

The Marquette County Board of Commissioners met as a Committee of the Whole to conduct a Budget Work Session on Tuesday, September 14, 2009, at 1:00 P.M. in Room 231 of the Henry A. Skewis Annex, 234 W. Baraga Avenue, Marquette, Michigan.

Chairperson Corkin called the meeting to order. Present: Comm. Cihak, Comm. Heikkila, Comm. Joseph, Comm. Pellow, Comm. Struck, Comm. Wallace, and Chairperson Corkin. Absent and Excused: Comm. Arsenault and Comm. Bergdahl. *(Chairperson Corkin announced that Comm. Arsenault is in Mt. Pleasant to accept an award from Michigan Works).*

Chairperson Corkin opened the meeting for public comment, none was forthcoming.

Prior to the Budget Work Session, the Committee considered a request from Richmond Township to waive the permit charge for the installation of water meters. Steven Powers, County Administrator, explained that the meters are ready for installation. The Board of Commissioners has approved a twenty-five percent reduction in the permit fee. Mr. Powers recommendation is a full waiver of the permit fee until questions regarding regulatory jurisdiction can be fully answered. He also explained the justification and background of the request and recommends the following:

1. Board of Commissioners approves a temporary waiver of permit fee for Richmond Township.
2. Richmond Township applies for a permit to allow the installation and inspection of water meters.
3. Request the Department of Environmental Quality and Bureau of Construction Codes provide guidance on the apparent duplication of regulatory and permitting requirements for municipal water systems, including an Attorney General opinion if necessary. What is the public safety, health, and welfare connection between water distribution system ownership and the public services agency exemption in the building code? If Michigan Construction Code applies, why is the DEQ requiring and approving specifications for the installation of water meters?
4. Marquette County Building Codes will develop a fee schedule specific to municipal water projects to be applied if the state agencies determine the Michigan Construction Code applies. The fee schedule will include inspection efficiencies gained from cooperation with the municipality, engineer, and contractor and from the regulatory approval, oversight and review provided by the DEQ and the United States Department of Agriculture's Rural Development Agency. The fee schedule will be provided to local governments for purposes of project specifications, funding, and budgeting.
5. Board of Commissioners reconsiders Richmond Township fee after guidance is received from the State of Michigan and municipal water project fee schedule is recommended by staff.

Discussion followed.

It was moved by Comm. Pellow, seconded by Comm. Cihak, and unanimously carried by voice vote that the Committee of the Whole forward the recommendation by the County Administrator to the September 15, 2009 County Board Meeting, and that an answer be provided to the following questions: 1) Whether or not the Supervisor of Richmond Township can sign the permit; 2) Whether or not Richmond Township can obtain a blanket permit; and further that it is the understanding that issuance of a permit does not imply that

Minutes are Subject to Correction and Approval

Richmond Township believes they are required to obtain permits as they believe they are exempt under the Residential Codes Exemptions 105.2.3.

Steve Powers, County Administrator, presented the FY 2010 Recommended County Budget. He explained that the recommended budget is a continuation budget that maintains service levels. The budget is balanced and with few exceptions, current expenditures are funded with recurring revenues. The recommended budget is a starting point for the Board of Commissioners. The Board of Commissioners will determine the priorities for county funding, within limits set by statute, by approving a 2010 budget. The following describes the Administrator's FY 2010 Recommended Budget:

STATE PROBLEMS, LOCAL IMPACTS

For the past several years, the state and local government environment in Michigan has been challenging. 2009 brought the additional challenge of a national economic recession. Every day brings reports of state and local governments cutting services and raising taxes. The state budget beginning October 1, 2009, is out of balance by 2 billion dollars on revenues of 7 to 8 billion dollars. As a result, Marquette County cannot expect assistance from the state and the past practice of declining state revenues to Marquette County will continue.

A solid, sustainable fiscal foundation is essential to Marquette County's ability to provide locally-determined priorities and state-mandated services. The shift from the state to the county for funding state or federal mandates results in a 2010 budget that can only maintain services and programs. Maintaining core services is a notable accomplishment considering the dire economic conditions in the country.

