

Report to the Commissioners
October 27, 2011

**Charlevoix County Board of Commissioner
Committee of the Whole**

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Purpose

As the Executive Director for the Charlevoix County Commission on Aging, I am charged with managing the daily operations of the Department, and, ensuring that the Department is properly trained, equipped, and prepared to meet the future needs of the citizens of Charlevoix County. It is this second responsibility that caused me to forward this report.

Two major issues have emerged which give rise to a concerted planning effort: 1) the unsustainable pattern of deficit spending necessary to support our current levels of service; and 2) the aging demographics of our Country that will result in a significant increase in the senior population of Charlevoix County.

My stated purpose for this planning effort is:

“To develop a sustainable model for the next generation of seniors, without abandoning or neglecting the needs of our current seniors.”

Clearly stating the desired outcome is the first and essential step in arriving at a solution. The purpose statement then becomes the guide for all succeeding steps in the process.

Mission of Commission on Aging

The focus, or mission, of the Commission on Aging has been to help seniors maintain their independence, longer, by supplying or supplementing basic essential services necessary for them to remain in their own homes.

This concept is embodied in our Mission Statement:

The mission of the Charlevoix County Commission on Aging is to provide the highest quality senior services in partnership with the community. We focus our efforts on advocacy and support seniors and their caregivers by promoting health, wellness, and education to achieve a dignified and enriched quality of life.

In this day and age of limited resources and increasing requests for service, no public agency can afford to duplicate services, but must partner and collaborate with all other agencies and organizations in the community, to meet the needs of our citizens. The Commission on Aging is no different.

In like manner, our expectations must be realistic. No agency can be all things to all people, nor should we be. The service model of the COA focuses on assisting seniors to help themselves. Independence is the goal, rather than dependence.

Next Generation

The traditional service model for the Commission on Aging was developed by the radio generation, for the radio generation, and it has served this generation well.

A new generation is now entering their retirement years. This is the generation often referred to as the *Baby Boomers*, generally considered to be people born between 1946 and 1964. The Boomers do not see the world the way their parents did, or do. Their likes and dislikes are obvious, and they are not afraid to speak up. It has been said, "They changed the world when they were teens, and we they will change it again in retirement."

Do you remember the song, "*Are you going to San Francisco, be sure to wear some flowers in your hair*"? Listen to the refrain: "*There's a whole generation, with a new explanation, people in motion, people in motion*".

This song was written about the boomer generation. They had a new explanation. And they were on the move. Active. Outspoken. Will they change the way we look at retirement? I think the answer is yes.

And they are coming. As a nation, we can expect an increase of 30% to our senior population. That is easy to predict, and the census figures bears this out. However, this calculation for Northern Michigan is different. Think of all the people who have vacationed here and visited here. And will retire here. The number we have to plan for in Northern Michigan, is more likely to be 40%.

As a manager, I can not afford to be content with managing the daily operations of this Department, but I must be looking toward the horizon. This statistic, 40% increase, along with the generational differences between the Radio Generation and Boomers, must be considered as we plan for the future. The application is direct: there will be an increase in requests for service.

Focus Groups

The senior center model was developed by the Radio Generation, for the Radio Generation. And it has served them well.

However, the next generation is different. They do not identify with senior centers, in their current form, and perhaps never will. This does not mean that the Radio Generation has failed. It simply means the next generation wants something different.

Nationally, the Directors for the Commissions on Aging are attempting to gauge the differences in the next generation, what they want, what they expect, and how our service model could be adjusted to meet their needs.

No one has all the answers, but there are some common themes. The Baby Boomers want choices. They do not want cafeteria style meals. They want activities. Bingo is not an activity. They want a social club setting. They do not want an institutional setting. They want bright colors, and multi-generational activities. And, they are offended by the term “senior”.

To help us gauge these generational differences here in Charlevoix County, we retained North Sky Non-Profit Network to assist us in conducting 4 focus groups: Boyne City, Charlevoix, East Jordan, and Beaver Island. The targeted age for the focus groups was 50-65 to represent the Baby Boomers, and 66-80 to represent the Radio Generation. County wide, we obtained a fairly even mix.

