

Dear Troy City Officials –

For the perusal of Council and Administration, I am passing along copies of Oakland County's Recommended FY 2014-2016 Triennial Budget.

As always, if you have questions, thoughts or concerns relating to County government, please do not hesitate to contact me.

Enjoy the rest of summer.

OAKLAND COUNTY BOARD OF COMMISSIONERS



Mike Bosnic

Vice Chairman-Human Resources
Commissioner, District #16

Vice Chairman-Republican Caucus
710 N. Crooks Road
Clawson, MI 48017

Phone: 248-435-3509
Web: oakgov.com/boc

bosnicm@oakgov.com

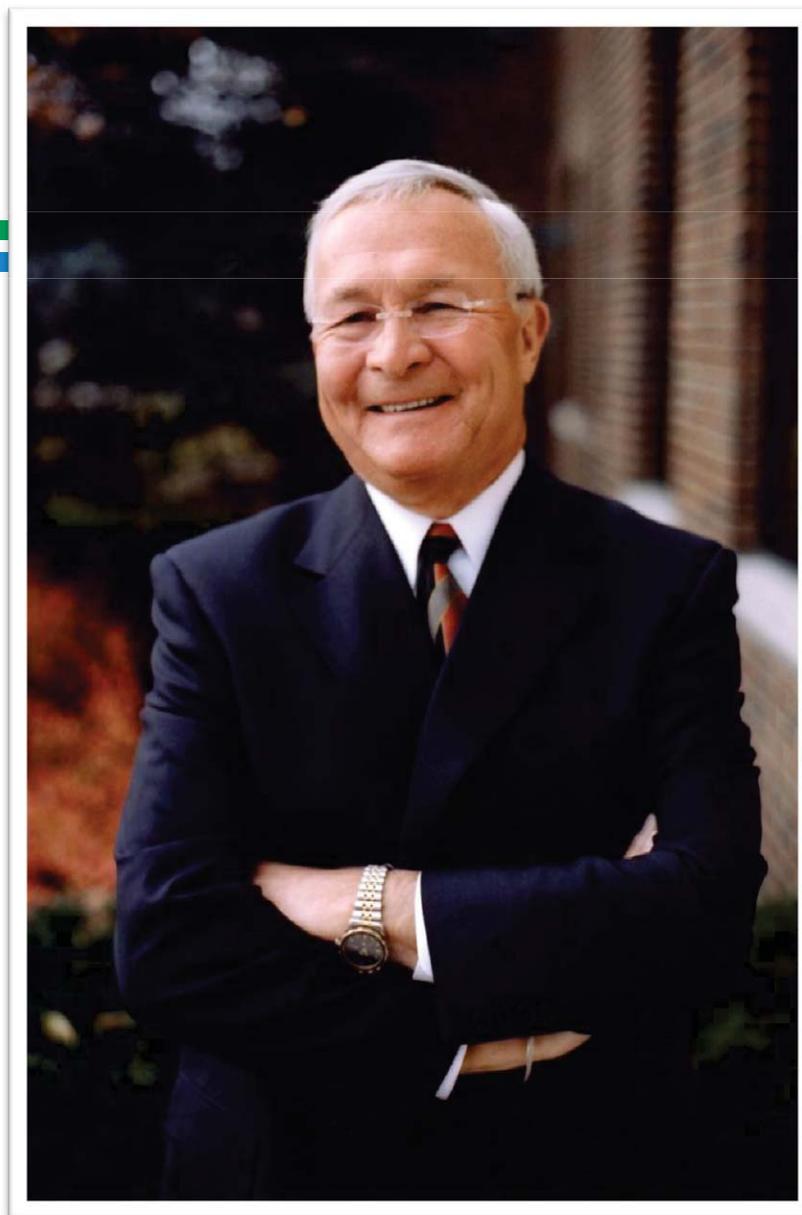


Presentation to the Board of Commissioners

Oakland County Executive's Recommended FY 2014 – FY 2016 Triennial Budget

July 17, 2013

L. Brooks Patterson
Oakland County Executive



FY 2013 through FY 2016

Recommended Budget

The Recommended Triennial Budget
is balanced for the next three fiscal years

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
General Fund/General Purpose	\$419,100,727	\$423,884,004	\$428,634,764
Special Revenue & Proprietary	<u>\$380,048,220</u>	<u>\$382,169,328</u>	<u>\$384,771,935</u>
Total All Funds Recommended Budget	<u>\$799,148,947</u>	<u>\$806,053,332</u>	<u>\$813,406,699</u>



Balanced Budget

How is Oakland County able to balance its budget for the next three years?



Andy Meisner
Treasurer



Michael Bouchard
Sheriff



Lisa Brown
Clerk



L. Brooks Patterson
County Executive



Jessica Cooper
Prosecutor



Jim Nash
Water Resources Commissioner



Board of Commissioners



Nanci Grant
Circuit Court



Linda Hallmark
Probate Court



Julie Nicholson
District Court

LEADERS WORKING TOGETHER

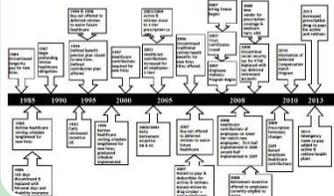
Oakland County's Strategy



Award winning, three year line-item budget

- Maintained on a “rolling” basis with frequent monitoring and budget amendments
- Long-term projections to ensure a sustainable healthy fund balance

Major Changes in Retirement & Benefit Plans



Incremental changes which yield big savings over time

- Thoughtful, planned management vs. crisis management
- Sustainable delivery of services to our citizens



Investing in Oakland County's future

- Economic diversification, business attraction, job creation
- Technology tools for efficient delivery of services

Multi-Year Budget

Oakland County relies on long-term financial planning

- Biennial budgets since 1987
- Expanded to triennial budget in 2009
- Detailed line-item budget balanced through FY 2016

Fund balances projected several years into the future

Multi-Year Budget

A multiple-year budget should be **CURRENT**

- “Rolling” Triennial Budget
- Timely and frequent budget amendments
 - Accurate, interim financial reports submitted to management and the Board
 - Adjust current *and* subsequent years’ budgets
 - Formal resolutions approved by the Board

