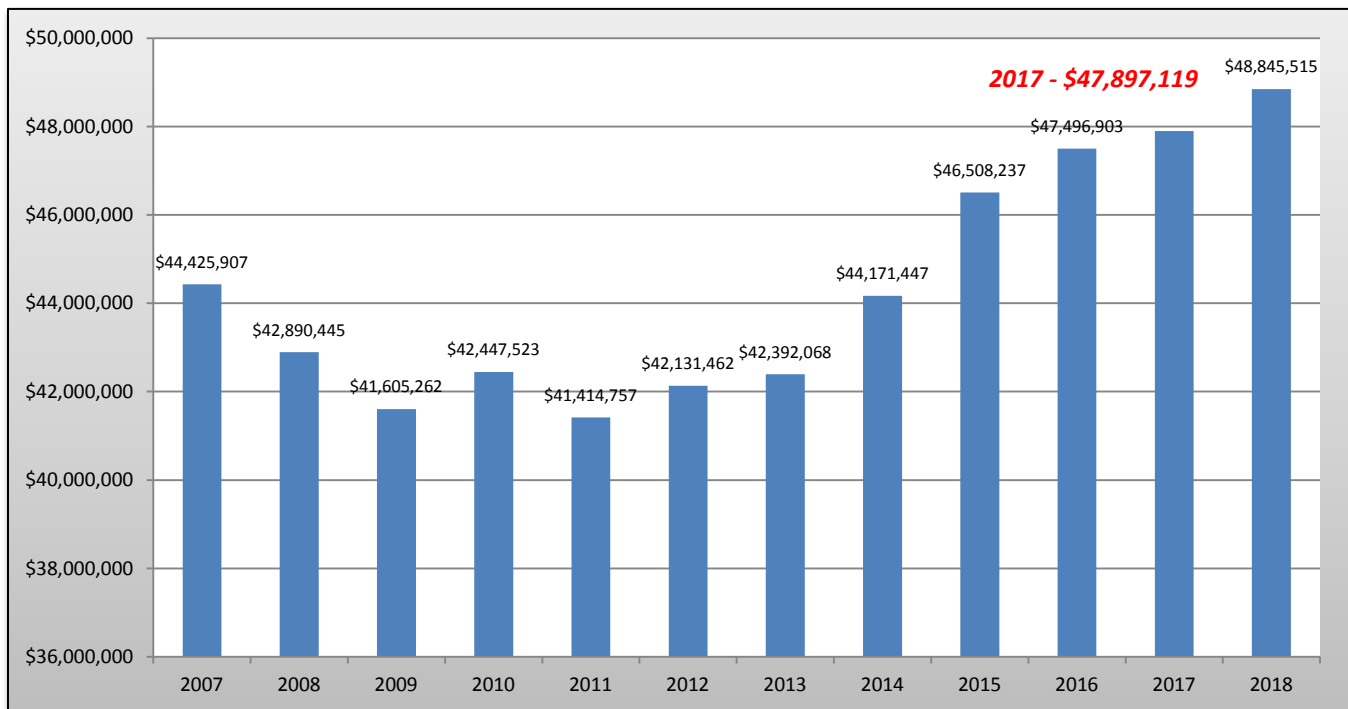


## General Fund Budget History

The following graph shows a 12 year history of the general fund budget for Jackson County. The recommended budget for Fiscal Year 201 is \$47,897,119 which constitutes a .8% increase from the amended 2016 Budget.

