

TUSCOLA COUNTY BOARD OF COMMISSIONERS

Activity Report - January to March 2012



Tuscola County Board of Commissioners: Thomas Bardwell (Chairperson), Gerald Peterson, Roy Petzold, Tom Kern and Roger Allen

Prepared by: Michael R. Hoagland, Tuscola County Controller/Administrator

County Battles to Balance Expenditures with Declining Revenues

The county like city, village and township government has encountered multiple years of financial challenges. The county board and other county officials have met these challenges by reducing staff, reducing health insurance costs, eliminating services and department reorganizations. Significant sacrifice has been required to maintain sound financial standing.

From 2009 to 2011, general fund expenditures were cut by a tremendous \$900,000. In 2009, expenditures were approximately \$12.6 million compared to \$11.7 million in 2011. This two year reduction was significant but necessary to balance expenditures with declining revenues. Although the year-end 2011 audit is incomplete, it is projected that 2011 financial position will again be in the black and the county will maintain its A+ bond rating, but not without many difficult service and staffing reductions. Continued declining land values and revenue cuts

from state government has forced further reductions in the 2012 county budget which has been reduced by another \$300,000 and is down to approximately \$11.4 million.



2011 County Accomplishments

Even with the required financial adjustments in 2011, the county continued to progress in 2011:

- Refinancing of Medical Care Facility construction bonds saving an estimated \$400,000
- Reorganized mosquito abatement administration with co-directors resulting in an improved well managed operation with better service delivery
- Combining of maintenance supervisor and recycling coordinator resulted in cost savings
- Successfully changed computer support services to the private sector (Zimco, Inc.) which is working well
- Off Road Vehicle Ordinance adopted
- Office remodeling changes were completed resulting in additional state reimbursement for the Friend of the Court move to the Courthouse and elimination of the Adult Probation lease payment
- Act 185 sewer/water project financing for local government lower bonding costs including Wisner and Denmark Townships
- Road Commission weigh master services contracted to Sheriff Department

- Computer equipment purchased for Dispatch to maintain a top rated dispatching system for public safety
- Computer technology investments in register, drain, treasurer, and equalization offices
- Purchase of the Purdy Building for county offices resulting in significant cost saving
- Hired a new auditing firm for a new perspective and insight in the development of the audit
- County Medical Care facility purchased Davenport University for future needs
- Capitalized on a federal energy grant for county and local government lighting upgrades, wind and solar energy units installation in Cass City and Mayville and comprehensive energy audits



Wind Development Unprecedented Impact on County

One of the most significant events to ever impact the Thumb of Michigan and Tuscola County is the development of wind energy. Michigan law requires 10% of electricity to be generated from renewable sources by the year 2015. Tuscola County is a prime location for development of wind generator electricity because of the quality of wind in this area. Next Era Energy is developing a wind farm in Gilford Township with up to 73 generators and completion expected in 2012. Consumers Energy is planning a wind farm in Akron and Columbia Townships for completion in 2014. International Transmission Company is investing in a \$500

million upgrade to the electrical grid infrastructure so the wind electricity can be efficiently transported.

Tuscola County officials have been working with local and state officials to determine a fair and equitable method of taxing wind generation. Recently, the State Tax Commission (STC) changed the wind multiplier schedule that is anticipated to reduce the amount of revenue received from wind generators by as much as 27%. It is estimated that under the original STC multipliers an average of \$22,000 per year per wind generator in revenue would occur but under the new schedule the amount would only be \$16,000. This STC change was frustrating to local officials because no studies were conducted to justify the change. There is also concern regarding how the state may ultimately change the method of taxation with the elimination of the industrial personal property tax. These developments are being closely monitored by county and local officials.

County Jail Maintenance and Additional Beds

The Michigan Department of Corrections has determined that up to 11 additional beds can be added to the county jail without increasing the number of correction officers. These beds will be added to the newer C-Wing of the jail. The first 6 beds can be added without the need for building modifications. The other 5 require the installation of a shower. Architectural assistance is being obtained to determine shower installation requirements and costs. The county board has approved implementation of the 11 additional beds which will result in projected annual savings of at least \$50,000. Additional county beds reduce county costs of housing prisoners in other county jails which is \$30 per day per prisoner.

The original section of the jail is aging and requires significant investment to maintain. For 2012, funds are included in the budget for the following jail maintenance work: roof replacement \$60,000, window replacement \$25,000, intercom replacement \$25,000 sidewalks \$6,000 and entry doors \$2,000. This building must be properly maintained or more severe costs will be required.

State Revenue Sharing and Personal Property Tax Revenue Concerns

State officials are again proposing cuts to state revenue sharing (SRS) along with imposing new conditions that have to be met for the county to qualify for any SRS. County officials are frustrated with payment reductions and new edicts because SRS is required to fund the services mandated by the state such as the courts, constitutional offices and jail. The county simply cannot continue to provide state mandated services while incurring continual state

revenue cuts and funding conditions that have to be met. The question needs to be what state mandated services will the county no longer be required to provide if SRS funding is not restored. The proposed reduced payment to the county for 2013 is \$822,000. The full payment amount should be \$1,097,000. In 2004, the counties worked with the state to establish the "revenue sharing reserve fund" which saved the state over \$1 billion and helped it through some extremely tough financial times. This was done with the agreed understanding and promise that the state would restore full funding to counties when the reserve fund was exhausted. Unfortunately, this did not happen.

Tuscola County receives approximately \$400,000 per year from the personal property tax which is proposed for elimination. The County Board position on this issue is if the personal property tax is eliminated, then a constitutional guarantee needs to be put in place to assure 100% payment replacement. The personal property is also a significant source of revenue for local governments.

The Board has communicated with state officials and respectfully requested that they vote to reject the state revenue sharing proposal and restore full state revenue sharing funding without special conditions that have to be met to qualify for funding. Also, the Board requested that our state senator and representative only support elimination of the personal property tax if a constitutional guarantee of full replacement funding is established.



Treasurer Year-End 2011 County Investment Report

The county treasurer recently presented the year-end 2011 county investment report to the county board. The treasurer continues sound investment practices that protect principal. The return on investments remains at one of the lowest levels in modern times. Most investments are earning less than 1%. These trends are not projected to improve for at least the next two years.

Downtown Development Authorities (DDA/TIFA) County Financing

The county board recently took action to discontinue allowing capture of funds from DDA/TIFA from portions of DDA/TIFA for which the board has discretion and after expiration of current agreements. Although the county capture has helped to strengthen local DDA/TIFA areas, the board regrettably had to take the action because of falling revenue and the state requirement to fund mandated services.

National Flood Insurance Program

New federal requirements state that an entity has to be identified that will enforce building codes in floodplain areas in order for citizens to qualify for insurance through the program. The county has agreed to provide building code enforcement for local units of government in floodplain areas through the contract they have with the South Central Construction Code Commission. To date, this service will be provided for Almer, Novesta, Juniata, Tuscola and Indianfields Townships.

County Receives Favorable Insurance Renewal

The County is insured through the Michigan Municipal Risk Management Authority. An excellent renewal for 2012 was received at 7.5% or approximately \$14,000 less than 2011. The positive county loss history was a major factor in helping to reduce these costs. The county also received a net asset distribution of approximately \$48,000 which was used to further reduce 2012 overall county insurance costs.