT: Timothy Robinson

OTHERS PRESENT: Commissioner John O'Grady, Commissioner Paula Brooks, Commissioner Marilyn Brown, County Administrator Don Brown, Deputy County Administrators William Flaherty, Ken Wilson and Erik Janas, OMB Staff Zak Talarek, Heidi Hallas Warren, and Justin Nahvi

GUESTS: ED&P Director Jim Schimmer, Justin Shaw, Sharon Keels, Michael Salvadore, Sandra Menedis

Commissioner O'Grady opened the meeting by thanking the panel members for agreeing to serve. He said we all believe we are one of the best run, most lean large counties, not only in the State of Ohio, but the country. We are at an interesting time in this county's history and find ourselves with a prospect going forward that is bleaker than we would like. In trying to determine a course of action and the direction forward, we have decided that it was important to put together a panel of individuals who are experts not only in their fields, but who have some level of expertise in the area of government and government finance. Commissioner O'Grady said the Commissioners would like for the panel to take a look and review the County's situation and give them some recommendations and thoughts on courses of actions they would like to see from the Commissioners.

Commissioner Brown said the County is at a time where the needs in the community are increasing for services and, yet, its resources are decreasing. That, too, creates quite a challenge. She encouraged the Panel to take note of where the County is and give them their best thinking.

Commissioner O'Grady stated that this past Tuesday the Commissioners passed Resolution No. 130-13 creating the County Budget and Economic Advisory Panel. He reviewed the Resolution and purpose and goals of the Panel.

Commissioner Brooks stated this is a huge job. There are so many forces that are coalescing nationally, internationally and locally where the buck stops. She said that in July, 2005 the County was faced with a $55 million deficit that is evidenced by the tax budget that was signed by then Auditor Testa, Treasurer Cordray and Prosecutor O'Brien. With that, the Commissioners had no choice but to raise the sales tax. It was raised by a half penny and the

Commissioners said, once the Reserves were replenished, a quarter of that would be rolled off – which did happen within the established time line. In the process of raising the sales tax, there was much public discussion. At the time, the Commissioners told the public they would stretch those dollars for from five to seven years. The County is now in the eighth year of that 2005 action. Commissioners Brooks stated that did not factor in the recession and the massive state cuts. The County is now facing very different times. She said the role of the Panel is historic.

County Administrator Don Brown said he has spoken with each Panel member personally regarding this call to service. He stated this session is intended to provide an overview of County finance. The County is also prepared to follow up in those areas where additional information is needed by the Panel.

Mr. Marsh stated the role of government, in some ways, never changes but how you look at how you execute it and the resources you have to do it always does. Your budget is always primarily your strategic plan. He said the Panel is taking this very seriously, but also in the spirit of full collaboration and open discussion.

Mr. Brown gave an overview of the packet presented to the Panel today. He said the Table of Organization defines the budgetary unit and services/service organizations that make up county government. Most of the units operate within the county General Fund. Some of them are supported with levy funds or special revenue funds. All of them together make up the $1.3 billion operation that is known as Franklin County Government.

Deputy County Administrator Ken Wilson explained that staff will be providing an overview of the county finances which includes thirteen units that report to the Board of Commissioners along with community partnerships and the combined General Services Agency made up of Fleet Management and Purchasing Departments. The General Fund Budget is just $304 million of the $1.3 billion. The County has 6421 approved FTE's that operate within those agencies highlighted within the organizational chart.

Mr. Wilson discussed a credit analysis that was recently provided by Moody's Investment Service which is one of the Wall Street credit rating agencies that have consistently rated Franklin County's general obligation debt as AAA. The County's most recent review was for bond anticipation notes associated with short term debt that was initially issued for the construction of Huntington Ballpark. At that time, Moody's also reviewed the general obligation debt and the County's affiliation with debt that has been issued for the Franklin County Convention Facilities Authority headquarter hotel as well as special obligation non-tax revenue debt for the Huntington Ballpark.

Mr. Wilson said the County has consistently received strong ratings because it has been able to maintain its commitment to keeping healthy cash reserves that are benchmarked by other AAA counties nationally. Our tax base, despite the declines of the 2008/2009 recession, has been relatively stable, and we have seen an improving trend in our sales tax collections. One of the things we are keeping our eye on, and noted in this report, is exposure to enterprise risk. We have entities that are affiliated with the County that, over the course of several years, have not had to back up the debt with General Fund dollars; namely, the success of the Columbus

Clippers Ballpark which the County owns. We also have a successful Convention Facilities organization and a headquarter hotel. Within the report, Mr. Wilson stated that we have manageable debt levels compared with our peers. One of the fiscal sustainability principles that the County has followed is ensuring that debt does not exceed 5% of its available resources. Mr. Wilson stated these things contribute to the County having a stable outlook as it stands right now. He said the rating will remain strong as long as there are no significant increases in unemployment or significant reductions in the property valuations within the County or as long as we continue to manage our current debt levels and use reserves in a manner which is planned and strategic. Rating agencies understand that, to date, the County has used reserves for important community projects that contribute to economic development and the general welfare of the community as well as debt service transfers and one time capital projects.

