

FINANCIAL STATE OF COUNTY

Washtenaw County

Ways & Means Committee

February 4, 2009

Economic Reality

2

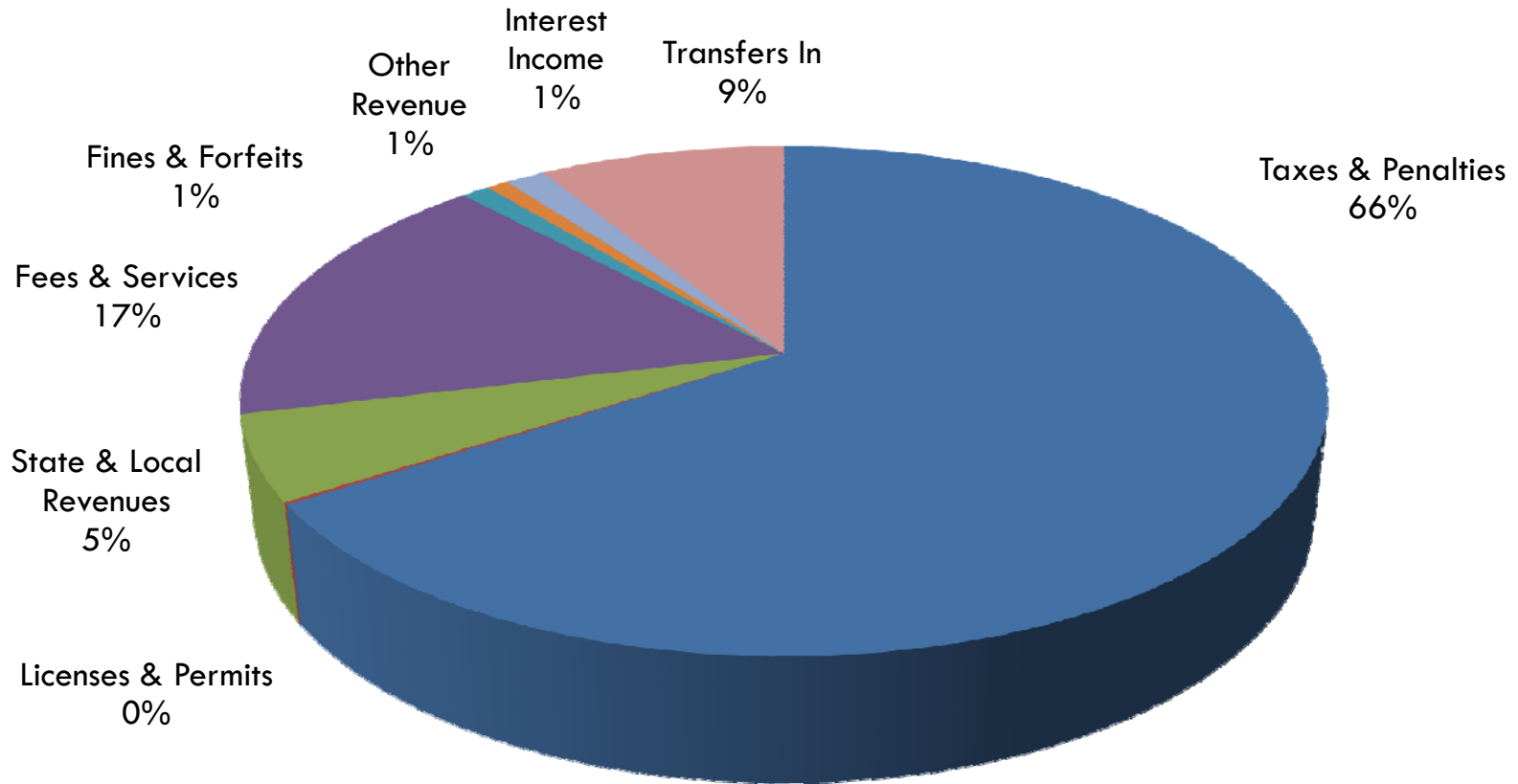
**Worst Crisis Since '30s,
With No End Yet in Sight**
- Wall Street Journal

