

COUNTY ADMINISTRATOR'S 2019 BUDGET SUMMARY

The Marquette County Budget for 2019 complies with all provisions of Public Act 621 of the Public Acts of 1978 (Uniform Local Budgeting and Accounting Act) and is balanced with respect to projected revenues, resources, accrued equities, and expenditures. Included in the budget document are goals and objectives, program spending plans, and authorized staffing levels. Commissioners, boards and committees, elected officials, department directors, and program managers should find the document a useful policy and management tool.

The 2019 General Fund is \$25,759,829; which reflects a slight decrease of 1% from the original 2018 budget.

This year's budget preparation continues to bring challenges. The 2019 Ad Valorem tax revenue remains flat at a 1.5% increase, a result of continued anticipated reduction to the Specific ore tax revenue, and other potential tax reductions with WE Energies, and the continuation of dark store and other tax challenges.

The 2019 budget will continue to reflect the ongoing cost increases for employee and retiree health insurance. On a positive note, heading into the 2019 Budget, the increase to health insurance rates is .5%. The County was one of a small number of employers to receive a reduction from the pool average due to its low utilization over the past year. Prior to moving the County's health insurance coverage to the Western Michigan Health Insurance Pool (WMHIP), the County would not know the change in upcoming years health insurance rates until late September or October. WMHIP provided the annual increase in May. This early information, along with the utilization of P.A. 152 hard caps, has allowed staff to more promptly realize the actual impact to the upcoming budget.

STATE

For 2019, Tax Tribunal applications and the Dark Store issue are still a concern. No funds are budgeted for significant tax tribunal adjustments. If this occurs, a short term use of Delinquent Tax funds would be recommended. The most notable filings include WE Energies and Cliffs. All eyes continue to be on the Escanaba City vs. Menards, Inc. The outcome of this case is likely to set the standard in which big box and potentially other commercial properties are taxed.

The State continues to revisit a change that will define what is considered an adult in Michigan. As noted in last year's budget summary, a 17 year old, in the eyes of the court, is considered an adult and is treated as such when a crime is committed. Removal of adult status and placing them in the juvenile system could cause financial impacts to County governments. The Michigan Association of Counties continues to work with Counties seeking input on potential cost impacts of such a change.

With the first round of Indigent Defense grant funds about to be dispersed, the County's 2019 budget includes the required minimum amount of \$224,971. The County will have 180 days to comply once the grant funds are received. A separate budget will be established so that expenses can be closely monitored. In the first quarter of each year, the County must submit a report with its budget request to the State of Michigan. This will be the time in which unforeseen expenses will be added. Unfortunately, the Public Defender Department may not be fully activated by the time the report is due.

The State of Michigan implemented new guidelines that require specific standards for unfunded pension and health care liability reform. The County submitted the required reporting document as part of its audit earlier this year. The County has not heard from the State as to whether it is, in their opinion, compliant with the new standards. There is discussion at the State that the standards may get even tighter. Staff will be monitoring.

Other notable legislative initiatives that continue to be monitored include Senate Bill 1031 which provides tax relief to utilities with the installation on new transmission and distribution lines, House Bill 6049 and Senate Bill 1025 that seek to restructure the tax assessing qualifications, process and boundaries of local assessing units in Michigan, and House Bills 5752 and 5753, which intend to standardize septic system rules in Michigan. All of the bills as currently drafted could negatively affect county budgets.

Marquette County's ability to provide state-mandated services is largely dependent on our revenue sharing payment. State revenue sharing is anticipated to increase slightly from the 2018 levels. Revenue sharing continues to be important revenue for counties. Unfortunately, the County should not count on revenue sharing to stay at current levels. The County anticipates receiving \$1.3 million for 2019.

MARQUETTE COUNTY

As it has been noted each year, it is important to remember where County funds are spent. In Marquette County, approximately 75% of the county budget is for services required, or mandated, by state law or rule. About half of the expense to carry out these mandates is funded by state revenues. A solid fiscal foundation is essential to Marquette County's ability to provide services whether they are locally-determined priorities or state-mandated services. The responsibility for funding services falls at the local level.

