

TO: OCCDA Policy Board
FROM: Timothy Smith, Director
DATE: July 28, 2016
RE: OCCDA 2017 Budget



The attached budget reflects the recommended 2017 OCCDA budget.

Included are:

1. Projected and actual revenue from 2013 through 2035.
2. Projected and actual operating expenditures from 2013 through 2035.
3. Projected and actual fund balance and cash reserves analysis graphs from 2015 through 2035.
4. A budget worksheet showing the line item distribution for the prior fiscal years 2013 - 2015 actual annual data, 2016 adopted budget, 2016 proposed amended budget, 2016 actual data through July 2016, and the recommended budget for 2017 for board consideration.
5. The 2016 millage worksheet for the 2017 Budget created by Ottawa County.
6. The capital plan from 2017 through 2022.
7. Future millage scenarios projected at with a 0.32% increase in millage revenue for 2017 over 2016 based on information provided by Ottawa County and 2.50% increases annually in 2018 and beyond.

Capital / O&M Items:

2017 – Infrastructure - Equipment replacement in the amount of \$1,716,402, which includes normal equipment replacement, upgrade replacement of telephony at main dispatch location and back-up site, security upgrades, backhaul, and the Motorola lease-to-own payment of \$886,402 for the new radio system.

Additional staff requested in 2017 – None. The current headcount of 41 meets current and projected staffing needs for the foreseeable future. Employees that leave OCCDA employment are anticipated to be replaced to maintain the current headcount.

Actual and Projected Revenue:

This spreadsheet is written to show the 2013-2015 actual revenue, the current year (2016) anticipated revenue, the proposed budget 2017 revenue and projections of future revenue to 2035. The current millage will expire in 2028. OCCDA will need to plan on a millage renewal and or restoration for the 2028 elections. We have taken a conservative viewpoint (a projected 0.32% increase in millage revenue from 2016 to 2017, based on information provided by Ottawa County, and projected 2.5% increases annually for future years). The millage projections have been adjusted to reflect no additional outstanding financing obligations at this point. Revenue renewals / increases are assumed in the forecast for future years.

2017 Allegan revenue is projected at \$180,000 based on the approved increase in Local Allegan Surcharge approved by the Allegan County Commissioners and a decrease in the number of telephone landlines.

Actual and Projected Operating Expenses:

This spreadsheet shows expenditures beginning in 2013 for historical perspective and projections from 2017 through 2028.

Future projections include a 2.00% per year increase in wages and most other benefits and operational expenses. Health benefits are projected with an annual 6% increase. Service contracts are projected with an annual 5% increase.

Budget Line Item Analysis:

This is the heart of the budget as fund balances, revenues, expenditures and anticipated capital purchases all are shown. This chart provides forward revenue projections to 2035, using the .4377 mills as approved in the August 5, 2008 millage renewal by the Citizens of Ottawa County. This is the first time since the millage was renewed in 2008 that the Headlee rollback has affected the rate, based on information from the Ottawa County Treasurer. We assume tax revenue to increase 2.5% annually due to increasing property value.

Revenue for State Wireless Surcharge for 2017 is shown at \$490,000 even with 2016. While additional revenues are being collected at the retail point of sale statewide, this is offset by more citizens dropping contract phones and using pre-paid devices.

Note: point-of-sale collection of the State 911 surcharge for pre-paid phones began in January of 2013.

As these numbers become clearer throughout the coming fiscal years, recommendations will be brought to the Policy Board for budget amendments as necessary.

Capital projects such as the Mobile Data Network, Micro Wave, Telephony upgrades / replacement, Radio upgrades / replacement show in 2016 and later years. These projects will require funding moving forward. These have been discussed conceptually with the Board, and we will be discussing them in more detail now that needs for OCCDA are becoming clearer.

Budget Worksheet:

The Budget Worksheet provides line item detail on all revenue and expenditure accounts. Below is a brief comment on larger line items.

Revenue:

575.01 State 911 surcharge is anticipated at \$490,000 in 2017, based on past 12 month history. 2015 actual wireless charges received were \$489,729. The 2017 budget also takes into account the increased per-capita distribution increase reflecting the population growth in Ottawa County as based on the 2010 US Census.

582.01 Allegan County Surcharge is flat at \$180,000 in 2017. This is based on approval of an increase from \$2.80 to \$3.00 per device approved by the Allegan County Commissioners and a continued decrease in landlines.

665.00 Interest & Dividends are projected at \$42,000 in 2017. Longer term investing (no more than two years) and flat interest rates continue to keep interest income low. Likewise, the annual payments on the Motorola radio project will reduce cash in investment reserve.

699.90 Operating Transfer from Ottawa County budgeted at \$4,521,117 up 0.32% over 2016. Remember that tax revenue equals the millage rate times the taxable value divided by 1000. Remember also that taxable value increases are limited by the annual State-calculated Consumers Price Index (CPI).

Total Revenue for 2017 is anticipated at \$5,308,510 even with 2016 recommended amended budgeted revenues.

