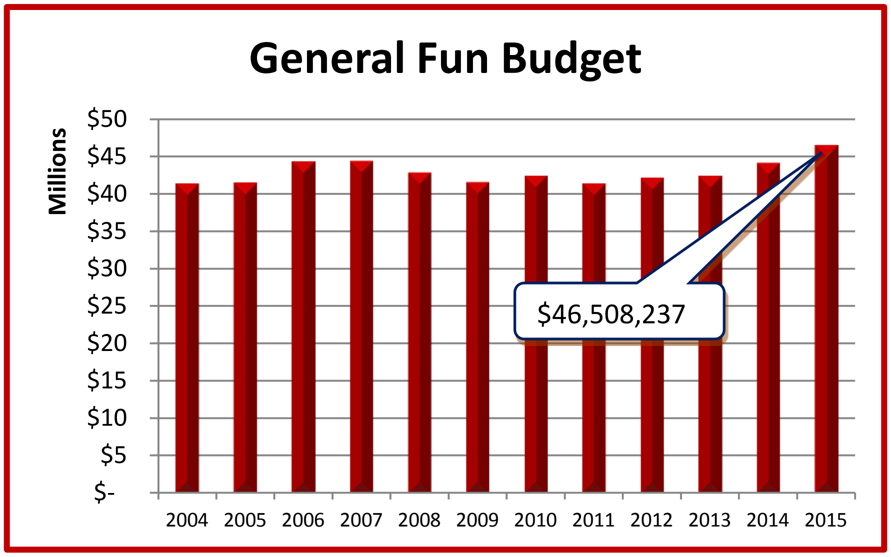
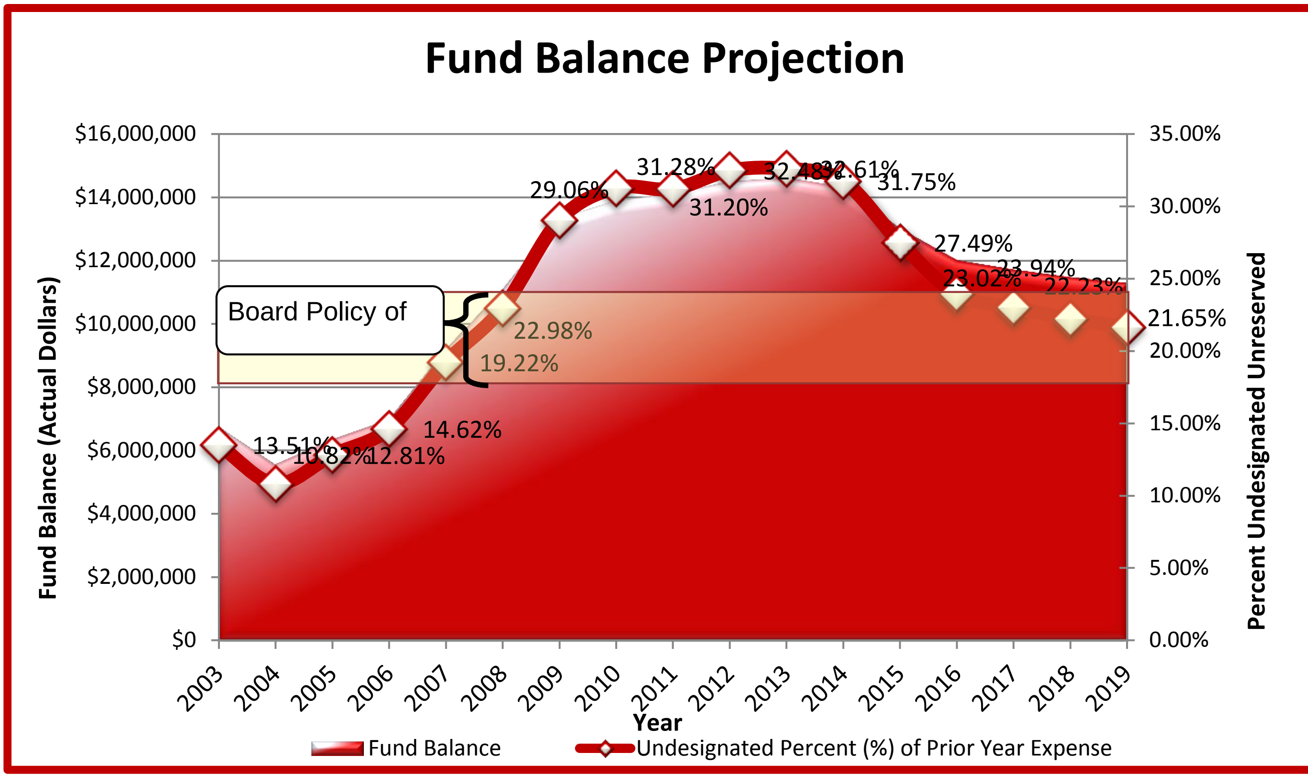
General Fund Budget History

