

## Summary of Documents Presenting the County's Fiscal Condition

### I. Revenue/Expenditure History

In July 2005, the County was faced with a \$55 million deficit. In 2005, the Board increased the rate by 0.25 percent, on a permanent measure, and that is what it is today at 0.75 percent. The 2005 Board also approved a temporary 0.25 cent increase to restock cash reserves. That temporary rate ended on 12/31/2007. At the time, the Commissioners told the public they would stretch those dollars for from five to seven years. The County is now into the eighth year since this commitment was made to the taxpayers. Since 2008, the County was faced with the impact of the most severe recession in generations and state funding reductions.

#### a. *Revenue and Expenditure Trends by Major Category (April 19, 2013)*

2006-2007 Sales Tax Revenues reflect the increased sales tax rate from 0.5% to 1.0%, then reducing the rate to 0.75% in 2008. Since the great recession and the reductions in the Local Government Allocation from the state, the County has been faced with declining revenues. While the County has implemented measures to control spending in response to declining revenues, the forecasts indicate that expenditures will outpace revenue in the coming years. This will force the County to continue to utilize its reserves in order to maintain current service levels, which could jeopardize the County's double AAA bond ratings.

### II. County Budget Drivers

The County's General Fund budget is driven by a number of items, including core services, unfunded mandates, buildings and grounds, other elected officials, and grants. Most of the budget is comprised of expenses that are mandated by state law and outside of the discretion of the Board of Commissioners.

#### a. *Top General Fund Budget Drivers (March 8, 2013)*

- i. Core services, such as the Board of Elections, Courts, Prosecuting Attorney, and Sheriff, constitute 68% of the 2013 Approved Budget. Unfunded mandates make up 5% of the Budget for the year. Also see *2013 Unfunded Mandates and Core Services in Franklin County (March 8, 2013)*
- ii. Other Elected Officials including the Auditor, Coroner, Recorder, and Treasurer total 6% of the 2013 General Fund Expenditures, while the Board of Commissioners and related miscellaneous expenses total 8%. Also see *2013 Other Elected Officials and Miscellaneous Expenses in Franklin County (March 22, 2013)*
- iii. The Board of Commissioners have budgeted 4% of the budget for discretionary grants in 2013. Also see *2013 Grants- Community Partnerships and Economic Development & Planning (March 22, 2013)*

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### III. Influences on the County's Budget

- a. *Monthly Economic and Budget Reports- March 2013 (May 3, 2013)*

OMB issues the Monthly Economic Summary to monitor the economic influences on Franklin County's anticipated revenue. A review of these trends show reflects the great recession on the economic indicators, with a decline in Real GDP, Industrial Production, Sales Tax Receipts, and Franklin County Residential Building Permits and an increase in the unemployment rate.
- b. *General Fund Revenue Analysis – 1<sup>st</sup> Quarter 2013 (May 3, 2013)*

The County's General Fund revenue was impacted by the great recession in a number of ways, including lower sales tax collections, reduction in the county property values, and a decline in investment earnings.
- c. *Operating Budget (HB 153) Estimated Impact on Franklin County (March 8, 2013)*

Based on the FY 2012-2013 State Budget, county allocations in the Local Government Fund were reduced by approximately 25% from the previous year's allocation beginning in August 2011, with an additional 25% reduction (for a total reduction of 50%) starting in July 2012. In addition, the State Budget included the accelerated phase out of the Tangible Personal Property Tax and Public Utility Deregulation revenues.
- d. AAA Credit Ratings

In an effort to maintain the County's double AAA bond rating, the County's goal is to maintain a minimum ending cash balance of 35.9% of expenditures.

  - i. *Debt Management Policies (March 8, 2013)*
  - ii. *Fiscal Sustainability Principles (March 8, 2013)*
  - iii. *AAA County Report - Standard and Poor's (April 5, 2013)*
  - iv. *Franklin County Aaa Rating Averages - Standard and Poor's (April 5, 2013)*
  - v. *Franklin County Aaa Rating Medians - Moody's (April 5, 2013)*
- e. *Revenue and Expenditure Trends by Major Category (April 19, 2013)*

The impact of these influences on the County's budget can be seen in the revenue trends document.