The purpose statement for the focus groups was:

Assist the Commission on Aging in identifying the needs and wants of the next generation of senior citizens in regards to programs and services.

You will want to read the full report to see the make up of the focus groups, the actual questions asked, and the responses received. (See: [Charlevoix County Commission on Aging Focus Group Report](#))

Interestingly, as you read the responses of the participants, you can place them in the appropriate age group, without knowing their age. Their responses are as distinct as night and day

Here are some highlights of what the participants in the focus groups had to say:

- Remaining independent is their highest priority, unanimously.
- In-home services are greatly valued
- The term ***senior*** has no place in their thinking
- Senior Centers would require substantial changes before they would appeal to the next generation.

Non-institutional setting

Multi-generational

Club house atmosphere

Exercise facilities and fitness programs

Name change

Travel

Activities for their generation (bingo is not an activity)

Music (their music)

- Even with the substantial changes just described, 60% said they still not come. They may choose, instead, to pursue other avenues for socialization.
- If they do come to senior centers, it will be much later in life.
- They want senior activities, but not necessarily linked to a senior center building
- They do not want duplication- they see these activities available in other venues

Current COA Programs

The Commission on Aging follows a social model, rather than a medical model. While we promote a healthy and safe life style, we do not duplicate the efforts of other agencies that provide skilled nursing care, such as the health department or nursing homes.

Our services are focused on a narrow range of clients: seniors. It is understood that all of our clients will one day require more care than the COA can provide, and will move on to a program or facility that can provide that higher level of care, such as assisted living, nursing home, or hospice.

The services provided by the COA fall into two major categories:

- Personal Care - delivered in the home
- Congregate meals and activities - provided at senior centers

Examples of personal care provided by COA include assistance with: bathing, toileting, personal hygiene, respite, basic house keeping, home delivered meals, and other in-home services that enable an otherwise healthy individual to remain, safely, in their own homes.

The congregate meals program emphasizes the value of seniors remaining healthy by giving them purpose, getting up, bathing and dressing, traveling to a meal site, social interaction, and a nutritionally balanced meal. Additional benefits include educational programs and planned activities such as line dancing or woodcarving.

Whether on the personal care side, or the congregate meal site, each of these programs has value. Studies have resulted in empirical data that support the effectiveness of each of them. They are all effective in helping our seniors remain healthy, independent, and dignified, with a higher quality of life.

Were there unlimited funding, Charlevoix County could not only continue to support all of these programs, but reach out into new areas that have proven to be effective in promoting health and independence for our seniors.

Unfortunately, we do not have unlimited funding.

Budget

Financial Picture

Hired as the Director of the Commission on Aging in March of 2010, one of my first tasks was to prepare a budget for FY2011. I immersed myself in the budget status reports and financials provided by the Clerks Office, Equalization Office, and our own historical records.

What I learned concerned me. It appeared that the Department was spending way beyond its means, and with no plan to support this level of spending. In short, without significant intervention, the Department would soon deplete the fund balance and not have the financial means to provide services.

Deficit Spending

From the historical records, during the time frame of 2005-6, the fund balance for the COA had come under public scrutiny, and an effort had been made to spend down the fund balance by adding programs and funding new services. This spending trend continued into FY 2010 and was evident in the budget I inherited.

Also of significance, during this same time period, the economic crisis caused a significant reduction in revenue as property values plunged, directly impacting the funds generated by the Senior Millage. These two factors had resulted in deficit spending that exceeded \$300,000 each year.

Budgeting Goals

For budgeting purposes, my immediate goal was to 1) curb the flow of red ink (deficit spending). My long term goal was to 2) balance the budget within 3 years, and, 3) preserve a reasonable fund balance based upon the auditors' recommendation.

FY2011

Since I had not assisted with creating the FY2010 budget, I chose not to draft a continuum budget with a percentage increase for FY2011. Instead, I chose to create a zero based budget for the coming year. Beginning at zero, you calculate the cost of each component and justify it's inclusion in that line item. While this type of budget is time consuming, it forces you to understand and justify each line item.

As the FY2010 budget was balanced by transferring in \$388,000 from savings (fund balance), I was determined to curb this flow of red ink for FY2011.

