



LENAWEE COUNTY ADMINISTRATOR'S OFFICE
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TAX ALLOCATION BOARD

Al Boggs, Mark Haag, John Kuschell,
Floor
Harvey Schmidt, Ralph Tillotson, Marilyn Woods

MEETING LOCATION

Chambers, 2nd
Old Courthouse, 301 N. Main Street, Adrian, MI

MINUTES: **MONDAY, APRIL 17, 2017 – 2:30 P.M.**

PRESENT: Al Boggs, Mark Haag, John Kuschell, Harvey Schmidt, Ralph Tillotson, and Marilyn Woods

ALSO PRESENT: Commissioner Jim Driskill, Kim Murphy, Martin Marshall, Theresa Soto (LISD Assistant Director of Finance) David Panian (The Daily Telegram), and Rebecca Borton

I. APPROVAL OF MINUTES

Motion by Al Boggs, seconded by Mark Haag, to approve the minutes of the April 11, 2017 meeting. Motion carried.

II. PRESENTATIONS

Lenawee Intermediate School District: Teresa Soto, Assistant Director of Finance for the LISD, stated that although they have several funds, the only fund affected by the tax allocation is their General Services Fund. Ms. Soto then reviewed the history of the General Services Fund.

Revenues:

The General Services revenues include funds from property taxes, and other local, state, and federal sources.

The property tax revenues collected in 2006 were \$792,944 with total General Services Revenue of \$6,752,230. Property tax revenues climbed to \$916,646 in 2010, however other sources of revenue dropped leaving the LISD with General Services Revenues of \$5,960,633. Since 2010, the property tax revenues have slowly declined to \$852,921. However, State revenues have increased by almost \$2,000,000 due to the LISD being the pass through agency for the age 4 and under programs. In 2016, the LISD finished the year with \$9,442,909 in General Services Revenues.

Expenditures:

Ms. Soto then reviewed the General Services Expenditures. As part of that presentation, she stated that in 2007, Lenawee County student enrollment was 18,789; however, it has declined to 15,200 in 2016.

In 2007, the LISD had a total of \$7,241,638 in General Services Revenues, \$6,891,505 in General Services Expenses and a General Services Fund balance of \$3,490,649. In 2010, General Services Revenues had declined to 5,960,633. General Services Expenses also declined to \$6,310,776, unfortunately, expenses were more than revenues which caused the General Services Fund balance to drop to \$2,771,457. In 2016, the LISD General Services revenues were \$9,442,909, General Services expenses were \$9,351,639, leaving a General Services Fund Balance of \$4,211,853.

Lenawee County: Administrator Martin Marshall distributed a copy of the County's 2017 General Fund Budget, the last three years of financial statements, and a power point presentation.

General Fund Balance:

Marty noted that the General Fund balance peaked in 2007 at \$9,342,403 and has steadily declined to \$5,759,570 in 2015. Marty stated that the County has been able to stabilize the loss to the General Fund through the recession, but only because it is utilizing approximately \$1,500,000 from the Delinquent Tax Fund to balance the budget annually.

Mr. Marshall noted that the General Fund also appropriates a large amount of funding to Parks, Health Department, Child Care Funds, Mental Health, Drain Commission, and several other non-general fund departments and agencies.

Marty noted that property tax revenues make up about 60% of all county revenue. With the great recession, we have seen property values decline and although they are beginning to increase, they are being held down by the rate of inflation which is resulting in less than a 1% increase in property tax revenues annually. In addition, Personal Property Tax revenue is being phased out with an uncertain future of how the County will be made whole from the State.

Marty explained that although the County is able to use monies from the Delinquent Tax Fund to balance the General Fund, it is important to note that each June, the Treasurer utilizes approximately \$6,000,000 to settle with all of the local taxing jurisdictions making them whole. The County then assumes the delinquent tax debt. Also, since the County does not receive a substantial amount of its revenue until September of each year, the County utilizes

approximately \$8,000,000 to fund operations between January 1 and September 15.

