

**Alcohol, Drug and Mental Health (ADAMH) Board  
Levy Review  
HSLRC Meeting Minutes  
April 16, 2020**

**CALL TO ORDER-CHAIR**

The Human Services Levy Review Committee (HSLRC) meeting was called to order by Jean Carter Ryan on April 16, 2020 at 11:04am.

**ROLL CALL**

HSLRC members present: Jesse Hemphill, Jean Carter Ryan, Michael Curtin, Jerry Friedman, and Zak Talarek.

HSLRC members absent: Rose Handon, Ph.D. and Jim Bowman.

A committee quorum was present.

Office of Management & Budget (OMB): Rachel Buske and Madeline Gresham.

**INTRODUCTION**

Ms. Buske referred the Committee to the materials in the meeting packet:

1. The meeting agenda
2. The ADAMH Current Levy Cycle Projections: a spreadsheet with ADAMH historical revenue and expenditure actuals from 2017-2019, along with ADAMH and OMB projections for 2020 and 2021
3. The ADAMH Potential Levy Scenarios: A document with 4 different levy scenarios based on different assumptions

**REVIEW AND APPROVAL OF MEETING MINUTES**

Ms. Buske announced that the next item on the agenda was the approval of March 19, 2020 meeting minutes and the April 2, 2020 meeting minutes. She asked if the Committee had any edits or comments.

Ms. Carter Ryan made a motion to approve each of the minutes and Mr. Friedman seconded both motions. All members voted “Aye” and both motions carried.

**ADAMH Current Levy Cycle Projections**

Ms. Buske walked the Committee through the ADAMH Current Levy Cycle Projections, which included actuals for the first three years of the current levy (2017, 2018, 2019) as well as projections for both 2020 and 2021. For 2020 and 2021, Ms. Buske explained the major differences between the ADAMH and OMB projections:

- Revenues: The OMB projections for levy revenue are based on the 2020 Auditor’s Estimates and historical actuals; they are slightly higher than the ADAMH projections. During the current cycle,

levy revenue has increased each year due to new construction. The 2020 OMB revenue projections include an additional \$1.9 million in State revenue due to funding that was received after ADAMH developed its model.

- Personal Services and Fringe Benefits: The OMB projections are lower for both categories because they more closely align with historical spending. Year to date, ADAMH is carrying a high number of vacancies but should fill some of them in the second half of the year. For 2021, Personal Services and Fringe Benefits are projected at the five-year historical average.
- Materials & Services: The ADAMH projection for 2020 is \$3.3 million; the OMB projection is \$2.3 million. The OMB projection was built by taking the 2019 actual, increasing it by the CPI-U, and then adding expenses related to the SHARES claim system replacement (including \$300,000 for Q4 maintenance after the vendor contract ends). The OMB projection transfers the expenses for the actual purchase of the SHARES replacement to Capital Outlays.
- Capital Outlays: Both projections for 2020 and 2021 include \$4 million each year for the Crisis Center construction. The OMB 2020 projection includes costs for the SHARES replacement project.
- Grants: Both projections for 2020 cover the cost of operating the Council of Governments during its last year. In 2021, expenditures are projected at \$100,000 which consists of close-out costs once SHARES is no longer operational.
- Social Services: Social Services are difficult to project year to year; the OMB projections are the same as the ADAMH projections. The projections stay within the historical 85-89% of budget. 2021 expenditures are lower than 2020 due to identified one-time costs in 2020.
- Ending Cash Balance: The ADAMH model projects that the cash balance at the end of 2021 will be \$23.6 million. This constitutes approximately 86 days of cash, which is very close to the recommended cash balance of \$24.1 million. The OMB model projects the ending cash balance at approximately \$28.5 million, which is higher than the recommended cash balance in the ADAMH model of \$23.9 million.

The Committee addressed the issue of tax abatements and their impact on levy revenue.

Ms. Buske stated that the main takeaway from the Current Levy Cycle Projections is that while ADAMH will most likely have a sufficient cash balance at the end of 2021, the projections demonstrate that a straight renewal for the next cycle is not feasible based on current spending and would require a significant reduction in service delivery.

### **Review of Potential Levy Scenarios for the Next Levy Cycle**

Ms. Buske walked through the ADAMH Potential Levy Scenarios document. She noted that the document compared four levy scenarios for the Committee's consideration:

- Scenario 1: A ten-year, 2.2 mill renewal with a 1.09 mill increase (this is the ADAMH request; includes the demand growth factor which has a Social Services increase of 3.5%/year)
- Scenario 2: A five-year 2.2 mill renewal with a 0.77 mill increase (the millage required to support the same spending level of Scenario 1 over a five-year duration)
- Scenario 3: A ten-year 2.2 mill renewal with 0.85 mill increase (this is similar to the ADAMH Option B; includes population growth but not the demand growth factor; has a Social Services increase of 2.2%/year)
- Scenario 4: A five-year 2.2 mill renewal with a 0.70 mill increase (the millage required to support the same spending level of Scenario 3 over a five-year duration)

Other than Social Services, the scenarios contain the following assumptions:

- Personal Services and Fringe Benefits:
  - Personal Services includes funding for two additional positions that ADAMH plans to request during the next levy cycle, that may not end up being approved.
  - Personal Services and Fringe Benefits are increased by 3.0%/year, except for Healthcare which is projected at a 6.0%/year
- Materials & Services: projected annually at the CPI-U
- Capital Outlays: same projections as ADAMH; includes anticipated funding for building rehabilitation
- Grants: same projections as ADAMH; includes funding for the Probate Court Guardianship Services Board at \$2 million/year with a 3% increase each year after 2022)
- Interfund: same projections as ADAMH; \$1 million/year with a 3% increase after 2022 to repay the Board of Commissioners for the \$10 million loan to partially fund construction costs related to the planned Crisis Center.

