

2012 BUDGET SUMMARY

The Marquette County Budget for 2012 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. Most importantly, the document is intended to be a resource and reference for the public.

The General Fund budget is \$22,875,482, a 5.7% increase over 2011. The total amount for all funds, excluding internal services and trust and agency funds, is \$49,174,778.

The adopted budget is balanced. Maintaining services and increasing reserves are notable accomplishments in these challenging economic times. The Marquette County Board of Commissioners should be commended for establishing policies and setting priorities that have allowed the county to do just that. Managers and elected department officials also deserve recognition for their efforts to improve services to the citizens of Marquette County by creating efficiencies and controlling costs. Economic stability and fiscal discipline have allowed Marquette County to be a leading service provider and a significant contributor to the qualities that make our area desirable to residents, businesses, and visitors. Marquette County was one of only eight counties to receive a perfect fiscal health rating from the State of Michigan.

Marquette County uses a program budget. A program is an operation of government that exists to provide a service or to achieve a result. A program budget provides information on the past results, intended future results, activities to achieve the results, and the cost of doing the activities. A program budget helps answer the question, what is a particular department going to do during the coming year and how much will it cost?

STATE

One role of county government is to act as the grass roots deliverer of mandated services. In 2006, the MSU Department of Agricultural Economics completed a study entitled County Financing of State Mandated Services in Michigan that showed for counties responding to the survey, an average of 88% of county expenditures were mandated by State law and that expenditures were offset by only 59% of State revenue. The report concluded that this gap is contributing to the current level of fiscal stress among county governments. The situation has continued to deteriorate since then.

State revenue sharing is another area of ongoing concern. Over time, revenue sharing has become a critical component of county government's ability to provide state-mandated services. Five years ago, county governments assisted the state with balancing its books by cooperating with the advance property tax capture in return for the statutory assurance that the state would again pick up these payments as each county's revenue sharing reserve was depleted. This promise was violated recently by reducing revenue sharing payments to counties who have exhausted their revenue sharing reserve funds.

MARQUETTE COUNTY

In Marquette County, an estimated 75% of expenditures are required, or mandated, by state law or rule. About half of the expense of the mandates is funded by state revenues. A solid fiscal foundation is essential to Marquette County's ability to provide services whether the services are locally-determined priorities or state-mandated services. The responsibility for funding services is clearly at the local level. Fortunately, Marquette County has been an area of relative stability amid decline in the Upper Peninsula and Michigan. Marquette County's economy has grown and diversified.

The Management Team's work and the Board of Commissioner Priorities guide the 2012 Budget. The Marquette County board adopted five priorities for 2012:

- Airport Funding – How to cut costs or increase funds, other than from County General Fund
- Maintain a Balanced Budget
- Mandated Services –Unfunded and Underfunded State Mandates
- Post-Employment Benefits Funding Plan
- Labor Market Study

REVENUES

The 2012 General Fund budget starts with revenues of \$22,875,482, an increase of \$526,432 over the mid-year 2011 budget.

Local property taxes are increasing to \$10,600,000, an increase of \$397,000. Specific ore tax revenue for 2012 is \$2,269,000, an increase of 24%.

Overall, state revenues are projected to be flat. Revenue sharing resumed in 2011. The 2012 budget includes \$965,000 in revenue sharing, a 24% reduction from current levels.

Except for revenue sharing, state funding is for specific programs such as juvenile treatment or to help fund the judiciary and court operations. The 2012 Budget assumes 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 balances 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 2012 Budget is limited to interest income generated or to funds that have a sufficient balance. Sawyer International Airport relies on the Airport Stabilization Fund because aviation revenues are inadequate to support required operating expenses for the airport.

FEES

Building Code revenue includes an average two percent increase to some fees within the Building Code fee schedule. Some permit fees will increase, some will remain the same, and some may decrease. Specific fees will be reviewed and adjusted to maintain an equitable balance between the charge and the amount of time typically needed for the specific type of permit.

For the water and sewer systems, a new fee of \$10.00 is recommended for delivery of shut-off notices. All other rates and fees remain the same. A copy of water and sewer fee schedule is in the budget binder.

As in prior years, the budget includes \$585,000 from the Delinquent Tax Revolving Fund (DTRF):

Tax Administration Services	\$ 235,000
General Fund Contingency/Other	\$ 350,000

The fund generates approximately \$600,000 annually 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.

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.

The judicial council recently decided to consider alternate methods of appointing and paying for court-appointed counsel. Their current model is an hourly rate, "fee-for-service" system. They will be looking at fixed fee contracts and other models for possible adoption in 2012.

