

Finance Committee Meeting

Douglas County, Nebraska

Tuesday, June 7, 2016

The meeting convened at 11:03 A.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 May 31, 2016, issue of *The Daily Record*. County Commissioners present at the meeting were Marc Kraft, Mary Ann Borgeson, P. J. Morgan, Jim Cavanaugh, Chris Rodgers, Clare Duda and Marc Kraft. Others present at the meeting were Patrick Bloomingdale, Karen Cole, Joe Lorenz, Catherine Hall, Diane Carlson, and Marcos San Martin, County Administration; Tom Wheeler, Sheriff's Office ; Jerry Leahy and Jeff McGill, Public Properties; Doug Kagan and Jim Sazama, Nebraska Taxpayers for Freedom; and Constance Mierendorf, Douglas County Clerk/Comptroller's Office. P.J. Morgan chaired the Committee.

A video recording of the meeting is available on the Douglas County Website:

<http://commissioners.douglascounty-ne.gov/board-meetings/videos>.

Joe Lorenz began the meeting by saying 2 areas would be covered in the meeting: 1) a review of where the County stands in terms of the budget based on requests, the deficit, and potential modifications, and 2) issues related to the November Bond issue: communication and what should be offered in the Bond.

Douglas County Budget Update

Expense Budget Requests

Joe Lorenz discussed the expense budget requests that exceeded their target (See A-2).

- The Assessor/Register of Deeds budget is \$254,186 over target primarily as an increase in headcount and compensation.
- 911 is up \$68,562. In cooperation with the City, the County agreed to purchase mobile radio equipment through the Bond and the City will pay the greater portion of funding for 5 additional headcount for 911. That would start April 1, 2017. The County's share is \$68,652 is for 3 months.
- The County Attorney is \$213,207 over target.
- Capital Improvement is \$1,184,000 over target because Public Properties was asked to include all of the County's Capital Improvement needs in the budget. Last year, the budget was \$635,000.

- The Election Commissioner is \$1,342,670 over target because the original budget did not take into account that this is a general election year.
- County Court is \$180,000 over target due to the need to redo the court rooms along with increased attorney fees.
- The Sheriff's budget nets out at \$277,028 over target.
- The Treasurer's overage of \$117,000 is a result of a one-time cost for converting systems to Oracle and redoing their bookkeeping.
- The Administrative Office budget is over \$184,189 due to an increase in the Community Based Aid grant. This is a revenue offset. The only amount that is not covered by grants in the overage is \$55,000 for a Public Information Officer.
- Employee Fringe Benefits are \$1.2 million over target due to the increase in health insurance premiums.
- ENHSA/Region 6 (Eastern Nebraska Human Services Agency) is up \$295,000 because by law the County has to match the State contribution by \$1 for every \$3 the state contributes. Ultimately the County will receive more money from the State than last year.
- Corrections is \$1 million over target. The overage is due to salaries and projected occupancy increases.
- Outside Office Expenses are \$50,000 over target due to incremental rent increases at the Probation offices on 73rd and Blondo Street and 84th and Spring Street.
- Juvenile Justice/Collective Impact is up \$128,000, but none of the funding comes from Douglas County taxpayers. It is funded by the Community Based Aid grant and other private foundations.
- "Other" came from the reduction in Juvenile Court costs when converting Guardian Ad Litem services. That savings is \$984,300.
- Overall the Budget Requests are 3.7% or \$5.7 million above target.

Revenue Projections

- Joe Lorenz spoke with Kent Holm in Environmental Services and Mr. Holm agreed that the projected decrease in revenue of \$248,000 could be taken back.
- The revenue projection of \$354,005 is considerably less than the County's experiences in the past two general elections which were: \$560,000 in F12/13 and \$797,737 in F08/09. Mr. Lorenz will meet with Brian Kruse, Election Commissioner, to discuss.
- Mr. Lorenz spoke with Jerry Leahy in Public Properties about adding back \$60,000 to the revenue projection. The projection is lower than the \$3.4 million actual from a year ago.

Budget Deficit Calculation

- Mr. Lorenz compared last year's requested budget with this year's requested budget. The surplus of \$270,168 was a result of the increase in taxes on commercial property. The final taxable valuation was \$788 million above budget estimate which generated \$1.2 million in incremental revenue.

- This year the requested budget is \$4,220,733 over the revenue that comes to the General Fund generated from property taxes, departmental revenues and transfers. Expenses are 7.4% higher than they were last year.
- Doug Kagan said he and Jim Sazama would be presenting a White Paper to the Board soon.

