

## Finance Committee Meeting

### Douglas County, Nebraska

Tuesday, June 5, 2018

The meeting convened at 11:50 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 29, 2018, issue of *The Daily Record*. County Commissioners present at the meeting were P.J. Morgan, Jim Cavanaugh, Mike Boyle, Chris Rodgers, Clare Duda and Marc Kraft. Others present at the meeting included Patrick Bloomingdale, Karen Cole, Joe Lorenz, Diane Carlson, Catherine Hall and Marcos San Martin, County Administration; Jeff Stevens and Doug Kagan, Nebraska Taxpayers for Freedom; Dan Esch, County Clerk/Comptroller; Jerry Leahy, Public Properties; and Constance Mierendorf, Douglas County Clerk/Comptroller's Office. Mike Boyle and P.J. Morgan chair the Committee.

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

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

#### Options for 2018/19 Budget

- Joe Lorenz said the hearing today is to review the proposed budget. The way the numbers are coming in, he is confident that the County will not have to increase the levy.
- Mr. Lorenz reviewed the timeline for the budget. Discussion will be held today on the proposed budget and hopefully the committee will reach agreement on a budget. Then public notice of the budget hearing will be published along with a budget summary the week of June 19. The final budget hearing and approval of the budget will be taken to the Board on July 10 (assuming there are no decreases to any of the budgets of elected officials). (See Attachment A)
- The Budget as adopted for F17/18 is showing a deficit of \$811,715. This amount could potentially be covered by reserves. Revenues are tracking strong at this point. What has been requested for F18/19 is a 1.6 % increase in revenues and a 2 % increase in expenses. The net deficit is \$1.955 million. This year, the County may realize a 4% increase in property tax revenue due to higher valuations.
- Mr. Lorenz spoke to various departments to reassess their revenues because they appeared to be too conservative. The Youth Center, Treasurer, Clerk of the District Court, Purchasing and Emergency Management agreed to increases in revenue projections. The result of those discussions is an additional \$496,000 in revenue.
- Assuming an increase in the amount of premiums paid by retirees to the health plan, the budget could pick up \$225,000 and still retain the retiree medical plan. The amount paid by an individual would increase from 30-35%. A family premium would increase from 40-45%.
- Commissioner Boyle asked if the increase to retired employees was needed.

- Mr. Lorenz said the total premium is \$746/month and it would increase \$35 per month. This kind of plan is only seen in the public sector.
- Commissioner Rodgers said the cost is going up every year, so the impact will come eventually. Douglas County is one of the few counties in the country that has a retiree health plan.
- Mr. Lorenz said retirees are the most expensive people in the pool. They are insured until age 65, at which time, they qualify for Medicare.
- Commissioner Cavanaugh said the County has experienced a loss of employees and he does not want to engage in a race to the bottom. Retiree health care is a point of great sensitivity to some employees and it is a very small portion of the overall budget.
- Commissioner Rodgers says this will not hurt recruiting but will help retention.
- Commissioner Duda said there is no retirement health insurance for most retiring public employees. This increase in premium payment does not cut off the plan; it is just going to increase the payment by 5% per year.
- Commissioner Boyle said this is not a significant increase for the budget and he opposes the 5% increase because of the burden it imposes on retirees.
- Commissioner Morgan said it is better to phase the increase in and have it on the agenda where the full Board can discuss it.
- Doug Kagan said taxpayer groups across the country are encouraging the public sector to move in the direction of the private sector. The trend is to encourage people to work until age 65.
- Mr. Lorenz said assuming the modifications to the budget of adding \$496,000 in departmental revenue projections and the increased portion of the retiree medical benefits of \$225,000, the budget deficit for F18/19 would be \$1,234,598. Given the size of the budget, the Board can be comfortable with up to \$1 million being funded from reserves. Assuming the target from reserves would be \$850,000, the expense reductions required would be \$384,598.
- Commissioner Cavanaugh asked what the current balance of reserves is.
- Mr. Lorenz said the fund is at \$29 million; the lowest point of the budget was in February at \$8-9 million.
- Commissioner Cavanaugh asked if the \$385,000 could be taken from the reserve.
- Mr. Lorenz said the rating agencies are sensitive to end of year numbers and the County does not want to show that it is spending more than it is taking in.
- The last page shows why there is a deficit. All of these departments made presentations to the Board to discuss their overages. Their requests are \$2,458,398 over target.
- The JAC funding issue is not so much a matter of the budget but a philosophical change. Instead of being primarily grant funded by Community-Based Aid, that funding is now being given directly to local agencies.
- Mr. Lorenz said the Corrections issues are two-fold. Labor expenses are up approximately \$600,000 because of overtime. There is also an \$800,000 shortfall because Corrections cannot realize I.C.E. and U.S. Marshall's revenue due to construction and overcrowding. Dr. Foxall and Amber Redmond are managing things tightly.
- Commissioner Kraft noted that taking \$50,000 from the Community Mental Health Center (CMHC) wouldn't even hire a psychiatrist.