The following graph shows an 12 year history of the general fund budget for Jackson County. The recommended budget for Fiscal Year 2015 is $46,508,237 which constitutes a 4.5% increase from the 2014 Budget.



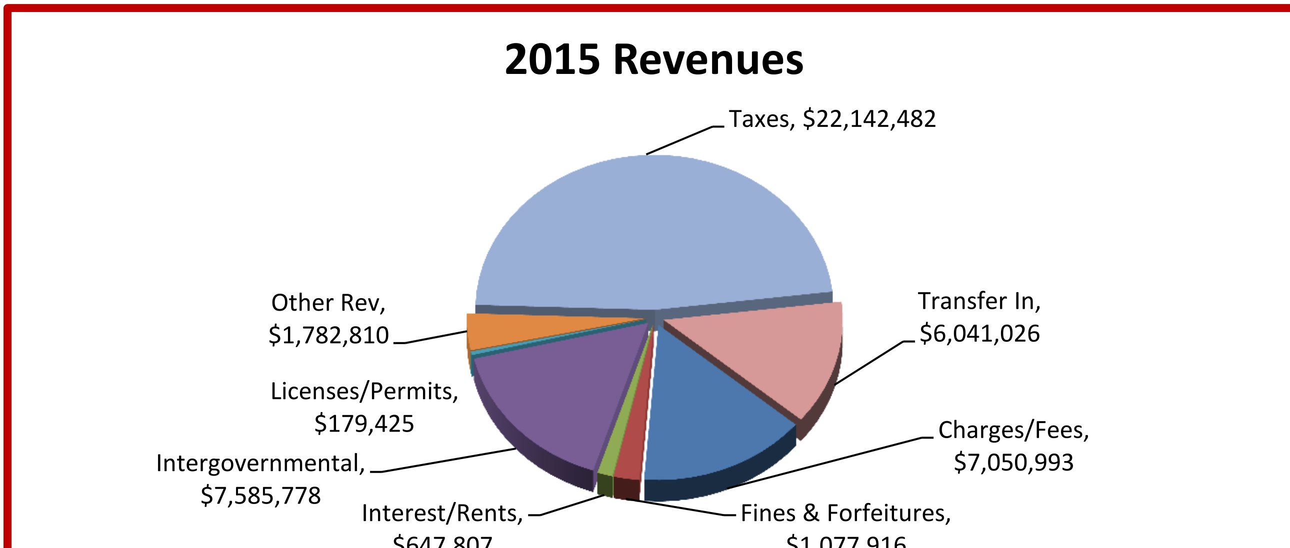
The county continues to maintain a strong fund balance exceeding the guidelines established by the Board of Commissioners. Board policy defines the fund balance as the percent of the annual audited expenditures and transfers out of the previous fiscal year that is undesignated and unreserved. The projected fund balance at the end of 2015 is 27.49%, which exceeds 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 2013 and 2014 the County has purposefully been drawing down balances in non-general funds. Most of those balances will be down to minimal levels by the beginning of 2015. The 2015 County Budget anticipates using $1,324,037 in reserves. By intent, we have preserved the general fund balance for structural deficit fixes needed in 2016. The increase in the General Fund Budget is explained by the use of other fund balances in 2013 and 2014. In 2015 the County General Fund is now fully funding all other funds.