General Fund Revenues

3

Revenues by Source

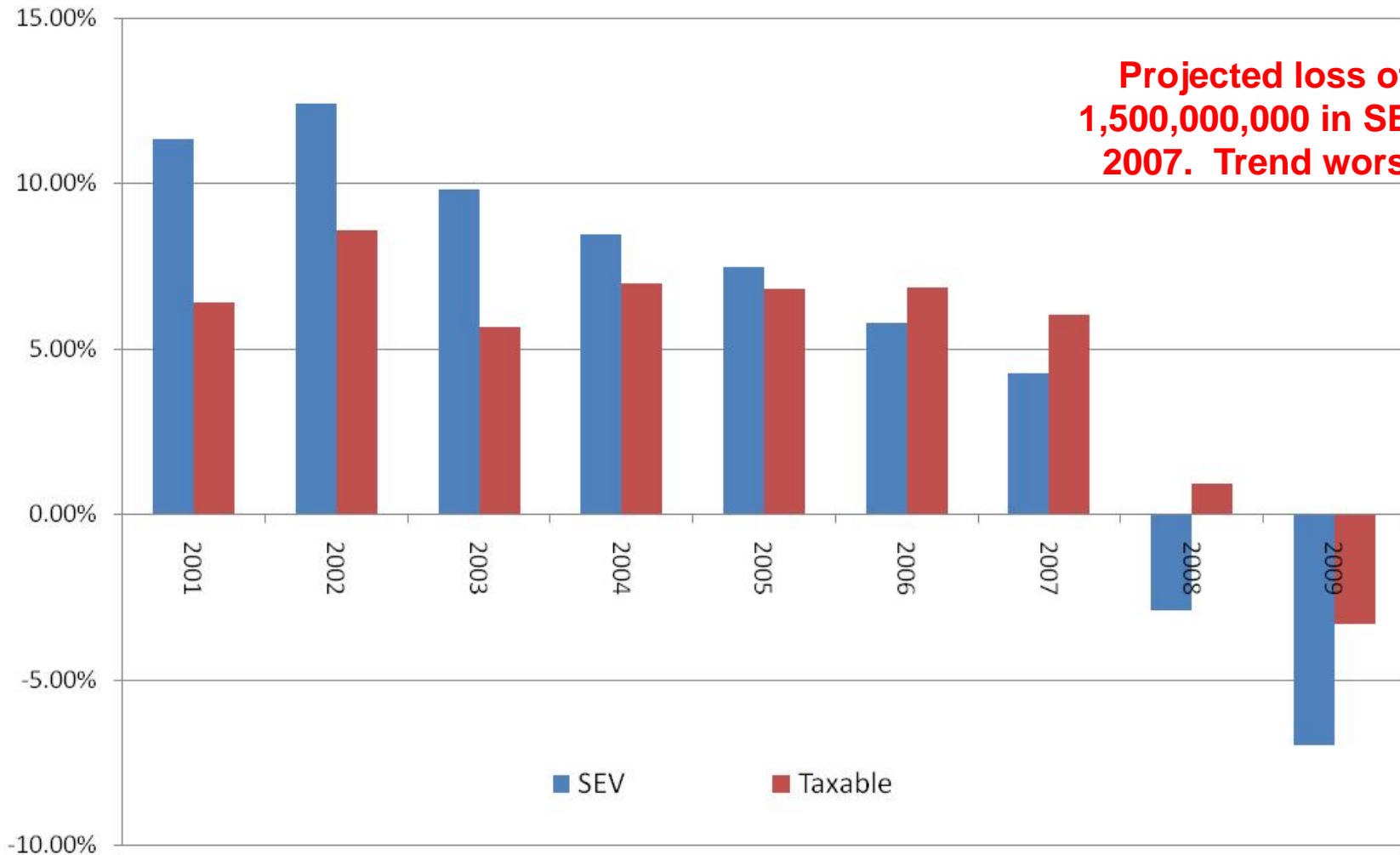
Based on 2008 Projected Year End



Impact on Revenues

4

Change in SEV vs Change in Taxable

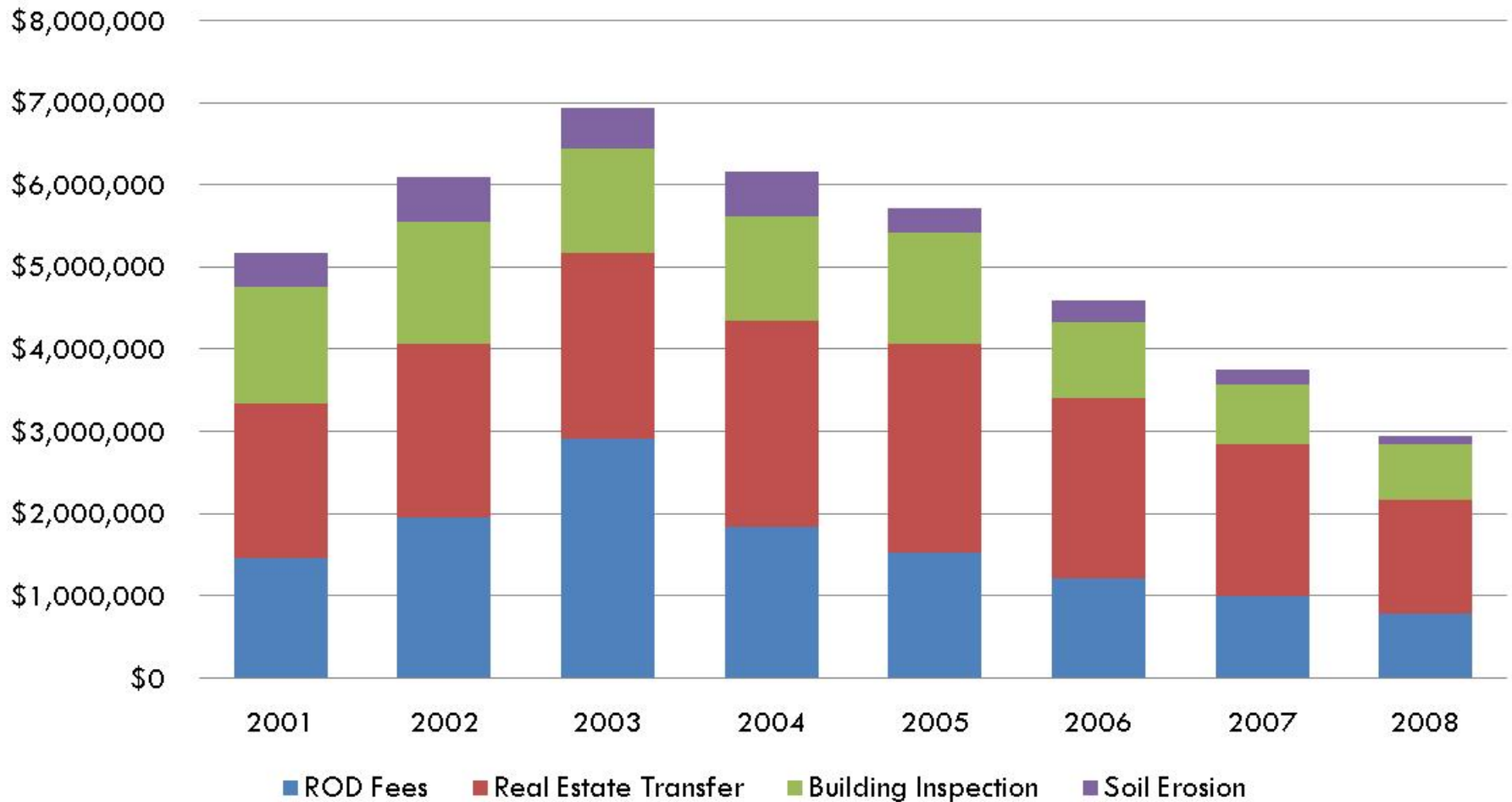


Projected loss of over 1,500,000,000 in SEV since 2007. Trend worsening.

