

MACOMB COUNTY, MICHIGAN

Citizens Guide and Performance Dashboard

2019

This Citizens Guide and Performance Dashboard is intended to provide the general public with a brief but meaningful presentation on the finances of the County, with emphasis placed on the General Fund, long-term debt and legacy costs associated with pensions and retiree health care. The information presented herein represents amended budget amounts for 2019, recommended budget amounts for 2020 as well as forecasted amounts for 2021 and 2022. The adopted 2019 budget is available on the County's web site at www.macombgov.org. Questions and comments regarding the Citizens Guide and Performance Dashboard may be directed to the Finance Department at 586-469-5250.

Overview of the County

Macomb County was incorporated in 1818 and includes an area of 482 square miles with the county seat located in the city of Mt. Clemens. The County operates under a Home Rule Charter that provides for both executive and legislative branches of government. The executive branch is directed by an elected County Executive, who serves as the Chief Administrative Officer of the County and directs the operations of all departments except the Sheriff, Prosecuting Attorney, Public Works, County Clerk/Register of Deeds, the Circuit and District Courts and the Board of Commissioners, which are all operated by separately elected officials. The legislative branch is directed by a 13 member elected Board of Commissioners. The County provides many services to residents, including law enforcement, administration of justice, community development and enrichment, parks and recreation and human services.

The Budget Process

The annual budget serves as the foundation for the County's financial planning and fiscal control for the upcoming year. The Appropriations Ordinance adopted by the Board of Commissioners represents the legal authorization for County agencies to procure goods and services. The County's budgetary practices and controls are governed by both County Charter and Public Act 2 of 1968, more commonly known as the Uniform Budgeting and Accounting Act. Each require that the budget be balanced, which means that budgeted appropriations cannot exceed the total of budgeted revenues and available fund balance reserves in any individual fund.

The majority of the funds and activities of the County are accounted for on a fiscal year that ends on December 31. The County is somewhat unique in that it also has certain Special Revenue and Enterprise funds that are accounted for on a fiscal year that ends on September 30. The County Charter requires the County Executive to submit a comprehensive balanced budget to the Board of Commissioners at least 90 days before the beginning of each fiscal year. Budget worksheets are distributed to department heads and elected officials approximately 180 days before the beginning of the fiscal year and returned to the Finance Department 4-6 weeks later. The information is compiled and a recommended budget is submitted to the Board of Commissioners no later than 90 days before the beginning of the upcoming budget year. The budget is discussed further over the next 45-60 days, including formal discussions with the Finance Committee during that time. A public hearing is held approximately two weeks before the first day of the new budget year and the final budget is adopted by the Board of Commissioners prior to the beginning of the fiscal year. Appropriations approved by the Board of Commissioners are considered maximum spending authority and not a mandate to spend the entire amount appropriated. As a result, this allows for further savings to be achieved throughout the year.

Budget Adjustments

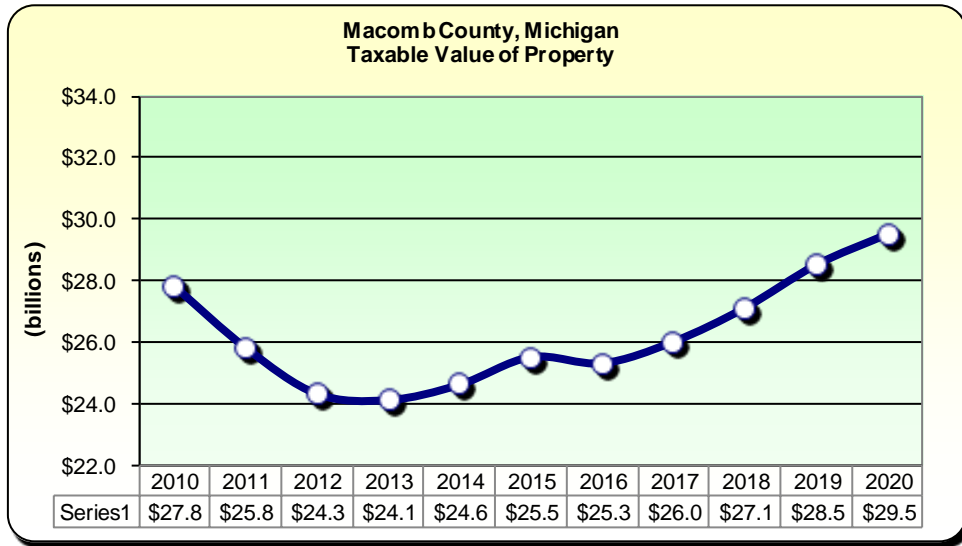
Transfers between budget centers must be approved by the Board of Commissioners regardless of amount. Transfers between line items within any budget center within any fund that exceed the lesser of \$35,000 or 5% of the total appropriations approved for the budget center in question must be approved by the Board of Commissioners. Multiple related expenditures shall be aggregated and are subject to the same parameters described above for any one budget

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year. Internal service costs may be transferred between funds and budget centers regardless of amount without prior approval of the Board of Commissioners.

Budget and Forecast Assumptions

Property taxes account for approximately 16.6% of revenues across all funds and are the primary source of revenue for the General Fund (46.9% for 2019). The County enjoyed healthy increases in taxable values of 6% per year, on average, from the mid 1990s through the mid 2000s. Taxable values began to stagnate in 2008 and declined 24.5% from that time through the end of 2013. **Since the decline ended in 2013, taxable values have increased 18.3%. Taxable values are estimated to increase 3.5% in 2020.** Each 1% change in property values equates to approximately \$1.3 million in property tax revenue to the General Fund. Health care costs for 2020 are expected to increase 7.5%. The taxable value of property for the past ten years along with next year's projection is presented below.



