



## Administrator's Message

*Verna McDaniel*

Over the last several months my focus has been centered on the budget, but more recently I've been managing some internal changes within the Administration office. As of April 8, 2011 Deputy Administrator Bill Reynolds has been placed on medical leave to address some post-military medical issues. It's anticipated that Bill will be on medical leave for at least the next few months. Over the past year, Bill has worked diligently to gain a greater understanding of each department. His leadership, initiative and motivation to get the job done will be missed while he's out on leave.

Effective immediately, Finance Director Kelly Belknap will become the Interim Deputy Administrator. Her wealth of knowledge in the areas of fiscal management, debt management and accounting coupled with her organizational knowledge will be extremely helpful as we move forward in this budget process.

Finance Accounting Manager Pete Collinson will become the Interim Finance Director. Collinson will assume broad responsibility for the County's day-to-day business, fiscal, and administrative operations during this temporary appointment.

I look forward to working with Kelly in this temporary role and I'm absolutely confident that she will be a great addition to the Administration team. You may recall that Pete acted as the Interim Finance Director back in 2010, so I'm delighted to be working with him in this role again.



## News from the ——— — Administrator

### Inside This Issue

- 2** Planning Advisory Team  
Blood Drive Report Out

---

- 3** New Rec Center in Ypsilanti  
Town Hall Wrap Up

---

- 4** 2011 1st Quarter Budget Update

---

- 5** Updated Financial State of the  
County

---

- 6** Bond Rating  
County Health Ranking

## PLANNING ADVISORY TEAM

### Budget process update

---



The Planning Advisory Team has been instrumental in the development of the budget process and identifying solutions for dealing with the projected deficit. Earlier this year we shared the [Budget Process Calendar](#)

divided into four (4) phases: Kickoff, Organizational Planning, Budget Development and BOC Review and Adoption of the Budget. We have completed the first two phases and we are now working our way through the third phase, Budget Development. The critical steps of the Budget Development phase are as follows:

- Budget Preparation with Finance and the Organization – ***in process***
- [2011 Equalization Report](#) - ***completed***
- [Presentation of the Revised Financial State of the County](#) - ***completed***
- Meetings with Elected Officials and Department Heads to define budget targets – ***May/June***
- Development of the Administrator’s Recommended Budget – ***July/August***

I will begin meeting with the Elected Officials within the next few weeks and Interim Deputy Administrator Kelly Belknap will be meeting with the appointed Department Heads. During these meetings we will review the Business Plans and line-item budget proposals, establish budget targets and discuss options for departmental changes. Departments are not being asked to develop 5/10/20% reduction scenarios and the targets are not across the board reductions. The reduction amounts for each department have been based on many factors including:

- Levels of past reductions;
- Past board approved reductions that have not materialized in savings;
- Alignment with the BOC Strategic Priorities and Budget Principles;
- Serviceability requirements; and
- Collaboration opportunities.

Elected Officials and Department Heads will be asked to prepare proposals for Administration on how these targets could be accomplished. This is really difficult

work and I realize that this phase of the process has or will cause a lot of angst for those in leadership. The Planning Advisory Team has been extremely helpful in identifying potential landmines and opportunities for better communication. They’ve taken the time to evaluate our past processes and identify opportunities to streamline and improve this process. I feel confident that the criteria we developed together will lead to a fair and equitable process, a process that will lead to a better reality for this organization. I hope that over the next few months county leadership will engage employees at every level of the organization to participate in this process. I believe we will be successful if, and only if, we work together and keep the residents of this community as the primary focus for every decision we make.

One last point I wanted to mention is that the team has evolved and there are a few different faces around the table. The Planning Advisory Team now includes: Commissioner Rolland Sizemore, Kelly Belknap, Diane Heidt, Tina Gavalier, Dan Dwyer, Pete Collinson, Greg Dill, Patrick Barrie, Joanna Bidlack and myself. The Labor Negotiation Team has also been joining us every other meeting to align our labor strategy and that team includes Kelly Belknap, Dan Dwyer, Judah Garber, Lisa Greco, Diane Heidt, Donna Sabourin and Bob Tetens.

