FRANKLIN COUNTY BUDGET ECONOMIC ADVISORY PANEL

MINUTES

May 17, 2013

PANEL MEMBERS PRESENT:

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

OTHERS PRESENT: County Administrator Don Brown; Deputy County Administrators Bill Flaherty and Ken Wilson; Director of Economic Development and Planning, Jim Schimmer; Deputy Director of OMB, Zak Talarek; OMB Staff, Justin Nahvi

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

Materials in the order distributed:

- **General Fund Long-Term Financial Forecast (2012-2016): <u>Baseline Forecast</u>**, Franklin County OMB, 4 pages.
- **Baseline Budget Forecast Assumption Comparison**, Franklin County OMB, 1 page.
- **General Fund Long-Term Financial Forecast (2012-2016): <u>Conservative Forecast</u>**, Franklin County OMB, 2 pages.
- **General Fund Long-Term Financial Forecast (2012-2016): <u>Rosy Forecast</u>**, Franklin County OMB, 2 pages.
- **Comparison of Differences in Long-Term Financial Forecasts,** Franklin County OMB, 2 pages.
- **Annual Ending Cash Balance,** Franklin County OMB, 1 page, graph.
- **Average Investment Portfolio and Interest Income 2008-2013,** Franklin County OMB, 1 page.
- **Franklin County: County-wide and Agency Budget Saving Options,** Franklin County OMB, 5 pages.
- **Some Available Budget Solutions,** Franklin County OMB, 1 page.

Chair Ty Marsh convened the meeting at 2:08 P.M.

Mr. Marsh restated the first priority of the Panel: Determining if there is structural budget deficit, and if so what range we think it is in.

Mr. Talarek began going over information requested at the last meeting. He reviewed the updated Baseline forecast. [Refer to <u>*Baseline Forecast*</u> document]. April Sales Tax was about $500,000 higher than the estimate. The State received their casino distribution, across the board there were reductions in all the receipts from all four (4) casinos. On average it was about a 12% decrease. Looking at current numbers and projecting out, inclusive of a high point of receipts, the revenue estimate of Casino Revenue, it is seemingly not very probable it will hit the 8.9 million dollars that was originally anticipated. In the Baseline Forecast, the Casino Tax revenue was reduced by 10%. Another change reflected is the recent approval of change in the County's electric energy service provider. The change is projected to save between $400,000 and $500,000 a year. In the Baseline Forecast, beginning in 2014, we included $400,000 in savings in Utility Costs.

The total impact of these changes was a net increase in cash of $11,367. [Refer to page 2 of *Baseline Forecast* document]. The decrease in the Casino Revenue almost completely offset the positives in Sales Tax and Utility Costs.

Mr. Redgrave asked if the State officially revised its estimates, or if OMB is making a projection based on current data. Mr. Talarek said OMB is projecting off of what we know right now. There are five (5) more months of Casino Tax Revenues that Franklin County would receive in this calendar year on a cash basis. I think by the end of June we will have a pretty clear picture of what the annual amount we receive will be for 2013.

Mr. Talarek went on to page 3 of the *Baseline Forecast*. He highlighted the variance of negative $31,998,365 between the projected 2016 Cash Balance ($84,718,156) and the Target Cash Balance ($116,416,522). This estimate assumes continuation of service levels provided under the current budget; no large scale additions or subtractions.

Mr. Talarek went on to page 4 of the *Baseline Forecast*. This is a Sensitivity Analysis on the impact of cash balance based on a 1% increase of inflation factors in each year.

Mr. Talarek went on to the next two documents: *Conservative Forecast* and *Rosy Forecast.* Italicized text reflects differences from the Baseline Forecast.

Mr. Talarek then read the italicized text in the *Conservative Forecast* document, page 1. From page 2, he highlighted the variance of negative $60,132,374 between the projected 2016 Cash Balance ($56,320,048) and the Target Cash Balance ($116,452,422).

Mr. Talarek then read the italicized text in the *Rosy Forecast* document, page 1. From page 2, he highlighted the variance of negative $4,440,031 between the projected 2016 Cash Balance ($109,354,320) and the Target Cash Balance ($113,794,351). Draw on reserves decreases in the out-years.