Operations at a Glance

The County provides many valued services to its residents. These activities are accounted for in many different funds. The General Fund is the main operating fund of the County and is used to account for functions that are financed primarily by property taxes and other general revenue such as State Revenue Sharing, liquor tax and interest. Special Revenue and Enterprise funds are used to account for activities that are funded primarily by State and Federal grants and charges for services. Amended budget information for 2019 and recommended budget information for 2020 for all budgeted funds is presented on the following two pages.

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Macomb County, Michigan
Budgeted Revenues and Expenditures - All Funds (As Amended)
Fiscal 2019

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>Department</u> <u>of Roads</u>	<u>Community</u> <u>Mental Health</u>	<u>Nonmajor</u> <u>Funds</u>	
Revenues					
Property Taxes	\$ 126,632,070	\$ -	\$ -	\$ 1,971,874	\$ 128,603,944
Intergovernmental	39,868,849	137,481,914	10,192,079	73,295,443	260,838,285
Charges for Services/Reimb	46,370,968	2,117,500	180,096,094	58,533,619	287,118,181
Indirect Cost Allocation	45,062,058	-	66,150	-	45,128,208
Other Sources	3,667,150	1,548,663	56,199	1,320,212	6,592,224
Transfers In	8,605,000	-	3,853,481	37,632,572	50,091,053
Total Revenues	<u>270,206,095</u>	<u>141,148,077</u>	<u>194,264,003</u>	<u>172,753,720</u>	<u>778,371,895</u>
Expenditures					
Personnel	144,020,491	35,290,798	26,710,131	66,005,015	272,026,435
Supplies & Commodities	28,307,946	6,289,775	10,598,736	55,030,685	100,227,142
Road Construction & Maintenance	-	100,237,960	-	-	100,237,960
Contract Services	9,965,351	4,939,950	154,886,060	35,290,938	205,082,299
Internal Services	35,644,730	-	1,938,956	9,523,572	47,107,258
Capital Outlay	10,185,939	16,734,191	130,120	2,378,016	29,428,266
Debt Service	-	-	-	9,054,786	9,054,786
Transfers Out	47,198,523	-	-	999,615	48,198,138
Total Expenditures	<u>275,322,980</u>	<u>163,492,674</u>	<u>194,264,003</u>	<u>178,282,627</u>	<u>811,362,284</u>
Net Change in Fund Balance	(5,116,885)	(22,344,597)	-	(5,528,907)	(32,990,389)
Fund Balance, Beginning of Year	<u>58,196,913</u>	<u>82,120,722</u>	<u>5,959,437</u>	<u>28,076,484</u>	<u>174,353,556</u>
Fund Balance, End of Year	<u>\$ 53,080,028</u>	<u>\$ 59,776,125</u>	<u>\$ 5,959,437</u>	<u>\$ 22,547,577</u>	<u>\$ 141,363,167</u>

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Macomb County, Michigan
Budgeted Revenues and Expenditures - All Funds (As Recommended)
Fiscal 2020

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>Department</u>	<u>Community</u>	<u>Nonmajor</u>	
	<u>Fund</u>	<u>of Roads</u>	<u>Mental Health</u>	<u>Funds</u>	
Revenues					
Property Taxes	\$ 131,094,600	\$ -	\$ -	\$ 4,503,000	\$ 135,597,600
Intergovernmental	37,230,400	143,351,600	8,135,800	69,161,100	257,878,900
Charges for Services/Reimb	49,140,400	2,117,500	190,192,900	59,160,600	300,611,400
Indirect Cost Allocation	48,389,000	-	66,200	-	48,455,200
Other Sources	3,910,900	2,214,900	170,200	1,643,500	7,939,500
Transfers In	8,174,200	-	3,752,000	39,231,200	51,157,400
Total Revenues	<u>277,939,500</u>	<u>147,684,000</u>	<u>202,317,100</u>	<u>173,699,400</u>	<u>801,640,000</u>
Expenditures					
Personnel	153,087,800	36,914,500	25,580,800	69,367,200	284,950,300
Supplies & Commodities	31,501,000	6,338,200	13,917,200	49,013,900	100,770,300
Road Construction & Maintenance	-	95,327,900	-	-	95,327,900
Contract Services	9,972,000	11,943,400	160,208,200	37,047,600	219,171,200
Internal Services	35,280,300	-	1,936,500	10,624,000	47,840,800
Capital Outlay	7,939,300	7,625,800	242,400	1,463,100	17,270,600
Debt Service	-	-	-	8,388,400	8,388,400
Transfers Out	41,870,200	-	-	1,113,000	42,983,200
Total Expenditures	279,650,600	158,149,800	201,885,100	177,017,200	816,702,700
Net Change in Fund Balance	(1,711,100)	(10,465,800)	432,000	(3,317,800)	(15,062,700)
Fund Balance, Beginning of Year	<u>53,080,028</u>	<u>59,776,125</u>	<u>5,959,437</u>	<u>22,547,577</u>	<u>141,363,167</u>
Fund Balance, End of Year	<u>\$ 51,368,928</u>	<u>\$ 49,310,325</u>	<u>\$ 6,391,437</u>	<u>\$ 19,229,777</u>	<u>\$ 126,300,467</u>

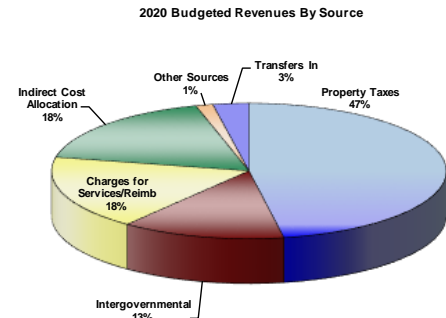
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The General Fund

The General Fund is the primary operating fund of the County. It is responsible for funding virtually all law enforcement and justice functions, including the courts, juvenile justice, Sheriff, Prosecuting Attorney and support services such as Finance and Human Resources. The General Fund is also responsible for funding the majority of the operations of the County's other elected officials, including the County Executive, Clerk/Register of Deeds, Treasurer, Board of Commissioners and the Public Works Commissioner. A summary of revenues by source and expenditures by category and function are presented below.