Potential Budget Modifications

- Joe Lorenz said the approach he has taken is open for discussion and suggestions.

Total Revenue Increase

\$250,000	Environmental Services
\$200,000	Election Commission
<u>\$ 60,000</u>	Public Properties
\$510,000	

- Environmental Services would be made flat with last year's budget; the Election Commission would be adjusted in accordance with past history and Public Properties would be more aggressive on its revenues based on this year's numbers.

Expense Decreases

\$1,119,000	Public Properties/ Capital Improvement
\$ 400,000	Election Commission
\$ 250,000	Employee Fringe Benefits
\$ 300,000	Corrections
\$ 250,000	Assessor/Register of Deeds
\$ 275,000	Sheriff
\$ 100,000	County Attorney
<u>\$ 30,000</u>	County Court
\$2,724,000	

- Capital Improvement/Public Properties' budget for last year was \$635,000. It was asked to budget for all maintenance items in the F16/17 budget, but in this tight budget cycle, fulfilling all of those needs might not be possible. Mr. Lorenz reduced the Public Properties budget by \$1,119,000 but also brought its budget up to \$700,000.
- The Election Commission budget was \$2.3 million in the last general election; the requested budget is \$2.9 million. Bringing it to \$2.5 seemed to be a reasonable range.
- Employee Fringe Benefits. The budget is decreased by changing the portion of insurance premiums retirees pay toward their health insurance. Currently a family pays 35% of the

premium and that will increase to 50%. An individual currently pays 20% and that will increase to 35%.

- Mr. Lorenz met with Mark Foxall regarding the Corrections budget and a decrease of \$300,000 in the requested budget should be acceptable.
- The Assessor/Register of Deeds budget is being held to target.
- The Sheriff's office is unfunded for drug forfeiture money that it has received in the past; however, there is still money left in that fund that can be used in F16/17.
- The County Attorney's Office request of \$217,000 over target is reduced to \$117,000.
- The County Court has a little room in its requested budget and is being held to \$150,000 over last year.

\$510,000	Revenue Increases
<u>\$2,724,000</u>	<u>Expense Decreases</u>
\$3,234,000	Modification
\$4,220,733	Deficit
<u>- \$3,234,000</u>	<u>Modification</u>
\$ 986,733	Revised Deficit

- The revised deficit could be paid on a preliminary basis from reserves. This is approximately where the budget stood last year. Mr. Lorenz said the budget is open for discussion.
- Commissioner Cavanaugh asked about the \$1,184,000 request for Capital Improvement over budget. The same amount was requested last year with the same result. The amount is deferred maintenance that needs to be done at some point. He also asked if any of the improvements in the request could be covered by the Bond.
- Jeff McGill said the amount over target included electrical and mechanical upgrades and some energy efficiency improvements. At some point, these upgrades will need to be done.
- Jerry Leahy said that of the \$7 million in the Corrections' portion of the Bond, about \$1 million would be covered over 5 years in their projected budgets.
- Commissioner Cavanaugh presented documents showing fund balances from 2006 to 2015 and a General Fund 11 year History (See Attachment B). According to the documents, the unassigned fund balance in 2009 was \$45 million and \$56.5 million in 2015.
- Mr. Lorenz said those are not the fund balance numbers that he uses for the General Fund. The fund balance on June 30, 2015 was approximately \$32 million. The numbers Commissioner Cavanaugh is citing are from CAFR (Comprehensive Annual Financial Report). CAFR includes numbers from other funds like the \$14 million Inheritance Tax fund and \$23 million of the Employee Insurance Fund, which is restricted.
- The other variable that needs to be taken into account is seasonality. The fund balance goes up or down based on the timing of the property tax collection. The fund hits its high point on June 30 and its low point before the March Property tax proceeds. This year Monday, February 29,

the County had \$12.3 million left in the fund balance. The low point number Mr. Lorenz works with is \$10 million.

