FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL

MINUTES

April 19, 2013

PANEL MEMBERS PRESENT:

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

OTHERS PRESENT: County Administrator Don Brown; Deputy County Administrator Bill Flaherty; Deputy Director of OMB, Zak Talarek; OMB Staff, Heidi Hallas Warren and Justin Navhi; Economic Development Director, Jim Schimmer

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

Materials in the order distributed:

- **CCAO Memo: Comments on Sub. H.B. 59 – The State Biennial Budget**, 5 pages.
- **Revenue and Expenditure Trends by Major Category**, Franklin County OMB, 1 page (table on legal sized paper).
- **General Fund Long-Term Financial Forecasts (2012-2016),** Franklin County OMB, 7 pages.
- **Fiscal Years 2008-2012 Lapsed Appropriations by Agency,** Franklin County OMB, 6 pages.
- **2012 Average Monthly Percent of Medical Premiums Paid by Employee**, Franklin County OMB, 1 page (small tables).
- **2011 Monthly Average Salary per Employee by Government Function – Franklin and Cuyahoga,** Franklin County OMB, 1 page (table).

Chair Ty Marsh convened the meeting at 2:07 P.M.

Mr. Talarek started with the *CCAO Memo: Comments on Sub. H.B. 59 – The State Biennial Budget* document. Based on the version of the bill that passed the House, the Sales Tax reform measure that would have place a moratorium and reduced the rate, is no longer in the Budget Bill. At least at this point, there will not be a prohibition on changing Permissive Sales Tax rates. There won't be the artificial reduction of rates and the resets for the next three (3) years. The current law, as is, holds for an indefinite period of time.

Mr. Marsh asked if anything is left from the original bill. Mr. Talarek stated no, the only thing that is similar is some slight base-broadening language related to some hotel intermediaries; for example, if hotel reservations are ordered through Priceline.com, that is going to establish the nexus to charge Sales Tax. There is some additional online nexus language to try to bring in more online retailers, to broaden the base and bring in additional revenue to State and Localities. There is no language in the new bill trying to include every service, which was in the original.

Mr. Shkurti asked what the order of magnitude is to that additional revenue, and how may it affect Franklin County. Mr. Talarek replied the estimates are not available yet. He thinks there would be a slight increase to State and Locals. No range is provided at this point. We can work on a report for the next meeting. The Legislative Services Commission (LSC) prepares a Comparison Document (Compare Doc).

It compares the provisions of the Budget Bill as it goes through the process. We will use information found in this to report next week.

Mr. Redgrave stated he understands that the Sales Tax Base Broadening is not a dead idea, it is just not in the present iteration of the Budget Bill. Mr. Talarek said that is correct. Mr. Redgrave asked if there is a chance it will come back. Mr. Ransier stated, I don't think we're going to see it at any time. There was discussion about the possibility of something similar appearing later. All agreed it is important to stay informed on this process. Mr. Marsh stated that since the administration has a goal of an income tax cut, the question is how they will try to finance that.

Mr. Shkurti stated the significant thing for this Panel is that in Ohio the budget can be rewritten and Conference Committee can make changes. While I think this base-broadening will not come back, there are plenty of other things that may, or new things that will affect us could come up. There is a possibility that tax cuts could be written in, but not paid for until the next biennium. For this Panel's focus, it does make it a bit easier with the base broadening provisions being out of the budget.

There was discussion that the House has also cut the percentage of tax reduction from 20% to 7%. It is not clear at this point how it was funded.

Mr. Marsh stated the next milestone for the Panel is when the Budget Bill passes the Senate. Mr. Talarek stated that usually occurs around Memorial Day weekend. At that time, the Senate's version should be passed by the Senate. Then the Conference Committee gets appointed in early June with a couple of weeks to finish before the June 30th deadline.

Mr. Marsh asked if there are any other provisions in, or issues related to, the Budget Bill (other than the tax issues) that have a bearing on the County's operations. Mr. Talarek stated there is one provision related to the Recorder's Office. Under current law, the Recorder can request a portion of the fees he collects can be put into a fund called the Equipment Fund. These fees are diverted from the General Fund and used to purchase equipment. Current law grants permissive authority. The Recorder has to come before the Commissioners, he can ask for up to $7.00 (per transaction) to be transferred to the Equipment Fund, and the Commissioners have the ability to approve, reject, or amend the Recorder's request. The new provision in the Budget Bill allows the amount to be increased from $7.00 to $8.00, and takes away the discretion of the Commissioners to reject or modify; they would have to approve the request as presented. Currently, the amount going to the Equipment Fund in Franklin County is $3.00 per each transaction; that is a total of about half-a-million dollars. If the new provision was to take effect, and the Recorder asks for a full $8.00, the total diverted from the General Fund would be about 1.46 million dollars.

