

# Budget Message

---

Mr. Chairman and Members of the Board of Commissioners,

On behalf of the elected officials and staff of Jackson County, I am pleased to present to you a balanced budget for the fiscal year which begins on January 1, 2012. We have continued with the established budget cycle that includes adoption of the fiscal spending plan 6 months before implementation. We continue to adapt our budget process to this cycle.

## Budget Theme & Tactics

I adopted the theme of 'Be Prepared' during the Board Retreat. You, the Board of Commissioners, have done an excellent job in creating policy to ensure that Jackson County is prepared for turbulent times. This budget continues our reputation for living within our means, budgeting for strategic priorities, and maintaining core services that citizens need.

## New to This Year's Budget

When I presented the 2011 Budget, I had cautioned you that the Board may need to support the capital improvement program in the future using the general fund. Up until that point, we had primarily been funding the capital improvement program through the delinquent tax revolving fund. It appeared that our requests for capital expenditures far outweighed our ability to pay. We could not say for sure, because the county had never put together a five year capital program.

With that background we committed to providing a five-year capital improvement program, which would evaluate funding requests with funding availability. We are submitting to you a practical five-year program. We are happy to report that we do not see a need for general fund support of the capital improvement program for the term of this five-year program. This is possible because of the final repayment of several off-balance sheet loans made from the delinquent tax revolving fund. Repayment of this loan provides more than \$600,000 in additional funding towards capital purchases. Nearly all requests are accounted for in the five-year program.

## Projections, Targets, and the Bottom Line

At the final session of the budget retreat I proposed to you a budget target of \$41,358,252. The budget I am recommending to you is greater than that number, by \$773,211. Several things have happened since we gave you the budget target. I will explain them in greater detail later in the budget message. The purpose of the target setting process is to utilize the best information we have at the time so that we can give direction to staff for creating their budgets.

Ultimately, the end goal of the target setting process is to put together a budget that lives within our means. Local governments are heavily constrained by the revenues they have, most of the time leaving only

# Budget Message

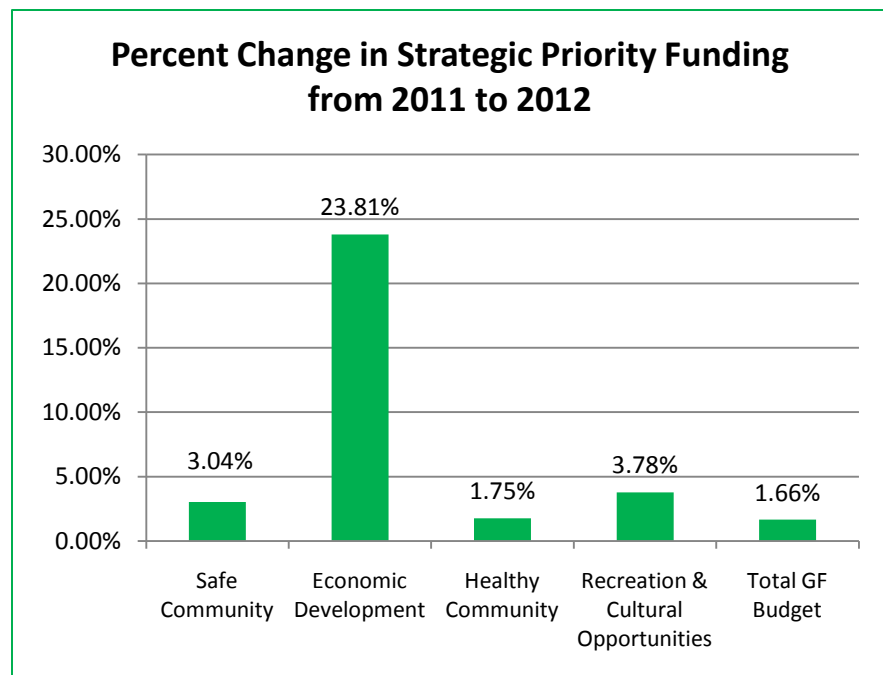
the expenditure side of the equation to solve challenges. Millage rates are constrained in good times by the consumer price index and are only changeable in bad times by referendum, which makes revenue change nearly impossible.

This budget shows the ability of Jackson County to live within its means despite a range of unforeseen economic conditions and impacts. We have absorbed the unforeseen impacts to the 2012 Budget within the existing revenue structure. This budget will collectively create no additional impact on taxpayers.

## Strategic Budgeting

The 2012 Budget continues the Board's practice of budgeting by strategic priorities. We have funded strategic priorities at a higher level than the overall budget. The overall budget increased by 1.66%. Programs that support strategic priorities increased at higher rates as shown in the chart below.

A high balance in the child-care fund has yielded the opportunity to put one-time funds toward one of the Board's strategic priorities, demolition of the Riverwalk Hotel. The estimated cost for demolition is \$2 million. The Board appropriated \$300,000 from fiscal year 2010 year-end savings. We have been attempting to leverage this money to acquire other funding. This budget recommends adding another \$500,000 towards that funding. It is my recommendation that the Board continue to focus excess funds on this project. When this project is completed, the Board can move to another strategic priority.



