

COUNTY ADMINISTRATOR'S 2020 BUDGET SUMMARY

The Marquette County Budget for 2020 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 2020 General Fund budget is \$26,355,630 and includes a transfer of \$400,000 from the Severance Tax Reserve Fund. With the transfer, it reflects an increase of 2.3% from the original 2019 budget.

The transfer of Severance Reserve should offset the \$450,000 increase for 2020 to the annual required contribution to the Michigan Employees Retirement System (MERS) Defined Benefit Program. The Severance Tax Reserve Policy allows for this use of the funds. Without use of these funds, among other reductions, there would not be a transfer to the Airport or Stabilization Fund, and a reduced amount for Contingency.

Staff recently met with MERS representatives to discuss stabilizing the required annual payment. The meeting with their financial team was encouraging as they noted that they would work with the County. County Staff cannot promise an outcome, but will continue to work towards stabilizing on going payments. If no relief is established going into the 2021 budget, difficult decisions will need to be made with respect to programing and services offered.

The 2020 Ad Valorem tax revenue remains relatively flat at a 2.8% increase. Budget preparation continues to be challenging with a continued anticipated reduction to the Specific ore tax revenue, and other potential tax reductions with WE Energies officially closing, the closing of the former Marquette General Hospital facilities, and the continuation of dark store and other tax challenges.

STATE

The State budget was approved on September 30, 2019 with nearly \$1 Billion in cuts statewide with approximately \$800,000 in cuts to Marquette County. Given the uncertainties, it is difficult at this time to predict what impacts, these cuts will have on County Government.

For 2020, Tax Tribunal applications and the Dark Store issue remain 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 Escanaba City vs. Menards, Inc. case is still working its way through the Tax Tribunal. As noted in the 2019 budget memo, "the outcome of this case is likely to set the standard in which big box and potentially other commercial properties are taxed".

Although it did not take place yet in 2019, the State continues to review raising the legal age of what is defined as an adult in Michigan. As noted in last year's budget memo, 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 and monitor any legislative efforts.

The County did receive its full Indigent Defense funding for fiscal year 2018/2019. You may recall that the funds were dispersed via quarterly payments. The Michigan Association of County's strongly believes that the Michigan Indigent Defense Commission (MIDC) funding should be released at one time, as per State statute, and has asked that Counties join together to not sign any agreements with the MIDC with any distribution method other than a lump sum payment. The 2019/2020 Public Defenders budget has been approved by the MIDC. This budget includes one additional attorney (4 total) and one additional support staff position (3 total). The County's 2020 budget includes the required minimum contribution of \$229,920. It should be noted that the funding must be approved as part of the State's budget process. No additional staff will be hired without the funding level increase.

Marquette County's ability to provide state-mandated services is largely dependent on our revenue sharing payment. Given that the State has not passed the budget, this budget reflects the projected revenue sharing payment as shown on the Department of Treasury's website. 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 \$1,343,000 for 2020.

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 have been declining at a more rapid pace. Cliffs Natural Resources continues its challenge in 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, to challenge that position. Cliffs Natural Resources officials continue to keep an open mind toward reopening the Empire Mine. It has been seeking a partner in this effort. To date, it has not disclosed any new information regarding any partnering efforts.

With the 2020 budget, it is estimated that Airport Stabilization Funds will have adequate funds through 2022. Please note this is also dependent on the ability of the county to retain its current tenant base. This budget includes a \$100,000 transfer to the airport stabilization fund in 2020.

For 2020, 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.

The work of the Management Team and the Board of Commissioner priorities guide the 2020 Budget.

REVENUES

The Budget is a starting point. Board discussions and final adoption by the board will allocate limited resources to county needs. The General Fund budget is \$26,355,630. If state revenues are reduced, consideration should be given to reducing expenditures in the programs receiving state support.

Local property tax revenue remains flat with the County's taxable value increasing 2.8%. Specific ore tax revenue for 2020 is estimated to be \$900,000 a decrease of \$475,000. Marquette County is still 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.

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 2020 Approved 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 2020 Approved 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 Sheriff's Office requested two (2) additional Road Patrol positions and three (3) full-time Corrections Officers. The proposed budget does not include an increase in Road Patrol or Corrections positions.

