

**EATON COUNTY BOARD OF COMMISSIONERS
TUESDAY, SEPTEMBER 7, 2021
AGENDA**

- I. Call to Order 7:00 P.M.
- II. Pledge of Allegiance to The Flag
- III. Invocation
- IV. Roll Call
- V. Agenda Additions or Changes
- VI. WAYS & MEANS – Commissioner Mulder
Presentation of Proposed FY 2021/2022 Eaton County Budget
- VII. PUBLIC HEARING
Truth in Budgeting
Proposed FY 2021/2022 Eaton County Budget
- VIII. Public Comment
- IX. Close Public Hearing
- X. Recess to 7:00 P.M., September 15, 2021

September 7, 2021

ANNUAL BUDGET REPORT TO THE BOARD

On behalf of the members of the Ways and Means Committee, I present to the Eaton County Board of Commissioners for their study and consideration, the following proposed budget for Eaton County General Fund operations for the 2021/2022 fiscal year.

Eaton County operates under a fixed millage formula in which the County reserves 5.5 mills. The County's taxable value is projected to increase 2.95% in 2021/2022. Last year the County experienced its tenth Headlee rollback with a resulting number of mills being requested of 5.2096. These rollbacks are estimated to cost the County \$1,158,596 of revenue it otherwise would have received. In addition, Downtown Development Authorities (DDA) and Local Development Finance Authorities (LDFA), created by the various local units within the County, capture property tax revenue the County would otherwise receive. This further reduces revenues available for the County. Local units utilize these tax revenues for economic development purposes. The 2021 DDA and LDFA captured amounts are as follows: General Fund Operating Millage - \$308,810 and Special Revenue Funds including: 911 Millage - \$57,224, Jail Millage - \$41,494, Juvenile Millage - \$20,747, EATRAN Millage - \$14,636, Health and Rehabilitation Services Millage- \$7,410 and Road Millage - \$88,916.

Throughout the current fiscal year, the effects of the global pandemic shaped and re-shaped the County's operations and its budget development for FY22. There remains a great deal of uncertainty regarding the longer-term impacts the pandemic will have on County revenues and the budget. With the passage of the American Rescue Plan Act (ARPA), the County was able to stabilize its FY22 budget with a portion of these funds determined under the Act to be revenue lost as a result of the pandemic. This budget includes \$1,860,000 of this funding, which was identified to be used for deferred facility maintenance, investments in modernization of the County's cybersecurity initiatives, capital projects, and equipment replacement which had been delayed or cancelled during the previous budget development as a result of revenue uncertainty related to the pandemic.

Additionally, the County experienced increased expenditures related to employee and workplace safety measures, employee testing, increased workers' compensation expenditures as a result of pandemic mitigation measures. The ARPA funding was included to replace County revenues which were used for these unanticipated expenditures to maintain all governmental services that otherwise would have suffered as a result of the pandemic.

The Ways and Means Committee established the priority of maintaining current service levels and staffing for FY22 in developing its budget recommendation. The proposed budget meets this priority and does NOT propose any staffing reductions.

The proposed FY22 budget totals \$42,871,934 which represents an 8% increase from the FY21 budget. In dollars, this increase represents \$3,038,156. As described above, approximately 60% of the increase in the proposed budget is a result of available funding through ARPA.

The proposed budget includes the use of fund balance of \$1,114,356. The proposed budget for FY22 includes \$2,356,476 in State Revenue Sharing funds.