Mr. Shkurti asked who sets the budget for the independent elected officials and if that is where the Budget Commission comes in. Mr. Brown explained the Board of Commissioners is the budget authority for the County. The Board of Commissioners manages, controls and allocates the County resources, not only financial through the budget but its facilities, buildings, properties and its benefit programs. The Budget Commission's role relates not only to the County, but to every taxing district in the County. The County Auditor and Treasurer serve as the property assessors and collectors for all taxing districts in the County, one of which is the County itself. School districts, libraries, cities, villages, etc. are also taxing districts in the County. Therefore, the Budget Commission's role is to receive and approve the state budgets submitted by every one of those taxing districts. The purpose of the Tax Budget is twofold: 1) to qualify/to show that a district deserves a fair share of the local government fund which is apportioned by the County Budget Commission; and 2) to demonstrate to the County Budget Commission's satisfaction that a tax district needs the levy that is in place for that entity. The County Budget Commission has the authority to roll back the rate.

Mr Shkurti asked what portion of the $300 million General Fund Budget is directly under the County Administrator and what portion is under the "people on the left-hand side." Mr. Brown said of the organization units under the County Administrator, most are funded within the General Fund; some are not. For example, Child Support Enforcement, Animal Care and Control, and Job and Family Services operate outside the General Fund. Some agencies operate out of a levy fund. They are administering not only County resources, but also using federal and state resources, grants, etc. that are passed through to the County to administer. The safety net programs in Ohio are state regulated and county administered. Ohio is one of thirteen states in the country that is still county administered. Food stamps, child support, Medicaid, adult protective services, and daycare are all programs administered by the County. The County does intake and eligibility determinations.

Mr. Brown stated the value of the General Fund programs under the Board of Commissioners and the County Administrator's supervision is about $95 million. The county government consists of many independent elected officials, and the boxes on the left side of the organization table are independently elected and report directly to the voters in terms of conducting their statutory duties, but their budgets are subject to the Board of Commissioners' approval. In addition, the facilities they operate out of are managed by the County Commissioners.

Commissioner O'Grady said approximately $94 million of that budget is in the Sheriff's Office. The other offices are all considerably smaller.

Mr. Redgrave asked how the lines of demarcation are determined between the state, county and cities. He said it is difficult, as a businessman, to understand how government is allocating resources and dividing up responsibilities. Is there any principle based set of rules as to what goes to the County's responsibility versus the city's and what's governed or controlled by the state.

Commissioner Brooks stated much of it is law; state and federal mandates. Legislatures decide who is going to do what. There are many examples where the state gets the administrative functions, and they take money out as a middle man, but the County actually delivers the services.

Mr. Brown said the services county government is responsible for delivering varies from state to state. In Ohio, counties have countywide jurisdiction, overlapping cities, but for specific functions, such as conducting elections, registering voters, assessing and collecting property taxes, running the courts, administering justice, and running jails are principle functions of county government. These are not duplicated with municipalities. In addition, in Ohio counties may perform some functions like municipalities in areas not otherwise served by the municipalities, such as weights and measures inspections, planning and building regulation and zoning control beyond the municipal boundaries in the townships. The set of principles is by and large defined by the Ohio Revised Code. One other key is that counties have no implied powers in Ohio. They may only perform the expressed duties given to counties in the statute by the state. A municipality, on the other hand, may do anything authorized by council, not prohibited by state law.

Mr. Flaherty stated the county does not pass legislation the way a municipality might or the way the General Assembly does. The county implements the policy that is passed to it through the federal or state government. Our Resolutions deal with more administrative issues, such as awarding contracts, establishing budgets, etc. On some occasions, however, the county does assert a policy as to how it will run programs.

Mr. Ransier asked if the responsibilities come down from the federal to the state and then to the county or does it come directly to the county. Commissioner Brooks said it can be both; it depends. It is a real patchwork. In regard to the balance of county responsibilities, the county has neighborhood stabilization grants to renovate single family homes for purposes of the Community Development Block Grant Program, and those monies pretty much come directly to the county. It's whatever the whim of the Congress and the state legislature is.

Mr. Wilson said this issue is highlighted when you look at the County's human services programs. Franklin County enters into subgrantee agreements with the state for the operations of Job and Family Services, Children Services as well as Child Support Enforcement because we are a state supervised county administered system.

Ms. Wolper asked that, with the new law coming down, if the state doesn't do the elections for healthcare, is the county required to step up to offer that. If so, is that a budget item that must we dealt with?

