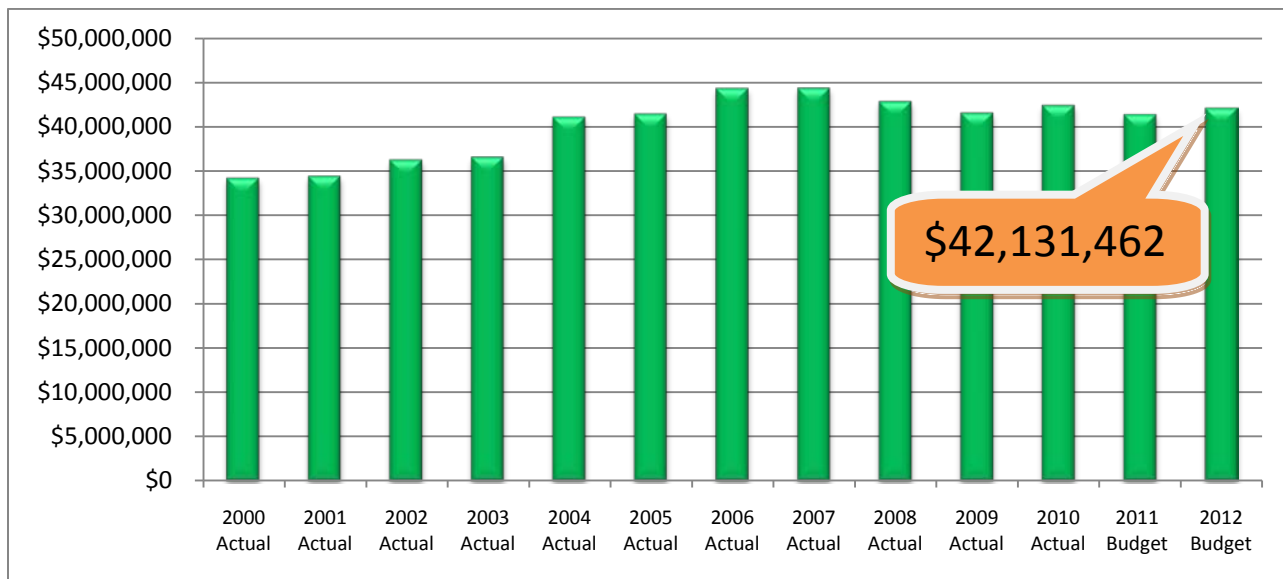


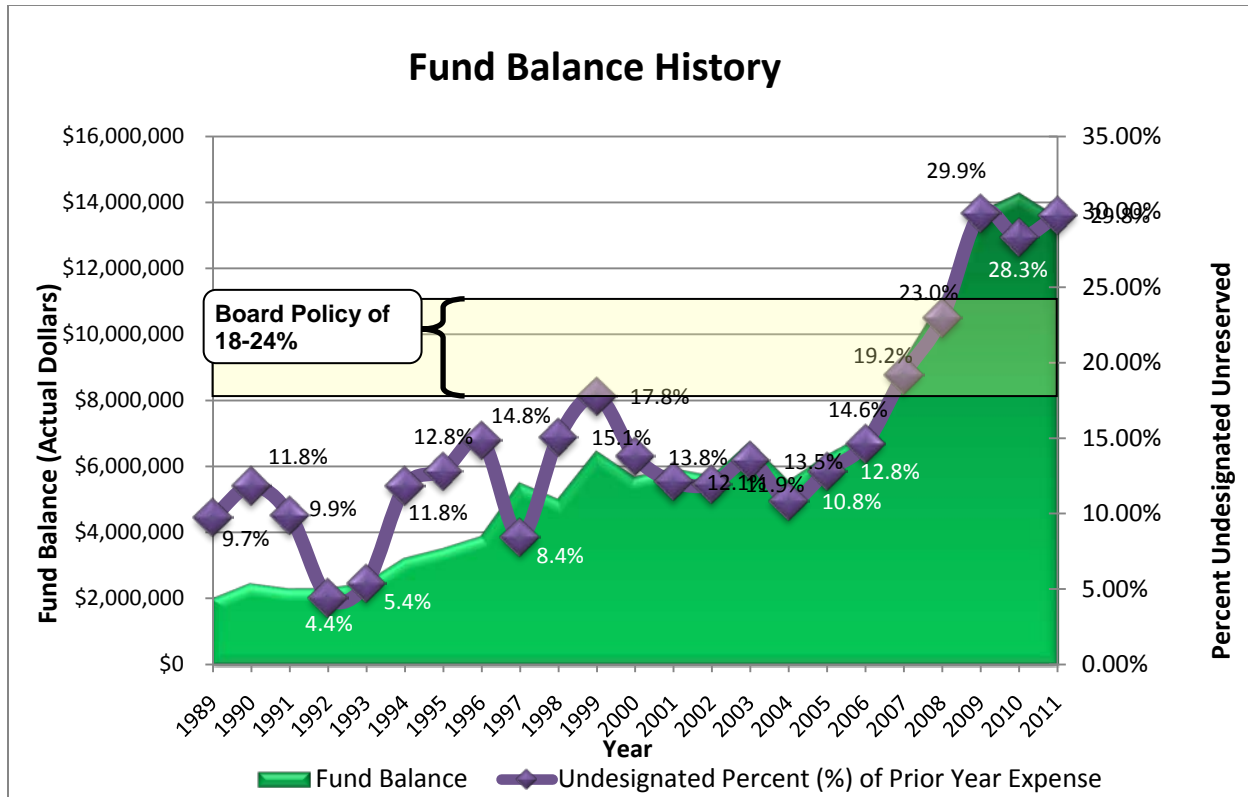
General Fund Budget History

The following graph shows a 13 year history of the general fund budget for Jackson County. The recommended budget for Fiscal Year 2012 is \$42,131,462, which represents a 1.7% increase from the 2011 Budget.



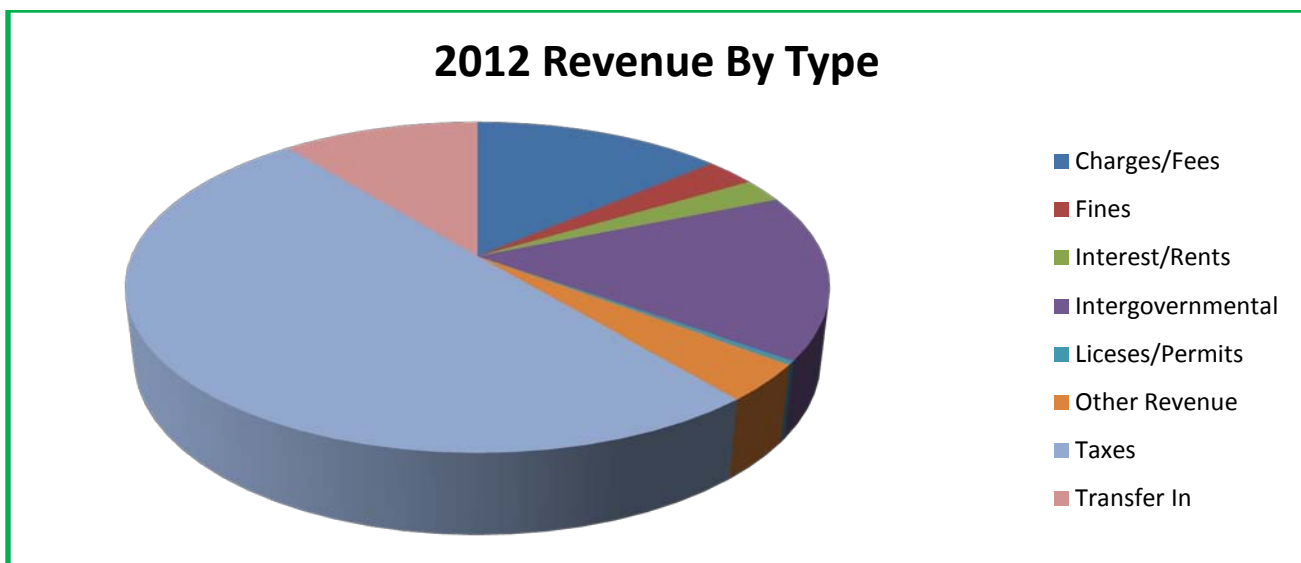
As can be seen on the following page, despite significant cuts to the general fund budget, the county continues to maintain a strong fund balance within the guidelines established by the Board of Commissioners. Board policy defines the fund balance as the percent of the annual audited expenditures and transfers out of the previous fiscal year that is undesignated and unreserved. The projected fund balance at the end of 2012 is 29.8%, which exceeds the Boards policy of a fund balance between 18% and 24%. A strong fund balance is appropriate for two reasons. First, property taxes for the current fiscal year are not collected by the county until several months after the fiscal year starts. Consequently, a high fund balance ensures adequate cash flow. Second, a strong fund balance helps the county respond to a rapidly changing economic environment. This strong fund balance was one of the factors that helped to improve the county's bond rating in the spring of 2010 from A+ to AA.

