

BOARD LEADERSHIP MEETING
April 20, 2017
Minutes

Members Present: Anthony, Celentino, Grebner, Sebolt, Crenshaw, Hope, Tennis, Nolan and Maiville (arrived at 6:02 p.m.)

Members Absent: Case Naeyaert, Schafer, Koenig, Banas and McGrain

Others Present: Tim Dolehanty, Teri Morton, Michael Townsend, Becky Bennett, Jill Bauer, and Liz Kane

The meeting was called to order by Chairperson Anthony at 6:00 p.m. in the Personnel Conference Room "D & E" of the Human Services Building, 5303 S. Cedar Street, Lansing, Michigan.

Approval of the February 13, 2017 Minutes

MOVED BY COMM. CRENSHAW, SUPPORTED BY COMM. HOPE, TO APPROVE THE MINUTES OF THE FEBRUARY 13, 2017 MEETING.

Commissioner Crenshaw referred to the jail facility discussion from February 13, 2017 and asked if John Nielsen, Chief Deputy Controller, had followed up on the idea of not partnering with the City of Lansing to build a new jail. He stated in light of the article that came out that week, he wanted to make sure they had followed up.

Mr. Dolehanty stated the decision had been very clear for about a year, and he was stunned about the article that had come out. He further stated he did not know what they were talking about in the article.

Chairperson Anthony stated it was a timely discussion and she wanted to let Commissioners know that she had emailed the Controller's Office that afternoon, asking to draft an official letter to the City of Lansing about this issue and provide copies to both caucuses for review and feedback and hopefully they would have something in writing stating their position that had been previously discussed.

THE MOTION CARRIED UNANIMOUSLY. Absent: Banas, Schafer, McGrain, Case Naeyaert, Koenig, and Maiville

Commissioner Maiville arrived at 6:02 p.m.

Additions to the Agenda

None.

Limited Public Comment

None.

1. FY 2018 Budget

Chairperson Anthony asked Commissioners what they would like to be highlighted in the discussion during the meeting.

Discussion.

Commissioner Grebner stated he would like to discuss reestablishing the \$6.8 million ceiling.

Commissioner Hope stated she would like to talk about severing the County's relationship with MERS.

Commissioner Sebolt stated he would like to discuss any potential further consolidation of services with local governments.

Mr. Dolehanty provided an overview of the 2018 budget proceedings and the handouts that were provided to the Commissioners and also presented earlier in the week to County employees. He stated that about eighty-five employees attended the budget presentations that week, and although there were not many questions, there was positive feedback about the information given out, even if it may have been a lot to comprehend.

Mr. Dolehanty stated that he had told employees that any rumor of bankruptcy or being taken over by an emergency manager was false, as things were not that bad. He continued to review the presentation, and noted that about 2/3 of the General Fund revenue was dependent on property tax, which became important when looking at taxable values and what was or was not recovering and how that impacted the County's ability to provide services currently run by the County.

Mr. Dolehanty explained what inflation did to the County's tax revenue.

Commissioner Nolan asked if the Purchasing Power graphic in the presentation was depicting Proposal A.

Mr. Dolehanty stated that it was not Proposal A, but that would be on a following slide.

Commissioner Nolan asked what caused the 5% decrease.

Mr. Dolehanty stated it was just the rate of inflation, so the revenue we had decreased by 5%, and it cost us 5% more to get the same amount of goods and services as before. He further explained that Ingham County was in the bottom ten counties in the State regarding recovery from the recession.

Mr. Dolehanty stated that if the tax revenue had continued to follow the national GDP trend, then they would see an extra \$16.2 million in the General Fund, and if Proposal A was not in place, then they would not be having these issues. He further stated that if the County had been successful in resetting the millage rate, the potential revenue they could have gained in 2016 was calculated to be \$2.2 million.

Mr. Dolehanty stated the idea was worthwhile, and the process would include setting up a committee, and possibly having a special election in 2017 or 2018 depending on how quickly they could get through the process.