Mr. Brown said the state chose not to develop a state registry. That evolved upward to the federal government. If the state chooses not to participate in the Medicaid expansion, then the cost of that care will fall to the hospitals by and large where it is now. Mr. Brown said, in his view, the Medicaid expansion will begin to insure and provide health coverage to uninsured patients who are in our systems now. The cost of that care is falling by and large on the hospital network and doctors and providers.

Ms. Morrison said it will cover those who are not eligible now.

Mr. Brown stated the governor has proposed Ohio participate, and the County will be responsible for enrollment in Medicaid of those 90,000 uninsured individuals.

Ms. Wolper asked if that was in the budget.

Mr. Brown said the County's role will be limited to enrollment which is intake and eligibility, determination, etc.

Zak Talarek, Deputy Director of the Office of Management Budget provided an overview of the 2013 Budget. Mr. Talarek stated the 2013 Approved Budget packet gives the overview of the budget. Page 1 shows the change in the General Fund was 1.1% from the 2012 Approved Budget to the 2013 Approved Budget. While there were ups and downs across various entities, half of the increase was due to increased health care costs. For revenue funds outside of the General Fund, there is a 4% decrease. Overall for the County budget there was a 2.9% decrease.

Page 2 gives the breakdown of the General Fund budgets by agency. Some agencies are not funded from the General Fund (ADAMH, Board of Development Disabilities, Children Services). They have separate property tax levies that support their operations. However, there are some entities, while they are not funded directly out of General Fund, do receive operating subsidies (Child Support Enforcement, Animal Care and Control, JFS through the mandated share).

Page 3 is a pie chart that shows that, excluding our reserves and debt, 69% of the General Fund Budget goes to public safety, justice and security.

Commissioner Brooks stated it is important to know that in regard to the public safety and the Sheriff's budget, there is only one county jail. There was a deal made between the county government and the municipalities years ago so we did not have a proliferation of jail buildings. Commissioner O'Grady said there are two facilities, but it is just one county jail.

Mr. Talarek said additional information and additional charts show revenue by agency. Page 7 shows the General Fund resources. At the beginning of 2012 we had approximately $163.4 million in General Fund resources that includes unrestricted cash, economic stabilization (or rainy day funds) as well as some other reserve funds that the county had pledged for the stadium and the hotel. This chart shows, at the time of the budget, the County has projected $145.9 million for the ending 2012 balance. That was actually about $3 million higher than what was projected at the time the budget was approved. The $116.8 million, based on the 2013 budget, is now closer to $120 million.

Mr. Talarek stated the rest of the packet details Non-General Fund total expenditures for all funds. The all funds picture is shown on page 9. Social and Human Services represent almost half of the $1.3 billion county overall budget.

Mr. Brown referred the Panel to page 8 in the packet; the second column from the right. He said at the bottom you can see $1,279,000,000. That is the $1.3 billion budget that was referred to earlier. Earlier it was asked how much of this falls under the control of the Board of Commissioners. $443 million of the $1.3 billion – that's a combination of the General Fund and Special Funds. Below the $443 million are the independent boards, commissions, or offices which sum to $836 million.

Mr. Bigby referred to the expenditures by agency on page 2 and asked if there is any commentary regarding the variance between 2012 and 2013; between the projected actual and the agency requests.

Mr. Talarek stated the Benefits and Risk Management Department was previously funded out of the General Fund. Last April the County went to self-insured for Workers Compensation, so that's being funded out of an internal service fund. Mr. Talarek said under the Board of Elections, the cost going from the 2012 Presidential Election to the 2013 Municipal Elections – there aren't as many poll workers hired for election day. Under the Court of Appeals, they are moving to the state health care plan versus the county health care plan beginning July 1.

Mr. Wilson explained the Municipal Clerk was a result of jury fees being moved from the Municipal Court to the Municipal Court Clerk.

Mr. Talarek said the big change under Economic Development and Planning was the support of the Columbus Regional Airport Authority as part of the agreement for the Rickenbacker consolidation. It was moved from Community Partnerships to Economic Development and Planning.

Mr. Brown said this was the tenth or eleventh year of an eleven year agreement to subsidize Rickenbacker Airport following the merger of Port Columbus with Rickenbacker and putting both airports under the Regional Airport Authority. There was a commitment made by the County Commissioners to subsidize Rickenbacker operations for a ten year period and was actually stretched to eleven.

Mr. Redgrave said he is hearing that some revenue sources are attached to specific things and some to general purpose of the county. He said it would be helpful to understand exactly how the revenue formula works: how do we collect, what was it collected for, where does it go?

Mr. Talarek directed the Panel to a one page document in the packet titled "General Fund 4th Quarter Summary".

Mr. Brown said the general principle is: if the revenues provided to the county have been earmarked by statute or contract for a specific purpose (i.e., Child Support Enforcement) then it must go into special revenue fund because it is dedicated and must be used for that specific purpose. Those revenues that are not earmarked by statute or contract flow into the County General Operating Fund.