Budget Analysis

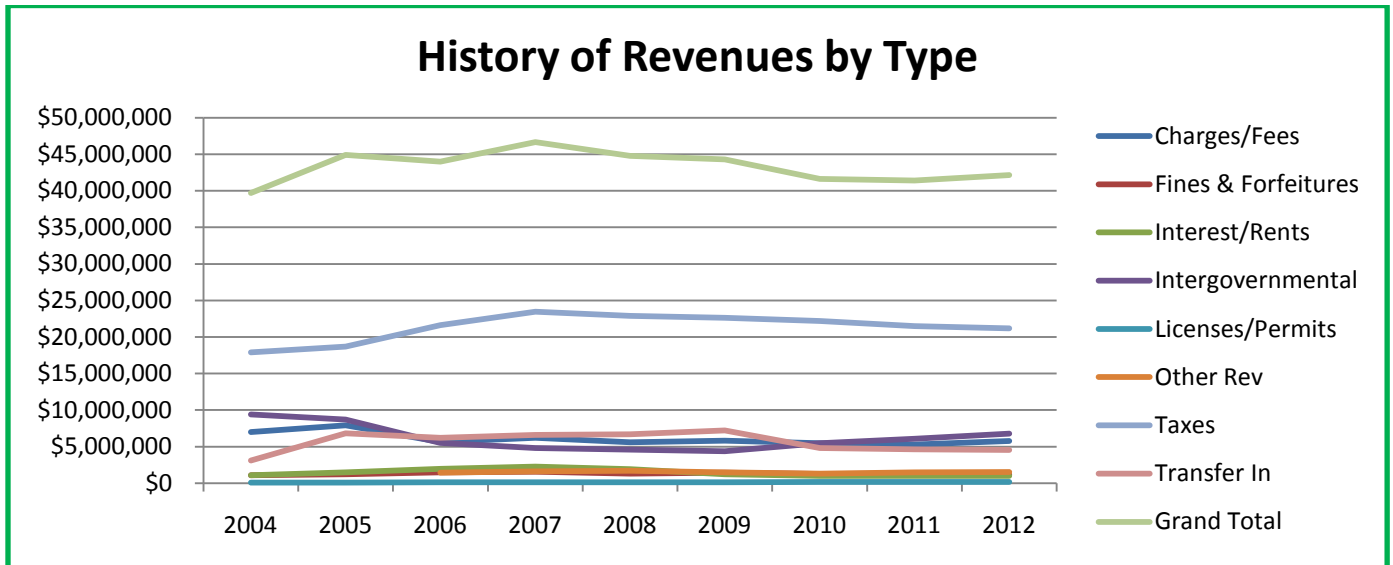


Revenues

As can be seen below, Jackson County is primarily reliant on real and personal property taxes for over half of its revenue. As such, the county budget is extremely vulnerable to market real estate fluctuations. The 2012 budget anticipates a reduction of 1.25% in taxable real estate value.



The following chart shows a 9 year history of revenues by the type of revenue. The most significant losses of revenue have been in taxes, which is the largest source of revenue as previously discussed.