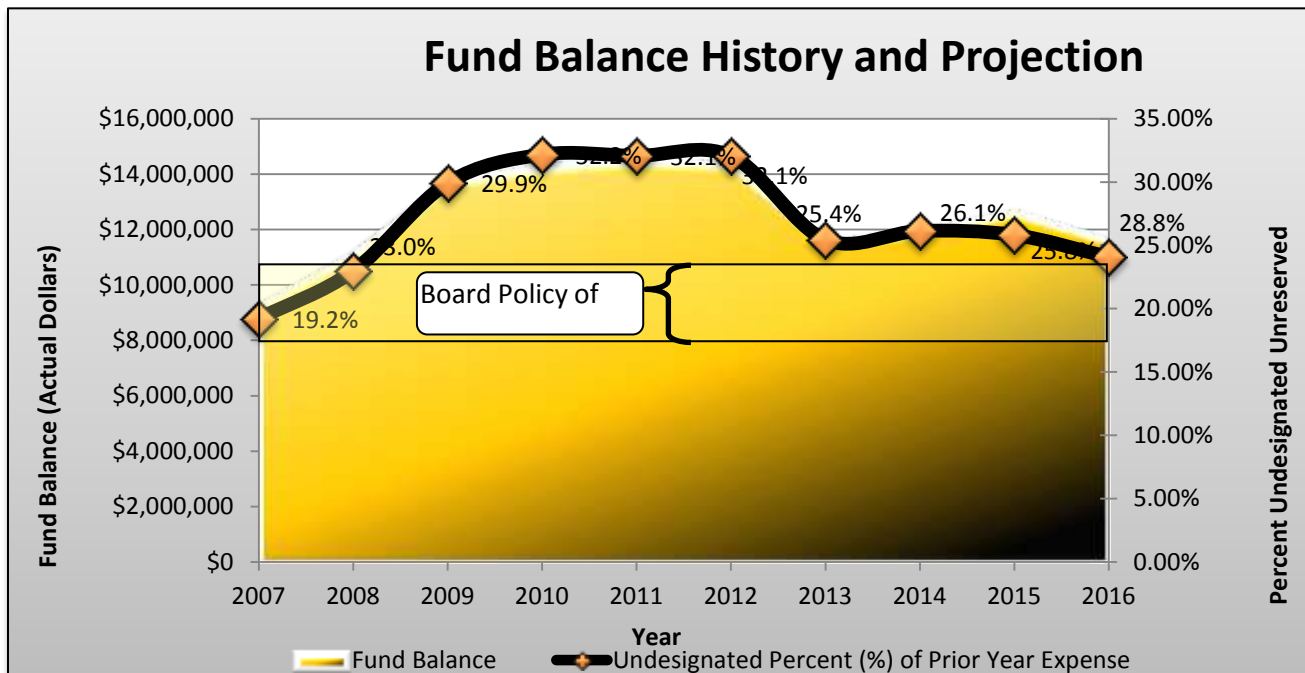


The county continues to maintain a strong fund balance exceeding the guidelines established by the Board of Commissioners. Board policy defines the fund balance as the percent of the annual audited expenditures and transfers out of the previous fiscal year that is undesignated and unreserved. The projected fund balance at the end of 2017 is 24.08%, which is slightly above the Boards policy of a fund balance between 18% and 24%. A strong fund balance is appropriate for two reasons. First, property taxes for the current fiscal year are not collected by the county until several months after the fiscal year starts. Consequently, a high fund balance ensures adequate cash flow. Second, a strong fund balance helps the county respond to a rapidly changing economic environment. The county maintains a strong bond rating of AA from Standards and Poor.

In 2014 and 2015 the County purposefully drew down balances in non-general funds. Many of those balances were down to minimal levels by the beginning of 2015. The 2016 County Budget