Commissioner Brooks stated the unrestricted funding is how the County was able to do the Nationwide Children's Hospital Better Birth Outcomes Program. It also accounted for the $4 million a year that the County pledged to the airport merger.

Ms. Wolper asked what would happen if the Blue Jackets go completely down. Mr. Wilson stated that agreement is structured such that the County's General Fund is not attached to the welfare of the arena. It is tied solely to the casino's revenues starting at 25% of whatever the gross receipts are that are submitted from taxation. Those are submitted quarterly. What happens if the agreement as structured doesn't materialize due to lower casino revenues? Mr. Wilson said the agreement is extended out.

Mr. Brown said the county purchased the arena, not the hockey team. The hockey team guaranteed that it would play on this home ice for twenty-eight years. If it fails to perform here and the owners were to move it or sell it, they have an obligation to pay for the remainder of the lease term.

Commissioner O'Grady stated that, if the casino goes belly up, the county is still not harmed due to the way the agreement is structured. It is all tied to the casino receipts.

Mr. Brown said the purchase is tied to a percentage of the casino revenues.

Commissioner O' Grady said it is not just the Columbus casino; it's all four casinos.

Mr. Brown stated the all counties in the state receive (per capita) a percentage of casino tax revenues from all four casinos in the state. All counties share roughly 50% of the casino tax revenues. Because Franklin County has roughly 10% of the population in the state, roughly 10% of the county share comes to Franklin County.

Mr. Wilson said the General Funds Summary includes casino revenues. The County's first payment in 2012 was approximately $1.9 million. The 2013 Budget has a revenue projection of $8.9 million.

Mr. LaFayette asked what happens to Rickenbacker after the eleven year agreement being it is not self-supporting.

Mr. Brown said the airport has told the Commissioners it intends to fill the gap by generating revenues by developing the properties that it owns and manages surrounding the airport. The subsidy that was received from the County was not being used for operations. It was being used for maintenance, repairs and improvements. It has closed the gap to less than $500,000. The airport may have to defer some improvements. It does not mean that they will be unable to operate the airport.

Mr. Talarek discussed the General Fund 4th Quarter Summary. The top half shows the eight major revenue sources in the General Fund. These comprise almost 85% of all the revenue. Mr. Talarek reviewed the variances and causes for each.

Mr. Talarek explained the Local Government Fund. In 1934 there was a revenue sharing agreement between the state and the counties. The counties are providing services for the state. There is an agreement that a share of the sales tax, and later on the income tax, would be provided to counties to maintain their operations to provide those services.

Commissioner O'Grady said this funding was cut in the 2011 state budget: 25% the first year; 50% the second year.

Mr. Brown said this was revenue shared with cities, villages and townships as well.

Mr. Flaherty added that there was no reduction in mandated services that local governments are to provide.

Mr. Brown explained these eight sources of revenue yield 67% of the County General Fund revenue. The other third comes from a miscellaneous range of sources. Some of them are performing and some of them are not.

Mr. Talarek stated Investment Earnings fell below budget as rates have remained low and continue to fall. Counties are limited as to what they can invest in; basically U.S. Treasury Notes, Federal Agency Paper, etc.

Commissioner Brooks said State Public Defender Reimbursement is a mandate. It is constitutional representation of prisons. It has been a big bone of contention with counties around the state.

Mr. Wilson stated in the late 90's the state covered 50% of unfunded mandates. As we went through different periods of decline in the economy, this was one of the places where counties have been cut. We have worked our way up from the mid 20% level to 35% today. The purposed budget is 40% as introduced. Mr. Wilson said, from a big picture standpoint, that is less than $1 million over the calendar year.

Mr. Talarek said, overall, we budgeted about $275.4 million. Actual receipts were $284 million or about 2.6% or $7 million above what was originally anticipated.

On the expenditure side, Mr. Talarek reviewed the various categories. In the approved budget, these total about $293.5 million. Mr. Talarek said two thirds of the budget is related to personnel, and actual expenditures came in at about $2.7 million above that.

Mr. Talarek stated the Contingency is a reserve of appropriations that is used for unplanned or unbudgeted items.

Overall the original budget for 2012 is $300.7 million. Actual spending was 1.5% below that number ($296.3 million) which has a positive variance of $4.4 million. The General Net Cash Variance was a positive $11.5 million (3.8%).

Mr. Talarek added that the state withholds 1% of sales tax collections as part of their administrative fee which is about $1.5 million.

Mr. Talarek stated the County's "Rainy Day Fund" is about $14.5 million. Mr. Wilson explained the Rainy Day Fund amounts are set by statute. It was recently increased in H.B. 225 to a level of 1/6 of the preceding year's expenditures or 5% of the preceding year's revenue, whichever is greater. Essentially, that minimum is tied to the Government Finance Officers Association recommendation that government entities should reserve at least two to three months of cash. This is a recommendation, not a requirement.

