



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: April 16, 2008

SUBJECT: 2009 Recommended Budget Amendment

BOARD ACTION REQUESTED:

It is requested that the Board of Commissioners authorize the County Administrator to implement the recommended budget adjustments and position modifications as a partial solution to the projected budget shortfall in 2009, and to continue work with the organization to further pursue additional long-term structural solutions with recommendations on these items to be brought to the Ways & Means Committee no later than August 2008.

BACKGROUND:

On November 14, 2007 the Board of Commissioners adopted the 2008/09 Biennial Budget (resolution 07-0222). This was done after a year-long process with much information and deliberation conducted by County Administration and the Board. During the development of the budget, it was clear through a review of financial indicators that the county was in good financial condition presently although there were uncertain times ahead. The county has worked over the years to make Guiding Principle #1 a top priority which has resulted in extremely high bond ratings, reasonable levels of debt, General Fund reserves in line with policy and annual surpluses. However, the picture was mixed when looking forward, especially when estimating the impact the State and local economy would have on the county revenues and demand for services.

The adopted 2008/09 budget included a planned expenditure reduction of \$1.38 million, with details on reductions to be identified during the 2008 fiscal year. This reduction was necessary primarily due to the revised assumptions around property tax revenues, with a projected revenue growth rate of only 3.5% rather than the original estimated 5.5%. Since the adoption of the budget, new information has been gained resulting in a much larger projected shortfall. On March 5, 2008, the Board of Commissioners adopted a resolution that outlined a projected deficit of \$8-10 million in the 2008 fiscal year, with solutions for 2008 being identified and approved at that time. Almost all of the projected deficits for 2008 are expected to continue annually in 2009 and each subsequent fiscal year causing the need for a structural or permanent budget reduction to bring the budget into balance. In addition, many of these issues compound in each fiscal year, causing 2009 to be projected with a worse fiscal status than 2008, 2010 to be worse than 2009, and so forth. It is necessary for the county to take substantial action to return to a focus on Guiding Principle #1, Long Term Fiscal Stability.

Some of the approved solutions adopted on March 5th were structural in nature and will carry forward. Some additional solutions, as well as a process for fully balancing the 2009 budget, are provided below.

DISCUSSION:

The organization began working in partnership with County Administration as soon as the revised budget projections were apparent. Administration met with each department at least once to discuss possible department solutions, met with each Community of Interest to discuss possible collaborations and systems integration efforts, and continued to gather input through various forums including the Strategic Oversight Committee, Department Head Group, County Management Support Group, Labor Management Team, individual department staff meetings and the internal intranet site which allowed for anonymous employee comments and feedback.

The following represents the Administrator's recommended solutions from all of these discussions. In some cases, the solutions are consistent with those previously approved by the Board as part of the 2008 budget solution. In addition are many new recommendations. Most of these are structural, or permanent, in nature resulting in savings for 2009 and beyond. However, a few are short-term one time savings that will result in savings only for 2009. It is recommended that all of these identified solutions be implemented upon adoption to maximize the savings for the 2008 fiscal year as well as allow the organization to begin the necessary change management for successfully carrying out these reductions.

Recommended Short-Term Solutions for 2009

Property Foreclosure Restricted Funds

The adopted 2008 budget adjustments included the use of excessive proceeds from the property foreclosure restricted funds. Through a change in law, excess proceeds, as identified by the County Treasurer, become available for transfer into the General Fund. The Treasurer agreed to transfer \$1 million in 2008 and she agreed to work with administration to identify excess proceeds for fiscal year 2009 without compromising the efforts being made to help homeowners prevent foreclosure as well as maintain fiscal stability for the county. The amount available for 2009 may be as much as \$300,000.

Use of Revenue Sharing Reserve Fund for Cash Flow

This solution is also a carry-forward of one approved by the Board of Commissioners as part of the 2008 solution. Due to the shifting of county property tax levies from December to July, the General Fund now has a cash flow problem requiring the transfer of cash from the Revenue Sharing Reserve Fund as allowed by law. This has a favorable unintended impact on the General Fund through an increase in interest earnings. It is estimated that interest earnings can be budgeted at \$1.1 million in 2009, or an increase of approximately \$550K from the level it would otherwise be.

Administration - Personnel Savings

The Assistant to County Administrator for Public Safety & Justice position has been focusing much effort on the 800 MHz initiative. As a result, it has been determined that \$25K can be funded through the funds of this project, thereby saving the General Fund. This allocation is anticipated to continue throughout fiscal years 2009 and 2010 at which time the position will return to 100% General Fund.

