



COUNTY ADMINISTRATOR  
220 NORTH MAIN STREET, P.O. BOX 8645  
ANN ARBOR, MICHIGAN 48107-8645  
(734) 222-6850  
FAX (734) 222-6715

TO: Barbara Levin Bergman  
Chair, Ways & Means Committee

FROM: Robert E. Guenzel  
County Administrator

DATE: December 5, 2007

SUBJECT: 2007 Year End Budget Adjustment

#### **BOARD ACTION REQUESTED**

It is requested that the Board of Commissioners authorize a budget adjustment to reflect changes that have occurred since the adoption of the 2007 budget in December 2006 to close out the 2007 fiscal year within projected budget amounts for all county funds.

#### **BACKGROUND**

The 2007 budget was originally adopted on December 6, 2006 in resolution 06-0268. Updates on the status of the budget were provided to the Board throughout the fiscal year. The year end status provided is in line with the budget projections presented to the Board during the year; however, budget adjustments are needed to bring the budget in line with projected year end actual revenue and expenditures, as well as authorize the use of Non General Fund fund balances as a funding source to bring the General Fund back into balance.

A preliminary review of the 2007 year end projections has now been completed. Since this budget adjustment is being done prior to year end, many variables still remain that may alter the final year end amounts to be determined through our annual fiscal year close out and audit process. It is projected that the General Fund will end the year with a \$1.2 million deficit prior to any budget adjustments approved by the Board. Explanations by agency for all major variables are outlined below. The adopted budget included a budgeted surplus of \$250,000 to retain the commitment to a General Fund Fund Balance of 8%. The proposed budget adjustments and interfund transfers will allow the county's General Fund to end fiscal year 2007 in line with this needed surplus, and will allow all other funds to end with a positive net balance.

#### **DISCUSSION**

The needed budget adjustments can be categorized as either technical adjustments due to accounting changes or more substantive changes due to the increased allocation of general funds being required. An overview of each adjustment is provided below. Funding is available within Non General Fund fund balances to cover these adjustments and still have the general fund end the year with the projected \$250,000 surplus stated above and as reported to the Board throughout the fiscal year. This will be

accomplished by the Board approving budget adjustments to various general fund revenue and expenditure accounts that are ending with a surplus to move these balances to cover the issues outlined below, as well as adjusting General Fund appropriations to Non General Funds for use of surpluses and fund balances.

The major issues impacting the budget include the following:

- Shortfall in revenue collections in Register of Deeds
- Technical Adjustment due to accounting change for Elections Pass Through
- Surplus in District Court Revenue Collections with an Expenditure Shortfall
- Shortfall due to Public Safety & Justice Statutory Lines
- Shortfall in Prosecuting Attorney's Office due to personnel costs
- Shortfall in revenues and expenditures in Police Services
- Shortfall in Central Dispatch
- Shortfall in Jail due to Overcrowding with use of Reserves
- Shortfall in Court Security
- Technical Adjustment to Align Personnel Costs within Administration and Support Services
- General Fund Central Charges due to Attorney Fees
- Modifications to General Fund Appropriations
- Technical Adjustment for Higher Level of Federal In-kind Revenue for Public Health Vaccines Passed Through the State
- Advance from Capital Reserves for Building Services
- Transfer from Capital Reserves for Projects
  - Ellsworth Renovation Fund Close Out
  - Court Security Renovation Fund Close Out
  - 750 Towner Acquisition & Renovation Fund Close Out
  - Pre-bond issue costs for 14-A District Court Design

### **Register of Deeds**

As previously reported to the Board, revenue collections have been significantly reduced in the Clerk's Office due to the downturn in the housing market. Year to date data and year end projections indicate this will be a reduction of about \$480K from the adopted budget. This is a downturn of over \$2 million from the peak of these revenues in fiscal year 2003.

### **Clerk Elections Pass Through**

With the changes in the election consolidation laws a couple of years ago, the county established a new budget of \$168,000 in the Clerk's Office for Elections Pass Through. This budget was an equal increase in anticipated revenues and expenditures. It is a means to account for the county's role in paying local jurisdictions for their expenses relating to elections which are then reimbursed to the county by the school districts. Beginning in fiscal year 2007, an accounting change occurred whereby instead of realizing both revenues and expenditures, the payouts would be netted against the reimbursements received, resulting in a revenue shortfall of the budgeted \$168,000 and an expenditure surplus of \$168,000.