Commissioner Grebner stated that the Tax Allocation Committee formed would not have anything to do with the Board of Commissioners, it would be pro forma and the four township representatives would meet to approve a single vote and then disband. He further stated it was more a question of putting strange language on the ballot, and he suggested that the County go through the formal steps to call in to existence the Tax Allocation Committee, aiming to put it on the ballot countywide in November of 2017.

Commissioner Grebner stated that he understood there would be costs involved, especially to put on a special election in every other township in November of 2017 besides those who were already planning to have one. He further stated he proposed having what amounted to two budgets, one budget with cuts, and then a column of what would be included if the tax allocation question was approved by the voters.

Commissioner Grebner stated in having two budget proposals set up that way, they went into it with an additional \$2.9 million in proposed cuts in the budget, that way if the voters voted no in November, the Board of Commissioners were not being irresponsible with the budget. He further stated he recalled the last time the County had a tax allocation question, it failed by a relatively small margin.

Commissioner Celentino stated there had been a question on the ballot about raising the ceiling on November 4, 2001, where it was defeated 65% to 35%. He further stated the last tax allocation board question he could find was on the ballot November 4, 2008 that was defeated 52% to 48%.

Commissioner Grebner asked what the question was in 2001.

Teri Morton, Deputy Controller, stated the question on the ballot in 2001 was slightly different from the tax allocation board question in 2008.

Commissioner Celentino stated it was in effect the same question that they did in Clinton County that had passed.

Commissioner Grebner stated they did not have any real choice other than what had appeared on the ballot, and that question had failed in 2008, 52% to 48%.

Commissioner Tennis stated if the Board of Commissioners adopted the 2018 budget in October, before the November Election, then they would essentially have to pass a budget that had the cuts in it, and if the ballot question passed in November, the Board of Commissioners could then restore some of the cut items.

Commissioner Grebner stated he thought the first Board of Commissioners meeting in November would have to be to adopt the amendments to the budget which were previously removed.

Commissioner Tennis asked what if the ballot question failed.

Commissioner Grebner stated they would adopt the lower budget.

Ms. Morton stated that she just wanted to point out that the Clerk is very concerned about the special election due to the new election equipment. She further stated that when the Law & Courts committee was discussing the millage for the new jail, Clerk Byrum saw that on the agenda and called Ms. Morton right away and said "We can't do this."

Chairperson Anthony asked Mr. Dolehanty what he thought about raising the tax allocation funds.

Mr. Dolehanty stated it would get the County out of some of the issues it was facing in the coming year, but there were many continuing issues he was going to bring up later in the presentation. He further stated that the only thing he did not bring up was how long it would take the Board of Commissioners to do its work, and if they would be able to meet the August deadline for the November ballot.

Discussion.

Ms. Morton stated this issue may be best discussed by the Finance Committee.

Commissioner Grebner stated at the next Finance Committee meeting, they would take this issue up.

Chairperson Anthony asked if the members were comfortable allowing it as a discussion item at the next Finance Committee meeting.

Discussion.

Commissioner Maiville stated not only was there the concern about the new voting equipment, but it was also not an election year and he thought more opponents of the tax allocation question would be motivated to come out and vote, rather than supporters.

Commissioner Grebner stated that because in November 2017, there was a City of Lansing mayoral election and East Lansing was holding a City Council race, the turnout could be quite urban and geographically swayed toward the Northwest corner of the County. He further stated either way, it would cost at least \$50,000.

Discussion.

Mr. Dolehanty explained the loss in tax capture and the County's MERS statistics. He then addressed Commissioner Hope's suggestion of leaving MERS.

Mr. Dolehanty stated that he believed the referendum to leave MERS would be easy enough to accomplish by putting it on the ballot, and it could get a lot of support.

Commissioner Nolan asked Mr. Dolehanty if he could explain what he meant by the referendum.

Mr. Dolehanty stated that either in statute or in the MERS rules, it said that in order to leave MERS, the County had to have a vote of the public, either in a General Election or a Special Election. He further stated that about ten years ago in Isabella County, MERS made it very clear when the County wanted to leave MERS, that MERS would lobby against their efforts, so the County had to campaign in support of the ballot question.