Mr. Talarek referred the Panel to the *Comparison of Differences in Long-Term Financial Forecasts* document. This document compares the Baseline, Conservative, and Rosy Scenarios in one table for easier reference.

Mr. Talarek referred the Panel to the *Annual Ending Cash Balance* chart. He explained the increase from 2005 to 2008 is due to the reserves being re-established. Then the decline from 2008 to 2013 reflects the utilization of the reserves. The end of the chart illustrates projections based on the three (3) scenarios presented to this Panel. The black line represents the County target cash balance at the average Double AAA Counties; currently 35.9% of 2016 Baseline Scenario Expenditures.

Mr. Brown explained the basis for the 35.9% policy is we believe it supports the continuation of the County's Double AAA ratings. Contrast that with GFOA which states that every government, regardless of rating, should maintain a minimum of 16%; roughly two (2) months of cash reserves. If we were to set aside the credit rating, and aim for the GFOA 16% recommendation, our cash balances could fall from the 30%-32%to the 16% level, setting aside the consequences of that idea, the County would have to maintain only 50 or 55 million dollars, rather than 100 or 110 million dollars, in cash. A change in the cash reserve policy would "kick the can down the road" a couple of years, based on the Conservative scenario. Based in the Baseline scenario, it may go a little further than that. A change to this policy is not a permanent solution, but it may be a temporary solution option. This is a question for the Panel: Would you consider weighing if it is a good option or not to settle on?

Mr. Shkurti asked about a requested document illustrating comparisons of revenue assumptions with other governmental units, such as Columbus, the State, etc. Mr. Talarek stated in some cases OMB has had trouble finding comparable information relevant to the OMB forecast. We did, however, find that:

- The State of Ohio had a Sales Tax estimated increase of 3.5%, compared to 5% in OMB's County Baseline scenario.
- OMB is assuming a 2.7% increase on Service Fees and Charges revenues; the City of Columbus is assuming a 3% increase in their Service Fees and Charges revenues.
- Casino Revenue, Columbus had a 2% increase, and OMB originally had a flat expectation, and then we went to a 10% decrease.
- Income tax, which the County does not have as an item, the State assumed 9.7% and Columbus assumed 3.5%.
- Investment earnings, the State assumed a 1.9% increase in the out year, Columbus projects no increase, and OMB projects no increase.
- Payroll costs, the wage increase for the State of Ohio is 5.6%, Columbus didn't have a number we could find as it is determined by the bargaining unit increases, and OMB uses the ECI of around 3% for County projects.
- Health insurance, the County target is around 8% is in the middle; Columbus was at 9%, and Ohio was 5.6%.

Mr. Shkurti asked Talarek to put this information together in a one-page document. He asked that it include the date of the estimate, and anything that applies nationally (to compare against CBO estimates). Mr. Talarek agreed and added there were not easily comparable forecasts for out years from the City and State, so we implied based on the biennium budgets. Mr. Shkurti said establishing the base is the most important thing.

Mr. Shkurti noted on the *Average Investment Portfolio* document that every year the interest rates and yield have gone down. Will it continue to go down? Is there ever going to be a bottom? With a $900,000,000 balance, a difference of even 1% is $9,000,000.

Mr. Wilson said the low interest rate environment cuts both ways. For example on May 23, 2013, the County is going to close a loan for certain energy conversation measures. We borrowed a total of 9.4 million dollars, and our all-in, true interest cost is 92 basis points. We benefit from low rates when we borrow, but our investment portfolio is suffering. We do what we can to maximize yield by trying to keep as much in the core as possible and manage our cash flows. Mr. Redgrave asked if the 92 basis point rate is fixed. Mr. Wilson said it is fixed for 10 years. We issued the bonds in two (2) series.

There was discussion about how interest rates will move in the nearer and longer term. Mr. Redgrave posited there is more chance of them going up rather than down. Mr. LaFayette cited the Wall Street Journal as saying economists anticipate a slow and steady growth over the next year-and-a-half. That would put upward pressure on rates, but not a lot.

