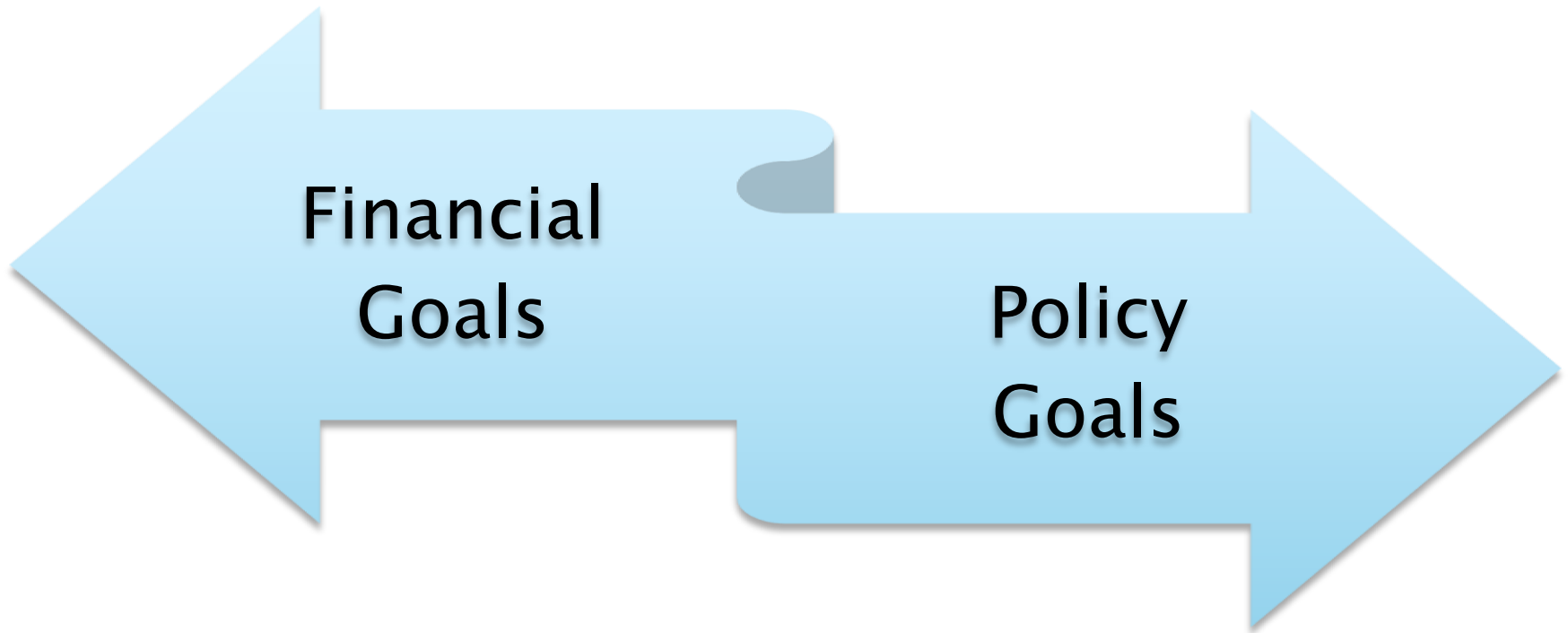


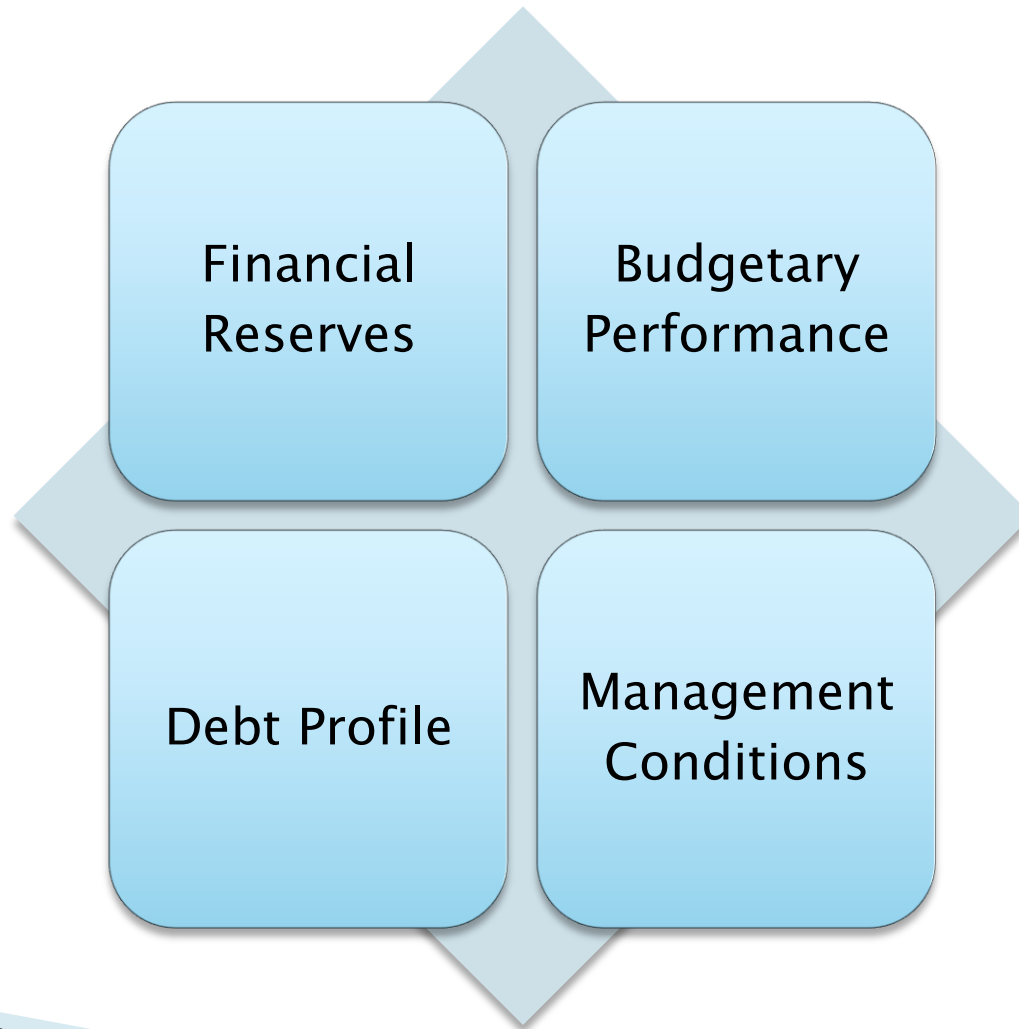
Proposed FY 2018 Budget Presentation

Presented to Delta County Board of
Commissioners
August 15, 2017

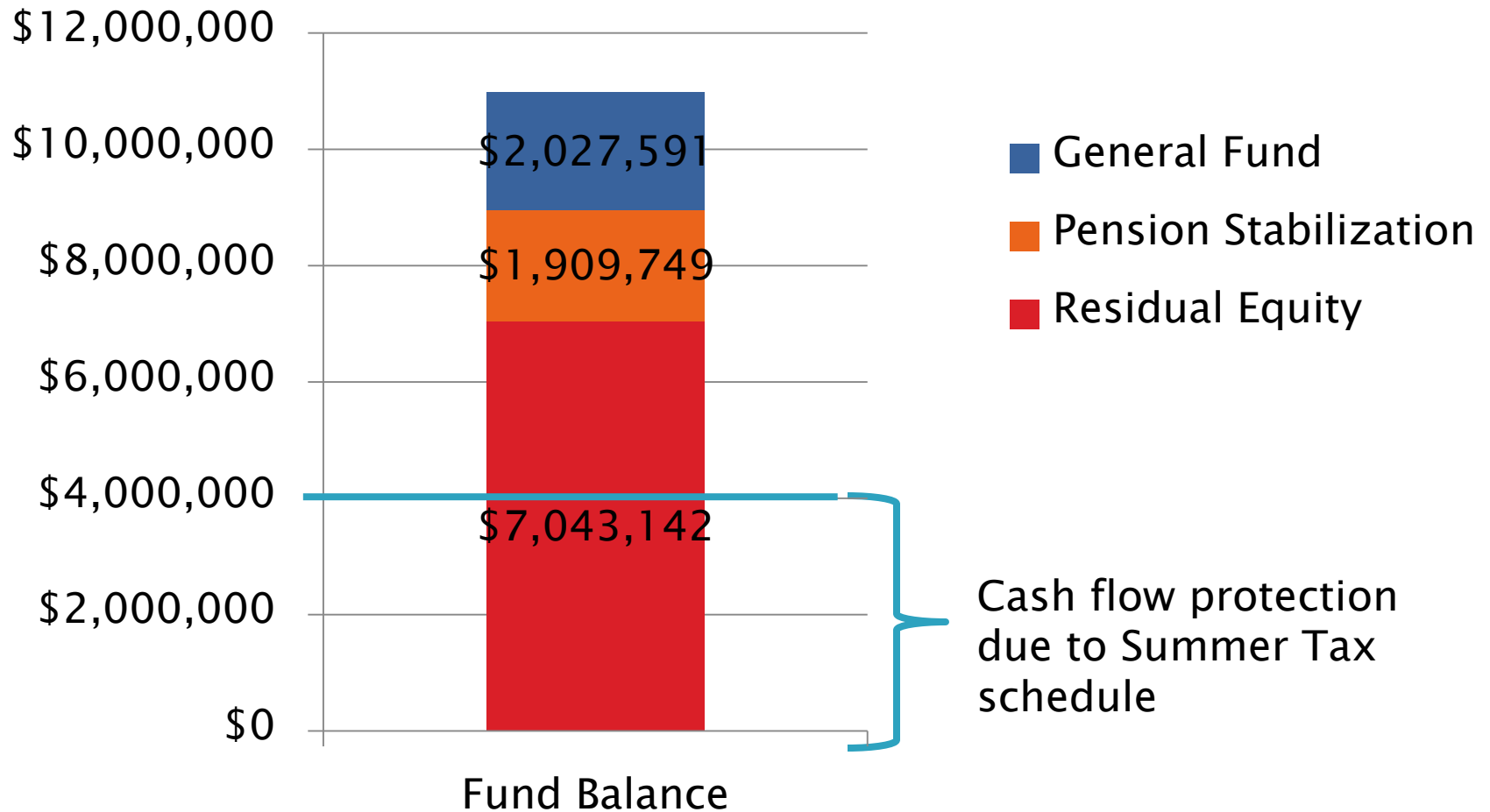
Goals of a Proposed Budget



Financial Goals and Credit Rating

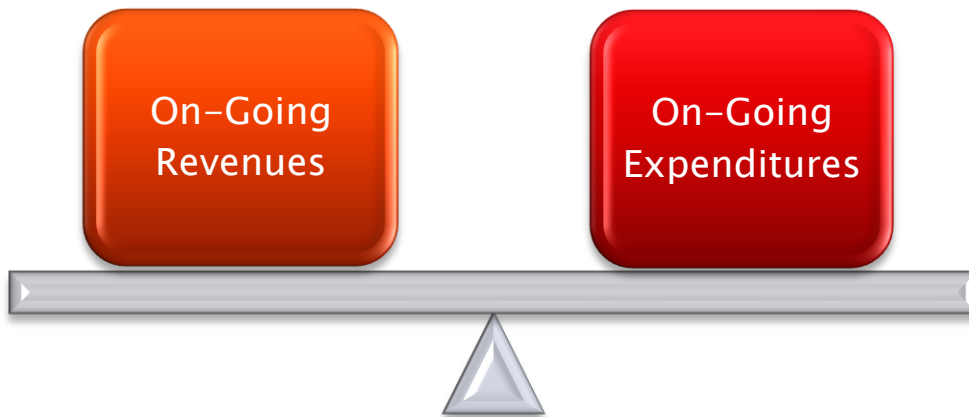


Strong Financial Reserves



Strong Budgetary Performance

Structural Balance