- Commissioner Cavanaugh said he is looking for an agreed upon number to work with.
- Mr. Lorenz said the AAA bond rating is based on the CAFR number. The raters also look at what the County does in terms of having a balanced budget. Every year the County has been able to come in \$1 million above budget and contribute to reserves. Each year the budget has come in favorable in the range of 1-2% over budget.
- Referring to Attachment B-2, Commissioner Cavanaugh said it appears that over the 11 year history of the General Fund, the balance overages average about \$4 million/ year which would leave the County with a \$40 million supplement (Total on B-2 shows \$48,846,381).
- Mr. Lorenz responded that what is not shown is the 2 supplements to the budget that are done during the course of the year and are funded in part out of reserves, so the \$4 million number is actually closer to \$2 million.
- Commissioner Cavanaugh said somewhere between \$32 million, \$48 million, and \$56 million there is a definitive number. In order to come to an agreed upon number, Commissioner Cavanaugh requested that Mr. Lorenz provide the mid-year calculations so all can agree on a reserve number.
- Commissioner Kraft said that in each of the past 8 years, the Capital Improvement budget has been cut back. He asked about the chillers at the Health Center that are reaching or beyond their life expectancy. A catastrophe could create a huge problem for the County. Commissioner Kraft asked if the Capital Improvement funding could be taken out of Inheritance Tax reserves. He is not comfortable funding the Capital Improvement budget so low.
- Mr. Lorenz said this would be possible in most years, but this year is the once-in-every-13th-year occurrence when there are 27 payrolls instead of 26. Each payroll costs \$5 million. Mr. Lorenz saw this coming and built up the Inheritance Tax Reserve. This will fund the 27th payroll, but makes it tougher to take anything else out of that fund.
- This year the projected Inheritance Tax outflows are \$14.5 million and inflows are \$12- \$12.5 million, so this year the County is using \$2-2.5 million in Inheritance Tax reserves to fund this budget.
- Mr. Lorenz said in F15/16 the salary adjustment fund was budgeted at \$1.75 million and in May he added an additional \$120,000 to cover a shortfall. This year the salary adjustment budget is increased to \$2 million. There are a number of variables in planning for this budget. Some union contracts, for example, will be settled and funded retroactively. The plan assumes a 3% overall increase at the end of the year; however, adjustments for the Public Defender's office are at 6%. Mr. Lorenz anticipates an end of year 3% increase for salaries.
- The biggest one time cost in the budget is the \$5 million additional payroll.
- Mr. Lorenz said taking another \$500,000 out of the reserve to fund Capital Improvement could be a strategy, rather than continuing to defer maintenance year after year. This would bring the Capital Improvement budget to \$1.2 million.

- Commissioner Rodgers asked what portion of the \$7 million Bond allocation for Corrections is covered in the Capital Improvement budget? Mr. McGill said the amount was approximately \$172,000 this year, \$380,000 next year, but \$1 million over 5 years.
- Commissioner Rodgers brought up the issue of moving GIS (Geographical Information Systems) out of the Assessor/Register of Deeds office and consolidating with the County GIS office.
- Commissioner Borgeson said she would be willing to sit down with Diane Battiato to negotiate the move.
- Mr. Lorenz said a point that should be considered is that although the Assessor/Register of Deed's office is not receiving the \$250,000 above target it requested, the move of 4 employees out of the office would free up \$333,000 for that office. The County will pick up the cost of those employees in the County GIS office.
- Doug Kagan said he favored the consolidation of GIS offices.
- Mr. Lorenz explained that the final budget will have a public hearing when it is complete. Legally, the budget does not have to be finalized until September 1. Last year it was the second week in July. He anticipates reaching the final budget in July.
- Tom Wheeler said the reduction of \$275,000 from the Sheriff's budget would mean the hiring of 4 deputy sheriffs to replace 4 retirees would have to be stopped. The funds in the drug forfeiture account have already been committed in contract to their records management system and crime lab accreditation. The Sheriff's office has nowhere to cut but personnel.
- Commissioner Morgan said the replacements of the 4 retirees should come in at a lower rate.
- Mr. Wheeler said the process for hiring takes almost a year. There is a long delay built in to the process.

Bond

- Joe Lorenz began the discussion by saying that some outside groups have been contacted who could potentially be bond supporters. Patrick Bloomingdale is gathering data for a detailed, comprehensive talking piece and a plan for how we envision using it.
- Commissioner Borgeson said that first the Board needs to reach consensus on what would be included in the Bond and how much it would be. On the one hand, some expressed the opinion that the Treasurer and Environmental Services should be scrapped. Another suggestion was that everything but 911 should be scrapped.
- Commissioner Morgan said if this was a political campaign, managers and an infrastructure would already be in place. The Board does not have these people in place.
- Commissioner Cavanaugh agreed that the Board needs to come to a decision about what is in the package. At this point the cost is \$35.3 million for Construction and 911. \$20.3 million for the buildout and \$15 million for equipment that includes the \$2.7 million previously split out for radios. \$7 million would be the cost for Corrections bringing the total to \$42.3 million. The square footage is:

911	11,754 sq. ft.
Treasurer and DMV	8,989 sq.ft.
Environmental Services	2,498 sq. ft.
Emergency Management	2,400 sq. ft.

