

GRAND TRAVERSE COUNTY
Budget Forecast Information
November 24, 2015

Summary:

The GT County Board requested that Rehmann prepare an independent financial analysis comprising principally of a budget projection for the next five years (2016-2020). The County has a license to software that has been used to prepare the analysis attached. This document was prepared with Rehmann staff working along-side the Finance staff of the County to evaluate the necessary forecast projection rates, specific assumptions and other financial and non-financial information to get to the pages which follow. Please keep in mind that the assumptions made in the forecast are subject to change, and likely will, once final results are audited. The following assumptions are the most material for the reader to understand when looking at the summary:

- The retirement costs related to the MERS plan are based on the most recent valuation and amortization table issued by MERS (a copy of the summary page from that report is attached).
- The costs to properly fund the OPEB plan is based on the actuary report for the year ended 12.31.15. This draft analysis was received later in the week of November 16, 2015 which was updated for the County Board action limiting the non-union employees to \$100 per month under this benefit. The final report for this study was received today. The result of this report required an increase in expense for the plan, which was originally reported in this analysis in the amount of \$510,000 and increasing at a rate of 5% per year. After the analysis was received the attached budget worksheet was amended to \$655,000, an increase of \$145,000 for 2016 and increasing 5% per annum thereafter. The 2015 Actuarial Accrued Liability for this plan is \$7,265,462 with a present value for these benefits of \$9,785,833. Had the County Board not made the changes to this plan, the Actuarial Accrued Liability for this plan would have been \$9,284,243 with a present value of \$12,018,159.
- There is \$500,000 and \$250,000 included in 2017 and 2018 respectively for funds budgeted for Dam removal.

The other captions have been projected based on industry knowledge as well as historical performance of the various expense captions (i.e. supplies are increasing at a rate of 2.0% per annum, health, optical and dental has been projected to increase at a rate of 5% per annum and salaries and wages have been increased by 2% per annum). This theory was applied throughout the forecast once Rehmann and Finance agreed to the rates for increases and decreases.

The attached summary goes to 2030 for comparative purposes but caution should be used when looking at numbers later than 3-5 years as assumptions could change materially.

The software ("MUNICAST") used for this analysis contains many different reports, historical data and other data to formulate the attached summary (almost 1,100 pages). The Executive Summary is being used for purposes of this meeting. This other information will be included, to the extent wanted by the Board of Commissioners, when our final report is issued.

Recommendations:

The following recommendations are the earliest recommendations that are worth considering for an immediate impact on expenses for the County:

- 1) Close the last two remaining plans within the MERS Defined Benefit Plan as soon as practical.
- 2) Negotiate a more market based multiple within the MERS Defined Benefit Plans. There are many plans within the MERS DB plan that carry multiples of 2.5% and 2.8% which, along with others, could be adjusted to a more market rate (e.g. 1.5%). The attached summary was recently received from MERS using a multiple of 1.0% going forward from 1/1/16. As you will see on the attachment, if you reduce the multiple to 1.0% and freeze the Final Average Compensation, it reduces the liability by approximately \$4.9 million.
- 3) Close the OPEB plan to any new hires and modify the plan sufficiently to reduce the long-term exposure to the County under this Plan. A modification has recently been made to this plan whereby a maximum of \$100 per person in the non-union group was approved. As permitted, a similar amount should be considered for the union groups. This should reduce this liability going forward which would provide a reduction in the funds needed to sustain the Plan.
- 4) The County should continue to explore health insurance plans for its entire workforce and consider options to increase amounts charged to employees, increase co-pays and deductible in the plan in order to bring benefits offered to employees more in line with the market and best practices.
- 5) All expenditures (non-personnel related) of the County need to be scrutinized and where savings can occur, budget cuts would be appropriate.
- 6) Revenue streams such as charges and fees should be evaluated and where appropriate modifications be made to increase revenue from the variety of non-tax revenue which the County collects.

Understandably, recommendations related to employees compensation and benefits for union employees would need to be addressed when labor contract renewals are being negotiated.

I would also suggest that this analysis be updated at least annually as events change within the County so management can the most up to date information for making meaningful decisions.