Recent Performance

Surplus by Fiscal Year

FY 2015: \$614,816

FY 2016: \$1,334,764

Strong Debt Profile

Courthouse Renovation Bonds

In 1994 Bonds were issued to pay Courthouse renovations.

In 2009, the remaining \$2.5 million in debt was refinanced.

Final payment of \$326K due in FY 2018

Energy/Infrastructure Loan

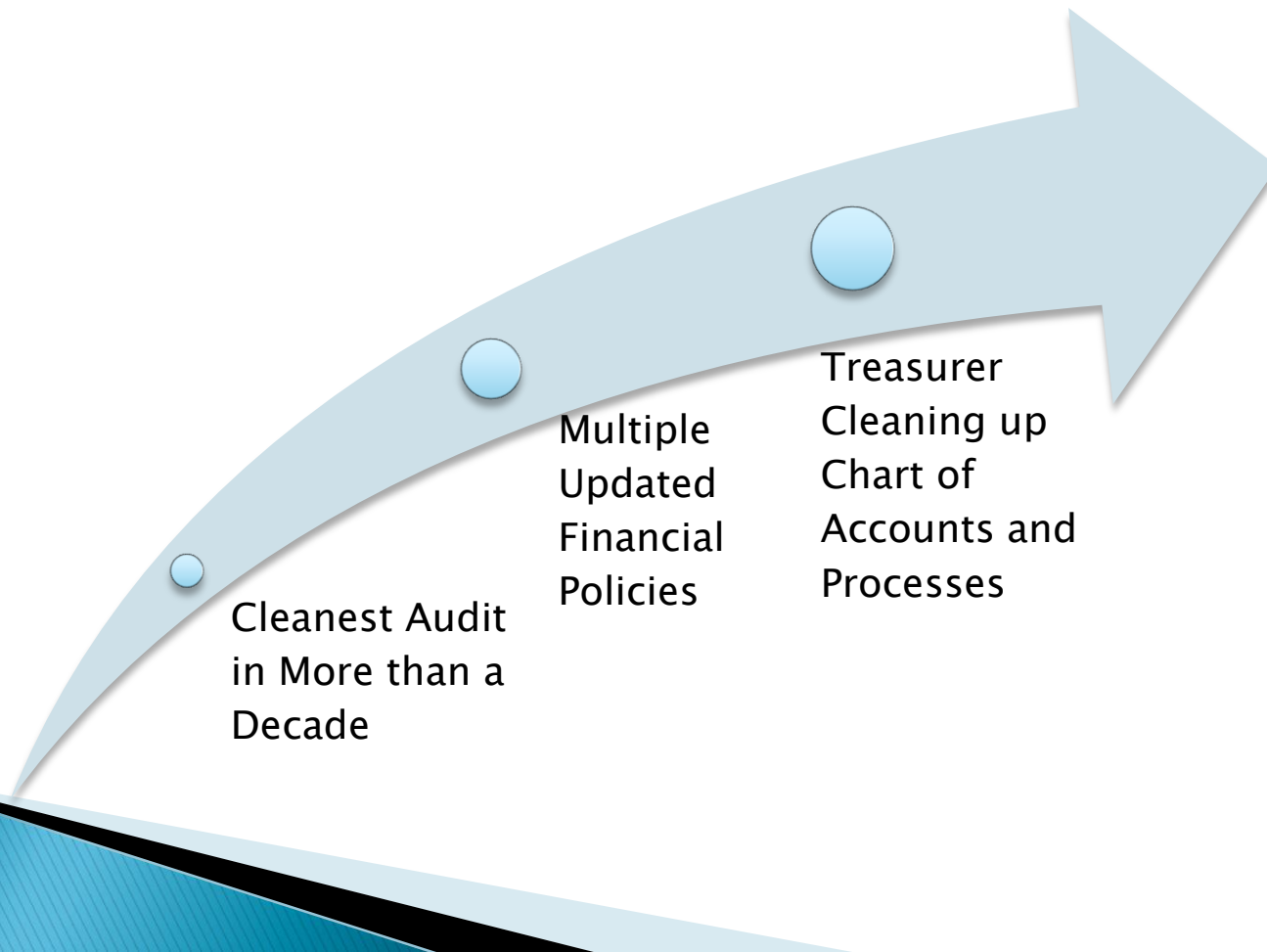
\$400,000 was borrowed in FY 2016 to complete the energy/infrastructure project.

County will pay \$85K from its Capital Outlay Fund annually through FY 2021

Fiscal Year	FY 2018	FY 2019
Total Debt	\$646,000	\$235,000
Annual Debt Payment	\$411,000	\$85,000
Percent of General Fund	4%	0.9%

Adequate Management Conditions

- ▶ Received lowest rating in 2014 credit rating
- ▶ How has this been addressed?



What are the County's Policy Goals?