Mr. Dolehanty stated that another factor to consider was that in order to leave, MERS would require that the County have 120% of what was owed on their retirement in the bank, where they currently only had 66% in the bank. He further stated he was unsure if the Legislature would help the County out with this factor.

Mr. Dolehanty stated he spoke to another organization previously that had said they could probably take the County as a client, but when they looked at the MERS actuary study, they said they could not match or come close to the 7.75% rate of return. He further stated that would make switching cost prohibitive, because it would be millions more added to the unfunded liability and the organization was not sure they would want to take a group that had a funding level that low.

Commissioner Tennis asked who Mr. Dolehanty was speaking to about another plan.

Mr. Dolehanty stated that he believed it was Gabriel, Roeder, Smith and Company.

Ms. Morton stated she also thought it was Gabriel Roeder.

Mr. Dolehanty stated they had two people on staff who do retirement work, so they had the same types of service as MERS, they were just not as large.

Commissioner Celentino stated he thought the same as Commissioner Hope, that there might have been a way the County could get out of MERS. He further stated he could not believe the County was letting one entity completely dictate their budget.

Commissioner Celentino asked if there was anything they could do by lobbying their Legislative delegation to help rewrite statute that would help municipalities exit MERS and go on their own to find an alternative that did not hold them hostage to these rates or deficits they caused. He

stated he was asking his colleagues who worked in the legislature to shed some light, because he believed the County could not be the only municipality struggling with this.

Commissioner Nolan stated that she had spoken to Mr. Dolehanty and Commissioner Tennis about this issue previously and she understood that MERS had locked down their rules so tight that they could not get out. She further stated she understood that the County was MERS's largest client.

Commissioner Grebner stated he thought the County used to be MERS's largest client, but they may now be the second largest client.

Commissioner Nolan stated despite being one of their largest clients, the County was not at the table with a voting seat on the MERS Board of Directors, but employees were sent.

Mr. Dolehanty clarified that employees were sent to the MERS conference, and there was someone on their Board of Directors who represented municipalities in general, which was a large group to represent.

Commissioner Nolan stated it seemed ludicrous that the County had so much money tied up in MERS when they did not have a voice, MERS had so many rules that the County would have to pay 120% to get out, and she understood they had airtight bylaws.

Mr. Dolehanty stated it not their bylaws, but their rules on how they operate.

Commissioner Tennis stated there were state laws that also pertained to this issue, designed to protect systems from politicians gaming the works. He further stated that he was not sure where it fell in state law about a referendum, but the idea was to prevent a municipality from making a change in bad faith.

Commissioner Tennis stated he had conversations with MERS about why they did this, and they essentially said their goal was to fix these problems as rapidly as possible because there was great pressure from the Legislature and others to get a handle on municipal pensions. He further stated on the other hand, by making these changes they put huge fiscal pressures on the municipalities and all MERS members.

Commissioner Tennis stated there were other self-run pension programs throughout the State represented by the Michigan Association of Public Employee Retirement Systems, and he knew that many were having better returns on investment than 4.5% which was what Auto Owners and Gabriel Roeder had offered. He further stated the standard for pension systems had been an 8% rate of return on average over 30 years, but career lengths and life expectancy had changed those calculations slightly in the past few decades.

Commissioner Tennis stated that average had been falling because of the two recessions within the last twenty years, and there had been anemic recoveries from both. He further stated these liabilities were not going to go away, and MERS was forcing them to pay them faster, which was

not necessarily a terrible thing, other than the fact that it was putting a lot of pressure on the County's budgetary needs.

Commissioner Tennis stated just leaving MERS was not going to solve the County's problems, but although he was not happy with the current system, he did not think it was worth trying to leave them with all of their rules and stipulations. He further stated the changes made by going to a hybrid pension program a few years ago would hopefully pay dividends in the future.

Mr. Dolehanty stated that MERS was a big target, but they were not the only ones to blame, as there was an organization called the Government Accounting Standards Board that drove a lot of this on a national level. He further stated one of GASB's foundational rules was that government should run like a business, so governments needed to show their liability in case of a buyout by another company.

Mr. Dolehanty stated he was not aware of any buyout proposal from Clinton or other counties, because it did not happen and this whole idea was flawed from the start. He further stated the County was not the only community dealing with this, and their problems were much less than what other communities were having to deal with.