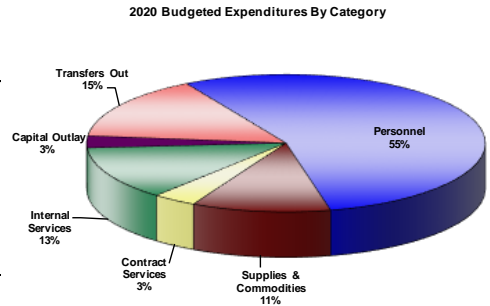
**Macomb County, Michigan
General Fund Revenues By Source**

	2018 Actual	2019 Amended	2020 Recommend	2021 Forecast	2022 Forecast
Property Taxes	\$ 120,887,270	\$ 126,632,070	\$ 131,094,600	\$ 133,709,400	\$ 134,993,000
Intergovernmental	36,560,470	39,868,849	37,230,400	36,460,600	36,693,100
Charges for Services/Rein	46,834,546	46,370,968	49,140,400	46,788,500	46,102,400
Indirect Cost Allocation	14,570,767	45,062,058	48,389,000	48,372,300	48,372,300
Other Sources	3,787,185	3,667,150	3,910,900	3,486,000	3,167,400
Transfers In	13,404,216	8,605,000	8,174,200	8,004,200	8,004,200
Total	\$ 236,044,454	\$ 270,206,095	\$ 277,939,500	\$ 276,821,000	\$ 277,332,400



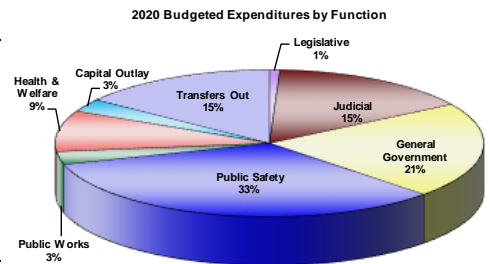
**Macomb County, Michigan
General Fund Expenditures By Category**

	2018 Actual	2019 Amended	2020 Recommend	2021 Forecast	2022 Forecast
Personnel	\$ 138,750,246	\$ 144,020,491	\$ 153,087,800	\$ 156,681,000	\$ 159,918,300
Supplies & Commodities	29,212,753	28,307,946	31,501,000	30,966,800	31,425,700
Contract Services	8,203,228	9,965,351	9,972,000	9,901,500	9,906,400
Internal Services	6,064,886	35,644,730	35,280,300	35,387,300	35,615,400
Capital Outlay	2,670,774	10,185,939	7,939,300	13,875,600	12,391,300
Transfers Out	46,537,306	47,198,523	41,870,200	42,240,200	42,643,300
Total	\$ 231,439,193	\$ 275,322,980	\$ 279,650,600	\$ 289,052,400	\$ 291,900,400



**Macomb County, Michigan
General Fund Expenditures By Function**

	2018 Actual	2019 Amended	2020 Recommend	2021 Forecast	2022 Forecast
Legislative	\$ 1,453,198	\$ 2,244,673	\$ 2,163,700	\$ 2,192,400	\$ 2,219,500
Judicial	32,713,303	41,837,539	42,957,400	43,668,800	44,337,200
General Government	46,790,597	54,684,583	59,001,400	59,359,400	60,691,800
Public Safety	72,495,892	86,740,693	92,580,800	93,927,600	95,310,700
Public Works	6,009,697	7,675,919	7,956,900	8,139,600	8,211,700
Health & Welfare	22,768,426	24,755,111	25,180,900	25,648,800	26,094,900
Capital Outlay	2,670,774	10,185,939	7,939,300	13,875,600	12,391,300
Transfers Out	46,537,306	47,198,523	41,870,200	42,240,200	42,643,300
Total	\$ 231,439,193	\$ 275,322,980	\$ 279,650,600	\$ 289,052,400	\$ 291,900,400