Mr. Ransier asked if Medicaid Expansion has an effect on the County budget. Mr. Talarek stated the Non-General Funds could see an impact. Mr. Brown stated The Ohio State University estimated that Medicaid Expansion would have produced roughly 3 million dollars in income for the Franklin County General Fund. [Reports have been provided to the Panel in past meetings]. If Medicaid Expansion does not move forward, that dividend opportunity is lost. It is difficult to quantify the negative impacts. There would be a cost associated with determining as many as 60,000 individuals' eligibility and processing enrollment. Under current law those registrations would flow through Franklin County Job and Family Services (JFS). Mr. Ransier stated there is Federal funding for expansion that would not flow to the State without the Expansion. Mr. Brown stated not getting those Federal funds would have a significant, negative impact on our hospitals. They would be faced with charity care, with no offsetting revenue from Medicaid or Medicare. Mr. Ransier asked if JFS has a budget line to address expansion. Mr. Brown stated no. JFS would be affected only in terms of the cost of staff time and effort to enroll those 60,000. The Medicaid Expansion also proposed giving hospitals the option of enrolling Medicaid participants.

If that happens, then some of the burden of enrolling new people may shift from County to the hospitals. The hospitals may take that on, because enrolling people faster would increase the flow of Medicaid reimbursements to the hospitals.

Ms. Morrison added an increased burden of charity cases at hospitals could have a ripple effect out into the business community. We have been talking to the Legislature about the financial benefit of Medicaid Expansion, and the Federal funds that could come to the State. If the funds do not come to us, because Ohio does not enroll, the funds will go to the states that do enroll. The changes in the House bill do allow the Senate to continue discussions on Expansion.

Mr. Marsh summarized that the effect of Medicaid Expansion, or of no expansion, on Franklin County is hard to quantify as of right now.

Mr. Talarek stated that another important area affected by the new Budget Bill is the Local Government Fund. The 50% cuts from the previous Budget Bill (2 years ago) would be continued in the current version of the Budget going forward. Also with the Income Tax discussion, revenues would decline, because the Local Government Fund is based on a percent of State Tax Receipts, which would have some minimal impact. The Comparison Document from LSC was estimating statewide about a 12 to 13 million dollar impact. For Franklin County, that would amount to about $400,000.

Mr. Marsh asked for more information about the Local Government Fund (LGF) in general. Mr. Talarek stated the LGF started in 1934 as a way of revenue sharing when the State instituted the first Sales Tax. Through the years, there would be certain percentages of Sales Tax, and certain percentages of Income Tax (different revenue streams had identified sources) that would go into the LGF. In the late 1990s, early 2000s, when there were State budget pressures, a LGF Freeze was implemented. That froze the distributions to the counties and municipalities at a certain level. It lasted for about six years. When the freeze was lifted, it was determined to tie the LGF to a strict percentage of all State tax receipts, rather than picking certain revenue sources. It was set that about 3.3% of all revenue was to go into the LGF for distribution to counties, municipalities, townships, etc. In the last budget, essentially a new freeze was instituted. Receipts were cut by 25% the first year of the State biennium, and then an additional 25% in the second year of the biennium. The political subdivisions only received 50% of the amounts they had received the previous two years. That 50% cut is continuing under the iterations of HB 59. The 3.3% would now be reduced to about 1.65% of all State receipts being distributed to the political subdivisions.