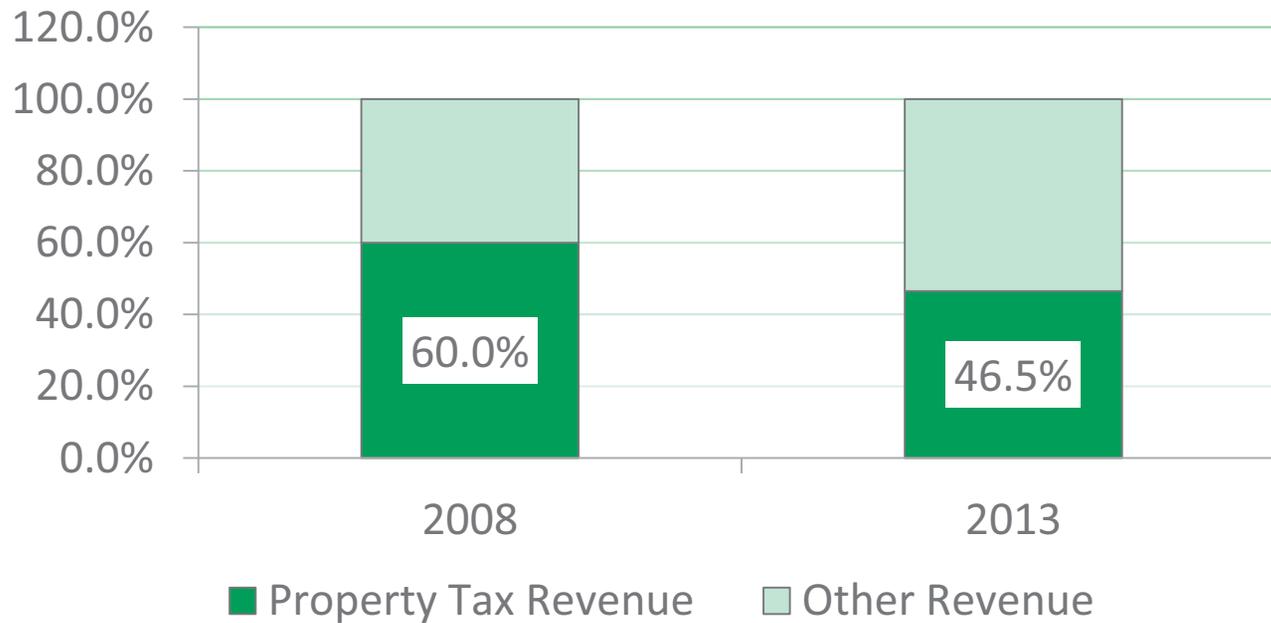
In addition to 3 years of a detailed line item budget, two additional years are also projected (at a higher summarized level)



Long-term Planning

Long-term financial planning was key to sustaining County services during the most recent prolonged economic recession, combined with the severe downturn in the real estate market

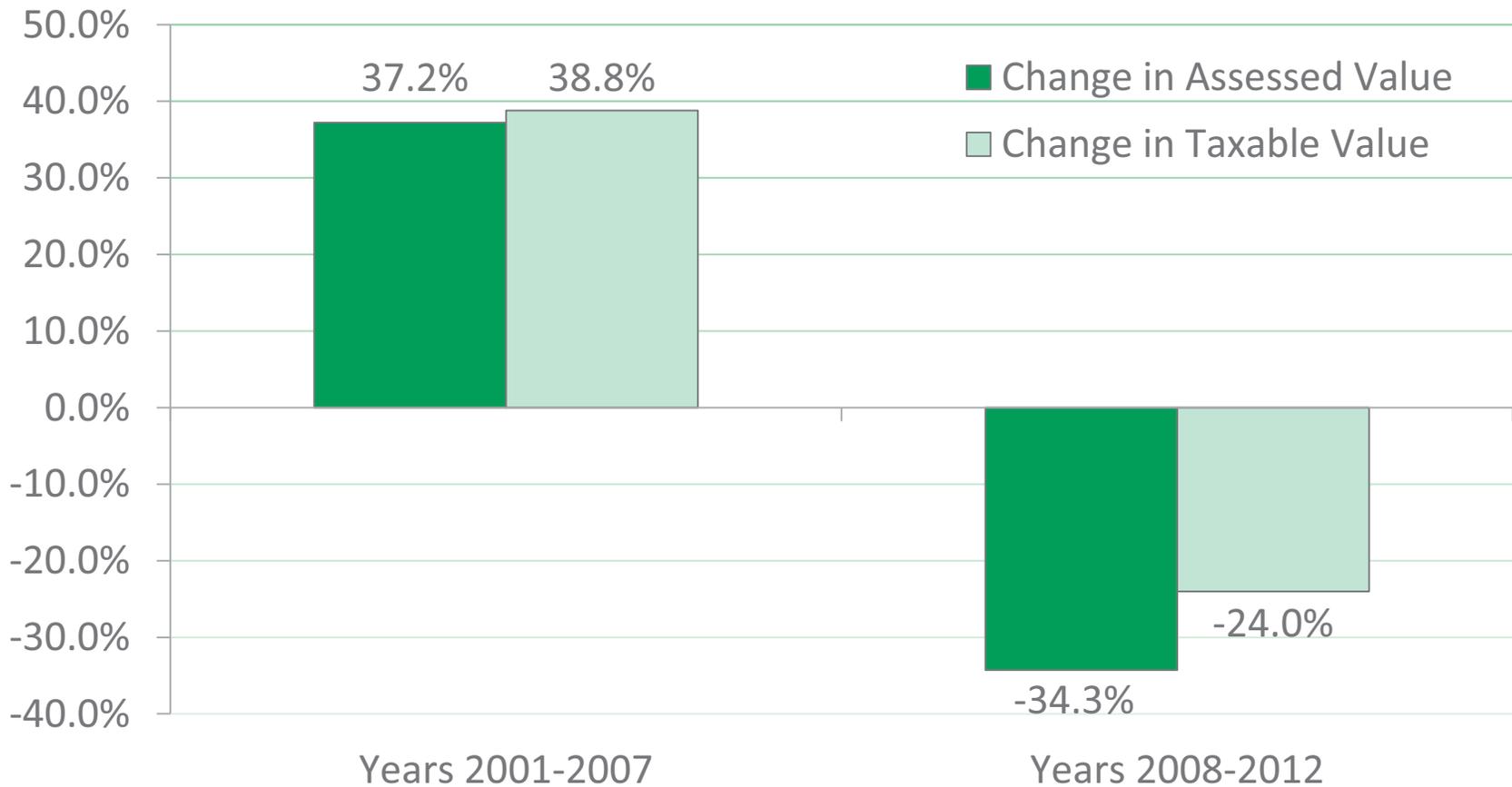
Reduced Property Taxes = 46.5% of County's General Purpose Revenues