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### IV. County's Response to Budget Influences

In response to the declining revenues, the County has implemented cost control measures and reduced expenditures to stay within budget.

a. *Franklin County, Ohio Annual Financial Audit Report (April 5, 2013)*

As indicated in the Annual Financial Audit Reports, Franklin County revenues per capita decreased from \$1,058 in 2007 to \$903 in 2011. At the same time, expenditures per capita decreased from \$929 to \$885. Franklin County was also the lowest in revenues and expenditures per capita when it is benchmarked against its peer counties in 2011.

b. Employee Salaries and Benefits

Personal Services is the largest expenditure category for the County's General Fund. Franklin County has maintained average employee salaries that are comparable to peer counties and below the State of Ohio employee rates. The County is self insured for healthcare benefits and the Franklin County Healthcare Cooperative has been below the national trend for the rate of increase in health care costs. The County has the strategic goal of being three (3) percentage points below the national trend in health care cost and does so by making plan design changes. Franklin County has also increased the average monthly percent of medical premiums paid by employees. After the April 1, 2012 increase, the County's employee contribution is in line with other public sector entities statewide, including counties with 100,000 or more residents. However the employee paid premium is lower than the State of Ohio employees.

i. *2011 State Local Government Employment and Payroll (April 5, 2013)*

ii. *2008 2011 Local Government Employment and Payroll (April 19, 2013)*

iii. *MORPC 2012 Final Results Salary Survey (April 5, 2013)*

iv. *Franklin County Medical Plan Benchmarking Comparison (April 5, 2013)*

v. *2012 Employee Paid Medical Premiums (April 19, 2013)*

c. *General Fund Actuals by Category 2008-2013 (April 5, 2013)*

The County has reduced the Economic Development and Community Partnership discretionary grants, from a high of \$21.6 million in 2009 to \$14.7 million in 2013, a decrease of 32.2%. Although these are considered discretionary, the grants meet critical needs in the community.

d. *Revenue and Expenditure Trends by Major Category (April 19, 2013)*

Total General Fund expenditures have remained relatively flat and even declined in the out years between 2008 and 2012.

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### V. County's Current Budget Condition

#### a. *Monthly Economic and Budget Reports- March 2013 (May 3, 2013)*

- Real GDP growth for the first quarter was initially estimated to be 2.5%; most economists had forecast an increase of about 3.0%.
- The Franklin County unemployment rate decreased from 6.3% in February to 6.1% in March.
- The housing recovery in Central Ohio continues to show strength relative to the last several years.
- The March foreclosure rate in Franklin County was the 2nd highest rate in the state as the process has continued to unwind after the settlement with large lenders.

#### b. *General Fund Revenue Analysis – 1<sup>st</sup> Quarter 2013 (May 3, 2013)*

The amount of Sales Tax revenue collected in the 1st quarter of 2013 shows a significant improvement over the amounts from the previous five years. Franklin County's 2013 revised budget included \$35,014,992 in real estate taxes, which is a 3.8% increase as compared to actual receipts for this revenue line item in fiscal year 2012. However, this amount is lower than previous years due to the decline in property values. Also, the 2013 estimated impact of the FY 2012-2013 State Budget to the General Fund is a \$13.4 million loss.

#### c. *Sales Tax County Comparison (March 8, 2013)*

The largest driver of the County's revenue is sales tax. Franklin County's current operating permissive tax is 0.75%. The statutory cap is 1.5 percent (1.50%). The chart provides a comparison with peer and surrounding counties, and shows that Franklin County has the lowest county sales tax rate.

#### d. *General Fund Expenditures (March 8, 2013)*

The 2013 Approved Expenditure Budget is provided by Commissioners' and Non-Commissioner's Agencies. Although the Total 2013 General Fund Approved Budget was \$303,981,982, as stated in the Revenue and Expenditure Trends by Major Category (April 19, 2013) document, the expenditures are forecast to be \$295,470,489 for the year.

### VI. County's Financial Forecast

#### a. *Forecast Scenarios (April 19, 2013)*

Based on the Rosy, Baseline, and Conservative scenarios, the annual ending cash balance will be below 35.9% of expenditures by 2016. As part of the Strategic Business Plan developed by the Board of Commissioners Office, the County has a fund balance target equal to the average of all US counties rated Triple-A by both Standard & Poor's and Moody's.