Mr. Marsh asked, in real dollars what does that mean to Franklin County? Mr. Talarek replied, currently we are estimating 12 million dollars in LGF receipts. In 2008, that number was 26.4 million dollars. That is a 14.4 million dollar cut just in the last five years. Mr. Marsh asked what percentage of the General Fund this accounts for. Mr. Talarek answered it went from about 9% to approximately 4%, in the 2008 to 2012 time period. Mr. Ransier asked if the 3.3% of all receipts feeding into LGF was a revenue gain or reduction. Mr. Talarek stated at the time there were some slight increases because the revenues from the State were increasing. As part of the change from the freeze to letting it float, there were some provisions to guarantee against a loss. In essence, they were held at the freeze level, and any additional revenues would be allocated proportional to population. Franklin County did benefit in that because Franklin County had been growing compared to some other counties around the State. Revenues to us from LGF were at about 24 million dollars during the freeze. The County gained about 1 to 2 million dollars when the freeze was lifted. We could only use that method for about two years outside the freeze. Then the State budget again impacted the distribution to the County.

Mr. Marsh asked if there are any other non-budget bills pending at the Statehouse that may be relevant to this Panel. Sometimes other bills do find their way into the budget process.

Mr. Brown stated the CCAO monitors what bills are in the House or Senate, and if they would create an unfunded mandate, or are a "tax grab," or if there are cuts in state subsidies or shared revenues. House Bill 49 is under consideration. This bill would expand the responsibilities of a Probate Court to confirm/validate need for anyone claiming indigency in the Court. We are watching that because there would be increased cost if the bill were to pass.

Mr. Flaherty stated that residents of Twin Valley, the State mental facility located in Franklin County, become financial burdens on Franklin County's Probate Court, as the Court is responsible for processing them. This represents an unfunded mandate to the County, as it provides support for those individual through the Probate Court. The Court has been lobbying for relief from the General Assembly relative to this mandate, but has not yet gotten it.

Mr. Marsh stated the final round of the State budget process, in July, will be important to this Panel.

Mr. Redgrave asked where the LGF shows up in the revenue information provided by OMB thus far. Mr. Talarek referred the Panel to the legal sized sheet, *Revenue and Expenditure Trends by Major Category*. There is a line under Revenue Source labeled Local Government Allocation, sixth line down. Mr. Ransier noted that it is currently at the lowest amount it has ever been.

Mr. Redgrave asked for background on the county recorders' provision in the newly proposed Budget Bill. Mr. Brown stated it is based on a lobbying effort primarily concerning other counties in the State. Franklin County has a good working relationship with its Recorder and negotiation is effective.

Mr. Talarek went over the *Revenue and Expenditure Trends by Major Category* document. The forecasted amounts (2014-2016) found on the document are taken from the Baseline Scenario (presented at the last meeting).

Mr. Shkurti asked, what is the biggest part of "Other Revenues"? Mr. Talarek stated there are a lot of miscellaneous items in that category; such as internal leases, charge backs that Public Facilities does for Non-General Fund Agencies, inmate telephone revenues (which have gone down substantially in recent years). Mr. Talarek stated he can get a list of the top five (5) or six (6) drivers of that category for the next meeting.

Mr. Redgrave asked why there was a doubling of revenue in that line in 2007. Mr. Talarek stated that category also includes various inter-fund loan payments that were repaid to the General Fund. The Courthouse and Huntington Park projects were initially funded by interim financing provided by the General Fund. Upon the issuance of bonds, those were repaid. They are showing up here in the revenues. We had issued 120 million dollars of debt in 2007 for the Courthouse and the new Animal Shelter, as well as 42.5 million dollars of debt for Huntington Park, which had a repayment of about 15 million dollars. Mr. Brown stated from an accounting standpoint, this document is showing cash flows, not necessarily revenues. Mr. Shkurti noted the amount of fluctuation in the "Other Revenues" category as it is projected out. Mr. Brown stated OMB can provide further detail in a future report. The largest factor behind the ebb and flow is the inter-fund cash advances and repayments. Project engineering and design is started before bonds are issued, and then there is a repayment from the proceeds of the bonds once they are sold. Mr. Talarek stated in 2012 we had 3.3 million dollars, loaned for Huntington Park, which was able to be repaid due to the sale of Cooper Stadium. That would be one of the impacts resulting in a drop in one-time revenue. There are also some unclaimed funds that the Treasurer's Office was able to identify, again a one-time revenue source. Mr. Shkurti asked if this would affect the County's General Fund Reserve levels. Mr. Talarek stated that it could. The County's policy is for the 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 revenue or as a percent of expenditure, whichever is greater.

Historically, over the last few years the percent of expenditures has been greater. However, if revenues were potentially higher, then that would be the controlling factor on a Reserve policy.