Major Revenue Sources

Source	Description	Trend	Amount	% of Total Budget
Property Taxes	General county millage on real & personal property	Down	\$20,358,713	48.3%
District Court Fines/Fees	Court costs, ordinance fines and costs, civil fees, probation oversight, and public defender	Down	\$3,524,075	8.4%
Revenue Sharing	Revenue from State of Michigan for general services	Down	\$2,444,783	5.8%
Jail Millage	Tax on real property for County Jail	Down	\$1,945,000	4.6%
State Court Funding	State support of Circuit Court activities	Stable	\$1,050,000	2.5%
DOA Millage	Tax on real property for Department on Aging	Down	\$992,000	2.4%
Interest Income	Investment Income	Stable	\$800,000	1.9%
Administrative Reimbursement	Reimbursement for costs associated with administration of Child Care and Resource Recovery Facility	Stable	\$700,000	1.7%
State Revenue, Liquor Tax	State revenue shared with county governments by formula	Up	\$807,089	1.9%

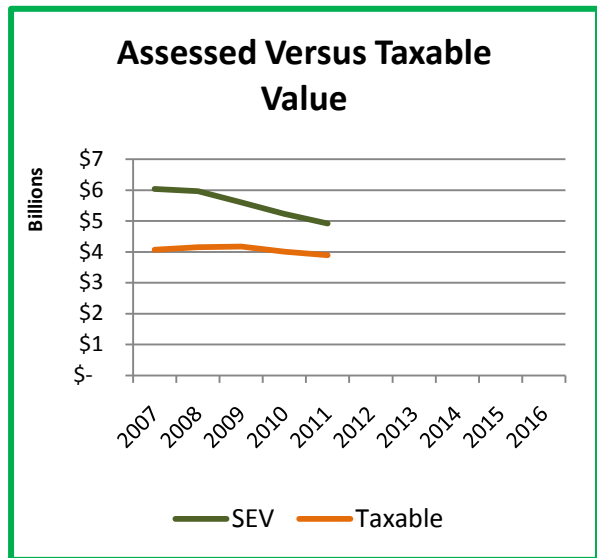
Property Tax

The County uses a Revenue Committee to estimate the largest revenue source, property tax. Members of the Revenue Committee are the County Administrator/Controller, Deputy Administrator, Finance Officer, Treasurer, Deputy Treasurer, Equalization Director, Deputy

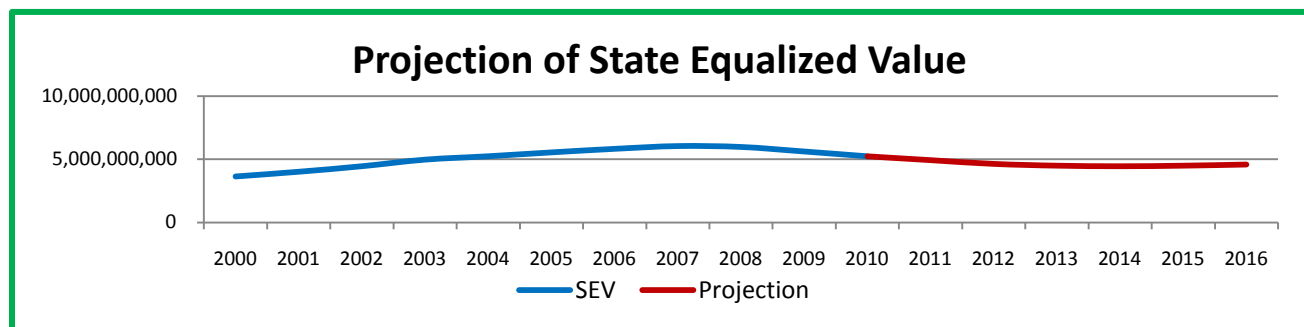
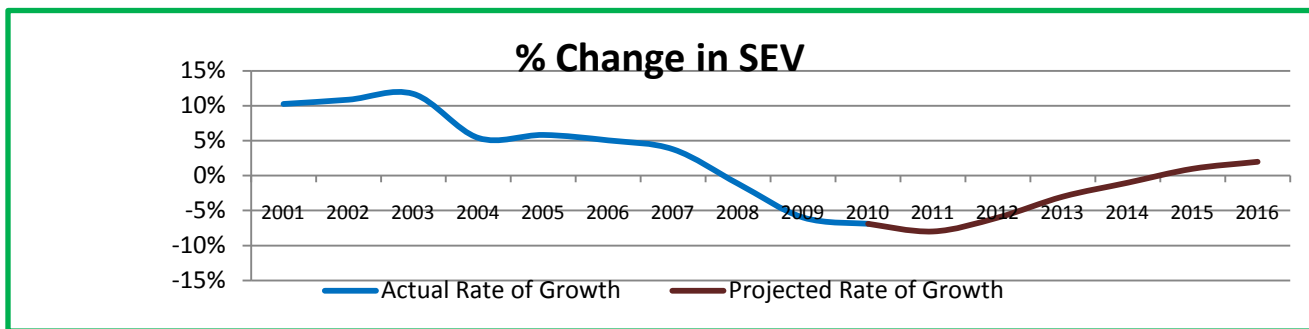
Budget Analysis

