Hamilton County Tax Levy Review Committee
138 East Court Street
Room # 603
Cincinnati, Ohio 45202

July 15, 2009

Hamilton County Board of Commissioners
Hon. David Pepper – President
Hon. Todd Portune – Vice President
Hon. Greg Hartmann
138 East Court Street
Room # 603
Cincinnati, Ohio 45202

RE: Hamilton County Board of Mental Retardation and Developmental Disabilities (MR/DD) Levy Review

Dear Honorable Board:

This document serves as the **subcommittee report** of the **Tax Levy Review Committee (TLRC)** for the **Hamilton County Board of Mental Retardation and Developmental Disabilities (MR/DD)** levy under consideration for placement on the ballot for the November 2009 general election.

The TRLC subcommittee was comprised of the following members: Gwen McFarlin, Mark Quarry (Chair) and John Smith. We were provided with outstanding support and guidance by Lisa Webb of the Hamilton County Office of Budget and Strategic Initiatives, as well as other County staff.

MR/DD staff, particularly Cheryl Phipps, Superintendent of the Hamilton County Board of MR/DD, provided excellent background and information throughout the subcommittee's review. A public hearing for the MR/DD levy was held in the Board of County Commissioners office on June 8, 2009.

TATC Consulting (aka Management Partners) was the firm selected to conduct a management and operation review of MR/DD. Their findings and report can be found in **Exhibit A**. Also, a document titled "Tax Levy Review Subcommittee on MR/DD Levy" and prepared by MR/DD can be found in **Exhibit B**.

Principal Observations

The subcommittee concurs with the principal observations of TATC Consulting including:

- MR/DD continues to be a well-functioning organization. Earlier this year, it received a re-certification by the State of Ohio for a full five years, one of only a few programs in the State to be so recognized. MR/DD currently holds accreditation from the Commission on Accreditation of Rehabilitation Facilities (CARF) and expects to be reaccredited based on exit interviews from the CARF field review conducted in late March 2009. CARF reaccreditation did occur, with high marks

- MR/DD continues to meet its legal obligations as established by Hamilton County, the State of Ohio, and the U.S. Government.

- MR/DD has complied with all of the recommendations included in the previous tax levy review, either through direct action or indirectly.

- Hamilton County continues to compare well with peer jurisdictions in Ohio for case load management and costs of service.

- MRDD has experienced, and will continue to experience, substantial growth in its service demand, with minimal increase in service staff. This has placed large work load demands on the staff. MR/DD will have to confront this issue over the next several years.

  Options include increase in staffing to maintain current levels of client services in the face of the growing program enrollments, reductions in service and potential waiting lists, or a combination.

Financial Analysis and Levy Forecast

The financial analysis and levy forecast (including a primary financial model and "funding scenarios") provided in pages 32-47 of Exhibit A use a growth rate that is lower than what MR/DD has been experiencing over recent years. The three funding scenarios assume varying levels of tax support.

Principal Recommendations

The subcommittee agrees with the following recommendations:

1. Hamilton County will need to confirm that the losses in tangible personal property tax revenues that MR/DD will experience beginning in the coming levy period will be offset by tax revenues from other sources.

2. MR/DD should continue to aggressively pursue Medicaid waivers as a means of providing a broader range of services to its participants while minimizing cost obligations against the levy.

3. MR/DD needs to increase service facilitator staff in order to meet growing service demands while keeping average case loads stable.

4. MR/DD will need to increase the number of Early Intervention Specialists to meet the growing number of requests for service.

5. The cost sharing ratio for the public schools should grow from 25% to 50%, beginning with the 2010-2011 school year.

6. The budget for adult services will need to grow to keep up with an estimated net annual increase in adult enrollment by seventy persons.

7. MR/DD should provide better technology disaster planning by implementing a secure, off-site data center facility for its production servers. Implementation of a redundant server system is also recommended.

8. MR/DD is of such size that it could benefit from a full-time business analyst to work with the operating divisions to review continually means of improving business processes and to develop appropriate technology support.*

   <u>*Note:</u> While we do not disagree that a business analyst might provide a benefit to MR/DD, given the current economic climate, the subcommittee does not feel this is the time to add any additional, nonessential staff.