Mr. Redgrave asked if this document was a cash basis statement. Mr. Talarek said it is. Mr. Redgrave asked if, from a GAAP point of view, those would be capital and financing transactions, which would flow through a Cash Flow Statement but not through the Profit and Loss. Mr. Talarek stated that would be some of that. Mr. Brown stated this is a cash basis presentation.

Mr. Redgrave asked, when it comes to our AAA rating, and the governors of maintaining the AAA rating, some of which are a percentage of these numbers, if you have balance sheet transactions flowing through this accounting, is that the way the ratings agencies look at it? Or do they look at it more on a GAAP basis? Mr. Talarek stated the rating agencies usually look at the accrual basis numbers, based on the financial statements. But they do look at the cash basis as well. Mr. Brown stated the accruals may actually cause the threshold to be higher, because property taxes are collected in arrears and accrual picks that up as a receivable. So when the financials are converted from cash to accrual basis, revenues are substantially increased. Any benchmarking of cash reserves as a percentage of revenue actually becomes a higher threshold when measured on an accrual basis; notwithstanding the flows of balance sheet items through a cash basis statement.

Mr. Talarek stated the next document is a representation of the two forecasted scenarios from the last meeting, and the conservative scenario from the first meeting; *General Fund Long-Term Financial Forecasts (2012-2016)*. The last page of this document is a graphic representation of the scenarios. It shows the annual ending cash balance for the General Fund. The graph goes back to 2005 and includes all three (3) scenarios. The ending balance in 2005 was the impetus for the decision to build up the reserves using a temporary increase on Sales Tax through the end of 2007. It went from $50,000,000 to about $220,000,000 from end of 2005 to the end of 2007. Because the Sales Tax increases are limited to 0.25% increments, it is a very blunt instrument to build up the reserves. When the temporary increase was done, the expectation was that the reserves would last roughly five (5) years. As you can see, the ending cash balances remained above the minimum balance line (in black) through 2013. Each scenario is in a different color going out from 2013 to 2016. Beginning in 2015, all three (3) scenarios fall under the minimum threshold of 35.9% of expenditures. Mr. LaFayette asked where the 35.9% comes from. Mr. Talarek explained it was the average of the double AAA counties, as rate by Moody's and S&P. It was the average cash balance based on percent of expenditures. It has been the County's benchmark to be at that average or above to: 1.) guarantee that we maintain our AAA rating, 2.) make sure as we issue our debt that we remain AAA, and 3.) lower our cost of capital. As we are looking to provide financing for the Hall of Justice, (as discussed last time as part of our capital plan, we are issuing 40 to 45 million dollars in debt) having the AAA rating can be quite a cost savings over the 20 to 30 years that this debt is outstanding.

Mr. Marsh stated that in order for the Panel to address the task of determining if a structural budget imbalance exists, more presentation materials need to be put together for an in-depth conversation on that topic. I think that while the staff may develop the materials, we the Panel need to own it in the end. Mr. Shkurti stated we are not trying to hit a point estimate; we want to get a sense of a conservative, an optimistic, and middle of the road scenario. It seems to me the Baseline Scenario ought to have certain characteristics; some of which are in the version provided by OMB, and some of which are not.

1. It should be middle of the road (which it is).
2. It should reflect the House Budget Bill in terms of what the State is going to do.
3. It would incorporate the First Quarter revenue results (which are included), and leave it there.
4. It should reflect current policy, unchanged.

Mr. Shkurti continued with an inquiry. He stated, I noticed that on the expenditure side, that Health Care Expenses and Employee Contribution had an 8% annual increase. I know the policy is that you take whatever the trend line is and reduce it by 3%. So would that mean that your assumption here was that Health Care and Employee Contributions would go up 11% if there was not intervention. Mr. Brown replied yes. Mr. Shkurti stated he thought it was a bit high and he would like to explore that further.
I would argue the Baseline Scenario should be whatever reasonable estimate is, minus 3% because of current policy. Then we can discuss how that would be reflected in the Rosy and Conservative Scenarios. The other thing that would help is bolding the text where an assumption is made that deviates from the Baseline assumption in the Rosy and Conservative Scenarios. An interesting challenge will be in understanding how much certain items fluctuate; such as the Casino Revenue. Lastly, you've got other entities that go through the process of making budgets and projections of CPI and economic growth, etc. One entity would be the City of Columbus, another is the State (both the Governor's Office and the LSC), and the Federal government (Legislature and CBO). What I would like to see is a one-pager that compares Franklin County's OMB base assumptions with those other entities. I would assume Franklin County's would be somewhere in the middle. Then also highlight for us where you think major uncertainties would be; i.e. casino revenues, State budgets; etc. Mr. Brown and Mr. Talarek replied that such information can be made available to the Panel. Mr. Brown stated probably the largest uncertainty is whether the current economic health of the State will continue through 2016. Will it get worse or improve?