Equalization Director, and the Register of Deeds. The revenue committee analyzes statistical data, public and private economic outlook reports, and feedback from community and business partners. The revenue committee uses trend analysis to help create and support its recommendation.

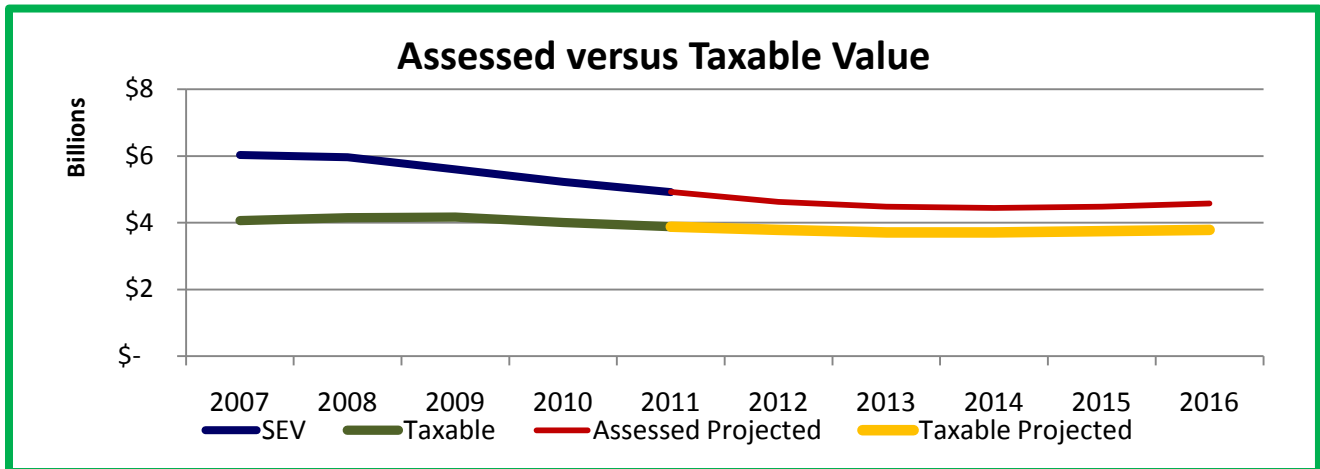
For the second year, the revenue committee's analysis for the 2012 Budget focused on the gap between assessed and taxable value shown to the right. As of 2011 there was a 21% gap between assessed and taxable value. County property tax revenues have not dropped proportionally to market values because of this gap.



The past use of regression analysis to trend property tax revenue has proved inadequate with the recent precipitous decline in values. Trend analysis was not as strong a predictor as in the past. Combined with regression analysis and trending of the property values by types, the revenue committee agreed first on a forecast of the percent change in market value. The committee agreed on two more years accelerated loss followed by a slow recovery over three more years. From that, we extrapolated the actual assessed value based on previous years as shown below.