14A District Court - Anticipated Surplus

The Board of Commissioners adopted resolution #07-0220 which stated that any **annual net positive position** surplus within District Court **within the District Court Budget** beginning in fiscal year 2008 was to be transferred into the Saline Court **Reserve Fund** construction project to fund Phase II of **the Court** this initiative. Through negotiations with the court, it is agreed if approved by the board to **delay implementation of** after this arrangement **until** to begin in 2010. **For budgetary purposes, the net positive position that will therefore remain in the General Fund is projected to be \$250,000 for 2008 and 2009. If a net positive position in excess of this amount is realized in and for 2008 and 2009, the excess will be redirected to Saline Court Reserve Fund.** to allow any surplus to remain in the General Fund.

Drain Commissioner - Equipment Purchases

The 2008/09 budget included the approval of equipment within the Drains Office, including a front loader tractor that would assist with maintenance yard and field operations. The Drains Office has agreed to cancel this equipment purchase at this time due to the budget constraints of the county. The total estimated cost of the equipment is \$60K. The Drains Office will continue its current practice of borrowing or renting equipment during necessary times.

Recommended Structural Solutions for 2009

Labor Settlement Savings

A large portion of the projected budget deficit is due to anticipated labor savings that were determined would not materialize as originally budgeted. However, significant savings due to revised assumptions and the final settlement is still expected. The largest changes causing a reduced cost to the county include a salary increase of only .5% rather than the 2% budgeted, the conversion of retirement benefits to the defined benefit system for all county employees, as well as adjustments to medical benefits. All of the negotiated changes are projected to save the county \$4.2 million in 2009; however, final savings won't be known until the final actuary report is presented to the county in July of this year for use in the 2009 budget. In addition, since the county is self-insured in medical, actual costs savings will need to be monitored during the 2009 fiscal year to ensure they materialize at the level being budgeted.

Strategic Planning / Organizational Consultant Reductions

A total of \$300K has been budgeted annually for the use of outside consultants for process reviews, long-term planning efforts and organizational development initiatives. This budget will be permanently reduced by \$200K leaving a budget of \$100K.

Financial Information Systems Reduction

An annual budget of \$100K is being eliminated. These funds were previously used for strategic enhancements to the county's financial information system. Beginning in fiscal year 2008, these efforts will now be directed to the county's Technology Plan and needs will be prioritized among other technology enhancement initiatives.

Take Home Vehicle Reductions

As outlined in the 2008 budget reductions, an analysis has been completed resulting in a permanent reduction in the number of vehicle assignments in which employees are allowed to take these vehicles home. It is estimated that this will save the county approximately \$30K per year.

Children's Services – Position and Contractual Reductions

It is recommended that the county implement a program reduction for the Washtenaw Area Teens for Tomorrow (WATT) and Teen Center Without Walls (TCW2). County funding would be reduced by \$30K annually which would minimally reduce service levels. Alternative funding sources are also being pursued. The county would continue its support to the Youth Development Initiative through its \$20K allocation to Neutral Zone. In addition to the contract revision, it is recommended that a Management Analyst II position as well as other operating expenses be eliminated. It is recommended that the county proceed with the hiring of the Contract Specialist position created in the 2008/09 budget although split this position 50/50 with the Child Care Fund as this individual will maintain responsibilities tied to the Juvenile Detention and Day Program which are CCF eligible. A Supervisor and Youth Counselor can be kept vacant for the indefinite future. It is projected that these modifications combined will save the General Fund \$225K in fiscal year 2009.

Clerk / Register of Deeds – Allocation of Clerk Automation Capital Fund

A change in State law back in fiscal year 2003 resulted in the creation of the Clerk Automation fund for the Register of Deeds Office. A portion of certain transactions were to be set aside in this fund for technology related purchases. The Clerk's Office, Support Services Infrastructure & Planning and County Administration have worked together to identify \$400K in technology related expenses that can be allocated to this fund rather than being paid for out of the General Fund. For 2010 and beyond, it is estimated this amount will be closer to \$200K annually.

CSTS / WCHO – Increased CAP Payment and Position Reductions

As outlined in the 2008 budget reduction resolution, an agreement has been reached between the county and CSTS/WCHO for an unfreezing for their Cost Allocation Plan (CAP). In addition, CSTS has agreed to place 1.5 FTE on hold vacant status and to identify an additional position reduction through attrition. These modifications should have no impact on service delivery and are projected to save the General Fund a total of \$1,126,650.