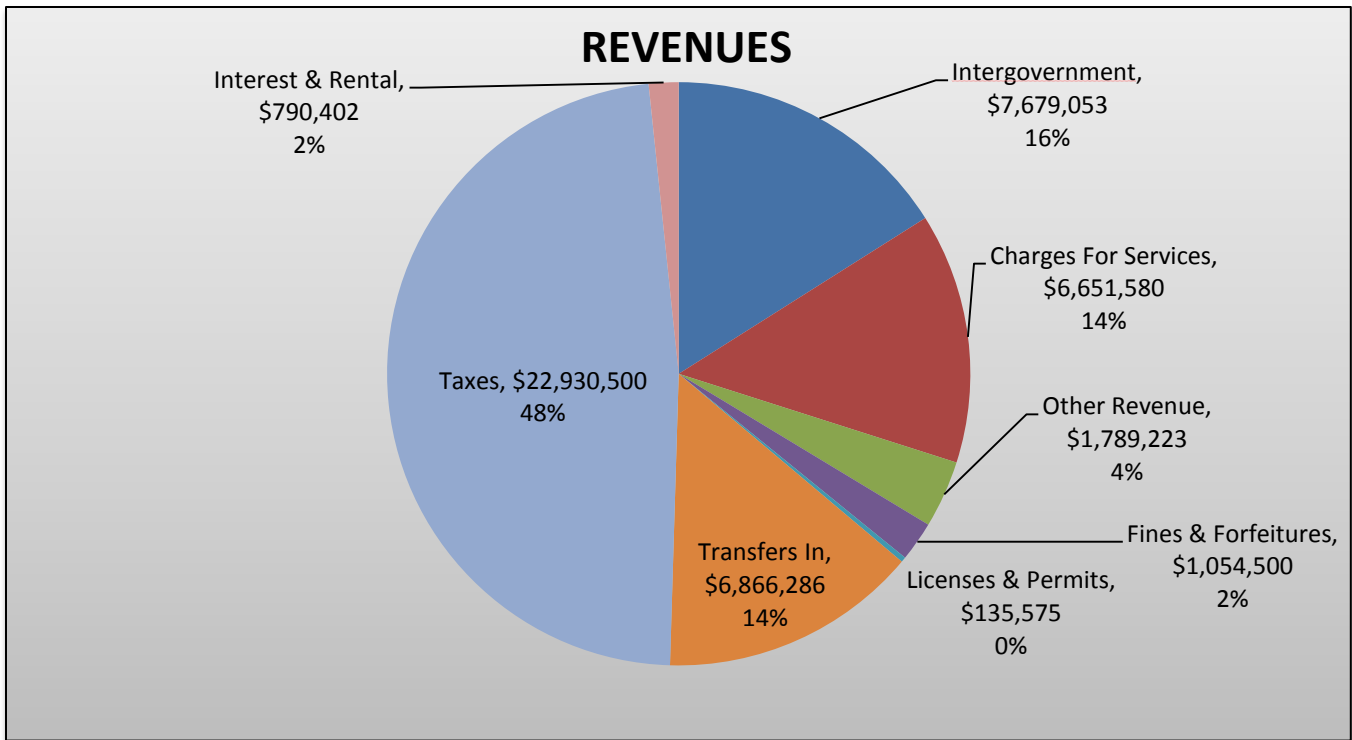
# Budget Analysis

anticipates using \$705,443, the 2017 Budget anticipates using \$1,294,507 in reserves. By intent, we have preserved the general fund balance for structural deficit fixes needed in 2016 and 2017. The increase in the General Fund Budget is explained by the use of other fund balances in 2013 and 2014. Beginning in 2016 the County General Fund is now fully funding all other funds.