### **District Court**

The District Court continues to ensure that they have efficient and appropriate internal processing for the collection of all fees owed to the court. Over the past several years, this has resulted in an increase in the level of revenue collections. In addition, the court began a tethering program which has resulted in a new revenue source, though primarily offset by higher expenditures. The total projected revenue surplus in District Court is \$500K, with an expenditure shortfall of \$130K.

### **Public Safety & Justice Statutory Lines**

The Board of Commissioners adopted a policy demonstrating that there are certain expenditures within the Public Safety & Justice agencies that are statutory in need and are therefore outside of the normal budget accountability. However, any variances within these lines must be properly funded by the county. In the 2007 budget, issues were apparent within the Trial Court lump sum budget, specifically in the Juvenile Center and Probate divisions, due to the cost of attorney fees with a total projected shortfall of \$260K. Additional surpluses exist within the Trial Court resulting in the county not needing to cover this full amount. It is requested that the Board authorize an additional \$150K to the Trial Court to cover the net shortfall caused by these statutory line items. In addition, the Prosecuting Attorney's Office realized a higher than budget expense for Extraditions for the fiscal year resulting in a projected operating shortfall of \$40K.

### **Personnel Costs in Prosecuting Attorney's Office**

The county maintains its operating practice that General Fund departments are not liable for any salary and fringe benefit cost variances as long as they are managing operations within their approved position control and within county personnel policy. The county's budget office completes annual salary projections as a means to project costs on a departmental basis for the upcoming year. However, many variables impact the accuracy of these projections. As a result, it is frequent that one department has a surplus, and another has a shortfall, but the projections for the General Fund as a whole are typically on target. The Prosecuting Attorney's Office needs a budget increase to cover the projected 2007 year end personnel cost variance in the amount of \$90K.

### **Police Services**

There are two primary issues pertaining to the Sheriff's Office budget for Police Services. The first is with the projected revenues for the police services contracts. Based on the first three quarters of service hours provided, it is estimated that the total year end credits the county will have to provide to the contracting entities amounts to \$530K. The majority of this is within Ypsilanti Township. The Sheriff's Office has been managing police services with many staff leave of absences and vacancies. Through discussion with the contracting entities, management decisions were made as whether or not to provide the service hours using overtime or to not provide the services and instead provide a credit for the loss of hours less than the 1800 stipulated in the contract. If it had been decided to provide the service hours, the county would have realized the full budgeted revenue, however, an expenditure budget shortfall would have arisen due to the higher overtime costs incurred. There are other revenue surpluses partially offsetting this loss in revenue, including a surplus in contracted Special Events coverage which is also impacting the expenditure shortfall outlined below.

The second issue pertains to expenditures. The combined unit of Police Services and Central Dispatch are projected to end the fiscal year with a shortfall of \$85K. This is

attributable to overtime costs for Special Events contracts and higher transportation costs in Police Services.

#### **Central Dispatch**

There is a projected shortfall in Central Dispatch of approximately \$100K due to overtime from staff turnover and needed training.

#### **Jail Overcrowding**

Jail overcrowding continues to be a programmatic and fiscal issue. The 2007 budget included an increase in the Sheriff's budget by \$800,000 to partially offset these anticipated costs. This reserve is to be redirected to cover increased operating costs within the Jail once the capital expansion project is complete. Also, the General Fund budget included two additional reserves to cover the anticipated overcrowding costs including a \$500,000 personal services reserves for overtime and \$200,000 for higher medical and operating expenses. The preliminary year end budget shortfall in the Jail is \$1.4 million. To balance this for the year, it is requested the Board authorize the use of the reserves and allocate the remaining in new General Fund support.

#### **Court Security**

The service levels and costs of Court Security have increased over the past several years. It is projected that this division of the Sheriff's Office will end the year with a shortfall of approximately \$145K. While this service is managed by the Sheriff, the level of staffing is based on agreements between the county and the courts.

#### **Alignment of Personnel Costs within Administration & Support Services**

In November 2006, the Board of Commissioners approved a resolution (#6-0212) which resulted in position modifications with the Administrator's Office, Human Resources and Support Services Infrastructure & Planning. While a total projected savings was anticipated and realized, a budget adjustment is needed to reallocate the funding for positions between these departments. It is requested that the Board approves an adjustment of \$140K relocating the projected surplus in the Information Technology division to Administration to cover the increased costs of the second Deputy Administrator position being created.