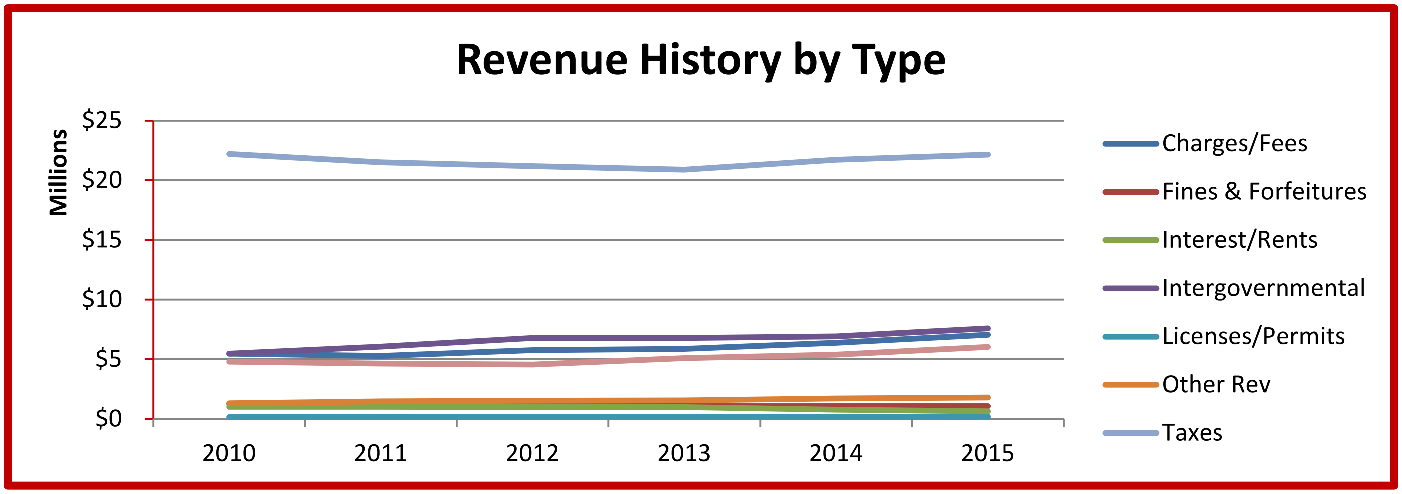


Revenues

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 2015 budget anticipates an increase of 1.25% 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 have been in taxes, which is the largest source of revenue as previously discussed.