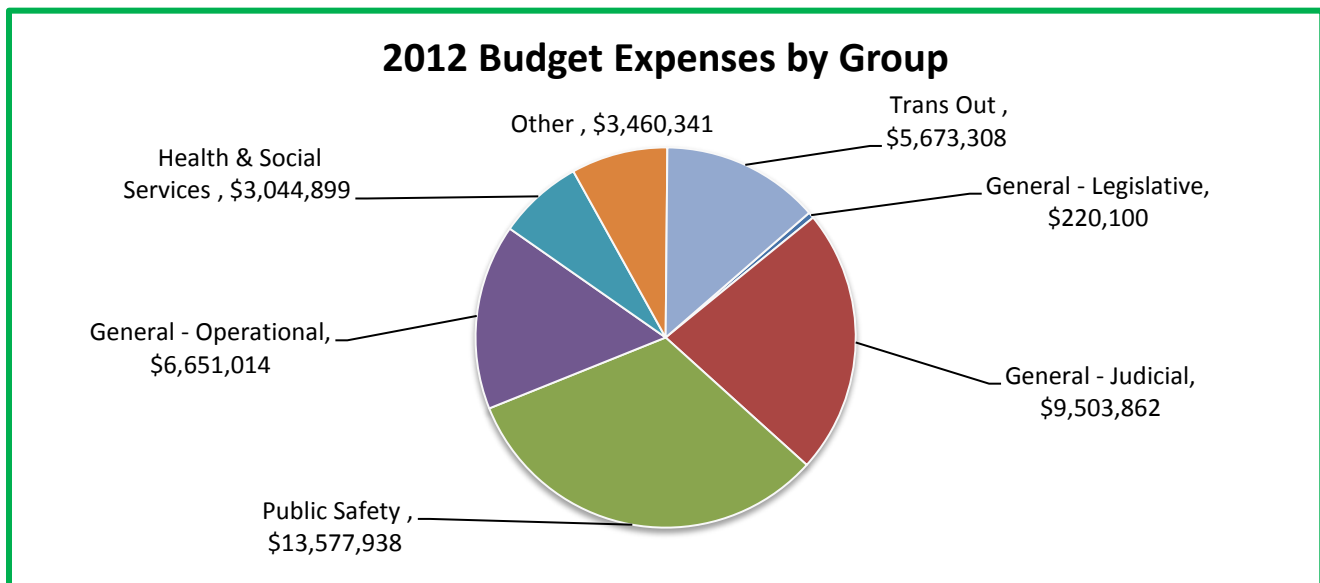


The revenue committee’s forecast has significantly improved since last year. For the five-year plan, the final step is to compare the new assessed value curve to the taxable value curve. According to the market value forecast the assessed value should not reach the taxable value within the next five years (shown below). The implication is that the property tax revenue will continue to decline at rates slower than the market values. In 2011 property tax revenue dropped approximately 2.25%. We anticipate that 2012 property revenue will drop approximately 1.5%.



Expenditures

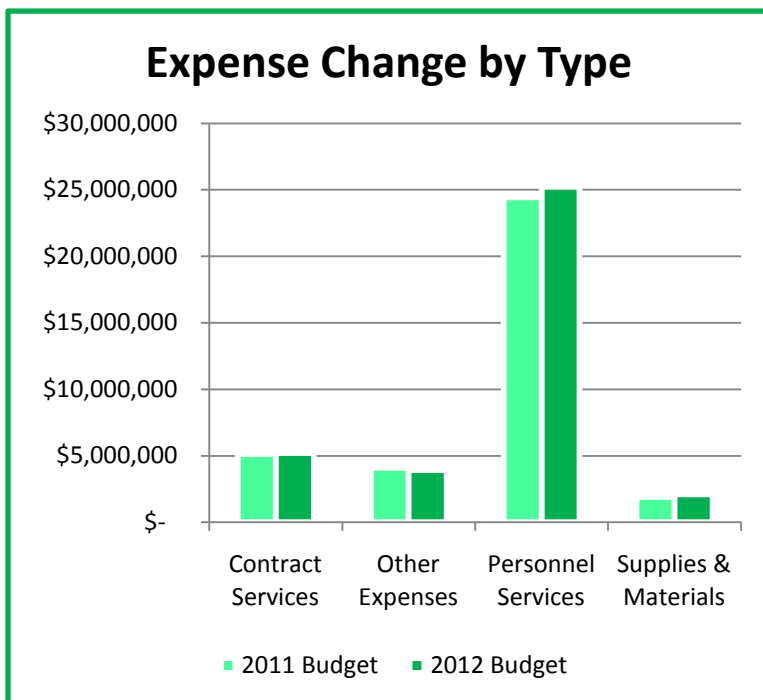
The chart below shows budget expense by group. Groups are defined by the State of Michigan and are defined in more detail on the sidebar of the following page.