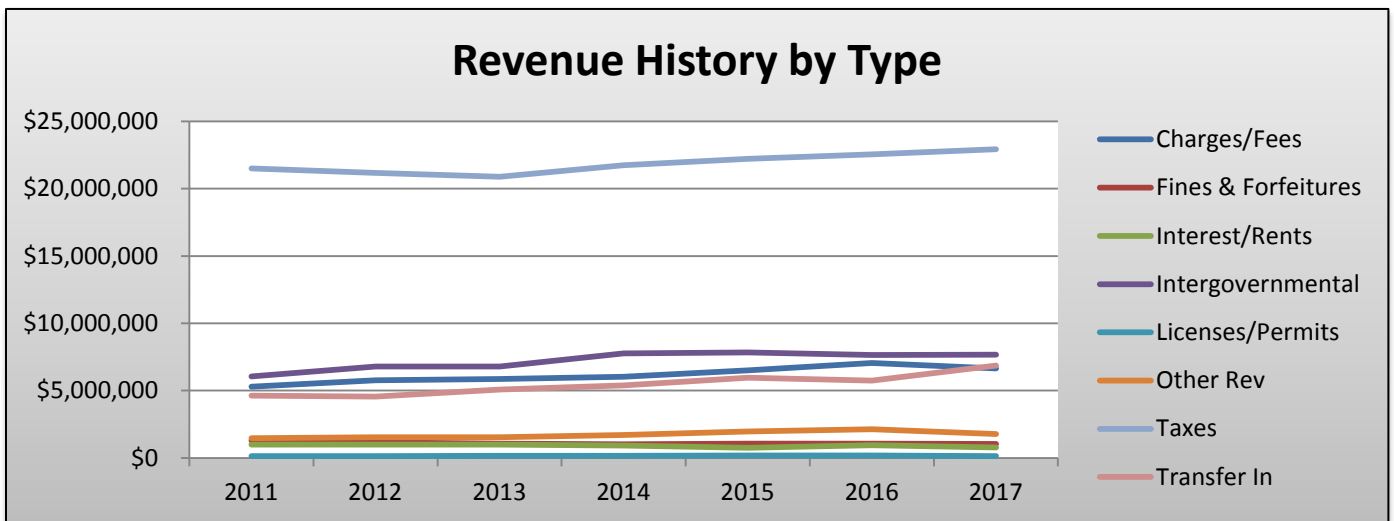


## Revenues

As can be seen below, Jackson County is primarily reliant on real and personal property taxes for over half of its revenue. As such, the county budget is extremely vulnerable to market real estate fluctuations. The 2017 budget anticipates a very small increase of .3% in taxable real estate value.



The following chart shows a 5 year history of revenues by the type of revenue. The most significant losses of revenue prior to 2013 have been in taxes, which is the largest source of revenue as previously discussed.