This summary has been issued in a draft format again for your consideration. The final report for the OPEB study was just received today and has been incorporated into this memorandum and attached schedule. The final remaining question is how detailed does the Board want this final report to look? I can include each actuary report and the Muni-Cast report however this will add nearly 1200 pages to this document. If the Board is satisfied with the summary data included with this report tonight, we are in a position to issue our final report shortly as we are no longer waiting for any further data.

DRAFT

GRAND TRAVERSE COUNTY, MI - WORK-IN-PROGRESS
REVENUE SUMMARY, BY ACCOUNT GROUP

GENERAL

	2017A	2017B	2016F	2017F	2018F
REVENUES & SOURCES					
01-TAXES	21,883,387	22,283,642	22,865,142	23,322,445	23,788,894
02-LICENSES AND PERMITS	156,928	136,000	134,000	136,010	138,050
03-FEDERAL GRANTS	25,284	7,118	2,520	2,570	2,622
04-STATE GRANTS	3,140,229	3,996,239	3,541,694	3,612,528	3,684,778
05-LOCAL GRANTS	1,903,840	1,974,531	1,876,891	1,914,429	1,952,717
06-CHARGES FOR SERVICES	5,043,351	4,542,005	4,384,072	4,471,753	4,561,189
07-FINES & FORFEITS	133,572	134,000	110,100	112,302	114,548
08-INTEREST REVENUE	132,720	127,492	127,976	130,536	133,147
09-RENTS	580,008	577,632	579,827	591,423	603,252
10-OTHER REVENUES	2,540,045	3,183,579	2,414,339	2,462,626	2,511,878
11-TRANSFERS-IN	2,394,998	1,603,924	866,334	883,661	901,334
TOTAL - REVENUES & SOURCES	37,934,360	38,566,162	36,902,895	37,640,283	38,392,409
EXPENDITURES & USES, BY ACCT GROUP					
01-PERSONNEL	20,883,337	20,433,066	22,022,612	22,809,893	23,601,105
02-COMMODITIES	1,070,437	1,093,270	1,108,089	1,130,251	1,152,856
03-CONTRACTUAL SERVICES	2,671,045	2,773,883	2,830,318	3,032,092	3,179,991
04-OTHER CHARGES	4,175,292	4,033,002	4,070,115	4,133,462	4,209,908
05-TRANSFERS-OUT	9,397,302	10,232,941	10,437,600	10,646,352	10,859,279
TOTAL - EXPENDITURES & USES	38,197,413	38,566,162	40,468,734	41,752,050	43,003,138
EXPENDITURES & USES, BY FUNCTION					
01-LEGISLATIVE	377,888	382,905	394,901	413,433	428,392
02-JUDICIAL	2,461,206	2,615,594	2,702,197	2,790,013	2,875,970
03-GENERAL GOVERNMENT	9,330,338	9,905,792	10,868,293	11,227,274	11,586,312
04-PUBLIC SAFETY	15,299,228	14,544,066	15,154,246	15,730,753	16,279,763
05-HEALTH & WELFARE	1,459,304	1,269,459	1,303,784	1,344,358	1,381,558
06-TRANSFERS	9,269,451	9,848,346	10,045,313	10,246,219	10,451,144
TOTAL - EXPENDITURES & USES	38,197,413	38,566,162	40,468,734	41,752,050	43,003,138
NET FAVORABLE/(UNFAVORABLE)	(263,053)	(0)	(3,565,839)	(4,111,767)	(4,610,729)

