

The Ohio Commission on Local Government Reform and Collaboration

March 26<sup>th</sup>, 2010

Vern Riffe Center, Columbus, Ohio

Minutes

Co-Chair Anita Lopez called the Ohio Commission on Local Government Reform and Collaboration meeting to order at approximately 10:30 am.

In Attendance:

Anita Lopez: Co-Chair

Michael Cochran

Dan Foley

Chester Jourdan

Rob Roland

Daniel Troy: Co-Chair

Tim Downing

Martin Jenkins

Lynda Murray

Tom Weidman

Ms. Lopez moved for the approval of the February 26<sup>th</sup>, 2010 minutes. The motion was approved unanimously.

Mr. Downing reported on the budget and finances of the Commission. Invoices from the John Glenn School of Public Affairs totaling \$31,180.76 were sent to the Commission for the months of December 2009 and January 2010 for research carried out for the Commission. Payment of these invoices to the Glenn Institute was approved unanimously. Including this payment, a total of \$78,469.41 out of \$140,000.00 has been paid to the John Glenn School of Public Affairs and to other Ohio public universities for research. From the remainder, additional funds have been earmarked for Kent State University and Wright State University, leaving approximately \$50,000.00 for any future expenses.

Graduate intern Daniel Geroni provided an update on research carried out by the John Glenn School of Public Affairs. He provided the Commission a brief on prevailing wage laws and their economic impacts.

Mr. Weidman explained that the prevailing wage brief did not address his primary question on the issue, namely, what is the numerical cost of paying prevailing wages in Ohio instead of market rate wages?

Ms. Murray said it may be difficult to find numerical data on expenses attributed to prevailing wage. Commission members discussed where and if specific information on prevailing costs would be made available. Mr. Geroni said the Glenn School would attempt to find specific costs of prevailing wage laws and that he would communicate with Dr. Evans-Cowley on how to approach research on the subject.

Mr. Cochran added that the Commission can make a recommendation to the legislature to study costs associated with prevailing wage laws without reviewing empirical evidence on the basis that enough Commission members believe there are cost issues relating to prevailing wage.

Ms. Lopez said the Glenn School does not necessarily need to carry out original research, rather it could find specific data in any existing state reports.

Mr. Downing requested a time estimate to determine the cost of the Glenn School research. Mr. Jenkins agreed, and requested a time frame as well.

Ms. Lopez requested an update on the Commission's subcommittee meetings. Mr. Foley reported on the Local Tax Structure subcommittee. At the time of the meeting, he said the subcommittee's report was not completed but would be finished in the coming weeks. Mr. Jourdan reported on the Incentives for Local Government Collaboration subcommittee, explaining this subcommittee's report would also be completed in the near future. Mr. Troy suggested reports be completed within several weeks.

Public Testimony began. Matt Yuskewich, Chair of the Ohio Society of Certified Public Accountants (OSCPA) provided testimony to the Commission. He discussed general conclusions of an extensive report compiled by the OSCPAs for the governor in November 2009. The report is found on the organization's website. The report is a product of a CPA task force, and was a non-partisan response to the governor's request for innovative solutions regarding Ohio's budget and finances. Mr. Yuskewich explained that the report's authors did not analyze Ohio's government budget line by line, but rather made general recommendations on what would likely be cost saving measures. These recommendations fell into four categories.

1. Looking for efficiencies in government: Mr. Yuskewich recommended performance auditing as a means to find and correct inefficiencies in local government practices, noting that they are already used by some local government organizations. He suggested that wider use of performance audits would yield further efficiency gains for other parts of local government, and would be valuable whether carried out by auditors, accountants, or outside contractors.

2. Consolidation and/or reorganization of local government: Mr. Yuskewich suggested eliminating redundancies in government services, and said that much of Ohio's state and local government structure dates to 1803 and may be antiquated. He cited the collection of municipal income tax as a potential area for consolidation or reorganization.

3. Encourage local government to think beyond a one or two year budget cycle: Members of local government should instead be incentivized to consider revenue sources and expenses in a five to seven year time frame.

4. Analyze revenue sources: Mr. Yuskewich recommended considering revenue as well as expenditures, pointing out that Ohio's local governments collect and expend more revenue compared to local governments in other states, whereas Ohio's state government collects less revenue compared to other states.

