



Lake County Administration Office

November 9, 2021

The Honorable Board of Commissioners
County of Lake
800 10th Street Suite 100
Baldwin, MI 49304

RE: FY 2022 Lake County Budget (January 1, 2022 – December 31, 2022)

As a local government, it is our responsibility to ensure that citizens' dollars are appropriated to provide effective and efficient services and resources to the public. The annual budget provides a planning tool outlining how public resources are received and used as well as a mechanism to show accountability to our constituent units. In addition, the budget works as a policy and informational tool which communicates the funding priorities of the County to our many stakeholders and other interested parties.

The combined 2022 operating budgets total \$19,285,044 and are balanced, in that, the revenue and fund balances in funds are anticipated to meet or exceed expenditures. The final budget is the culmination of an extensive process over the past several months involving discussions, meetings, and the compilation of information. I appreciate the time and effort put forth by Commissioners, our elected officials, department heads, and my staff to ensure that the County is able to provide valuable services and resources to the residents of our County in an efficient and effective manner.

Summary of Considerations in Developing the Budget

The Administration Office and Board of Commissioners, in developing and balancing the 2022 fiscal year budget, considered many aspects of the County's financial resources and the ever-increasing demand for public services.

- The current economic conditions played a significant role in the creation of the 2022 budget. The State's economy continues to recover from the COVID-19 pandemic at a modest pace. It is anticipated the County will continue to see reduced funding at the state and federal levels for ongoing operational cost sharing programs and increased funding for targeted area grants. The actual magnitude of the impact of these items will depend on the economy within the State of Michigan and continued budgetary changes at the federal level. The reduced funding levels are expected to continue to be seen through changes in grant awards and long standing funding relationships.
- The decline in property values and the rise in foreclosures over the past decade have had a dramatic effect on the property tax levy and the revenue generated by it. For the 2022 fiscal year, a conservative approach has been used when predicting property tax revenues.

The property tax revenue for the General Fund is computed on the 2021 taxable value with an estimated 3.15% increase in taxable value, a Headlee Reduction of .0600 mills, and a final collection rate of 99% (\$40,000 factored for losses and captures for increment financing). Since FY2022 property taxes for the General Fund will actually be based on the 2022 taxable value, any increases in non-new value over the rate of inflation will result in a Headlee Rollback. The \$40,000 reduction represents the 1% uncollected and is planned to offset any losses to the Baldwin DDA capture and uncollected personal property taxes. The various other special millages have been computed at 98% as they are levied on 2021 taxable values (Sheriff's Road Patrol, Emergency 911, Ambulance, Seniors, Veterans, Transportation, and Library).

- As a result of the shift in the levy of property taxes from winter to summer for the General Fund, the County is forced to predict taxable values, including new construction, reductions due to diminished property values, and any Headlee Rollback, for the following year. This uncertainty, leads to a more conservative approach with the estimation of property tax revenues for the General Fund. The amount budgeted for the FY2022 General Fund property taxes reflects an estimated Headlee Rollback from 2021.
- The rising and fluctuating costs of health insurance for both actives and retirees has generated budgeting, financial, and management challenges. The County has been, and will continue to be, proactive in establishing measures to monitor and control these expenses, including utilizing the PA 152 state imposed hard-caps.
- OPEBs (Other Post-Employment Benefits) are a significant liability in regards to Retiree Health Insurance. The County was required to measure its liability at the end of the 2009 fiscal year and the FY2022 budget marks the fifth year in efforts towards attributing cost figures to benefit groups to generate funds to help meet the annual required contribution (ARC). FY2022 does not call for a contribution to the OPEB Trust (County's Retiree Health Funding Vehicle), as it is anticipated that investment returns could get us near full funding, although the county may wish to make a contribution with fund balance left over from the 2021 fiscal year.
- Fluctuations in the stock market, and it's effect on the market value of our defined benefit accounts through MERS (Municipal Employees Retirement System), coupled with changes in MERS actuarial assessments, have meant the county continues to pay a higher amount to MERS for the county DB Plans. That issue is further compounded by the fact that the cost is spread over fewer employees, as new hires are placed into a defined contribution system. The defined benefit payment for 2021 was \$770,532 and the amount for 2022 if \$832,464. Similarly the blended percentage of wages for retirement was 20% in 2021 and is 21% in 2022. Payments to MERS for the DB are now a flat dollar amount, rather than a percent of wages, although the funds are collected from departments based on a percentage of wages.

Other factors contributing to the rise in retirement costs include more individuals drawing from the plan when they become eligible for retirement, increased life expectancies, changes in investment rate of return assumptions, and a closing of the system, with new

hires being placed into a Defined Contribution plan January 1, 2018. It's important to note that the DB payment is a set annual amount—not based on any particular employee group, and as employees leave or retire and new employees are hired, the County's overall costs increase because the new hires bring with them a new retirement cost of approximately 7% of wages. On the bright side, the County's funding percentage continues to grow and eventually the County's payments will drop dramatically as much of the current DB costs are unfunded liabilities from the past. \$123,411 is budgeted in 2022 for employees hired since 2018 on the DC retirement plan. This amount will continue to increase as we have turnover.