Impact on Revenues

5

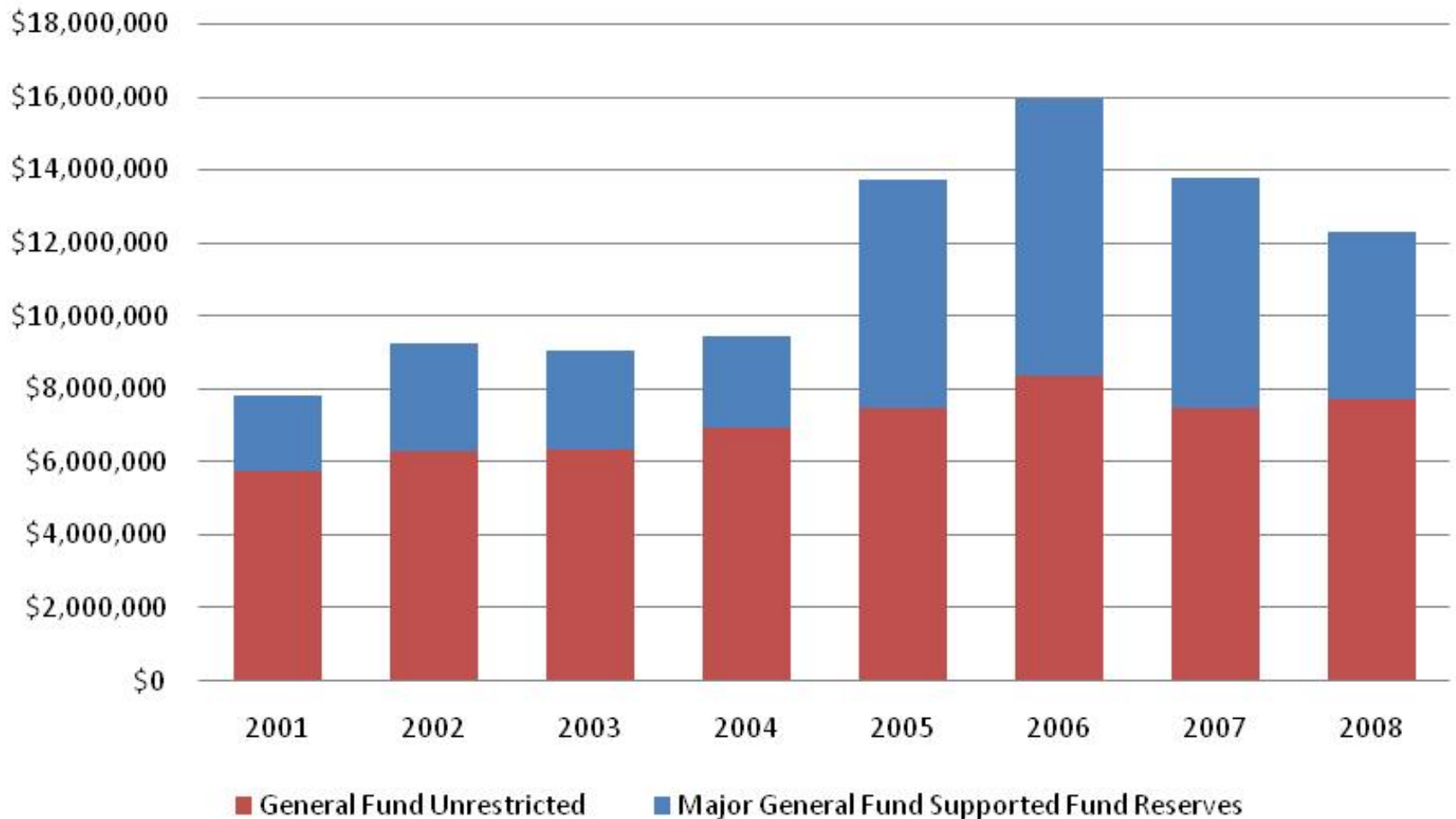
Major Housing Fees



Impact on Revenues

6

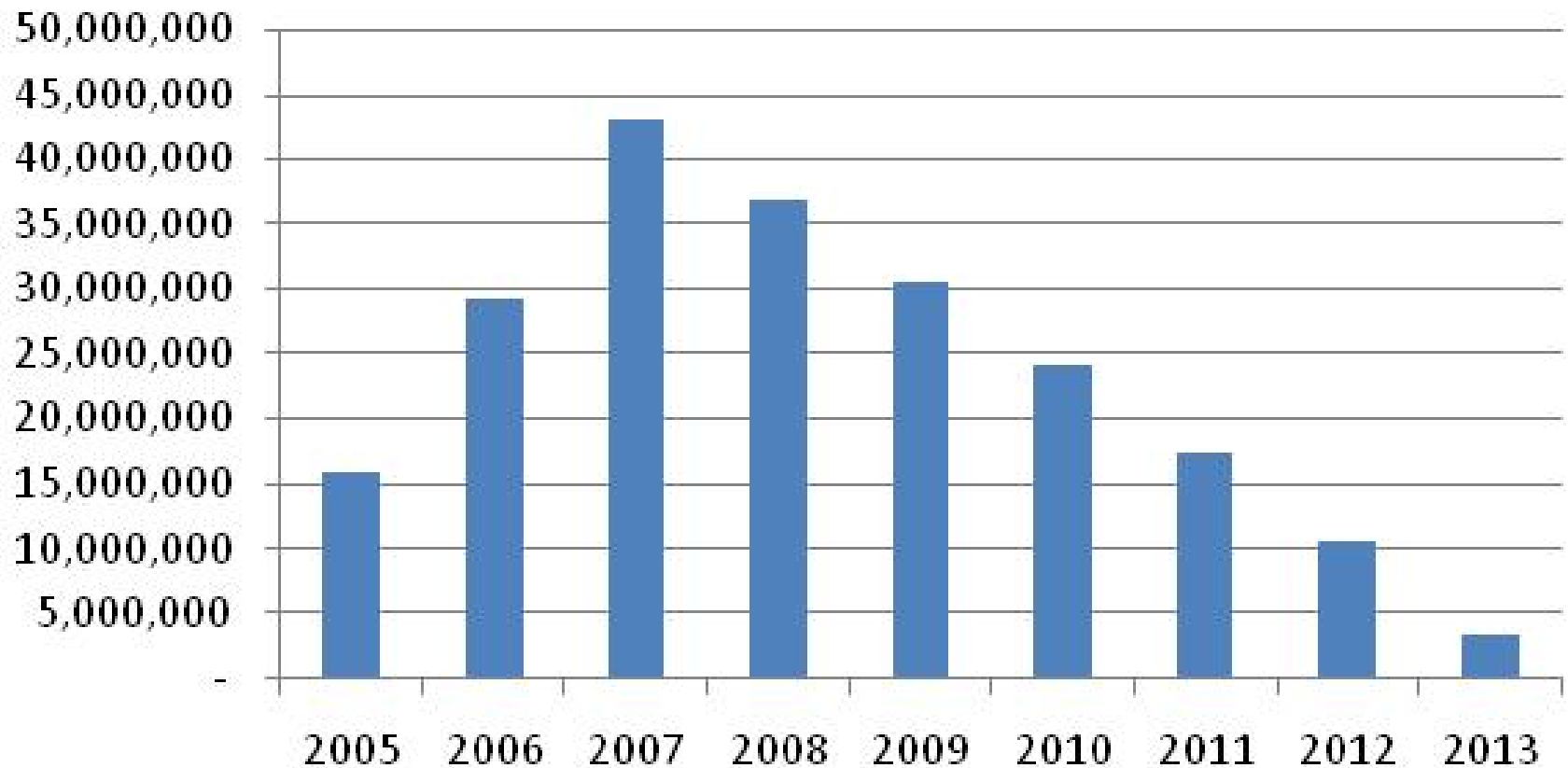
Total General Fund Supported Reserves



Impact on Revenues

7

Revenue Sharing Reserve Balance



8

Our Response

Our Response

9

Budget Balancing Solutions Used to Date

- Hiring Freeze & Long-Term Personnel reductions
- Use of NGF reserves
- Transfer of LBPD
- Reduction of non-mandated program levels
- Support Services Reductions
- Reduced benefit levels for new employees
- Reduce Pay for Performance
- Decreased staff in services affected by housing market
- Alignment of DPW, Soil Erosion and Water Management Departments
- Lump sum reductions in courts and Sheriff
- Veterans Millage
- Reduced support to NGF departments