The Prosecuting Attorney requested funding to increase a ½ time Prosecuting Attorney position to become full-time. Currently, this position works approximately ½ time on criminal cases and approximately ½ time on Family Support cases. Given the increased criminal case load within the Prosecuting Attorney's office, the intent of the additional funding would allow for the position to be dedicated full-time to criminal work. The Family Support component would then shift to the Friend of the Court. This is statutorily permitted, but given how the funding for both Family Support and the Friend of the Court is processed and tied to state reimbursements there are still too many unknown factors that could impact to the overall budget for both departments. Staff feels this model has merit and will continue to explore going forward to determine the budget impact. The 2020 budget does not include additional funding for the Prosecuting Attorney's Office.

The proposed budget includes a reduction in approximately half of a Planner position. Planning has created a Planner /Recreation Coordinator position that will perform typical planner responsibilities, but during the camping season will guide the operation and maintenance of the County park and harbor facilities. This position will be partially funded with County Forest Funds and General Funds. Planning has fully absorbed the campground and harbor functions and an additional park manager will not be hired.

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.

Building Code fees have been reviewed. The Codes Department has historically not been self-supporting. To work towards self-sufficiency, staff recommended an increase to the “Application Fee” to be implemented over two (2) years, from \$95 to \$120 for 2020, and from \$120 to \$145 in 2021. The 2020 budget includes the estimated revenue that this fee adjustment will capture in 2020.

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 2020 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 2020 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, two (2) additional Road Patrol positions and three (3) corrections officer positions were requested, but not approved.

The 2020 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 \$321,948 more than the 2019 budget. The increase is due largely to new mental health counselors in the Adolescent Clinics and increased retirement costs. The total budget is \$4,997,779. The Board of Health approves the Health Department budget.

The 2020 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 mills. The Veterans Affairs Committee requested that the 2020 budget include \$14,500 for irregular part-time staff. All other Veterans Affairs budget requests are included in the budget.

The 2020 budget includes funding in the amount of \$58,000 for MSU Extension services. This is the same amount we are paying in 2019. The current Memorandum of Agreement expires December 31, 2019. 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 budget is \$6,000, the same as 2019 with a General Fund appropriation of \$3,000 and \$3,000 use of equity.

ADMINISTRATION

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

SAWYER INTERNATIONAL AIRPORT AND BUSINESS CENTER

Airport operating expenses are \$2,434,500. Operating revenues are \$2,159,500. 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 2022. The budget 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.

There are separate enterprise budgets for the Water and Sewer Funds. The 2020 Budget includes a 2.75% increase to the combined rate for water and wastewater. The combined rate is \$18.70 per 1,000 gallons. All other rates and fees remain the same.

AGING SERVICES

The Aging Services Advisory Committee approved the \$1,060,435 budget for current services and programs in 2020. In total, funding for services will increase by 2.5%. 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 ad valorem tax revenue for 2020 is \$1,060,000.

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.

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 2020 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 Authority.

PERSONNEL AND POST-EMPLOYMENT EXPENSES

As a service organization, our major expense is personnel. The 2020 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 three (3) bargaining units whose contracts end at the end of 2019.

The 2020 budget will continue to reflect the ongoing cost increases for employee and retiree health insurance. On a positive note, heading into the 2020 Budget, the overall increase to health insurance rates is 1.4%. 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.

The estimated increase to the PA 152 health insurance caps is 2.0% and will cost the General Fund \$36,000 for active employees. Employees will realize a slight decrease in their cost sharing for health insurance in 2020.

The move to the "wrap plan" for the over-age 65 retirees reduced the County's cost for retiree health insurance and continues to show a stable rate structure.

The State of Michigan implemented new guidelines for 2018 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's auditor advised that the County, in their opinion, continues to be compliant with the new standards. Although, not a focus of the legislature right now, rumors continue about the potential to further tighten retirement funding and OPEB standards. Staff will continue to monitor.

For 2020, the budget includes a transfer of \$800,000, from accounts previously held in the Trust & Agency Fund, to the OPEB Reserve Fund. These funds were accumulated from savings recognized during the years the county self-funded both active employee and retiree health care divisions. With this transfer, the balance in the OPEB Reserve Fund will be \$4.7 million.

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 2022 if current revenue and expenditure patterns continue.

Beyond 2020, 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. A positive is that the Eagle Mine recently announced that it will remain in operations into 2025. This will continue to be a temporary source of needed tax revenue. Long-range planning should take into consideration the effects of the closure of WE Energies, the idled Empire Mine, Airport Stabilization Funds being depleted, tax tribunal challenges, and retiree defined benefit costs and OPEB.