- The closing of the RRP facility and the slow recovery of property tax values continues to have a huge burden on the General Fund.
- The 2010 recession in Michigan's housing market triggered a corresponding decline in permit revenues for the Building Safety & Permits and Soil Erosion Department, as well as a significant drop in recording fees at the Register of Deeds Office. The 2022 Fiscal Year Budget anticipates continued incremental revenue growth within the Building Safety & Permits Department and Register of Deeds Office as the market continues to slowly rebound and grow.
- Voters approved Proposal 1 (Public Act 80 of 2014) on 08-05-2014 which will phase out many aspects of personal property taxes for small businesses and manufacturers. The Proposal will reimburse local governments for emergency services and other millages by dedicating a portion of the state use tax for that purpose. For most millages the reimbursement is received twice a year and the amounts have been inconsistent. Through 2021 the legislation, and process for determining reimbursements, has been changed no less than four times.
- Under Public Act 161 of 2013, Disabled Veterans Exemption, real property used and owned as a homestead by a disabled veteran who was discharged from the armed forces of the United States under honorable conditions is exempt from the collection of taxes. The Disabled Veterans Exemption Act will result in a decrease in the County's General Fund revenue and all other special millage funds.

General Highlights of the 2022 Budget

The 2022 budget reflects the on-going efforts employed to attain the most accurate portrait of revenues and expenditures in the development phases of the budget. There have been cost reductions throughout many facets of the budget. Many areas have been trimmed and re-evaluated to provide the most efficient and economical delivery of services.

REVENUES:

- The proposed FY 2022 annual budget for Lake County includes nearly \$19.3 million in revenues and expenditures, spread over 45 funds.
- Wages and benefit costs of the FY 2022 budget are approximately \$8.6 million.
- The General Fund budget reflects property taxes of \$3,831,710. This reflects a projected 3.15% growth in taxable value for 2022; a full levy with a 0.600 Headlee Rollback; and a 1% loss on collections due to capture districts and uncollected personal property taxes (\$40,000).
- The General Fund budget reflects an approximate 50% decrease from the tri-county convention facilities tax since 2015.
 - In FY 2015, the General Fund received \$92,799 of which \$46,400 was distributed for substance abuse.
 - For FY 2016, the General Fund received \$44,773 and substance abuse received \$22,387.
 - For FY 2017 the General Fund received \$47,526 and substance abuse received \$23,763.
 - For FY 2018 the General Fund received \$48,638 and substance abuse received \$24,319.
 - For FY 2019 the General Fund received \$50,240 and substance abuse received \$25,120.
 - For FY 2020 the General Fund received \$50,100 and substance abuse received \$25,050.
 - For FY 2021 the General Fund is budgeted to receive \$51,607 and substance abuse is scheduled to receive \$25,804.
 - For FY 2022 the General Fund is budgeted to receive \$52,666 and substance abuse is scheduled to receive \$26,333.
- Although Treasury has not published amounts, Revenue Sharing is estimated to be \$264,186 for the 2022 fiscal year in the General Fund.
 - Revenue Sharing is broken down with the following estimates:
 - \$214,836 County Revenue Sharing Payment
 - \$49,350 County Incentive Program (CIP)
 - \$264,186 Estimate for FY 2022
 - The CIP portion of Revenue Sharing requires the County to submit Accountability and Transparency reporting in order to qualify for the funding.
- As has been a standard practice the Board charges the following millages 5% for administration expense (Road Patrol – \$92,285, Council on Aging – \$20,012, Emergency 911 -- \$53,830, Ambulance -- \$23,237, Soldiers Relief Fund - \$3,083, and Transportation -- \$11,775). The Library Fund is not charged an Administrative Fee. These revenues go

into the General Fund and reflect the board voted tax cut to the ambulance special millage.

- The FY 2022 budget does not reflect any revenues from the state for the county to do Title IVE Abuse and Neglect cases within the Prosecutor's Office.
- The revenues in the General Fund from dog licenses continues a downward spiral. These revenues are typically used to help fund Animal Control services. Line item 101.000.00.491.000 is budgeted in FY 2022 at \$4,000 in FY 2009 \$9,503 was collected.
- The General Fund includes \$116,000 in revenue from State PILT. This amount is a small increase over 2021, but pales when compared to the increase of \$26,500 in FY 2016. Given recent issues with the approval of the state budget these dollars are less than certain.
- The General Fund includes \$202,000 from Federal Payment in Lieu of Taxes payments (PILT). This amount is \$2,000 more than budgeted in FY 2021 and equivalent to what was received this year, but just like state PILT, federal PILT dollars have been sporadic throughout the years.
- The General Fund includes \$42,417 in revenue for the Survey and Remonumentation Grant, a marked increase of \$7,456 after several years of decreases (FY 2018, FY 2019, FY 2020, and FY 2021). In FY 2021 \$34,961 was budgeted.
- The General Fund includes net asset distributions from the MMRMA and the Worker's Compensation Pool in the amount of \$173,797. (Estimated \$70,137 MMRMA and \$103,600 from Workers Comp). These figures are based on actual 2021 receipts or commitments.
- As mentioned, in detail, above, the General Fund reflects State Revenue Sharing payments of \$264,186.
- The IT Fund (636) reflects transfers in from the 404 Fund of \$20,000 for either the purchase of new servers for the existing CAD system or to be used towards its replacement. The fund is operated with transfers in from the General Fund (\$65,000), Road Patrol Fund (\$45,000), and 911 Fund (\$50,000).
- The General Fund includes \$279,112 from fees for the Register of Deeds, a cautious sign of continuing improvements in the real estate market.
- The Concealed Pistol Fund is budgeted to transfer \$10,000 into the General Fund to help cover the costs associated with the administering and issuing permits within the Clerk's Office.
- \$15,338 is budgeted in the General Fund for the Emergency Management Performance Grant.