INDEX

	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F
24,264,672	24,749,965	25,244,964	25,749,864	26,264,861	26,790,158	27,325,961	27,872,481	28,429,930	28,998,529	
140,121	142,223	144,356	146,521	148,719	150,950	153,214	155,512	157,845	160,213	
2,674	2,728	2,782	2,838	2,895	2,953	3,012	3,072	3,133	3,196	
3,758,474	3,833,643	3,910,316	3,988,523	4,068,293	4,149,659	4,232,652	4,317,305	4,403,651	4,491,724	
1,991,772	2,031,607	2,072,239	2,113,684	2,155,958	2,199,077	2,243,058	2,287,920	2,333,678	2,380,352	
4,652,412	4,745,451	4,840,370	4,937,177	5,035,921	5,136,639	5,239,372	5,344,159	5,451,042	5,560,063	
116,839	119,176	121,559	123,990	126,470	129,000	131,580	134,211	136,896	139,633	
135,810	138,526	141,296	144,122	147,005	149,945	152,944	156,002	159,123	162,305	
615,317	627,623	640,175	652,979	666,039	679,359	692,946	706,805	720,942	735,360	
2,562,116	2,613,358	2,665,625	2,718,938	2,773,317	2,828,783	2,885,359	2,943,066	3,001,927	3,061,966	
919,361	937,748	956,503	975,633	995,145	1,015,048	1,035,349	1,056,056	1,077,177	1,098,721	
39,159,566	39,942,057	40,740,187	41,554,269	42,384,622	43,231,571	44,095,447	44,976,590	45,875,345	46,792,062	
24,417,502	25,273,249	26,130,759	26,889,704	27,673,045	28,490,521	29,329,254	30,199,693	31,100,027	32,036,244	
1,175,913	1,199,431	1,223,420	1,247,888	1,272,846	1,298,303	1,324,269	1,350,755	1,377,770	1,405,325	
3,095,269	3,188,058	3,284,246	3,383,980	3,487,411	3,594,698	3,706,008	3,821,515	3,941,401	4,065,858	
4,033,881	4,073,272	3,873,100	3,912,804	3,952,091	4,021,377	4,055,481	3,533,621	3,586,066	3,634,172	
11,076,464	11,297,994	11,523,954	11,754,433	11,989,521	12,229,312	12,473,898	12,723,376	12,977,843	13,237,400	
43,799,030	45,032,004	46,035,479	47,188,810	48,374,914	49,634,211	50,888,910	51,628,960	52,983,107	54,379,000	
428,356	440,072	451,894	462,927	474,272	486,020	498,057	510,479	523,273	536,495	
2,952,744	3,041,676	3,131,480	3,215,024	3,301,103	3,390,436	3,482,133	3,576,966	3,674,837	3,776,203	
11,635,485	11,962,959	12,053,613	12,357,839	12,671,212	13,027,109	13,356,741	13,142,506	13,514,296	13,895,365	
16,718,699	17,275,378	17,833,645	18,332,042	18,845,897	19,381,180	19,930,002	20,498,768	21,086,368	21,696,472	
1,403,580	1,438,550	1,474,011	1,508,324	1,543,523	1,579,781	1,616,898	1,655,060	1,694,249	1,734,579	
10,660,166	10,873,370	11,090,837	11,312,654	11,538,907	11,769,685	12,005,079	12,245,180	12,490,084	12,739,886	
43,799,030	45,032,004	46,035,479	47,188,810	48,374,914	49,634,211	50,888,910	51,628,960	52,983,107	54,379,000	
(4,639,463)	(5,089,947)	(5,295,292)	(5,634,541)	(5,990,292)	(6,402,640)	(6,793,462)	(6,652,369)	(7,107,763)	(7,586,937)	

CONFIDENTIAL

	2029F	2030F
	29,578,499	30,170,069
	162,616	165,055
	3,260	3,325
	4,581,559	4,673,190
	2,427,959	2,476,518
	5,671,265	5,784,690
	142,426	145,275
	165,551	168,862
	750,068	765,069
	3,123,205	3,185,669
	1,120,695	1,143,109
	<u>47,727,102</u>	<u>48,680,831</u>
	27,762,821	28,599,951
	1,433,432	1,462,100
	4,195,085	4,329,293
	3,687,846	3,741,928
	13,502,148	13,772,191
	<u>50,581,333</u>	<u>51,905,464</u>
	503,262	515,821
	3,507,088	3,603,359
	12,770,853	13,135,970
	19,115,680	19,666,128
	1,689,767	1,729,608
	12,994,683	13,254,577
	<u>50,581,333</u>	<u>51,905,464</u>
	<u>(2,854,230)</u>	<u>(3,224,632)</u>