Enhance Employee Relations

- Protect pension benefits of retirees
- Secure multi-year union contracts prior to expiration
- Enhance management development programs

Improve Citizen Interactions

- Increase information available to citizens online
- Simplify and standardize process for citizens to obtain information

Prioritize the Justice System

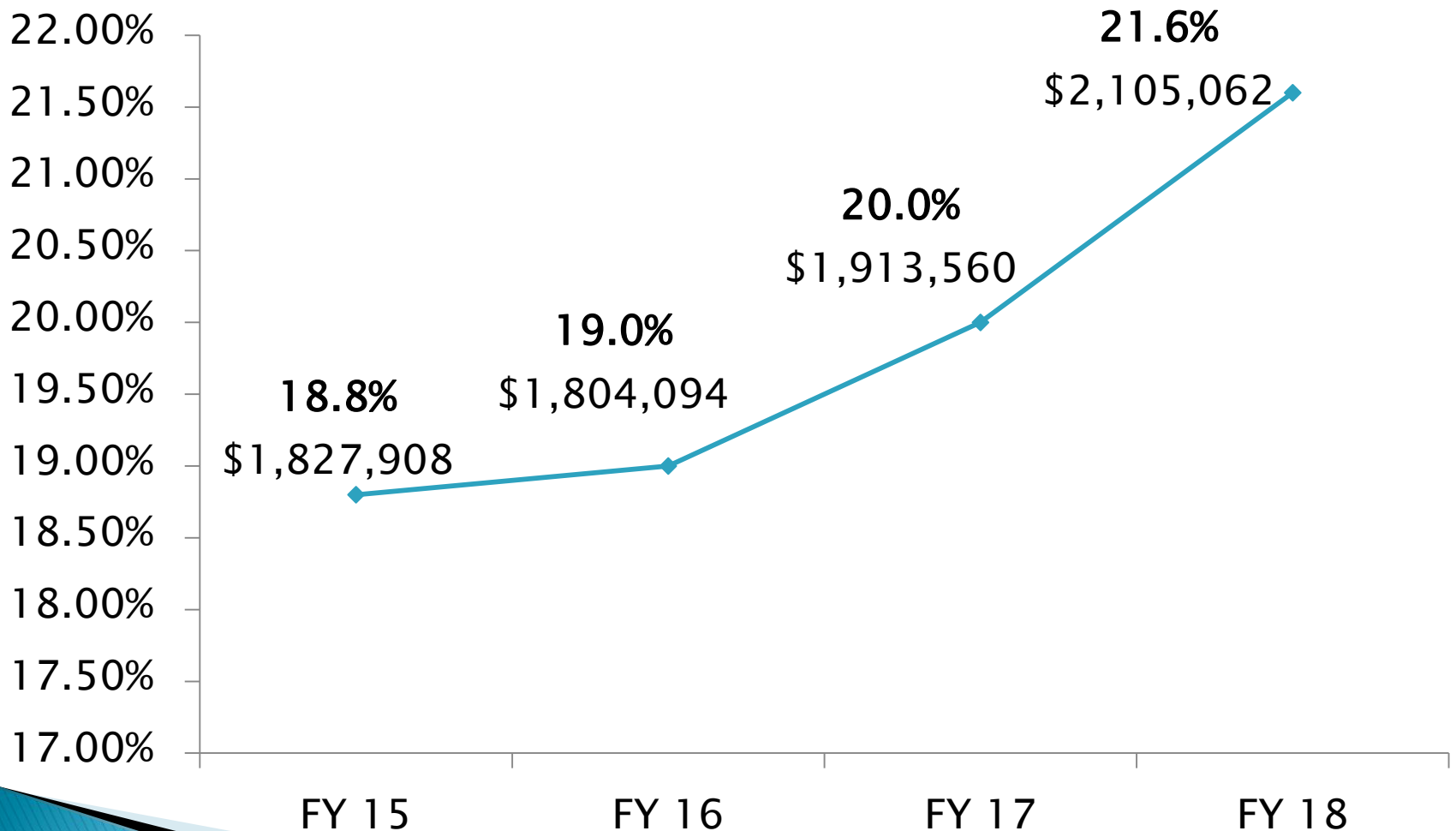
Prioritize statutory public safety responsibilities, with an emphasis on Corrections
Maximize coordination with Sheriff and Prosecutor

Shifting Priority To Justice System

When assets are limited, a government must focus on its core priorities



Corrections as Percent of General Fund Budget



FY 2018 Budget Development Process

Proposed FY 2018 Budget

Delta County, Michigan

October 1, 2017-September 30, 2018



Start With the Budget Gap

- ✚ \$65,000 Increase in property tax value (including PPT reimbursement)
- ✚ \$18,300 Increase in state revenue sharing
- ✖ (\$140,000) Increase in annual pension costs
- ✖ (\$50,000) Increase in step and 2% salary increases
- ✖ (\$17,500) Increase in employer health insurance costs

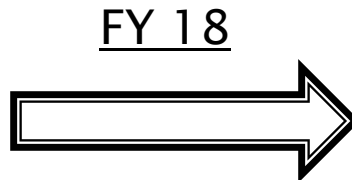
≡ \$124,200 Preliminary Budget Gap

Add Corrections Needs to Bridge the Gap

- ▶ \$110,000 for additional Corrections Officers
- ▶ \$35,900 in food costs for additional inmates
- ▶ \$10,000 for part-time Corrections Officers

