Franklin County Children Services (FCCS)
2019 3.10 Mill Replacement Levy Proposal
HSLRC Meeting Minutes
April 18, 2019

The Human Services Levy Review Committee (HSLRC) meeting was called to order by Jesse Hemphill on April 18, 2019 @ 11:05 a.m.

ROLL CALL

HSLRC members present: Jesse Hemphill, Jim Bowman, Michael Curtin, Zak Talarek, Jerry Friedman and Rose Handon.

HSLRC members absent: Jean Carter Ryan.

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

HSLRC DISSCUSSION OF LEVY REQUEST

Ms. Buske provided the Committee with an overview of the materials in the packet:

1. The meeting agenda

2. A Comparison on the recurrence of maltreatment among Franklin County, Cuyahoga County, and Hamilton County that was provided by FCCS

3. A spreadsheet with FCCS historical revenue and expenditure actuals from 2014-2018, along with the FCCS 2019 projection and the OMB 2019 projection

4. A document with 4 different levy scenarios based on different assumptions

5. A chart that shows the various cash balance projections at the end of 2024 based on the different levy scenarios

Starting with the historical revenue and expenditures for 2014-2018, Ms. Buske explained that the FCCS 2019 projection is very close to the 2019 approved budget, but as was discussed previously, FCCS does not typically spend the entire budgeted amount. In the next column is the OMB projection, which has slightly lower revenue. Looking at the expenditures, in Personal Services and Fringe Benefits, using year to date actuals, the OMB projections are higher than the FCCS projections and the budget. FCCS added new caseworker positions for 2019 and due to the flexible staffing initiative, staffing will fluctuate during the year.

Mr. Talarek added that, for the last eight or nine years, the County has not budgeted non-bargaining pay increase appropriations until January. This process is in place to ensure that carryover cash is sufficient and that there is buy-in from agencies so that they accept the changes. This was implemented and has worked well but it means that the Personal Services budget that was approved in December does not reflect the pay increase.

Ms. Buske noted that the bargaining and non-bargaining pay increase accounts for about 2% of the increase from the 2018 actual expenditures to the 2019 OMB projection.

Ms. Buske explained that for Materials & Services, her projection tied more closely to historical spending with an increase based on the Consumer Price Index for All Urban Consumers for the Columbus Metropolitan Statistical Area (MSA) (CPI-U) as projected by Moody's Analytics. The FCCS projection is approximately $20 million but seems too high when taking into account historical spending and the planned move onto the State IT network which should provide cost savings.

For Capital the projection is relatively flat since they do not have any major renovations or building purchases planned.

Ms. Buske explained that the Social Services projection was approximately $117 million. Social Services is the category that includes Board and Care and Managed Board and Care, as well as a number of smaller items. When reviewing the year-to-date spending, OMB noted that Social Services spending appears relatively flat compared to 2018. Over the last three years it has not increased significantly.

Overall the OMB projection was approximately $203 million which is significantly lower than the FCCS projection.

Ms. Buske explained that with about three and a half months of actual spending and prior historical spending, the Committee can recognize that the budget is higher than actual spending because it was created with conservative estimates at a different point in time.

Mr. Bowman asked if the 2019 FCCS projections match the amounts that are currently appropriated in those line items.

Ms. Buske stated that they do not match exactly but are very close.

Mr. Talarek explained that FCCS was using the recommended budget from November that is about 99% of what the approved budget ended up being in December.

Mr. Bowman asked if last year's appropriations were higher than the actual expenditures, and if so, does that happen every year.

Mr. Talarek stated yes and explained that with governmental budgeting an agency cannot spend more than its budget and FCCS comes in under budget every year.

Mr. Bowman asked if the budget is inflated and if the projection takes the cushion out of the budget.

Mr. Talarek explained that the budget is intended to allow room to adjust and react based on changes that occur.

Ms. Buske explained that FCCS budgets conservatively due to the uncertainty of projecting child welfare costs and that actuals for 2018 and into 2019 have been lower than anticipated.

Ms. Handon had a question as to why the capital outlays were significant different in 2017, 2018, and 2019.

Ms. Buske explained that Capital expenses can be harder to predict. FCCS does not have a lot of big capital projects planned at this time. There are certain expenses that will occur on a yearly basis related to equipment and maintenance.

Mr. Friedman asked about how the spending trends match up with the population trends.

Ms. Buske noted that it has been surprising that while placement days increased by approximately 26% from 2014-2018, expenses have not increased at a similar rate. FCCS has a conservative approach to projecting and tends to project up as population increases. It does not take into account other factors. The less drastic increase in expenses is probably partially due to the increased use of kinship care placements which are much less expensive.

Ms. Handon asked if OMB and FCCS had discussed their different 2019 projections.

