

**STATE OF THE COUNTY UPDATE
AUGUST 13, 2010**

The Board of County Commissioners, in conjunction with the County Budget Commission, has prepared this document for the purpose of supplementing and updating the information provided in the State of the County Report dated February 19, 2010. County government has been faced with the on-going challenge of providing core services in a County that is experiencing significant economic decline. For several years, local officials have been addressing both the short-term and long-term financial challenges of the County that were recently exacerbated with the national recession. This document will provide some basic information on the financial steps that have been taken by local officials to reduce spending and enhance revenues.

The following reports were previously prepared by Crawford County officials for the purpose of addressing the short-term and long-term financial challenges facing the County and for the purpose of communicating to elected officials, department heads, employees and the public:

- The Crawford County Comprehensive Three-Year Healthcare Strategy dated September 15, 2009 which was provided to all employees as well as all elected officials.
- The Three-Year Financial Forecast dated 12/1/2009 of the General Operating and Health Insurance Funds of the County that was compiled under the direction of the State Auditor's office based on information provided by each elected official and department head. Elected officials and department heads provided their approval before the report became final.
- The State of the County Report dated February 19, 2010 which was prepared with the support of elected officials and department heads.

AUGUST UPDATES

The 2010 estimated revenue for the County General Fund is \$8,945,660.45 and the 2010 appropriation at June 30, 2010 is \$9,825,644.97 leaving an \$879,984.52 gap between anticipated revenues and anticipated expenditures just for 2010. In order to balance the 2010 budget, which is required by Ohio law, the cash reserves at 1/1/2010 of \$1,424,165.94 are being reduced by the \$879,984.52. A review of the county's financial records indicates that annual expenditures have exceeded annual revenues over the last eight years. In other words, the gap between operating revenues and operating expenditures has been occurring for at least 8 years with cash reserves of the General Fund being depleted to balance the budget in each of those years.

Historically, the County's revenue streams have not kept pace with inflation and have been negatively impacted even more by the downturn of the economy. In 2009, the County was advised by the State Department of Taxation that a \$500,000 overpayment had been made to the County for sales tax payments. The overpayment was distributed to the County over a five-year period but the repayment to the State is required to be made over a two-year period. The annual repayment to the State of Ohio began in 2010 and resulted in a loss of revenue to the County totaling \$312,984.36. This loss of revenue, along with anticipated losses in revenue for fees paid on property sales (\$37,896.50) and interest earnings (\$538,884.41) total \$889,765.27 for 2010, and this anticipated loss in revenues has escalated the rate at which the cash reserves of the General Fund are being depleted.

In a County that is faced with double digit unemployment, the goal has been, and continues to be, to maintain County government services and jobs. With County government employment levels already 12% lower than a decade ago, a determination was made to freeze spending and employment at 2009 levels. The following list represents the most significant changes that were made by county officials to address the on-going gap between actual revenues and expenditures and to address the immediate loss of \$889,765.27 in revenue for 2010.

1. The Comprehensive Healthcare Strategy Report identified the changes that needed to be made to the County's health insurance program in order to maintain the cost of insurance at 2009 employer contribution levels. The decision to prepare a three-year health insurance strategy was made by all elected officials in 2008 with the final

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report being accepted in September of 2009. For 2010 the changes to the health insurance program of the County resulted in an annual savings of approximately \$200,000 for the County General Fund. This reduction in health care costs is a permanent reduction to the General Fund and to the overall cost of local government.

2. Discretionary spending (EMA, OSU Extension, Soil & Water, Fair Board, Regional Planning, Economic Development) was either eliminated or reduced for 2010 and resulted in a 47% overall reduction for discretionary items. For further detail on the individual reductions see page 21 of the "State of the County" report, but the actual dollars saved to the County General Fund for 2010 totaled \$213,229.
3. All non-mandated travel, capital improvements and facility maintenance costs were eliminated or deferred from the County budget prior to reducing any other budget items. The 2010 estimated savings to the General Fund for the reduction in travel and equipment costs totals approximately \$55,000.
4. Core government transfers to child welfare in the amount of \$215,000 were eliminated because a determination was made that these payments are considered discretionary, but does not necessarily equate to a reduction in services or benefits.
5. During 2010, the County restructured debt to take advantage of interest rate reductions which resulted in a \$176,615.59 savings to the General Fund and \$191,313.51 savings to the Jail Fund.