### BLOOD DRIVE REPORT OUT

---

Thank you to all of those who participated in this round of American Red Cross Blood Drives. We did really well. Take a look at the results below:

- **Down Town Ann Arbor** (April 26th) - 43 employees tried to donate. 35 good pints of blood were collected.
- **The LRC Blood Drive** (May 2nd) - 24 employees tried to donate. 22 good pints of blood were collected.
- **Towner Blood Drive** (May 2nd) - 24 employees tried to donate. 16 good pints of blood were collected.

If you missed these drives join us on Monday, July 25th for the next round of blood drives at 200 N Main and the LRC. Questions? Contact Administration’s [Joanna Bidlack](#) at 222-6731.

## A NEW REC CENTER IN YPSILANTI



You may have seen the [article](#) on Ann Arbor.com a few weeks ago about the possibility of a new County recreation center on the eastern side of the county, in downtown Ypsilanti. Early

last month, Parks and Recreation Director Bob Tetens presented the project to the Parks Commission and received authorization to further explore the feasibility of this investment. The idea of building a 50-60,000 square-foot recreation center on Ypsilanti's **Water Street** property along the Huron River has excited the community and received a great deal of positive attention in the press. The multi-million dollar investment would be entirely funded through the Parks and Recreation millage, and could spur additional development in the surrounding area.

I'm told that the site would be ideal for this type of an investment: It's urban with many attractive natural features including mature trees and the Huron River, which flows into Ford Lake less than a mile downstream; it will be on both a bus route and the Border-to-Border trail, another parks department initiative; and it's part of a broader effort to revitalize, reimagine and connect destinations along the river corridor between Eastern Michigan University and Ford Lake, particularly the nearby parks of Riverside, Frog Island, and Waterworks. Tetens noted that the fitness facility would be similar in concept to the [Meri Lou Murray Recreation Center](#) on Washtenaw Avenue in Ann Arbor, with fitness and weight rooms, a pool, a track and two gymnasiums. Site improvements will also include a small park adjacent to the facility.

Commissioners Rolland Sizemore and Ronnie Peterson have been extremely supportive of the revitalization of the eastern side of the county through their active involvement in the Eastern Leaders Group and the Spark East Incubator among many other initiatives. This new recreation center could be exactly what Ypsilanti needs to begin that road to recovery and I'm thrilled that the County may be part of it. I'm excited about the possibilities and I'm looking forward to seeing this idea come to life. No specific timeline for the project has been identified. Tetens noted that the first step will be a presentation to Ypsilanti City Council in about 90 days. If the project is supported, then the Parks Commission can begin the process of selecting a design consultant for the building. For more information, take a look at the [article on Ann Arbor.com](#).

## TOWNHALL WRAP-UP



The 2011 Town Hall meetings are now complete and I must say they were a great success. During these meetings we were able to establish an understanding of the County's financial situation, talk about important issues, address employee questions, set expectations and explore next steps. We met with 415 employees through the Group of 180 meeting, the Labor Management Team (LMT) meetings, the Department Head meetings and this series of Town Hall meetings. I have really enjoyed meeting with these smaller groups of employees and what stands out most to me is their passion for understanding the County's financial struggles and their willingness to be part of the solution.

Throughout this series of meetings we have been compiling the questions (and answers) into a single document. This document is filled with some really tough questions and honest answers. You can find the [document online](#), so I encourage you to take some time to read through it.

In my February newsletter, I asked non-union employees to participate in a survey on potential modifications to compensation and benefits. As I said before, it was not my intent to negotiate with employees through this survey; rather it was an opportunity to get feedback. The [Group of 180 survey results](#) were published earlier this year. The survey results from the second wave of surveys distributed at the Town Hall meetings are [now available online](#) as well. Feedback from both surveys will be considered as we develop the 2012/2013 budget in the coming months.

We've been working hard to engage employees during this process, through the Town Hall meetings, a Brown Bag Lunch with Deputy Administrator Bill Reynolds, eCentral articles and through my newsletters. Over the next few months we will be engaged in Labor Negotiations and internal budget development with each Department Head and Elected Official. So while it may seem quiet, I want you to know that we're working diligently behind the scenes to come up with a recommended budget that carves out a new reality for Washtenaw County. I will present my recommended budget to the Board of Commissioners in September, which means we have a lot of work to do! Thank you to all those who participated!



There has been much talk over the past few years about the fiscal constraints and budget shortfalls impacting the organization. It can be overwhelming and exhausting, but is a reality we must

continually work to understand and embrace. How we respond to the fiscal challenges will determine our long-term success and stability as an organization.