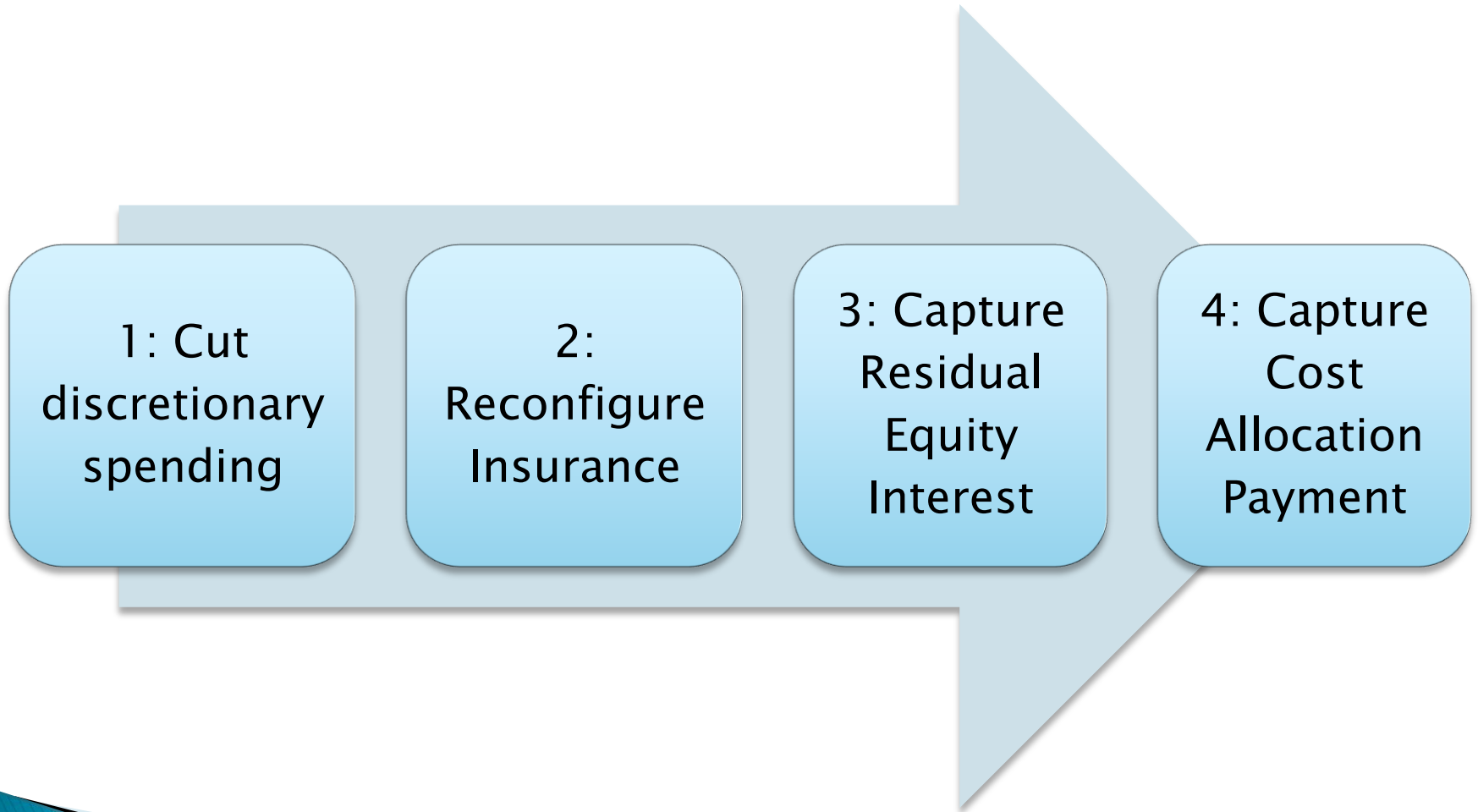
New Budget Gap = \$275,000

FY 17
16 Corrections Officers
Required food for 85
inmates



FY 19
21 Corrections Officers
Required food for 115
inmates

4 Step Plan to Balance the Budget

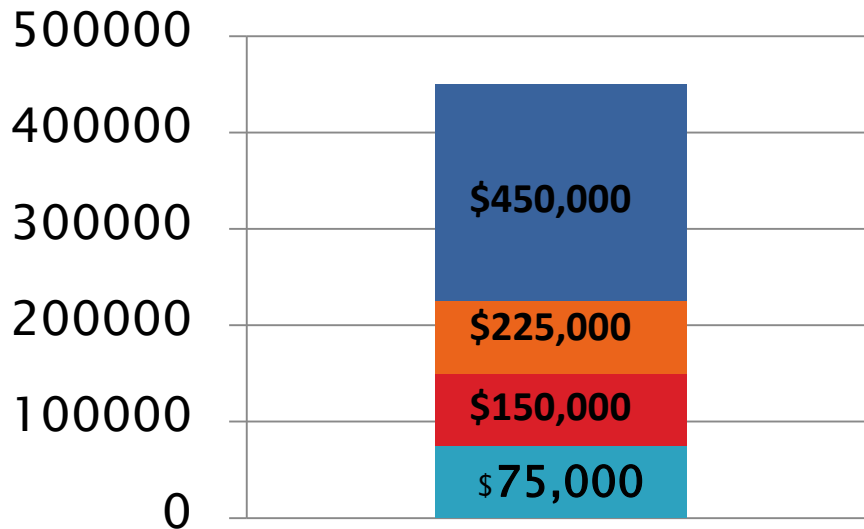


Step One: Cut Discretionary Spending

- ✚ \$62,500 Costs are reduced on final courthouse renovation debt payment
- ✚ \$22,500 Eliminate Community Corrections work van program
- ✚ \$30,000 Reduced maintenance costs due to energy/infrastructure project
- ✚ \$14,000 Reduced appropriations for Law Library, Building & Zoning, and Superior Trade Zone
- ✚ \$5,000 Reduced annual cost from new IP telephone system
- ✚ \$5,000 Reduced use of attorney fees
- ✚ \$7,000 Charge cost of part-time maintenance employee to Service Center
- ✚ \$6,000 Reduced technology costs based on utilization

