

COMMUNITY AFFAIRS COMMITTEE

DATE: November 21, 2005

CALLED TO ORDER: 5:11 p.m.

ADJOURNED: 6:12 p.m.

ATTENDANCE

ATTENDING MEMBERS

Greg Bowes, Chair
Patrice Abdullah
Rozelle Boyd
James Bradford
Ginny Cain
Susie Day
Joanne Sanders

ABSENT

AGENDA

PROPOSAL NO. 591, 2005 - approves an appropriation totaling \$860,622 in the 2005 budget of the Marion County Office of the Indiana Department of Child Services (Family and Children's Fund) to enhance local prevention programs, specifically the Neighborhood Alliance for Child Safety, financed by \$700,000 of additional state grant funds, and to pay interest on tax anticipation warrants, financed by fund balance
"Postponed" Vote: 7-0

PROPOSAL NO. 593, 2005 - approves the issuance of Family and Children Fund General Obligation Notes in an original aggregate principal amount not to exceed \$17 million and appropriates the proceeds of the borrowing
"Do Pass" Vote: 6-1

PROPOSAL NO. 594, 2005 - approves temporary tax anticipation borrowing in the County General Fund and the County Family and Children's Fund in anticipation of taxes levied in 2005, collectible in 2006
"Postponed" Vote: 7-0

PROPOSAL NO. 615, 2005 - amends the City-County Annual Budget for 2006 to create the Marion County Juvenile Incarceration Debt Service Fund and thereby give effect to the Memorandum of Understanding between State of Indiana Budget Agency, the State of Indiana Department of Local Government Finance, the Auditor of the State of Indiana, the Treasurer of the State of Indiana, the State of Indiana Department of Correction, and the Consolidated City of Indianapolis and Marion County
"Do Pass" Vote: 6-1

Community Affairs Committee

The Community Affairs Committee of the City-County Council met on Monday, November 21, 2005. Chair Greg Bowes called the meeting to order at 5:11 p.m. with the following members present: Patrice Abdullah, Rozelle Boyd, James Bradford, Ginny Cain, Susie Day, and Joanne Sanders. Bart Brown, Chief Financial Officer, represented Council Staff.

PROPOSAL NO. 591, 2005 - approves an appropriation totaling \$860,622 in the 2005 budget of the Marion County Office of the Indiana Department of Child Services (Family and Children's Fund) to enhance local prevention programs, specifically the Neighborhood Alliance for Child Safety, financed by \$700,000 of additional state grant funds, and to pay interest on tax anticipation warrants, financed by fund balance

Chair Bowes clarified that he is not a sponsor of Proposal No. 591, 2005, as previously stated on the proposal.

Councillor Sanders stated that based on the way the ordinance is laid out; the fund balance will be \$2.3 million in the negative. There are some concerns regarding the balance, and there needs to be additional information to figure out the discrepancies. The Office of Family and Children (OFC) stated that the fund balance should actually be at zero but, with the figures that are presented, it is \$2.3 million in the hole. Councillor Bradford asked Councillor Sanders to explain the negative \$2.3 million. Councillor Sanders stated that on page two of the ordinance, the Estimated Fund Balance, after going through the transaction, would be in the negative. She also stated that there is anticipation that there would be \$700,000 to spend, but in reality there is a negative balance.

Councillor Sanders moved, seconded by Councillor Abdullah, to "Postpone" Proposal No. 591, 2005 until November 28, 2005. The motion carried by a 7-0 vote.

Chair Bowes asked for consent to hear Proposal Nos. 593 and 615, 2005 together. Consent was given.

PROPOSAL NO. 593, 2005 - approves the issuance of Family and Children Fund General Obligation Notes in an original aggregate principal amount not to exceed \$17 million and appropriates the proceeds of the borrowing

PROPOSAL NO. 615, 2005 - amends the City-County Annual Budget for 2006 to create the Marion County Juvenile Incarceration Debt Service Fund and thereby give effect to the Memorandum of Understanding between State of Indiana Budget Agency, the State of Indiana Department of Local Government Finance, the Auditor of the State of Indiana, the Treasurer of the State of Indiana, the State of Indiana Department of Correction, and the Consolidated City of Indianapolis and Marion County

Barbara Lawrence, Executive Director of the Indianapolis Bond Bank, reviewed a PowerPoint presentation in detail, which is attached as Exhibit A. Some key points were as follows:

- Family and Children Fund defines types of services ranging from:
 - * Children in Need of Services

- * Delinquent Children
- * Educational Services
- * Adoption Assistance

- Legislative Change
 - * Public Law 234-2005 became effective July 1, 2005 and was changed to provide a process that would be outlined and followed in the event of a shortfall.

