DRAFT – Agenda
Tuscola County Board of Commissioners
Finance Committee – Thursday, October 11, 2012 - 8:30 A.M.
HH Purdy Building –125 W. Lincoln, Caro, MI

Finance

Committee Leaders-Commissioner Peterson and Allen

Primary Finance Items

1. **Medical Care Facility – Small House Project Planning (See A)**
2. **Michigan Renewable Energy Collaborative (MREC) Attorney Fee Agreement (See B)**
3. **MREC October 15, 2012 10:00 A.M. Purdy Building Meeting**
4. **2013 Budget Development and Labor Negotiations**
5. **State Revenue Sharing – County Incentive Program (CIP) Compliance (See C)**
6. **Next CIP Compliance Deadline**
7. **MAC Meeting with Governor Snyder (Personal Property Tax, Unfunded Mandates, PILT and State Revenue Sharing) (See D)**
8. **Jail Bed Addition and Union Response to Corrections Staffing Question**
9. **State Tax Commission and Equalization Director Requirements**

Secondary/On-Going Finance Items

1. Wind Energy Update – 25% by 2025
2. Local Dentist Alternative Proposal and Michigan Community Dental Clinics
3. Farmland Lease Agreement Proposal – 10/20/12 Deadline (See E)
4. Jail Camera System Bids for Federal Mandate Compliance – RAP Grant
5. Caro DDA/TIFA Agreement

Personnel

Committee Leader-Commissioners Peterson and Allen

Primary Personnel Items

1. **Refilling Vacant Road Patrol Officer Position**

Secondary/On-Going Personnel Items

1. Maintenance Staff Member Request for Incentive to Retire Early
2. Monitor the Status of Lawsuits Filed Against the County
3. Review County Compliance with Act 152 Requirements
4. New Hire Wage/Fringe Benefits
5. Schedule Employee Training Sessions Regarding Conduct in the Workplace, Minimum Insurance Claims, etc.