== **\$152,000 Cost Savings**

Step Two: Reconfigure Insurance



- Deductible
- Max Annual Cost
- Recommended Funding Level
- Delta's Funded Level

- ▶ Eliminate \$25,000 self-insurance payment (chart to left)
- ▶ Charge Airport and Service Center funds with proportional share of property/liability insurance costs.
- ▶ **\$40,000 Total Annual Savings to General Fund**

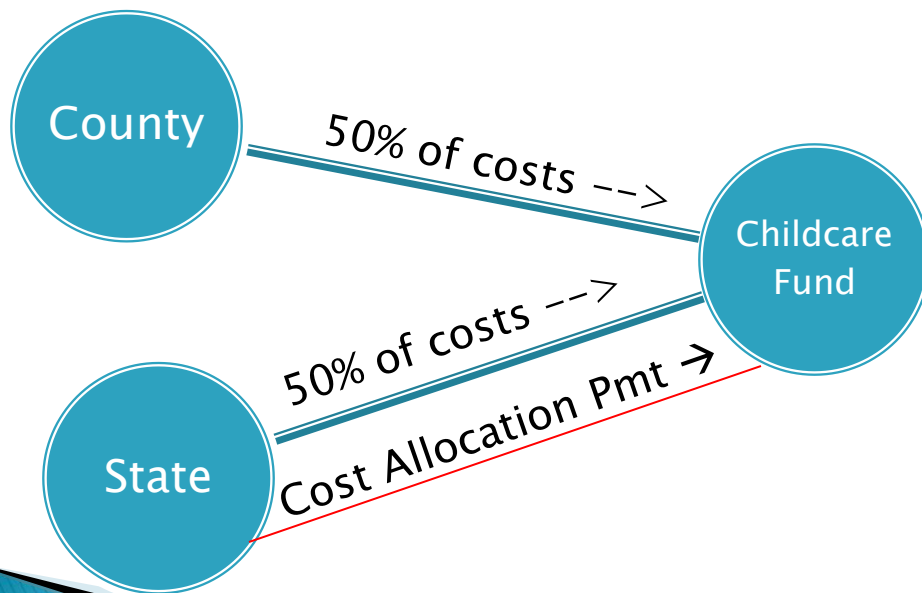
Step Three: Capture Residual Equity Interest

Residual Equity Fund Interest Earnings by Year			
FY 13	FY 14	FY 15	FY 16
\$36,404	\$87,707	\$60,669	\$67,297

- ▶ The Board may direct the Treasurer to deposit all Residual Equity Fund interest earnings in the General Fund.
- ▶ This does not spend don fund balance as it maintains the fund at current savings levels.
- ▶ This action would add an estimated \$48,000 in revenue in FY 2018

Step Four: Capture Cost Allocation Payment

- ▶ Delta County contributes \$350,000 annually to Childcare Fund
- ▶ State and County split eligible costs 50/50
- ▶ State makes additional \$60,000 cost allocation payment to reimburse General Fund for overhead costs

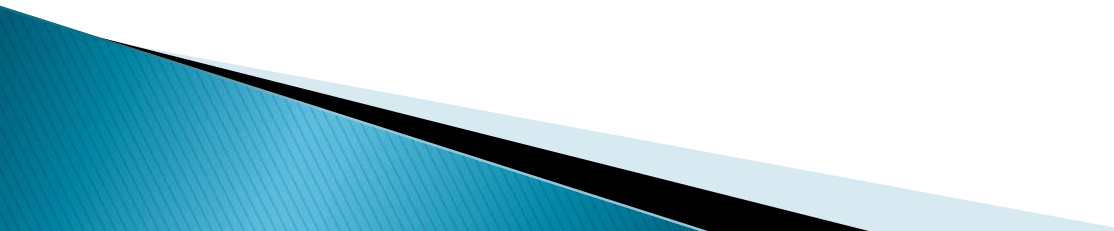


Due to cost allocation payments over the years, the Childcare Fund has a fund balance of more than \$600,000.

FY 18 Budget with Implemented Strategies

Base Budget Gap	(\$124,000)
Corrections Needs	(\$151,000)
Step 1: Cut expenses	\$152,000
Step 2: Reconfigure insurance	\$40,000
Step 3: Capture annual interest	\$48,000
Step 4: Capture cost allocation payment	\$60,000

Net: + \$25,000 (to contingency)