The 2010 Budget continues implementation of Board of Commissioner Priorities. The priorities are in the budget binder. The combination of declining state revenues and unchanging state responsibilities squeezes the ability of the Board of Commissioners to enhance or improve services. Services are provided by the county on behalf of the state, services the state would be providing if counties did not exist. As long as their needs are met, the public may not care whether a service is mandated by the legislature or is provided as a policy of the Board of Commissioners. The dilemma for the Board of Commissioners is that the funding responsibility continues to shift from the state to the county, eroding Marquette County's ability to fund any services other than those mandated by the legislature. The responsibility for funding statutorily-mandated services is clearly at the local level.

REVENUES

The 2010 General Fund budget starts with \$690,000 more revenue than the 2009 mid-year budget, a 3.2% increase. Total 2010 General Fund revenues are \$21,906,523. State revenues are projected to decline by \$27,000.

While further reductions in revenues from the state of Michigan are probable, the impact is difficult to predict and isolate. A ten percent cut to state revenues equals \$100,000 in the General Fund. Marquette County does not receive revenue sharing. State funding received in the General Fund is for specific programs, such as juvenile treatment, or to help fund the judiciary and court operations. Rather than speculating on what the legislature may decide, the 2010 Recommended Budget continues past trends (an overall three percent reduction). If additional reductions occur, the budget can be amended later in the year with emphasis on reducing programs for which the revenue is no longer received.

Minutes are Subject to Correction and Approval

Local property taxes are increasing by \$322,000 to \$9,537,525. Specific ore tax revenue for 2010 is \$1,935,000 compared to 2009's \$1,514,000.

The 2010 budget includes \$1,290,000 from the revenue sharing reserve account, the full amount allowed by statute. The account was funded by an early collection of county property taxes over three years. The collection funds six years of revenue sharing. When the account is fully expended in 2011, the state revenue sharing is supposed to resume. So far, the governor and legislature have funded state revenue sharing for counties. Detail for the revenue sharing reserve fund is in the budget binder. Also, please refer to the June 1, 2009, State Revenue Sharing General Information Memo to County Commissioners for additional detail and history regarding revenue sharing.

The county should balance current expenditures with current revenues. Using reserves to maintain expenses will only delay difficult, unavoidable policy decisions and worsen future cuts. County reserves are inadequate to provide ongoing funding. Use of reserves in the 2010 recommended budget is limited to interest income generated or to funds that have a sufficient balance. Sawyer International Airport relies on use of the Airport Stabilization Fund because aviation revenues are inadequate to support required operating expenses for the airport.

FEES

The recommended budget includes a four percent (4%) increase for fees for the Sawyer water and wastewater systems. Copies of the recommended rate changes are enclosed. Water and sewer rate increases are recommended to fund needed maintenance. Revenues are not sufficient to fund depreciation and capital improvements.

Building Codes includes an average two to four percent increase to some fees within the building code fee schedule. Some permit fees will be increase. Some will remain the same. Some might decrease. Specific fees will be reviewed and adjusted to maintain an equitable balance between the charge and the amount of time typically need for the specific type of permit. There was no increase in 2009.

The Family Division of the Circuit Court (Juvenile Court) is planning on various minor fees (total estimated revenue increase of under \$5,000) that by statute are set by the court.

The Health Department and Board of Health are recommending continuation of the Type 2 water supply fee schedule approved last year by the Board of Commissioners as a one year trial. The department also recommends a reduction in the food service training fee for a test-only option.

During last year's budget work sessions, there was discussion regarding the need for a public hearing regarding fees. Statute does not require a public hearing. If so desired by the Board of Commissioners, the consideration of fee increases could be an item for the public hearing regarding the 2010 budget. The public hearing is held at the board's annual meeting. The 2010 annual meeting is October 13, 2010.