- Mr. Lorenz said he reduced the CMHC request by \$180,000; it was \$230,000 over budget and it was reduced by \$180,000. The big driver is the detox center. Corrections is also down \$700,000 from their original request.
- Mr. Bloomingdale said it is not possible to reduce the overtime budget at Corrections at this time.
- The last sheet Mr. Lorenz discussed is not in writing. This will be a decision the Board has to make. Further cutting of the budget is an attempt to fund the \$384,598 deficit:
  - County Attorney    \$141,000
  - Public Defender    \$ 58,064
  - Sheriff                \$ 90,009
  - JAC                     \$100,000
- Commissioner Rodgers said most of the JAC budget is salaries. If JAC is cut, it will increase juvenile programs and will cost more than the savings.
- Patrick Bloomingdale said if taking away this much from funding is crippling it and then the Board would have to decide if it wants to continue the JAC.
- Mr. Bloomingdale said all cuts are sensitive. Someone is always going to be unhappy. The County needs to look at the \$500,000 for the short-term rehabilitation center at the Douglas County Health Center. When will it make a profit? It is not mandated and many other facilities operate short-term rehabilitation centers.
- Commissioner Cavanaugh asked if the Corrections budget includes the \$5 million contract for CCS (Correct Care Solutions). The County is being sued all the time. The County should look seriously at not contracting out for \$5 million when it operates its own health care center. How many doctors and caregivers could the County hire for \$5 million?
- The short-term rehabilitation center is potentially a profitable center. The Health Center has a new director and it will be better managed going forward. The Health Center is a huge source of revenue for the County and this project should be given a chance. Looking at comparative expenditures, the County allocates a great deal of money into the Corrections Center that it will never recover.
- Mr. Bloomingdale said he had a conversation with Dr. Foxall about the health service. Even if the County has an in-house health service, there would still be lawsuits. Most facilities contract out because of liability. Having the health care service in-house gives the County more exposure.
- Commissioner Rodgers said JAC reduction will be harmful. Lowering the Corrections budget \$100,000 would be more prudent.
- Mr. Lorenz said proportionally, the reduction to Corrections with a budget of over \$40 million would not be as impactful as reducing the JAC's \$800,000 budget.
- Commissioner Kraft said if the short-term rehabilitation center breaks even today, it would be almost impossible to recover its losses. Use the beds for those who cannot take care of themselves.
- Commissioner Rodgers believes the Assessor's valuations may go up to 5%.
- Commissioner Boyle asked if any of the 911 positions had been funded in the budget. Six new hires amount to \$240,739.20. The City pays 85% of the cost. The County pays 15%. (See

Attachment B). Commissioner Boyle visited with Dave Sleeter. It's essential to fund the 911 Center adequately and he wants to honor Mr. Sleeter's request for 6 dispatchers.

- The cost of adding a 6<sup>th</sup> position is \$34,000 to the City and \$6,000 to the County.
- Mr. Lorenz said this Friday Mr. Sleeter is presenting to the City. He said he would attend this meeting and defer to what the City decides. The real hot point on this issue is the 5<sup>th</sup> Precinct. The City is talking about hiring in January 2019. They are asking for another 5-6 people for the new precinct.
- Commissioner Boyle also agreed to attend this meeting. Cutting the 6<sup>th</sup> position would be foolish. These positions are vital.
- Mr. Bloomingdale said the City controls the decision on the 6<sup>th</sup> hire because it pays 85%.
- Doug Kagan said 2 Public Service commissioners have said they are re-figuring the formula of how much money gets rebated to Douglas County.
- Commissioner Rodgers said the census has been recalibrated. The City has annexed a tremendous amount of property.
- Mr. Lorenz said the local population is 83% City and 17% County. However, the call volume at the 911 Center is 88% City and 12% County. The real issue will be staffing the Fifth Precinct.
- Commissioner Morgan said the Board needs to figure out how to find \$400,000 out of a \$300 million budget, and this should be doable.
- Mr. Lorenz said Inheritance tax proceeds could be a source of additional revenue. The County is taking \$4 million to fund the recent property purchase. The tax could, however, yield close to \$4.5 million, and \$500,000 could be transferred to cover the budget.
- Mr. Bloomingdale said the only caveat is these are ongoing expenses.
- Commissioner Rodgers said it is possible to get some of the revenue back from I.C.E. and the U.S. Marshalls at the Corrections Center once renovation is done. Property values are up. If the County can take the shortfall out of 1 year, it should do it.
- Mr. Kagan suggested desk audits like the State does to see if everyone is putting in 8 hours of work each day.
- Mr. Bloomingdale said this would be a challenge with 8 elected officials.
- Commissioner Morgan said he is working with state senators. The idea that Counties are mandated that they go out to assess their property every 6 years is a waste of time and people when there is satellite and Zillow information available.
- Dan Esch said he can run reports on costs by each department.

The meeting adjourned at 12:55 P.M.