2010 Expenditure Reductions General Fund	2010 Financial Impact
1. Changes to Health Insurance Program	\$ 200,000.00
2. Reduction to Discretionary Departments	\$ 213,229.00
3. Reduction of Capital Outlay, Travel	\$ 55,000.00
4. Elimination of Child Welfare Transfer	\$ 215,000.00
5. One-time Debt Restructuring	\$ 176,615.59
Total 2010 Expenditure Reductions General Fund	\$ 859,844.59

The County continued to address the on-going gap between operating revenues and operating expenditures in the General Fund by reviewing all costs associated with this fund and by reviewing all revenue sources available to this fund. This review resulted in two guiding documents, the Three-Year Healthcare Strategy Report and the Three-year Financial Forecast. These reports identified a series of recommendations, some of which were implemented in 2010 as identified above, and others that resulted in one-time monies for the General Fund in 2009 and 2010. These one-time monies are identified in below:

- During 2009, the County entered into a lease with the Solid Waste District that resulted in a lump sum payment of \$500,000 with another \$360,000 to be charged annually. These payments are being challenged by the Ohio EPA. As such, payments made in 2010 have been escrowed, pending resolution of this matter. Government officials made the decision in 2009 to utilize these lease monies to help offset the on-going gap between operating revenues and operating expenditures and it should be noted that had these monies not been collected in 2009, the carryover cash balance or cash reserves available to finance the 2010 General Fund budget would have been reduced from \$1,424,165.94 to \$564,165.94.
- In 2010, \$205,304.71 in one-time monies held in other funds that were due to the General Fund were identified and have been or are in the process of being paid.

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- During 2010, the County anticipated in its revenue projections a transfer of \$355,000 from the Sanitary Landfill Fund to the General Fund which represents the excess monies of the Sanitary Landfill operation that are owed to the County General Fund and which are not required to pay debt service obligations of the landfill.
- During 2010, a review of all current and prior indirect costs identified in the County Cost Allocation Plan was made to determine whether all charges identified in the cost allocation plan could be legally collected. A determination was made that not all of these indirect costs can be legally charged to the various funds of the County. Essentially, only federal and state programs can be charged indirect costs. Therefore, the county can only assess non-federal or state programs for the cost of insurance. Prior insurance charges of \$24,346 have been assessed and are in the process of collection.

One-time Revenue Sources: 2009 and 2010	
1. Solid Waste lease – 2009	\$ 500,000.00
2. Various Funds Closed Repayment to Gen. Fund – Financial Forecast – 2010	\$ 205,304.71
3. Landfill Fees Paid to General Fund in Excess of Debt Obligations – 2010	\$ 355,000.00
4. Prior Insurance Charges to Other Funds Identified in Cost Allocations - 2010	\$ 24,346.00
Total 2009 and 2010 One-time Revenue Sources	\$1,084,650.71

The Three-Year Financial Forecast identified a number of areas where County officials could potentially increase revenues and/or reduce costs indefinitely. A summary of the most significant areas that have been or are being addressed are listed below and have been implemented or are in the process of being implemented.