The recommended budget includes \$585,000 from the Delinquent Tax Revolving Fund (DTRF):

Tax Administration Services -	\$235,000
Capital Improvement Program -	\$200,000
General Fund Contingency -	\$150,000

The fund generates approximately \$600,000 in annual revenue above what is needed for tax payments to the cities, townships, and schools. Use of \$585,000 will not require borrowing to maintain the DTRF.

SUMMARY OF NOTABLE CHANGES FROM 2009 and HIGHLIGHTS FROM DEPARTMENT 2010 REQUESTS

The 2010 County Administrator's Recommended Budget was prepared with input from the elected officials, department directors and managers. Individual department requests comprise the majority of the 2010 spending plan. In addition, the management team provided comment on the overall 2010 recommendation, among the discussion items:

- Continue funding technology
- Maintain current level of reserves
- If revenues decline, consider targeted reductions rather than across-the-board cuts.

The recommended budget also follows the policy guidance established by the Board of Commissioners through the board's priorities.

The total General Fund budget is \$21,907,000, a three percent increase from the 2009 mid-year budget.

If departments are not listed, there is no significant change from the 2009 budget or a substantial 2010 request. Core business is from the Marquette County Strategic Plan.

Courts (Core Business: 1, 2, and 4)

As noted in the revenue discussion, if state revenues are reduced, consideration should be given to reducing expenditures in the programs receiving state support.

Public Records (Core Business: 1, 3)

Management (Core Business: All)

Human Services (Core Business: 5)

The recommended Health Department maintenance of effort from the General Fund remains at \$521,506, the same annual amount since 1998. Overall, the department budget is \$7,652 more than the 2009 mid-year budget. The total budget is \$3,594,416. The Board of Health approves the Health Department's budget. The final 2010 budget will be considered by the Board of Health after the Board of Commissioners has set the General Fund appropriation to the department.

The 2010 Health Department budget is currently out of balance by \$70,524. A combination of expense increases, most recently the required MERS contribution, and declining state revenues, has caused the imbalance. If additional state revenue cuts occur, the impact to the Health Department will be much greater than to the General Fund. A ten percent revenue reduction equals an \$180,000 hit to the Health Department.

There are three options available to the Board of Health to balance the department budget, assuming the maintenance of effort remains at \$521,506. One, consideration should be given by the Board of Health to

Minutes are Subject to Correction and Approval

reducing services that the Michigan Department of Community Health is no longer funding at mandated level. Two, some financial assistance to the department has been, and will continue to be, provided to the department through reallocation of computer, building maintenance, and other expenses consistent with county policy and procedures and through an ongoing review of county and department responsibilities and how to most cost effectively meet those requirements. Third, the Health Department should be considered for budget purposes as a county department. There may be some financial assistance to the department as a result. An example is a reduction in the rent charged to the department for use of the Marquette County Service Center in Negaunee Township.

Law Enforcement (Core Business: 2, 4)

The Sheriff requested one additional deputy. Increase in civil process service and general activity and calls for service are the justification. The position is not recommended.

The G.R.E.A.T. program is included, with grant revenues funding the program. If the grant is not received, the program should be eliminated.

County participation in U.P.S.E.T. is recommended without the need for two percent gaming funds. The net cost for Marquette County is budgeted at \$54,800.

2010 Rehabilitation Program Budgets

Jail	1,893,181	Jail Services	337,600	Community
Corrections Detention Center Operating		896,360		
Community Corrections Detention Center Facility Costs			<u>107,554</u>	
Total Expense	3,234,695			
Revenue	1,155,000			

Revenue includes 35 beds rented to the U.S. Marshal.

For comparison, in 2008 Rehabilitation expenses were \$2,290,752 and revenues were \$358,113.

Resource Management and Development (Core Business: 5)

Building Code revenue for 2010 is slightly more (\$10,000) than 2009 mid-year. This revenue projection will require staffing reductions. Staffing reductions have occurred in 2009. 2010 will continue reductions until building activity increases. The 2010 General Fund support for Building Codes is \$75,000. 2010 Budget revenues are \$463,000. 2010 budget expenditures are \$538,680. The 72-hour performance standard remains. There may be instances when the standard cannot be met.