- The General Fund is budgeted to receive \$247,000 in revenue as part of the contract to transport inmates with the feds. It's important to note that this amount is not certain and several factors can impact the contract.
- The General Fund is budgeted to receive \$28,001 in Recreational Marijuana payments, \$44,683 in Personal Property Tax Reimbursements (PPT), \$63,500 from the local units for property roll maintenance, and \$29,000 from the commissions for audio/visual inmate and phone services.
- The General Fund is budgeted to receive \$9,000 from the sale of the full-size jail transport van and, although \$40,000 is budgeted in revenue for restitution, this amount is actually a wash with expenditures. GASB 84 required these revenues and expenditures to be accounted for within the General Fund.
- The sale of E-cigs is budgeted to net \$25,000 for the General Fund. \$55,000 is budgeted for revenues as sales, and \$30,000 on expenditures for supplies.
- The General Fund budget reflects a cooperative reimbursement amount \$43,884 which is a 66% reimbursement of eligible expenditures. This amount is reflective of the fact that in 2021 the Child Support Specialist Position within the Prosecutor's Office was made full time.
- The property tax revenues generated from the Road Patrol, Ambulance, Emergency 911, Council on Aging, Library, Transportation, and Indigent Veterans millages are figured at 98% of the computation (Taxable value/1,000 x millage rate). These millages are all levied in December of 2021 for their respective FY 2022 budgets. The General Fund's FY 2022 property tax revenue is predicated on a separate formula because it will be levied in July of 2022.
- Rent for the CMH Building in the amount of \$22,485 is budgeted to be received in the Other County Property Fund (403) and then transferred to the General Fund. This lease reflects an increase of 2.5% over FY 2021.
- Rent is being charged to the Rd Patrol Fund for the Sheriff's Office (\$51,665), Ambulance Fund for the ambulance base facilities (\$66,000 (\$46,000 rent and \$20,000 generators)), and the Central Dispatch Fund (\$31,000). These funds are transferred into the General Fund.
- Millage funds are budgeted to receive Personal Property Tax Reimbursements (PPT) next year in the following amounts: General Fund, \$44,683, Ambulance Fund \$3,172, 911 Fund \$16,367, Library Fund \$3,906, Road Patrol Fund \$15,810, COA Fund \$8,493, Transportation Fund \$4,997, and the Soldiers Relief Fund \$1,568.
- Rent and charges to cover indirect costs are continued to be charged to the Building Inspection Fund in the amount of \$36,000 in FY 2022.

- The Road Patrol Fund (207) is budgeted to use \$402,363 in fund balance due to an additional sergeant position and continued operational overruns. Ambulance Fund (505), Indigent Defense Fund (260) and 911 Wireless Fund (261) are budgeted to use \$10,000, \$80,000, and \$88,151, respectively. Additionally several funds are slated to utilize fund balance to balance their budgets.
- The new Hollister Senior Center Fund is budgeted to receive \$12,100 in rent according to a new lease agreement.
- The Building inspection Fund is budgeted to receive \$394,750 in revenue all from fees or charges for services.
- The Indigent Defense Fund (260) is primarily funded from a grant from the state. \$155,547 is budgeted to be received next year from the grant and \$80,000 is budgeted in fund balance as this is the portion of the grant received this year and carried forward.
- The 911 Wireless Fund is budgeted to receive \$137,000 from the state. \$125,000 for operations and \$12,000 in training reimbursements.
- The Law Library Fund is scheduled to use \$500 of fund balance to offset the law updates contract, the Child Care Fund is budgeted to use \$18,312 to provide minor relief to the General Fund. The General Fund is budgeted to use \$85,000 in fund balance for additional costs in the Child Care Fund, enhanced services (Pilot Academy Program), and carryover expenses from 2021. The RRP Fund is slated to use \$20,000 in fund balance, the Friend of the Court Fund \$12,000, the Concealed Pistol Fund \$3,000, the IT Fund \$17,456 for operating/capital purchases, and the Crime Victim's Rights Fund \$3,115. Other funds using fund balance are either to provide relief to the parent fund that primarily funds them with transfers in or because that is their design and/or nature (i.e. capital funds or delinquent tax funds).
- The Road Patrol Fund (207) is budgeted to receive \$12,500 from the sale of vehicles.
- The Friend of the Court Fund (215) is budgeted to receive over \$195,000 in revenue from the Title IV D Grant for Cooperative Reimbursement work. Eligible expenditures are reimbursable at 66% and the expenses are based, mainly on wages, benefits, and personnel costs.
- The grant within the Crime Victim's Rights Fund (272) is budgeted to receive just over \$50,970 in a grant. The fund will need a transfer in from the General Fund of \$17,000, as well as the use of fund balance, to balance.