Mr. Dolehanty stated the State would have to look at hiring financial managers and some other communities would be thinking about bankruptcy in the near future, which was not something anyone wanted to do. He further stated the Governor, House and Senate all had taskforces currently meeting that said nothing would happen until the lame duck session in 2018.

Mr. Dolehanty stated the best thing the County could do right now was to monitor the situation, and MAC had a seat at the table with the Governor's taskforce. He further stated that a group of administrators and controllers got together to discuss ideas for the Governor's task force and established that a one-size-fits-all approach would not work.

Discussion.

Mr. Dolehanty stated he did not have a great deal of confidence in the State resolving this issue, and he expected there to be a scenario where everyone would be required to implement Deferred Contribution plans and get rid of Defined Benefit plans. He further stated that was a troublesome approach as well, because when you did not have people paying into the system, it would place more burdens on the municipalities.

Commissioner Tennis stated that change would bankrupt a lot of municipalities.

Mr. Dolehanty stated if the County were to bond the retirement system, the statute would require the County to close all of its Defined Benefit plans. He further stated another consideration with bonding would be with where the County's unfunded liability was currently, and bonding over thirty years with a possibly unattainable rate of 2%, that would add \$38 million to the price tag.

Discussion.

Chairperson Anthony stated she understood the Controller was not suggesting the County leave MERS at this time.

Mr. Dolehanty stated he did not think, in the end, that they could do it, especially if they required the 120% from the County. He further stated if something got put on a ballot that did not cost any money, maybe it would send a loud message to MERS that the County was thinking of leaving.

Mr. Dolehanty stated he thought it was going to get so bad across the State this year, the situation would drive someone to make a decision. He further stated in the end, the exercise would probably not produce anything the County could use.

Chairperson Anthony stated it would cost money to put the question on the ballot and campaign for the question. She asked the Commissioners their opinion.

Commissioner Celentino stated if the County put the question on the ballot, that was what people would think they wanted, and if it passed and they did not follow through, that would not be good.

Commissioner Nolan stated Michigan had become a Republican state, and it was on the Republicans' agenda to get rid of pensions. She further stated she was not in favor of getting rid of pensions, nor was she in favor of the bonding issue.

Mr. Dolchanty stated it would not be something the County could enter into alone, because they would have to have the input of 19 bargaining units to go forward.

Commissioner Nolan stated it was a movement nationwide, but government and business were not the same.

Chairperson Anthony asked Commissioners for their thoughts on the bonding piece. She stated she echoed Commissioner Nolan's sentiments.

Commissioner Grebner stated he was not in favor of doing the bonding piece, because he thought it would be futile. He asked what MERS would do if the County did not meet their contribution rate, other than send letters.

Mr. Dolehanty stated MERS's immediate response when the question had been posed was that they would come for the County's revenue sharing.

Commissioner Grebner asked if Peter Cohl, County Attorney, thought that MERS had a claim on that response.

Mr. Dolehanty stated he had not spoken to Mr. Cohl about it.

Commissioner Grebner stated Mr. Dolehanty should ask Mr. Cohl about it, because the question was whether they had a secured interest in that.

Commissioner Nolan stated it was a good idea to ask Mr. Cohl.

Mr. Dolehanty stated he thought if the County told MERS they were not paying anything and MERS came for their revenue sharing, the County might come out financially ahead.

Commissioner Grebner stated he did not say to not pay anything, but the County could pick a reasonable rate that they could actually afford and try that.

Discussion.

Mr. Dolehanty stated there was the Actuary Recommended Contribution, which was the County's bill each year that always got paid. He further stated not every municipality paid that bill, and that was why counties like Grand Traverse County got so far behind.

Commissioner Grebner asked if MERS had gone after Grand Traverse's revenue sharing.

Mr. Dolehanty stated no municipalities' revenue sharing had been seized that he was aware of.

Commissioner Grebner asked if they thought Ingham County would be the first to be seized out of everyone.