We received two very important financial reports last month at the April 20<sup>th</sup> Ways & Means meeting. First was the report on the 2010 year end status, followed by the 2011 Equalization Report which determines our property tax revenues for 2011. Both of these reports included good fiscal news that we should be proud of, reflecting positive signs of how we have managed the fiscal realities before us. We ended 2010 with a \$255K surplus greater than our planned carry forward to 2011. The Equalization Report set property tax revenues ~\$3.6M more than we had originally estimated for 2011. It has been a conscious strategy to be fiscally conservative due to the turbulent nature of the economy and all of the unknowns that remain. It is apparent that this strategy has worked to our advantage.

We are now a quarter into the 2011 fiscal year and while the year is still young it is time once again to evaluate how we are doing. As stated above, we now know we have a surplus in our property tax revenue from our budgeted assumption of \$3.6M. However, the budget is based on many other sets of assumptions for revenues and expenditures. It is necessary to review each and every one of these to understand the net impact to the General Fund as a whole. A presentation was provided to the Board of Commissioners at the May 4<sup>th</sup> Ways & Meeting to review the major projected issues for the year. A summary is provided below.

For revenues, there is a total projected General Fund surplus of \$3,810,372. The majority of this is the

property tax revenue. We are also fortunate to have other areas where we budgeted conservatively. The Register of Deeds Office is projected with a revenue surplus of \$245K which is also a positive sign with the housing market starting to stabilize. A new approach to dog licenses is creating a projected surplus of \$40K in the Treasurer's Office. The Prosecuting Attorney's Office sought out and was awarded a new grant that is generating \$35K in new revenue. And the Sheriff's Office has entered into a new revenue contract with the City of Ann Arbor for court security bringing in an additional \$187K into the county, partially offset by increased expenditures. All of these efforts are critical to maximize and diversify our revenues.

For expenditures, we continue to work with the organization to fully realize the savings from the reductions that were incorporated into the 2010/11 budget. In some cases operations have not been able to sustain the full extent of the reductions leading to expenditure shortfalls. This has been true within 14-A District Court, the Sheriff's Office, and our IT software maintenance contracts. These elected officials and department heads are working diligently to identify solutions to manage operations within their adopted budget. It is hoped that more savings will be identified as the year progresses. The 2011 budget was also created with a lump sum reduction of \$1,034,000. All of these combined are resulting in a projected expenditure General Fund shortfall of \$2,137,568.

**So what is the bottom-line? We are projecting a total General Fund surplus of \$1,672,804, but please remember this is only a one time non-structural savings.** This is assuming our original planned use of fund balance from the 2010 planned carry forward into the 2011 budget in the amount of \$5,289,000. This is excellent news and provides us stability for the fiscal year as we move forward with our 2012/13 budget development.

---

**Interim Deputy Administrator Kelly Belknap presented the [2011 1st Quarter Update](#) to the Board of Commissioners at the May 4th Ways and Means meeting. If you missed the meeting and the live webcast, you can still check out the [archived webcast online](#).**

---

## UPDATED FINANCIAL STATE OF THE COUNTY

You may recall that in January we presented the **Preliminary** Financial State of the County. There was a presentation to the Board of Commissioners, an executive summary and information about our assumptions published on our websites. These were followed by the Group 180 meeting and several Town Hall sessions to address the situation and answer any questions raised by our employees. **We were projecting a total General Fund deficit of \$12.9M in 2012 and \$20.9M in 2013.** We stressed, however, that the situation was still evolving and that the numbers would need to be updated when we had more information.

The presentation highlighted that our top five General Fund revenue sources comprising over 80% of our total budget have all been declining over the past several years and were still unstable. These include property taxes, police services contracts, state revenue sharing, real estate transfers and court fees. Back in January we didn't know the status of our 2011 property tax revenue, work was in progress to establish the contract methodology and price for police services, and the impact of the state budget reforms were pending release from our new governor. Luckily it appeared that we hit bottom with our real estate transfers and court fees allowing for some stability in those revenues going forward.