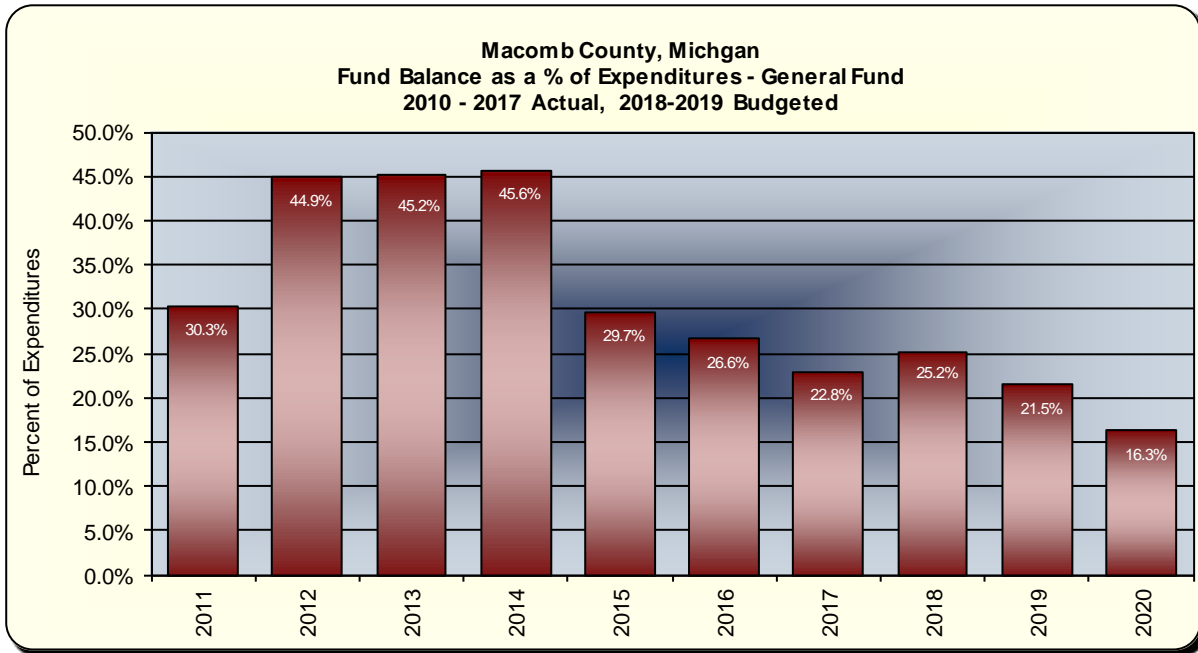


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Fund Balance – Preservation of fund balance is critical for the future. The County has prided itself on maintaining a healthy level of fund balance in its various operating funds. Industry guidelines recommend a fund balance of approximately 15% - 20% of annual expenditures in any given fund. The total audited General Fund balance of \$58.2 million as of December 31, 2018 represented 25.2% of 2018 expenditures (including transfers out). The ratio is expected to decrease to approximately 21.5% by the end of fiscal 2019 and then decrease to 16.3% by the end of fiscal 2020 as a result of increasing personnel costs, most notably in salaries and healthcare costs over those years as a result of implementation of the county’s recently completed compensation and classification study. A graphical representation of the level of fund balance as a percentage of expenditures for 2010 through 2019 is present below.

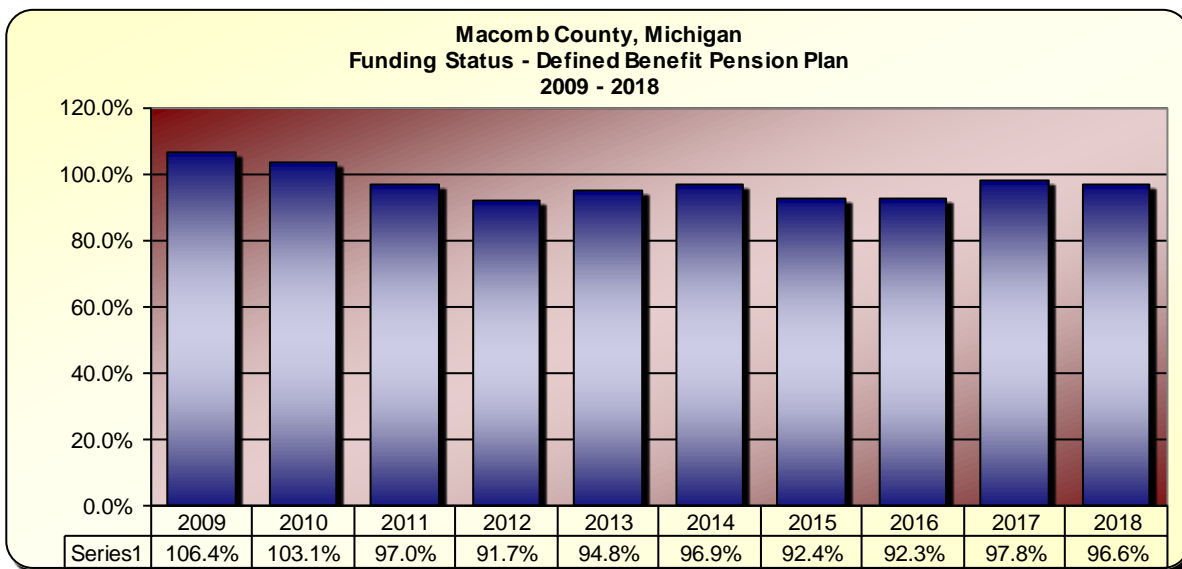


Defined Benefit Pension Plan – The County sponsors and administers the Macomb County Employees’ Retirement System (the “System”), a single employer defined benefit plan covering substantially all County employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the County Road Commission. As of December 31, 2018, the date of the most recent actuarial valuation, the plan was 96.6% funded. The actuarial accrued liability was \$1,034,282,157 and the actuarial value of plan assets was \$999,604,207, resulting in an unfunded liability of \$34,677,950. The funding status for the last 10 years is presented on the following page.