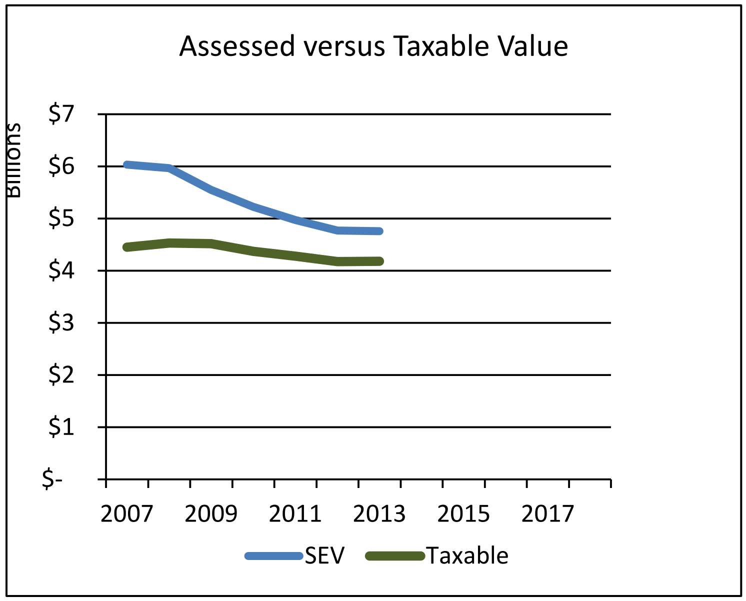


Major Revenue Sources

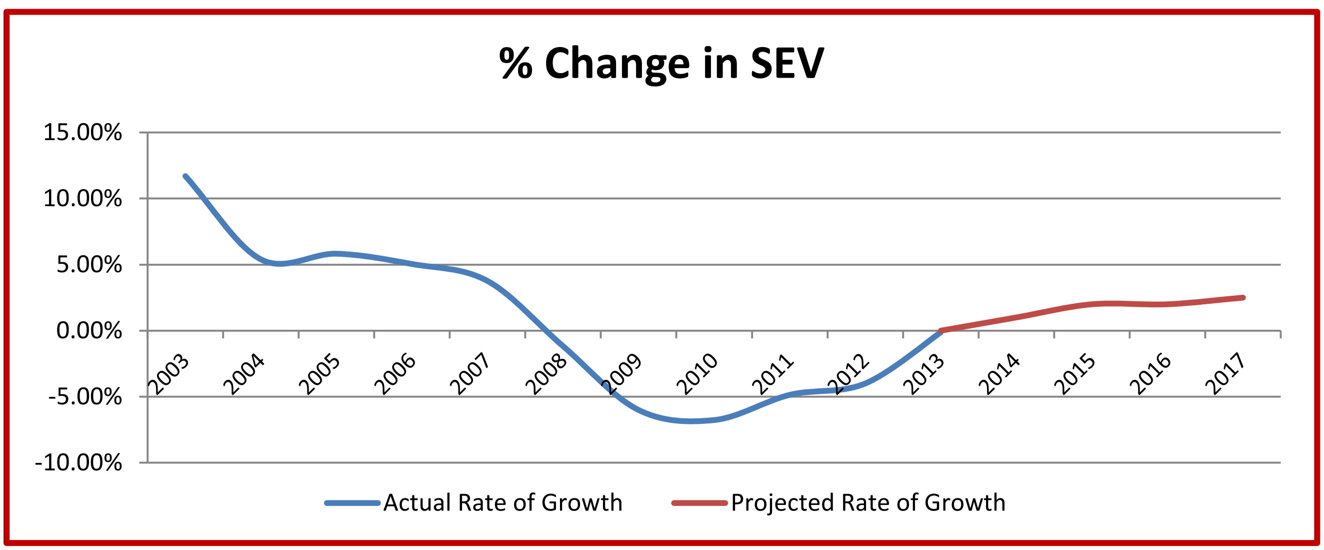
Source	Description	Trend	Amount	% of Total Budget
Property Taxes	General county millage on real & personal property	Up	$21,362,482	45.9%
District Court Fines/Fees	Court costs, ordinance fines and costs, civil fees, probation oversight, and public defender	Up	$3,987,028	8.6%
Revenue Sharing	Revenue from State of Michigan for general services	Up	$3,359,000	7.2%
Jail Millage	Tax on real property for County Jail	Up	$2,145,517	4.6%
DOA Millage	Tax on real property for Department on Aging	Up	$1,100,000	2.4%
State Court Funding	State support of Circuit Court activities	Up	$960,000	2.1%
State Revenue, Liquor Tax	State revenue shared with county governments by formula	Up	$850,000	1.8%
Administrative Reimbursement	Reimbursement for costs associated with administration of Child Care and Resource Recovery Facility	Stable	$700,000	1.5%
Interest Income	Investment Income	Down	$450,000	1.0%