#### **General Fund Central Charges for Attorney Fees**

The county continues to bear the expense of litigation surrounding the Police Services methodology. For fiscal year 2007, these expenses were accounted for within the General Fund rather than the Risk Management fund. Costs for this fiscal year alone are projected to be around \$700K, with an original budget for general litigation cases of \$80K. It is anticipated that these costs will decrease substantially as the majority of the claims have been closed, pending a possible appeal.

#### **Modifications in General Fund Appropriations**

Several issues have arisen resulting in the need to modify the original budgeted amounts for General Fund appropriations to Non General Fund units. The Board of Commissioner policy on increasing support to our Human Services departments for personnel cost increases on an annual basis is a large portion of these appropriations. During fiscal year 2006 and 2007, the county was able to reduce the fringe rates resulting in projected savings in personnel costs in these departments. As a result, the

appropriations for CSTS and Public Health will be reduced to bring those savings back to the General Fund.

Current year surpluses are projected in several funds allowing the county to not appropriate the full budgeted amount. This includes CSTS, the LLRC, Friend of the Court and Risk Management. There are a few funds projected with a shortfall at this time. Both Public Health and Environmental Health may end with small shortfalls, however, there is sufficient existing fund balance to cover these amounts.

In addition, there is a projected shortfall within Facilities Management Operations & Maintenance (O&M) of \$170K. This is primarily due to staff realignment between divisions of Support Services, as well as a strategic planning initiative to identify opportunities for service delivery enhancements and internal efficiencies, including the implementation of a Preventative Maintenance program to reduce future capital liability and costs. There is a fund balance in the amount of \$142K, resulting in the need for additional General Fund support of approximately \$30K to allow the Facilities O&M fund to end with a net positive balance.

The proposed budget adjustment includes the use of fund balances to help end the 2007 fiscal year with a General Fund surplus of \$250K. It is proposed to use the following fund balances which will result in a reduction in current year appropriations:

- \$200K in CSTS
- \$100K in ETCS
- \$75K in Storm Water General Permit
- \$620K in the Technology Plan

The county has also identified some funds that are no longer in use but retain fund balances which can be utilized by the county. It is proposed that these fund balances be moved into the General Fund and that the funds be closed:

- \$66K in the old Indigent Care fund
- \$95K in the old FIA Building internal service fund
- \$210K in the old Mental Health Housing fund

These fund balances have accumulated over the years due to various reasons. It is thought that the use of fund balance will have no direct impact on the ability to maintain current service delivery levels into the future.

#### **Public Health Vaccines as In-Kind Contribution and Expense**

The federal government provides funding to the states for the purchase of various vaccines. The state in turn provides these vaccines to local health departments, including the county's Public Health department. Public Health then retains and administers the vaccines, or distributes them to healthcare providers in the community. The vaccines are to be used for the immunization of children within special populations including those enrolled in Medicaid, those with no health insurance, children who are American Indian or Alaskan native, and those who are underinsured and are serviced at either a federally qualified health center (FQHC), rural health center or public health clinic affiliated with a FQHC. The local public health office is required to monitor, via a site visit once every three years, any healthcare providers who receive the vaccine to ensure it is stored and administered properly. The original budget for the in-kind federal contribution and expenditure were not sufficient to cover the final calculated amounts. A

budget adjustment increasing the in-kind contribution and expenditure in the amount of \$430K for the Public Health 2006/07 fiscal year is needed.

### **Advancing Capital Reserves for Building Services**

The Building Services division of the Planning & Environment department continues to realize the drastic reduction in service and revenue due to the construction industry slowdown. It is currently projected that the combined programs of Building Inspection and Soil Erosion will end fiscal year 2007 with a shortfall of approximately \$175K, in spite of significant efforts to reduce costs. It is proposed that the county's Capital Reserves cover the year end shortfall in Building Services, with the intention of it being repaid when the service levels and revenue grow.