9. MR/DD should continue to pursue a Council of Governments with neighboring counties, first to provide for improved service support and coordination and, ultimately, to achieve greater financial efficiencies in administrative areas.

10. MR/DD should continue fostering and using early retirement incentives.

11. MR/DD is to be commended for its development of a support system for its client service staff and should implement such a program as quickly as possible

12. MR/DD should develop the data capacity to monitor the needs and associated resource requirements for the aging population it serves.

<u>Tax Levy Funding Need and Forecast (2010-2014)</u>
The following points were used to derive an anticipated tax levy fund need:

- Use the anticipated tax levy fund balance at the end of the current period (2009) of $11,662,231 as a source of funding and build tax levy plan to drive to a "zero balance" at the end of the forecast period (2014).

- Assume property tax revenue at the BOCC inflation calculation level through the period.

- Hold non-tax revenue at zero percent growth on all revenue account lines. This is necessary to allow consideration of discrete actions impacting operations and net costs on the Action Summary tables in Scenario 400, 411 and 428.

- Inflate operating expenditures at anticipated levy period rate of inflation at approximately 3.0% per year. This is necessary to derive tax levy needs associated with maintaining the current level of effort before incorporating discrete actions from the Action Summary tables.

- Identify, develop and incorporate discrete revenue and expenditure impacts associated with forecast operating issues during the levy period. This allows presentation of these impacts as incremental adjustments to the "base level" revenue and expenditure forecasts.

The resulting forecasted tax levy fund need for MR/DD is $445,305,550 over the five-year levy period.

Total Levy $445,305,550		**Tax Levy Recommendation**
$ (400,199,446)	-89.9%	Maintenance of Current Level of Effort
$ (39,987,700)	-9.0%	Inflationary Impacts
$ (16,780,635)	-3.8%	Action Item Net Impacts
$ 11,662,231	2.6%	Use of unexpended tax levy balance
$ (0)	-100.0%	

As outlined above, $400,199,446 (89.9%) is required to maintain the current level of operational effort, assuming tax revenues at the BOCC inflation calculation level. $39,987,700 represents the additional adjustments necessary to maintain current levels of services to accommodate expected inflation during the five-year levy period. $16,780,635 relates to the net expenses of the action item recommendations. The proposed plan also includes the use of $11,662,231 in unexpended tax levy funds remaining at the end of 2009.

However, given the current economic conditions and the fact that a $445 million figure was not consistent with the BOCC Inflation Policy, the subcommittee felt a lower amount was needed for a realistically feasible levy recommendation. In light of this, TATC and MR/DD developed three possible levy scenarios (listed below).

Scenario 400: 2010-2014 levy would generate $388,537,235 with MRDD use of $11,662,231 of prior levy carry over balance to equal $400,199,466 in total funding.

- Expenditure inflation is not supported; organization will have to adjust service levels to adjust for inflationary pressures.

- No Action Items included except those that have a revenue impact that exceeds expenditures.

- $8.7 million anticipated loss in State subsidy funds due to State budget crisis not offset; agency will incur service reductions to cover this loss.

<u>MR/DD comments:</u>

- No services for new enrollees.
- Significant waiting lists - 44% increase in the number of people served during the last five years makes waiting lists necessary during the next five years.
- No provision for a known reduction in state subsidy of $8.7 million over the five-year levy cycle, nor any provision for more highly likely reductions given the precarious condition of the state budget. Accommodating these waves of reductions will require debilitating cuts in current service levels.

<u>Scenario 411:</u>

- 2010-2014 levy would generate $400,119,446 with MRDD use of prior levy carry over balance to equal $411,861,679 in total funding
- Expenditure inflation is not supported; organization will have to adjust service levels to adjust for inflationary pressures.
- Includes partial funding of Action Item #2 for Medicaid Waivers to include 10 per year; total anticipated demand of 100 per year yields a growing backlog and wait list.
- Includes partial funding of Action Item #6 to address growth in client population for Adult Services by funding 10 new adults per year; total anticipated demand of 70 additional adults per year yields a growing backlog and wait list.
- $8.7 million anticipated loss in State subsidy funds due to State budget crisis is offset by these additional tax levy funds.

<u>MR/DD comments:</u>

- BOCC amount - $400,199,446 (continuation of current services).
- Loss in state subsidy - $8,714,740.
- 10 Emergency Medicaid waivers/year - $2,007,840 (Need 100/year - Waiting list will result).
- Services to 10 new adults /year - $737,850 (Need 70/year - waiting list for adult day services will result).