Mr. Shkurti said these things (just reviewed) ripple through the budget in different ways. For example if inflation kicks back off, that will set Sales Tax revenues up, but make benefits and payroll more expense. All of these considerations is further demonstration that it is a fool's errand to try to hit a point target five (5) years out; to say it's going to be this, so we need to do that. What these scenarios tell me is that the County has a potential problem five (5) years out of between 2.5 million dollars (Rosy Forecast) to 26 million dollars (Conservative Forecast). The odds are we'll be somewhere in between, but it could go to either extreme. The question is: How do you position the County so it can continue to offer core services, maintain its bond rating, but not end up with too much money?

A challenge is how to manage in an uncertain circumstance, which is at best always uncertain five (5) years out.

Mr. Brown explained that while we have been focusing on the cash, credit and operating budget needs projecting out, there are also other capital needs that the County may have to address in the next five (5) to ten (10) years.

- One is the need to replace a forty-five (45) year old morgue and lab facility. It is currently on OSU campus. The lease expires in 2018, right in the glide path of medical campus expansion. We can’t stay there. That is perhaps a 50 million dollar capital investment sometime between now and 2018.
- Secondly, we probably have the need to (Mr. Brown states this is just his personal forecast, the Commissioners may disavow it) replace a fifty (50) year old jail in the next five (5) to ten (10) years. Not only because of age, but perhaps because of increased efficiency of an updated design: direct supervision vs. the traditional cell block approach. That might be 150 million dollar capital investment.

Taken together in the next ten (10) years, the County may need to invest 200 million dollars in plant and capital. That requires financing, not cash, but should be factored into the forecast.

Mr. Shkurti asked if the County has any debt rolling off in the next ten (10) years. Mr. Brown replied yes. Mr. Shkurti asked for a one-page document to be created that includes the scenarios Mr. Brown just outlined, and the debt roll off. Mr. Robinson stated he assumes S&P looks at more than just cash on hand. We will need to be clear on items such as operating margins and the leverage ratio.

Mr. Wilson stated that the County policy is that debt not exceeds 5% of available resources. With the potential of the capital investments Mr. Brown spoke on, that puts us up against that 5%. With having fewer resources, and an appetite to borrow more, the math doesn’t add up.

Mr. Robinson asked what the probability of a law levying taxes on internet sales is, and what may be its effect. Mr. Talarek stated he saw a report saying the State might see an increase of about 600 million dollars in sales brought into the Sales Tax. However, if you assume 20% of those sales take place in Franklin County, you have a base of 120 million dollars, ¾ of 1% of that is only about 1 million dollars a year.

Mr. Marsh asked Mr. Brown to clarify if the potential capital investments he explained has more to do with credit rating and cost to borrow money, or would they be an indirect impact on total revenues. Mr. Brown explained it is both. First, we’ll have to service the debt so we’ll need to see how much debt is rolling off annually, and how much debt service we’ll be adding to finance these two (2) investments. Secondly, it also impacts our credit rating because the agencies look at total debt burden, vis-a-vis our capacity per capita and per household.

Mr. Marsh said it appears that the County’s operating numbers drive the debt question; to maintain the 5% you have to have certain levels of revenue. The debt and debt service is one category that relates to credit rating and bonding authority. Also we are considering the debt numbers themselves. I would like to keep those two (2) categories separate for now, in order to make sure these projected numbers are ones we are all clear and comfortable with to use in making our determination of the existence of a structural deficit. Our first charge is this determination; the second is our recommendations for solutions, if we first determined an imbalance exists. Right now, I’d like to focus on the numbers presented in the forecasts we’ve been given. Are we as a group comfortable with these numbers, or do we need more information to feel these are the numbers we’re working with the answer our first question?

Mr. Redgrave said he thinks the scenarios are well formed, the assumptions are well defined, the ranges between the three (3) scenarios are useful, and the annual perspective is reasonable. I am still not sure if the cumulative balance sheet cash flow or the credit rating dynamics are framed properly. Mr. Robinson agreed. The group agreed.

There was discussion about the range of projected budget shortfall being between 2.5 and 26 million dollars.

Mr. Redgrave asked how do we add the next level of complexity to our conversation, and articulate more accurately what the actual credit rating variables are; to add more context to and know the metrics for the target 35.9%. In a corporate setting we look at baselines, forecasts and long range projections. Once they're done we model those against all the credit ratings ratios to create a matrix of gaps, essentially. You can model to understand what metrics are the most sensitive, as in change they gaps most dramatically.