REAL ESTATE MARKET DECLINE



Cumulative Change in Assessed and Taxable Values

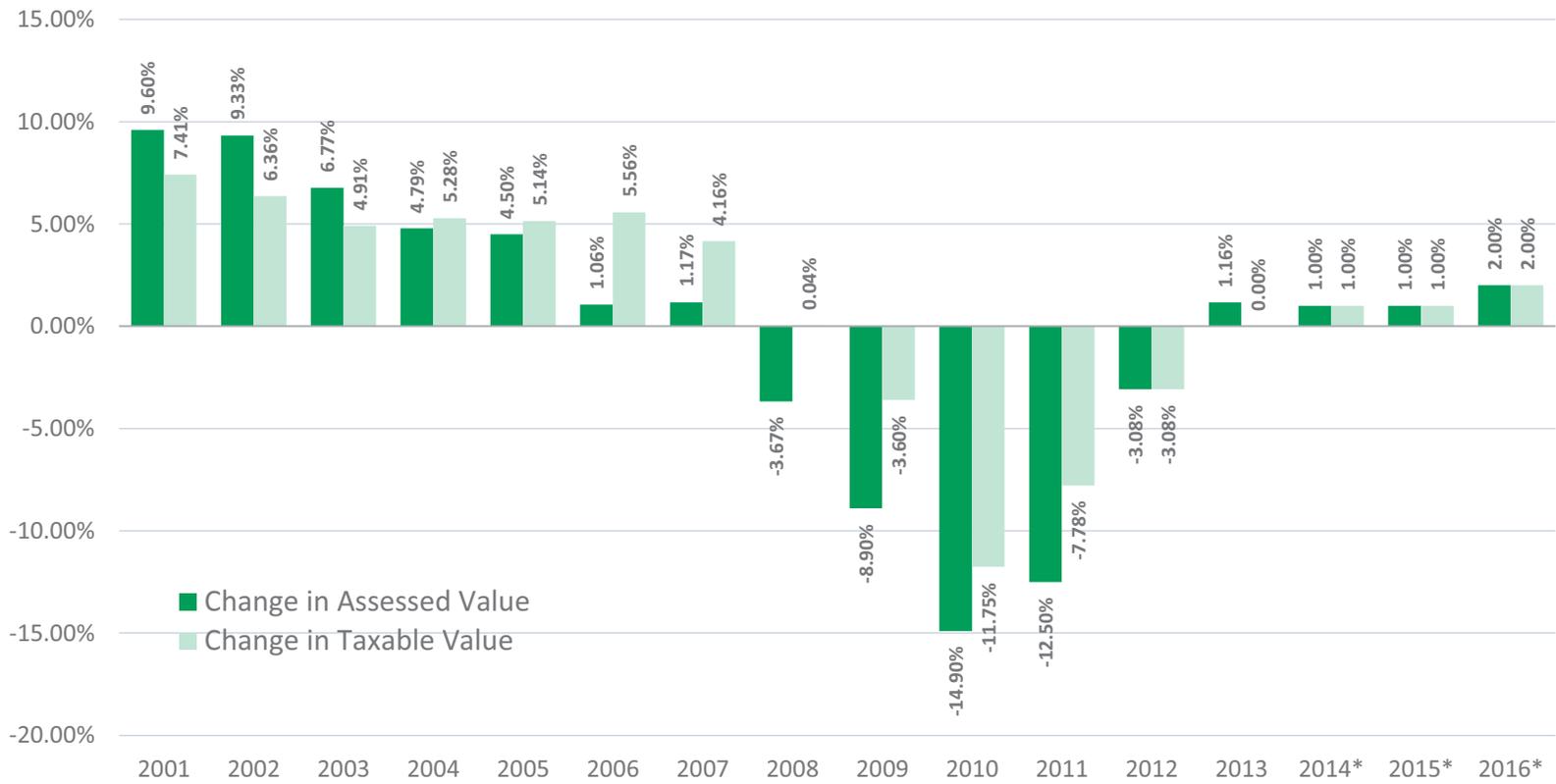




Stabilized Assessments

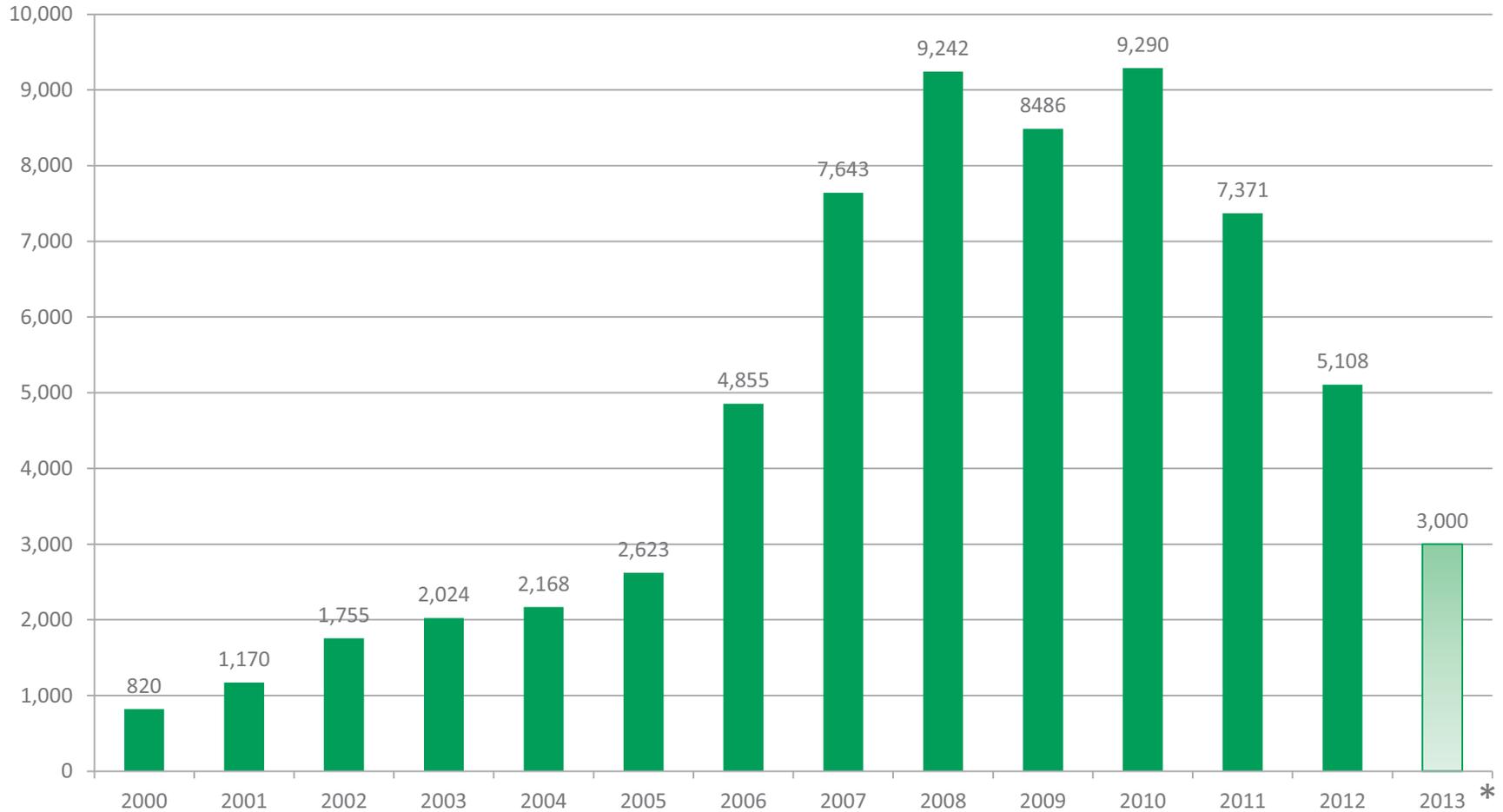
After five years of decline, property assessments have now stabilized in 2013

Oakland County, Michigan Percentage Change in Assessed and Taxable Values



*2014 – 2016 estimated

Oakland County – Real Properties Sheriff Deeds: Foreclosures



Personal Property Tax Changes

- The Michigan legislature approved a series of bills in December 2012 to phase out and eventually eliminate industrial and commercial personal property tax (PPT)