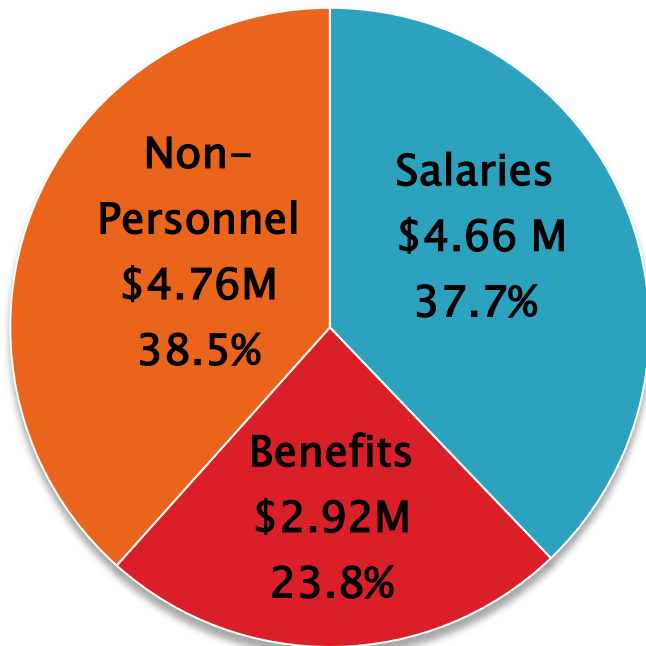


FY 2018 Proposed Budget Summary

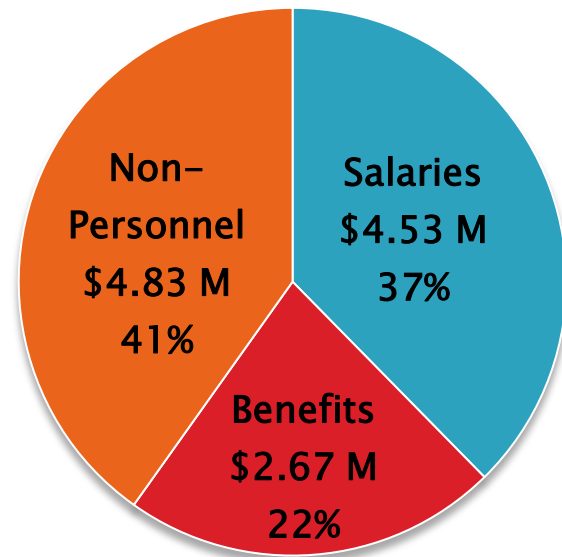
Fund Description	Approved FY 2017 Budget	Proposed FY 2018 Budget	Budget Change
General Fund	\$9,548,749	\$9,749,000	\$200,251
Airport Fund	\$932,634	\$992,403	\$59,769
Building & Zoning Fund	\$203,700	\$203,489	(\$211)
Road Patrol Fund	\$1,269,914	\$1,341,500	\$71,586

Budget Summary By Cost Type

FY 2018 Budget by Expenditure Type



Last Year's Budget



How Tax Dollars Are Allocated

Cost Description	Budget	%
Prosecutor and Courts	\$3,218,633	33.0%
Jail and Sheriff Admin.	\$2,522,537	25.9%
Board and Administration	\$445,100	4.6%
Maintenance and Custodial	\$417,554	4.3%
Clerk/Elections/Deeds	\$388,301	4.0%
Mental Health/Subst Abuse	\$348,880	3.6%
Unallocable Pension Expense	\$316,657	3.2%
Airport Subsidy	\$300,000	3.1%
Health Department	\$265,731	2.7%
Debt Payment	\$264,842	2.7%
Equalization and GIS	\$199,000	2.0%
County Treasurer	\$177,000	1.8%

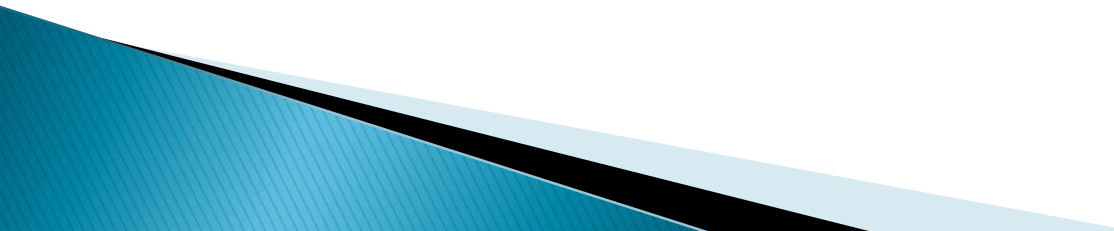
Cost Description	Budget	%
Technology	\$171,900	1.8%
Capital Outlay	\$100,000	1.0%
General Insurance	\$95,000	1.0%
General Appropriations	\$86,210	0.9%
Audit and Professional	\$80,600	0.8%
Park Funds/Conserv Dist.	\$75,000	0.8%
Veteran Affairs	\$69,200	0.7%
Emergency Management	\$55,600	0.8%
Medical Examiner	\$50,500	0.5%
MSU Extension	\$43,500	0.4%
Misc and General Subsidies	\$32,255	0.3%
Contingency Funds	\$25,000	0.3%

Biggest Changes in Dept Allocation

(Benefits Excluded)

Cost Description	Change	Reasons
Sheriff- Corrections	\$191,502	Funds for two additional Corrections Officers and bridge funds for future correctional facility operations.
Prosecuting Attorney	\$16,412	New funds related to VOCA grant which Prosecuting Attorney received in FY 2017. Expenses backed by new revenue.
Technology	(\$11,650)	Savings related to new IP phone system and recent utilization of software.
Maintenance and Custodial	(\$36,222)	Transfer of part-time position to Service Center Fund plus reduction in utilities, maintenance, and supplies cost due to energy and infrastructure project
Appropriations	(\$65,138)	Savings due to reduction in debt payment, elimination of Work Van Program and decrease in Law Library, Superior Trade Zone, and Building and Zoning appropriations.
Miscellaneous	(\$71,000)	Savings due to reconfiguring insurance, reduction in legal costs, and transfer of some Capital Outlay Fund costs to appropriations.

