

Menominee County Finance Committee
Minutes of Meeting
February 26, 2014

*****Approved 4.25.14*****

The Finance Committee met on Feb. 26, 2014 at 2:00 PM at the Menominee County Courthouse, Courtroom A.

Present at the meeting were Com. Lang, Com. Nelson, Com. Hafeman, Brian Bousley, Sherry DuPont, & Ray LaMarche (Auditor) other members of the public. (Commissioner Schei in at 2:02 PM)

Call Meeting to order: Chairperson Nelson called the meeting to order at 2:00 PM.

Pledge of Allegiance: The Pledge of Allegiance was recited by all

Roll Call: Roll call was taken; Commissioner Schei was absent*.

Agenda was approved by Com. Hafeman and supported by Com. Lang to approve the agenda as written. Motion approved 3/0.

Previous Meeting minutes: December 18, 2013– moved by Com. Hafeman and supported by Com. Lang to approve the minutes of the Dec. 18, 2013 Finance Committee meeting. Motion approved 3/0.

*Commissioner Schei joins the meeting. (2:02) PM

Public Comment: Dan Menacher, Building Code ~ Item B – I'd like to discuss the building code amendment that is directly related to a decision that I made when I was in control of that budget. Consensus is to allow Dan to speak when that comes up within the discussion. Peggy Schroud, Equalization Director: I'd like to address item "D" at the time it comes up. Nelson: Absolutely, does anyone have a problem with that? No objections.

Business:

- a. **2012/13 Audit report, Ray LaMarche:** Nelson: As always, I'm glad to see Ray here today. Your company's audits are always easy to follow. LaMarche: Related to the audit, we just went over the adjustments with the Clerk/treasurer's office/and Brian. We're all in agreement with the adjustments. I think things went very smoothly this year with the audit. No significant deficiencies. Overall, right now the General fund reflects an increase of fund balance of slightly over \$602,000 in the FY end of Sept. 30, 2013. With an ending fund balance of \$5.9 Million, some committed for other purposes. Rule of thumb is 10 to 15% of one year's expenditures, you're well above that. Your fund balance is healthy from a fund balance perspective. The state Child Care fund ended up with a deficit at the end of the year. You'll have to address a deficit plan for the state. Nelson: that's one that we have no control over. When you look at a fund balance, assets etc. We have a fund balance, but we don't have money committed to building funds. LaMarche: No, other than the one account that a board set up a few years back for the committed projects. Fund financials are the short term finances available within the county. It doesn't account for long term things; (Building projects, etc.) The full accrual statements in the audit does (except for pensions).

This will be reflected in 2015 via GASB 67. It will count against the net asset (Net position in the new law) It will not show up in the General fund. Nelson: This year for revenue sharing we have to provide a plan. Basically all we have to do is make a payment for this year. Is that what your take is on this? LaMarche: The MERS website has an EVIP tab, they have some ideas. All of my clients are making the annual required payments. If they don't it will show up as a liability. When GASB 68 comes into play, we will have to show the long term liability. Nelson: I noticed that the actual pension amount we're putting out right now has gone up about 15% between 2010 & 2011. That comes out of the fund we've put aside. LaMarche: The trend has been the funding percentages have been decreasing while the annual required contribution has been increasing. A lot has to do with the ten year smoothing. They assume an 8% rate of return. Say we had a rate return of 4% this year, they take that shortfall (4%) and allocate 10% of that shortfall each year over the next ten years to come up with the required contribution. Nelson: so if they shorten that period and close it off, our contributions will escalate to be paid off quicker. LaMarche: 2012 actuarial report (will show in 2013 financial statements) estimated market value of assets at 12.1 mil and they calculate on actuarial value at \$13.9 so they are saying that we have a \$1.8 mil gap of what's in the bank and what they calculate for accountability. Are any people you deal with moving from defined benefits to defined contributions? LaMarche: Most are closing their defined benefits to get a fixed cost. Nelson: we can't write a check right now for 10 million dollars and say we're paying it off. LaMarche: No, because your population will never be set. You still have to pay the unfunded liability regardless. What it does is, if the groups are closed, the population is fixed. Rate of return on the investment, if the market crashes again, the employer holds the risk based on market return because the pension is defined (set). The unfunded liability for the last three years was 4.6 mil-2010 5 mil-2011 and 5.6-2012. Nelson: With defined benefits, there is no light at the end of the tunnel. Lang: What would happen if we switch to the defined contribution system? How would that effect the defined benefit as we move down? LaMarche: Typically what MERS has done (per their own policy) right now you pay a percentage of payroll every month. If we close a group not linked to another plan (hybrid or other) you now have a fixed dollar amount to pay...they shorten the amortization period. I believe that someday those people that closed the groups, will look back and say that was the best thing they ever did. Delta went to the defined contribution...it has to be done as a negotiation tool within the union contracts. Closing the group would be sustainable (in my opinion) if MERS didn't hammer you down with a 15 year amortization. If you're underfunded they drop you to 15 and knock a year off each year down to five years. If they started you off at 20 or 25 years and knock a year off each year, it would be more sustainable. Nelson: James Furlong came up with the idea to set aside money to pay off MERS. We did put in about 1.3 mil this year. We put that into a separate account. Any opinion on that? LaMarche: I would seriously think twice about that. If you do get to the point of being able to close your groups, then that can be used to close the funding of the amortization. Nothing in the county audit to cause any concerns, most all departments are healthy. The Sheriff Dept. fund balance in Road Patrol increased. They had a deficit last year, but they look healthy this year. Nelson: example Road Patrol: Do counties in general bill off...we don't bill any time against people who do things for them. (payroll, treasurer etc.) Do any counties do that? LaMarche: No, but they do allocate the insurances and retirements. Lang: watching the T.V., there is a lot of uncertainty right now with forecasting that we're heading into a 15 year period of "Happy days are here again". Nelson: We also get the road commission report in our audit. Why? LaMarche: They're a component unit. The state has determined the component unit is required to report within the county. Nelson: At any time, is the County responsible for anything associated with the Road Commission? Example, the road commission is underfunded in their retirement fund. Can the county be held responsible if the road commission doesn't

