

## Finance Committee Meeting Douglas County, Nebraska

Monday, June 15, 2015

The meeting convened at 1:07 p.m. in Room 903 of the Omaha-Douglas Civic Center, 1819 Farnam Street, Omaha, NE 68183. A copy of the Open Meetings Act is located on the wall near the entrance of the room. A notice of the meeting was published in the June 11, 2015 issue of The Daily Record. County Commissioners present at the beginning of the meeting were Jim Cavanaugh, PJ Morgan, Mary Ann Borgeson, and Marc Kraft. Others present at the beginning of the meeting were Patrick Bloomingdale, Joe Lorenz, Diane Carlson, Marcos San Martin, Catherine Hall, and Karen Cole of Administration; and Sheri Larsen and Dan Esch of the Clerk/Comptroller's office. Commissioners Cavanaugh and Morgan conducted the meeting.

### 1. Discussion regarding the 2015/2016 County budget.

County Commissioners Mike Boyle and Chris Rodgers entered the meeting during this item, as well as Kathleen Hall of the Clerk/Comptroller's office. Speaking during this item were Mr. Lorenz, Mr. Bloomingdale, Commissioner Morgan, Commissioner Cavanaugh, Commissioner Borgeson, Commissioner Kraft, Commissioner Boyle, Commissioner Rodgers, and Ms. Carlson. Highlights from the discussion included the following:

- Mr. Lorenz provided an update on the Douglas County budget (see Attachment #1), which included:
  - A list of departments with budget requests at least \$25,000 over target, and a list of departments with significant decreases in revenue projections.
  - A budget deficit calculation.
    - Mr. Lorenz said the budget rollup has a deficit of \$4,066,073.
      - Mr. Lorenz said from a property tax perspective, it would require an increase of approximately 2.1 cents to the tax levy to cover that amount.
  - A list of potential adjustments were listed, which included:
    - Potential reductions to requested expense budgets.
    - Potential increases to revenue projections.
      - These potential expense and revenue adjustments bring the deficit to \$2,073,503.
  - Mr. Lorenz presented two options on how the \$2,073,503 deficit could be funded.
    - Option 1: Fund the deficit from fund reserves.
      - \$1,000,000 from Inheritance Tax.
      - \$1,073,503 from General Fund.
    - Option 2: Fund the deficit from a mill levy increase.
      - 1.0 cent would generate \$1,960,000.
      - 1.25 cents would generate \$2,450,000.
      - 1.5 cents would generate \$2,940,000.
- Mr. Lorenz spoke about how he thinks Option 1 can be done comfortably now, but it doesn't address the County's long-term, structural deficit.

- Inheritance Tax Fund reserves were discussed.
  - Mr. Lorenz said if Option 1 is chosen, it would leave the County with \$4,000,000 - \$5,000,000 in Inheritance Tax reserves in 2015/16.
  - Commissioner Boyle spoke about veterans' benefits, the Health Department, and/or care for children being presented as reasons for using Inheritance Tax Fund reserves.
- General Fund reserves were discussed.
  - Mr. Lorenz said originally he thought there would be \$32,000,000 in General Fund reserves, but now he thinks the County may get to \$34,000,000 - \$35,000,000.
    - Mr. Lorenz said with the way things are tracking, 2014/15 revenue may reach 102%, and 2014/15 expenses will be under 100%.
  - Commissioner Cavanaugh provided a ten-year history on the General Fund expense year-end remaining balance (see Attachment #2).
    - Commissioner Cavanaugh pointed out how even with encumbrances, actual expenses have come in under budget by at least \$4,000,000 eight times since 2004.
      - Commissioner Morgan said the County would still be adding to reserves if, for example, it took \$3,000,000 out of reserves, but put \$4,000,000 back in.
- Commissioner Kraft spoke about "truth in budgeting" and if the County Board expects to spend a certain amount on a department, then the County Board should budget for it.
  - Commissioner Kraft said if the expectation is to have a \$4,000,000 surplus at the end of the year, then the County Board should take that into consideration and budget out of it.
- Juvenile Court and Guardian Ad Litem (GAL) were discussed.
  - Mr. Bloomingdale spoke about proposed rules in the State of Nebraska Supreme Court (Supreme Court) and interaction he has had with Corey Steel of the Supreme Court.
    - In the proposed Supreme Court rules, there is specific language which makes reference to the Court setting an hourly rate.
    - Even though this language is the same as what is in the Supreme Court guidelines, its Mr. Steel's opinion that it will mean contractors would have to be paid an hourly rate, rather than a flat fee.
      - Mr. Bloomingdale brought up to Mr. Steel that the language in the proposed rules is the same as what's in the guidelines, and that for the last 12 years the County has been able to pay contractors at a flat rate.
        - ❖ Mr. Steel's response was that those are guidelines, these are proposed rules.
    - Mr. Bloomingdale submitted a formal request to the Supreme Court for their response on what that language means and if contracts can be done at a flat rate, but an answer won't be given until the entire comment period is over for the Supreme Court rules.
  - For GAL, Mr. Bloomingdale said Juvenile Court does not support an in-house department, nor does Juvenile Court support contracting.
  - The potential adjustments listed in Attachment #1 would reduce the Juvenile Court's budget request by \$800,000.
    - Mr. Bloomingdale spoke about considering a cut of only \$300,000 or \$400,000, and use more out of General Fund reserves to fund the deficit, since this expense is within Juvenile Court and out of the County Board's control.

- Mr. Bloomingdale said he doesn't want anything to send a negative message to the public as the County gets closer to the November 2016 bond issue.
  - Commissioner Cavanaugh spoke against giving Juvenile Court its entire request and said he'd rather have Juvenile Court come back during the year for a supplement.
    - Mr. Lorenz said a budget supplement would have a public hearing and it would be targeted on what's driving the costs.
  - Commissioners Borgeson and Morgan spoke in favor of keeping the \$800,000 cut to Juvenile Court's budget request.
- Other items/topics brought up during Juvenile Court and GAL discussion included:
  - Commissioner Cavanaugh said the Supreme Court can tell Juvenile Court what to do.
  - Commissioner Boyle spoke about the possibility of taking away the appointment of legal counsel from the Juvenile Court Judges and setting up some other system.
- Commissioner Cavanaugh said he would like to look at the General Fund departments who have large balances at the end of 2014/15.
- Commissioner Kraft said he'd like to see a list of all of the encumbrances.
- Zero-based budgeting was discussed.
  - Commissioner Borgeson said in the interim, she thinks each department reporting to the County Board should be taken back to zero, and then rebuilt in order to make sure what those departments have is what those departments need.
    - Commissioner Borgeson said this would be a way of justifying each expenditure item.
    - Commissioners Cavanaugh and Boyle spoke in favor of this idea.
- Regarding possible budget cuts to the Commissioners' office, Commissioner Cavanaugh said he thinks there would have to be something that is not necessary to the efficient functioning of the Douglas County Commissioners' office.
  - Commissioner Borgeson said she thinks the Commissioners' office is pretty lean compared to the City of Omaha or other county operations.
  - Commissioner Boyle said he doesn't think the Commissioners need to have individual offices, except for the Chairperson.
- Other items and ideas discussed at the meeting included:
  - Commissioner Borgeson said if anybody has ideas that they want to look at for strategic planning, those ideas can be put together in some type of priority order.
  - Addressing health insurance costs.
  - Commissioner Cavanaugh spoke about the possibility of having only one GIS department.
- Mr. Lorenz said the public hearing will be prepared for under the assumption of Option 1.

## **2. Other business**

There was no other business.

The meeting adjourned at 2:11 p.m.