Other FY 2018 and Beyond Issues

- ▶ Animal Shelter Appropriation is no longer by agreement.
 - ▶ Should the additional \$5,000 for the EDA continue?
 - ▶ Will 1 Courthouse Security Officer be enough in FY 2018?
 - ▶ Is MSU Extension funded at the appropriate level?
 - ▶ Should the county continue to pay dark store legal bills?
 - ▶ What should the old Michigan Works building be used for?
- 

Key Changes to Road Patrol Budget

\$71,586 overall change to expenditure budget

Type	Description	Impact	Reason
Rev	Taxes/PPT Reimbursement	\$27,000	2017 Increase in property tax values
Rev	State Grants	\$5,000	Net of \$12,000 increase for marijuana grant and \$7,000 decrease for snowmobile grant
Rev	Use of Fund Balance	\$39,337	Use of fund balance primarily due to increase in benefit costs
Exp	Benefits	(\$77,000)	\$49,000 increase in healthcare costs due to enrollment and \$28,000 increase in pension costs
Exp	One Officer	(\$25,000)	Salary costs for additional Road Patrol Officer partially offset by anticipated reduction in OT

Key Changes to Airport Budget

\$59,769 overall change to expenditure budget

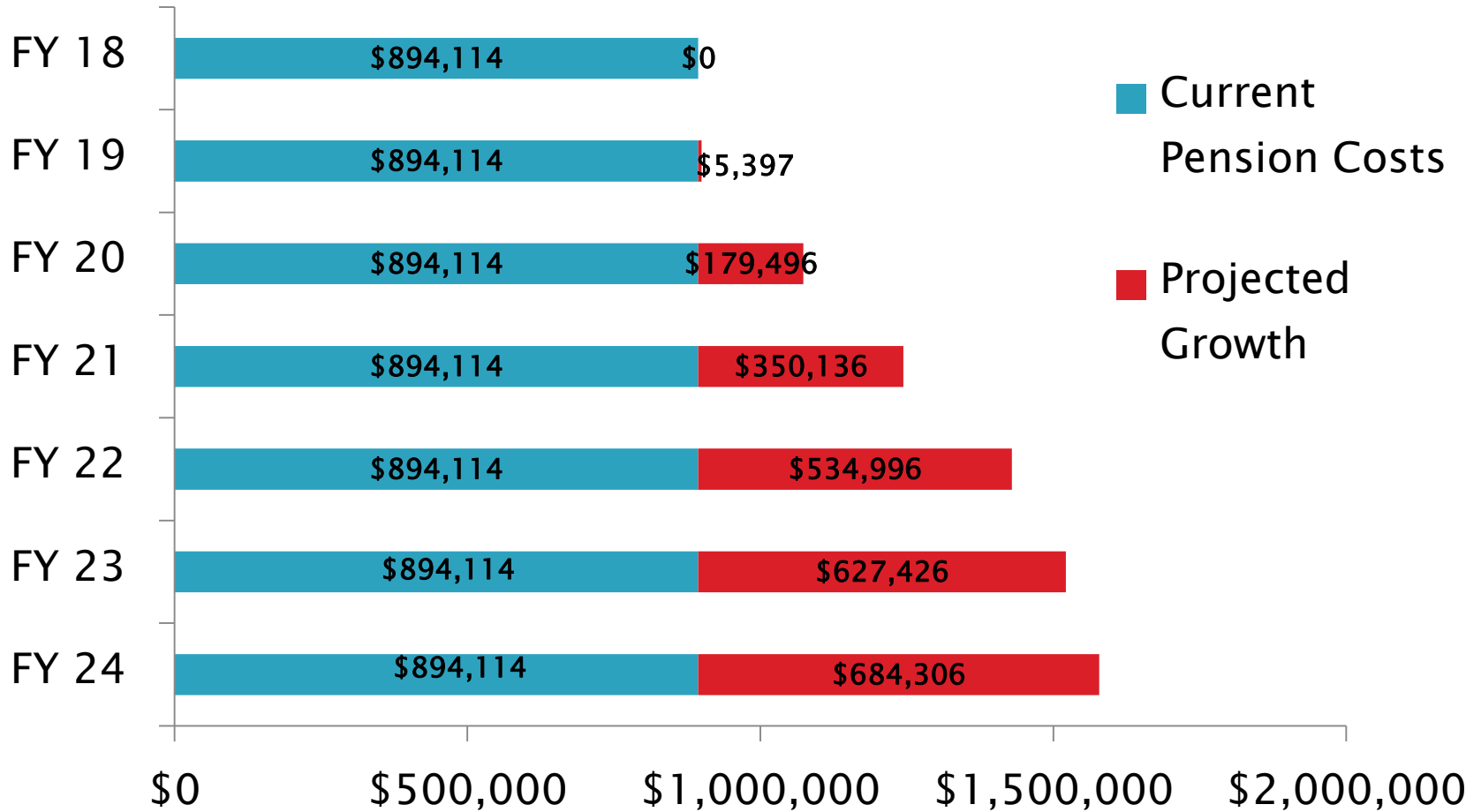
Type	Description	Impact	Reason
Rev	Jet Fuel Purchase and Sale	\$0	The budget will grow by \$40,000 due to increase of Jet Fuel expenditures and Rev. No actual impact is expected.
Rev	Hangar Rent	\$6,700	There is an additional hangar that will be rented out for the entire fiscal year.
Rev	Fund Balance	\$34,053	Planned use of Airport's Fund Balance
Exp	Insurance	(\$7,900)	The Airport will pay for its share of property and liability insurance.
Exp	Salaries	(\$10,680)	Increase in salaries budget due to step and two percent salary increases.

Looking Ahead: FY 2019 Budget

- ✚ \$265,000 End of Courthouse Renovation Debt Payment
- ✚ \$60,000 Projected 1% growth in taxable value
- ✚ (\$50,000) Increase in step and 2% salary increases
- ✚ (\$50,000) Increase in healthcare costs
- ✚ (\$275,000) Additional Corrections Officers/Courthouse Security
- ✚ (\$50,000) Increase in Correctional Facility food and medical

≡ \$100,000 Preliminary Budget Gap

Long-term Forecasting: Pensions



Conclusion and Next Steps

- ▶ Full Budget will need to be approved by Commissioners at or before 9/19 meeting.
- ▶ Commissioners will need to determine how to proceed (primarily if additional meetings are necessary)

This presentation, the proposed budget, and full line-item budget will be available under the “Budget” tab at www.deltacountymi.org