- How We Got Here - Timeline of events leading to the present meeting
 - * Cited September 30, 2005 fund balance of \$104,772.

- Budget Increases for 2004, 2005, and 2006
 - * Projected 2005 year-end budget shortfall for Family and Children Fund of at least \$15.6 million

- Department of Local Government and Finance (DLGF) Order
 - * Options in the order were to reduce General Fund Budget or borrow money to cover shortfall.
 - * Given circumstance, borrowing is best option

- The Borrowing
 - * Information on the Proposal introduced at the November 14th Council meeting that allows borrowing up to \$17 million
 - * Information regarding the Bond Bank approval at the emergency meeting on November 3rd
 - * Reasons for the Bond Bank entering into an agreement with Chase

Robert Clifford, City Controller, re-stated that the order received from the DLGF gave two options: borrow the funds to cover the shortfall or reduce the County General Fund. He discussed additional information in Exhibit A, highlighting the following:

- Options and Circumstances
 - * Revenue shortfalls during 2005 resulted in \$3.5 million
 - * \$19.7 million remaining for all County expenditures, primarily employees
 - * If resolutions fail to pass, the County will not have enough to take out of the General Fund to pay for the Department of Children services

- Juvenile Incarceration definition

- Current and Ongoing Obligations
 - * Distributed a graph illustrating the history of the Juvenile Justice charges, which is attached as Exhibit B.
 - * Current outstanding balance from 2001 to the present
 - the County has been working with the State to put together a Memorandum of Understanding (MOU) allowing the County to insert a County Debt Rate to outline repayment terms

- Information regarding the Legislative Change effective July 1, 2005
- Memorandum of Understanding (MOU)
 - * Distributed a copy of the MOU between the County and the State Budget Agency, which is attached as Exhibit C.
 - County owes the State \$64 million
 - State agrees to 20 Property Tax Replacement Credit (PTRC) withholdings in 2006-2009 equaling \$3.2 million each payment with no interest
 - City will continue with lawsuit against the State, which challenges the constitutionality of the state's demand for payment, and also challenges the amount owed
- Options for Juvenile Justice Charges
 - * If money is not borrowed and the State withholds \$19.2 million, the County Public Safety Budget will be devastated
- Tax Implications
 - * Gives the increased amount based on \$100,000 of assessed value for the four debts that would impact property tax rates, which are:
 - Juvenile Debt
 - Ongoing Juvenile Charges
 - Family and Children Fund
 - 2006 Family and Children Fund
 - * Two columns for increases are for households with credits, such as Homestead, and those with \$200,000 or more homes; the higher amount in the second column would be paid.

Councillor Cain asked if payroll is included in the General County Fund as opposed to already being in the budget. Mr. Clifford said that the majority of the County funding comes directly out of the County General Fund.

Chair Bowes asked if the option to obtain the money from the County General Fund was chosen, would the county would have enough money to run the County government for the rest of the year. Mr. Clifford answered in the negative.

Chair Bowes asked what amount of PTRCs the State would be allowed to withhold if the MOU is not used. Mr. Clifford answered that beginning in September, the State would be allowed to withhold \$2.9 million for each of the next 23 distributions, which are given six times per year. He said that essentially \$18 million a year will be withheld from the City's planned revenue to repay the debt. He said that the MOU gives some leeway. Mr. Clifford explained the annual amount would be \$19.2 million rather than \$18 million because the State did not withhold in August and October and hopefully will not withhold in November in 2005. With the MOU, the \$64 million debt will be repaid in 20 payments instead of the State's originally anticipated 24 payments.

Councillor Cain asked, with regard to the tax implications, if the Juvenile debt tax rate and the Juvenile ongoing tax rate are in addition to withholding the tax credit for 20 payments.