Aging Services

The 2010 funding to the service providers (senior centers, AMCAB, and adult day care) will increase by an average of five percent. Each of the senior centers remains in the allocation formula recommended by the Michigan Office of Aging Services. The recommended budget follows the recommendation of the Aging Services Advisory Committee. A portion of the millage is reserved to fund special requests for appropriations that could arise during the budget year or to increase the operating reserve. The Marquette County 2009 Older Adults Needs Survey provides excellent information for planning future spending and

Minutes are Subject to Correction and Approval

millages. The current operating reserve of millage dollars is \$115,000. The 2010 millage amount is \$797,000. Detail regarding the appropriation to service providers is in the budget binder.

Sawyer International Airport and Business Center (Core Business: 7)

Airport operating expenses are \$2,350,000. Operating revenues are \$1,588,000. The challenge of aviation revenue supporting aviation expense continues. Argonics rent of \$168,000 is included as a revenue for the Airport. A local match of \$50,000 is budgeted in the Airport Stabilization Fund if needed for a federal air service development grant.

The 2010 operational transfer from the Airport Stabilization Fund is \$762,550 in 2010. (The 2009 transfer is \$957,150). The Airport Stabilization Fund remains a funding source for the airport through first six months of 2012. A funding source, or sources, will be needed in 2012. A projection is provided in the budget binder. The Airport Master Plan approved by the Board of Commissioners in 2009 serves as a foundation for building financial sustainability for airport operations. In addition, staff and the Airport Advisory Committee will continue to implement and advise on expenditure reductions and revenue increases that will extend the life of the Airport Stabilization Fund.

There are separate budgets for the Water and Sewer Funds. Included in the recommendation is the implementation of a four-year maintenance program. (The list of recommended projects is included in the CIP section). The engineering study approved in the 2009 budget will be completed in 2010 for use in further planning the capital improvements for the system. The study's main objective is to develop a long-term improvement plan (20 years), provide opinions of cost for the improvements, and recommend the impact on user rates. The study will also include a recommendation on the most feasible methods to project funding if financial assistance is required. We currently follow a planned maintenance program for the water and wastewater systems.

The 2010 Budget moves funding responsibility for Little Trout Lake from the Sawyer Airport Fund to the Forest Recreation Fund.

Friend of the Court and Family Support (Core Business: 2)

The 2010 Friend of the Court and Family Support programs use \$50,000 of fund equity. The estimated 2010 ending fund balance after the 2010 use will be \$100,000. American Recovery and Reinvestment Act funds are being used by the State of Michigan to fund the incentive portion of the state's funding. Maximus continues to assist the Friend of Court and Finance in preparing budgets that ensure the highest level of state participation. The 2010 Cooperative Reimbursement Contracts with the state of Michigan, because of declining state revenues, reduce state funding by \$10,000 from the 2010 application, but the 2010 amount is higher than the 2009 Cooperative Reimbursement Contracts.

Child Care (Youth Treatment and Custody) (Core Business: 2, 4)

The recommended budget continues current levels of service. The Youth Home Study completed for the Board of Commissioners and Family Division of the Circuit Court recommended the Youth Home continue operations. The Child Care Fund has a balance sufficient to provide \$50,000 for 2010 juvenile treatment.

Central Dispatch

The operating budget continues current levels of service. Marquette County continues in a leadership role in the UP 9-1-1 Authority and \$400,000 is carried over from the 2009 budget to match a federal grant to connect dispatch centers. The \$400,000 was budgeted in 2009 for that purpose.

Foreclosure and Land Bank

The budget includes a \$25,000 transfer from the Foreclosure Fund to the Land Bank Fund. The Land Bank Authority recommends the transfer to provide funds for management of properties that will be transferred to the Authority. The Foreclosure Fund has sufficient reserves for the transfer.