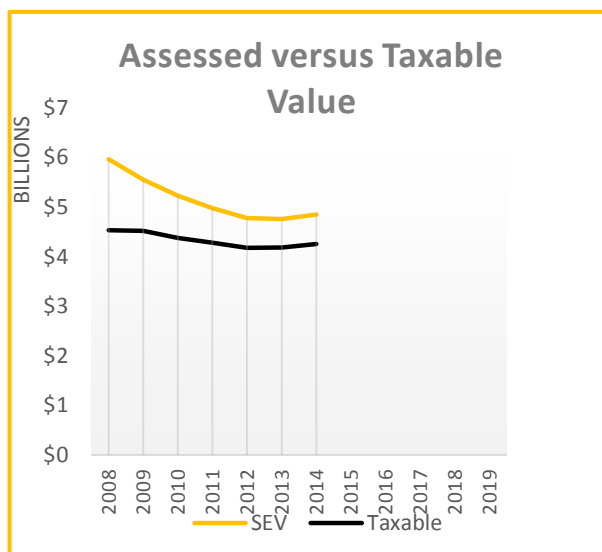


# Budget Analysis

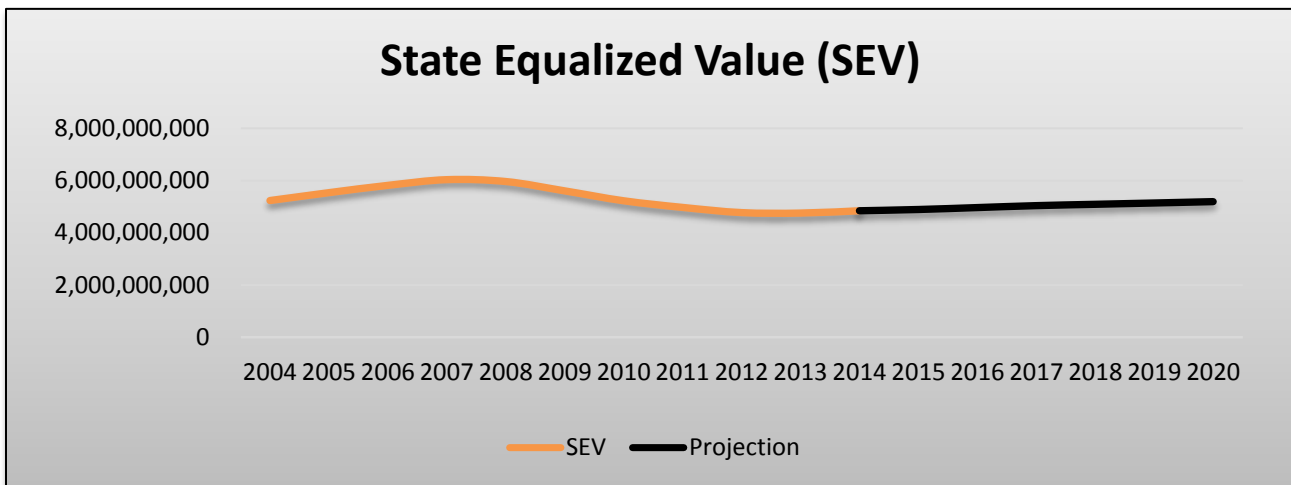
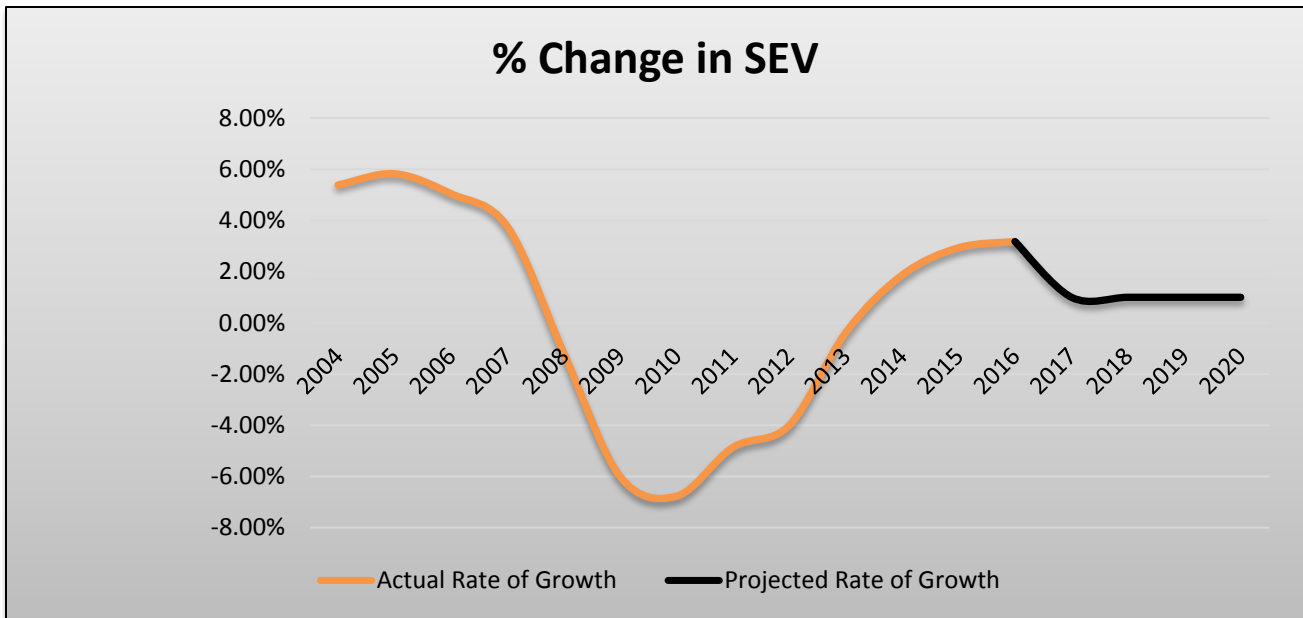
## Property Tax

The County uses a Revenue Committee to estimate the largest revenue source, property tax. Members of the Revenue Committee are the County Administrator/Controller, Deputy Administrator, Finance Officer, Treasurer, Deputy Treasurer, Equalization Director, Deputy Equalization Director, Clerk/Register of Deeds, and Deputy Register of Deeds. The revenue committee analyzes statistical data, public and private economic outlook reports, and feedback from community and business partners. The revenue committee uses trend analysis to help create and support its recommendation.

The revenue committee's analysis for the 2016 and 2017 showed the gap between assessed and taxable value, shown to the right, at approximately 12.3% between assessed and taxable value. County property values experienced positive growth both in SEV and taxable value; however, the SEV grew at