The challenge was to preserve the programs most vital to the Mission of the COA, and cut back on programs or services that of lesser significance to the independence and well being of our senior population.

I sought the assistance of staff, the Advisory Board, and the Human Service Coordinating Body, to create a priority ranking for each line item. (See Table 1) Based upon these priorities, I eliminated non-essential services such as lawn mowing and snow removal, and scrutinized each expenditure for the essential services that remained.

Table 1

Hierarchy of Services - Advisory Board 8/16/2010

| Program | Score |
|-------------------------------|-------|
| Information and Referral | 1 |
| Home Delivered Meals | 3.6 |
| Congregate Meals | 4.2 |
| Medicare Counseling | 4.4 |
| Medication Management | 6.4 |
| Senior Transportation | 6.4 |
| Personal Care | 7.4 |
| Community Outreach | 7.6 |
| Homemaker Assistance | 8.6 |
| Respite Care | 8.6 |
| Dementia Services | 10.8 |
| Emergency Assistance Program | 10.8 |
| In-home foot Care | 10.8 |
| Fitness Programs | 14.2 |
| Senior Companion | 14.8 |
| Adult Day Care | 15 |
| Snow Removal | 15.2 |
| Lawn Service | 15.5 |
| Emergency Alert Devices | 15.8 |
| Project Fresh | 16 |
| Senior Computer Program Pilot | 18.4 |

Please rank by priority from the highest (1) to the least (21) by numbering each of the categories 1-21

If COA could only provide one service, what would it be? This is the first priority.

If COA could only provide just one more service, what would it be? This is the second priority.

Etc.

NOTE: Average obtained after removing the Highest and lowest score in each category.,

The end result was a \$250,000 reduction of expenditures for proposed FY2011 budget. Unfortunately, I forecast a loss of \$190,000 in revenues for the same period. The net result was a savings of only \$60,000, and the proposed budget would require a transfer in from savings of \$329,000 for FY2011. While this curbed the rise in red ink, it was painfully obvious that we could not sustain this level of spending and significant changes would have to be made.

Over the next 12 months, I kept careful controls over spending. I also examined all aspects of our revenue stream looking for opportunities for improvement. We re-calculated current costs and made adjustments to the amount of donations requested. We changed our monthly "Statement of Services", and we changed the date we mailed them out. We made ourselves eligible for small additions to our grant funding, and sought out new grant sources. We evaluated changes to our in-home service model and considered "pay for service" options offered by other counties. We also asked our senior centers to look for additional ways to utilize their buildings and reduce their dependence upon COA contracts.

The end result of all of these efforts has resulted in only a small increase in our revenue stream. Our work here is not done. We continue to research and explore alternatives and gauge their implications for our service model.

The FY2011 budget was extremely tight. As the final revenue and expenditure reports are analyzed, it appears that we have ended the year just 2% under budget.

FY2012

In preparing a draft budget for FY2012, increased labor costs, fuel costs, rent costs (218 W. Garfield), and a COLA, all pushed the expenditures further into deficit spending. Trial budgets 1 through 5 all required a transfer in from savings again approaching \$380,000. In other words, without further cuts, we would be right back to the same level of deficit spending.

Trial budget #6 was a painful process. I trimmed everything possible. I partnered with the Transit Department to pick up the local fares, and I partnered with the Boyne Area Seniors to pick up the instructor costs for the computer program. There is just nothing left to cut without eliminating essential programs. The end result was a budget balanced by transferring in from savings \$355,000 for FY2012. This is the budget detail I submitted to the Board of Commissioners.

We are just now entering FY2012, and it remains to be seen if I can bring the Department in within budget for the coming year.

Savings (Fund Balance)

Our fund balance for June 30, 2011, was \$1.515 million.

Since FY2011 was balanced with a transfer in from fund balance of \$329,000, we can expect to spend that full amount during the fourth quarter.

As I analyze the final reports, it appears the Department ended the year slightly under budget.

Subtracting \$329,000 (less amount under budget) from \$1.515 million, the fund balance will be approximately \$1.2M at year end FY2011.