Mr. Dolehanty stated it was probably what they said to everyone, but it could be like the County wanting to go for a referendum in that they don't actually want to do that, but rather just send a message. He further stated he believed as long as they made a contribution and kept up with what was being paid to their retirees, they would be good, and it would be less than what was recommended they pay each year.

Commissioner Grebner asked Mr. Dolehanty to follow up with Mr. Cohl about this idea. He stated he was suggesting the County pick a middle course, so if they found themselves in the court of public opinion or in a court, the County could have their own explanations and charts to back up their decision.

Commissioner Grebner left at 6:46 p.m.

Mr. Dolehanty reviewed the General Fund expenditures. He stated that about one quarter of General Fund expenditures were payments to other agencies and transfers to other funds, and he did not think it was unfair to ask these agencies to consider cutting costs as well.

Commissioner Grebner returned at 6:48 p.m.

Mr. Dolehanty stated that Commissioner Koenig had previously asked about furlough options, and he wanted to let the Board of Commissioners know that regular wages for employees cost the County about \$12,300 per hour. He further stated some employees were not able to take furlough, for instance, at the jail and clinics.

Mr. Dolehanty stated in other counties that were in financial trouble, some reduced the work week for personnel that did not work 24/7. He further stated that if they went to a shorter work week, the County would save about \$1.6 million for a 37.5 hour work week, and about \$3.2 million for a 35 hour work week, but those were also pay cuts to the employees.

Mr. Dolehanty explained how the usually suggested cuts like utility costs would not make up the current budget deficit. He stated that given the current employee population, a hiring freeze would affect less than 110 employees, because some departments needed to continue hiring, like Corrections.

Chairperson Anthony stated that when the Board of Commissioners was presented with the hiring freeze, one committee had voted it through and the other had tabled it until they received more information. She further stated one of the last proposals they were looking at was exempting Constitutional County-wide Officers, and she asked if it would be worth doing a hiring freeze without including the Constitutional County-wide Officers.

Mr. Dolehanty stated that one of the issues with doing a hiring freeze was that everyone had to participate for it to work. He further stated that a number of departments were already evaluating the need to fill open positions on their own.

Commissioner Grebner clarified that the Finance Committee had tabled the hiring freeze because they could not get the Constitutional County-wide Officers back in and the administration had told them it was not worth it without them, so they tabled it.

Chairperson Anthony asked when it was expected to be back on the Finance Committee's agenda.

Commissioner Grebner stated anytime someone wanted to put the resolution on the agenda, he would welcome it, and he would welcome tabling it again if they did not have the votes.

Chairperson Anthony stated she would not support a hiring freeze if it did not have the financial impact they intended. She further stated that she knew some of the Constitutional County-wide Officers had advocated for not being included in the hiring freeze, and she thought the Commissioners could do a better job communicating the bigger picture of the hiring freeze to them.

Commissioner Celentino asked Mr. Dolehanty if he was already explaining this to department heads he had some influence over.

Mr. Dolehanty stated he was working with Central Services. He further stated the County was not keeping up with employee salary trends across the State and country.

Mr. Dolehanty stated if they were thinking about trimming their workforce, they would have to pay their employees more and make sure they were properly trained. He further stated in the case of the 911 Dispatch Center, they had been down about six to eight employees for a while, and the current employees had to make up the difference with overtime.

Mr. Dolehanty stated if the 911 Dispatch Center hired more employees, they could eliminate a lot of the overtime they were currently paying out. He further stated in the case of the Ingham County Jail, they were planning on closing posts anyway, which may take care of their problem without hiring new employees.

Commissioner Grebner asked if the Overtime Cost Distribution chart included the Road Department.

Mr. Dolehanty stated the funds for the Road Department were separate enough that they did not include them in the chart.

Discussion.

Commissioner Sebolt asked if the 911 Dispatch Center's overtime was funded by millage dollars or if it was supplemented by the General Fund.

Mr. Dolehanty stated it was funded by millage dollars, and the phone charges.

Commissioner Sebolt asked if they would have had to do another millage for the 911 Dispatch Center if the overtime issue had been taken care of.

Mr. Dolehanty stated that they still would have because of equipment costs, and there was money to be saved by filling all of the seats at the center.