- Reduced county fleet allocations

Our Response

10

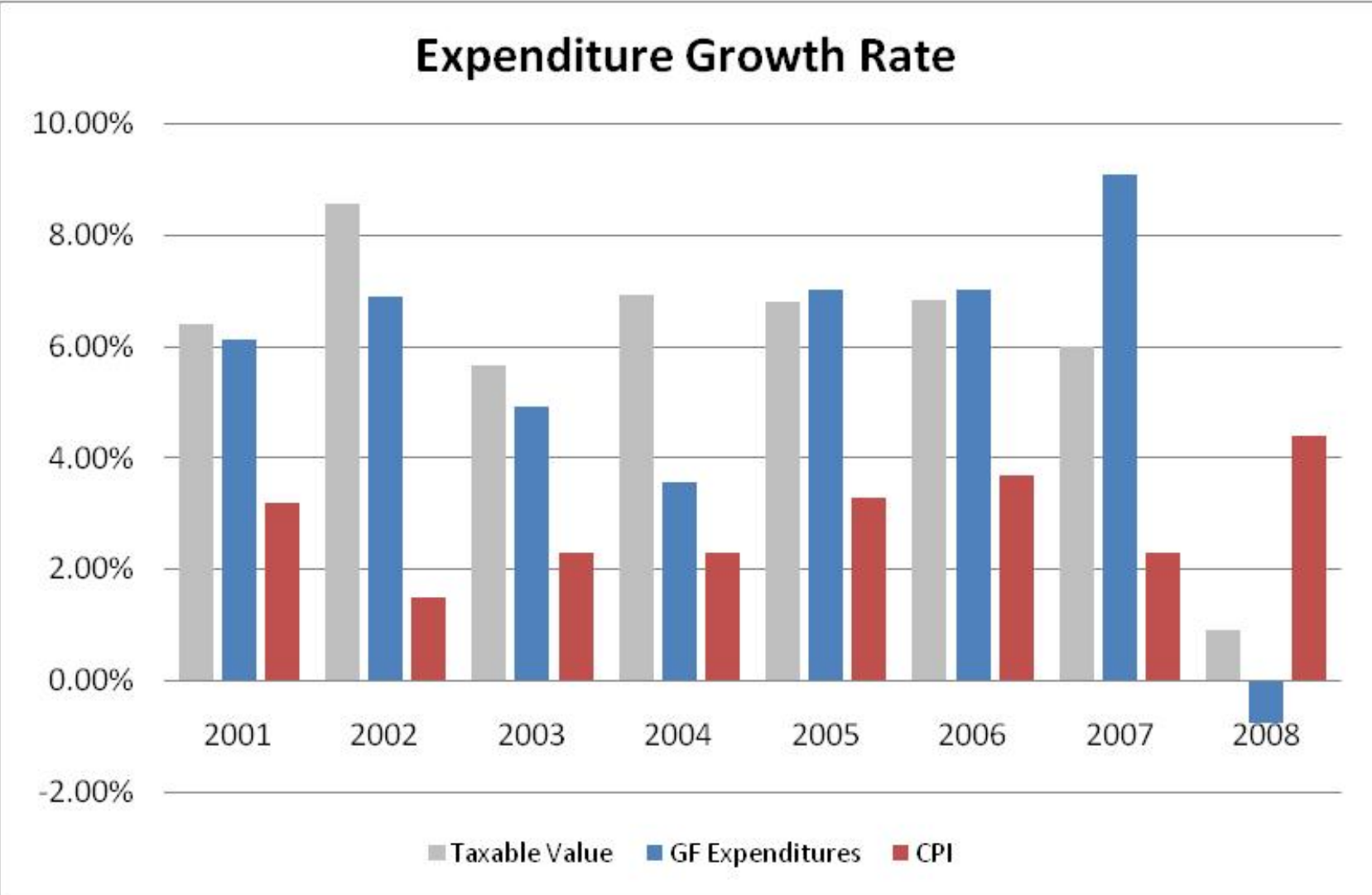
- Continue to Lean on Our Sound Organizational & Fiscal Practices
 - ▣ Guiding Principles
 - ▣ Focus on Vision and Strategic Planning through Business Improvement Process
 - ▣ Established Communities of Interest
 - ▣ Increased bond rating to AA+
 - ▣ Increased General Fund reserve levels
 - ▣ Strategic Budget Management Philosophy

Our Response

11

- Different Times call for Different Practices
 - ▣ Creation of Financial Advisory Team including Civic Infrastructure Community of Interest (County Clerk, Treasurer and Equalization)
 - ▣ Must implement structural expenditure solutions
 - ▣ Hope for Best -- Plan for Worse
 - ▣ Determine where to set budget