make the payment? LaMarche: They would probably go after the state funding first. They'll go after whoever can pay, whether they succeed or not will be up to the courts, if challenged. (I believe) Pinecrest was set up under a different authority, that's why they're not included. Hafeman: Under the affordable care act, there is a provision of 100 employees or less, are the road commission employees considered under us? LaMarche: I don't think so, they have a separate EIN number. Nelson: allows anyone in the audience to ask a question of the Auditor...no one asked. Thanks Ray for all the time he gives us. Diane Lesperance also would like to thank Ray and his staff for always being so helpful when we have questions.

- b. FY 2013/2014 Budget Amendments - #2: Library** – donation of \$500; **Building Code** – Dan Menacher, prior to budget being completed we talked about contracting with Delta county for contracted services. This is a decision I made as a department head, to divide the budget into two different people, to confirm the money is coming from his budget. Now it's created a situation with that individual where she's getting paid for a position that doesn't exist on the position allocation list, she's getting, as a seven year employee, a paystub for part time hours. I'm here to figure this out. I've suggested that all the money be moved. The building code department is a "funded" mandated department. Fees shall be charged for building permits to cover services including overhead. I would like to see the amendment be made that the \$17,000 for the contracted services for me providing inspections and plan reviews. I've tried to cover my own costs in my office. I'd like to see the rest of it in an overhead line item that will be transferred to the annex. I'm getting heat on this. Schei: the job description lists it as a separate job. Dan: There is no job description. Schei: It's in the Extension Secretary, Fair Manager job description listed as part of the duties. Nelson: OK, make the changes as Dan is asking. Remonumentation: Each year we estimate a number to use until the grant is received. This year we budgeted \$50,000 and the grant came back as \$90,197. We just need to distribute the additional money to be put into specific line items. The other changes we have are MERS contribution rates, Insurance increases, Workers Comp and the elected official salaries decreasing (2% was not approved for them). Hafeman moves Lang supports to move forward to the board for approval. All commissioners concur.
- c. Update on MERS**: John wanted me to talk about the MERS meeting I attended with Krienke in Crystal Falls. Revenue sharing hoop, will be easy this year. Report any unfunded liabilities, what have you done in the past. Nelson: All we have to say is that we've made all payments up to date, we're trying to go to defined contribution. Bousley: this (hoop) is easy; basically all we have to tell them is what we've done in the past and what our future plans for MERS will be. Lang: little by little the state is taking over our authority. Nelson: the state does not allow us to determine what land is agriculture, commercial forest, state land; they take revenue all the time Bernie, and they don't come back to give it to us. It's been happening more and more. Bousley: we have to have that in by June 1st. The dept. of treasury website has the guidance on how to submit the "new" hoop for revenue sharing.
- d. Update on Disabled Veterans' Property tax exemption (PA 161 of 2013)**: We're looking at starting a new budget year. Peggy: I'm more concerned, not about the disabled veteran's property tax exemptions, but the Personal property tax law. We had about 36 petitions in Dec. at the board of review. They have to apply again every year. Pretty much, those that got it, a lot of those people don't have high taxable value homes, so it doesn't affect the county taxes as much as you'd think. What I'm more concerned about is the Personal property tax law. One assessor I spoke with today said that his taxable value is decreasing despite the 1.6% increase. Another one said he spoke to a major contractor who did not build one house last year. All of those things impact the amount of money the county will get because new construction adds to your taxable value base. I won't have any

real good numbers until after the assessors turn in their rolls, 10 days after the board of review or April 7th whichever is first. Nelson: What revenues did we get from personal property taxes? Peggy: I didn't grab that paperwork. Every year in Jan I ask the assessors to submit a 23 to check their numbers to be sure we're all in balance as far as starting numbers and projected numbers for state equalized value. They don't usually get all of their personal property numbers in in time to reflect on the 4023. The assessed values for personal property and the taxable values are the same and I see those numbers are dropping, so it's gonna be scary. Nelson: personal property is less than \$80,000 right Peggy: \$80,000, it's for commercial and industrial personal property, utilities are not affected yet. Anyone that has less than \$80,000 true cash, so \$40,000. There are quite a few small businesses that are not at that threshold and they'll just drop off of the tax roll. Unless they get that number back up there. They do have to apply for an exemption, if they don't, they go on the roll. This is a lot for the assessors to keep track of; hopefully they're doing their jobs. Hafeman: With regard to the Veteran's property taxes, I was talking with McBroom. He said that it was going to be discussed further. They didn't put in criteria with the value of the property. They will probably say there's a threshold of property value, that under that threshold they will be exempt. Peggy: They also didn't put any restrictions on income. Part of it says you have to be "not able to work". Diane: Treasurer's conference. They didn't think about putting an income threshold, are looking into that. A lot of them are considered 100% disabled and are still working, they're looking into that too. There is a bill in process for the personal property tax, that the local units will be reimbursed what they're losing, but the "local units" doesn't mean "county". Peggy: I will know more when we get the actual numbers in.

Public Comment: None

Adjourn: Moved by Hafeman supported by Schei to adjourn the meeting at 3:10 P.M. Motion approved
4/0