Mr. Wilson said there are a number of fundamental elements that the County's credit is based on:

- Not only how much money we have, it is also how we are spending money.
- Economic factors are considered; do we have a growing or a shrinking population.
- Another factor is related to how much flexibility policy makers have to respond to cyclical changes, or permanent changes, in our environment based on changes in State or Federal law. That is why the fact that Franklin County has 0.88 mills available that we could choose levy (which may or may not be the choice to make) is regarded as a credit by the rating agencies.
- The ratings agencies do take into consideration that Franklin County has Sales Tax capacity.
- How the County constrains spending, and how we use available funds over and above the floor that are not cut into, are factors.
- Unemployment rates are factors.
- Diversity of economic bases is a factor.

Mr. Marsh said, I would like to identify what issues we need to go more in depth on. We will work with staff to help understand the details and how to present them. Mr. Redgrave identified credit rating models. What are others?

Mr. Shkurti stated in a previous meeting we discussed how we wanted to approach issues on the spending side. Mr. LaFayette added in regards to operating efficiencies. Mr. Shkurti said we wanted to look at this without inadvertently broadening the mission of the Panel. It is for the County Commissioners and staff to manage the details of the budget.

Mr. Marsh said last week we talked about potentially having a panel, comprised of departments that consume a majority of the funds (perhaps budget officers or OMB analysts), present to us. Our charge is not to do an operations review. A conversation such as this would be focused on gaining understanding on how departments spend funds and look for efficiencies.

Mr. LaFayette agreed. Mr. Shkurti said having the budget office involved in an appropriate way and avoiding setting up additional budget hearings will be useful. Mr. Wilson stated Mr. Brown suggested the County Administrators could present the budgets for the agencies they have responsibility for; so that is me (Mr. Wilson), Mr. Brown, Mr. Flaherty, and Mr. Janas. Mr. Redgrave asked for more details about how this would be organized. Mr. Wilson stated each Administrator has oversight of various agencies.

I would present for OMB, County HR, Benefits, Risk Management, JFS; Mr. Flaherty would present for Operations, Public Facilities Management, Animal Care and Control, Sanitary Engineer, Child Support Enforcement; Mr. Janas would present for Office on Aging, Boards and Commissions, ADAMH, levy agencies. Mr. Shkurti asked who would present on the Sheriff's Office. Mr. Janas said the Administrators will need to decide who would present on other elected office holders such as the Sheriff, the Courts, Prosecuting Attorney, etc.

There was conversation about using the 80/20 rule; the Panel may get detailed information presented from just a few agencies (those that have the largest portions of the budget going to them). Mr. Marsh asked which agencies those would be. Mr. Wilson listed: Sheriff, Courts, Public Defender, Prosecuting Attorney, and Public Facilities Management.

Mr. Marsh asked if the Courts are administered jointly at all. Mr. Wilson replied each Court has an executive director/court director.

Mr. Marsh asked the Panel if they thought such 80/20 presentations would be helpful. There was agreement that they would be. Mr. Redgrave asked if the following are good goals for having these presentations: understanding what is in the agency budget, why they spend what they spend, how budgets are reviewed, what the Administrators think about the budgets, and then where are opportunities in the budget process that could potentially save money and close the budget shortfall. Mr. Ransier added there would also need to be an analysis of maintaining quality of service. The Panel agreed with Mr. Redgrave and Mr. Ransier.

Mr. Marsh asked the Administrators to also present on how the departments may react to what they (Administrator) are presenting. We want to have a well-balanced presentation of these areas.

Mr. Marsh asked what other issues we need to explore in more detail. Mr. Shkurti stated it is implied that this Panel will spend some time later talking about both revenue increasing options, and expenditure reduction options.

Mr. Shkurti stated it is important as we discuss this potential problem that may occur three (3) to four (4) years from now, of between 3 million and 26 million dollars (hovering around 13 million dollars), to get some context. If you take 13 million dollars, is about 4% of the County's total General Fund Budget. The important context is that it is not an eminent crisis, but it's also not a cause to be complacent. Do others think that is a fair context? The Panel agreed it is.