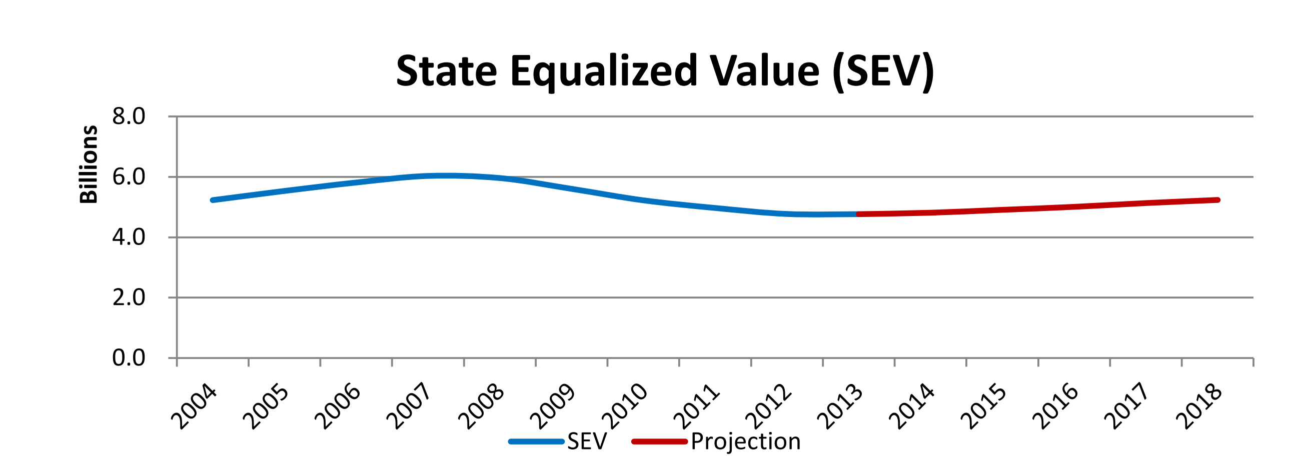
Property Tax

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.