- The bills are tie-barred together and none of the bills take effect unless first approved by statewide vote to be held in August 2014
- Commercial and industrial PPT represents 6% of the County's total taxable value currently
- The recommended budget includes a reduction for PPT in the amount of \$1.5 million for FY 2014 & FY 2015 and \$2.8 million for FY 2016

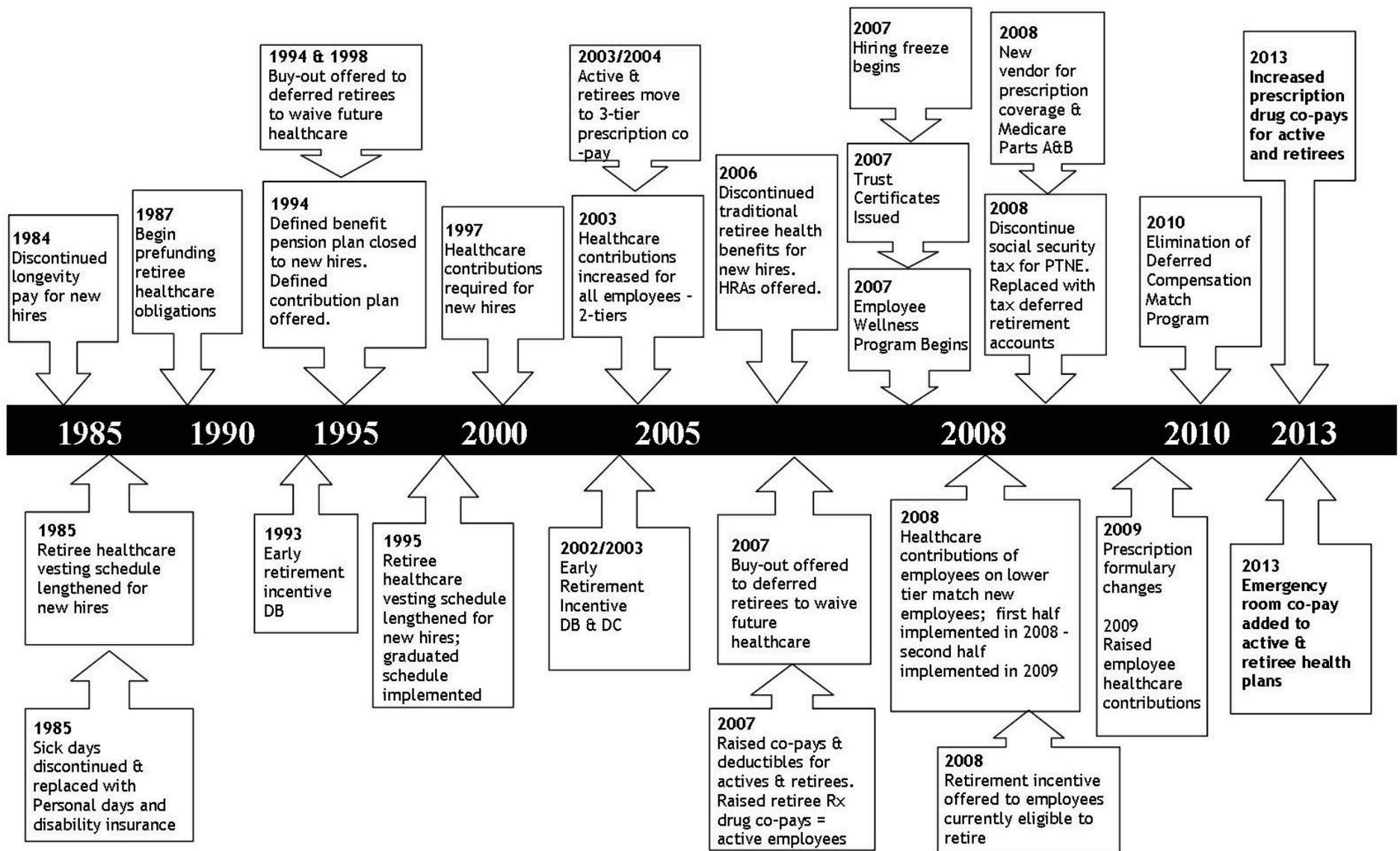


Incremental Changes

Oakland County's strategy of making incremental changes has yielded big savings to help balance the long-term budget