Over the past few months, things have become a little clearer, especially related to our largest revenue source, Property Taxes. On April 20<sup>th</sup> Raman Patel, our Equalization Director, presented the [2011 Equalization Report](#) which lets us know our property tax revenues for 2011. This is significant for the current fiscal year as you can see in the 1<sup>st</sup> Quarter Budget Update, but even more so for our long-term projections. Property taxes have a compounding impact on our budget, and a higher tax base in 2011 means we will realize higher than anticipated revenues for 2012 and beyond. We have therefore modified our 2012/13 forecasts based on this higher tax base and **are projecting a General Fund deficit of \$9.5M in 2012 and \$17.5M in 2013.**



On May 4<sup>th</sup> we presented these updated assumptions to the Board of Commissioners in our [Updated Financial State of the County](#).

***Did you know if the 2010/11 budget reductions were structural we would only be facing a \$1M shortfall in 2012?***

The budget is made up of many assumptions that impact our financial status and each need to be monitored and evaluated regularly. We have received some information from the State of Michigan but most of that to date has validated our current assumptions that we cannot rely on revenue sharing continuing and that we must remain conservative in any assumptions for state revenues. It is anticipated that on May 18<sup>th</sup> the Sheriff will present to the Board of Commissioners a proposal on police services. These are very sensitive discussions as all of our local units are managing their own financial challenges, balanced by the increased community need for policing. Our projections assume the current price remains consistent into the future, so any increase in price would be absorbed by the local jurisdictions.

We are beginning budget development meetings with all Elected Officials and Department Heads during the month of May. We have declared a budget reduction target of \$8M from these discussions, with each department receiving a specific target that they must meet. Every target will be unique and strategic. We are striving for an equitable process, with consistent conversations and a thorough review of what is possible in each area, focusing on how any change will impact our employees, our operations and our service delivery to the citizens of this community. We have a lot of work to do over the coming months in preparation for the release of my recommended budget in September. I appreciate all of your input and support every step of the way.

## Standard & Poor's Bond Rating

---

AA+

Standard & Poor's Ratings Services, a global leader in credit ratings and credit risk analysis, has reaffirmed our long-term County Bond Rating of AA+ based on the following factors:

- Stable and diverse economic base, anchored by Ann Arbor and the University of Michigan;
- Strong income and wealth indicators;
- Stable financial operations, including a strong fund balance; and
- Moderate overall debt burden coupled with rapid principal amortization.

The notification from Standard & Poor's calls attention to the County's record of fiscal stability. This bond rating is a significant external measurement and illustrates our success in navigating these turbulent economic times. While the organization and our employees have made great sacrifices over the past few years, we have continued to manage our finances to end each fiscal year with a small general fund surplus and have grown our unreserved fund balance in alignment with county policy. All of these efforts have contributed to maintaining the bond rating which will assist with our long-term fiscal stability.

We are one of only a few counties in the state to have a AA+ rating and it's even more remarkable that we retained it in spite of the economy. This accomplishment is only possible through the leadership of our Board of Commissioners and the efforts of our staff to remain focused on our first two [Guiding Principles](#): Ensure long term fiscal stability for the County, and reduce the cost of conducting the County's business. The last few weeks have been filled with good news and this is one more indication that we're on the right track!

## COUNTY'S HEALTH RANKINGS

---



During the April 21<sup>st</sup> Working Session, Public Health Officer Dick Fleece presented the [2011 County Health Ranking](#) to the Board of Commissioners. The archived webcast can be viewed [online](#).

The *County Health Rankings* are a key component of the Mobilizing Action Toward Community Health (MATCH) project and MATCH is a collaboration between the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute.

---

**It matters where you live, and Washtenaw County is a good place to live to be healthy.**

---

The County Health Rankings show us that where we live matters to our health. The health of Washtenaw County depends on many different factors – ranging from individual health behaviors, education and jobs, to quality of health care, to the environment. This information is extremely valuable because the ranking helps the Board of Commissioners and County leadership to see that where we live, learn, work, and play has an influence on how healthy we are and how long we live.

I'm thrilled to say that the rankings put Washtenaw County first in health factors among Michigan counties for the second year in a row. Washtenaw County ranks fourth among Michigan counties in health outcomes. Our high rankings are the result of multiple factors known to impact health – including our health behaviors, social and economic circumstances and the physical environment in which we live. It doesn't stop there though, the health outcomes measured also include how long people live (mortality) and to what degree they report feeling healthy (morbidity).

All of this information is available online at [www.countyhealthrankings.com](http://www.countyhealthrankings.com). The rankings also let people see how this county compares with others in the state and against national benchmarks. It is the only tool of its kind that measures the overall health of counties in all 50 states.