Our auditor recommended 8-9 months fund balance for COA. Based upon a budget of \$1.46 M, this equates to \$1.095 M. In application, at year end the fund balance was very near the recommended level.

That means that during FY2012, that was balanced by transferring in \$355,000 from fund balance, we will fall below the recommended level for the fund balance.

Fund Balance Projections:

If we continue to follow the current service model, we can project the impact on the fund balance.

Table 2

| <u>Date</u> | <u>Fund Balance</u> |
|---------------|--------------------------------------|
| June 30, 2011 | \$1.5 (entering 4 th qtr) |
| Sept 30, 2011 | \$1.2 M |
| Sept 30, 2012 | \$825,000 |
| Sept 30, 2013 | \$442,000 |
| Sept 30, 2014 | \$28,000 |

***Assumptions:**

1. Senior Millage revenues remain constant at .4 mil
2. Grant sources remain constant
3. Energy and food costs rise incrementally (no runaway)
4. Other support components (agencies) remain in place

Assumption #4 has already proven unlikely as cuts in the Medicare Program at the federal level have resulted in cuts to agency funding at the local level.

In application, we could carefully follow the current service model, but because of forces beyond our control, we could run out of money during the 4th quarter of 2014. that would leave us unable to pay our bills. We would not be able to provide meals at the senior centers. We would not be able to send a CENA to provide respite care. We could not meet payroll.

This is the crisis that I saw during my first two weeks as your Director. And it is looming closer.

Simple Analogy

You are the husband of a family of four. The main bread winner. You have a good job working for St. Mary's Cement, 5 days per week. Steady. You have been able to pay all your bills and put some money aside in savings. And with the overtime you have been earning, you were thinking about adding a small addition on the house before the new baby arrives.

Unfortunately, the down turn in the economy has slowed construction, and people are not ordering cement. St. Mary's gives you notice they are cutting you back to 4 days a week. There will be no overtime. Okay, you still have a job. Things will work out and you should be back to 5 days a week real soon.

At the end of the first pay check, you still have bills to pay. Back to school clothes for the kids. Lunch money. So, you reach into the savings and take out what you need.

Another two weeks, and again you are short. The hot water heater sprung a leak and the water damaged the wood floor. You reach into savings and take out a little more.

At the end of two months, with no relief in sight, you realize something has got to change. The savings account is running out, and winter is coming. Heating bills, snow tires, higher food costs. And the new arrival is just months away. The wait and see approach just isn't going to cut it.

Do you find another job to increase your earnings? Or do you cut back and live within your means?

The analogy is this, with the down turn in the economy and collapse of the housing market, the senior millage is not bringing in what it used to. We went from 5 days a week to 4. And, we have been using our savings to make up the difference.

Winter is coming, with increased requests for service, and higher costs for wages and supplies. And, the addition to the house, the senior population is growing, and will continue to grow until the Baby Boomer generation reaches its peak.

Our savings, the fund balance, is dissolving, and will soon be gone.

The wait and see approach just isn't going to cut it. So, do we seek more funding? Or do we cut back and live within our budget?

OPTIONS

There are really only two options:

- Raise revenue
- Cut expenses

We can not continue down the current path of deficit spending without dire consequences. To avoid a devastating crisis, we must balance the budget.

You hired me to manage. That means I must accept responsibility for the way things are, and develop a plan to move us forward. That is what is expected of us as public servants.

As you know, my stated purpose was to ***“Develop a sustainable model that meets the needs of the next generation without abandoning the seniors we currently serve.”***

Not only is this important from the standpoint of current fiscal constraints, it becomes even more important as our population ages and our senior population swells.

Option #1: Raise Revenues

The shortfall in annual revenue is significant. For FY2012, it is \$355,000. That represents about 25% of our budget. Significantly more than we could hope to make up by adjusting our suggested donation amount or trimming expenses.

Grant dollars are down and are not anticipated to improve. We will continue to look for new grant money, but we should not expect to eliminate our deficit through grants.

In the short term, to raise the kind of money we need, there are really only two options: 1) ask the Commissioners for support from the General fund account; 2) ask the voters to raise the senior millage.