Below is a table summarizing projected revenue by source for fiscal year 2021/2022:

REVENUE SOURCE	2020/2021 AMENDED BUDGET	2021/2022 PROPOSED BUDGET	INCREASE/ (DECREASE)	PERCENT INCREASE
TAXES	\$ 21,132,032	\$ 21,995,330	\$ 863,298	4.09%
LICENSES & PERMITS	\$ 180,100	\$ 146,300	\$ (33,800)	(18.77%)
FEDERAL REVENUE	\$ 961,296	\$ 2,649,942	\$ 1,688,646	175.66%
STATE REVENUE	\$ 4,957,828	\$ 4,937,587	\$ (20,241)	(0.41%)
LOCAL UNIT CONTRIBUTIONS	\$ 3,530,874	\$ 4,004,177	\$ 473,303	13.40%
CHARGES FOR SERVICES	\$ 2,746,025	\$ 2,788,200	\$ 42,175	1.54%
FINES & FORFEITURES	\$ 260,200	\$ 240,200	\$ (20,000)	(7.69%)
INTEREST & RENTS	\$ 259,105	\$ 243,705	\$ (15,400)	(5.94%)
OTHER REVENUE	\$ 191,632	\$ 158,140	\$ (33,492)	(17.48%)
OTHER FINANCING SOURCES	\$ 1,926,089	\$ 2,100,757	\$ 174,668	9.07%
TOTAL OPERATING REVENUES	\$ 36,145,181	\$ 39,264,338	\$ 3,119,157	8.63%
FUND BALANCE CARRYOVER ESTIMATE	\$ 1,129,274	\$ 2,493,240	\$ 1,363,966	120.78%
USE OF FUND BALANCE	\$ 2,559,323	\$ 1,114,356	\$ (1,444,967)	(56.46%)
TOTAL REVENUE BUDGET	\$ 39,833,778	\$ 42,871,934	\$ 3,038,156	7.63%

As indicated in the table above projected increase in several revenue sources remain relatively stagnant. This results in an anticipated use of fund balance to maintain County operations. This use will support County operations, as will be discussed in the expenditure proposal. Should this revenue trend continue, the County may be eligible to utilize additional APRA funds under the revenue loss formula calculation in future years. Priority would be given to additional capital facility maintenance projects.

Below is a table summarizing projected expenditures by function for fiscal year 2021/2022:

EXPENDITURE FUNCTION	2020/2021 AMENDED BUDGET	2021/2022 PROPOSED BUDGET	INCREASE/ (DECREASE)	PERCENT INCREASE
LEGISLATIVE	\$ 380,026	\$ 353,739	\$ (26,287)	-6.92%
JUDICIAL	\$ 5,730,235	\$ 5,933,843	\$ 203,608	3.55%
GENERAL GOVERNMENT	\$ 9,820,856	\$ 10,662,748	\$ 841,892	8.57%
PUBLIC SAFETY	\$ 15,743,380	\$ 17,475,419	\$ 1,732,039	11.00%
HEALTH AND WELFARE	\$ 1,244,947	\$ 1,257,214	\$ 12,267	0.99%
RECREATION AND CULTURAL	\$ 15,000	\$ 17,000	\$ 2,000	13.33%
OTHER	\$ 113,649	\$ 548,054	\$ 434,405	382.23%
CAPITAL OUTLAY	\$ 596,238	\$ 849,550	\$ 253,312	42.49%
DEBT SERVICE	\$ 363,958	\$ 495,122	\$ 131,164	36.04%
TRANSFERS - OUT	\$ 5,825,489	\$ 5,279,245	\$ (546,244)	-9.38%
TOTAL EXPENSE BUDGET	\$ 39,833,778	\$ 42,871,934	\$ 3,038,156	7.63%

Of note, a number of factors related to personnel costs affect all departments.

SALARIES

The proposed budget includes an increase of \$920,692 in wages. These wages represent \$16,390,467 or 38.23% of the total General Fund Budget. This proposed budget includes the addition of two Field Support positions in the Technology Services Department, to provide

additional support to the County's continually increasing use of technology in all aspects of operations. The proposed budget also includes the addition of a new Freedom of Information Act (FOIA) coordinator position, to manage the County's FOIA responsibilities overwhelming current staff. Public records, particularly related to body camera audio and video, created by the Sheriff's Office have made this process more complex and time consuming for current staffing levels to maintain.

