

Commissioner Budget Questions  
11/07/13-11/20/13

**Q: A request of the assumptions with the 4 year budget around State Revenue Sharing, Equalization/Projected Property Tax Revenue, BOC authorization eight times regarding Act 88 and Veteran's Relief, Balanced Budget, Projected Police Service Units (PSUs) increases, Labor Assumptions and Contract Negotiations, Resolved/Settled Pension and Healthcare Obligations and Binding Future Boards.**

A: The **high level assumptions** are summarized on page Intro-18 – Intro-19 2014-2017 Preliminary Budget Summary (requested topics are highlighted):

**On the revenue side**, the major assumption is that property taxes will stabilize at 1% growth in taxable value each year 2014 through 2017. Personal property tax reform has been passed by the State legislatures. Projections include personal property tax revenue of \$5.5 million. A milestone will occur in August 2014, when the reform proposal is brought before the voters. These projections assume the State of Michigan will keep reinstated revenue sharing/county incentive program in the amount of \$5.5 million per year, which is 79% of previous levels. This amount is in alignment with the State's published fiscal year 2014 projected payment amounts. Other revenue including fees and fines are estimated to remain relatively flat.

**For expenditures**, the assumptions take into consideration conservative wage adjustments in alignment with the labor agreements reached, but with growing fringe rates based on trends, currently projected to be 6% annually. Other operating costs are projected to be relatively neutral as it is assumed that the organization will continue to operate with a constant pressure to contain costs as much as possible. Next to personnel, the largest portion of the General Fund budget comes through its appropriations to programs outside the General Fund. The recommended budget and these projections are built on a revised policy to no longer automatically provide appropriation increases for personnel cost growth except where required to do so under statute. This is a significant policy adjustment given these economic times. It has helped to reduce the projected deficit within the General Fund, and yet this shift in approach may be difficult to realize if these non General Fund programs are faced with drastic service reductions if the General Fund does not provide additional support. This scenario which may be upon us in the next couple of years only highlights the necessity for clear priorities and direction for the organization.

**Act 88 and Veteran's Relief** recommended budgets are presented in alignment with the major assumption (stated above) regarding property taxes of 1% growth in taxable value each year 2014 through 2017. Both of these millage assessments required BOC authorization annually.

The 2014-2017 Recommended Budget is **balanced** over the four year period.

The recommended budget was prepared in alignment with BOC policy regarding **Police Service Unit (PSUs)**: The Board of Commissioners adopted the recommendation from the Police Services Steering Committee (PSSC) for the police services 2012-15 cost/price metrics as the agreed calculation for the total price of a police service unit (PSU). On December 1, 2010, the Board of Commissioners by resolution #10-0221 adopted the recommendation from the PSSC and adopted Scenario 3 as the agreed upon calculation for the total cost of a PSU. Scenario 3 defined the 2011 cost per deputy at \$168,584 with an additional \$7,524 per deputy in overhead

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costs with a 2011 established contract price of \$150,594. On July 6, 2011, the Board of Commissioners by resolution #11-0112 adopted the price of a PSU for 2012 at \$150,594 level with 2011 price, with yearly 1% increase for subsequent years through 2015. The 2013 price will be \$152,100, 2014 price will be \$153,621 and 2015 price will be \$155,157. The Sheriff's Office, County Administration and the PSSC will further focus on the process and metrics related to the PSSC charge, the appropriate length of new contracts, adding or reducing PSUs and changes in contract costs. The Board of Commissioners authorizes the Administrator to implement budget or personnel modifications if the contract levels change throughout the contract period. The Administrator shall report any major modifications to the Chair of the Board of Commissioners.

Furthermore, the PSSC committee will recommend pricing for 2016 & 2017 prior to the start of those fiscal years and applicable contract period. The recommended budget includes 1% increase each year for 2016 (for a price of \$156,709) and 2017 (for a price of \$158,276).

**Labor Assumptions and Contract Negotiations:** The recommended budget includes labor savings that is believed to be realistic. As contract negotiations progresses with POAM & COAM updates will be provided to the BOC as they become available. If labor savings cannot be confirmed prior to the start of the new fiscal years (1-1-15 and 1-1-16) after the contracts expire (12-31-14 and 12-31-15, respectively) then a recommendation will be presented to the BOC for consideration and action.

The **pension and healthcare liabilities** still exist. The potential bonding for these obligations would be a restricting of the debt already incurred. The WCERs Board adopted a longer amortization period and the VEBA Board is considering similar options. The recommended budget is in alignment with both Board's respective actions.