Correspondence/Other Business as Necessary

Public Comment Period

Closed Session – If Necessary

Other Business as Necessary

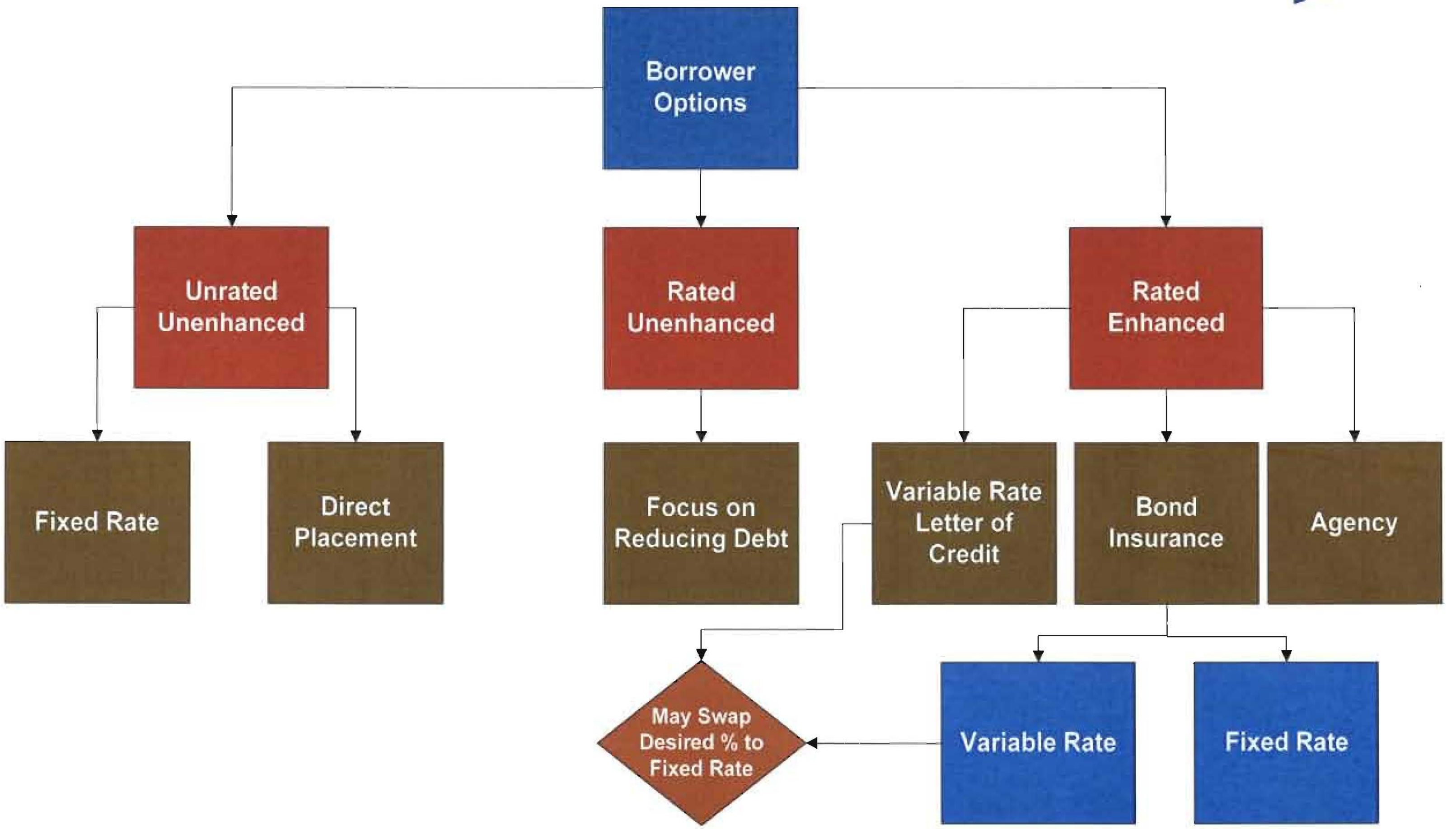
1. Warrant
2. Caro Residential Re-Entry Center Closure and Reuse Potentials
3. Irrigation and Residential Wells

Notes:
Except for the Statutory Finance Committee, committee meetings of the whole are advisory only. Any decision made at an advisory committee is only a recommendation and must be approved by a formal meeting of the Board of Commissioners.

If you need accommodations to attend this meeting please notify the Tuscola County Controller/Administrator's Office (989-672-3700) two days in advance of the meeting.

This is a draft agenda and subject to change. Items may be added the day of the meeting or covered under other business at the meeting.

Financing Options



Agency debt = USDA or FHA/HUD ; Direct Placement financings may use swaps to fix rates as well

Public Fixed Rate, Tax-Exempt Bonds

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Advantages

- Known interest cost for the life of the financing – no rate changes in the future
- Borrow all funds for project at once, no risk of future funding limitations

Disadvantages

- Higher cost of capital
- Does not afford flexibility in using funds: all funds borrowed must generally be spent in 36 months (IRS requirement)
- Prepayment penalties of 1-2% in the first 7-10 years
- Any difficulties are publicly communicated to the entire investment community: continuing disclosure
- Limited negotiation ability if difficulty arises post closing
- Higher upfront costs of the transaction due to the risk involved in the transaction

Private Placement of Tax-Exempt Bonds

Advantages

- Institutions have cash they need to lend out and put to work
  - *Current legislation may incent them to lend higher amounts in 2012!*
- Lowest cost of funding – short-term rate resets
  - No prepayment penalty at rate reset period
  - Ability to negotiate intermediate fixed rate financing
- Structure as draw down bonds => minimizes construction period interest
- Often easier to negotiate with lenders/investors if difficulty arises
- Ability to include partner local institutions for smaller pieces of the transaction
- No public disclosure of the transaction or continuing disclosure to the public of financial results
- Lower upfront costs & shorter time to complete the transaction

Disadvantages

- Limited ability to lock in long-term rates beyond 10 years
- Potential for bank to not renew transaction at reset expiration