Non-County Agencies

Pathways funding remains at the required Maintenance of Effort amount of \$267,144

Funding for the Marquette County Economic Development Corporation and the Lake Superior Community Partnership is \$67,000, the same amount as 2009.

Personnel and Post Employment Expenses

Marquette County exists to provide services. As a service organization, our number one expense is personnel. The 2010 budget assumes a total compensation approach that is sufficient and sustainable. Compensation for most county employees will be set through the collective bargaining process.

The County will be entering negotiations with seven bargaining units whose contracts expire at the end of 2009. Discussions of funding post employment health care costs will be part of those negotiations. The recommended budget includes \$1.8 million for retiree health insurance, which fully funds the 'pay as you go' method. An additional \$300,000 is recommended for the retiree health insurance liability. During 2009, a recommendation will be brought to the board to establish a trust fund as a funding vehicle for post employment healthcare costs.

Projections

While 2010 is stable, considering the horrific economic conditions in the state of Michigan, Marquette County must remain diligent in preparing for the future. 2012 is a pivotal year. Our revenue sharing is scheduled to resume at \$1.3 million dollars. Whether the governor and the legislature will have the will or the means to fund revenue sharing is unknown. So far for 2010, county revenue sharing is funded. If revenue sharing does not resume in 2011, the General Fund is projected to be out of balance by \$2 million.

The Airport Stabilization Fund will no longer be a viable funding source for airport operations if current revenue and expenditure patterns continue. Millages for Central Dispatch, Search and Rescue, and Aging are in place for the 2012 budget; 2012, if not earlier, will be the year to request renewal of the millages.

In addition to the challenges unique to Marquette County, we share with many other local governments the increasing costs of health insurance and retirement.

State government's future appears grim. The budget has a 2 to 3 billion dollar operating shortfall by October 2010. Absent an infusion of new federal stimulus dollars, increased state revenues, or reduced state spending,

Minutes are Subject to Correction and Approval

the shortfall October 1, 2011, will be dramatically worse. The road and school funds also have structural shortfalls. The state has no equity to reduce the impact of less revenue. Local governments will be adversely impacted because 58% of all state revenue is redistributed to local governments and schools for programs such as revenue sharing, roads, schools, grant programs, and other support programs.

In the first decade of the 21st century, local revenues tied to a strong local economy and the state shifting responsibility to the local tax base have offset the loss of state revenues. Whether Marquette County's economic prosperity and strong property values will continue is unknown. The inflation rate from the State Tax Commission for property values that support the 2011 budget may be zero or a reduction. In comparison, the State Tax Commission's current inflation rate is 4.4%. While Marquette County did not experience the real estate bubble or the aggressive lending practices such as Lower Michigan, our property values are not immune to the economic recession. 2011 taxable values are projected to remain flat from 2010.

Committee of the Whole Considerations

Staff and the management team discussed various alternatives to the recommended budget. While the 2010 recommended budget balances current needs with preparing for the future, the Committee of the Whole may decide otherwise. To help commissioners in deciding a fiscal plan for 2010, the following questions are offered for consideration:

- The 2010 budget continues the policy of funding current operations with current revenues, limited use of fund balances, and limiting use of the Delinquent Tax Fund to revenue generated by the fund. If there are unmet operational needs, should the needs be met through increased use of reserves? With the impending cuts in the state budget, and the likely reductions in 2012 revenue sharing, should reserves be increased by reducing 2010 expenditures? Should non-core or non-mandated services be reduced or eliminated in preparation for 2012. If Rio Tinto's nickel mine proceeds, the positive impact to the county tax base will be significant. When should Marquette County begin preparing for a positive change to its revenues?
- As employees comprise the substantial portion of the county budget, compensation is a significant cost. Is the total compensation provided by Marquette County sufficient? In other words, is the amount provided for wages and benefits too much or too little given the labor market? Is the total compensation sustainable on county's revenue base without compromising services? Labor agreements are critical as property tax revenue declines or moderation will result in long-term losses or more modest increases in revenue. Declining or flat revenue combined with increasing labor costs will be addressed how?
- Have the board's priorities changed?
- Are there revenue sources that should be considered, either that are currently allowed or that would require legislative approval?