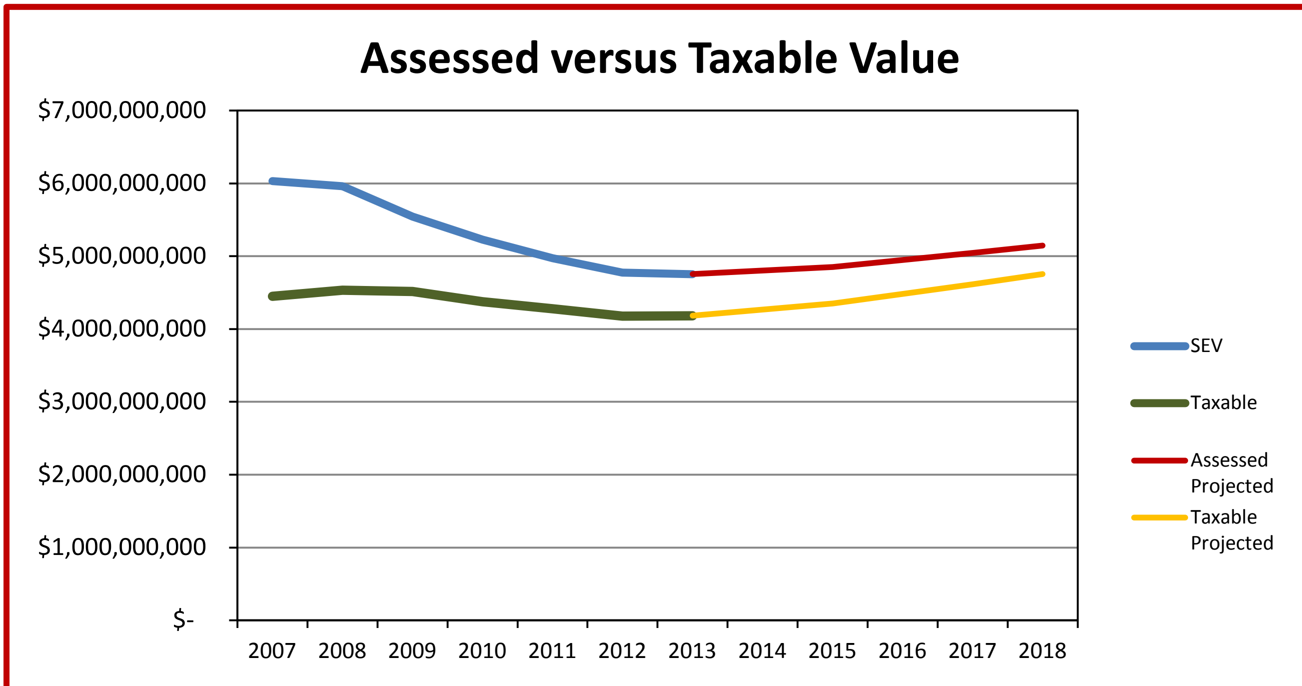


The revenue committee's analysis for the 2015 Budget focused on the gap between assessed and taxable value shown to the right. As of 2013 the gap remained at approximately 12% between assessed and taxable value. County property tax revenues have not dropped proportionally to market values because of this gap. 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 2014 of 1.0%. We expect that taxable values will go up in 2014 about 1 ½%. From that, we extrapolated the actual assessed value based on previous years as shown below.

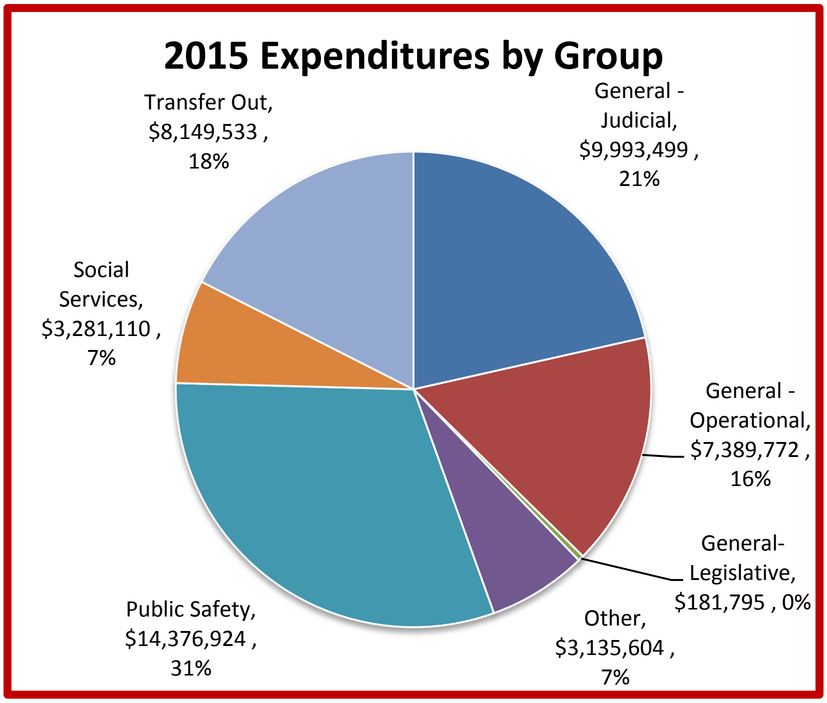




The revenue committee's forecast remains similar to last year. For the five-year plan, the final step is to compare the new assessed value curve to the taxable value curve. According to the market value forecast the assessed value should not reach the taxable value within the next five years (shown below). The implication is that the property tax revenue will continue to decline at rates slower than the market values. We anticipate that 2015 property tax revenue will increase by approximately 1.25%.