General Fund

While some counties subsidize their senior programs from the General Fund, Charlevoix County has used a senior millage dedicated to senior programs. Should we, as a county, use additional general fund monies to support senior programs beyond the level of spending supported by the senior millage? This is the philosophical question that the Commissioners, our elected officials, would have to answer.

And that question would have to be approached in terms of priorities for General fund dollars. If general fund dollars were used to cover senior services, what other programs or services would have to be cut to balance this expenditure?

Senior Millage

The second option for raising revenue would be to seek an increase in the Senior Millage.

As of today, the senior millage for Charlevoix County is .4 mil. State law caps senior millage at 1.0. The statewide average is .7 mil. Some counties do not have a senior millage, and some levy the full amount.

At .4 mil, the Senior Millage generates approximately \$800,000 or roughly \$200,000 for each tenth of a mil.

If we asked the good people of Charlevoix County to increase the Senior Millage to .5 mil, we would generate an additional \$200,000. However, this amount is short of the \$355,000 deficit for FY 2012. Not enough.

If we asked the good people of Charlevoix County to increase the Senior Millage to .6 mil, and they agreed, we would generate another \$400,000. This would eliminate the deficit spending for FY2012, and maybe FY2013, but it may not be enough for FY2014.

If we asked the good people of Charlevoix County to increase the Senior Millage to .7 mil, and they agreed, that would generate an additional \$600,000. This is roughly the amount needed to secure the future of all COA programs for the immediate future, under the current service model.

This option represents a 75% increase in senior millage to sustain programs at current levels.

And that is only today. It does not address what happens as the senior population numbers continue to rise as more of the Baby Boomers enter retirement.

Option #2: Cut Expenditures

We were able to cut \$250,000 out of the FY2011 budget, but still required a transfer in from fund balance of \$329,000.

We cut that amount plus an additional \$35,00 more for FY2012, but still required a transfer in from Fund balance of \$355,000 to balance the budget.

There are simply not enough resources to continue to sustain this level of services. We can not balance the budget by trimming here and saving there. The only way to realize this kind of savings is to make significant changes.

If we can't be all things to all people, what can we be? What are the essential services we need to concentrate on?

We have to ask ourselves, what is our Mission?

Where do we focus the resources we do have?

Requests for Service

Returning to our discussion of current COA programs, they all fall into two major categories: personal care; senior centers.

Personal care

The number of persons seeking Personal Care services is on the increase. The COA has seen an annual increase of 40-50 percent each of the last two years. This trend promises to continue as our population ages.

Senior Centers

Conversely, the number of persons attending Senior Center programs is falling. This fact is not confined to Northern Michigan, but is being experienced throughout the state and the country. While there are many factors that influence this trend, the simple fact is that the next generation is simply not coming. They are working longer. They are more active. They don't identify with the senior center model.

The simple fact is, we are no different than everyone else in this respect: The number of persons attending our senior centers continues to decline.

Senior Center Participation

The age group being served by senior centers is not uniform. Although the targeted age group for the congregate meals program is 60 and above, there are very few seniors in their 60s. Of those attending our senior centers, the real rise in numbers begins at age 74-5, and tapers off after 85-6.

As the current generation of seniors ages each year, some seniors will become homebound, some will move to higher levels of care, and some will pass from this life. This natural progression is predictable. It is the human experience.

Until, or unless the next generation identifies with senior centers, this progression will continue and the number of participants will continue to decline.

The first of the Baby Boomers are now 65 and 66, but they are not attending.

Personal Care vs. Senior Centers

This is the philosophical discussion. If we can't be all things to all people, what should we be? Where should our focus be? How do we resolve today's deficit spending, **and**, position the agency to meet the needs of a growing senior population?

The focus groups all indicated that remaining independent is their first priority, and, they placed a high priority on personal care.

Conversely, the Focus Groups told us today's senior centers do not appeal to the next generation. Converting senior centers to their liking will cost millions. Money we do not have. And, if we convert our senior centers to the social clubs they described, they still may not come. If they do, it will be much later in life.

Our prioritization efforts, focus group results, and requests for service all point toward the importance of Personal Care. These numbers continue to increase, and likely will, until the peak of the boomer generation passes.