Mr. Wilson discussed the General Fund Eight Year Financial History (this is the legal size document in the packet). He said this was before the initial sales tax was put into effect. In the summer of 2005 the tax budget projected a year end deficit of approximately $55 million if current spending trends and current revenue trends held. At that point in time there were spending reductions put into place as well as a plan mapped out for the development of a long range forecast to project into the future to be able to sound an alarm earlier to prevent cash from dwindling to a level where immediate action is necessary and facing a limited number of options as to how to react. Mr. Wilson said this chart shows actual revenue received by the County and total expenditures. With spending reduction measures put into place in 2005 and action taken to putting a sales tax into effect in 2006, the County used $26.3 million in reserves that year. In 2006 the County began to see the revenue from the quarter cent that was permanent and a temporary sales tax increase. Those proceeds went to rebuild the County's reserves. Mr. Wilson stated, at that point in time, the County refinanced debt. In order to refinance debt, the County met with credit rating agencies to discuss a plan and secured the AAA bond rating.

It was stated that the County's fiscal year is the calendar year, while the state's fiscal year begins July 1 of every year.

Mr. Wilson explained that the increase was passed in July, but the revenue was not received by the County until October. In 2007 there was a contribution to reserves of just under $104 million. In 2008 there was a decrease in the contribution to reserves because the Resolution that approved the temporary increase expired on December 31, 2007. Therefore, there was only one quarter of the next year that reflected the proceeds of the quarter cent, and COTA began to collect that amount. The net tax rate within the County stayed the same.

Mr. Flaherty explained the increase was established at half a percentage point. In two years, by action of the Commissioners, half of that rolled off. When it was established, it was projected that each quarter percent would generate $44 million.

Commissioner Brooks stated COTA stepped in and said they needed that revenue and were putting an issue on the ballot. They then put a successful ballot issue on and took that quarter penny as a raise. That is why consumers saw no change in sales tax. Transit authorities have that independent authority in Ohio.

Mr. Brown reviewed the various revenue increases and declines. Mr. Brown explained the performance over six years in investment earnings went from $42 million to $10 million because of change in Federal Reserve policy. Mr. Brown said the local government funds allocation (page 11) dropped considerably because of change in state policy in the last biennium. Also, the sale of residential and commercial property declined causing a decline in conveyance fees to the county.

Mr. Brown stated of the County's eight major revenue sources, six have been flat or declined.

Mr. Wilson pointed out the steep drop in sales tax receipts in January, April and July of 2009. Rates of collection have been increasing steadily since that time.

Mr. Wilson stated that the Huntington Park bonds mature on March 7. Yesterday the County had a final pricing and is paying down $2 million at a .50 yield with a .8 coupon. That's under 1% on $8 million.

Commissioner Brooks said that is why the County went ahead during the recession and built the courthouse and helped the community with other assets.

Mr. Wilson said the County is looking at some advanced refunding of some prior debt issuances. If the County cannot create income, they want to look at opportunities to refinance.

Mr. Brown referred to page 3 and stated, without expansion of the rate base, Franklin County had 8.1% organic growth with no expansion of services. Expanding the base by 33% will not yield to produce more tax money for the County. It will be capped at 10%. We're already at 8%, so will be picking up 2% at best.

Commissioner Brooks said it is an issue throughout Ohio. It's not political. The counties have relied on sales tax as one of those top eight revenue sources and the local ability to put sales tax on the ballot.

Mr. Brown said, because other revenue sources are not performing, over half of the County's General Fund is derived from sales tax. This directly impacts the County's ability to maintain current service levels.

Mr. Wilson next reviewed the Long Range Financial Forecast. This is looking forward. Going through each annual budgetary cycle OMB looks at this forecast and uses it as a tool as they seek guidance from the Board of Commissioners regarding the County's capacity to selectively identify areas to cut and where there is room for growth and where they will make those investments. The forecast is built focusing on major revenue such as sales tax. Mr. Wilson said they take a conservative approach, realizing that the sales tax is a function of GTP and economic activity. The forecast before the Panel was built assuming a 2.5% increase in 2014, a 2.9% increase in 2015, and 2.25% in 2016. For property taxes, because of the conservative approach, while there is a pick up for 2014, the forecast assumes no growth and for 2015 it assumes a 6.2% increase. That is due to a tri-annual update. Mr. Wilson said, in the State of Ohio, property taxes are reassessed every third year. There is a full reappraisal at every sixth year where there is an actual assessment of each parcel within Franklin County. This current year is the first year we are experiencing the impact of the most recent six year appraisal. As a whole the County experienced a decline of just over 6% in the assessed value.

Commissioner Brooks discussed the millions of dollars spent by local governments for additional voting equipment and facilities after the issues experienced during the 2004 Presidential Election. These monies were supposed to have been reimbursed through federal grants as this was a mandate, but this never happened.