Scenario 428:

- 2010-2014 levy would generate $416,807,514 with MRDD use of prior levy carry over balance to equal $428,469,745 in total funding

- Tax levy support approximates funding level approved under BOCC inflation calculation of $400,199,446, plus approximate value of current fund balance of $11.6 million, plus additional funds to meet additional client service demands and avoid large waiting lists.

- Expenditure inflation is not supported; organization will have to adjust service levels to adjust for inflationary pressures.

- Includes partial funding of Action Item # 2 for Medicaid Waivers to include 77 per year; total anticipated demand of 100 per year yields a growing backlog and wait list. Lowered target supports funds allocated for additional staff members.

- Includes partial funding of Action Item # 3 for additional Service Facilitator staff positions. Supports increasing Service Facilitators by 2 positions per year to meet additional demands posed by waiver clients.

- Includes partial funding of Action Item # 6 to address growth in client population for Adult Services by funding 50 new adults per year; total anticipated demand of 70 additional adults per year yields a growing backlog and wait list.

- $8.7 million anticipated loss in State subsidy funds due to State budget crisis is offset by these additional tax levy funds.

MR/DD comments:

- BOCC amount - $400,199,446.

- Loss in state subsidy - $8,714,740.

- 77 Emergency Medicaid waivers/year - $15,460,366 (match for federal dollars).

- 2 new Service Facilitators/year - $518,893 (required to implement waivers).

- 50 new adults /year - $3,576,300 (net costs for day services).

Subcommittee findings and recommendation

Therefore, it is the decision and recommendation of the TLRC subcommittee for the Hamilton County Board of Mental Retardation and Developmental Disabilities that a levy be set at levels as prescribed in **Scenario 411** – **$400,199,466** from the levy and **$11,622,231** from the current levy carryover.

Thank you for the opportunity of reviewing the MR/DD levy. Please contact me if you have any questions or need additional information.

Sincerely,

Mark J. Quarry

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Gwen McFarlin, Subcommittee Member
John Smith, Subcommittee Member

Attachments

Exhibit A – Operations and Tax Levy Review:
Hamilton County Board of Mental Retardation & Developmental Disabilities by TATC Consulting

Exhibit B - Tax Levy Review Subcommittee on MR/DD Levy (prepared by MR/DD)

HAMILTON COUNTY MR/DD
Proposal to the Tax Levy Review Committee
July 1, 2009

Subsidy from the State of Ohio was budgeted at $5,495,236 in 2009, which is what was used for the revenue projections for the TATC report. This was based on quarterly payments of $1,373,809 that were being received in June of 2008.

The last subsidy payment received from the state in June 2009 was $900,513, which is $3,502,052 annualized. This is a reduction of $1,742,948 per year or a total of $8,714,740 over the projected 5 year levy period. With the state budget in flux, it is entirely possible that we will see additional subsidy cuts.

In analyzing the ever growing needs of our residents with MR/DD, we are asking the TLRC to recommend to the Commissioners a levy amount that exceeds the voted tax policy and have prepared two scenarios for your consideration:

I. This scenario is a combination of the allowed $400,199,466 and our anticipated carryover into 2010 of $11,460,430. (Please see attached for budget detail.)

BOCC amount	$400,199,446	Current levy plus past inflation
Loss in state subsidy	$ 8,714,740	Loss we know will occur
10 Emergency Medicaid waivers/year	$ 2,007,840	The need is for 80/year; this addresses a small portion. Waiting lists will result.
10 new adults /year	$ 737,850	The need is for 80/year; this addresses a small portion. Waiting lists will result.
TOTAL	**$411,659,876**	

II. This scenario is a combination of the $411,659,876 in Scenario I and the amount we will need to serve new individuals and avoid large waiting lists. (Please see attached for budget detail.)

BOCC amount	$400,199,446	
Loss in state subsidy	$ 8,714,740	
77 Emergency waivers/year	$ 15,460,366	Lowered target number by 3 to pay for required staff
2 new Service Facilitators/year	$ 518,893	Required to implement the waivers
50 new adults /year	$ 3,576,300	
TOTAL	**$428,469,745**	