There are no updates at this time regarding the State Court Administrator's recommendation to reduce the number of judgeships in Marquette County. No change is anticipated for the 2012 budget year.

A \$137,480 balance in the FOC fund is helping maintain services and is reducing the 2012 GF amount needed for FOC and Family Support operations.

HUMAN SERVICES (Core Business: 5)

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 \$ 493,643 less than the 2011 budget. The total budget is \$ 3,751,010. Space costs for the Health Department will be funded by reserves in the Service Center Fund. The Board of Health approves the Health Department budget. The final 2012 budget will be considered by the Board of Health after the Board of Commissioners has set the General Fund appropriation to the department.

The Soldier/Sailor Relief Fund can rely on equity in that fund to cover program expenditures of \$10,000 for 2012.

The 2012 budget includes funding for MSU Extension services under the terms of the proposed Memorandum of Agreement. The net cost to the county is budgeted at \$101,285, a slight decrease from the 2011 budget of \$104,864.

ADMINISTRATION

No changes have been made to the department budget for the county administrator. A budget amendment may be needed after the administrator position has been filled on a permanent basis. A budget of \$180,825 has been established for civil counsel with direct responsibility to the county commission. The civil counsel personnel budget covers one attorney position and one legal secretary. The prosecutor's staffing level was reduced by one attorney position and one legal secretary.

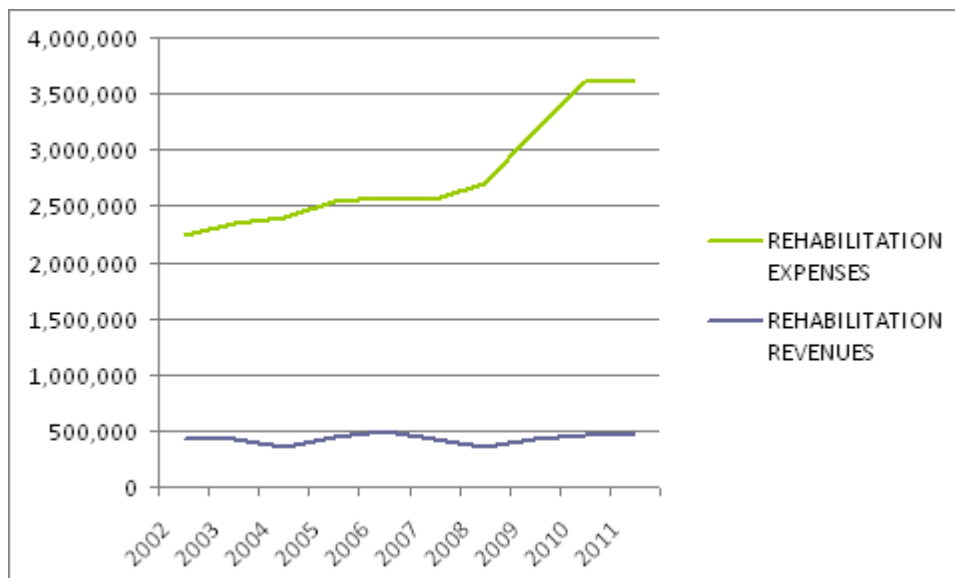
LAW ENFORCEMENT (Core Business: 2, 4)

One additional deputy in the public safety division will be funded by revenues generated from the airport security services contract. One additional deputy will be added to the corrections division. Currently, an equivalent of four full-time positions in the corrections division are staffed by part-time employees. With the addition of these two positions, reliance on part time and overtime to continue providing our current level of service can be reduced.

Expansion of road patrol services to the townships should be considered if the Sheriff is successful in contracting with interested townships to fund additional road patrol presence in the county.

The 2012 budget continues the operation of the Community Corrections Detention Center (CCDC). The CCDC has provided needed incarceration bed space with an average occupancy of 26 inmates this year. The \$812,630 operating expense of the Detention Center has been absorbed by the General Fund. The anticipated increases in revenues from the U.S. Marshal have not materialized. In 2008, total rehabilitation expenses were \$2,290,752 and revenues were \$358,113. Rehabilitation expenses in the 2012 budget total \$3,145,468 with revenues of \$498,000.

REHABILITATION OPERATING REVENUE/EXPENSE
HISTORICAL TRENDS



SAWYER INTERNATIONAL AIRPORT AND BUSINESS CENTER (Core Business: 7)

Airport operating expenses are \$2,435,000. Operating revenues are \$1,895,000. The challenge of aviation revenue supporting aviation expenses continues. Revenue from non-aviation tenants such as Argonics and Renewafuel, increased aviation revenue, a sharp focus on controlling expenses, and reduced marketing all contribute to an extended life for the Airport Stabilization Fund. County support for the airport in the 2012 budget is provided by the transfer of \$86,300 for needed capital projects not included in the Airport Improvement Plan (AIP).