Mr. Clifford answered in the affirmative, but stated that there has not yet been a tax levied for the \$9 million for the juvenile incarceration charges expected in 2006. Councillor Cain asked if the County is predicting a tax increase. Mr. Clifford answered in the affirmative.

Chair Bowes asked if the \$9 million for current charges is being authorized in Proposal 615, 2005. Mr. Clifford answered that the \$9 million is not to be considered in this proposal and that it is just for the Committee's awareness. He said that part of the MOU states that the County will endeavor to keep current on the charges. Chair Bowes asked if it is correct to say that the City did not appropriate any money to keep current for 2005. Mr. Clifford answered in the affirmative. Chair Bowes asked if the Committee votes to support Proposal 615, 2005, if that would authorize a tax increase, which would effectively raise \$100,000 homeowner taxes by \$29.66. Mr. Clifford answered in the affirmative. Mr. Clifford stated that the tax increase would be the same increased amount applied for only the next four years.

Chair Bowes asked if line A of the tax implications is the amount that the Committee is voting on for Proposal 615, 2005 and if line C is the amount to be voted on for Proposal 593, 2005. Mr. Clifford answered in the affirmative. Chair Bowes asked if the increase would affect homeowners in their May 2006, payment. Mr. Clifford answered in the affirmative.

Councillor Cain asked Mr. Clifford to explain the "sunset" idea. Mr. Clifford said that the \$29 million would be "sunset" because that debt would be paid back. Left unresolved is what would happen to Juvenile charges going forward with respect to incarceration.

Chair Bowes asked if voting on Proposal 615, 2005 would authorize only enough tax increase to support repaying the \$64 million and if that vote prohibits the tax increase to go beyond the amount of time to repay that balance. Mr. Clifford answered in the affirmative and stated that the MOU states that once the debt is repaid, the tax rate also goes away.

Councillor Cain asked if there are any private funding mechanisms, such as the family, guardian, or responsible adult, to help with the child being incarcerated. Mr. Clifford answered in the negative. Chair Bowes asked Kobi Wright, Corporation Counsel, to explain the argument concerning the City's lawsuit with State agencies. Mr. Wright said that one of the arguments involving the lawsuit against the Department of Corrections (DOC) and other State entities, including the State Auditor, is that prior to this year there was a statute that said the State could be compensated for charges for juveniles that were incarcerated at the Indianapolis and Plainfield juvenile institutions. He said that had been the law since the early 1950's when the State General Assembly decided to pass on the cost to the counties. That was never changed as additional juvenile incarceration facilities were added. Legally, it means that the County cannot be billed for juveniles that are placed at other juvenile institutions that are not in Indianapolis or Plainfield.

Councillor Talley said that one of the major initiatives that Councillor Boyd led on the Council's Public-Academia Partnership should dramatically reduce the number of children being sent to DOC.

Councillor Boyd moved, seconded by Councillor Abdullah, to send Proposals No. 593, 2005 and 615, 2005 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-1. Councillor Cain cast the negative vote.

Councillor Bradford explained that he voted for these proposals because he believes that it is important to move matters of Community Affairs out of Committee and send them to the full Council.

PROPOSAL NO. 594, 2005 - approves temporary tax anticipation borrowing in the County General Fund and the County Family and Children's Fund in anticipation of taxes levied in 2005, collectible in 2006.

Councillor Sanders said that she has some concern as to whether the Committee needs to consider this particular proposal at this meeting. Councillor Sanders moved, seconded by Councillor Abdullah, to "Postpone" Proposal No. 594, 2005 until November 28, 2005. The motion carried by a vote of 7-0.

Councillor Sanders said that she is curious about the way things were handled in 2001 when there was a need for a \$20 million loan for the Office of Family and Children. She said it appears that there was an appeal to the State Tax Board and she would like to know what the response was to that appeal. Councillor Bradford said that he could check with the Auditor about the information, as he does not have that information at this time.

With no further business pending, and upon motion duly made, the Community Affairs Committee of the City County Council was adjourned at 6:12 p.m.

Respectfully submitted,

Greg Bowes, Chair
Community Affairs Committee

GB/nm/lw