Mr. Flaherty added that big changes is the broad economy significantly impact investment earnings. These are hard to predict, but we do use a trend line to do our best. Mr. Shkurti stated one of the things someone looks for in revenue estimates is that whatever you are assuming on different parts are related to each other. For example, if you are assuming investment earnings are going to stay at about where they are now, that implies a low inflation environment. On the other hand, if you get into a re-inflation environment, that sets up a different cascade on both the revenue and expense sides. Consistent assumptions are required for a forecast.

Mr. Ransier stated one of the things that have changed in the State's economy since 2008 is the hydraulic fracturing, "fracking," issue. There is a severance tax, it just has not increased. He wondered how or if that revenue could flow to Franklin County. Mr. Brown stated he does not think these tax receipts are in the Local Government Fund base. I do not believe it flows to counties. Mr. LaFayette added, if it improves the State's finances, there is likely to be either fewer layoffs, or more hiring of, State employees, many of whom live and buy goods here in Franklin County. Mr. Shkurti stated the economic impact is yet to be determined, and many workers in the industry are hired from out of state, but those workers would still pay State taxes. Mr. Brown stated that there was a proposal that funds from the "Fracking Tax" would go back into the areas where the industry is operating for road and infrastructure repairs. That would not affect Franklin County, and that proposal has been set aside for now.

Ms. Morrison asked for clarification about the assumed 11% increase in Employee/Fringe Benefits. Mr. Talarek stated it came from the County's actuary CBIZ. I will check if there are any updates on the medical trend. Mr. Brown restated the County policy is to beat the national trend by 3%, so an 11% trend (as reported by our actuaries) would make the County policy goal of capping the year over year increase at 8%. Mr. Shkurti asked how much of the Employee/Fringe Benefit costs are health care and how much are for retirement programs. Mr. Talarek will confirm, but guessed that health care was about 65% of Fringe Benefits. Mr. Shkurti asked, when you say health care expenses will have an 8% increase, is that before figuring in retirement contributions which grow only in relation to payroll? So the average of the two, if mixed, would be substantially less than 8%. Mr. Talarek stated that the rate of 8% does not include retirement expenses. Retirement expenses would be tied with ECI.

The County increases salaries and wages by ECI, so we would have also included PERS, Workers' Comp., Medicaid, all those tied to payroll would follow ECI, not the 8% model. Mr. Shkurti asked if the Fringe Benefits category of expenses is growing by the blended rate of 8% plus ECI. Mr. Talarek stated yes it is.

Mr. Redgrave added if the Panel clarifies exactly what the differences are between a true Baseline (more status quo assumptions) and the Rosy and Conservative Scenarios, and we concluded there is a gap to close to maintain AAA rating, the next thing we could do is determine a list of actions that could be taken to mitigate that gap. How would we prioritize them? An example is considering an increase in employee contribution to health plans. Basically, what actions can be controlled by the County in the process? It may be logical to consider what our scenarios would look like if we want to be rated at double AAA. Mr. LaFayette asked what impact a double AAA rating would have on interest expense. Mr. Brown stated OMB can look into that. It was concluded by Mr. Redgrave and Mr. LaFayette that there could be a cost-benefit analysis of double AAA rating. Mr. Shkurti added that one intermediate step to perhaps consider is that the first time OMB does the Conservative and Rosy scenarios, assume no policy changes. Then the Panel can add or subtract policy measures. Mr. Redgrave stated that was his point as well. Mr. Talarek confirmed that in the scenarios presented to the Panel, no policy changes were assumed. Mr. Brown stated another example of an actionable item might be changing the retail supplier of energy. We have done some research into trying to estimate savings that could arise from a potential change. Mr. Redgrave added perhaps another consideration could be how we work with the City of Columbus. Mr. LaFayette clarified, as in regards to shared services.