Private Placement Process & Structure

- Baird will competitively shop banks/institutions which have interest in the transaction
  - Get competitive rates, collateral, covenants, terms, conditions all at the same time based on the same information – no one bank has a preferential position unless desired by the team
- No official statement (disclosure document) to prepare and provide to investors
- Issued as revenue bonds to the direct lender/investor
- Documentation is very similar to a traditional bank loan
- Time to market is much quicker than a public tax-exempt bond structure

USDA Community Facilities

Advantages

- Lowest cost of long-term fixed rates, currently 3.50%, resets quarterly, 40 years
- Few if any financial or other covenants
- Low transactional costs
- Structured as draw down bond, lowers construction period interest
- No debt service reserve fund at closing, lowers borrowing amount
- Lock interest rate at commitment, no interest rate risk
- Ability to partner with other financing structures
- Taxable structure allows funding of variety of projects

Disadvantages

- USDA approval of architecture design and engineering, including contracts
- USDA environmental review including wetlands and historical issues
- USDA national approval & funding cycle: April & August

Recommendation: Dual Track Best Options

Jointly pursue USDA Loan and Bank Placement

- Lower overall cost of capital
- Lowers total borrowing amount => more dollars for project
- Bank Placement Bonds are manageable for most regional banks to underwrite
  - Leverage existing relationships or partner with desired bank partners
  - Competition allows for lowest and best financing
- Lowers equity required by MCF
- Run parallel paths to ensure all funds are available for construction timing;
  - If USDA approval timing does not meet timeline; no wasted effort or expense to transition
- USDA wants to invest in local projects but desires partnering to spread funds to more projects

Tuscola County Medical Care Facility
Finance Committee Meeting
October 11, 2012

Summary of Discussion

1. Review various financing options, including current market conditions
2. Discuss credit profile of the MCF and debt capacity
3. Recommended financing option(s)

See preliminary debt capacity & ratios attached
See overview of financing options attached

Financial Ratio Comparison

Tuscola County Medical Care Facility	FYE 2010	FYE 2011	Unaudited 2012	Proforma
Profitability Ratios				
Operating Margin (%)	-2.7	-2.2	10.6	**8.5**
Excess Margin (%)	-2.7	-2.2	10.6	**8.5**
Operating Ratio	96.9	96.7	84.6	**85.6**
Liquidity Ratios				
Days Cash on Hand Ratio	121.0	101.9	105.3	**65.1**
Cushion Ratio	6.2	2.4	4.9	**9.4**
Cash to Debt (%)	83.4	104.1	108.8	**35.8**
Capital Structure Ratios				
Historical Debt Service Coverage Ratio (Revenue Basis)	0.6	0.3	3.1	**9.5**
MADS as % of Total Revenues (Debt Burden)	5.2	11.1	4.9	**1.6**
Debt to Capitalization	37.8	27.1	26.9	**78.2**
Average Age of Plant (years)	6.7	7.7	8.1	**7.7**

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10/08/12

Tuscola County Medical Care Facility

Debt Capacity Analysis

HISTORICAL, Excludes Tax Revenue & Related Expenses

	Audit FYE 2008	Audit FYE 2009	Audit FYE 2010	Audit FYE 2011	Internal Annualized FYE 2012	Average
Net Operating Income	$	- $	(437,692) $	(386,305) $	2,083,819 $	314,956
Add: Investment Income	$	- $	- $	- $	- $	-
Add: Other Non Operating Revenue, not investment income	$	- $	- $	- $	- $	-
Add: Depreciation & Amortization	$	- $	953,996 $	949,957 $	958,246 $	715,550
Add: Interest Expense	$	- $	- $	- $	- $	-
Less: Amortization of Lease Fees	$	- $	- $	- $	- $	-
Revenue Only Adjusted Cash Flow	**$**	**- $**	**516,304 $**	**563,652 $**	**3,042,065 $**	**1,030,505**

Debt Capacity based on average cash flow:

Historical Average Revenue Only Adjusted Cash Flow	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**
Debt Service Coverage Ratio	**1.25x**	**1.50x**	**1.75x**	**2.00x**	**2.25x**	**2.50x**
Debt Capacity	**$13,015,451**	**$10,846,209**	**$9,296,751**	**$8,134,657**	**$7,230,806**	**$6,507,726**
Less: Existing Debt	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**
Incremental Debt Capacity	**$8,590,043**	**$6,420,801**	**$4,871,343**	**$3,709,249**	**$2,805,398**	**$2,082,318**

Debt Capacity Terms:

Assumed amortization in yrs:	**25**	**25**	**25**	**25**	**25**	**25**
(1) Assumed interest rate:	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
(2) Debt capacity factor:	**12.630**	**10.525**	**9.022**	**7.894**	**7.017**	**6.315**

NOTES:

(1) The assumed interest rate is the All-in-TIC which includes the impact of letter of credit fees and all issuance costs.

(2) The debt capacity factor represents the amount of debt that can be supported by each additional $1 of cash flow.

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10/8/2012

Tuscola County Medical Care Facility

Debt Capacity Analysis

HISTORICAL, Excludes Tax Revenue & Related Expenses

	Audit FYE 2008	*Audit FYE 2009*	*Audit FYE 2010*	*Audit FYE 2011*	*Internal Annualized FYE 2012*	**Average**
Net Operating Income		$ -	$ (437,692)	$ (386,305)	$ 2,083,819	$ 314,956
Add: Investment Income		$ -	$ -	$ -	$ -	$ -
Add: Other Non Operating Revenue, not investment income		$ -	$ -	$ -	$ -	$ -
Add: Depreciation & Amortization		$ -	$ 953,996	$ 949,957	$ 958,246	$ 715,550
Add: Interest Expense		$ -	$ -	$ -	$ -	$ -
Less: Amortization of Lease Fees		$ -	$ -	$ -	$ -	$ -
Revenue Only Adjusted Cash Flow		**$ -**	**$ 516,304**	**$ 563,652**	**$ 3,042,065**	**$ 1,030,505**

Debt Capacity based on average cash flow:

Historical Average Revenue Only Adjusted Cash Flow	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**	**$1,030,505**
Debt Service Coverage Ratio	**1.25x**	**1.50x**	**1.75x**	**2.00x**	**2.25x**	**2.50x**
Debt Capacity	**$11,337,059**	**$9,447,549**	**$8,097,899**	**$7,085,662**	**$6,298,366**	**$5,668,529**
Less: Existing Debt	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**	**$4,425,408**
Incremental Debt Capacity	**$6,911,651**	**$5,022,141**	**$3,672,491**	**$2,660,254**	**$1,872,958**	**$1,243,121**

Debt Capacity Terms:

Assumed amortization in yrs:	**20**	**20**	**20**	**20**	**20**	**20**
(1) Assumed interest rate:	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
(2) Debt capacity factor:	**11.001**	**9.168**	**7.858**	**6.876**	**6.112**	**5.501**

NOTES:

(1) The assumed interest rate is the All-in-TIC which includes the impact of letter of credit fees and all issuance costs.

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Average Age of Plant (years)	6.7	7.7	8.1	**7.7**

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10/08/12

(B)

Michigan Renewable Energy Collaborative
Attorney Fee Agreement

This Interlocal Agreement is entered into pursuant to the Urban Cooperation Act of 1967, MCL 124.501 et seq, by and between a number of public agencies, as defined by MCL 124.502(e), for the purpose of sharing in all legal expenses related to the prosecution of an appeal from a decision of the State of Michigan Tax Commission pertaining to a new trending/multiplier table for determining true cash value for personal property.