Mr. Talarek and Ms. Buske explained that they had some follow-up questions for FCCS but had not heard back yet. During the budget process OMB will ask FCCS additional questions particularly if spending is not matching the levy plan.

Mr. Friedman asked if the county budgeting process provides OMB with enough information about new initiatives or changes in strategic planning that might justify these increases.

Mr. Talarek explained that the budget process starts in March and goes through December. The process starts with agencies reviewing their programmatic structure and asks them to make updates as necessary to their structure and services the following year because this will impact everything else. OMB requests that agencies review their Strategic Business Plans. He directed the Committee to review the budget information online that includes the mission, strategic initiatives, and strategic issues. The Strategic Business Plan is broken down by programs with services and purposes that align with the Board of Commissioners core principles.

Mr. Talarek stated that in May and June OMB begins looking at payroll and having agencies verify FTE counts and pay raises to make sure the budgeted amount for 2020 is accurate. In June, agencies begin developing the budget request for the next year. There is a baseline request and then new initiatives are called requests for results. The process is designed so that it is harder to ask for new funding because agencies have to justify what issues the new funding will address and how they are going to show outcomes.

He also reaffirmed that the levy agencies (ADAMH, BDD, FCCS, and FCOA) are asked to address how their spending and activities correspond to the levy plan. The agencies do need some flexibility because of uncertainty but OMB does include a comparison to levy plan as a part of the analysis. A major focus is always on the ending cash balance.

OMB reviews budget submissions in July and August, meets with agencies and assists County Administration in proposing a recommended budget to the Board of Commissioners in November. The Board of Commissioners holds hearings and then approves a budget in mid-December for the following year. Throughout the year the Commissioners meet weekly to review requests for additional appropriations or requests to transfer appropriations if necessary. These requests are thoroughly vetted through OMB first before they are presented for approval.

Ms. Handon asked about the cash balance and how that impacts a levy request and the levy review.

Mr. Talarek explained that the cash balance is an issue to consider. In 2014, FCCS originally asked for an increase but the cash balance was eight or nine months and the Committee was hesitant to recommend an increase. At that point FCCS was unsure if the use of Alternative Response could be increased. With FCCS having two levies that are staggered and five years apart, it makes sense to project out for five years rather than ten, considering how hard it is to project service needs. 2018 was the first year they actually drew down from their balance. Social Services expenditures went down from 2017 to 2018 and with the impact of all of the initiatives, including the increase in kinship care and the Opiate Action Plan, it appears that FCCS efforts are working. FCCS is doing a great job and congregate care has really decreased and it is hard to justify an increase.

Ms. Buske noted that what jumps out is that FCCS has budgeted Social Services very conservatively. FCCS actual spending in this category has been lower because some of these projections have not materialized.

Mr. Friedman discussed the federal law change and wondered about how that will impact FCCS because they have been participating in the ProtectOhio waiver. If Ohio has delayed implementation, FCCS may have to revert to receiving Title IV-E funding in the traditional manner.

Ms. Handon stated that the focus has been shifting to keeping children in the home and preventing the use of placements particularly congregate care.

Mr. Friedman stated that it may just be an issue of timing as to when payments are made.

Ms. Buske explained that because FCCS has focused on prevention efforts as a part of the waiver, they should be better prepared than rest of the country; however, when asked to determine how the new law will impact operations, FCCS did not fully explain staff concerns and how business operations would change. The only thing FCCS did allude to is that federal revenue might dip down for the first few years under the new law.

Mr. Curtin asked Ms. Buske if all of the levy scenarios she presented are for ten years.

Ms. Buske explained that all of the levy scenarios are for ten years, because the existing levies are ten year levies, but the focus is to look at the cash balance at the end of 2024 because that is when the other FCCS levy expires.

Mr. Curtin asked if levies can be any duration or do they have to be for five years or for ten years.

Ms. Buske and Mr. Talarek explained that the statute is different for different agencies but that FCCS and ADAMH can have levies of up to ten years. BDD does have the statutory authority to have continuous levies.

Mr. Curtin discussed whether or not the Committee should consider the length as well as the amount of the levy recommendation.

Mr. Bowman asked for confirmation that the Commissioners do approve FCCS appropriations.

Mr. Talarek affirmed the statement made by Mr. Bowman that the Commissioners approve the budgets for the levy agencies although for FCCS, ADAMH, and BDD they have their own contracting authority. Only the Office on Aging has its contracts reviewed and approved by the Commissioners.

Mr. Buske explained that it is possible for the Committee to look at the levy in terms of five years, because of the second 1.9 mill levy that expires at the end of 2024. The second levy is something that could be increased or decreased.

Mr. Curtin noted that it was a good point; the Committee needs to look at the two levies in tandem as opposed to separately.

Mr. Talarek reminded the Committee that FCCS mentioned at the previous meeting that they would prefer to increase the 1.9 mill levy so that it is closer to the 3.1 mill levy, rather than increase the larger of the two. Having them closer together would make sense in terms of not heavily weighting the revenue to one.