- The revenues from the Concealed Pistol Fund (263) continue to steadily increase. \$11,100 is budgeted for revenue in FY 2022. Funds can only be expended for costs related to the issuance of the concealed carry permits. Other than some office supplies and equipment until recently no expenditures have historically happened out of this fund. The fund balance at the end of FY 2020 was \$19,610. For the FY 2021 budget \$10,000 is budgeted to be transferred to the General Fund to help cover a portion of the expense of staff time devoted towards the issuance of permits. The FY 2022 budget continues the \$10,000 transfer to the General Fund to help cover expenses with operating the program.
- The Law Library Fund (269) is budgeted to receive \$2,500 next year in penal fines.
- In addition to three grants, the Child Care Fund is budgeted to receive \$155,000 from the state as part of our monthly settlement. Eligible expenses are reimbursed at the rate of 50%, but the state expends funds on behalf of the County so a settlement is conducted. The state expenses are not reflected in our expenditures so the net reimbursement revenue in the budget is substantially less than 50% of expenditures.
- The Soldiers Relief Fund (293) is budgeted to receive a state grant in the amount of \$60,103.
- The 404 Capital Improvements Misc. Fund is budgeted to receive a transfer in from the Treasurer's Unrestricted Fund (516) of \$500,000. The funds are slated to help shore up the reserves with the fund, and to set aside monies for the County's parks grant match (\$180,000), a partial courthouse/jail roof replacement (\$227,500), and replacement vehicles for maintenance.
- The Secondary Road Patrol Fund (277) is budgeted with a grant from the State of Michigan for operations. The grant is \$20,256 and where it used to cover one-half the wages and benefits for a deputy within the fund, now it doesn't even cover 20%. This grant is based on the amount of tickets written state-wide.
- The Circuit Court Marriage Counseling Fund (296) was established under PA 4 of 1980 (mcl 551.103) for expenditures by the circuit court for family counseling services, including domestic violence and child abuse and is funded with \$15.00 dollars of the marriage license fee charged by the County Clerk. Yearly the fund has received approximately \$1,000 in revenue and until 2018 had no expenditures. Throughout the decades the fund balance has grown and at the end of 2017 was \$28,863. In recent years, upon the urging of County Administration, the courts have started to utilize this fund and its fund balance. At the end of FY 2020 fund balance stood at \$19,768. For next year (2022) \$1,500 in expenditures are budgeted with the use of \$600 in fund balance.

- The Big Star Lake Bond Debt Fund is budgeted to receive \$67,975 in special assessments to make the final bond and interest payment.
- The DHS Fund (569) is budgeted to receive \$130,000 from the State of Michigan for rent of the DHS building. This amount is based on a lease renewal and is a \$50,000 increase over the 2021 lease rate (\$80,000). There are several improvements the county is obligated to make to the property with the increased rent.

EXPENDITURES:

WAGES:

- The wage scale for scored hourly and salaried, exempt employees is slated for a cost of living (cola) increase, based on the market and historical increases, of 4% for 2022. Non-scored hourly and exempt employees are budgeted for a 2% COLA.
- Union employees are budgeted to receive step increases according to their respective collective bargaining agreement.
- The Building Official, Undersheriff, Magistrate, Chief Assistant Prosecutor, and part-time Building Inspection Enforcement positions have not been scored and are slated for a 2% increase.
- The elected offices of Sheriff, Prosecutor, Clerk/ROD, and Treasurer, as well as the Administrator, are budgeted for a 4% increase as well.
- After several years without an increase, the Board of Commissioners are budgeted for a 4% wage increase.

PERSONNEL:

- The 2022 budget continues the position of the County Emergency Services Director and the Central Dispatch Assistant Director. The position is funded out of the Central Dispatch Fund with a General Fund transfer in for the Emergency Services portion.
- Due to the closing of the RRP, the maintenance supervisor position has been moved to the General Fund, and the maintenance position to the DHS Building Fund with a \$73,500 subsidy from the General Fund.

- Courthouse Security is budgeted with part-time employees.
- The two county maintenance positions are not budgeted with any overtime, so any hours in excess of 40 worked per week, will have to be credited as comp time.
- The jail budget has exceeded its overtime budget in recent years. This expense is sizeable and efforts need to continue to reduce this expense. \$125,000 is budgeted in FY 2022 for jail overtime and \$10,000 is budgeted of part-time help in the hopes of controlling this cost. Jail Over Time: \$170,800 (2017); \$170,653 (2018); \$156,039 (2019); \$172,063 (2020); \$190,000 (2021 estimated). In recent years, its likely part of this expense is attributable to the ICE inmate transport contract the County began in March of 2020.
- The Medical Examiner's budget has a \$11,250 budgeted for per diems for MEIs and to help offset the expense related to benefits and equipment historically bore by the Rd Patrol Fund for deputies that also serve as an MEI.
- The Chief Assistant Prosecutor position is budgeted to be moved to \$47,755. This amount reflects a 2% increase.
- With the FY 2021 budget, one position was eliminated to help balance the General Fund budget: Clerk-Treasurer position within the Treasurer's Office. In conjunction with that reduction within the Treasurer's Office, the existing staff were increased from 37.5 hours a week to 40. The increased hours continue for FY 2022.
- The FY 2022 budget includes part time positions added in 2021: Clerk's Office (wages \$18,162), and Equalization Department (wages \$19,924).
- The FY 2022 budget includes funding to fill a part-time Administration Office position authorized in 2018 (\$25,737).
- The Road Patrol budget includes funding for an additional Sargent position authorized through 2023. The total amount for wages and benefits are \$105,490.
- \$20,818 (\$20,000 General Fund transfer in and \$818 of Fund Balance) is budgeted within the Law Enforcement Fund to create a pilot program to pay to send a part time employee through the police academy. By far the largest expense is wages and benefits.
- In late 2021 the Child Support Specialist position within the Prosecutor's Office was made full-time. The FY 2022 budget includes addition funds to continue the full-time status of this position.
- The additional position added to the courts in 2020 is continued. The position will be charged 50% to the General Fund (Trial Courts) and 50% to the Child Care Fund.
- The two lead positions within central dispatch are budgeted.