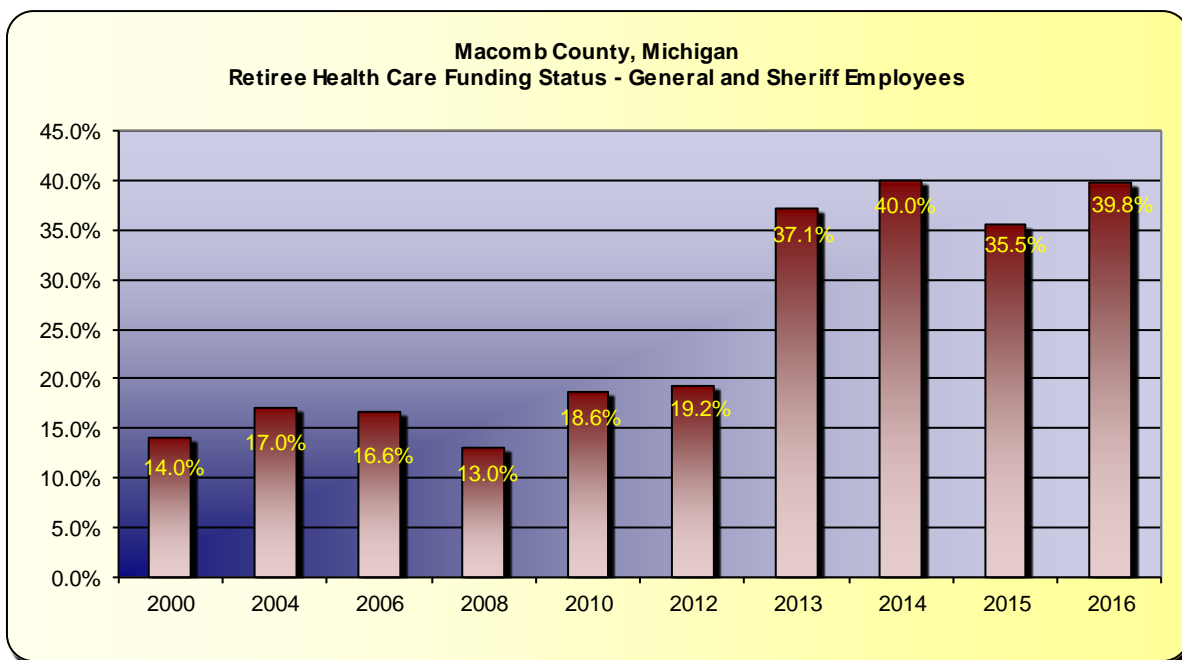
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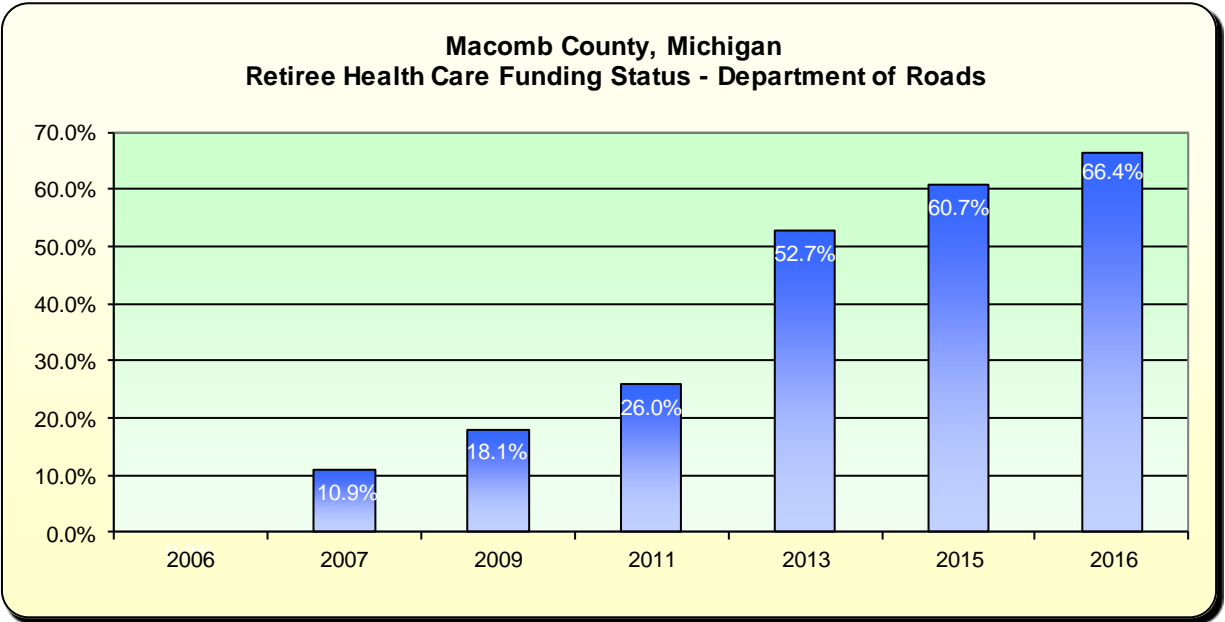
Retiree Health Care - The County sponsors a single employer postretirement healthcare plan for retirees and their spouses. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year. As of December 31, 2016, the date of the most recent actuarial valuation, the plan was 39.8% funded. The actuarial accrued liability for benefits was \$522,411,772 and the actuarial value of assets in the plan was \$207,979,413, resulting in an unfunded actuarial accrued liability of \$314,432,359. A graphical representation of the funding status of the plan since 2000 is shown below.



The County also sponsors a multiple employer plan administered by the Michigan Employers' Retirement System (MERS) for those who retired from the Department of Roads. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year. As of December 31, 2016, the date of the most recent actuarial valuation, the plan was 66.4% funded.