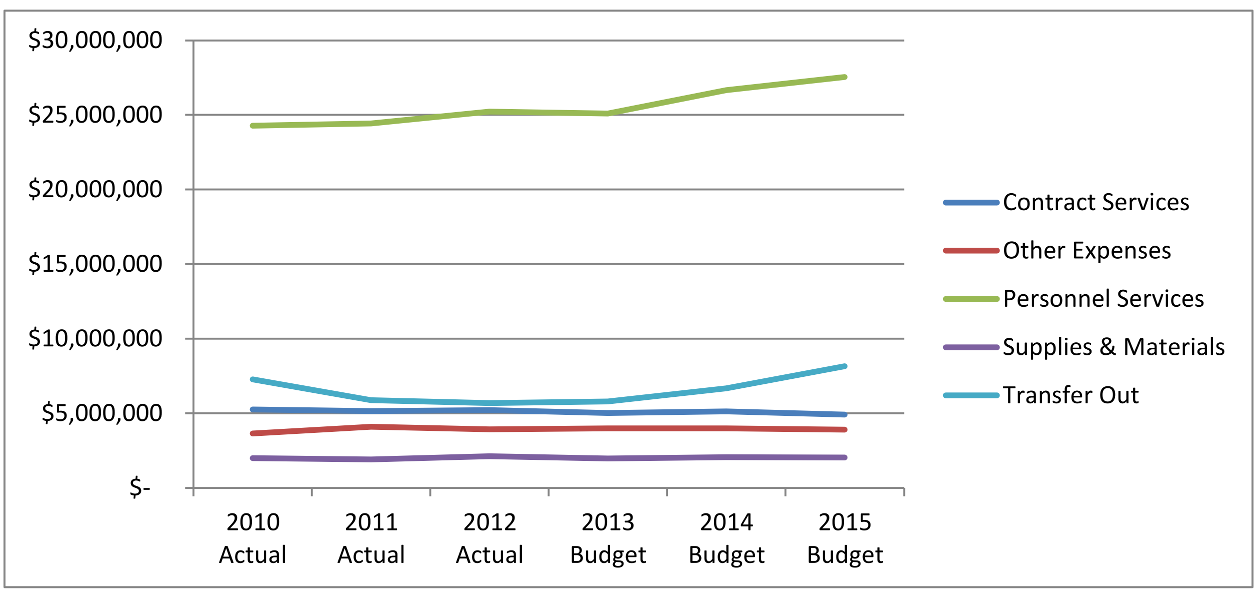


Expenditures



The adjacent chart shows 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 31% of the budgeted expenses. Judicial services are the next largest component of the budget at 21% 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 2015 budget anticipates a 0% cost of living adjustment for union and non-union employees.



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, 12th 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)

In 2014 the OPEB trust fund will be around $400 thousand short of covering expenses, which means as of 2015, OPEB will be funded year by year. Proactively, Jackson County bid out health care for retirees over 65 and was able to save approximately $500,000. A long term strategy will have to be addressed in upcoming budgets to satisfy the requirements of the County Incentive Program which is mandatory for receiving a portion of State revenue sharing. 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. In 2014 the increase was from 16.2% to approximately 32%. In actual dollars, last year's contribution to the pension system was approximately $5.35 million. New actuaries performed the evaluation in 2013 and changed methodology for calculating the county's contribution due to the defined benefit plan being closed. The actuaries determined the county's Annual Required Contribution (*ARC) in 2013 to be $5.35 million, an unprecedented 76.7% increase. According to the actuary, the declining number of contributors to the pension system will require not only an increase in the percent of the employee's salary contributed to the system by the employer each year, but a significant increase in actual dollar contributions. The actuarial study for 2014 showed an increase of about $50,000 to meet the ARC. 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. The number for 2015 is not available at the time of budget approval. Adjustments will most likely need to be made.

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 3.12 FTE's for every 1,000 residents in 2013. 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.