There are other impacts to tax revenues and expenditures that need to be monitored and considered in the county's long-term planning. With the idling of the Empire Mine, tax revenues will begin to decline at a more rapid pace. Earlier this year Cliffs filed again with the Tax Tribunal seeking tax relief for the Empire Mine. Marquette County does not agree with this assertion and, joined with Richmond and Tilden Townships, is challenging that position. On a positive note, local Cliff Natural Resources officials continue to work toward reopening Empire Mine. Until a decision is finalized from Cleveland, all remain hopeful for a positive outcome.

In the 2019 budget, it is estimated that Airport Stabilization Funds will have adequate funds through 2020. Please note this is also dependent on the ability of the county to retain its current tenant base. This proposed budget includes a \$150,000 transfer to the airport stabilization fund in 2019.

For 2019, the County will not be required to have the services of a Level IV Equalization Director. The budget does not include funding for a Level IV contract position. Even with all of the new development occurring in Marquette County, it is not anticipated that a Level IV will be needed for at least one more year.

The work of the Management Team and the Board of Commissioner priorities guide the 2019 Budget.

REVENUES

Total General Fund revenues are \$25,759,829, a slight decrease of \$253,000 from the 2018 budget. If state revenues are reduced, consideration should be given to reducing expenditures in the programs receiving state support.

Local property tax revenue is flat with the County's taxable value increasing only 1.5%. Specific ore tax revenue for 2019 is estimated to be \$1,375,000, a decrease of \$580,000. Marquette County is still very fortunate to be receiving this level of revenue, but as noted in each budget memo this level of revenue will not continue due to the idling of the Empire Mine. The specific ore tax formula is based on a five-year average of annual production. As a point of reference, in 2013 the specific ore tax revenue was \$3,069,243.

Consistent with previous budgets, the 2019 budget does not apply potential tax revenue from Lundin Eagle Mine to ongoing operating expenses. This continues to be our recommendation, as the expected life of the mine is less than 8 years. No use of funds is budgeted for 2019 General Fund Operations.

State revenues are projected to be flat with a slight increase to revenue sharing.

For state-funded programs such as juvenile treatment and the judiciary and court operations, the 2019 Budget assumes the continuation of state funding trends for these programs. If additional reductions occur, the budget can be amended with emphasis on reducing programs for which revenue is no longer received.

The County should balance current expenditures with current revenues. County reserves have more than doubled since 2006 and exceed the County Reserve Policy and the minimum recommended by the Department of Treasury. The reserves cushion unexpected revenue losses or expenditure increases. The reserve funds are inadequate to expand services or support ongoing expenditures. Use of reserves in the 2019 Budget is limited to interest income generated or to funds that have a sufficient balance. Sawyer International Airport primarily relies on the Airport Stabilization Fund because airport revenues are inadequate to support required operating expenses for the airport.

Staffing:

The budget assumes that an Equalization Contract with Ishpeming Township will be approved and a new Appraiser I position will be created. If the contract is not approved, the position will not be filled.

The Sheriff's Office requested one (1) additional Road Patrol position and three (3) full-time Corrections Officers. The budget does not include an increase in Road Patrol or Corrections positions.

HOURS OF OPERATION

Administration has not been made aware of any proposed changes to regular office hours for any Department or Court. This budget reflects that all offices will continue the hours of operation as they do today. Any changes will result in a budget reduction.

FEES

Fees for the various departments are continually monitored for needed increases. The Sawyer Water and Sewer Departments are recommending rate increases.

Building Code fees have been reviewed and adjusted to maintain an equitable balance between the charge and the amount of time typically needed for the specific type of permit.

As in prior years, the 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

For the 2019 Budget an additional transfer of \$100,000 is included to support operations.

Historically, the fund generates approximately \$600,000 annually above what is needed for tax payments to the cities, townships, and schools. Use of \$685,000 will not require borrowing to maintain the DTRF.

HIGHLIGHTS FROM DEPARTMENT 2019 REQUESTS

The budget management work of the departments is significant in carrying out the directives of the county board. Each department has managed, and continues to manage, its budget in the new economic reality.

LAW ENFORCEMENT

As noted earlier, one (1) additional Road Patrol position and three (3) corrections officer positions were requested.

The 2019 budget continues the operation of the Community Corrections Detention Center (CCDC).

COURTS

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

HUMAN SERVICES

The Health Department maintenance of effort from the General Fund remains at \$521,506, the same annual amount since 1998. Overall, the department budget is \$344,839 more than the 2018 budget. The increase is due largely to substance abuse programs at Gwinn and Ishpeming schools. The total budget is \$4,675,831. The Board of Health approves the Health Department budget. The final 2019 budget will be considered by the Board of Health after the Board of Commissioners has set the General Fund appropriation to the department.