Budget Trends



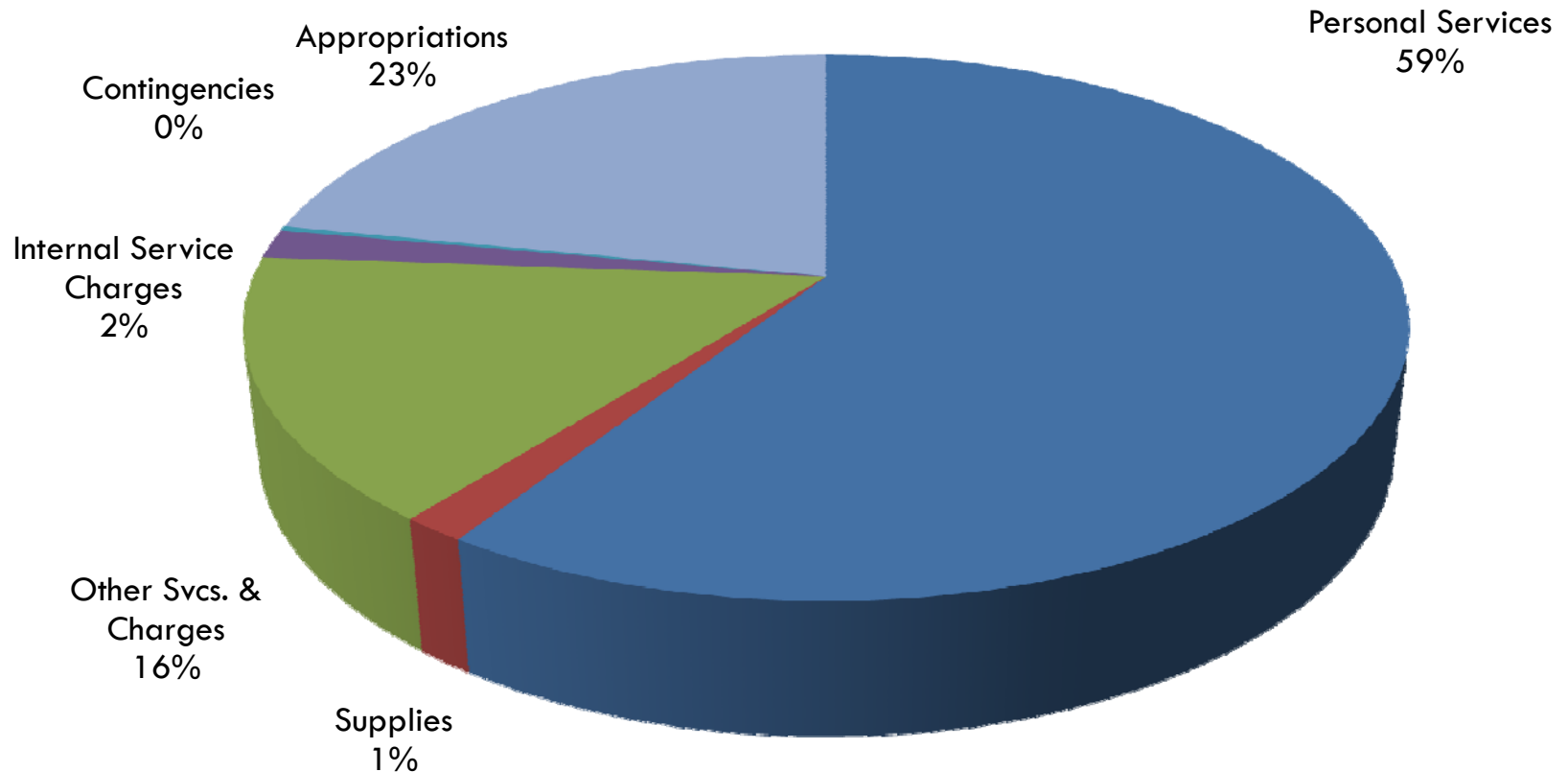
General Fund Expenditures

By Category

13

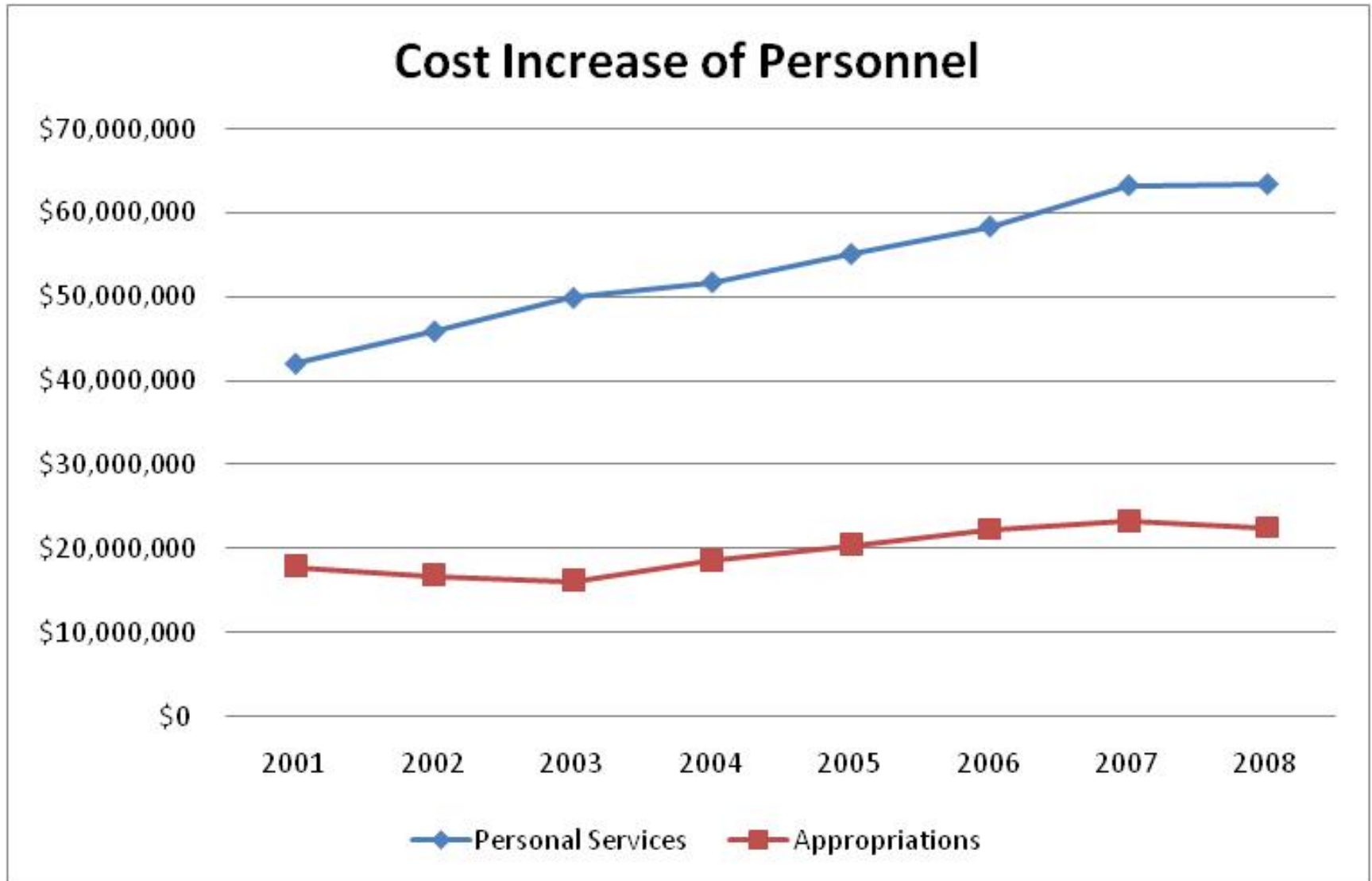
Expenditures by Category

Based on 2008 Projected Year End

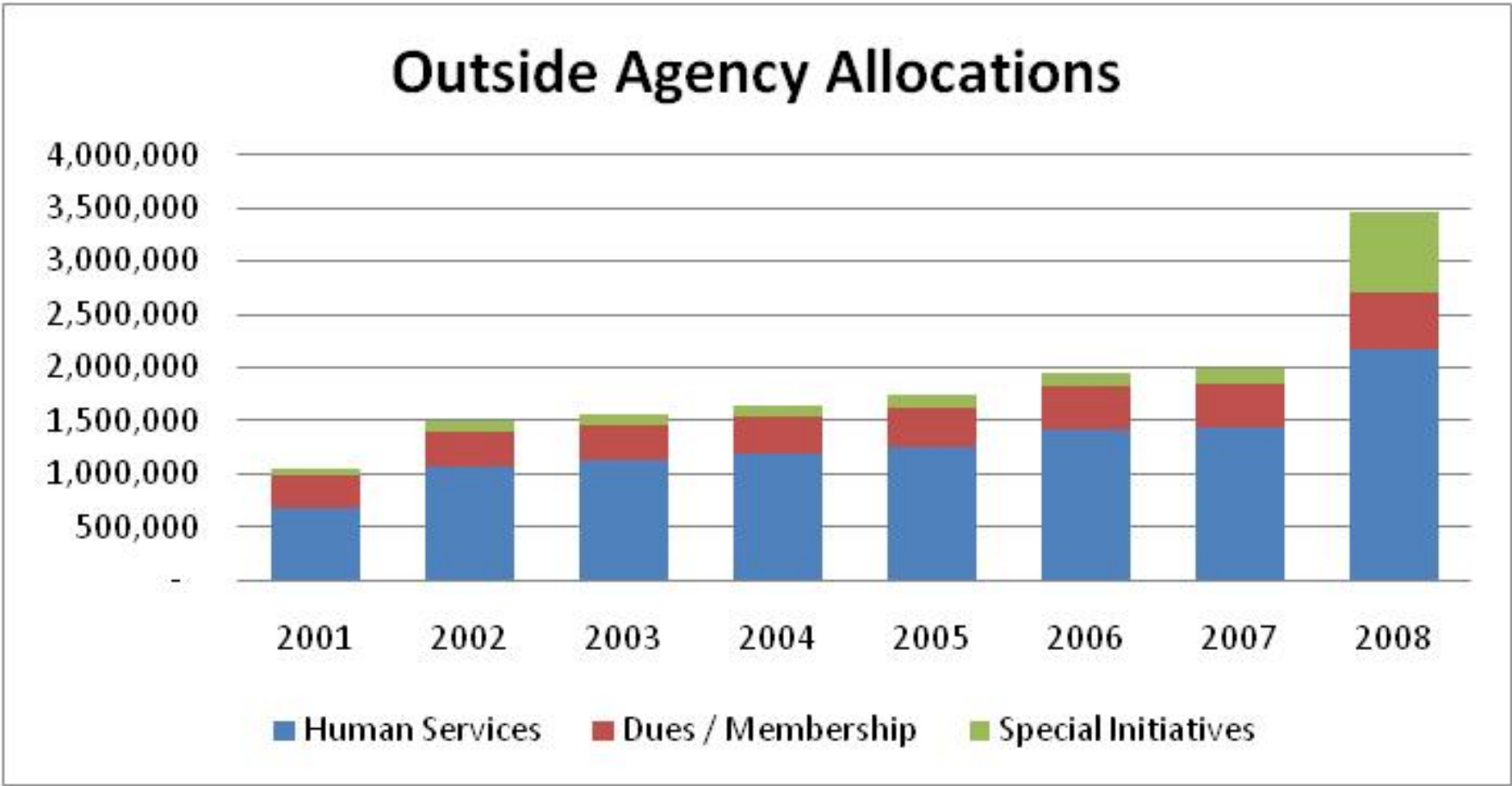


Budget Trends

14



Budget Trends



16

Long-Term Impact

General Fund Projections

17

- Recommendation from national researchers – do not look in rear view mirror
 - ▣ Use historical data cautiously - no longer indication for future
 - ▣ Use indicators to guide you in budget projections
 - ▣ Nobody knows how bad things will get or when we will hit bottom