Mr. Wilson reviewed expenditures projected out to 2016. He discussed the growing community and increased service demands. He said that, in addition to non-bargaining employees, the County has about up to fourteen bargaining units with which it negotiates contracts. This forecast is very important because the County is projected three to four years out in contracts.

Mr. LaFayette asked if the County was forecasting no increases in FTE's. Commissioner Brooks stated since 2005, the County has never filled every spot. Mr. Brown said controlled hiring over the last several years, in order to avoid layoffs and furloughs, is shrinking.

Mr. Marsh asked that, if you are flat and hire ten new sheriffs, do you lose people somewhere else. Mr. Brown explained those ten new sheriffs are filling vacancies for existing positions. The County is not adding new positions.

Commissioner Brooks said the County is growing. We are the only growing urban county in Ohio. That must be taken into account in terms of service delivery.

Mr. Flaherty said the County does know that it is impacting the level of service quality that we have.

Mr. Wilson said the County budgets a vacancy credit which takes into account the turnover that is anticipated and has occurred over a three year period.

Mr. Brown said he would characterize this five year forecast as a current service level forecast. There could be a different scenario. It could presume a 10% decrease or 10% growth in level of service and staffing, but it doesn't. It is a projection of the current level of service forward, factoring in the consumer price index changes, labor rate changes, and other predictable cost factors.

Mr. Shkurti said he understood the County wanting to be conservative because it is easier to add than subtract. He stated this year's sales tax (2012) went up 8% and shows going forward sales is going up 2.5%. Mr. Brown said there is a 10% annual cap proposed in the new budget. Mr.

Shkurti said there is a big difference in this projection between the cap, as proposed, and what's projected in the financial plan.

Mr. Brown explained, if it does happen, the County will have the 8% growth that it had, but will only pick up another 2%.

Mr. Shkurti said it looks like the employment cost index is running a little higher than the ECI.

Mr. Wilson said the ECI accounts for the health care increases.

Mr. Shkurti said the County needs to look at a different way of managing the health care benefits for employees so there is a better result without reducing benefits. He said, assuming the current policy continues, the County wants the Panel to look at what places, if current policy is changed, might have potential payoff either in expenditure reduction or income increases.

Mr. Wilson said, in the current budget, half of the increase was attributed to cost of employee health care. The County is self-insured and projecting over $91 million in expenditures. The County is currently looking at this issue. Mr. Wilson said they are up against health care trend of 10% - 12% in any given year.

Mr. Flaherty said the County has been successful in the last couple of years by trying to keep the health care cost increase less than the national average.

Mr. Wilson said right now employee contribution represents about 12% of premium. That does not include out of pocket that employees contribute for co-pays, deductibles, etc. All these factors must be balanced when working out agreements.

Mr. Brown stated this document shows what is likely to happen to the County's financial position if it continues to do things the way it is currently done – what will be the impact five years out. The question is what can be changed on the income or expense side to close the gap.

Mr. Flaherty said the County is looking at expanding to other municipalities in the area who are not having the same success in this area as the County. There may advantages to them joining with the County.

Mr. Marsh asked how much of the health care expenses are subject to collective bargaining. Mr. Wilson said all thirteen of the collective bargaining units are on the health care plan. Mr. Flaherty said the plan is not written into the contract. The Commissioners, as plan administrators, have the ability to change the plan if they deem it necessary.

Mr. Wilson stated the only bargaining units within the County that are not in our plan are the two bargaining units within the Department of Developmental Disabilities.

Ms. Wolper asked if the County is under long term contracts for utilities and fuel. Mr. Talarek said the County does purchase natural gas through the CCAO cooperative program.

Commissioner Brooks stated the County has the ability to cooperative purchase with a lot of different entities. Commissioner O'Grady said the County promotes that. We have gone to CCAO and MORPC, regionally and statewide, and said the County is interested in sharing services and collectively purchase. Purchasing Director Karl Kuespert is a leader in the state association in pursuing this.

Mr. Wilson said, speaking of growth and obligations to continue to make investments, added to the forecast is an estimated $1.9 million payment in 2014 through 2016 for expenses to rehab and renovate the Hall of Justice that the Common Pleas Court recently moved out of. The County is taking a build as we go approach as the needs of the County grows over the next twenty to thirty years.

Mr. Marsh asked if the capital budget is kept separate from the operating budget. Mr. Wilson explained the County passes an annual Capital Improvements Plan that Public Facilities Management presents. The County also has a Capital Improvement Account. The County worked with the Auditor's Office to approve what would be acceptable for this account.

Mr. Brown explained that the Commissioners maintain a Five-Year Capital Improvement Plan which is funded one year at a time. The Commissioners, in essence, set two budgets, an Operating Budget and a Capital Budget, in one single package. Mr. Brown said the County does issue debt to advance improvements. Commissioner Brooks stated the County has a Debt Policy.