Expenditures – Anticipated for 2017:

702.00 Full time wages at \$2,020,400 are flat with 2016 even anticipating a 2% increase based on staffing levels and historical expenses. Certain other employee costs will roll up by the same 2% (workers compensation, 401 (a) retirement and Social Security). Note the total is flat because we budget for 41 employees, but employment transitions usually reduce that number slightly for several months each year.

703.00 Part time wages remain at \$60,000 to meet anticipated 2017 performance and no further increase over 2016 based on the current staffing model.

704.00 Overtime is set at \$120,000 in 2017 which is even with the level budgeted in 2016.

711.00 Health insurance has been budgeted at \$470,000 (not including potential employer H.S.A contributions) in 2017 based on YTD 2016 costs and assuming at most a 15% increase in 2017. This is based on estimates provided by our benefits coordinator and the fact that we must change our plan coverage based on mandates included in the Affordable Care Act of 2012. Additionally OCCDA medical plans costs will continue to be coordinated with Michigan Public Act 152 to determine 2017 employee contribution levels, and ensure compliance.

711.03 Health Care Savings Plan may or may not be funded based on Health Plan option which will not be available for consideration until 4th quarter 2016.

716.00 MERS retirement plan will increase to \$79,900 from \$69,600 due to changes in the funding percentage required to be paid to MERS. As of 12/31/2015 our funding ratio was 86% down 5% from year-end 2014 due to actuarial assumptions being changed by MERS. If they were not changed the funding ratio would have remained the same at 91%.

730.90 Admin Charges are budgeted at \$98,300 (up from \$96,310 in 2016). It is calculated at 3.5% of actual benefits and wages per the contract with the City of Grand Haven. The charge is finalized as 3.5% of actual wage and benefit costs annually (post audit). As staffing changes during the year usually cause reductions in total staffing costs, we true up the numbers 2 times per year. (The straight calculation would make 2017 \$107,000, but we have reduced the budgeted estimate to \$98,300.)

735.01 Service Contracts are budgeted at \$813,645 reflecting a 5.0% increase over the 2016 amended budget. Staff continues negotiating all individual service contracts. This includes the additional support for implementing the CAD / Records / Mobile client upgrade. Staff will study whether re-aligning service contracts to reflect our calendar budget year moving forward is feasible.

*Please note that this estimate is based on auditing rules and is complicated because we look at the major contracts and expense in the current year as a monthly cost. Then we reserve for the future year those "prepaid" costs. We have built in an additional amount to make sure we cover this recalculation accurately to meet auditing requirements.

750.00 Operating Materials and Supplies are budgeted at \$40,000, even with 2016 based on historical usage.

756.00 Building Repairs and Maintenance are budgeted at \$10,000 reflecting normal repairs and also include funds for parking lot repairs and recoating.

780.00 Advertising & Public Relations are budgeted at \$10,000, even with 2016 funding.

811.00 Telephone expenses are budgeted at \$300,000 even with 2016 amended budget. These expenses include air card charges for MCT's that OCCDA provides, and data line / service costs for backhaul.

812.00, 813.00 and 814.00 Gas: electricity, water and sewer are budgeted at \$94,295 in total, based on actual usage history. This includes utilities for all OCCDA locations including tower locations.

870.00 and 870.01: Professional Development and Employee Training (including training from the MCOLES grant) are budgeted at \$65,000 combined in 2017 even with 2016's amended budget which includes funds for non-reimbursed training, and professional development.

970.04 Infrastructure (capital expenditures) in the amount of \$1,716,402, which includes normal equipment replacement, upgrade replacement of telephony at main dispatch location and back-up sight, security upgrades, backhaul, and the Motorola lease-to-own payment for the new radio system. See the capital plan worksheet for greater detail..

Total Operating Expenses for 2017 are anticipated at \$6,340,717 reflecting a 7.3% decrease from the proposed amended 2016 budget.

Future Capital Projects:

OCCDA staff have identified that we need to assess our Mobile Data system and back-haul infrastructure moving forward. Additionally we may need to add new radio towers to increase coverage in the Northeast and Southeast areas of Ottawa County. With changes in technology and the changes in data that will be processed with NG 9-1-1, we will complete replacement of the existing CAD / Records / Mobile Client systems in 2016.

Ottawa County 2017 Fiscal Year Tax Revenue Worksheet

This worksheet shows how Ottawa County calculated the millage for OCCDA at the current maximum allowable millage levy of 0.4377 mills. The total tax revenue estimate is shown as \$4,521,117 including unpaid personal property taxes and delinquent taxes, a 0.32% increase over 2015 levels.

Recommendation

My recommendation is that the OCCDA Policy Board adopts the attached 2017 budget and the amended 2016 budget as presented.

Thank you,
Tim Smith

A handwritten signature in blue ink, appearing to read 'Tim Smith', with a stylized flourish at the end.

Executive Director
Ottawa County Central Dispatch Authority