Recitals

The Michigan Renewable Energy Collaborative (hereinafter the "Collaborative") is a group of public agencies that have a common interest in the development of commercial wind turbine electrical generators and currently consists of the counties of Huron, Sanilac, Gratiot, Mason and Tuscola, but the Collaborative may expand or contract in composition, pursuant to the terms of this Interlocal Agreement;

All public agencies entering into this Interlocal Agreement exist within a community or communities which have been identified as a favorable geographic location for the development of commercial wind turbine electrical generators as a mechanism for renewable electric energy for the general benefit of all citizens;

The commercial wind turbine generators intended for or being used for the generation of renewable energy have been defined by the State of Michigan as personal property for the purpose of any ad valorem taxation of those turbines;

The Michigan State Tax Commission recently promulgated a new trending/multiplier table (usually understood to be a depreciation table) to determine the true cash value of personal property for purposes of ad valorem taxation, which a number of public agencies dispute as an accurate reflection of the true cash value of those turbines;

The new trending/multiplier table will result in a substantial loss of revenue to all of the public agencies that are entitled to a share of those ad valorem taxes;

The old trending/multiplier table has recently been used for the ad valorem taxation of wind turbines in Wheeler Township, in Gratiot County and that decision is being appealed to the Michigan Tax Tribunal, under the case caption of *Detroit Edison Company v Wheeler Township & Detroit Edison Company vs. Bethany Township – Tax Appeals*, by the law firm of Clark Hill PLC;

The legal fees being charged by the law firm of Clark Hill PLC are set forth in a letter from the attorney at Clark Hill responsible for the prosecution of the appeal, dated June 14, 2012 and addressed to Mr. Jerry Rohde, Supervisor of Wheeler Township and Mr. Don Long, Supervisor of Bethany Township, of which fee rate is not expected to exceed $260.00 per hour for services rendered (a copy of said letter is attached hereto and marked as Attachment A);

All public entities to this Interlocal Agreement have an interest in and will be affected by the ultimate resolution of this appeal on the appropriateness of the use of the new trending/multiplier table;

The five counties involved in the Collaborative, as set forth hereinabove, have each agreed to assume the responsibility for absorbing the legal expense pertaining to the prosecution of the appeal for the various other public agencies located within the respective counties, hence, Gratiot County is involved in the appeal on behalf of Wheeler Township, one of its local communities;

Pursuant to MCL 124.504, a public agency of this state may exercise jointly with any other public agency of this state any power, privilege, or authority that the agencies share in common and that each might exercise separately;

Pursuant to MCL 124.505(1), a joint exercise of power under the authority of the Urban Cooperation Act shall be made by contract or contracts in the form of an interlocal agreement;

The purpose of this Interlocal Agreement is to equitably share in the legal expense directly related to the prosecution of an appeal of the decision to use the new trending/multiplier table for the purpose of taxation of wind turbine generators.

Agreement

1. The parties agree that the governing body for the parties to this Interlocal Agreement shall adopt a written resolution authorizing the public agency's participation in this agreement and attach a copy of said resolution to an executed copy of this Interlocal Agreement and forward a copy of same to each member of the Collaborative;

2. Legal costs are defined as actual attorney fees billed by the Attorneys handling the appeal on behalf of the parties to this agreement at the rate of $260.00 per hour, as well as the billable costs expended by said attorneys in conjunction with the prosecution of said appeal.

3. The parties agree that 50% of the legal costs will be divided equally between the parties to this agreement;

4. The parties agree that the parties to this agreement shall divide the balance of the legal costs on a pro rata basis, determined by the number of wind turbines either existing, under construction, or permitted within that public agency's zoning jurisdiction;

5. The parties agree that a table of the fee sharing agreement, as set forth in paragraphs three and four hereinabove, shall appear as follows for the Collaborative as it currently exists:

The First half of the bill will be split evenly between the five counties, then as follows:

County	**Active No. of Turbines**	**No. of Turbines – under construction**	**Total No. of Turbines**	**% of Bill**
Huron	78	82	160	31.1%
Sanilac	50	18	68	13.2%
Gratiot	133	34	167	32.5%
Mason	0	56	56	10.9%
Tuscola	0	63	63	12.3%
	261	253	514	100%

(This formula will be adjusted as more turbines are added)

6. The parties agree that this agreement shall remain in full force and effect through the appellate process for the prosecution of the appeal, as set forth hereinabove;

7. The parties agree that a participating public agency may only be released from the obligations established pursuant to this Interlocal Agreement prior to the termination of this agreement by a majority vote of all of the parties to this agreement;

8. The parties agree that if there are any surplus funds remaining at the termination of this agreement that those funds shall be returned to the participating public agencies on the pro rata basis, as set forth above;

9. Additional parties may be allowed to join this agreement by majority vote of the then existing participants. The pro rata share of each participant, including each new participant shall be adjusted as soon as membership is increased or decreased.