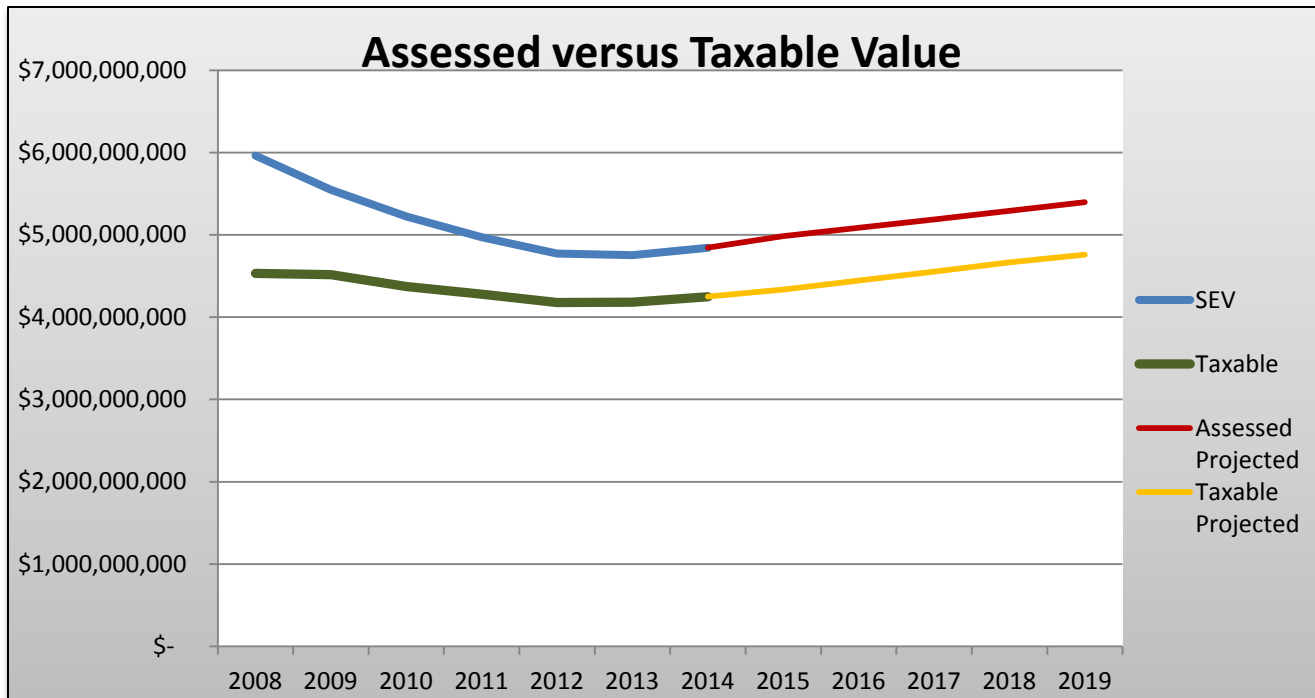


a greater rate than taxable value. We have used some regression analysis modeling to help forecast property tax revenue recognizing that we are in unprecedented times. Trend analysis has not been a strong indicator in the last few years, but has become more helpful as the economy stabilizes. Combined with regression analysis and trending of the property values by types, the revenue committee agreed first on a forecast of the percent change in market value. The Revenue Committee expects an increase in all state equalized property values (SEV) in 2016 and 2017 of 1.0%. From that, we extrapolated the actual assessed value based on previous years as shown below.