Mr. Wilson next discussed the projected revenues and expenditures for each year based on the assumptions reviewed. The utilization of reserve would be necessary if there was no change in policy and these trends held which would, in turn, reduce the County's unobligated cash reserve balances.

Mr. Janas said this sheet shows two very important things in terms of trends: 1) all the red numbers in parentheses are annual deficits and 2) below that in bold on the bottom is the cash reserves. That is the fundamental crux of our budget challenge long term.

Mr. Wilson stated, in order to make those negative numbers go away, we must make policy decisions and look at the current investments in capital and community projects or look at revenue enhancements.

Mr. Brown said the Commissioners' standard is that the County would maintain a reserve at no less than 31% of expenses and 28% of revenue. Looking at the reserve levels in this forecast, we see that when we project out it falls below those benchmarks in the out years. The County holds itself to the average of the forty double AAA rated counties in the country. They maintain either 28% or 31% whether you are measuring against revenues or expenditures.

Mr. Shkurti asked how often the County updates this. Mr. Wilson said at least annually.

Mr. Talarek discussed H.B. 59, the budget. He said the state sales tax rate would drop, the sales tax base would be broadened and the local tax break rate would be reduced. In the case of Franklin County that reduction would be from 0.75% to 0.5% based on a series of adjustments that the Department of Taxation calculated based on groupings. They feel we need to come down a third to meet their 10% threshold. As part of the policy they are prohibiting counties or transit authorities from levying sales and use tax for the period October 2013 to June 2016. They are allowing for a 10% guarantee on growth. For Franklin County that would be about $14.5 million in that year then, as part of the process for the recalibration with the base broadening, there would be two resets that would occur in July 2015 and April 2016 in order to try to keep counties at that 10% growth.

Mr. Talarek stated, in addition to this, two other things that would affect counties are an indigent defense where there is discussion of raising the reimbursement rate from 35% to 40%. Over a twelve month period that would be about $958,000. That would not go into effect until July. Receipts in 2013 would be minimal for a couple months. On the local government, they are assuming some growth; projecting 4.5% in the first state fiscal year and 3.5% in the second. Over the biennium that would still be at less than $1 million that Franklin County would see, based on that growth.

Mr. Shkurti said if the state does hook on to the Affordable Care Act and expands Medicaid, he imagined there will be ripples. He asked if anyone was doing an analysis of how that would affect the County budget directly or, indirectly, in terms of those entities the County budget supports, for example, the mental health service agencies.

Mr. Brown stated the cost of care does not flow through the County's budget. The cost that flows through the County's budget is the cost of the workforce that does intake and eligibility determinations. The cost of the hospital and health providers expenses are booked at the state level.

Ms. Wolper asked if the County picks up any portion of the eligible FTE's health care cost. Mr. Brown said no, except for ADAMH which is a County funded levy. There are undoubtedly people in the community that are not presently Medicaid eligible whose cost of care is being covered by the local levy. Once Medicaid is expanded and those individuals become Medicaid eligible, that will free up levy resources to serve others not otherwise eligible for Medicaid. Mr. Brown said he would argue that the cost of care of the mental health services is already in the community for those who aren't currently eligible for Medicaid. It's showing up in the emergency rooms of every community hospital, and they are writing it off or absorbing it as charity care. Once those patients become Medicaid eligible, the way in which those community providers finance that care shifts from charity care to Medicaid coverage. Theoretically, that means that they won't have to cost shift that charity care into the costs the insurers pay through our rates. Insurers are being charges higher rates in order to absorb part of that charity care.

Mr. Shkurti said he does not disagree with that, but there are a lot things going on. The impact of this change on the health care delivery system in Ohio and Franklin County broadly defined is going to be significant and there are likely to be hidden benefits, hidden costs, unintended consequences and all kinds of things. He said it would be helpful to him as a committee member to know that County staff is thinking about that and trying to give the Panel a heads up of what impact may have on what they are trying to do.

Ms. Wolper asked who pays for employees' health care. Commissioner Brooks said the County pays for staff benefits.

Mr. Shkurti stated the impact of Medicaid and its changes is an important issue.

Mr. Janas said employees who work in our local Job and Family Services who are administrating the program, are paid through TANF funds and other funding streams provided for through the federal and state governments, not the County General Fund.

Mr. Marsh said these changes as proposed, whether they are enacted or not, have major ramifications on a county's way of doing business. He said this state budget has major bearings on the Panel's whole deliberations. Mr. Marsh said the Panel may want to go into a lot more depth at their next meeting regarding the ramifications of this budget. There may be so many changes that the County may want to act quickly.

Mr. Marsh proposed that the Panel continued to focus on looking at structural issues and, at the same time, try to get a more in depth understanding at the state and also recognizing that the County might have to take some quick action.

Commissioner Brooks said it is imperative that the Panel receives a full list of the mandates that are both funded and unfunded.