- \$10,615 is budgeted within the General Fund for the County Guardian position.
- The Building Inspection Department is budgeted for a part-time Chief Building Official at 32 hours a week on average.
- Next year (FY 2022) will mark the fourth year, in five, that the county attributed operating costs, other than training, to the Emergency 911 Wireless Fund (261). This fund receives funding from the state and a small portion is dedicated to training. Historically (prior to 2018) the remaining amount was not spent and left to build up in fund balance. In 2017 the fund received \$142,931 and spent \$293 on training. The remainder of \$142,638 went into fund balance. At the end of FY 2017 the fund balance was \$1,144,744. Since then, with the exception of 2021, three employees, including their wages and their benefits, have been charged to this fund each year for costs exceeding \$210,000 annually. For the FY 2022, three employees are once again being charged to the 911 Wireless Fund (261). The total budgeted cost, including training, is \$225,151. Fund Balance at the end of 2021 is expected to be \$1,059,275.
- The Crime Victim's Rights Advocate is budgeted to be paid 100% out of the Crime Victim's Rights Fund (272), with a \$17,000 subsidy from the General Fund and the use of \$3,115 in fund balance for normal office operations.
- The Friend of the Court Fund (215) has the three full-time employees budgeted at 40 hours for FY 2022 and 40% of the Magistrate's wages and benefits. Eligible expenses are reimbursable at the rate of 66%.
- The FY 2022 Building Inspection Fund (249) budget has a part timer budgeted to continue learning the Inspector's and Chief Official's duties and to gain the necessary certification. This person is a resourceful backup and possibly a future successor to the Chief Building Officials position. The position is budgeted for 8 hours a week at a Grade 3 for a cost of wages of \$7,368.
- The Part time dollars are budgeted for positions within the Road Patrol (\$47,225). The funds within the Road Patrol part-time wages line item are to cover costs associated with a part-time civilian to work in the Sheriff's Department evidence room, hours for a part-time detective, and to cover part-time deputy hours to make up for anticipated shortages in the full-time ranks.

BENEFITS:

● **Health Insurance:**

- The 2022 budget reflects no change in the annual premium for health insurance to the departments (FY 2020 - \$12,500, FY 2021 - \$13,500, FY 2020 - \$13,500). The County is in compliance with the cap under P.A. 152 as costs above the cap are the responsibility of the employee. The departmental charge reflects a smoothed amount charged to each department for each employee eligible to take the County's insurance or the insurance waiver of \$13,500 a year. These funds are budgeted to be collected in the 666 Employee Benefit Fund for payment of obligations and premiums.

● **Retiree Health Insurance and OPEB Funding:**

- FY 2022 continues the Retiree Health/OPEB charge for eligible employees. The charge is weighted based on the benefit and will make the premium payments for retiree health insurance and pay new hires and opt-out employees \$25 per pay period into their Retiree Health Care Savings Account. Historically this charge was also used to set aside funds to meet the county's OPEB liability. However given that the County's OPEBs are nearly fully funded, and there are sufficient fund balances, no amount is budgeted for this in FY 2022. The internal departmental charge for 2022 has been reduced (see below) and is budgeted to generate \$228,000 for next year, compared to \$451,440 in 2021.
- The monthly charge for eligible employees is \$190 a month, and \$285 for deputies and command staff, which is half the amount of FY 2021. This charge represents a sizeable, continued decrease from 2021 and prior years. The budgeted reduction for FY 2022 is the third year (out of four) for a reduction and will continue to help offset the ongoing costs associated with retiree health care—both premiums and retiree Health Care Savings Act payment, as well as OPEB obligations.
- The charge will distribute the cost of retiree health care and OPEB obligations more equally and will cost operating funds accordingly. Below is how those costs were historically spread:
 - General Fund \$100,000 (2017)
 - RRP \$150,000 (2017)
 - Rd Patrol \$50,000 (2017)
 - 911 \$50,000 (2017)
- Retiree Health Insurance/OPEB charge has historically been comprised of four difference elements: Insurance pre 65, Insurance post 65, an OPEB obligation

payment to the County's MERS Retiree Health Funding Vehicle, and payments to new hires and opt-out employees not eligible for retiree health insurance.

- **Retirement Funding:**

- The actuarial value of assets used traditionally by MERS to determine our funded status and required employer contribution have historically remained relatively steady: 2011, 81%; 2012, 80%; 2013, 79%; 2014, 80%. However, new funding assumptions that began with the 2015 actuarial and other items have driven the overall funding percentage down to 74% for the December 31, 2018 actuarial and 72% for the actuarial dated December 31, 2019. In reaction to these changes, the County in 2016 began taking strategic steps to help offset this downward spiral. The actuarial dated December 31, 2020 marks the first increase in the funding percentage in several years (75%) and is a direct result of those efforts.

These changes and the fact that there are fewer employees working for the county and, of those, fewer that are eligible for the pension program, means dramatically increased retirement percentage costs within the departments. The figures from the 2020 actuarial are used as the basis for FY 2022 budget. The county pays MERS a flat dollar monthly amount for the defined benefit (pension) liability, but derives the costs from departments based on a percentage of employee wages. For FY 2022 we are budgeted to pay MERS \$955,875 in retirement costs. That amount is \$123,411 in Defined Contribution employee costs and \$832,464 in Defined Benefit Costs. Of the fixed Defined Benefit pension costs (\$832,464), \$289,416 is the normal employer cost (Cost attributed to the employees working another year and earning credit towards their pension), and \$543,048 is the payment on the County's Unfunded Accrued Liability. The Unfunded Accrued Liability is the estimated earned amount of benefits that employees and retirees have earned, but is still unfunded (100% full funding – 75% funded = 25% Unfunded Accrued Liability).