In keeping with the Safe Community Goal and Intergovernmental Cooperation goal, this budget adds three road patrol deputies to the roads of Jackson County through strategic partnerships with townships and through additional county appropriations.

## Challenges

The biggest change since the budget retreat has been the employer's defined benefit contribution from the actuarial report. We had anticipated a reduction in the defined benefit contribution. The actuarial

report supported an increase in the employer contribution from 13.59% to 16.27%. The net impact to the General Fund of this change was approximately \$483,389. This change also impacted other funds. It was offset by a decrease in the number of defined benefit participants.

The Board supported increased compensation for employees during last year's budget discussion. We have stayed true to our word. The largest cost increase in this budget is in personnel costs.

### Solutions

Thanks to early approval by the State legislature, we have the benefit having a solid revenue sharing number for 2012 this year. In the past several years, we have had to make estimates of Revenue Sharing. The Governor's approved budget included revenue sharing beyond what we had anticipated during the board retreat. This created a swing of approximately \$644,783 to the good.

This budget does reduce the reliance on fund balance previously anticipated in the 2011 budget. The 2011 budget anticipated the use of \$1 million in 2012. Our revised estimates have reduced that need by \$378,548. The planned use of reserves in the five-year plan is consistent with the Board's goal to use the fund balance in a responsible way to continue services, while working towards the Board's policy of a 24% fund balance. At the beginning of the 2012 year the County will have a 29.79% fund balance. At the end of the five-year plan the fund balance is projected to be 24.94%.

Several other factors allowed us to live within our means. We saw a reduction in retiree health costs due to a reduction in the number of participants. Savings in retiree health costs totaled \$192,403. The County continues to see increased revenue from prisoner boarding. The 2012 Budget anticipates an increase of \$250,000 in prisoner boarding revenue. This is still well within the limits of conservative estimating. After several years of increased revenue, we feel comfortable raising our estimates.

### Efficiencies

It's no secret that the County has an aging infrastructure. We do, however, expect to see \$43,591 in efficiency savings because of upgrades to the mechanical and electrical systems in our buildings. Most of these improvements required one-time investments, but the savings will appear year after year. This is possible because of the Board's prior commitments to invest in our facilities.

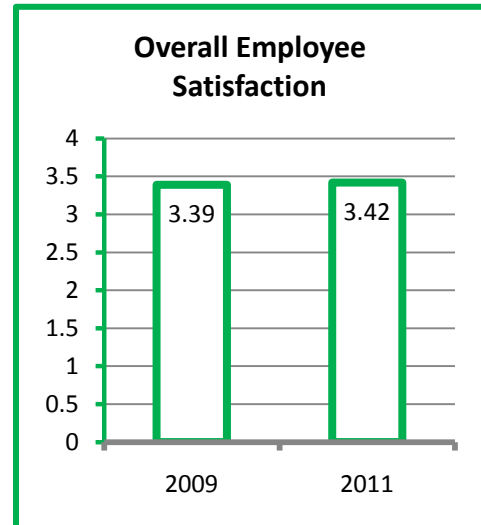
We have planned additional areas to pursue efficiencies, which include outsourcing of food costs at the youth center, small appliance policy, centralized purchasing, new copying contracts, intra-departmental collaboration, banner advertising, and electronic timesheets. These ideas were generated from staff. We plan to use staff from around the county to explore each one of these ideas.

The second floor of the Tower Building will be the new home to the Treasurer's Office, Equalization Department, and Register of Deeds. This project has generated an enormous amount of community excitement and is a point of pride for staff and elected officials. We expect that this will not only be more convenient for customers, but will also generate efficiencies in work processes.

# Budget Message

## High Performance

We continued our pursuit of becoming a high performing organization by continuing to improve the work environment through several mechanisms. We instituted a new program in 2011 called Leadership Infrastructure for Tomorrow (LIFT). The leadership of Jackson County continues to improve. We have never been more unified than we are today. Like most organizations we have many employees on the cusp of retirement. In thinking about ways to continue the great things we have going in Jackson County, we created the LIFT team. We asked for employees in middle management, employees who had the influence of their peers, and what we called up-and-comers. We are using this team to pass on the high performance leadership practices we are putting in place. We hope that this ensures a long tradition of excellent leadership in Jackson County.



Additionally, we followed up on our commitment to staff to re-measure employee attitudes towards work in the second employee survey. Those results will be released to staff in the first week of July, 2011. Overall satisfaction remains high; in fact we saw a small increase. Over ninety percent (90%) of employees said they were somewhat or very satisfied to work for Jackson County. The survey also showed that employees have greater awareness of the Board's vision and values.

In conclusion, I would be remiss if I did not acknowledge the extraordinary cooperation we continue to receive from department heads and elected officials in putting together this year's budget. The Administrator/Controller's Office committed to maintaining the original budget schedule with one less person due to the retirement of the previous Administrator. It has been a challenge to meet this commitment and could not have been done without the hard work of Gerard Cyrocki, our Finance Officer, and our administrative staff, Sue Schweizer and Dlane Armstrong. We are very proud to have been able to present this budget in the June target month. This was another successful year of implementing the Board's strategic plan and making difficult decisions in a participative way. Thank you for your continued support of our efforts.

Sincerely,

Adam J. Brown  
Interim County Administrator/Controller