Incremental Changes Yield Big Savings

- For decades, Oakland County has been leading the way and setting the example for the public sector with incremental changes to its total compensation package
- Whenever possible, our philosophy has been to make changes prospectively for employees yet to be hired to minimize negative impacts for current employees



Incremental Changes in Retirement & Benefits

Examples of Incremental Benefit Changes

- **Longevity pay based on service increment was eliminated in 1984**
 - Cumulative salary and fringe benefit savings estimated to be \$121 million since implementation

- **The defined benefit (DB) pension plan was closed and a defined contribution (DC) plan was implemented in 1994**
 - 84% of current active employees are now on DC plan
 - Cumulative savings estimated to be over \$99 million since implementation

Examples of Incremental Benefit Changes

- **The traditional retiree health care plan was closed for new hires and replaced with health savings accounts (HSA's) in 2006**
 - Long-term savings estimated to be \$400 million

- **Certificates of participation (COPS) issued in 2007 to fully fund the traditional retiree health care plan**
 - Long-term savings from the 2007 COPS issuance estimated to be \$100 million

Examples of Incremental Benefit Changes

- **Active employee health care costs have remained flat over the past six years**
 - The OakFit employee wellness program was introduced in 2007
 - Employee healthcare contributions increased in 2008 and 2009
 - Prescription drug formulary changes were implemented in 2009
 - Competitive bids were issued coupled with aggressive negotiations with vendors in 2009, 2010, and 2011
 - Significant reduction in County workforce began in 2008

Incremental Salary Reductions

- In recent years due to severe budget constraints, general salary reductions were accepted by our current workforce
- Current base salaries are 4% lower than paid in FY 2009
 - 2.5% general salary reduction in 2010
 - Additional 1.5% general salary reduction in 2011
 - No general salary change in FY 2012 or FY 2013
 - One-time payment of \$500 in October 2012

Incremental Reductions in Total Compensation

- **Comparing FY 2012 to FY 2008:**
 - Reduction of over 300 full-time positions, with less than 10 layoffs
 - General Fund/General Purpose salaries paid in FY 2012 were \$15.5 million less when compared to FY 2008, an annual reduction of over 9%

- **The average fringe benefit cost for an employee hired after January 1, 2006, is 34% lower than an employee hired before that date**



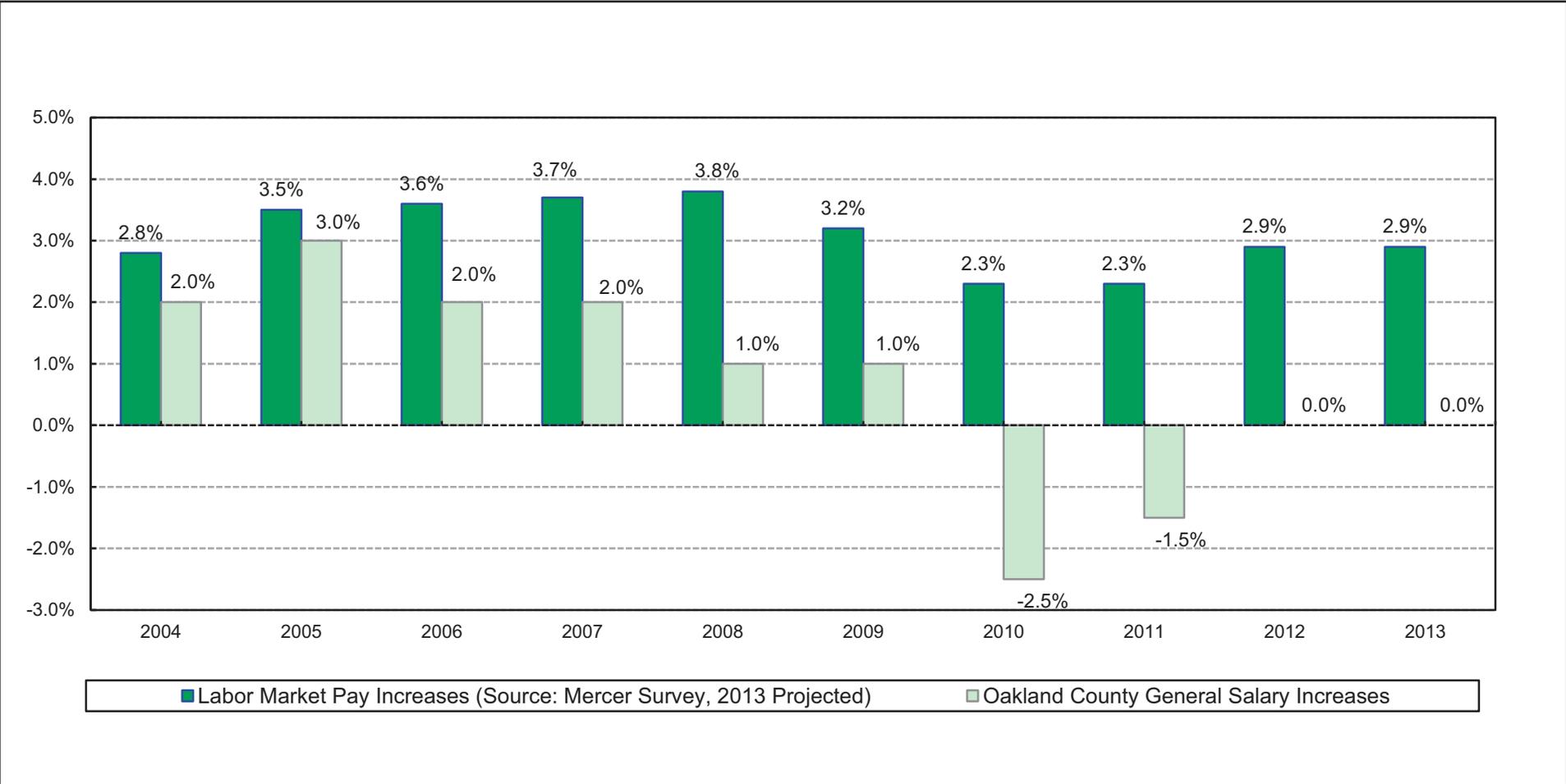
What is the “optimal” level of compensation?