Ms. Buske stated for Scenario 1 with a 1.09 mill increase, based on the OMB projections, the ending cash balance is \$65.5 million, which is significantly higher than the recommended cash balance of \$32.2 million. She opined that she did not believe that ADAMH had provided enough justification for such a significant increase. While ADAMH has increased spending during the levy cycle, the increase has been more modest over the last few years. From 2017-2019, expenditures increased by approximately 12% while the number of consumers served increased by approximately 41%. Looking at the entire levy cycle, it appears as though the increases have plateaued leading into the final two years.

The Committee expressed its reservations about recommending such a large increase, especially when it is based on a demand growth factor with a formula they have not been able to analyze due to the fact it is based on proprietary data. Ms. Carter Ryan noted that has not been standard practice in the past for the Committee to not understand how the numbers are derived. Mr. Friedman stated that it might set a bad precedent.

Ms. Buske walked the Committee through Scenario 3 which captures inflation and population growth but not the demand growth. It contains a Social Services expenditure increase of approximately 2.2% per year. She did note that the projected ending cash balance for Scenario 3 is approximately \$23 million higher than the recommended cash balance, which would allow for ADAMH to have flexibility to adjust its spending based on unforeseen circumstances.

OMB and the Committee discussed the feasibility of going with a five-year duration rather than a 10-year duration. Ms. Buske noted it is much easier to project expenses over a shorter period. She also noted that the millage increase would be smaller, which would be a more reasonable burden on taxpayers.

Mr. Talarek noted that a 10-year duration does offer financial certainty, which is an issue when voters might face levy fatigue. He noted that Children Services will most likely be requesting an increase in 2024. Ms. Buske explained that ADAMH would most likely need to request an additional increase at the end of 5-years. It is hard to have to keep going back to taxpayers and asking for additional millage. It was certainly an easier decision in 2015 when the Committee recommended a straight renewal.

The Committee also discussed that a 5-year duration might make sense based on the current economic climate. Several members shared that they are uncomfortable recommending a large increase for a 10-year period. Mr. Talarek also noted that a 5-year duration would give the Committee a chance to determine the impact of the increased spending on prevention programs as well as the projected population growth.

Mr. Friedman mentioned that Mr. Bowman had stated in an email that he supports one of the scenarios that includes the demand growth factor and that it would be nice to ask him for his perspective as to why he would recommend either Scenario 1 or Scenario 2.

Mr. Hemphill stated that he believes that the request is too high and that the burden should be on ADAMH to reduce expenditures.

Ms. Gresham directed the Committee to the Service Data by Category chart which demonstrates the increase in consumers served over the past three years. It demonstrates that a significant portion of the increase is in prevention services; she also reminded the Committee that ADAMH is not spending all of its Social Services dollars due to providers being unable to realize all of their allocations. This raises the question as to whether they will be able to expand service delivery at the rate they are projecting.

Mr. Friedman noted that ADAMH had increased spending during the cycle to spend down its cash balance but that ADAMH had not demonstrated results to justify the additional spending. He recommended that OMB more closely follow ADAMH's Strategic Planning process to better understand its outcomes.

Ms. Carter Ryan opined that she felt that the ADAMH presentation was among the best she has seen from a levy agency, and that ADAMH was very thorough in its follow-up responses. She would agree, however, that the request is too high and would be more comfortable recommending a 5-year duration. Mr. Curtin agreed that the presentation was very impressive.

Mr. Talarek asked the Committee if it would like to see some additional scenarios with different assumptions before the next meeting. The Committee stated that it would like to see additional scenarios, including the potential impact for taxpayers.

Mr. Curtin stated that it will be interesting to see whether the Columbus State bond issue passes and if so, what percentage of voters voted yes. Mr. Talarek stated that Cuyahoga County also has a mental health levy on the primary ballot, one which has been recommended by the Cleveland Plain Dealer.

### **Action Items**

The Committee and OMB staff discussed additional analysis that staff should develop:

- Additional levy scenarios that project a lower rate increase for Social Services expenditures
- Charts that compare the various scenarios, including the proposed increases for taxpayers
- Additional information as to how Covid-19 is impacting revenues and service delivery/expenditures (when available)

The Committee asked OMB to reach out to ADAMH to provide more information on how its service delivery will be impacted by the various levy scenarios, including which services it is more likely to cut or reduce with less funding.

**CLOSING REMARKS**

**The next HSLRC meeting will be on Thursday, April 30<sup>th</sup>, 2020 for further discussion related to the levy request.**

A motion was made and seconded to adjourn the HSLRC meeting.

The meeting was adjourned at 12:32pm.