EFFECTING CHANGE

Sustainable Model

Returning to our discussion of fund balance projections, we know that we have about 3 years to effect a change. And that is only if we are willing to spend down our entire fund balance. Less, if we hope to preserve some savings against unforeseen emergencies or shortfalls.

I believe we need to focus our efforts where they are needed most, and begin now to effect those changes. I do not believe we can put this decision off for three years. I believe we, as a county, need to make a decision, and use the resources we have to effect the change.

Creating a strategy for a “sustainable model” is the important first step. Implementation will be equally important, and likely more challenging and time consuming.

Focus on Personal Care

Let me demonstrate what it may look like if we shift our focus to Personal Care.

It will cost \$620,000 to operate the four senior centers in FY2012.

If we take the meals on wheels program, \$200,000, out of the senior center budgets and transfer it to Personal Care, the senior centers would cost about \$420,000. This is roughly the same amount as the deficit.

If the COA shifts its’ focus to Personal Care, the current level of funding would sustain this program for the immediate future.

Phasing in this change would take time. The full amount currently used to support the senior centers would not be realized in the first year, or even the second or third year. Transfers in from fund balance would still be needed during the transition.

Senior Centers

We can’t eliminate our senior centers without abandoning our current seniors.

We will need to develop a strategy that gradually shifts our activities away from the current senior centers to a model for activities that is not based upon a physical location. These changes will need to be implemented slowly, and carefully. Phased-in, over time.

In the first phase, we would implement cost savings based upon current usage. Falling attendance numbers suggest we prepare fewer meals, need less floor space, or perhaps fewer hours.

As leases expire, we evaluate the need/cost relationship and seek alternative locations or hours of operation. We base our size needs on actual numbers, and the fact that numbers are decreasing

To scale back, we could look at providing meals 4 days per week. (Mondays are light)

If the numbers of attendees continues to decrease, we look at consolidating sites.

We could look at consolidating kitchens, or even out-sourcing meals.

When numbers reach a minimum level, we convert over to “meal vouchers”. Seniors still get out, socialize, travel, and have a nutritious meal. And a they have a meal with choices. Area restaurants could provide a number of entree’s that have been AAANM pre-approved for nutrition. Voucher based meals meet AAANM criteria and are eligible for grant funding, and the restaurant pays the utility bills and wait staff.

Based upon what we learned from the focus groups, this style of meals may even have greater appeal to the next generation. (choices, setting, multi-generational, non-institutional) Remember, our goal is “independence”. Engaging the next generation in this program helps them to remain healthy, live in their own homes, longer, and have a richer, dignified life.

Our coordinators could continue to offer “senior programs” by collaborating with our community partners such as the libraries and schools, travel agencies, colleges, and other community partners. Rather than put on a senior program at a “senior center”, the same program is provided at the public library or the Raven Nature Center, and marketed as a community event.

We use our fund balance to accomplish the transition away from senior programs tied to special purpose building. We avoid duplication, and we partner with other agencies in the community.

Sustainable Model

Even with a shift of focus to Personal Care, the anticipated 40% increase in demand for senior services will require additional changes to make the model “sustainable”. We will need to look at:

- Fee based services rather than donations (offset by millage)
- Income based on a sliding scale for services (offset by millage)
- Cost based model for additional services

I know it has been “free” in the past. And changing from free to a fee based service model will be difficult. The point is, we simply can not continue to do it for free.

Closing

The good people of Charlevoix County have been generous when it comes to providing for the basic needs of our seniors. Needs, not wants. Hardy, not fancy. Supporting their independence, rather than creating dependence.

I believe that support has been based upon a trust that their tax dollars have been spent wisely, and for their intended purpose: support for our seniors.

To maintain that public trust, I believe we need to communicate the gravity of the decision before us, and give them, our citizens, the opportunity to participate in this discussion.

While our choices are limited, the opportunity is great. We have a tremendous resource of mature, wise, and interested seniors to help us in the planning process. And, we have a fund balance to support the process and sustain senior programs as a transition is implemented.

I believe a decision of this magnitude deserves Commissioner level consideration.

As the Director of the Commission on Aging, I am at your service.