op·ti·mal *adjective* \ 'äp-tə-məl\
most desirable or satisfactory

...it depends on one's expectations and objectives



Comparison of Oakland County General Salary Increases to the Labor Market



General Salary Recommendation

- **Employee retention and recruitment is becoming a greater concern as the economy rebounds**
 - Approximately one-third of the County's workforce is expected to turn over as a result of the current "bubble" of retirements

- **A general increase in base salaries is recommended**
 - 2% in FY 2014
 - 1% in FY 2015
 - 1% in FY 2016

- **By the end of FY 2016, base salaries would be restored back to FY 2009 levels**

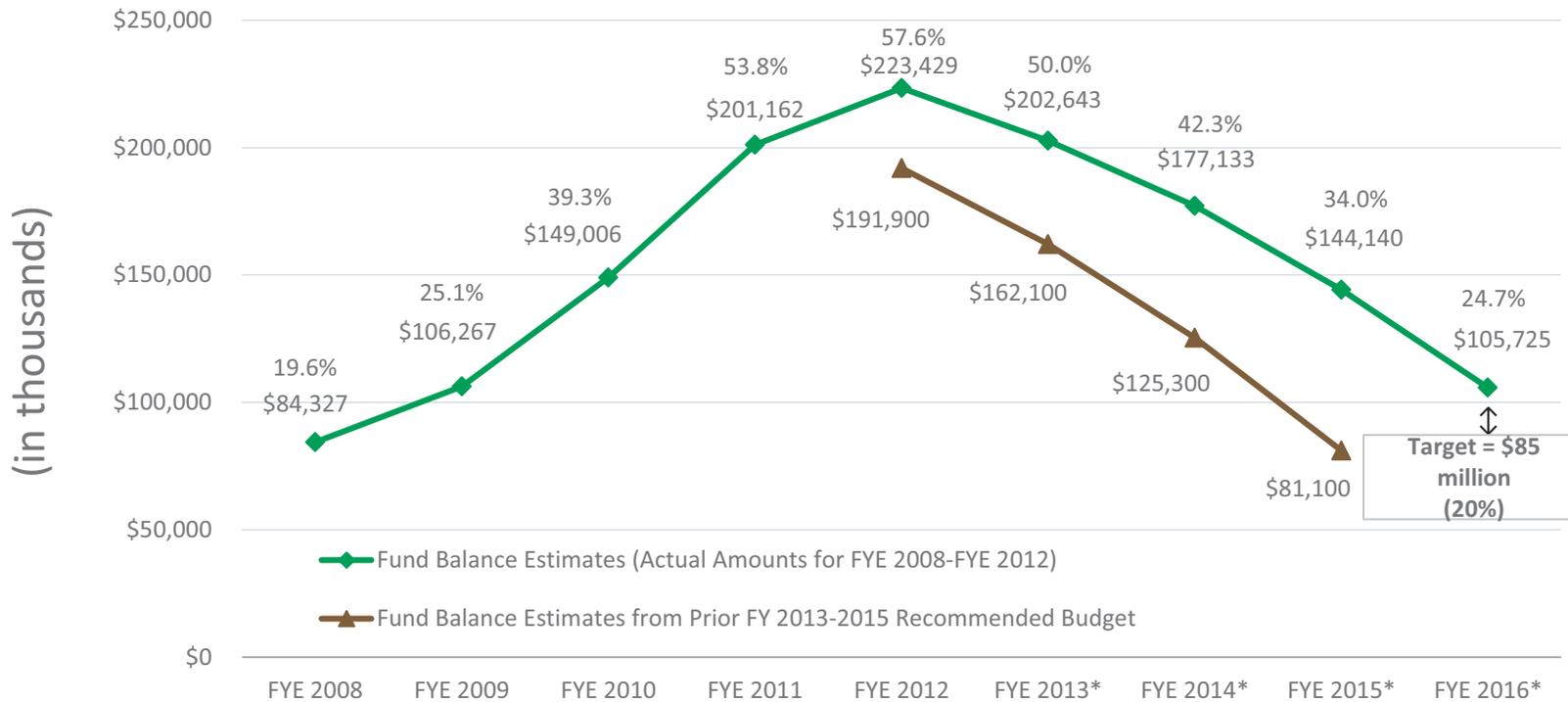
Incremental Budget Tasks

- A strategy of incremental reduction targets has been used over the past several years to balance the budget for the long term:
 - quantifying any potential shortfall three years in advance
 - “smoothing” the budgetary impact by setting multi-year targets and making incremental reductions
 - taking action early rather than postponing to a later date

Use of Tasks / Incentives

- As a result of cooperation from all of the County's elected officials, savings from prior years' efforts have accumulated in the General Fund balance
- Designated General Fund balance is recommended to be used over the next three fiscal years *as planned*
- By September 30, 2016, fund balance is projected to remain above the recommended \$85 million, approximately 20% of expenditures
- Thus, no additional budget tasks were requested this year of the elected officials to balance the FY 2014 – FY 2016 Recommended Budget