RETIREMENT

The proposed budget includes a General Fund increase of \$1,189,976 in the required employer share retirement cost as determined through the Municipal Employees Retirement System (MERS) annual actuarial valuation. The total General Fund cost of the retirement, based on the proposed salaries, is \$4,648,719 representing 10.84% of the General Fund Budget. This increase continues to be driven by the financial responsibility policies of MERS and the requirements of P.A. 202 of 2017 to reduce the County's unfunded liabilities. The County has made additional contributions to the pension system and taken actions to reduce the benefit multiplier and calculations of final average compensation (FAC). The impact of the global pandemic on the calculations of the actuarial pension liability and future contribution requirements remain uncertain and will continue to pressure the County's budget in the future.

RETIREE HEALTH PLAN AND RETIREE HEALTH CARE SAVINGS PLANS

The proposed budget includes an increase of \$18,574 in the total employer share contribution for the retiree health benefit and health care savings plan. Related to the Retiree Health Plan for employees hired prior to January 1, 2006, this budget includes funding on a pay-as-you-go basis which covers the expenses for currently covered retirees. The total General Fund cost of retiree health is \$1,545,220. The employer retiree health contribution, for the eligible employees hired prior to January 1, 2006, is 29.50% of eligible employee payroll, an increase of 2.50% over the 2020/2021 budget. The Retiree Health Unfunded Actuarial Accrued Liability, as of the most recent valuation dated December 31, 2020, is \$33,521,002. This represents a decrease of \$3,862,231 from the December 31, 2019 valuation. The County's funded ratio for this liability has improved to 33.2% as of December 31, 2020, as a result of the additional contributions made to the trust in 2019.

Employees hired on or after January 1, 2006, are not eligible for the retiree health care plan benefit. For these employees the County and employee make contributions to a Retiree Health Care Savings Plan. Required employee contributions are scheduled to remain the same. The funds are eligible for use upon separation of employment with the County. The total General Fund cost for these employees, based on the proposed salaries, is \$286,073.

The Retiree Health Unfunded Actuarial Accrued Liability, as of the most recent valuation dated December 31, 2020, is \$33,521,002. This represents a decrease of \$3,862,231 from the December 31, 2019 valuation. The County's funded ratio for this liability has improved to 33.2% as of December 31, 2020, as a result of the additional contributions made to the trust in 2019.

Similar to the retirement liability, the impact of the global pandemic on the calculations of the actuarial retiree health insurance liability and future contribution requirements remain uncertain and will continue to pressure the County's budget in the future.

HEALTH INSURANCE

The proposed budget includes a 3.7% increase in the hard caps allowed by Public Act 152 for the total cost employers may pay for health insurance. The General Fund cost increased by \$210,370, which includes the increase, as well as changes to individual employee coverage elections. The General Fund cost of the proposed health insurance estimate is \$3,452,820 which amounts to 8.05% of the total General Fund Budget.

OTHER FRINGE BENEFITS

The County pays other fringe benefits including social security, dental, worker's compensation, unemployment and life and disability which increased by \$153,915. The total General Fund cost for these benefits is \$1,704,274 representing 3.98% of the General Fund Budget.

The County, its Elected Officials and the Courts continue to evaluate and adapt how business is conducted and services are provided in today's rapidly changing environment. This evaluation has put an increased emphasis on the County's use of technology, to perform work and deliver services. The County continues to address infrastructure, maintenance and equipment needs, within its budget constraints. This budget continues to include necessary funding for these critical needs.

Our sincere thanks to all Elected Officials, the Court, and Department Heads for their cooperation in making sustainable changes within their offices to assist in balancing this budget, during these extraordinary times.

Thanks should also go to the other members of the Ways and Means Committee: Brian Lautzenheiser, Brian Droscha, Jim Mott, Terrance Augustine, Jeanne Pearl-Wright, and Joe Brehler for their attendance and input at the work sessions. Also, thanks to our Chairman, Jeremy Whittum, and other members of the Board who have attended the budget sessions and provided input and participated in our decision process. We also thank the staff of the Controller's Office for their hours spent in the 2021/2022 Budget process.

Thank you,

Blake Mulder
Ways and Means Committee Chairperson