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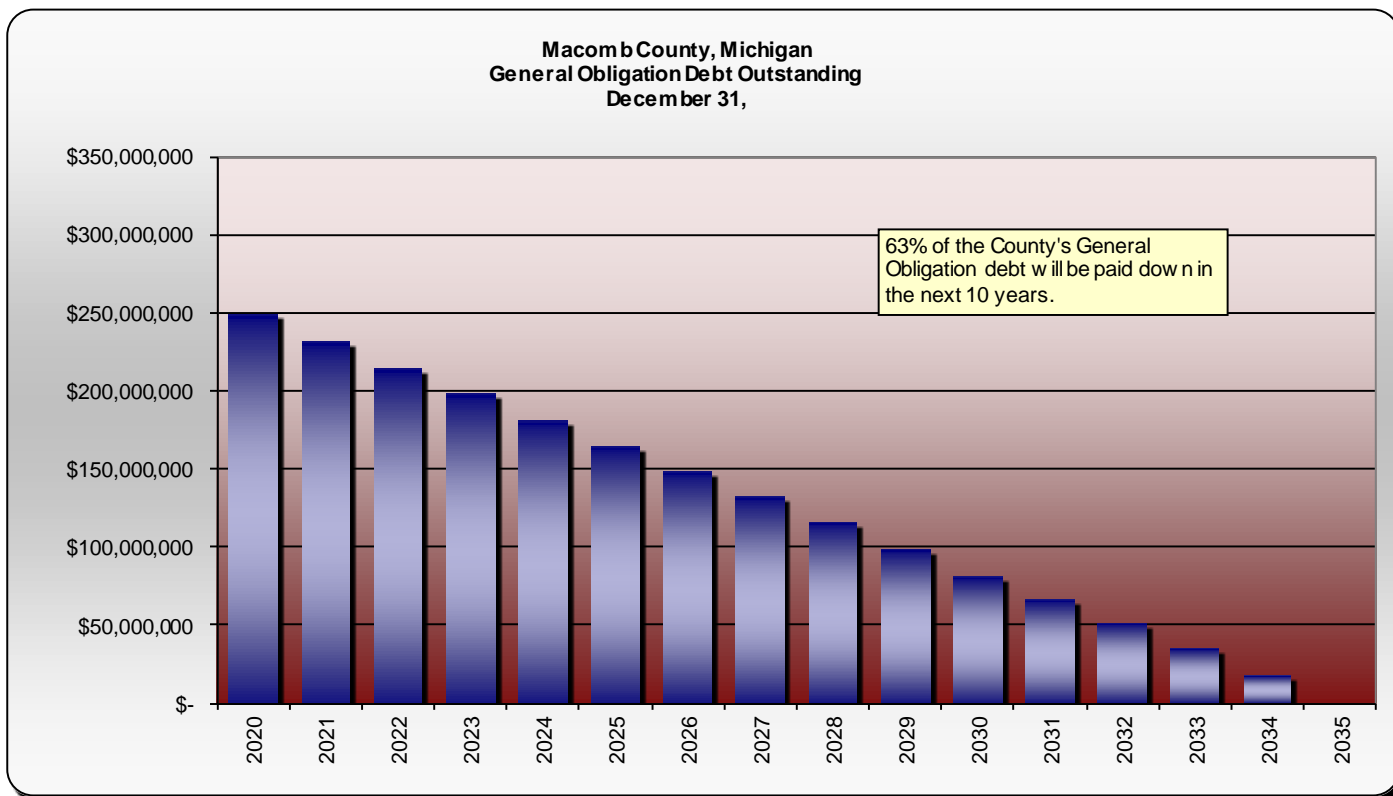
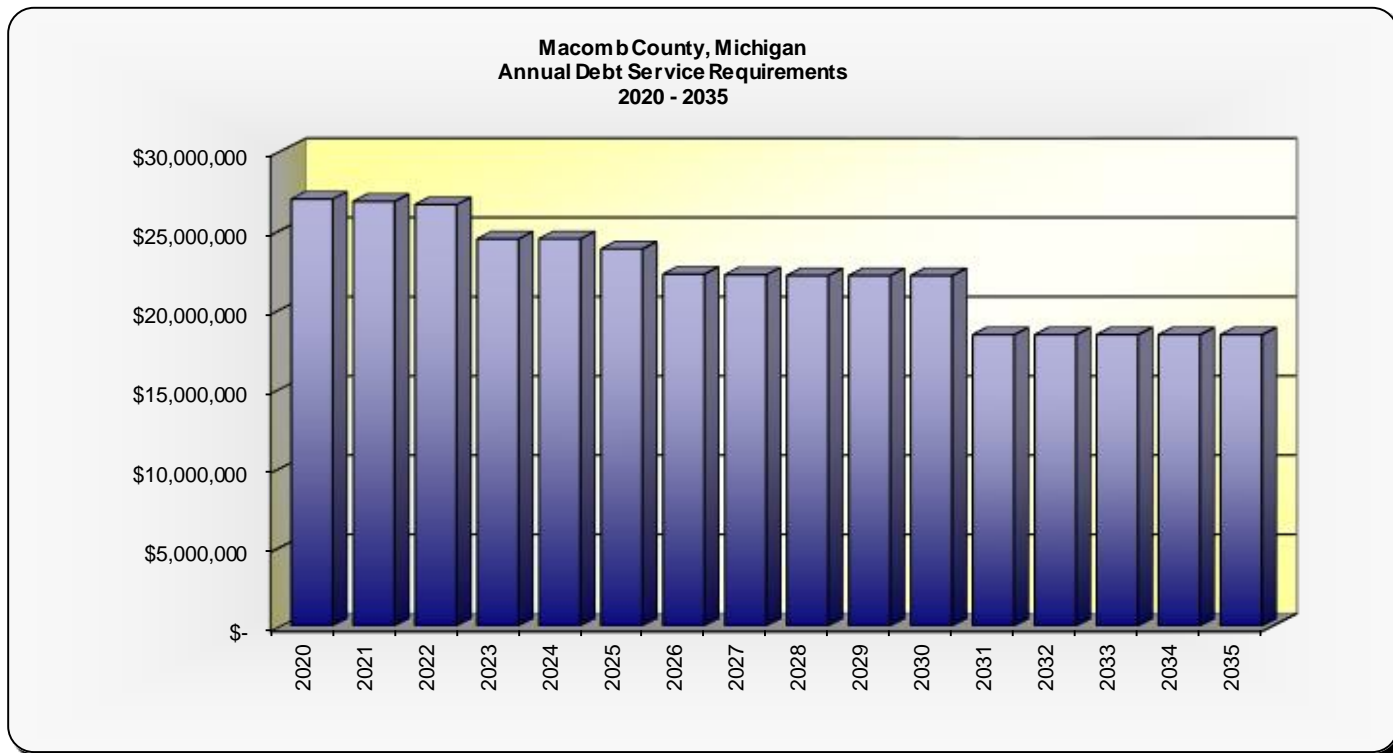
Retiree Health Care (concluded) – The actuarial accrued liability for benefits was \$78,342,538 and the actuarial value of assets in the plan was \$52,048,363, resulting in an unfunded actuarial accrued liability of \$26,294,175.