Estimated General Fund Balance



Percentage calculation = fund balance/expenditures

*Estimated for FYE 2013 - FYE 2016



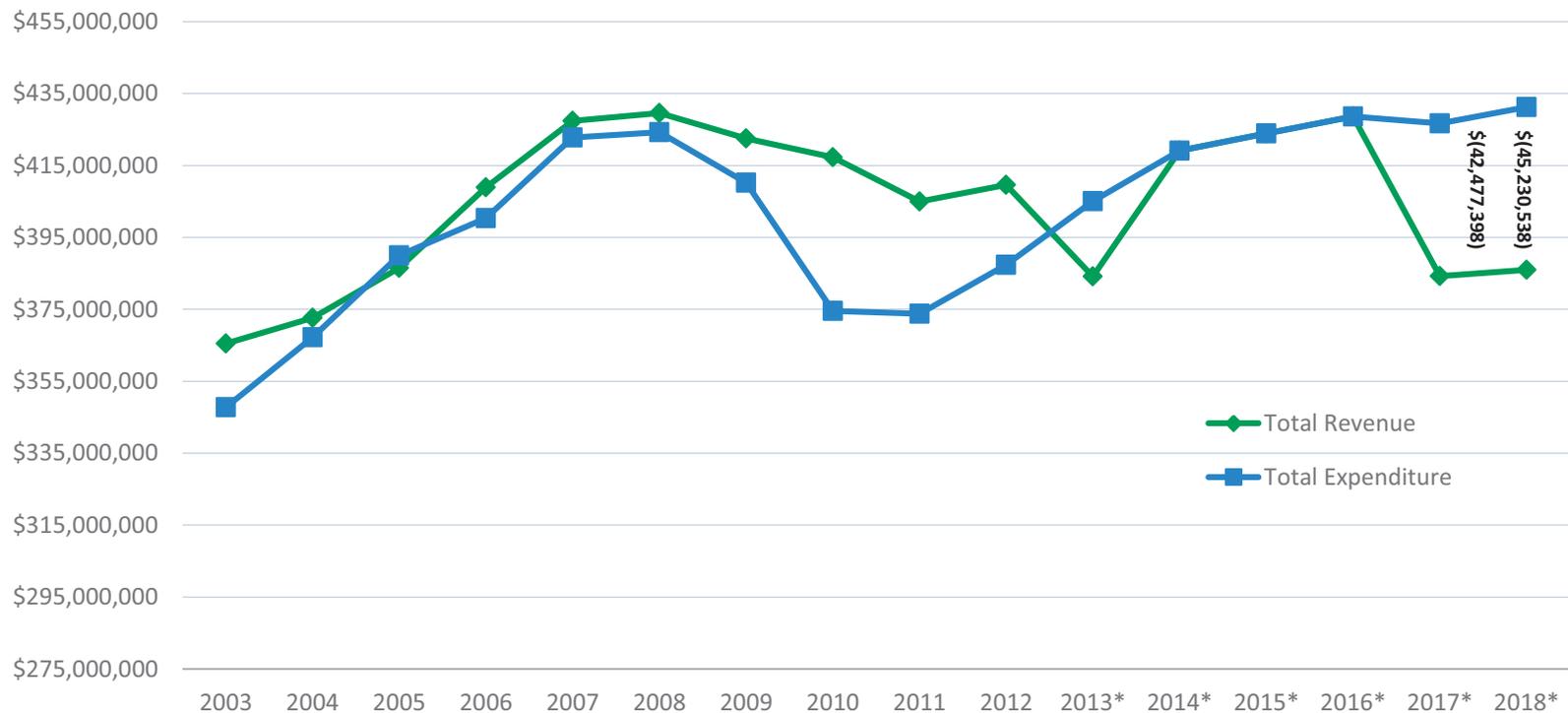
Note: The above chart represents the estimated level of General Fund balance based on current programs without further budget reductions. Anticipated savings from retiree healthcare bond refunding are not included in fund balance estimates.



Maintaining Fund Balance

Even though our budget is balanced for the next three years, we must endeavor to maintain a responsible level of fund balance beyond FY 2016

Oakland County General Fund / General Purpose Revenue & Expenditure Projections



FY 2003 - FY 2012 reflect actual amounts.

*FY 2013 and FY 2017 - FY 2018 are projected amounts. FY 2014 - FY 2016 are recommended budget amounts. Use of fund balance is estimated to be \$20.9 million for FY 2013 (compared to budgeted amount of \$40.1 million). FY 2014 - FY 2016 includes planned use of fund balance in the amounts of \$33.8 million, \$41.4 million, and \$47.0 million respectively.

Future Savings Opportunity

- The County is actively working on the refinancing of the retirees' healthcare certificates of participation (COPS) which were issued in 2007
- Michigan Public Act 329, enacted in October 2012, now provides the County with the opportunity to refinance the COPS with limited taxable general obligation bonds
- Low interest rates, combined with a currently overfunded position, presents the County with a unique opportunity to save an estimated \$14 million per year in annual debt service after the COPS are refunded in April 2014
- The anticipated savings have not been included yet in the Triennial Budget Recommendation and will help to offset potential shortfalls for FY 2017 and beyond

What else needs to be done?



Diversification

Continue efforts to diversify the Oakland County economy

Emerging Sectors®

Emerging Sectors identifies the top growth sectors and targets the top companies within each sector, prioritized by companies most likely to consider expanding their business into Oakland County.

Since the inception of Emerging Sectors in 2004, more than 220 Emerging Sector companies have generated over \$2.5 billion in investment while creating or retaining more than 42,000 jobs. The best part: the vast majority of those jobs are in the high-wage category.