For FY 2021 those amounts were \$850,532 total, \$80,000 in Defined Contribution employee costs and \$770,532 in Defined Benefit Costs. Of the fixed Defined Benefit pension costs (\$770,532), \$281,028 was the normal employer cost and \$489,504 payment on the Unfunded Accrued Liability.

The total increase from 2021 to 2022 is over \$105,000.

EXPENDITURES:

- The General Fund expenditures are budgeted at \$6,679,286 of which generally approximately 67% are for wages and benefits.

- Other than \$20,000 for two generators at the north and south ambulance garages, no funds are budgeted within the General Fund specifically for capital outlay items.
- The FY 2022 General Fund budget for meals within the jail marks a continued increase over the previous three years \$55,000 FY 2019, \$104,468 FY 2020, \$110,816 FY 2021 (estimate), and \$115,632 FY 2022. This amount reflects a change in the per meal costs with Canteen from \$1.58 (2019) to \$3.42 (2020) to \$3.42 (2021) to \$3.52 (2022) per meal. The \$115,632 budgeted for 2022 is based on an average daily population count of 30 inmates and a 3% increase over the meal cost for FY 2021.
- Up until FY 2019 the appropriation to the District 10 Health Department from the General Fund hadn't changed in nearly a decade. FY 2019 marked an increase of \$1,307 or 1.8%. The FY 2021 allocation was the same as FY 2020 and FY 2019: \$74,083. However for FY 2022, based on census population increases and the reallocation of costs amongst the ten counties, Lake County will see an increase of \$3,575, for a total amount of \$77,658. This amount is in addition to an in-kind space and \$9,400 budgeted for utilities and maintenance.
- The appropriation to Mental Health from the General Fund reflects no increase and remains at \$55,250.
- The General Fund budget proposes a \$1,000 increase in the contribution for Conservation Osceola-Lake (\$1,000 to \$2,000), and retains a \$2,000 contribution for Conservation Mason-Lake.
- The General Fund has \$6,050 budgeted for the DHHS Board for travel, due & subscriptions, conferences, and contracted services (Children's Christmas Program).
- Within the Commissioner's section (101) of the General Fund there is \$3,500 budgeted to host one of the quarterly West Central Michigan County Association dinners.
- The General Fund had budgeted within the 266 \$1,250 to begin funding 211 services after a presentation and request in September 2021.
- The Indigent Defense Fund is budgeted with a contribution from the General Fund of \$77,133 which is a \$685 decrease over FY 2020, as required by statute.
- The General Fund includes \$7,378 in the Board of Commissioner's Dues and Subscriptions for MAC annual dues, \$450 for NACO, \$460 for MTA, and \$75 for the Northern Michigan Counties Association.
- Within the General Fund (704) \$2,600 is included for the West Michigan Shoreline Regional Development Commission (WMSRD) and \$750 for the Area Agency on Aging of West Michigan.

- The General Fund includes \$30,500 budgeted for auditing services. This amount is broken down: \$26,300 Audit, Federal Single Audit \$2,600, and F65 Filing \$1,600.
- \$15,000 is budgeted in the General Fund under (101.965.00.995.016) for the School Resource Officer to work four days a week in the schools. Also budgeted for transfers out in that line include \$36,000 to the 911 Fund for part of the Emergency Manager's wages/benefits, and \$20,000 for the Law Enforcement Fund for a pilot program to sponsor an employee in the police academy.
- Line 101.728.00.700.000 within the General Fund, has \$25,000 for Economic Development. The funds are the second payment of a three year commitment (2021-2023) after the completion of the initial three year commitment (\$75,000 total over three years) to operate the Lake County Economic Development Alliance. That initial commitment was 2017/2018, 2019, and 2020.
- The Equalization Department within the General Fund (101.257) has \$5,000 to continue the director mentoring program, \$3,000 for the designated assessor contract, nearly \$2,000 for two scanners and two printers, and \$5,000 to implement a program to provide the public access to the County's GIS data online, for free.
- \$2,500 is budgeted under Sheriff's Administration within the General Fund (101.305) for legal fees related to a grievance scheduled for arbitration.
- \$10,098 is budgeted in the 402 Fund for one half of the county's share for the Hazardous Mitigation Grant.
- The FY 2022 budget reflects a transfer out from the General Fund (Trail Courts) into the Friend of the Courts of \$80,000.
- The Medical Examiners Office within the General Fund is budgeted at a cost of \$64,361 with \$25,000 budgeted for autopsies.
- \$11,192 is budgeted within the General Fund (courts) for three years' worth of hardware and software support for the AS400 system through Arbour Solutions.
- \$500 is budgeted for diving equipment within the General Fund (331).
- The General Fund transfer out to the Child Care Fund is budgeted to be \$175,000. This amount is based on the number of children predicted to enter into the system and staffing and normal operating expenses. The fund is also budgeted to use \$18,312 of fund balance. The transfer in is a sharp increase from recent years, as the County has been able to keep the transfer in lower, while drawing down a sizeable fund balance within the fund. The transfer out was \$487,753 in FY2015.