Ms. Handon asked if the Committee was ready to go into the various levy scenarios.

Ms. Buske walked the Committee through the four levy scenarios one by one. She explained that OMB used similar projections and assumptions to FCCS with some exceptions. As noted previously, Ms. Buske based the 2019 projection on historical and year to date actuals. She used a healthcare rate of 6% per year as is standard OMB practice. For the other Personal Services and Fringe Benefits categories she used a growth of 2% per year with 3% every third year. She used CPI-U for Materials & Services and left Capital flat. For Social Services, she used the contract rate for managed board and care, and then used the suggested 2.75% growth in placement costs each year. For supportive services she used 2%/year.

She focused the Committee's attention on the 90 days recommended cash balance at the end of year five and stated that FCCS should exceed the recommended balance with a replacement.

Mr. Bowman asked if the three months cash balance is a requirement and if there is a standard for how much of a cash balance would be considered too large.

Ms. Buske explained that the 90 days cash balance is preferred but not required and that there is no maximum allowed.

Mr. Talarek provided the example of the City of Dublin that has a reserve policy with a maximum because the balances were getting too high and they determined a maximum. The recommended cash balance is three months for levy agencies because the first half property tax settlement is received in March.

Mr. Talarek stated that the three months allows for flexibility and that FCCS will be able to find ways to manage the situation if the federal law change has a significant impact. The three months is a cushion which for the General Fund has been helpful in the past with the recession to avoid layoffs, etc.

Ms. Buske next walked the Committee through the first renewal levy scenario, where FCCS may end up below the recommended three month cash balance, but would still have approximately forty million in cash reserves. The other scenarios build in the $2 million in Medicaid savings and the additional $3 million proposed in State revenue. If these projections hold, FCCS will end 2024 with the ability to be very close to the recommended cash balance or will have more than the recommended cash balance. FCCS could potentially have approximately $15 million more than the recommended cash balance.

Ms. Buske stated that OMB would continue to track the State budget development.

Mr. Talarek explained that the sub-house bill should be released the following week and that the funding for Children Services was expected to stay in the proposed budget. With the additional funding, Ohio will still be near the bottom in terms of State aid.

Mr. Curtin verified that the Committee should have a clearer picture by the time of the last meeting on June 13, 2019.

Mr. Talarek added that they will have a clearer picture once it moves through the House process and asked Ms. Buske to affirm that there are other cost savings assumptions.

Ms. Buske noted that FCCS is moving onto the State IT network and there should be cost savings associated with that. FCCS has already done most of the work to be ready to switch over to the state.

Mr. Curtin noted that the Committee should have all the information necessary by June 13, 2019 to finalize the report recommendations.

Mr. Talarek noted that most of the report will actually be finalized by the May 23, 2019 meeting and the last meeting will serve to approve the final report.

Ms. Buske reaffirmed that the recommendations should be finalized at the next meeting. She stated that they can review another month of actual expenditures and noted that spending is Social Services has increased only modestly over the last few years. She also presented a chart that compared the various scenario cash balances at the end of 2024.

Ms. Handon mentioned that FCCS would be entering into union contract negotiations soon and raised additional concerns about turnover and asked what else is in place to address this issue from a financial perspective.

Mr. Talarek referred the Committee to the turnover heat map that FCCS had provided, showing that the agency hires more people and that this allows some of the more experienced staff to avoid burnout and this helps with retention. He stated that this has probably had a significant impact on making sure children receive the best and safest solution, including increasing kinship care and decreasing congregate care which is also more cost effective. As FCCS has mentioned, savings in Social Services have been redirected to hire additional personnel.

Mr. Talarek noted that FCCS has done a great job maximizing federal reimbursements and has been able to increase staffing levels. This is due to the cash balance being larger currently than it was anticipated in 2014 projections.

Mr. Bowman asked if the scenario from the last meeting that had a renewal with a 0.3 mill increase was comparable in terms of revenue to the proposed replacement.

Ms. Buske affirmed that it was comparable.

Ms. Handon noted that the request for a replacement appeared to be beyond what the agency needs and that an increase does not appear justified.

Ms. Buske pointed out that FCCS placement day projections increased significantly from 2014 to 2018 and corresponding expenses were manageable and did not increase as drastically. She noted that placement days are not projected to increase as significantly between 2019 and 2024 and although contractual rates will increase, the days should not increase as significantly as they did from 2014-2018.

Mr. Curtin stated that recommendations are always made on the best estimates you can make at a certain time and that he appreciated the diligence that staff had demonstrated in providing very through scenarios. If the projections do not hold, FCCS would be able to address the smaller of the two levies in five years. This would allow them to balance the two levies and bring them closer together which would make sense.