OAKLAND COUNTY, MICHIGAN

Where People and Technology Prosper



AdvantageOakland.com • OaklandCountyProsper.com



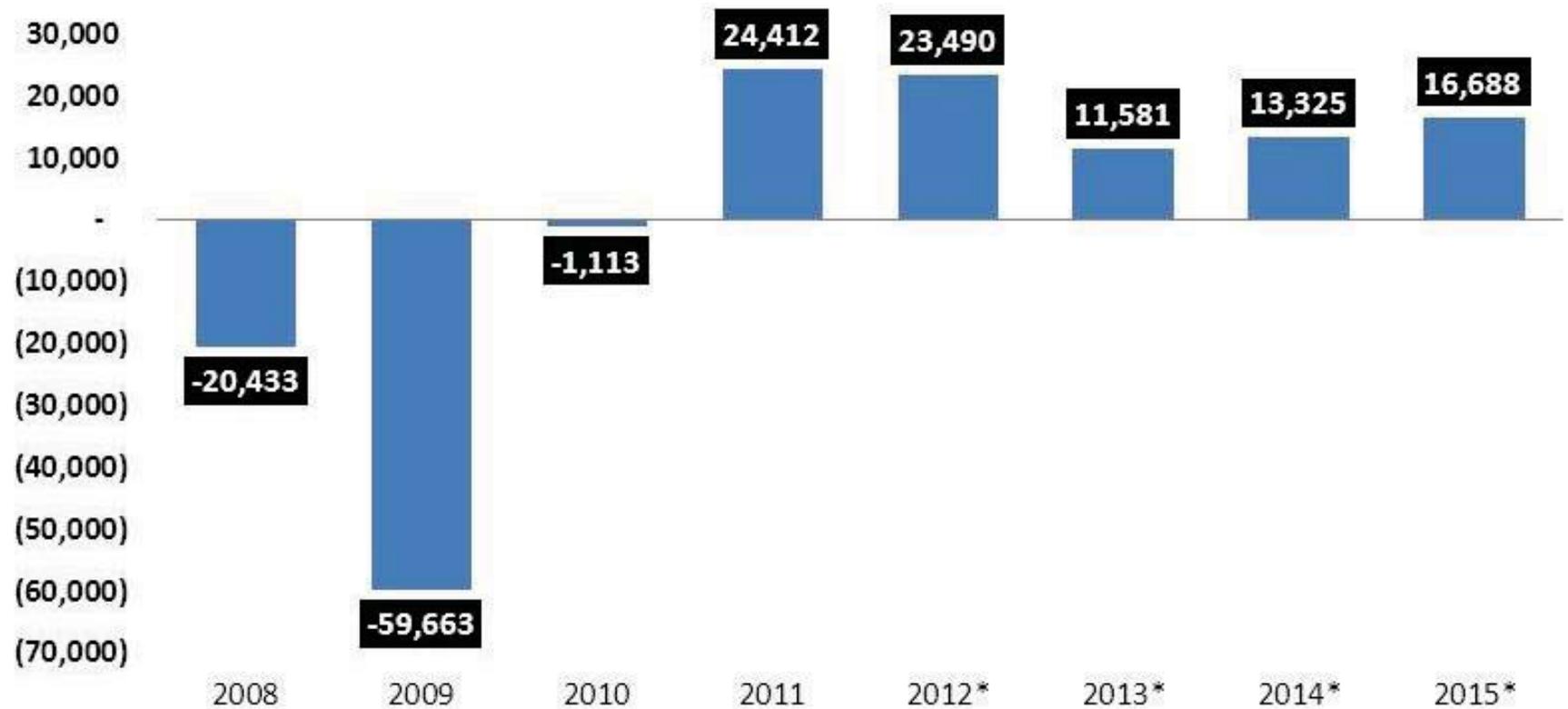
OAKLAND COUNTY MICHIGAN'S
**MEDICAL
MAIN STREET**

Alliance of hospitals, universities, medical device and biopharma companies creating a global center of innovation in healthcare, research & development, education and commercialization in the life sciences industry.

Over 100,000 individuals are currently employed in health care, life science research, and medical device manufacturing in Oakland County. To put that in perspective, Oakland County's health care and life science companies and organizations employ more individuals than the Mayo and Cleveland Clinic regions combined.



Forecasted Job Growth in Oakland County



Source: George Fulton and Donald Grimes, Institute for Research on Labor, Employment, and the Economy, University of Michigan
*Estimated

One Stop Shop Business Center

- Oakland County Microloan Program
- Seed capital funding
- Start-up & entrepreneurial counseling
- Second-stage business development
- Finance and strategy consulting
- Marketing
- Business plans
- Troubleshooting
- Workshops
- One-on-one counseling
- Service inquiries



What else needs to be done?



Technology

Continue to improve service delivery and share resources through technology

CLEMIS

Courts and Law Enforcement Management Information System

One of the largest law enforcement consortiums in the nation

- Provides data sharing and low-cost access to criminal information via cutting edge computer technology

Serves:

- **Over 200** public safety agencies
police, fire, EMS, courts, etc. (as of Jan 2012)
- **Five counties** of southeastern Michigan:
Oakland, Macomb, Washtenaw, Wayne and Genesee

Provides:

- Computer aided dispatch
- Records management
- Digital mug shots and fingerprints
- Crime analysis mapping
- Numerous other services

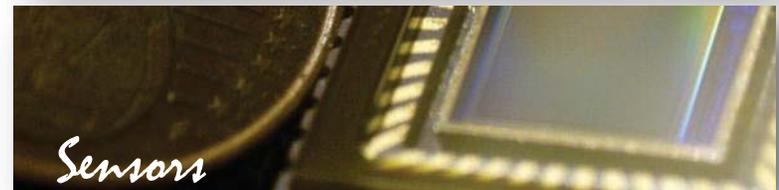
Providing public safety technologies for the past 37 years

Partnership between governments of all sizes in Southeast Michigan



Collaborative Asset Management System

- 2007 – Project Initiated
- CAMS provides the capability to provide predictive maintenance on water, road and other physical infrastructure instead of reactive maintenance
- Project is a collaboration between the county, Road Commission, Water Resources Commission, Parks & Recreation, Facilities Management and local municipalities
- Project was funded by Oakland County General Fund and the ROI is in the millions



G2G Cloud Solutions

G2G Cloud Solutions was developed by Oakland County to improve government services by sharing technology with other government agencies at little or no cost, therefore reducing the cost of government.

G2G Cloud Solutions also provides the opportunity for all government agencies, regardless of their size, budget or geographic limitations, to have access to advanced technology to best serve citizens' needs.



What else needs to be done?



Quality of Life

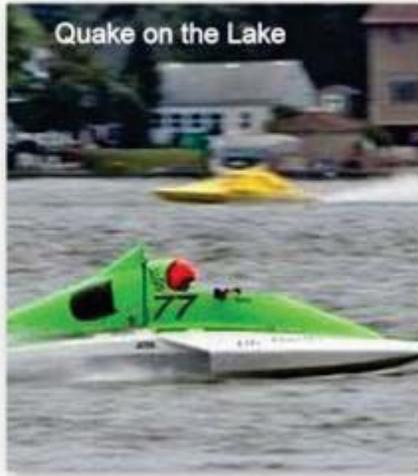
Continue to make Oakland County a destination

OAKLAND COUNTY PARKS

DestinationOakland.com

- 6,700 acres of natural landscapes and outdoor recreation for Oakland County residents
- 13 Oakland County Parks including day-use parks, campgrounds, nature centers, waterparks and golf courses
- 1.5 million visitors annually
- 68 miles of trails and parkways for hiking and biking horseback riding, cross country skiing, inline skating





QUALITY OF LIFE IN OAKLAND COUNTY

In Closing

- The budget recommendation is balanced through FY 2016
- Action is already occurring to balance the budget through FY 2017, four years from now
- To retain Oakland County's financial strength as evidenced by its AAA rating, continued support is needed from the Board of Commissioners, the elected officials, and the County's workforce



Thank you

Postscript: A detailed overview of the Recommended Budget will be presented by Management and Budget staff at the July 25th Finance Committee meeting.