Finally, **binding future boards** perspective. The recommended four year budget is being recommended just as the two year (biennial) budget has been presented with requested authorization just for a longer period of time (two additional years). On page A-1 of the 2014-2017 Preliminary Budget Summary, the BOC is being requested (first NTBR – included below) to approve the 2014 Operating Budget then the BIFRs (one-six – also included below) outline that each year the budgets will be amended to reflect the necessary revisions as economic conditions warrant and presented to the BOC each year for final adoption prior to the beginning of each fiscal year. The BOC will have the opportunity to review, discuss, deliberate and take action each year.

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby approves the 2014 Operating Budget as the official budget and the position changes for the County of Washtenaw for the fiscal year beginning January 1, 2014.

BE IT FURTHER RESOLVED that the Board of Commissioners directs that the 2015-2017 budgets be amended in 2014 to reflect necessary revisions as economic conditions warrant.

BE IT FURTHER RESOLVED that the Board of Commissioners directs the County Administrator to bring the necessary changes to the 2015-2017 budgets back to the Board prior to the beginning of fiscal year 2015 for final adoption.

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BE IT FURTHER RESOLVED that the Board of Commissioners directs that the 2016-2017 budgets be amended in 2015 to reflect necessary revisions as economic conditions warrant.

BE IT FURTHER RESOLVED that the Board of Commissioners directs the County Administrator to bring the necessary changes to the 2016-2017 budgets back to the Board prior to the beginning of fiscal year 2016 for final adoption.

BE IT FURTHER RESOLVED that the Board of Commissioners directs that the 2017 budget be amended in 2016 to reflect necessary revisions as economic conditions warrant.

BE IT FURTHER RESOLVED that the Board of Commissioners directs the County Administrator to bring the necessary changes to the 2017 budget back to the Board prior to the beginning of fiscal year 2017 for final adoption.

**Q: Please provide the cost of providing health care to part-time employees.**

A. The initial measurement period for tracking temporary employee work hours under the Patient Protection and Affordable Care Act (PPACA) was May 1, 2013 – October 31, 2013. This timeframe assisted the County in determining or gauging what an approximate liability could be in the event that a temporary employee worked more than 130 hours/month. For the initial 6-month measurement period, organizations were able to average the entire 6-month timeframe. Therefore, Washtenaw County reporting identifies any temporary employee who worked beyond 780 hours in the 6-month period. Beginning November 1, 2013, the hours will be measured on a monthly basis. As such, any employee working more than 130 hours in a month must be offered healthcare coverage beginning January 1, 2015 if there are still actively employed at that time.

During the initial 6-months there were 35 temporary employees that exceeded the hours worked limited. The liability associated would be as follows:

8 Sheriff	\$104,451.36
27 General	\$290,182.50
TOTAL	\$394,633.86

The composite rate for Sheriff Office employees is \$13,056.42. The composite rate for General employees is \$10,747.50.

**Q: How much money has the Sheriff given back since 2008?**

A. The Washtenaw County Sheriff's Office has managed to stay within budget each year.

**Additional information on PPT:** Attached is the Legislative Analysis from March 2013 which provide an overview on each of the House Bills/Public Acts which will impact Personal Property Tax (PPT) if the vote that is held in August 2014 approves the proposal. This is 9 pages, probably more than you want but at least can give you an over view of all the Bills in play as well as a bit more specific on the two bills that more directly impact us.

As a quick note as presented by Equalization on April 17<sup>th</sup> this year our PPT revenue is \$5.5M which is based on a taxable value of approximately \$70M

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The two bills that have a direct impact to us are House Bill #6024 (also known as PA 406 of 2012) and House Bill #6025 (also known as PA 407 of 2012). I have included PDFs of these two documents below should you care to read in more detail.

**House Bill 6025/PA 407** (Attached)— Defines the reimbursement criteria for local units of government. Basically a unit of government is eligible for reimbursement from the State IF they experience a reduction in taxable value of more than 2.3%. If the reduction is 2.3% or less a unit is not eligible for any reimbursement.

It is anticipated that the reimbursement level for eligible units will be about 80% of the reduction they experience.

**House Bill 6024/PA 406** (Attached)— Beginning in 2016 local units, by resolution of their Board, could impose a special assessment on taxpayers claiming the eligible manufacturing personnel property exemption to offset the cost of providing essential services. Essential services are defined as police, fire, ambulance services and jail operation.