Mr. Buske and Mr. Talarek discussed the projection assumptions and noted that in a few areas OMB projections were actually higher than the FCCS projections.

Mr. Bowman asked about the 1.9 mill levy that expires in 2024 and asked staff to develop scenarios that show the entire ten years of the 3.1 mill levy and the impact the scenarios could potentially have on the 1.9 mill levy. He stated that the Committee should review the impact when evaluating this request. He noted that the difference between the renewal and the replacement was approximately $10 million.

The Committee discussed the difference between the replacement and the renewal and Ms. Buske explained that the current effective rate for the 3.1 mill levy is 2.760230. She explained that the replacement levy would reset the effective rate to 3.1 mills and would capture property value increases as well as new construction. She also reminded the Committee that taxpayers would lose the State rollback funding with a replacement.

Mr. Curtin explained that the most friendly voter language for a tax levy is renewal, the second most voter friendly is replacement and the least friendly is an increase or new. He noted that in five years FCCS will likely be requesting a replacement of the 1.9 mill levy or a renewal with an increase.

Mr. Friedman asked if the legislature thought through the impact of no longer providing the rollback for replacement levies.

Mr. Talarek stated that he did not know if it was purposeful but that it was meant to discourage confusion around replacements being the same as renewals.

<u>RECAP OF FCCS 2019 LEVY REQUEST FOLLOW-UP MEETING</u>

Ms. Buske recommended, baring no additional questions on the scenarios, that the discussion move on to a recap of the last meeting where FCCS answered additional questions from the Committee.

Ms. Handon noted that FCCS did not provide much information about the impact and effectiveness of managed board and care, as well as information about the impact of transitioning out of the ProtectOhio waiver.

Ms. Buske stated that FCCS is in transition with the new law and with a consultant coming in to review managed board and care and provide new case rates and incentives. The question that the Committee did ask centered on cost savings.

Mr. Curtin inquired about who would be monitoring the State budget process to determine how the revenue assumptions will be impacted by the budget development.

Mr. Talarek noted that OMB will follow-up with the Board of Commissioners' Government Affairs Liaison, Lauren Rummel. This position was created last year. She put together some notes for OMB and will touch base with the County Commissioners Association of Ohio to see if they had any feedback as well on the topic. She had not heard anything to suggest that the recommended funding increase for Children Services agencies was in jeopardy of being removed.

Mr. Curtin stated that this would be a key to the Committee's recommendation.

Mr. Talarek stated that OMB will follow-up and that the sub-house bill should be available soon and OMB will provide an update to the Committee.

Mr. Hemphill referred the Committee to the agenda and noted that the May 23, 2019 meeting is a key meeting to finalize the Committee's recommendations.

Ms. Buske stated that this was correct and after the May 2nd meeting she would begin drafting the levy report.

Mr. Talarek stated that OMB would continue to validate the financial assumptions and review actual expenditures. He encouraged the Committee to begin thinking about the operational recommendations that are included in the report. To date, the Committee has discussed cost savings and a review of managed board and care. He stated that previous reports might provide examples.

Ms. Buske reminded the Committee, particularly the new members, that the OMB website, has links to all of the levy reports from the last five years. Members can see what was recommended for other agencies.

Mr. Hemphill acknowledged that the May 2, 2019 meeting would allow the Committee to further discuss their recommendations.

NEXT STEPS-OMB

Ms. Buske asked if the Committee wanted to discuss recommendations at this time.

Mr. Talarek recommended that the Committee discuss recommendations at the next meeting and thought members should revisit the presentation to determine if there are additional questions to discuss.

The Committee and staff discussed several issues including caseworker turnover and the impact of the Family First Prevention Services Act (FFPSA) on federal revenue projections. With federal revenue, the impact of the FFPSA might be a timing issue with payments but it would also be impacted by congregate care rates.

Ms. Handon asked if OMB had a stronger sense of what federal funding levels will be under the new law and if more definitive information would impact calculations.

Ms. Buske explained that FCCS is projecting a decrease the first few years but that FCCS did not provide additional information on this subject.

Ms. Buske explained that revenue will impact the cash balance and that OMB had used similar projections to FCCS. She announced that she was waiting on some additional information from FCCS based on questions she had sent to the agency. She would provide an update at the next meeting if possible.

Ms. Buske stated that the majority of their federal revenue comes from Title IV-E and agreed to provide a more detailed revenue breakdown at the next meeting at the request of Mr. Friedman.

Mr. Hemphill informed the Committee to contact Ms. Buske if they have any further questions before the May 2, 2019 meeting.

CLOSING REMARKS

The next HSLRC is scheduled for Thursday, May 2, 2019 for further discussion related to the levy request.

Mr. Curtin made a motion to adjourn the HSLRC meeting and Mr. Bowman seconded.

The meeting was adjourned at 12:15 pm.