Mr. Ransier asked how important is the State Budget to the issues we've discussed so far? Mr. Wilson said it is important, we have sustained cuts in State funds recently, in this new budget debate there are 12 million dollars to 15 million dollars at play over the biennial period. Mr. Marsh said I view the County's budget as the only benchmark we have to navigate by, since we can't project what the State budget will look like. Mr. Shkurti said the House moved away from Kasich's tax proposal. Discussion continued on how the State budget may be written. Mr. Janas said if you look at the trend over the last ten (10) years has not been good to local governments. The trend has also been, more demand for services with cutbacks on revenue sharing and other resources from the State. I think, you can make a safe assumption that it's not going to get a whole lot better from the State.

Mr. Shkurti said the Federal government is also steering more away from local support. If the Ohio Legislature passes a budget, similar to the House's, by June 30th that covers the County in years 2013 through 2015, then a new set of things will happen two (2) years from that. We have to manage uncertainty in a thoughtful way.

Mr. Wilson said we have to watch some Federal activities more than before. For example, there is talk about eliminating or capping tax exempt status on municipal bonds. If there was an outright elimination, OMB has estimated a 5 million dollar impact in our budget as it stands now. Mr. Shkurti said when we discuss balances and reserves, the credit rating is important to consider, but also we have to discuss what to reserve for, how much to reserve, how much is too much, and how much is enough.
Ms. Morrison asked Mr. Wilson to provide more detail on the 12 million dollars to 15 million dollars at play in the State budget. Mr. Wilson explained it's related to the Local Government Fund and other cost shifting. If there is a reduction in IM dollars in Job and Family Services (JFS), that puts more of a pressure on JFS, and they would have to turn to the Commissioners for a loan; or they would have to request a credit for those services received for which JFS would otherwise reimburse the General Fund.

Mr. Marsh asked if there are any other broad issues to address.

Mr. LaFayette asked if the Panel is asked to provide a statement to the effect that we support the aim to keep the County's credit rating. Mr. Marsh said our report will have policy objectives and goals. Mr. Shkurti said I agree we need to consider and include a statement on credit rating, however, we want to be sure we don't get into a mechanistic formula discussion; such as "we need X credit rating and therefore Y amount in reserves, therefore come hell or high water we will make that happen." We have to look at how all variables come together, and put the amount of risk the County can take into context. As another principle, it is important to have an adequate level of reserves to deal with uncertainty.

Mr. Marsh said as the Panel does this work we will identify the key issues to help drive our proposal.

Mr. Redgrave said that, for today, I would not agree with making the credit rating statement an absolute statement, but rather a goal that frames this debate/discussion.

Mr. Marsh asked if there are other major issues, that may emerge as one of those goals, we want to make sure we're identifying today; to be sure we get the in depth information we need. We can add them later if we think of more.

Mr. Shkurti summarized it seems we agree we have the goals to identify and preserve core services, we want to preserve the credit rating, be adequately reserved to manage known risk, and we don't want to tax the good people of Franklin County more than absolutely necessary.

Mr. Marsh turned to Mr. Wilson to continue the agenda.

Mr. Wilson stated at the last meeting there was a discussion about cost efficiencies, and if there should be an operations review completed by the County to identify additional cost savings and efficiencies. The *Franklin County: County-wide and Agency Budget Saving Options* document provides an overview of options that were looked at by a sub-committee which convened in the fall of 2011. At that time we knew we would have to make budgetary reductions and respond to local government reductions, and reductions in real estate valuation. This provides an overview of where we have been, and what options are still on the table. Some of these items are one-time in nature; for example the County did not look at furlough days. However, in regards to the second item on this document, we have implemented a controlled hiring policy since 2008. There have not been layoffs, but we have asked agencies to not fill vacated positions if they weren't deemed essential.

Mr. Marsh asked how the calculation for item 2 was derived. Mr. Wilson stated the calculation was done by us looking at the payroll status of active employees at that time.

We then based a projection on if the FTE count was frozen at that time up through a year. This number (on the document as $1,700,000) will need to be re-run if that was a recommendation coming out of this Panel.