Mr. Talarek moved on to the *Fiscal Years 2008-2012 Lapsed Appropriations by Agency* document. On the table, a negative percentage indicates agencies that received transfers from the Contingency Fund. Each year, the Commissioners hold a contingency line of funds, for use if an emergency occurs, or if a collective bargaining agreement that was not initially budgeted is approved that causes an increase salaries, etc. Mr. Brown stated therefore the negative percentage means no lapse occurred, and in fact the agency received supplemental (additional) appropriations. Ms. Morrison asked for clarification by example; Economic Development and Planning, in 2009, was granted additional appropriations. Mr. Talarek stated yes, due to the Central Park in Gahanna project. It had a late expense that was not envisioned in the initial budget. Mr. Shkurti noted the Sheriff's supplemental appropriation occurred four years in a row. Mr. Brown stated that because of the size of that budget relative to the entire General Fund, it represents about a third of General Fund. Any variance there is significant, so we watch carefully.

Mr. Marsh asked if the supplemental funds are generally granted because of some specific event or project, or it is based on inaccurate trends or assumptions made by the agency. Mr. Brown stated it could be both. An across the board supplemental action will be taken by the Board of Commissioners because it is the Board's policy not to include wage increases in the initial appropriation to the agencies, but rather make a global decision and then act on that global decision across all offices, and boards of commissions uniformly. But with that exception, most other supplemental appropriations are project driven. For example, the Central Park of Gahanna project required a supplemental appropriation to Economic Development and Planning. Other example is grants may be awarded or contracts are given to the County subsequent to budget adoption. Mr. Flaherty stated that the supplemental allocations are usually pre-planned and pre-acknowledged. Pay increases are put into the Contingency Fund, and then are given to the agencies later in the year. Sometimes it is given the first of the year, other times not until after we review the first quarter. The others would be responses to unanticipated needs or opportunities. Mr. Brown summarized a supplemental appropriation is usually required when an event wasn't, or could not have been, anticipated in the original budget; such as dealing with the aftermath of a large storm last year.

Mr. Redgrave asked if the Commissioners' line on page 1 of the *Fiscal Years 2008-2012 Lapsed Appropriations by Agency* document is consistently positive because that is where the discretionary funds reside. Mr. Brown said yes that is the reason. That is where the reserves are maintained, a portion of which are appropriated in the budget in the form of a Contingency Fund for the supplemental actions we just described.

Mr. Talarek stated in regards to termination payouts, when an employee retires, or leaves service, and there is a cash out of vacation and sick leave pay, that is held within the Commissioners' budget. Then at the end of the year, there is distribution to the agencies in the General Fund that enable them to cover those costs. There is some expectation that when someone leaves, there will be a period of vacancies that could potentially absorb the termination costs. Therefore, the Board does not want to necessarily give that money up front because once dollars are appropriated to an independent, elected official, those dollars cannot be brought back in.

Mr. Marsh stated this is a good example of fiscal controls. Is this process unique to Franklin County? Mr. Brown stated he does not think it's unique to Franklin County. A general rule of thumb is that once an appropriation is made by a board of commissioners to another office, agency, board, or court it cannot be rescinded. In order to maintain maximum flexibility and control, the reserves are set aside in an account that remains under Board control. So if there is a need to contract/reduce the budget, that decision can be made under the Board's own authority. There may be a need at times to give more funds via supplemental appropriations, but there may also be a need to contract the budget if revenue estimates don't pan out. I would suspect other counties reserve that right in an account under their boards of commissioners as well.

Mr. Talarek stated the main factor somewhat recently was the changeover to being self insured for Workers' Compensation. The funding model was changed and a couple of vacancies for a year can have a large percentage impact.

Mr. Shkurti asked if there is a system whereby you can allocate the Non-General Fund agencies their fair share of paying for central services. Mr. Talarek stated a cost allocation plan is prepared annually. We do invoice certain agencies the charges to recoup the cost the General Fund bears. However, not all agencies pay that. Per statute, there are only certain public service agencies that are required to pay cost allocation, the others may pay on a voluntary or contractual basis. Mr. Shkurti stated a consideration of charging more agencies could be on the list of hypothetical actions the Panel could discuss. Mr. Brown stated that such a change would require a change to State law. Mr. Shkurti stated it would be interesting to research what affect on revenues such a change could have. Mr. Talarek stated in the last few years OMB has been widening this net and has gotten agreements from additional agencies to pay some cost allocations. Mr. Brown stated, generally, the law currently permits counties to charge back the cost of General Fund support to other funds or sources that are federally or State supported. But not to special revenue programs or levy agencies that are locally supported; levies are the largest example of that. Mr. Shkurti stated even if it is a non-starter, it would be useful to see what the numbers are.