Budgeting:

In an effort to firmly identify annual expenditures, personnel costs are calculated each year, each expenditure is reviewed by the central office and the Board of Commissioners. Over the last several years, county departments have been required to reduce their budgets resulting in budgets that are balanced with actual expenditures. There is little discretionary money in the budget and the Board of Commissioners have an annual contingency of only 1%.

Cost Savings Steps Taken - Personnel:

- The County has never provided post-employment healthcare
- Changed pension to defined contribution retirement plan
- Changed healthcare to a high deductible
- Increased employee share of benefit costs,
- No pay increases for employees in 2010, 2011, 2012, and 2013
- A retirement incentive was offered

Cost Savings Steps Taken – Non-Personnel:

- Energy efficiency projects in buildings
- Two buildings are Energy Star rated 90+ (HSB & Judicial)
- Changed insurance carrier for liability, property and vehicle insurance
- Capital Improvement Plan to address building, infrastructure and vehicle needs (including technology)
- Upgrade software to eliminate duplication
- Accept credit and debit cards for payments.
- Working with other counties and jurisdictions to reduce product cost
- Creation of specialty courts (Sobriety, Enhanced Treatment, and Drug) that address the causes of criminal behavior and reduce Jail costs
- Created Land Bank to address problem tax foreclosed properties and blight (grant for demo)
- Partnered with local municipalities to perform a housing study.

Budget Pressures:

There are two major obstacles that need to be addressed.

1. The Sheriff's Office building needs to be rebuilt. The current building is functionally obsolete. It leaks due to structural drainage issues; it is constantly too hot and too cold; and the original structure makes it difficult to remodel. This building is currently not part of the Capital Improvement Plan.

2. The County struggles to remain competitive in the employment market. We are losing employees in skilled positions that are in demand in surrounding communities.

Marty then added that there are additional budget pressures on the horizon. He explained that Maurice Spears Campus Child Care Fund will be requiring an additional \$400,000 annually, and the Department of Health and Human Services Child Care Fund will require an additional \$200,000 annually to restore it. The County has previously been able to utilize its rate stabilization fund to offset its health care premiums but will most likely not be able to do that going forward resulting in the County absorbing a potential large increase in health insurance premiums. The County currently has no maintenance plan for Maurice Spears Campus or the Annex Building. In addition, the public's desire for increased job opportunities while contributions to Economic Development decline.

What *Must* Counties Do:

Marty explained that constitutionally, Counties must perform certain services. These are often referred to as mandated services.

The County is mandated to provide (1) courts to handle crimes and claims; (2) a Jail to hold accused and incarcerate convicted; (3) prosecute criminales (Prosecutor and Medical Examiner); (4) house public records (Clerk and Register of Deeds); (5) hold and invest public funds (Treasurer); (6) provide for public health (Health Department and Drain Commission); (7) protect children and adjudicate juvenile offenders; (8) provide for central services to support mandates; (9) equalize tax base (Equalization Department).

What Residents *Expect* Counties to Do:

Marty indicated that although many services are not a requirement or a mandate of County government, residents expect certain services such as (1) protection from crime (Sheriff Road Patrol and Detectives); (2) Senior Citizen Services; (3) Parks and youth activities (Parks and 4-H); (4) Economic Development (Lenawee Now); (5) care of veterans (Veterans Affairs); (6) care for the mentally disabled (Community Mental Health); (7) other contractual services.

III. PUBLIC COMMENT

There was no public comment.

IV. UPDATES / OTHER BUSINESS

Marty Marshall reported that information from townships is coming in. The Administrator's office will collect all information and prepare it for the next Tax

Tax Allocation Board
April 17, 2017

Allocation Board meeting.

The next meet is set for:

- Monday, May 1st at 2:00 p.m.
- Monday, May 15th at 1:30 p.m.

V. ADJOURNMENT

*Motion by Harvey Schmidt, seconded by Marilyn Woods, to adjourn the meeting at 3:29 p.m.
Motion carried.*

MDM/rdb