Budget Analysis

Expenses can also be viewed, as shown below, by category. As can be seen in the chart below, the personnel costs category accounts for the largest portion of the county budget. Jackson County negotiates wages and benefits with nine collective bargaining units. Non-union employee wages and benefits are set by the Board of Commissioners. The 2012 budget anticipates a 1% cost of living adjustment for union and non-union employees.

Personnel costs were impacted dramatically by an increased employer cost for participants in the defined benefit plan from 13.5% to 16.2%. The defined benefit plan is currently closed, however we anticipate the possibility of a short time increased employer contribution until a greater number of employees switch from the defined benefit plan to the defined contribution plan over the next five years.



Expenditure Groups

Public Safety

Sheriff, Road Patrol, Lawnet, Marine Law Enforcement, Emergency Dispatch, County Jail, Chanter Road Jail, Community Corrections, Emergency Management, Truancy Grant, Animal Shelter, Animal Control

General Government

Public Elections, Administrator/Controller, Clerk, GIS, Administrative Services, Equalization, Register of Deeds, Remonumentation, Treasurer, MSU Extension, Information Technology, Maintenance, Fleet, Drain Commissioner

Judicial

Circuit Court, Jury Commission, 12th District Court, Circuit Court Probation, Prosecuting Attorney, Public Defender, Prosecuting Attorney Family Division, Prosecuting Attorney Victims Rights, District Court Intensive Probation

Legislative

Board of Commissioners

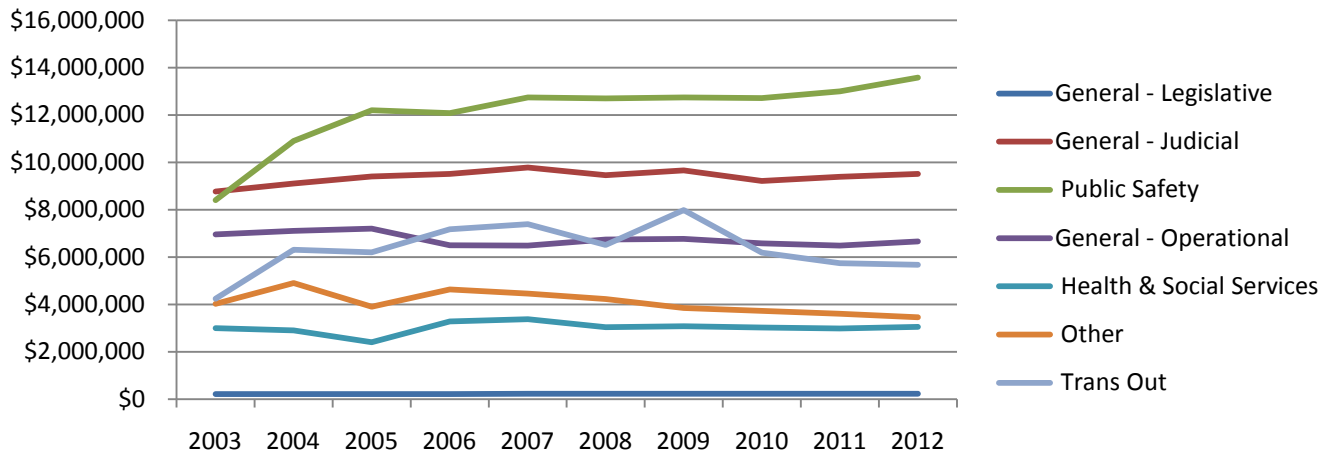
Social Services

Abstinence Program, Medical Examiner, In-Home Services, Senior Center, Senior Citizens Program, Home Delivered Meals, Congregate Meals, Grandparents Program, Geriatric Mental Health, Veterans Burial, Veterans Affairs