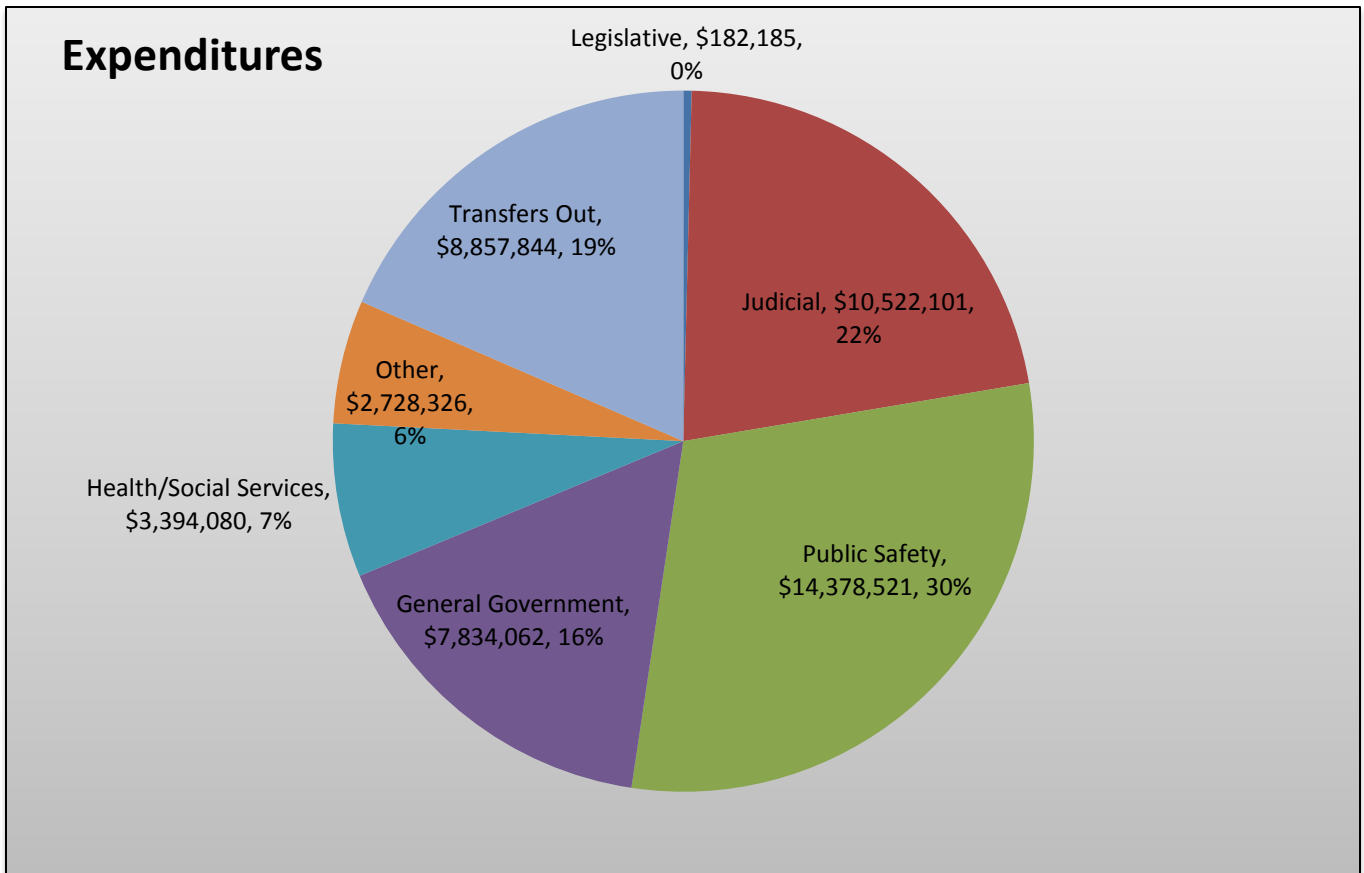
The revenue committee’s forecast remains similar to last year. For the five-year plan, the final step is to compare the new assessed value curve to the taxable value curve. According to the market value forecast the assessed value should not reach the taxable value within the next five years (shown below). The implication is that the property tax revenue will continue to decline at rates slower than the market values. We anticipate that 2017 property tax revenue will increase by approximately .3%.

# Budget Analysis



## Expenditures

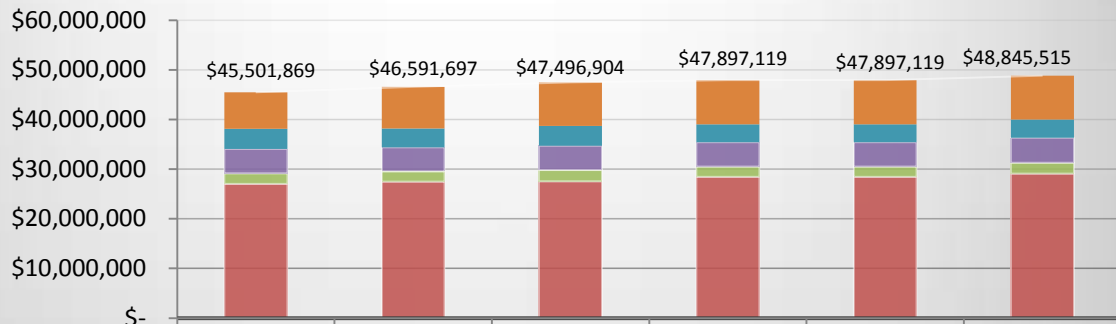
The adjacent chart shows 2017 budget expense by group. Groups are defined by the State of Michigan and are defined in more detail at the bottom of the page. Public Safety, which primarily includes law enforcement, consumes 30% of the budgeted expenses. Judicial services are the next largest component of the budget at 22% which includes the circuit and district court programs.