General Fund Projections

18

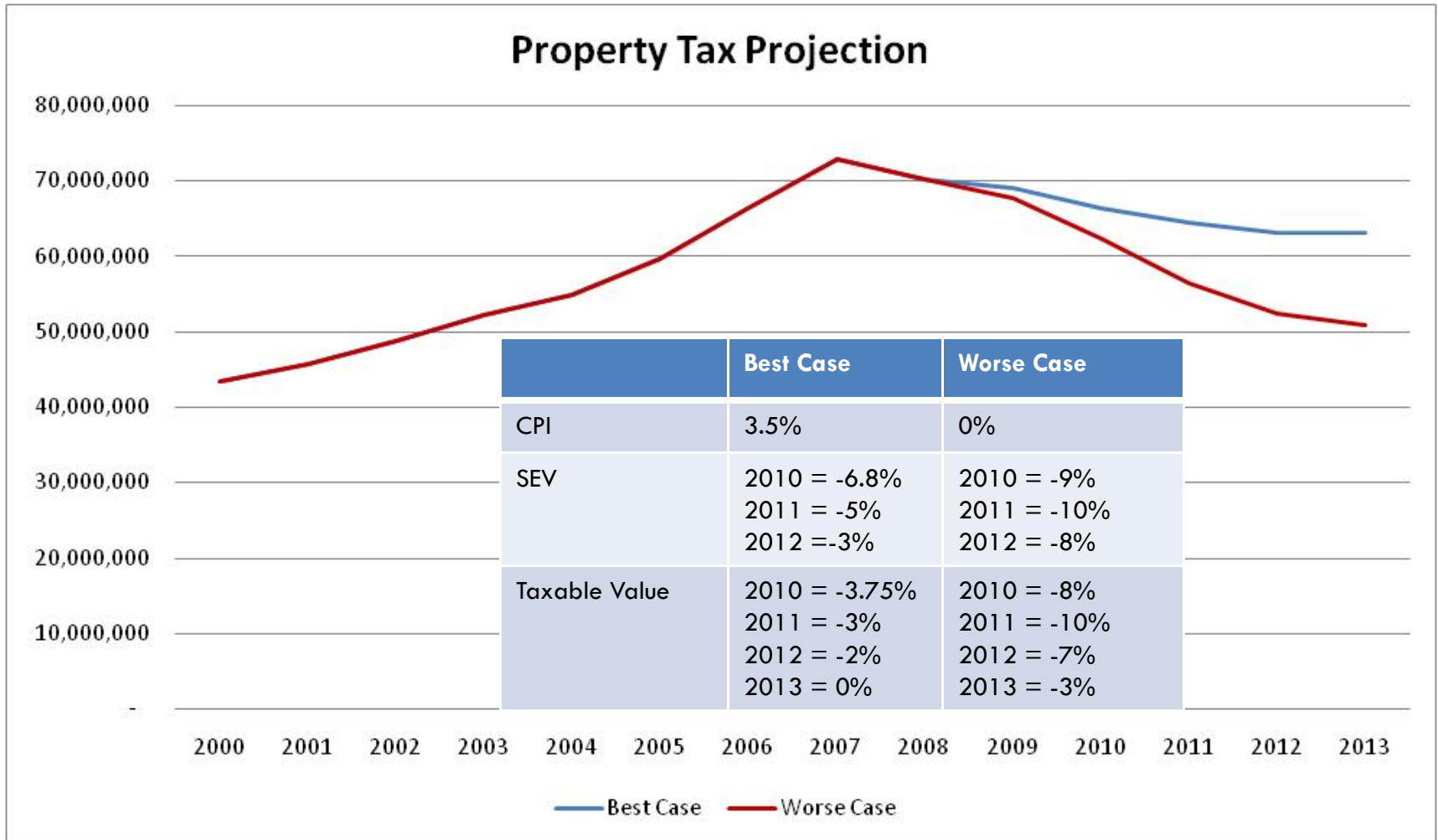
- Also less available information during budget development
 - ▣ Shift of property tax from December to July
 - ▣ Shift in fringe benefits during labor negotiations (pension and retiree health care costs)

General Fund Projections

19

- Major Revenue Assumptions:
 - ▣ Rate of Inflation
 - ▣ Property Taxes
 - ▣ Housing Fees
 - ▣ State Revenue Sharing
 - ▣ Other State Revenue Levels
 - ▣ Growth in Police Services Contracts

General Fund Projections



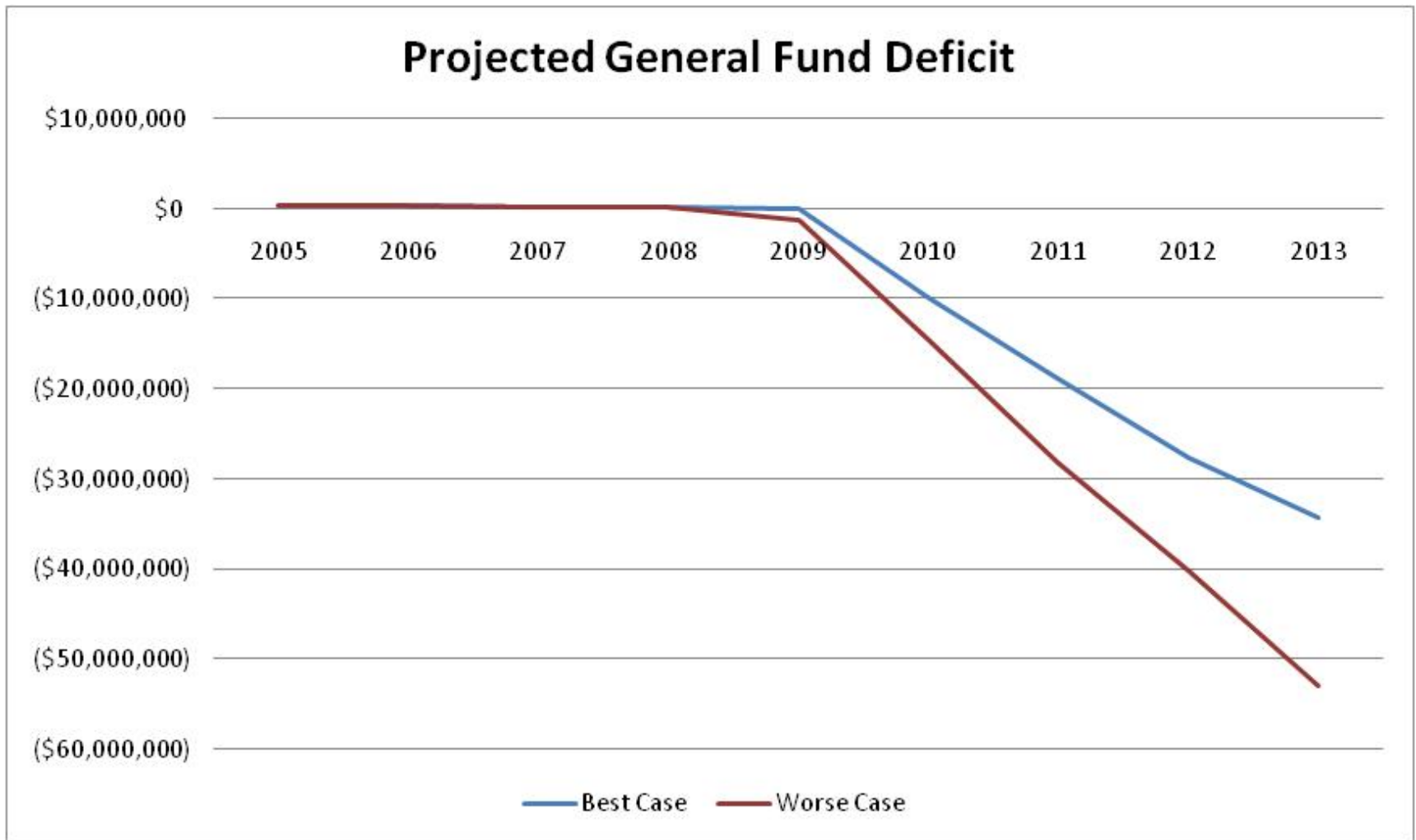
General Fund Projections

21

- Major Expenditure Assumptions:
 - ▣ Current FTE with Increase for Jail Expansion
 - ▣ Salary growth for annual increases, longevity, step increases, attrition
 - ▣ Fringe rate growth, especially medical and pension
 - ▣ Continuation of existing programs
 - ▣ Continuation of outside agency allocations
 - ▣ Continuation of support to NGF departments with personnel cost increases
 - ▣ Continuation of budgeted reserve levels - \$100K Unearmarked and \$250K Subsequent Year Contribution