Long-Term Debt

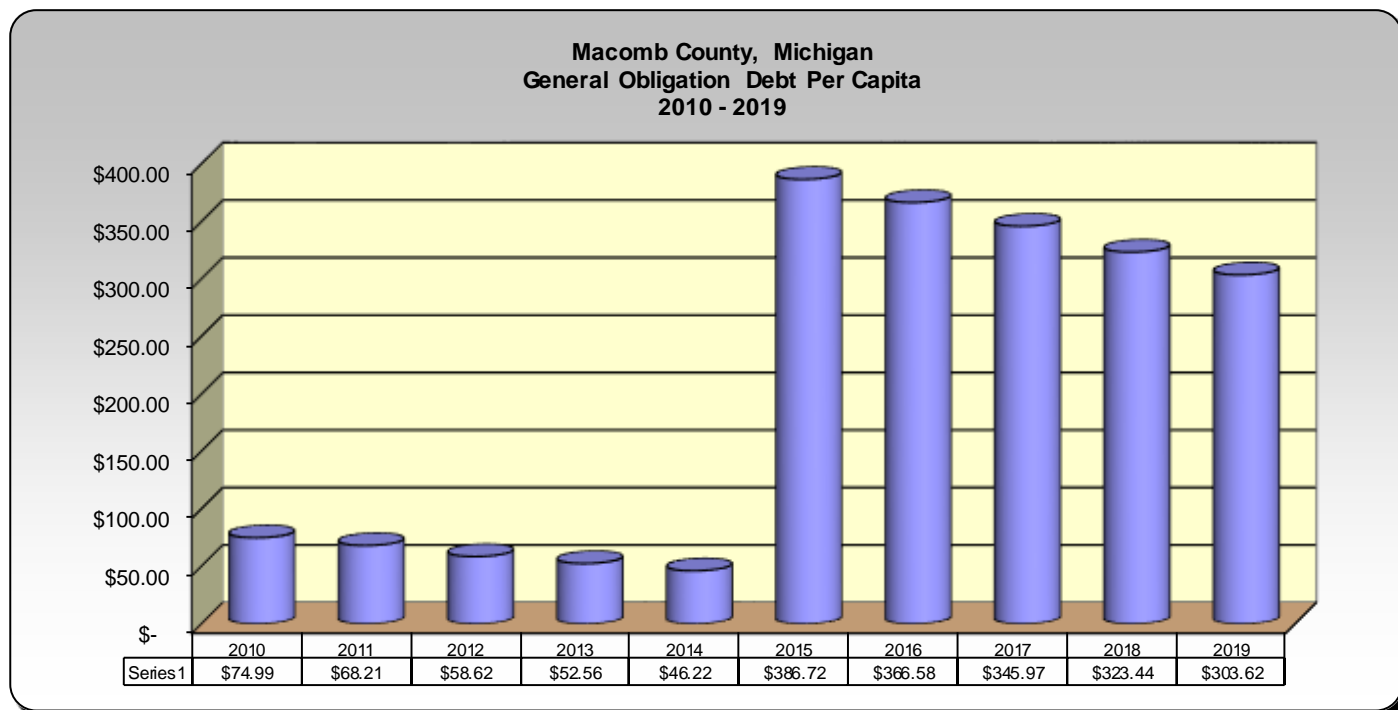
The County’s general obligation bonds are rated **AA+** by Standard & Poor’s and **Aa1** by Moody’s Investor Service. The County’s outstanding general obligation debt supported by the primary government as of December 31, 2019 will be \$265,590,000 or \$303.62 per capita. All of the County’s General Obligation Debt will be retired as of December 31, 2035. Annual debt service requirements and outstanding balances for the years 2020 – 2035 are presented on the following page.

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A graphical representation of the County's general obligation debt per capita for the last 10 years is presented on the following page.

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Annual principal and interest payments by issue are presented below and following pages:

Name:	Series 2005 Clemens Refunding	Series 2012 PWK/Wertz Refunding	Series 2012A 800 Mhz/NB Court Refunding
Type:	General Obligation, Limited Tax	General Obligation, Limited Tax	General Obligation, Limited Tax
Issue Date:	12/1/2005	3/1/2012	10/1/2012
Original Issue Amount:	\$2,875,000	\$6,550,000	\$14,160,000
Funding Source:	General Fund Unrestricted Revenues	General Fund Unrestricted Revenues	General Fund Unrestricted Revenues

Year	Series 2005 Clemens Refunding		Series 2012 PWK/Wertz Refunding		Series 2012A 800 Mhz/NB Court Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 210,000	\$ 5,250	\$ 535,000	\$ 62,850	\$ 1,410,000	\$ 198,725
2021	-	-	575,000	50,313	1,455,000	170,526
2022	-	-	565,000	36,063	1,495,000	141,425
2023	-	-	575,000	21,812	1,510,000	109,656
2024	-	-	585,000	7,312	1,555,000	75,681
2025	-	-	-	-	1,550,000	38,750
	\$ 210,000	\$ 5,250	\$ 2,835,000	\$ 178,350	\$ 8,975,000	\$ 734,763

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Name:	Series 2014 MTB/YTH Refunding	Series 2015 Central Campus Renovations	Series 2015 Retiree Health Care
Type:	General Obligation, Limited Tax	General Obligation, Limited Tax	General Obligation, Limited Tax
Issue Date:	9/1/2014	6/4/2015	3/11/2015
Original Issue Amount:	\$15,155,000	\$44,210,000	\$263,555,000
Funding Source:	General Fund Unrestricted Revenues	General Fund Unrestricted Revenues	See note below

Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,020,000	\$ 209,400	\$ 2,635,000	\$ 1,099,649	\$ 10,295,000	\$ 8,090,570
2021	2,120,000	126,600	2,705,000	1,033,074	10,545,000	7,842,358
2022	2,105,000	42,100	2,770,000	964,474	10,830,000	7,558,908
2023	-	-	2,870,000	865,524	11,145,000	7,246,138
2024	-	-	2,990,000	748,324	11,485,000	6,903,318
2025	-	-	3,110,000	626,324	11,860,000	6,532,812
2026	-	-	3,220,000	515,824	12,250,000	6,138,348
2027	-	-	3,320,000	414,404	12,685,000	5,706,414
2028	-	-	3,430,000	304,689	13,155,000	5,233,770
2029	-	-	3,545,000	188,272	13,670,000	4,717,304
2030	-	-	3,670,000	64,225	14,230,000	4,160,116
2031	-	-	-	-	14,815,000	3,572,986
2032	-	-	-	-	15,465,000	2,918,756
2033	-	-	-	-	16,155,000	2,235,820
2034	-	-	-	-	16,865,000	1,522,416
2035	-	-	-	-	17,610,000	777,657
	\$ 6,245,000	\$ 378,100	\$ 34,265,000	\$ 6,824,783	\$ 213,060,000	\$ 81,157,691

Name:	Series 2010 MDOT Loan	Series 2010 MDOT Loan	Series 2014 MDOT Loan
Type:	General Obligation	General Obligation	General Obligation
Issue Date:	10/1/2010	10/29/2010	7/1/2014
Original Issue Amount:	\$495,000	\$334,405	\$472,500
Funding Source:	General Fund Unrestricted Revenues	General Fund Unrestricted Revenues	General Fund Unrestricted Revenues

Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 52,967	\$ 2,140	\$ 34,611	\$ 696	\$ 38,596	\$ 8,872
2021	54,025	1,079	34,962	351	39,754	7,714
2022	-	-	-	-	40,947	6,522
2023	-	-	-	-	42,175	5,293
2024	-	-	-	-	43,440	4,028
2025	-	-	-	-	44,743	2,725
2026	-	-	-	-	46,086	1,383
	\$ 106,992	\$ 3,219	\$ 69,573	\$ 1,047	\$ 295,741	\$ 36,537

Note: Funding sources for the 2015 Retiree Health Care Bonds include General Fund unrestricted revenues as well as restricted source revenues received from granting agencies used to pay for employees' fringe benefits in certain grant-funded programs.

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Name: Series 2017 MDOT Loan
Type: General Obligation
Issue Date: 11/9/2017
Original Issue Amount: \$400,000
Funding Source: General Fund Unrestricted Revenues

Year	Principal	Interest
2020	\$ 37,511	\$ 8,193
2021	38,449	7,255
2022	39,410	6,294
2023	40,395	5,308
2024	41,405	4,298
2025	42,440	3,263
2026	43,501	2,202
2027	44,589	1,115
	<u>\$ 327,700</u>	<u>\$ 37,928</u>

Total county debt service for 2019 through 2035 is as follows:

Year	Total Debt Service			Principal Outstanding December 31,
	Principal	Interest	Total	
2020	\$ 17,268,685	\$ 9,686,345	\$ 26,955,030	\$ 249,121,321
2021	17,567,190	9,239,270	26,806,460	231,554,131
2022	17,845,357	8,755,786	26,601,143	213,708,774
2023	16,182,570	8,253,731	24,436,301	197,526,204
2024	16,699,845	7,742,961	24,442,806	180,826,359
2025	16,607,183	7,203,874	23,811,057	164,219,176
2026	15,559,587	6,657,757	22,217,344	148,659,589
2027	16,049,589	6,121,933	22,171,522	132,610,000
2028	16,585,000	5,538,459	22,123,459	116,025,000
2029	17,215,000	4,905,576	22,120,576	98,810,000
2030	17,900,000	4,224,341	22,124,341	80,910,000
2031	14,815,000	3,572,986	18,387,986	66,095,000
2032	15,465,000	2,918,756	18,383,756	50,630,000
2033	16,155,000	2,235,820	18,390,820	34,475,000
2034	16,865,000	1,522,416	18,387,416	17,610,000
2035	17,610,000	777,657	18,387,657	-
	<u>\$ 266,390,006</u>	<u>\$ 89,357,668</u>	<u>\$ 355,747,674</u>	

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Performance Dashboard

Fiscal Stability	2017	2018	Progress
General Fund Expenditures Per Capita	\$ 269.60	\$ 263.70	↓
Fund Balance as % of Expenditures (General Fund)	22.8%	25.2%	↑
General Obligation Debt Per Capita	\$ 345.97	\$ 323.44	↑
Funding Level - Pension Plan	97.8%	96.6%	↓
Funding Level - Retiree Health Care Plan	35.5%	39.8%	↑
Bond Rating	AA+/Aa1	AA+/Aa1	↔
% Change in Assessed Value of Property	5.6%	3.7%	↓

Public Safety	2017	2018	Progress
Crimes against persons per thousand residents	5	4	↑
Crimes against property per thousand residents	13	12	↑
Other crimes per thousand residents	39	38	↑
Traffic crashes non-injury	19,890	20,360	↓
Traffic crashes injuries or fatalities	5,495	5,424	↑

Economic Strength	2017	2018	Progress
Unemployment Rate	4.4%	4.0%	↑
Residential Building Permits	2,354	1,999	↓
Per Capita Personal Income	\$ 28,588	\$ 29,740	↑
Assessed Values of Property (in Thousands)	32,302	33,477	↑