- The General Fund includes a transfer out to the Crime Victims Rights Fund of \$17,000 for operations. This amount is the same as FY 2021 and an increase over the 2019 fiscal year (\$12,000).
- Approximately \$117,414 is budgeted within the General Fund for the Jail for medical services for inmates. This amount is spread over several line items.
- The Elections Department within the General Fund (101.262) reflects a budgeted increase of expenditures of \$43,810 (\$13,327 to \$57,137) due to 2022 being an even numbered year. This amount is based on 2022 being a gubernatorial election year. Expenditures will drop in the odd numbered year (2023), only to increase again in 2024, due to the federal presidential election.
- The General Fund includes a 3% increase in the contracts for the Medical Examiner to administer the ME's Office.
- The General Fund includes \$4,500 budgeted for contracted legal services. In 2020 \$16,189 was spent, and \$24,000 is estimated for 2021. These expenditures were after spending under \$1,000 in 2019. The reduced amount is reflective of the optimism on being dismissed from the ongoing litigation between Yates Township and Yates Dial-A-Ride.
- The General Fund includes a \$1,000 appropriation for Household Hazardous Waste Collection under the General Fund Legal Section (266).
- \$5,000 is budgeted in the General Fund for a transfer out to the Parks Fund.
- The General Fund is slated to transfer out \$7,500 to the Law Library Fund, \$65,000 to the IT Fund, \$5,000 to the Parks Fund, \$73,500 to the DHS Building Fund to cover the cost of a maintenance worker, \$36,000 to 911 Fund for Emergency Services, \$10,000 to the RRP fund for utilities, \$20,000 to the Law Enforcement Fund for a police academy sponsorship and \$15,000 for the School resource Officer, \$17,000 to the Crime Victim's rights Fund, and \$1,125 to the Road Patrol Fund for the match to the snowmobile grant.
- \$20,000 is budgeted in the General Fund for 2 generators at the North and South ambulance garages.
- The Road Patrol Fund (207) has a snowmobile grant budgeted in the amount of \$17,500 with a \$1,125 match and \$2,604 in fund balance (donations from 2021). These items are budgeted to be spent on a new snowmobile \$12,604 (\$10,000 grant and \$2,604 donations-fb) and \$8,125 on wages, benefits, gas, and supplies.
- The Road Patrol Fund (207) also has an ORV grant budgeted in the amount of \$41,160. This grant is budgeted to be spent on a new quad or side-by-side \$6,160 and \$35,000 on operational expenses, including wages, benefits, gas, and supplies.

- The new Hollister Senior Center Fund (220) has \$12,100 budgeted to be set aside for future roof replacement and parking lot sealing. \$4,008 was spent in 2021 on a new furnace for the rear of the facility.
- The 911 Fund (251) has \$7,500 budgeted for card swipes, \$137,500 for new equipment and furnishings related to an expansion and the addition of a third station, and \$55,000 for a new Zetron system.
- Within the 402 Capital Improvements Fund, \$4,000 is budgeted for BS&A training, \$1,000 for new chairs in the Treasurer's Office, and \$4,500 for a new copier/printer for the courts.
- \$45,000 is budgeted in the 404 Fund to have sections of the courthouse roof repaired and warrantied, and \$60,000 is budgeted within the fund to be loaned to the DHS Building Fund (569) for upgrades under the new lease.
- The Ambulance fund (505) is budgeted for a 2.5% increase for the contract with Life Ambulance for ambulance services. The amount is going from \$363,680 in 2021 to \$372,772 in 2022.
- The 569 DHS Building Fund has \$30,000 budgeted to place siding on the eaves of the building, and \$108,433 related to the new lease and improvements to the facility, specifically flooring, lighting, bathroom and breakroom remodeling, and door knob replacement.
- The Commissary Fund (595) is budgeted to transfer \$15,000 into the General Fund. The funds are to be used for inmates and the operations of the facilities.
- \$50,000 in fund balance from the 666 Employee Benefits Fund is slated to be used to address costs associated with the federal OSHA COVID-19 vaccination and testing mandates, if the mandate makes it through the court challenges.
- The Wolf Lake Level Fund (841) has an amount estimated for the lake level project of \$300,000 in special assessments/bonds to be spent \$280,000 on the project and \$20,000 to repay a loan granted in 2021.
- The Big Star Lake Bond Debt Fund (891) is budgeted to collect from special assessments and pay just over \$70,000 for principle and interest on the final year of the five year bond for the lake level improvements.
- The retirement costs for all eligible employees for the MERS retirement/pension DB and DC plans will go into the Employee Benefits Fund (666) and be used to cover costs related to the DB plan and DC plans.

- The IT Fund continues the computer replacement and windows upgrade program as well as the purchases of a new VEEAM system (\$1,800), Battery backup system (\$1,100), Web Filter (\$4,000), and email Archiver (\$9,680).