Expenses can also be viewed, as shown below, by category. The personnel costs category accounts for the largest portion of the county budget. Jackson County negotiates wages and benefits with ten collective bargaining units. Non-union employee wages and benefits are set by the Board of Commissioners. The 2017 budget anticipates a 2% market adjustment for union and non-union employees.

# Budget Analysis

## General Fund Expenditure Trends



	2014 ACTUAL	2015 ACTUAL	2016 BUDGET	2017 DEPT REQUESTED	2017 BUDGET	Draft 2018 BUDGET
TRANSFERS	\$7,365,570	\$8,389,588	\$8,798,629	\$8,857,844	\$8,857,844	\$8,821,307
OTHER	\$4,089,539	\$3,798,829	\$4,014,818	\$3,623,467	\$3,623,467	\$3,682,516
CONTRACT SERVICES	\$4,894,613	\$4,821,798	\$4,888,288	\$4,869,888	\$4,869,888	\$5,032,618
SUPPLIES & MATERIALS	\$2,117,265	\$2,097,999	\$2,265,008	\$2,107,910	\$2,107,910	\$2,185,836
PERSONNEL SERVICES	\$27,034,882	\$27,483,483	\$27,530,161	\$28,438,010	\$28,438,010	\$29,123,238
TOTAL GENERAL FUND	\$45,501,869	\$46,591,697	\$47,496,904	\$47,897,119	\$47,897,119	\$48,845,515

### Expenditure Groups

Public Safety - Sheriff, Road Patrol, Lawnet, Marine Law Enforcement, Emergency Dispatch, County Jail, Chanter Road Jail, Community Corrections, Emergency Management, Truancy Grant, Animal Shelter, Animal Control

General Government - Public Elections, Administrator/ Controller, Clerk, GIS, Administrative Services, Equalization, Register of Deeds, Remonumentation, Treasurer, MSU Extension, Information Technology, Maintenance, Fleet, Drain Commissioner

Judicial - Circuit Court, Jury Commission, 12<sup>th</sup> District Court, Circuit Court Probation, Prosecuting Attorney, Public Defender, Prosecuting Attorney Family Division, Prosecuting Attorney Victims Rights, District Court Intensive Probation

Legislative - Board of Commissioners

Social Services - Abstinence Program, Medical Examiner, In-Home Services, Senior Center, Senior Citizens Program, Home Delivered Meals, Congregate Meals, Grandparents Program, Geriatric Mental Health, Veterans Burial, Veterans Affairs

Other

### OPEB (Other Post-Employment Benefits)

All OPEB expenses are paid directly out of the general fund. OPEB obligations will need to be reflected on the county's financial statements in the upcoming years. Retiree health has been nearly

eliminated from all contracts. We have switched employees to a retiree health savings plan at much less cost to the County and with no long-term liability. Given these changes, the challenge will not be long term.

## Retirement Contributions

Personnel costs have been impacted dramatically by increased employer contributions to the defined benefit plan. The actuarial study for 2016 showed an increase of about \$150,000 to meet the ARC. The county is budgeting for an increase in both 2017 and 2018 of \$290,000 for pension contributions. In actual dollars, last year's contribution to the pension system was approximately \$6.1 million. We anticipate the possibility of a short time increased employer contribution until a greater number of employees switch from the defined benefit plan to the defined contribution plan over the next five years.

## Employee Servicing Citizens Needs.

Cuts to county staff have outpaced population growth within the county as shown in the figure below. FTE's have gone down from 3.65 FTE's for every 1,000 residents in 2004 to 3.59 FTE's for every 1,000 residents in 2015. We have added in the number of Transportation Department Employees in 2014 as well as a combined number back to 2010. The challenge for county employees is to continue to meet the needs of residents whose demands on service have not changes proportionally.