Involvement and Participation

To assist the Board of Commissioners prepare for 2012, I have asked the elected officials, department directors, and managers to participate in a fiscal sustainability initiative. The team will set in motion plans to address the deterioration of our financial condition caused by the state budget and economy or plans for if conditions

Minutes are Subject to Correction and Approval

improve. The goals will be to preserve the core services, stimulate progress, and to shape a strong, sustainable organization through continuing funding support for priority, core services and avoiding across-the-board layoffs and cuts.

To assist the management team with the fiscal sustainability planning, a work team of employees will study and evaluate the county's current fiscal health. What are our current fiscal policies and practices? Are the practices and policies helping or hurting the county's fiscal condition? What changes should be made to improve our health? How can we improve our multi-year planning?

The purpose of both initiatives will be recommendations for the Board of Commissioners and elected officials to consider as part of the 2011 budget. Some changes may occur before 2011.

Capital Projects

For the Public Improvement/Capital Improvement Program, please refer to the Recommended CIP section in your budget binder. No significant capital projects are planned for 2010 in the courthouse complex. The 2010 Capital Improvements Program, excluding Sawyer Airport Improvement Program projects, is \$734,000.

The draft ten year capital improvements plan for Sawyer Airport is in the CIP section. The plan was reviewed by the Airport Advisory Committee. The plan is subject to review, change, and approval by the Michigan Department of Transportation and the Federal Aviation. Approval is recommended. Changes required by MDOT or the FAA will be brought back to the Board of Commissioners.

Technology is a priority of management team. The 2010 budget includes \$189,500 for computer replacements and enhancements. A priority started in 2009 and continuing in 2010 is imaging. The 2010 includes \$50,000 for imaging documents in various departments throughout the county.

More Detail

Line-item detail of each department and most funds, including 2008 actual revenues and expenditures, 2009 budgeted revenues and expenditures, department's 2010 requests, and the 2010 recommendations were distributed. Further details of requested expenditures are also available, by department. Also included were the line-item detail for every department and program, financial projections, requests from non-county agencies or organizations, and several miscellaneous items.

The 2010 Recommended Budget complies with the provisions of Act 621 of the Public Acts of 1978.

The 2010 budget process was cooperative and participatory with elected officials, department directors, and program managers. The 2010 Recommended Budget would not be balanced without the reasonable requests from departments and the work of Susan Vercoe and Debbie Kimmes. Mary Yelle's work in organizing and preparing the documents is appreciated.

Commissioners engaged in discussions regarding many aspects of the Administrator's Recommended Budget. Commissioners congratulated Mr. Powers on a balanced budget. They thanked the Administrator for his presentation and commended Staff, Department Heads and Elected Officials for their diligence in managing their budgets and helping to balance the 2010 Budget. Chairperson Corkin announced that Commissioners will

Minutes are Subject to Correction and Approval

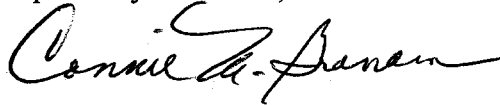
be visiting the 2010 budget frequently. He stated that the budget will be adjusted as needed. The 2010 budget will be a moving target.

It was moved by Comm. Cihak, seconded by Comm. Wallace, and unanimously carried by voice vote that the Committee of the Whole forward the Administrator's Recommended 2010 Budget to the October 13, 2009 Annual Meeting of the Marquette County Board of Commissioners for adoption.

Comm. Joseph announced a meeting of the Marquette County Road Commission for today at 3:00 p.m. to discuss the Road Commission 2010 Budget.

There being no further business to come before the Committee of the Whole Work Session the meeting adjourned at approximately 2:20 p.m.

Respectfully submitted,



Connie M. Branam
Marquette County Clerk