County of Huron
Dated:________________________

By:________________________
Its: Chairman of Board

County of Gratiot
Dated:________________________

By:________________________
Its: Chairman of Board

County of Mason
Dated:________________________

By:________________________
Its: Chairman of Board

County of Sanilac
Dated:________________________

By:________________________
Its: Chairman of Board

County of Tuscola
Dated:________________________

By:________________________
Its: Chairman of Board

MAC
MICHIGAN ASSOCIATION OF COUNTIES

CONSOLIDATION OF SERVICES
DEADLINE FEBRUARY 1, 201[illegible]

- **Consolidation Plan**
  - A list of any previous services consolidated with an estimated cost savings amount for each consolidation
  - One or more new proposals to increase existing levels of cooperation, collaboration and consolidation either within the county or with other jurisdictions, an estimate of the potential savings and a timeline for implementation.
  - Savings may be based on an annual amount or over a defined period of time.
  - Make the plan available for public viewing in the county clerk's office or post online.
  - Template available for consolidation of services portion on state website coming soon: http://www.michigan.gov/treasury/0,4679,7-[illegible]00.html (you can also create your own)

D

MAC

MICHIGAN ASSOCIATION OF COUNTIES

NEWS RELEASE

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FOR IMMEDIATE RELEASE
October 9, 2012

MAC Board of Directors Meeting with Governor Snyder

LANSING, Mich. – The Michigan Association of Counties (M.A.C.) Board of Directors will participate in a meeting with Governor Rick Snyder on October 10th, to be held in the Governor's office.

The M.A.C. Board has requested the meeting to discuss issues of importance, specifically the need to reduce unfunded mandates. "We need assurance that our counties will receive the funding that is required to provide services that our residents need," said Timothy McGuire, Executive Director of M.A.C. "This is a critical opportunity for the Board to voice their concerns with the Governor. As a result, it is our hope to have a positive solution for the counties and the State from this point forward." Other issues that will be discussed include:, Payment in Lieu of Taxes (PILT), Personal Property Tax, court mandates, and revenue sharing.

"The M.A.C. Board of Directors is looking forward to meeting with Governor Synder on Wednesday for a discussion of the top county revenue issues that are facing all 83 counties in 2013," said Thomas Bardwell, of Tuscola County, President of the M.A.C. Board of Directors. "At a time when we are all developing our 2013 budgets, we are collectively concerned about the ability to provide essential services to each of our counties' residents. We are anticipating that Wednesday's meeting will provide much needed insight into the State's revenue commitment to the counties."

The M.A.C. Board and its members would like to thank Governor Snyder and his staff in advance for their time in addressing these matters.

The Michigan Association of Counties (MAC) founded on February 1, 1898, is the only statewide organization dedicated to the representation of all county commissioners in Michigan. MAC is a non-partisan, non-profit organization which advances education, communication and cooperation among county government officials in the state of Michigan. MAC is the counties' voice at the State Capitol, providing legislative support on key issues affecting counties.

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(E)

Proposals to Lease County Property for Farming

Tuscola County owns approximately 61 acres east of Luder and south of Deckerville Roads. Proposals are being received for the lease of this property (non-tiled) for crop farming in 2013, 2014 and 2015. Specific property location can be obtained by contacting Mike Miller 989-672-3756 (County Buildings and Grounds Director). Please submit your proposal on a price to be paid per acre for each of the three years. Proposals are to be submitted to Tuscola County Controller,125 West Lincoln Street, Caro. MI 48723 or emailed to mhoagland@tuscolacounty.org by Friday, October 20, 2012.