- During 2010, \$58,017 in insurance charges were assessed to various County funds for charges previously paid by the General Fund.
- During 2010, approximately \$76,369 in benefit costs previously paid from the General Fund were allocated at the same percentage as the salary for any employee paid from multiple funds of the County.
- During 2010, the County implemented a lessor fee to the private operator of the Sanitary Landfill. This fee will generate approximately an additional \$300,000 in annual revenue to the General Fund beginning in 2011.
- During 2011, all costs associated with the Sanitary Engineer will be reduced and allocated to the various funds for which services are being rendered, resulting in a \$38,214.77 savings to the County General Fund annually.
- General Fund cash transfer to Child Welfare Fund in the amount of \$215,000 was eliminated in 2010 and will be permanently eliminated.
- During 2010, any General Fund cost that could be legally and permanently shifted to another fund such as Real Estate Assessment, DRETAC, Court Special Projects, Court Computer, Court Probation, etc. was done, prior to reducing any other budget items, and totaled approximately \$79,074.
- For 2010 the changes to the health insurance program of the County resulted in an annual savings of approximately \$210,000 for the County General Fund. This reduction in health care costs is a permanent reduction to the General Fund and to the overall cost of local government.
- During 2010, General Fund employment levels of the County were frozen at 2009 levels and resulted in a General Fund savings of approximately \$141,123 in the Sheriff's Office for employees who were paid from the General Fund and not replaced.

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- During 2010, the County initiated a phone audit which resulted in an overall reduction in local government costs, for all funds of the county, of \$55,095. The savings to the General Fund of the County totaled approximately \$16,300 and will be realized in 2011 and thereafter.

Changes to Expenditures and Revenues That Will Permanently Reduce Costs/Increase Revenues	
1. Insurance and Audit Costs Allocated (2010 Insurance Only will add audit) 2010 and after	\$ 58,017.00
2. Employees Paid From Multiple Funds – Allocate Benefit Costs – 2010 and after	\$ 76,369.00
3. Restructure Landfill Fees – Additional Revenue – 2011 and after	\$ 300,000.00
4. Sanitary Engineer Costs – Paid From SW or Eliminated in 2011 and after	\$ 38,214.77
5. Elimination of Child Welfare Transfer – 2010 and after	\$ 215,000.00
6. Permanent Shift of Gen Fund Wages, Costs to Special Revenue Funds by Law	\$ 79,074.00
7. Health Insurance Changes – 2010 and after	\$ 210,000.00
8. Savings Due to not Replacing Employees Who Left Employment in 2009	\$ 141,123.00
9. Phone Audit Savings	\$ 16,300.00
Total Changes to Expenditures and Revenues That Will Permanently Reduce Costs/Increase Revenues	\$1,134,097.77

The above financial steps were taken PRIOR TO asking voters to approve a 2.75 mill property tax levy for criminal justice services and were outlined in the February *State of the County Report*.

Since the approval of the criminal justice services levy, the following financial steps have been taken to further reduce General Fund expenditures for 2010.

- In coordination with the Jobs and Family Services agency, and based on State formula that was released with the 2011 State fiscal year which began July 1, 2010, a determination was made by local officials that the County’s share of the cost of administration for Jobs and Family Services could be reduced by \$69,500 for the remaining four months in calendar year 2010.
- During August, \$23,348 in wage and benefit reductions for the balance of 2010 were realized with the resignation of two employees who will not be replaced.

As stated earlier and as outlined in the February, 2010 *State of the County Report*, the first priority of all County officials was to maintain the current level of County services with the present employment base if at all possible. With that in mind, and with the passage of the criminal justice services levy in August, 2010, and with the additional \$92,848 in General Fund savings which has occurred since the passage of the levy as outlined above, the necessity for an employee cost savings program (unpaid furlough days) in 2010 has been deferred. Future cost savings days will be considered based on the County’s economic conditions and based on the revenues available to finance the General Fund and public safety operations of the County.

CONCLUSION

In conclusion, Crawford County elected officials, department heads and officeholders are fully aware of their responsibility in expending taxpayer dollars and this supplement to the February *State of the County Report* is being provided to the public in an attempt to further communicate the state of the County’s General Fund and public safety budgets as of this date. In the February *State of the County Report*, it was stated that “in these tough economic times it will take an entire community to meet the challenges we face if we have any hope to returning to prosperity”. With the recent approval of the criminal justice services levy, the public has clearly embraced its responsibility and as members of this community and we thank you for your support of this levy and pledge to continue to be responsible stewards of your money.