Mr. Brown said the importance of the budget bill is massive and looms over the work of this Panel. He said the County needs to position itself to weather what they think will be in the "sausage" by preserving options that are otherwise taken away in the proposed budget.

Mr. Marsh said the Panel wants to advise the Commissioners on the bigger picture.

Mr. Wilson reviewed one final document entitled "Some Available Budget Solutions". Regarding sales tax, currently the County's permissive rate is .75%, and it is projected to generate $146.4 million for this calendar year. Under the current statute, counties can assess up to 1.5%. Franklin County has .75% of that permissive amount available that it has not assessed on its citizens. The authority exists currently in two different sections of the ORC. We have .25 remaining in one section and we have a half cent that exists in another section. There are roughly ten purposes upon which that can be assessed to support various County functions.

Mr. Wilson stated one of the strengths of Franklin County and one of the credits we receive from credit agencies is the flexibility that we have. We aren't maxed out as far as our ability under current law to react to a situation that would occur in our revenue.

Mr. Wilson said the next item is inside millage. Currently, the County assesses 1.47 mils. That is expected to generate $38.6 million. The total authorized millage of 2.35 was rolled back to the current level in 1985. Therefore, we have .88 mils that is authorized but not collected. If that amount was assessed it would generate approximately $23.1 million.

Mr. Wilson stated the next item is the conveyance fee as another permissive tax that is available to counties. Currently it is $2 per every $1000 in value for each transaction that takes place. The maximum allowed under Ohio law is $4. Therefore, there is $2 that Franklin County is not assessing.

Counties are not granted the authority to assess an income tax which is the main revenue driver for cities.

The next page looks at some select items on the expenditure side. As noted earlier, a number of areas in the County where it meets mandates, General Fund subsidies are provided to close a gap caused by state or federal policy changes or to secure safety in the community. Of these subsidies, approximately $2 million is provided to support the operations of Animal Care and Control over and above what is covered through dog license fees, adoption fees, impound fees and other fees collected by that agency. The County provides a subsidy of $1.7 million to support the collection of child support. That is a mandate the County carries on the state's behalf to collect child support from non-custodial parents. Lastly, the County provides a subsidy to support the Office of Homeland Security and Justice Programs which administers a dwindling number of grants for Justice Assistance Programs. Mr. Wilson stated the Violence Against Women Act is held up in Congress, so the County is spending prior years' awards in that area as well as UASI Funds.

Mr. Wilson stated the County provides $5.3 million to support the functions of the Department of Job and Family Services. That $5.3 million is mandated and goes to the maintenance of the effort to draw down federal TANF dollars. Also, support is provided to Animal Care and Control to support debt service expenses associated with their facilities as well as the Department of Sanitary Engineer to support some of the projects that insure clean water and sanitary sewer systems in unincorporated areas within the County.

Mr. Wilson said Community Partnerships is another area where General Fund dollars go to support various grants to non-profit organizations. These funds go to economic development, health and human services, environmental sustainability and community security.

Finally, in that category, there is a $1.8 million allocation that supports the County TB unit which we contract with the Columbus Health Department to administer that program on behalf of the County. The state has dictated that counties are the payer of last resort. As a result of that, the counties pick up the tab from the General Fund for what essentially is a medical service.

Mr. Wilson stated General Funds are provided to promote tourism through Experience Columbus to bring in more jobs and foster economic development within the County. $1.25 million is provided to support what now has grown to nearly a $7 billion industry.

Commissioner Brooks stated the County raised the transfer fee and gave half the money to the homeless shelter and half to the affordable housing trust. The spin off jobs from that is tremendous, and the Commissioners do have that data. She said they need to more quickly than they anticipated because of the budget bill.

Commissioner O'Grady stated Franklin County is doing pretty well in comparison to surrounding counties as well as regionally and across the state.

Commissioner Brooks said there is a package from the CCAO that may be helpful to the Panel.

Mr. Redgrave said he would like to see how Franklin County does benchmark against other counties.

Mr. Janas said there is a map of the State of Ohio that has the sales tax rates of all 88 counties.

Mr. Marsh said it appears each Panel member has some information requests. Their questions are how do they tackle this and what are their rules of engagement. He asked the Panel to keep in mind that the Commissioners have asked the them to complete their work so that it can serve as a guideline for their budget deliberations for next year. Therefore, a recommendation should be made some time in the summer. He suggested meetings we set up whether they are held or not, so that they are on everyone's calendar during that period.

Discussion was held concerning days and times for the Panel to meet.

Mr. Bigler said it would be helpful to get some sort of delineation between core activities and core expenses that have to be met versus things that are discretionary; some way of prioritizing what things are off limits and where they can dive in and explore.

Mr. Redgrave suggested in the next session discussing what scenarios would be reasonable for the Panel to be looking at.

Mr. Marsh thanked the team for the materials and presentations.

The meeting was adjourned at 3:20 P.M.

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

Submitted by:

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Sandra K. Menedis
Acting Clerk