Mr. Yuskewich also discussed input gathered at a symposium in January 2010. Examples of best practices presented at the symposium included:

- Florida's requirement to present a strategic plan to the state legislature every year that analyzes the budget on seven to ten year basis.
- Washington State requires performance auditing funded by a portion of the state sales tax.
- Orrville School District, which has consolidated different school functions to reduce costs.
- Officials in Indianapolis have concluded there have been cost savings as a result of consolidation of the city with the surrounding county.

Mr. Cochran suggested that the report submitted by the CPA to the Commission did not rely on enough empirical evidence, and contained recommendations that were too broad to be meaningful. He added that many of the practices recommended in the report such as service sharing and joint purchasing are already carried out by local governments.

Ms. Murray said that parts of the report make legitimate recommendations, such as pooling organizations to address health care costs and benefits associated with performance audits.

Mr. Yukewich explained that the OSCPA did not mean to suggest which local governments and agencies do or do not utilize service sharing or joint purchasing, rather these are broad recommendations to be considered across the state. He explained that savings associated with performance audits are significant, but are not immediate, instead accumulating over time.

Mr. Roland asked if there was empirical evidence indicating that consolidation reduces costs over time, and what Mr. Yukewich's thoughts on the issue were. Mr. Yukewich replied that time did not permit collection of empirical evidence, but anecdotal evidence from Indianapolis is that there are significant savings associated with consolidation. In Louisville there is not yet a consensus if consolidation resulted in cost reductions. He added that the OSCPA would anticipate savings associated with consolidation.

Mr. Roland asked if there are diminishing returns associated with consolidation, and a point when costs increase rather than decrease. Mr. Yukewich replied yes, and added that the report recommends considering consolidation, but did not make specific recommendations on what parts of local government to consolidate.

Mr. Downing asked if the theme of the report could be summarized as taking advantage of economies of scale. Mr. Yukewich replied yes.

Mr. Troy suggested an issue with Ohio's local government is that there are too many units of local government; in part due to how Ohio's local government was historically partitioned under the Northwest Ordinance. He agreed that performance audits can be helpful but are hindered by upfront costs, and asked if Mr. Yukewich had thoughts on how/if the state could fund part or all of the initial cost. Mr. Yukewich did not have a prepared response but found Washington State's approach to funding performance audits as an interesting alternative model.

When asked, Mr. Yukewich cited the most important recommendations from the report as being strategic planning and performance audits.

Mr. Weidman pointed out that consolidation does not always reduce costs, and cited an example of school districts that indicated there are diminishing returns to increasing school district size.

Mr. Jenkins said he anticipated a more in depth analysis from the OSCPA report, rather than relatively broad recommendations. Mr. Cochran agreed, and said the report would benefit from more empirical evidence. Mr. Yukewich explained the report was compiled over two weeks by the OSCPA, and relied heavily on insight from CPA members who work in local government.

Mr. Troy asked how many cities have separate municipal income tax collection agencies versus regional collection agencies. Mr. Yukewich explained that a significant minority of cities conduct their own tax collection.

The Commission discussed preparation of the report to be submitted on July 1, 2010.

Mr. Jenkins asked if individual Commission member's recommendations would be circulated to all Commissioners. Ms. Lopez replied yes.

Mr. Cochran said that it may be helpful if each Commission member composes their own recommendations without looking at what other Commissioners have written. The results could be compared after all individual reports are completed.

Ms. Lopez suggested that these individual reports be completed by April 16<sup>th</sup>.

Mr. Jourdan suggested all Commission researchers associated with the John Glenn School of Public Affairs be present at the April 30<sup>th</sup> meeting.

Mr. Troy said he reserved the County Commissioners Association board room for the April 30<sup>th</sup> meeting.

Ms. Lopez suggested that the subcommittees' work should be finished by the April meeting, and that additional subcommittee meetings may need to be held.

Mr. Roland gave the view that most of the Commission's work should be completed prior to the May meeting to ensure that the John Glenn staff are given ample time to compile the report.

Mr. Troy said the May meeting should be held on the 21<sup>st</sup>, not the 28<sup>th</sup>. The Commission members present agreed.

Mr. Downing said it will make the John Glenn staff members' work easier if they are provided as much specific information as possible, and added this will be to the benefit of the Commission and to taxpayers.

Ms. Lopez moved to adjourn the meeting at approximately 12:10 pm. The move was approved unanimously. The meeting was adjourned.