The 2019 budget includes a transfer of \$10,000 from the General Fund with \$20,000 from the Veterans Affairs Budget for the Soldier Sailor Relief Fund.

The Veterans Affairs department millage request will remain at .08. The Veterans Affairs Committee requested that the 2019 budget include \$14,500 for irregular part-time staff. All other Veterans Affairs budget requests are included in the budget.

The 2019 budget includes funding in the amount of \$56,000 for MSU Extension services. This is a slight increase over the 2018 budget as requested by MSUE. The current Memorandum of Agreement expires December 31, 2018. Additionally, the County provides office space and \$32,200 for 4H support.

The DHS Social Welfare Board requested a budget of \$8,000 and included \$3,000 for travel. The recommended budget includes a total appropriation of \$6,000, the same as 2018.

ADMINISTRATION

No changes have been made to the department budget for the County Administrator.

SAWYER INTERNATIONAL AIRPORT AND BUSINESS CENTER

Airport operating expenses are \$2,279,540. Operating revenues are \$1,938,600. Airport staff strives for self sufficiency. There is continuous effort to work on operational efficiencies and controlling expenses. Staff continues to search for and secure new tenants/leases.

The Airport Stabilization Fund remains a funding source through 2020. This projection is based on current cash balances.

A funding source, or multiple sources, will be needed for the ongoing sustainability of the Airport. A team effort will continue to be needed to plan, implement, and evaluate.

The Capital Improvement Program also includes \$40,000 for various maintenance items for the Gwinn Golf course and other tenants.

There are separate enterprise budgets for the Water and Sewer Funds. The 2019 Budget includes a 3.4% increase to the combined rate for water and wastewater. The combined rate is \$18.20 per 1,000 gallons. The leachate fee is increased to 3 cents per gallon. All other rates and fees remain the same.

AGING SERVICES

The Aging Services Advisory Committee approved the \$1,034,570 budget for current services and programs in 2019. In total, funding for services will increase by 1%. Allocations are to the four area Senior Centers, Meals on Wheels, RSVP's Non-emergency Medical Transportation, and the Marquette Adult Day Services Program. Anticipated tax revenue for 2019 is \$1,050,000.

CENTRAL DISPATCH

The operating budget continues the current level of service at their current location. Marquette County continues to provide a leadership role in the U.P. 9-1-1 Authority and continues to receive recognition for their cooperative way of delivering a valuable service to the community. They continue to lead the State of Michigan in the enhanced 9-1-1 arena.

FORECLOSURE FUND

The budget includes a \$25,000 transfer to the Land Bank. The Land Bank Authority requested 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

The 2019 Budget includes \$52,000 for economic development. The following is a suggested distribution of the funding: \$32,000 for a contract with the Lake Superior Community Partnership, \$5,000 for the County's contractual contribution to the Superior Trade Zone, \$5,000 for the LSCP EDC, and \$10,000 for Marquette County's Brownfield.

PERSONNEL AND POST-EMPLOYMENT EXPENSES

As a service organization, our major expense is personnel. The 2019 budget assumes a total compensation approach that is sufficient and sustainable based on current county revenues. Compensation for most County employees is set through the collective bargaining process. The County will be entering negotiations with one (1) bargaining unit whose contract ends at the end of 2018. The estimated increase to the PA 152 health insurance caps is 3.5% and will cost the General Fund \$49,000 for active employees.

The move to the wrap plan for the over-age 65 retirees has reduced our cost for retiree health insurance. For the first six months of 2018, the combined savings for the County and Health Department is approximately \$90,000.

PROJECTIONS

The Management Team will continue its diligence in preparing for the future. Current projects indicate the Airport Stabilization Fund will no longer be a viable funding source for airport operations after 2020 if current revenue and expenditure patterns continue.

Beyond 2019, the future of state government continues to be challenged, and the state's continued ability to fund county revenue sharing and revenues for other county services is unknown. Eagle Mine will be a temporary source of needed tax revenue. Long-range planning should take into consideration the upcoming closure of WE Energies, the Empire Mine, Airport Stabilization Funds being depleted, and the tax tribunal challenges.