General Fund Projections

22



Preliminary Best Case Revenue Assumptions

	2008	2009	2010	2011	2012	2013
	Projected	Projected	Projected	Projected	Projected	Projected
	Actual	Budget	Budget	Budget	Budget	Budget
REVENUES:						
Taxes & Penalties	70,133,703	\$68,911,997	\$66,327,797	\$64,337,963	\$63,051,204	\$63,051,204
Licenses & Permits	164,403	\$136,200	\$136,200	\$136,200	\$136,200	\$136,200
State & Local Revenues	5,723,334	\$5,119,562	\$5,119,562	\$5,119,562	\$5,119,562	\$5,119,562
Fees & Services	17,952,615	\$19,337,380	\$19,762,690	\$20,197,472	\$20,601,421	\$21,013,450
Fines & Forfeits	1,077,612	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100
Interest Income	835,460	\$754,400	\$604,400	\$454,400	\$304,400	\$304,400
Other Revenue	1,503,541	\$856,186	\$656,186	\$656,186	\$656,186	\$656,186
Transfers In	9,357,901	\$7,771,636	\$7,658,427	\$7,849,888	\$8,046,135	\$8,247,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	106,748,569	\$104,149,461	\$101,527,362	\$100,013,771	\$99,177,208	\$99,790,390
EXPENDITURES:						
Personal Services	\$63,479,374	61,483,537	\$65,909,703	\$70,913,863	\$75,785,971	\$80,255,916
Supplies	\$1,644,049	\$1,428,436	\$1,693,371	\$1,471,289	\$1,744,172	\$1,515,428
Other Svcs. & Charges	\$16,688,093	\$15,861,041	\$16,182,372	\$16,528,793	\$17,040,571	\$17,568,179
Internal Service Charges	\$1,831,793	\$1,442,757	\$1,486,040	\$1,530,621	\$1,576,540	\$1,623,836
Capital Outlay	\$280,013	\$14,275	\$14,275	\$14,275	\$14,275	\$14,275
Contingencies	\$0	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000
Appropriations/Transfers Out	\$22,580,093	\$23,269,415	\$25,434,161	\$27,692,680	\$30,014,847	\$32,479,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$106,503,414	\$104,149,461	\$111,369,922	\$118,801,522	\$126,826,375	\$134,107,487
SURPLUS (DEFICIT)	\$245,156	\$0	(\$9,842,560)	(\$18,787,751)	(\$27,649,167)	(\$34,317,097)
Deficit as % of Total Revenue	0.23%	0.00%	-9.69%	-18.79%	-27.88%	-34.39%
Average Cost per Employee		\$80,000	\$84,800	\$89,040	\$93,492	\$98,167
Estimated FTE Reduction Needed		-	(116.1)	(211.0)	(295.7)	(349.6)

Preliminary Worse Case Revenue Assumptions

	2008	2009	2010	2011	2012	2013
	Projected	Projected	Projected	Projected	Projected	Projected
	Actual	Budget	Budget	Budget	Budget	Budget
REVENUES:						
Taxes & Penalties	70,133,703	\$67,711,997	\$62,295,037	\$56,377,009	\$52,430,618	\$50,857,700
Licenses & Permits	164,403	\$136,200	\$136,200	\$136,200	\$136,200	\$136,200
State & Local Revenues	5,723,334	\$5,119,562	\$5,068,366	\$5,017,683	\$4,967,506	\$4,917,831
Fees & Services	17,952,615	\$19,337,380	\$19,376,506	\$19,182,741	\$19,182,741	\$19,182,741
Fines & Forfeits	1,077,612	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100
Interest Income	835,460	\$754,400	\$604,400	\$454,400	\$254,400	\$254,400
Other Revenue	1,503,541	\$856,186	\$636,186	\$636,186	\$636,186	\$636,186
Transfers In	9,357,901	\$7,771,636	\$7,471,636	\$7,658,427	\$7,849,888	\$4,001,135
	-----	-----	-----	-----	-----	-----
TOTAL	106,748,569	\$102,949,461	\$96,850,432	\$90,724,745	\$86,719,639	\$81,248,292
EXPENDITURES:						
Personal Services	\$63,479,374	61,483,537	\$65,909,703	\$70,913,863	\$75,785,971	\$80,255,916
Supplies	\$1,644,049	\$1,428,436	\$1,693,371	\$1,471,289	\$1,744,172	\$1,515,428
Other Svcs. & Charges	\$16,688,093	\$15,861,041	\$16,182,372	\$16,528,793	\$17,040,571	\$17,568,179
Internal Service Charges	\$1,831,793	\$1,442,757	\$1,486,040	\$1,530,621	\$1,576,540	\$1,623,836
Capital Outlay	\$280,013	\$14,275	\$14,275	\$14,275	\$14,275	\$14,275
Contingencies	\$0	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000
Appropriations/Transfers Out	\$22,580,093	\$23,269,415	\$25,434,161	\$27,692,680	\$30,014,847	\$32,479,853
	-----	-----	-----	-----	-----	-----
TOTAL	\$106,503,414	\$104,149,461	\$111,369,922	\$118,801,522	\$126,826,375	\$134,107,487
SURPLUS (DEFICIT)	\$245,156	(\$1,200,000)	(\$14,519,490)	(\$28,076,776)	(\$40,106,736)	(\$52,859,194)
Deficit as % of Total Revenue	0.23%	-1.17%	-14.99%	-30.95%	-46.25%	-65.06%
Average Cost per Employee		\$80,000	\$84,000	\$88,200	\$92,610	\$97,241
Estimated FTE Reduction Needed		(15.0)	(172.9)	(318.3)	(433.1)	(543.6)

Projected Deficit 2010/11 Budget

25

Best Case	(\$18,787,751) 211 FTE
-----------	---------------------------

Worse Case	(\$28,076,776) 318 FTE
------------	---------------------------