Mr. Redgrave asked if all of the Impact Amounts were annual estimates. Mr. Wilson said they were annual estimates. Mr. Wilson said if any of these become recommendations from this Panel, the numbers would be recalculated.

Mr. Marsh asked if Mr. Wilson can share with the Panel a report on the savings actualized from the selective hiring practice.

Mr. Wilson explained the County's wellness incentive program whereby employees that do not use their up to 80 hours of sick leave, at the end of the year they can cash some of the time out (40 hours). This program is not mandated.

Mr. Wilson referred to number 7. We have reduced the number of take home vehicles, not eliminated them. We have also reworked usage policies. Sanitary Engineer has eliminated take home vehicles. The vast majority of take home vehicles are in the Sherriff's Office. Mr. Marsh asked if Sheriff's cruisers are taken home. Mr. Wilson said some select positions. Mr. Marsh asked if there is a residency requirement for sheriff deputies. Mr. Wilson said he will need to look into that.

Mr. Wilson referred to number 8. When we were facing budget reductions, we took the opportunity to go through the process with BWC to become self-insured. We became self-insured in April 2012, and we've realized savings since then. We can provide some numbers on those savings. Prior to becoming self-insured we went with a retrospective plan, which will pay the claims a year in arrears, but we paid the actual claims and other claims we had a reserve that was based on the average of what the calculated exposure was over a ten year period.

Mr. Wilson referred to number 9. We've made plan design changes twice over the past five (5) years. Mr. Ransier asked if the flexibility in healthcare plan design is related to employees not under collective bargaining agreements. Mr. Wilson said most of the County's contracts includes language stating that the healthcare plan the Commissioners provide to employees in general (including non-bargaining employees) would apply to the union's members. The FOP has some different language that says no substantial changes can be made to their healthcare plan during their contract period. The FOP contracts have three (3) year terms. If during that period, there is something that is deemed by the FOP as an essential change, the grievance option is available to them.

Mr. Wilson read on to number 11.

Mr. Wilson added to number 12; an example on things considered was not paying for Bar Association memberships. However, when you're looking at trying to get to millions in savings, you've got to really pick and choose; because in a lot of cases these types of things aid in retention and attraction of employees.

Mr. Wilson continued to number 13. Due to ORC requirements, we have items stored in a number of different facilities. There's been talk about consolidating that process; working with the County Recorder. Currently we have contracts with Iron Mountain and Fire Proof, there is not a central repository of these records. Mr. LaFayette asked if it is against the law to digitize documents and store electronically. Mr. Wilson stated in some cases we are limited as to what can be digitized. There is some flexibility around microfilm, but microfilm has storage requirements as well.

Mr. Wilson stated that for each of the items in the *Franklin County: County-wide and Agency Budget Saving Options* document, OMB can offer information on the extent to which each idea has been explored.

Mr. Shkurti said since many of these options, as standalone items, yield rather limited impact amounts, we can set a goal to say "we want to save X amount," then turn it over to OMB ask have them put together a package of smaller things that add up to the amount. Ms. Morrison added the package could be based on priority.

Mr. Redgrave asked for more details on Agency Budget Saving Options – the 4th page in the *Franklin County: County-wide and Agency Budget Saving Options* document and the *Some Available Budget Solutions* document.

Mr. Wilson stated the purpose of forming the committee was to explore every idea. Related to Public Facilities Management, ideas came up such as privatizing the County's parking operations. Right now, we internally manage all of our parking facilities. Around the country, several municipalities (there is a court case right now in Cincinnati) turn over assets to a private operator. OSU successfully turned over all of their parking facilities to a private operator. City of Chicago has done it as well. Franklin County is now in the parking business, we operate lots. The lots are an asset. Through the Sanitary Engineer's Office, the water treatments plants are physical assets of the County, for which in theory a policy decision could be made to put those on the open market. Those are the type of agency options that were looked at in 2011. We also looked at general services, such as Fleet Management, a mail room, and Purchasing; turn those into enterprise funds and have every agency pay for the services received versus the way we operate now using charge backs.

Mr. Wilson went on to the *Some Available Budget Solutions* document. This is an easy reference for some things we have discussed with this Panel over the weeks. He begins reading the document.