Mr. Ransier asked for additional clarification on the Contingency Fund and supplemental appropriations. Mr. Brown explained that an agency will present their operating needs; the agency will not have a contingency line in their budget. The County Commissioners via OMB will develop a separate budget intended for a Contingency Reserve. Mr. Ransier noted there would be a discussion about the potential for a contingency between the agency and the Board. Mr. Brown said that is correct. The Contingency Reserve is intended to address contingency needs for any and all agencies, for any and all purposes. Mr. Flaherty added that sometimes an agency will make a proposal during the budget process for a new program or new piece of equipment, for example, and the Board might say your equipment might last another year, but if it does not, we'll provide the funds when a replacement is actually needed. Mr. Brown shared an example.

The Sheriff's Office requested that the Board provide for the replacement of forty (40) deputies, on the belief that forty (40) vacancies would occur by mid-year. So we provided for that eventuality in the Contingency account, for the training class, until we were certain that the vacancies materialized. Mr. Ransier asked if the amount of the Contingency Fund is negotiated. Mr. Talarek stated there is a statutory requirement that no more than 3% of a county's expenditures can be budgeted in a Contingency account. Mr. Flaherty stated part of the process in determining funding level for the Contingency Fund is based on historic pattern. Mr. Brown stated we try to do a granular analysis, but there is still a 3% cap.

Mr. Flaherty recapped the ability for the Courts to file mandamus actions in efforts to garner funding; only in the event a negotiation between the Board and the Courts did not work. Mr. Redgrave asked if that has happened in Franklin County. Mr. Flaherty stated it has not because the relationships have been good for crafting agreements. There was discussion that State Courts do not have this mandamus power over the Legislature, but the Governor, as a courtesy, does usually provide the State Courts the funding they request.

Mr. Talarek moved on to the *2012 Average Monthly Percent of Medical Premiums Paid by Employee*. This document offers comparisons requested in the last meeting. A unique feature of Franklin County's plan, when compared to those in the comparison group, is that Franklin County's family coverage is based on if a spouse is included in the coverage. There are two (2) categories here: Employee with or without children pays one rate, Employee with Spouse with or without children pays a different rate. There is no additional cost for children on the plan, it is based on if a spouse is included or not. Mr. Flaherty stated OMB has looked into if other categories are needed or not. Mr. Talarek added we have looked at a four-tier model of Employee, Employee Plus 1, Employee Plus 2, Employee Plus More. 2006 was the first year the Employee Contribution was included, prior to that the County paid the full premium amounts for healthcare. In 2012 and carrying forward into 2012, we are in the 11.5% to 12% range of Employee Contribution rate. Mr. Marsh asked if there is a goal for Employee Contribution percentage. Mr. Brown stated our goal is to be market competitive. Mr. Flaherty added we want to be competitive in our whole package, wages and benefits. Mr. Brown stated we define market primarily in terms of public sector employment.

Mr. Talarek moved on to the *2011 Monthly Average Salary per Employee by Government Function – Franklin and Cuyahoga* document. This table compares Franklin County to Cuyahoga County from 2008 to 2011. Mr. Shkurti revisited the difference in Corrections salaries, confirming that it is due to Deputy Sheriffs being used by Franklin County jails. Mr. Talarek affirmed this as the reason. Mr. Shkurti asked what the line "Other Police Employees" means. Mr. Brown stated it would be non-sworn employees in law enforcement. Mr. Shkurti asked how they are different from Police. Mr. Talarek stated Police have arrest powers. The definitions are in the *2011 Monthly Average Salary per Employee by Government Function* document from the 4/5/13 meeting. The U.S. Census Bureau's definition of Corrections includes jailers and probation officers.