CBIZ Retirement Plan Services
 CBIZ Benefits & Insurance Services, Inc.
 17187 N. Laurel Park Dr., Ste. 250
 Livonia, MI 48152
<http://retirement.cbiz.com>

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
 GRAND TRAVERSE COUNTY (2803)
 ALL DIVISIONS
 PROJECTIONS OF EMPLOYER CONTRIBUTIONS AND FUNDED RATIOS

Valuation Year Ending December 31,	Fiscal Year Beginning January 1,	Actuarial Accrued Liability ^{1,2}	Valuation Assets ¹	Funded Ratio ¹	Total Employer Contribution Dollars ³
2014	2016	88,858,803	43,044,874	48%	4,810,000
2015	2017	91,837,000	45,792,000	50%	5,230,000
2016	2018	96,085,000	44,928,000	47%	5,645,000
2017	2019	97,049,000	45,326,000	46%	5,938,000
2018	2020	97,888,000	47,976,000	49%	6,483,000
2019	2021	98,487,000	48,922,000	50%	6,902,000
2020	2022	98,889,000	52,679,000	53%	7,151,000
2021	2023	99,178,000	55,897,000	56%	7,357,000
2022	2024	99,023,000	59,391,000	60%	7,658,000
2023	2025	98,732,000	62,205,000	64%	7,920,000
2024	2026	98,227,000	67,413,000	69%	8,197,000
2025	2027	97,535,000	72,089,000	74%	8,481,000
2026	2028	96,614,000	77,238,000	80%	8,778,000
2027	2029	95,478,000	82,192,000	87%	9,079,000
2028	2030	94,146,000	89,304,000	95%	1,016,000
2029	2031	92,627,000	97,983,000	97%	1,045,000
2030	2032	90,957,000	86,543,000	95%	1,074,000
2031	2033	89,129,000	94,982,000	95%	1,106,000
2032	2034	87,137,000	83,307,000	96%	1,142,000
2033	2035	85,043,000	91,575,000	96%	1,181,000
2034	2036	82,897,000	79,846,000	96%	1,222,000
2035	2037	81,735,000	78,156,000	97%	1,264,000
2036	2038	78,585,000	76,541,000	97%	1,310,000
2037	2039	76,489,000	75,032,000	98%	1,357,000
2038	2040	74,471,000	73,711,000	99%	588,000
2039	2041	72,539,000	72,539,000	100%	0,000

Notes

- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
- (2) The results as of December 31, 2014 are based on the old assumptions.
The results for 2015 and later years are based on the new assumptions and methods.
- (3) The Amortization Period and Employer Contributions are calculated for the applicable fiscal year.
- (4) Please note that under MERS policy, the new assumptions will be phased in over a 5 year period beginning with the December 31, 2015 annual actuarial valuation. An estimate of this phase-in is reflected in the calculations.

Key Figures

The table below summarizes the valuation results for the fiscal years ending December 31, 2015 and 2016. For an explanation of the actuarial terms used, please see the Glossary of Terms provided later in the report.

	2015	2016
Employees (Eligible to Retire)	24	N/A
Employees (Not Yet Eligible to Retire)	193	N/A
Retirees	44	N/A
Total Plan Participants	261	N/A
Present Value of Benefits (a)	9,785,833	10,020,952
Actuarial Accrued Liability (b)	7,265,462	7,704,335
Percentage of Benefits Accrued (b / a)	74.2%	76.9%
Actuarial Accrued Liability (b)	7,265,462	7,704,335
Actuarial Value of Assets (c)	0	0
Unfunded Accrued Liability (b - c)	7,265,462	7,704,335
Annual OPEB Cost (d)	611,069	640,222
Expected Benefit Payments (e)	150,302	133,323
Contributions to an Irrevocable Trust (f)	0	0
Contribution Deficiencies (d - e - f)	460,767	506,899
Total Payroll	11,590,938	11,822,757
Unfunded Liability as % of Payroll	62.7%	65.2%
Annual OPEB Cost as % of Payroll	5.3%	5.4%