Mr. Robinson asked what would the alternative to paying for debt service of non-general fund agencies (such as Animal Control). Mr. Wilson the alternative would be those agencies, as enterprise funds, would support the debt service using their income. For example, the City of Columbus' large utility operations captures the revenue to pay their debt service through their rate payers; and they modify their rates accordingly. One of the obstacles we face is that County does not produce our own water; we purchase water from the City of Columbus. Then the County charges the residents it serves. Mr. Schimmer added our rate is a premium rate. Mr. Wilson asked Mr. Nahvi if the County produces our water, and if the County has just one (1) plant? Mr. Nahvi replied the County produces water for about 500 households, total of roughly 4000 water/Sanitary Engineer customers. For the rest we buy the water from the City of Columbus. Mr. Janas asked what the total number of customers the Sanitary Engineer' Office has. Mr. Nahvi said there are 6000 customers, roughly 4000 have water service, and the other 2000 are sewer only customers.

Mr. Marsh asked if these customers are from those unincorporated areas that lack City sewer and water. Mr. Nahvi said yes, they are in certain township areas. Mr. Marsh asked for an explanation of the history of this situation. Mr. Nahvi explained there are various pockets in township areas throughout the County. One area is a small pocket near Gahanna, by the airport. They don't currently have water service, so the Sanitary Engineer is working to install water lines to provide service. There are other service areas on the south end of Columbus, by the landfill, where there are EPA requirements for the residents to remove septic tanks. We are working with those customers to get sewer lines installed and treat the sewage. A lot of the work is driven by EPA requirements.

Mr. Janas asked Mr. Schimmer to provide additional perspective. Mr. Schimmer stated it goes back to Columbus' annexation for services policy. There are stranded township areas that decided they were not going to annex into the City. Leonard Park is a really good example of that. They have Gahanna schools, and did not want to give up Gahanna schools, but they also did not have any potable water. They were getting water from either a township source, or they were trucking it in. The agreements made with the Casino allowed the County to go ahead into these "pockets of pollution" and be able to provide service to them without annexation. Mr. Janas said that arrangement was made related to water services. The sewers projects have been active for about a decade. Those were regulatory requirements from the State. The County had to intervene and provide sewer service. We were successful in negotiating the start of the water projects related to the Casino; however those projects could take another decade. The first water project is Leonard Park. Mr. Marsh asked where Leonard Park is located. Mr. Schimmer explained it is on the curve of where I-670 and I-270 meet, on the north side of that tie; near the airport, Mifflin Township. Mr. Wilson added when I-670 was built it affected the wells.

Mr. Shkurti asked who pays for the extension of sewer and water lines in these areas. Mr. Nahvi stated the customers pay for it. Normally a loan is executed through a State entity, it's essentially a mortgage with a twenty (20) year term, and the rates are situated using a surcharge for the customer in that service area that will offset the loan over twenty (2) years. Mr. Shkurti asked if essentially the County provides credit they pay back in full, with interest, over a period of time. Mr. Nahvi said that is correct. Mr. Janas said you can imagine the challenges in terms of economies of scale when you're talking about a customer base of less than 10,000.

Mr. Redgrave asked if this is an example of when Columbus and the County overlap each other and/or could potentially both governments could work more efficiently together. Mr. Wilson stated the townships function as independent governmental entities. They have to agree to annex. The City of Columbus, with few exceptions, has had a long standing policy that in order to hook into their water and sewer systems, you had to annex. These communities, that primarily the County is serving, have opted not to annex. There have been very few exceptions; the two exceptions are tied to the Casino build out.

Mr. Marsh asked how the County examines opportunities for shared or overlapping services. Mr. Schimmer provided examples from his agency. Economic Development and Planning (EDP) runs a building department which provides building inspection services and zoning services. Economic development itself is an example of overlap. The most global project EDP is involved with is the water/sewer projects. EDP is weaning off its CRAA payments made to them for their operations at Rickenbacker; this is a 4 million dollar per year project that is wrapping up.

Mr. Robinson asked if the CRAA is reflected in the budget forecasts. Mr. Talarek said yes the drop off of payments to Rickenbacker is factored in.