Mr. Dolehanty explained the health insurance metrics for County employees and then referred to Citizen's Research Council's report about consolidation of services across local and county governments. He stated that a lot of the suggestions made in the report could be done without holding an election and by just drawing up a contract with local governments that may want to consolidate services.

Mr. Dolehanty stated there were already some of these contracts in place, for instance the City of Mason contracted with Ingham County to receive IT services.

Chairperson Anthony asked if that was something that the County currently proactively offered, if a department had the capacity to offer to other municipalities.

Mr. Dolehanty stated the other entities usually came to the County, because the County's departments did not market themselves. He further stated he was not sure if department heads would currently feel comfortable marketing themselves in that way.

Commissioner Grebner stated that these contracts usually happened when an employee moved from one entity to another and realized the possibility to consolidate services. He further stated that Clinton County's IT used to be run by Ingham County a long time ago, so it had been done.

Commissioner Grebner stated one of the clearest opportunities for this would be for the Equalization Department to sell their assessing services to other municipalities.

Discussion.

Chairperson Anthony stated she thought the County should encourage departments to be proactive in that way, because they as a County should have a regional view. Commissioner Sebolt stated he understood that department heads might feel uncomfortable, but he was not sure why this was not in practice already and they should make this happen going forward.

Chairperson Anthony stated that there should also be coaching or quality control assistance in those offers. She further stated that assessing the capacity of a County department was also important, because they did not want the County employees to suffer in order to help other municipalities.

Commissioner Grebner stated he thought the Health Department was already doing something similar. He asked which County's Health Department Ingham County was now running.

Ms. Morton stated she thought they were providing medical direction in Barry County, at least they did in the past.

Discussion.

Commissioner Grebner stated that they should also consider that if a municipality's work was regarded highly, then they could have them do the work instead of the County.

Chairperson Anthony asked if the Commissioners were comfortable with directing or allowing staff to get an update on this idea soon.

Commissioner Hope stated that she understood that 5% of cuts in every department seemed fair, but she wondered if it made the most sense when some services were mandated, and large departments would not be as affected by a 5% reduction as a small department would.

Chairperson Anthony clarified that Commissioner Hope was talking about taking an equity approach rather than an equality approach across the board.

Ms. Morton stated that the Controller's Office was asking departments to provide 5% budget cut scenarios as a starting place, but each department may look different and some may be asked to cut more or less than 5% once they assessed more deeply.

Commissioner Grebner stated that a 5% budget cut actually forced departments to go through an exercise about what it would do if it had less money. He further stated that every budget looks bad to start with, and as they go on, the numbers usually shifted and worked out better.

Discussion.

Commissioner Grebner stated he hoped this was just a bad budget year, and not a catastrophic one.

Ms. Morton stated it would also help if the Board of Commissioners had an idea of services they did not want to do anymore.

Commissioner Sebolt stated that he understood people were proud of the fact that Ingham County had never had to lay off employees because positions were cut through attrition, but he questioned if that was something to actually be proud of. He further stated he acknowledged that no one liked firing people, but if the County went to a department and asked which employees were underperforming and would it hurt to get rid of that person, would the County, through attrition, be chasing off higher performing employees because they knew they were not getting rewarded for working harder and they could go somewhere else and earn more money.

Commissioner Sebolt stated not having to lay people off was nice to be able to say, but he questioned whether it was the best way to deal with things.

Commissioner Grebner stated that the County did lay people off, but the employees did not end up getting laid off because they find another position elsewhere in the County for them. He further stated that the number of people who were laid off and left the County's employment who were not ready to retire was probably less than fifty in a thirty year span.

Commissioner Grebner stated the reason the County was losing employees was because the County paid worse than everyone else in the area. He further stated that any employee that was reasonably well trained would think to take their qualifications to a better paying position elsewhere.

Commissioner Grebner stated it was not like the County was afflicting the higher performing employees with the mediocrity of their employees, they were afflicting the employees by the mediocrity of their paychecks.

Announcements

None.

Public Comment

None.

Adjournment

The meeting was adjourned at 7:17 p.m.



BARB BYRUM, CLERK OF THE BOARD