OTHER ITEMS OF NOTE

- This is a ZERO SUM budget. Additional expenditures will be at the expense of other areas. There are minimal reserves other than fund balance and excess delinquent tax funds.
- The Building Inspection Fund reflects no subsidy from the General Fund and actually incorporates a charge for space, heat, electricity, admin, etc. of \$36,000. FY 2022 isn't budgeted to use any of fund balance. Fund balance is expected to be added to at the end of FY 2021.
- Funding in the FY 2022 budget for Michigan State University Extension includes a 2.5% increase on the assessment and 25% buy-up on 4-H, as well as a new expenditure of \$1,800 for phone and internet services. In recent years funding for MSU Ext had been somewhat of a roller-coaster. The county made cuts to the program with savings for FY 2017 of \$57,229 (Overall budget for FY2017 was \$94,515 before program cuts). The budget for FY 2019 was \$54,849 with the assessment being \$38,984 and \$15,865 budgeted to take 4H from ½ time to ¾ time, and \$2,800 budgeted over two lines for phone and internet access. The FY 2020 budget had \$40,151 budgeted for the assessment only and no money for additional 4H or phone or internet. The FY 2021 budget has \$40,151 for the assessment and an additional \$16,341 that reinstated the additional 25% for the 4-H Youth Agent.
 - Included in the FY 2022 budget:
 - Memorandum of Agreement: \$40,954 (assessment)
(includes 1st half of 4-H Youth Agent and basic services)
 - Buy-up of additional 25% of 4-H: \$16,669 (Makes 4-H Youth Agent as 75%)
 - \$1,800 over two lines for phone and internet service at the office in Baldwin
- The costs for liability insurance and the self-insured retention contribution for the county's carrier, MMRMA, is budgeted at \$170,863 (\$135,863 Insurance and \$35,000 SIR) for FY 2022. The renewal is expected at a slight increase. The rate for FY2021 was \$164,393. These amounts are a decrease from pre-2020 rates which included liability for operating the RRP. The costs for FY 2019 was \$184,770. As part of the county's renewal for 2022 we will receive a dividend of \$70,137 at the end of this year.

- The Indigent Defense Fund reflects a transfer in from the General Fund of \$77,133 and a grant from the state in the amount of \$235,547, reflected under State Grants and fund balance, due to the timing in receipting some of the grant funds. This fund covers the financial obligations to adhere to the several mandates and bring the county into compliance the state statute and grant contract.
- The School Resource Officer portion of the Law Enforcement Fund is budgeted at \$105,000 and reflects a transfer in from the Road Patrol Fund of \$45,000 for 25% of the duties when the officer is not working in the schools (off season) and 15% of the duties as the position is just 4 days a week in the schools. The remaining \$60,000 is budgeted to come from Baldwin Schools \$45,000 and the General Fund \$15,000 (101.965.00.995.016).
- The Road Patrol Fund is budgeted to use fund balance (\$402,363) to help balance the budget and to fund a new sergeant position. Notable budgeted expenditures include: \$78,000 purchasing 2 vehicles, \$32,000 outfitting 2 vehicles, \$45,000 for IT, \$2,500 for 1 radio, \$13,680 for continuation of the Taser program, \$45,000 for the SRO position, \$34,681 for Secondary Roads, \$5,000 for ammunition, and \$33,000 for software maintenance.
- The Soldiers Relief Fund is budgeted with \$60,103 in revenue from the State Veterans Basic Grant and \$61,663 in millage monies.
- Revenue and Expenditures within the Child Care Fund will look different than previous years due to changes in how the state bills for care.
- The RRP is budgeted to receive \$10,000 from the General Fund in a transfer in and use \$20,000 in fund balance to cover costs associated with utilities and trash related to a vacant facility.
- In 2020 the Board of Commissioners created the General Debt Service Fund 301 to cover the principle and interest costs associated with the bond payments for the RRP Facility and the Jail/Courthouse. The General Fund is budgeted to transfer \$261,022 into the 301 to be used with \$50,000 in excess 301 fund balance to cover the bond payment for the RRP. Sufficient funds are available within the 301 fund balance to pay for all future principle and interest payments on the courthouse/jail bonds until they can be paid off early (December 2024) or defeased. All future payments for this bond will all be made from fund balance. The principle payment for the courthouse and jail is \$305,000, with interest payments being \$80,574. The principle payment for the RRP is \$176,000 with interest payments being \$135,022.
- The Building Authority is planned to be inactive for the foreseeable future. Legal counsel has advised that rather than disband the authority, until both bonds are paid off, the

county should keep the authority in a dormant state. Therefore minimal dollars have been left as assets with the authority and no money is budgeted for next year.

- In FY 2021 the county made changes to how it spreads the cost of liability and property insurance amongst its funds. More funds were included to reflect a more accurate coverage of the costs. Additionally, based on past years' performance, in 2020 the county increased its self-insured retention (SIR) limit from \$75,000 to \$100,000. The SIR is the amount of the county's exposure for most individual liability claims. The county pays the SIR on some claims before secondary insurance kicks in. This change and the dropping of liability related to operations at the RRP saved the county nearly \$20,000 in 2020. Next year's renewal (2022) is estimated that the premium will be 5% more than this year's (2021). 2019: Premium, \$149,770 and SIR contribution, \$35,000, total \$184,777. 2020: Premium, \$129,918 and SIR contribution, \$35,000, total \$164,918. 2021: Premium, \$129,393 and SIR contribution, \$35,000, total \$164,393. Estimate 2022: Premium, \$135,863 and SRI contribution, \$35,000, total \$170,863.

Conclusion

The budget is the primary policy statement on County programs and priorities from the Board of Commissioners to the citizens of our County. The budget provides information to the public on the funding priorities and programs that have been established. It provides direction for departments, offices, and agencies through the course of the fiscal year. The budget is also a flexible document that is subject to change as the need arises, information becomes available, and priorities change.

I would like to thank the Board of Commissioners, all departments, elected officials, the judiciary, and the administrative staff for their cooperation in developing the 2022 annual budget. Many have contributed to this plan and they should be commended for the effort put forth to provide the most effective and efficient services and resources to the citizens we serve.

Respectfully Submitted,



Tobi G Lake
County Administrator