Mr. Shkurti noted a sizeable difference in salaries of Parks and Recreation employees. Mr. Talarek read the definition from the *2011 Monthly Average Salary per Employee by Government Function* document handed out on 4/15/13. "Parks and recreation – Include the operation and maintenance of parks, playgrounds, swimming pools, public beaches, auditoriums, public golf courses, museums, marinas, botanical gardens, and zoological parks." Mr. Brown stated in Franklin County that would include the Metro Parks employees. Which would not be a General Fund function, but it would be a County function, although in a separate district.

Mr. Shkurti stated that while Park and Recreation employees are not on the County's payroll, most of the Corrections employees are. Mr. Brown stated that is correct.

Mr. LaFayette asked who was responsible for setting staffing limits in the jails. Mr. Brown stated that the Sheriff works with the Fraternal Order of Police to set the limits and roles. One of the things we have asked the Sheriff to obtain in the current negotiations is to allow the Sheriff some additional flexibility to fill posts with civilians where appropriate.
Mr. LaFayette stated that given the size of this part of the budget, and the likelihood that staffing concerns account for much of the funds, it may be good to take a look at this. Mr. Flaherty stated the control the Board has is through the appropriations process. The Sheriff can only spend what he is given. However, unlike the Courts, the Sheriff has no right of mandamus.

Mr. Ransier asked how many bargaining unit agreements the County currently has. Mr. Brown stated there are about thirteen (13). The FOP has no strike power, but it does have binding conciliation. So the last three agreements have been imposed on us through third party conciliation, not by agreement. Mr. Shkurti asked if a conciliator has to take into account how in line Franklin County is with practices elsewhere in the State. Mr. Flaherty stated they are, but you could also get a conciliator that comes up with their own opinion. For example in Richland County a conciliator made the determination that since the County had not exhausted its Permissive Tax limits, it could increase them and then afford provide more compensation. Based on that logic the conciliator ruled in favor of the bargaining unit. Mr. Brown stated we are in an environment with thirteen (13) or more bargaining units. The FOP bargaining unit has access to a resolution that the others do not – to seek a third party conciliator's decision, which is binding. Mr. Marsh asked for clarification on what conciliation meant. Mr. Flaherty explained that unlike arbitration, a conciliator does not try to find common ground, he will take whatever proposal he thinks is most reasonable.

Mr. Marsh asked, how many contracts have had to go to arbitration in recent years? Mr. Flaherty stated we usually go to the fact finding and get them resolved. The contracts concerning the deputies routinely go to conciliation because it makes it easier for the bargaining unit to resolve it that way.

Mr. Ransier asked if we are making assumptions based on current contracts. Mr. Brown stated the forecasts assume current contracts, however, we are also assuming an ECI index. We are assuming that our future negotiations will settle within that range. Mr. Talarek stated the larger units don't have contracts beyond 2013. Mr. Brown stated most of the agreements are three (3) years in length, and they are staggered, so they don't all expire at the same time. Mr. Redgrave stated that it would be helpful for the Panel to know which contracts are up for renegotiation, and what are the risks associated with them.

Mr. Marsh stated the next meeting will continue to examine the question of an imbalance.

Mr. LaFayette stated the thing I focus on is before we can call a structural imbalance, we have to be pretty well assured that the County is operating efficiently now. Mr. Marsh asked what information may be helpful to make this determination. Mr. Brown stated we can incorporate that into the list of actionable items, and we could invite key operating agencies to be interviewed by this Panel. You could ask them what operational efficiencies they have in place. Those agencies could include Facilities Management, Job and Family Services, Child Support Enforcement, Justice Programs, Courts, and Sheriff. Some of these may be Non-General Fund agencies that receive large General Fund subsidies. We understand that for next meeting the Panel would like a list of actionable items.

Mr. Bigby asked if it is possible to get the principle balance of the investment pool; and also what the strategic vision is in managing those assets. Mr. Talarek stated as of March 31, 2013 the portfolio is at $870,000,000, earning about 85 basis points, average maturity is about 2.7 years. Statute restricts what Counties can invest in; no more than a 5 year maturity, has to be highly rated, 25% maximum portfolio size for commercial paper that is in the highest two grades, etc… Mr. Brown asked Mr. Talarek if he can share the investment policy with the Panel. Mr. Talarek will provide that information.

The meeting was adjourned at 3:40 P.M.

These minutes are a synopsis of the meeting of the Franklin County Budget and Economic Advisory Panel of Friday, April 19, 2013.

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