Other

Retiree Benefits, Contingency, Appropriations, Miscellaneous Expenditures

History of Expenditures by Category

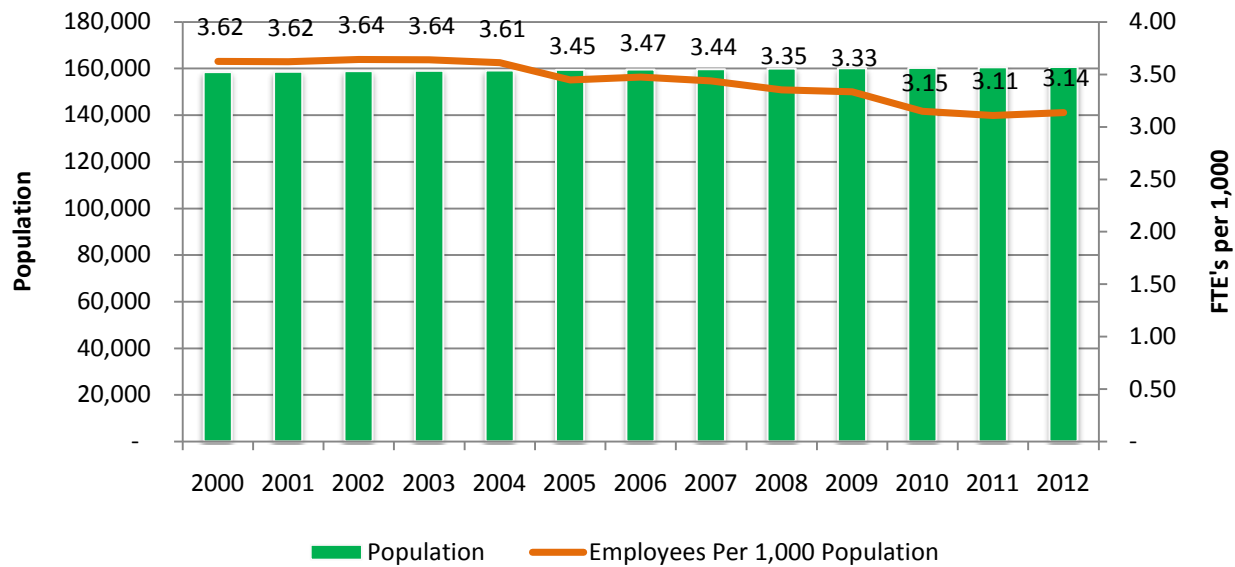


Percentage Change by Group

<i>Public Safety</i>	4.45%
<i>General Government</i>	2.57%
<i>Judicial</i>	1.27%
<i>Legislative</i>	-.70%
<i>Social Services</i>	1.98%
<i>Other</i>	-3.88%

A history of expenses by state defined group is shown above. Percentage reductions by group are shown to the left.

County Full Time Equivalent (FTE) History (Service Level Impact)



Because wages and benefits account for 73% of the budget, significant expenditure cuts cannot be made without reducing the number of staff. Five (5) additional full-time-equivalent positions are proposed to be added in the 2012 budget. Three in the Sherriff’s Department and two in the Health Department. One of the three positions in the Sherriff’s Department was funded by the Board of Commissioners with the 2010 carryover budget. The funding for the position is reserved in the amount of \$400,000 from fund balance to cover the position for five years. The other two positions in the Sheriff’s Department are paid for through contracts with Parma Township and Sandstone Township. The two other positions in the Health Department are funded through state and federal grants.

Cuts to county staff have outpaced population losses within the county as shown in the figure above. FTE’s have gone down from 3.61 FTE’s for every 1,000 residents in 2004 to 3.14 FTE’s for every 1,000 residents in 2012. The challenge for county employees is to continue to meet the needs of residents whose demands on service have not changes proportionally.