### **Use of Capital Reserves for Capital Projects**

In previous resolutions, the Board of Commissioners approved capital projects including the Ellsworth Renovation, Court Security Enhancements and the acquisition/renovation of 750 Towner. These projects are now complete and final costs are known. The needed transfer from Capital Reserves to close out Ellsworth is \$96K, Court Security is \$4K and 750 Towner is \$14K. In addition, the county has incurred costs relating to the construction of the new 14-A District Court. This project will be funded through a bond issue once approved by the Board of Commissioners in early 2008. However, the county must front these costs until the revenue is received from the bond issue. Year to date expenditures total \$137K, with more payments expected between now and the bond issuance. It is recommended that these funds come from the Capital Reserves as well.

### **Summary**

If approved by the Board, it is projected that the adjustments outlined above will result in the General Fund surplus of approximately \$250,000 for fiscal year 2007. These adjustments include the use of Non General Fund fund balances in the estimated amount of \$1.5 million. The projected surplus will continue the commitment to maintain General Fund fund balance at 8% of operating expenses.

### **IMPACT ON PERSONNEL**

None.

### **IMPACT ON BUDGET**

The requested budget adjustment will increase the General Fund budget by \$333,771 for a revised 2007 General Fund budget of \$106,463,762. This adjustment is needed to bring the final budget in line with projected year end actual revenues and expenditures. There are sufficient revenue and expenditure surpluses, reserves and fund balances available to cover this adjustment.

### **IMPACT ON INDIRECT COSTS**

None.

### **IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES**

None.

### **CONFORMITY TO COUNTY POLICIES**

This action conforms with County budget policies.



## A RESOLUTION AMENDING THE 2007 BUDGET

### WASHTENAW COUNTY BOARD OF COMMISSIONERS

December 5, 2007

WHEREAS, Administration continues to partner with the Board and with the organization to monitor any major impacts on the 2007 budget and present these findings and recommendations to the BOC on a quarterly basis; and

WHEREAS, the Budget Office has analyzed each major revenue and expenditure category within the General Fund and other funds in partnership with each county department to determine the projected 2007 year-end status; and

WHEREAS, these projections include many assumptions resulting in the final year end amounts and status not being confirmed until the county's annual audit period during the 1<sup>st</sup> quarter of 2008; and

WHEREAS, the preliminary year end projections demonstrate a shortfall in line with previous reports to the Board of Commissioners which requires budget adjustments and the use of Non General Fund fund balances; and

WHEREAS, BOC authorization is needed to make program budget revisions for amounts greater than \$100,000 or over 10%, whichever is less; and

WHEREAS, the major issues impacting the budget include

- A shortfall in revenue collections in Register of Deeds due to the housing market downturn;
- A technical Adjustment due to accounting change for Elections Pass Through;
- A surplus in District Court revenue collections due to a strong focus on the collection process and the introduction of the District Court tethering program, with an expenditure shortfall due to the costs of the tethering program;
- A shortfall in the Trial Court and Prosecuting Attorney's Office due to Public Safety & Justice Statutory Lines for which the county agrees to cover as set by policy;
- A shortfall in the Prosecuting Attorney's Office personnel costs due to budgeted assumptions not mirroring actual experience;
- A shortfall in revenues in Police Services due to year end credits for reduced contract services, as well as a shortfall in expenditures due to higher than budgeted transportation costs;
- A shortfall in Central Dispatch due to overtime incurred as a result of staff turnover and needed training;
- A shortfall in the Sheriff's Office due to Jail Overcrowding, partially offset by budgeted reserves;
- A shortfall in Court Security due to enhancement initiatives;
- A technical Adjustment to align personnel costs within County Administration and Support Services Infrastructure & Planning due to the implementation of resolution 06-0212 which created the Co-Deputy Administrator structure;
- A shortfall in General Fund Central Charges due to Attorney Fees;



- A technical Adjustment for higher level of Federal in-kind revenue for Public Health vaccines passed through the State;
- A shortfall in Building Services due to continued revenue loss resulting from the significant construction industry slowdown; and

WHEREAS, adjustments within the General Fund have been identified to reallocate revenue and expenditure surpluses to those areas with deficits; and

WHEREAS, it is also necessary to adjust the level of General Fund appropriations to Non General Funds due to surpluses that exist in these other funds and to use existing fund balances within these funds; and

WHEREAS, all of these adjustments will allow for the General Fund to end the 2007 fiscal year with a surplus of approximately \$250,000 in line with the Board of Commissioners policy to maintain General Fund fund balances at a level of 8% of operating expenses; and

WHEREAS, year end close also requires approval for the use of Capital Reserves for several capital projects; and

WHEREAS, this matter has been reviewed by Corporation Counsel, the Finance Department, Human Resources, the County Administrator's Office and the Ways & Means Committee.