The Airport Stabilization Fund remains a funding source through the third quarter of 2013. A current projection is provided in the black binder. The projections are based on current cash balances and do not include any anticipated revenue from the purchase agreement with Telkite that obligates Telkite to purchase additional raw land from the county by 2015. The remaining amount of sales proceeds to be generated by that contract is \$416,785.

A funding source, or 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 Airport Master Plan approved by the Board of Commissioners in 2009 serves as a foundation.

There are separate budgets for the Water and Sewer Funds. The grant and loan application to the United States Department of Agriculture Rural Development Agency was approved. The project will implement a long-term improvement plan (20 years) for the wastewater system.

CHILD CARE (YOUTH TREATMENT AND CUSTODY) (Core Business: 2, 4)

The adopted budget continues current levels of service. The Youth Home averaged 75% occupancy for 2010. Plans to develop a residential treatment program at the Youth Home have been drafted and discussed with the state licensing agent. The '30 Won' program would provide an alternative to out-of-county placements. The mission of the '30 Won program' would be to provide a thirty-day curriculum of therapeutic and educational services necessary to: 1) stabilize the behavior of youth ages 13 to 17 so they can safely remain in the community; or 2) transition the youth to a parents' home, a foster parents' or guardian's home, or independent living. This residential treatment program could be made available as an option to other counties.

AGING SERVICES

The 2012 funding to the service providers (Senior Centers, AMCAB, RSVP Medical Transportation, and Adult Day Care) will increase by 5%. The Recommended Budget was approved by the Aging Services Advisory Committee. The population changes reflected by the 2010 census will again require funding changes to bring allocations back to the formula recommended by the Michigan Office of Aging Services. The Marquette County 2009 Older Adults Needs Survey provides excellent information for planning future spending and millages. The current operating reserve of millage dollars is \$279,806. The 2012 millage amount is \$846,500. The millage for Aging Services will be up for renewal in 2012.

CENTRAL DISPATCH

The operating budget continues current levels of service at Central Dispatch's current location. Marquette County continues in a leadership role in the U.P. 9-1-1 Authority. The \$406,257 previously budgeted local match for federal grants to connect U.P. dispatch centers has been carried forward to 2012. Also budgeted is \$225,000 for a second radio console unit. Both units will be installed in 2012.

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

Funding for the Marquette County Economic Development Corporation and the Lake Superior Community Partnership is \$67,252, the same amount as 2011. Marquette County continues to be the LSCP's single largest funder. Marquette County also funds county-wide economic development promotional material through the marketing agreement with Telkite.

PERSONNEL AND POST-EMPLOYMENT EXPENSES

As a service organization, our major expense is for the personnel who provide the services. The 2012 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 bargaining units whose contracts expire at the end of 2011. The 2012 budget includes \$1,834,500 for retiree health insurance, a 2% increase over our actual expense for 2010. As a continued effort to fund the expense for future retirees, \$175,000 will be transferred from self-insurance reserves and \$100,000 will be transferred from the general fund for a total of \$275,000 being added to the county's OPEB reserve fund in 2012. This will bring the total OPEB reserve to \$1,081,000. A significant reduction to our unfunded liability for post-employment health care was evidenced by the actuarial report as of December 31, 2008, that indicated a 28% reduction over a two-year period. We have continued to negotiate changes with the bargaining units to reduce our long-term liability. Another actuarial report will be completed for the year ending December 31, 2010.

The Budget includes a \$325,000 increase to our MERS retirement cost. An additional payment of \$275,000 will be applied toward our unfunded MERS retirement liability. This is being funded by the savings generated to our defined contribution retirement cost resulting from forfeiture amounts that have accumulated in that plan and a \$100,000 transfer from the General Fund.

PROJECTIONS

The Management Team will continue its diligence in preparing for the future. The Airport Stabilization Fund will no longer be a viable funding source for airport operations after 2013 if current revenue and expenditure patterns continue. Millages for Central Dispatch, Search and Rescue, and Aging Services are in place for 2012. The millages will need to be renewed for 2013 and beyond.

In addition to the challenges unique to Marquette County, we share with many other local governments the increasing costs of health care and retirement. Liabilities for post-employment benefits, although still significant, have been substantially reduced.

Beyond 2012, the future of state government appears grim, and the state's ability to fund county revenue sharing and revenues for other county services is unknown. On the positive side, Kennecott Eagle Mine is scheduled to open in 2013, bringing tax revenue and other economic activity to Marquette County. So far, Marquette County has enjoyed economic prosperity and strong property values compared to the rest of Michigan.