Mr. Shkurti asked do City jail inmates go to the County jailhouse. Mr. Wilson said yes, the County is the sole jailer in town; using FCCC I and II. Depending on if offenders are charged under State Code or Municipal Code, there is a per diem charged. If they are charged under the Municipal Code, the arresting jurisdiction is charged from the Sheriff's Office.

Mr. Shkurti said it may be an interesting exercise, as we look for ways to save money but not reduce core services, is to ask the staff to provide three (3) opportunities for possible service sharing to explore with Columbus that would be mutually beneficial. For example, I sit on a library board, and five (5) years ago the last thing the libraries would do is think of sharing services between each other. Now under the leadership of Columbus Metro, they are all looking at it because financial pressures have moved them out of the silo mentality. It seems in a big urban area of an urban county, there may be many opportunities.

Mr. Talarek said the County Purchasing Director has worked with the City's Purchasing Director looking for shared opportunities, when putting out to bid in order to combine service levels. Our Fleet Management has worked with City garages to try to coordinate services. The County Print Shop has reached out to Columbus, and other municipalities, to bring in-house some of the printing services. When the Board of Elections brought their printing to the shop, it saved about a million dollars last election. We could minimize the number of ballots printed because it was just-in-time printing. Mr. Marsh said there is a continuum from shared service to combining, but regardless, it seems to me the whole landscape of the idea has changed over the last two (2) or three (3) years.

Mr. Janas said the County engages in a number of shared services. Two areas that one may think of intuitively as shared service potentials, but that are complex for many different reasons: 1. Providing a water and sewer service is difficult politically for a number reasons. 2. Offering the County health insurance program to other jurisdictions. This second one we have had conversations with the City about it over the last couple of years. We do currently share this service with two (2) other counties. Doing so in Columbus is very complex because they would have to untangle all of their respective collectively bargained programs with their individual units.

Mr. Marsh asked if the County levies any fees on any entities. Mr. Wilson stated the conveyance fee is levied, and the General Fund benefits. Most of the other fees under ORC goes to designated accounts. For example, the Real Estate Assessment Fee goes to support appraisal functions of the Auditor's Office. The Court system levies a number of fees that go to support special project funds, or to support the computerization of the Court. Probate Court levies a number of fees, but those fees also go into designated accounts. The one fee that would be General Fund, but the statute allows the Commissioners to give the Recorder's Office the ability to use the proceeds from the Equipment Fund. Otherwise, fees on document services that would otherwise go to the General Fund, but they can go directly to the Recorder's Office to support functions within the Recorder's Office.

Mr. Talarek said we are looking at the fee structure of the Animal Care and Control agency. While fees go into the Dog and Kennel Fund, however because of the subsidies provided by the General Fund, any increased fee revenue would decrease the subsidy provided. As Resolution was passed recently to look at the fee structure and the goal is have that by August.

Mr. Talarek said some other fees are set in statute of what can be charged back, such as fees to subdivisions for elections. For the General Fund, there are not many fees, and most of them are set by statute.

Mr. LaFayette said he did a fiscal impact analysis a number of years ago; I was comparing Ohio's tax structure to that of other states. What really struck me was that Ohio tends to rely far more than average on taxes, and far less than average on fees.

Mr. Shkurti asked if expenditure review will be covered at the next meeting.

Mr. Redgrave asked for a document outlining County-City opportunities; and also information about where in the US are the County and City the same. I'm just curious about the business model of that situation.

Mr. Shkurti mentioned the change in Cuyahoga County government structure. Did it consolidate any services in the process? Mr. Janas said a lot of Court row officers were eliminated. In Cuyahoga County they went to a single County Executive and an eleven (11) member County Council.

In terms of literal number of elected officials, it does not change much, but it very much changes the dynamics and relationship between them. Ms. Long said there is still a Cleveland City Council. Mr. Talarek said it did not consolidate any governmental units within the County, but it gave the County a bit of home rule power.

Mr. Marsh said there are very good examples of current shared services between Franklin County and Columbus. Mr. Janas said we will build the list.

The meeting was adjourned at 3:41 P.M.

These minutes are a synopsis of the meeting of the Franklin County Budget and Economic Advisory Panel of Friday, May 17, 2013.

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