- Of those components, all are Public Safety except the Treasurer. Commissioner Cavanaugh agreed with Commissioner Morgan saying that the County should not renovate half a building. As the Administrative Services Committee meets, it is getting closer to exact numbers. He referred to the May 24 Public Safety Bond Document (See Attachment C).
- Patrick Bloomingdale said there are publishing requirements for the Bond. The County should shoot for August 1 for finalizing Bond details, 90 days before the election.
- Jerry Leahy said that a professional team is evaluating the \$7 million number for Corrections and should have the final number at the end of June for the next Administrative Services Committee meeting.
- Commissioner Rodgers said the committee to promote the Bond needs to be in place.
- Commissioner Morgan said next Tuesday, June 14th, the Board should discuss the Bond again and work toward consensus. Commissioner Cavanaugh and Commissioner Boyle have had discussions with First Responders about their support.
- Mr. Leahy spoke about the Public Safety components of Environmental Services saying he once worked there. It deals with rural flooding in Western Douglas County including Sokol Camp, Valley and Waterloo. When there is a natural disaster like a tornado or blizzard, Environmental Services is integral to the clean-up effort; the landfill is critical.
- Commissioner Rodgers said Environmental Services is not Public Safety and he also opposes including Emergency Management in the Bond.
- Mr. Leahy said he has reached a revised Bond number-- \$42.3 million and it could go lower. If Environmental Services and Emergency Management are taken out—5,000 sq. ft.—and are developed through Capital Improvements, then this would be a serious Public Safety Bond.
- Mr. Bloomingdale said that the people Commissioner Cavanaugh spoke with about supporting the Bond had 3 major questions that the County needs to be able to answer:
 - What is the benefit to Public Safety of each item to be included in the Bond?
 - What does the County want our group to do? What specifically is the County asking us to do?
 - If we have any out of pocket expenses, how are those going to be handled? How would we be reimbursed?
- He said out of pocket expenses would have to come from money raised by the groups. Mr. Bloomingdale is getting clarification on the first question.
- Commissioner Cavanaugh said as per Bond counsel, the County is not involved with anything but the policy of the Bond. An independent committee needs to handle the promotion. No County resources or personnel will be used to promote the Bond.
- Commissioner Cavanaugh said anything that is not done on the Bond list will have to be done with property taxes and he is opposed to raising property taxes.

- Commissioner Rodgers said what we can realistically get through is not Emergency Management and Environmental Services. The County should be committed to what the County needs, not what it wants.
- Commissioner Kraft said Emergency Management is definitely Public Safety.
- Commissioner Borgeson felt the Board was leaning toward a true Public Safety Bond: only 911 and Corrections. The Bond issue has a direct effect on the mill levy; it's how and when you do it.
- Jim Sazama spoke about taking a different perspective. He suggested that the County Board tap the wisdom of senior citizens in the community. He is appalled at the amount of money that is spent on Corrections and that the Sheriff's department is funded at less than half of Corrections.
- Commissioner Morgan replied that 1400 people are released and committed each month at the Corrections facility. It is not reimbursed by the State. By statute the County is required to maintain the facility. The County must be very careful about the safety of the employees.
- Commissioner Borgeson volunteered that she would be willing to come to any meeting that Mr. Sazama would organize and answer questions about any aspect of the County. Mr. Kagan presents a white paper each year that the Board takes very seriously, but some things can not be done because of state laws.
- The Board has not funded Capital Improvements because it has not wanted to raise property taxes. The mill levy has increased only once in 6 years.
- Commissioner Borgeson said it is vital that the County Board have partnerships with citizens.
- Commissioner Kraft said the Board is extremely transparent operating in an open forum. There is a definite need to expand 911 and the equipment, as of 2018, will no longer be supported by Motorola and new radios are needed for intercommunication between departments. There is a dramatic need for more space. Not all of what the Board is considering saves money, but these initiatives are vital to Public Safety.
- The next meeting will cover the Bond and the Budget.

The meeting adjourned at 12:47 P.M.