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby amends the 2007 Budget as attached hereto and made a part hereof, resulting in the reduction of appropriations from the General Fund or the transfer in to the General Fund for the use of fund balance in several Non General Fund units.

BE IT FURTHER RESOLVED that the Washtenaw County Board of Commissioners hereby authorizes the advancement of Capital Reserves to cover the year end shortfall in the Building Services fund (1750) with the understanding that it will be repaid when the fund returns to self sustainability.

BE IT FURTHER RESOLVED that the Washtenaw County Board of Commissioners hereby authorizes the use of Capital Reserves for the final close out of projects including Ellsworth Renovation in an amount of approximately \$95,736, Court Security Enhancements in an amount of approximately \$3,344 and 750 Towner in an amount of approximately \$13,797; as well as the pre-funding for the 14-A District Court construction project which currently has expended \$137,073 and will incur additional expenses in 2008, all of which will be repaid to the Capital Reserve Fund by a proposed bond issue planned for 2008.

**2007 Budget Adjustment  
General Fund**

		<b>Current Budget</b>	<b>Revised Budget</b>	<b>Variance</b>
<b>Revenues (by category):</b>				
40050	Taxes & Penalties	72,487,117	72,487,117	-
45000	Licenses & Permits	173,200	173,200	-
50000	Federal Revenue	46,331	46,331	-
54000	State Revenue	4,549,846	4,549,846	-
58000	Local Revenue	624,763	624,763	-
60000	Fees & Services	18,324,318	18,286,318	(38,000)
65000	Fines & Forfeitures	1,262,100	1,262,100	-
66000	Interest Revenue	754,400	754,400	-
67000	Other Revenue & Reimbursement	887,115	887,115	-
69500	Transfers In	7,020,801	7,392,572	371,771
<b>Total General Fund</b>		<b>106,129,991</b>	<b>106,463,762</b>	<b>333,771</b>

**Expenditures (by agency):**

100	Board of Commissioners	571,065	571,065	-
130	Trial Court	8,833,890	8,983,890	150,000
140	District Court	5,069,113	5,199,113	130,000
150	Probation	145,272	145,272	-
200	County Administrator	1,029,397	1,169,397	140,000
210	Finance	2,588,286	2,588,286	-
219	Budget	637,774	637,774	-
220	Information and Technology	6,969,396	6,829,396	(140,000)
230	Public Defender	2,933,994	2,933,994	-
260	Human Resources	1,023,951	1,023,951	-
265	Organizational Development	905,187	905,187	-
270	Corporation Counsel	256,716	256,716	-
310	Equalization	1,518,667	1,518,667	-
320	Building Authority	7,697	7,697	-
400	Clerk/Register of Deeds	5,032,801	4,864,801	(168,000)
420	Treasurer's Office	1,216,603	1,216,603	-
430	Prosecuting Attorney	5,279,821	5,409,821	130,000
440	Drain Commissioner	2,524,497	2,524,497	-
460	Planning & Environment	1,675,996	1,675,996	-
462	Western Service Center Support Services	344,472	344,472	-
500	Sheriff	20,404,952	20,589,952	185,000
500	Sheriff - Corrections	14,649,173	16,049,173	1,400,000
500	Sheriff - Court Security	929,851	1,074,851	145,000
560	Emergency Management	457,158	457,158	-
680	Children's Services	871,114	871,114	-
690	Veteran Services	719,854	719,854	-
695	County Extension	681,775	681,775	-
980	Central Charges	3,611,216	3,611,216	-
980	Adjustment for Cost Allocation	(11,946,083)	(11,946,083)	-
980	Appropriations and Transfers	27,186,386	25,548,157	(1,638,229)
<b>Total General Fund</b>		<b>106,129,991</b>	<b>106,463,762</b>	<b>333,771</b>

**2007 Budget Adjustment  
Non General Fund**

2960	Public Health	\$8,772,995	9,202,493	429,498
------	---------------	-------------	-----------	---------