ETCS – Appropriation Reduction

It is recommended that the county reduce its General Fund allocation by 10% or \$63,202. In the past these funds have supported the Emergency Services programs. It is anticipated that outside funding will be sufficient to cover the needs of these programs, so no impact on county services or department operations should result from this funding reduction.

Finance – Position and Operating Budget Reductions

The Finance Office has determined that their operations can continue at reasonable service levels with the elimination of 1.0 FTE (currently vacant) in their Purchasing Division. In addition, all part-time staff and overtime funding will be eliminated. Operating budget adjustments are recommended in regards to Printing and Contractual use. These modifications are projected to save the General Fund \$142,833 annually beginning in 2009.

Head Start – Appropriation Reduction

A commitment has been reached for a reduction in the General Fund appropriation to the Head Start program in the amount of \$100K annually, net of appropriation increases for annual personnel cost adjustments. The department is committed to maintaining services at current levels.

Human Resources – Revenue Increase due to Collaborations

An increase in revenue is anticipated in the amount of \$40K annually for the newly formed collaboration with the County Road Commission. In addition, a collaboration has been formed with the county Sheriff resulting in the eliminating their 2.0 FTE HR staff. The county Human

Resources department will begin to provide HR services to the Road Commission and Sheriff's Office. A reallocation of 1.0 FTE from Support Services Infrastructure & Planning to Human Resources will occur to assist with this increased workload.

MSU Extension – Operating Budget Reductions

A recommended adjustment of \$69,200 in the operating budget of MSU Extension is recommended. These savings will result from a reduced level of part-time temporary staff, printing, travel and special project costs. The use of electronic communication sharing will be increased with limited paper marketing materials being used. Support for some programs including 4-H will be impacted to some degree. The department will continue seeking alternative funds through grants, councils and fundraising.

Drain Commissioner – Operating Budget Reductions

A total of \$32,700 in operating budget reductions are recommended for approval. These reductions include part-time temporary staff, use of consultants, operating supplies, printing, and employee development. Service level reductions are expected to be minimal with a possible reduction in the availability of materials and ability to respond to unexpected situations.

Planning & Environment – Position and Operating Budget Reductions, New Revenue

A total of 3.0 FTE have been identified for elimination, all of which are currently vacant. These include two Sanitarian positions in Environmental Health and the newly created Management Analyst position for the Community Success initiative. In addition, intern funding will be reduced which had been targeted for environmental communication efforts. These reductions may result in delays in service within Environmental Health as well as the loss of flexibility to respond to new mandates and community needs. A restructuring of the Community Success initiative, with the partial use of consultants rather than permanent staff, will allow this initiative to continue without significant harm. These modifications will result in an estimated savings of \$273,205. In addition to the expenditure reductions outlined above, new revenue from Brownfield Administration fees is anticipated in an amount of \$37,500 annually.

Prosecuting Attorney – Position Reductions

It is recommended that the county eliminate the Prosecuting Attorney's Juvenile Diversion program including 3.0 FTE. Personnel savings of \$191K in 2009 is projected.

Public Health – Position and Contractual Reductions

The elimination of 3.8 FTE is recommended including 0.1 Receptionist, 1.0 Clerk Typist II, 1.0 Health Educator, 1.0 Communication Manager and 0.7 Public Health Nurse. The annual Public Health budget revision will detail the balance of the 2009 budget reduction. This resolution is anticipated for board review in August 2008 which will include the authorization of the Public Health state Comprehensive Plan and Budget contract submission for the 2009 fiscal year beginning October 1, 2008. This timeframe allows for a holistic approach incorporating all state and federal funding and program changes in the same cycle. All reductions within Public Health are estimated to save \$355,192 annually and will have a service impact. The department will reallocate resources to focus on the highest priority work needed by its customers to minimize any direct service reductions. In addition, these funds will no longer be available to support the Medicaid ICA-based DSH payments to area hospitals, which in turn support indigent health care programs in the community. These reductions are also subject to the continued monitoring of the State Maintenance of Effort requirement which requires counties to maintain a minimal level of financial support to Public Health, including Environmental Health.

Sheriff – Position Reductions

As stated above (see Human Resources), the Sheriff's Office has agreed to eliminate 2.0 FTE Human Resources staff due to the new collaboration with the county to take over their HR needs. This will save approximately \$167K annually.

Support Services Infrastructure & Planning – Position and Contractual Reductions

The majority of reductions within Support Services Infrastructure & Planning are tied to restructuring around current vacant positions. It is recommended that a total of 6.9 FTE be eliminated or placed on hold vacant status, all of which are currently vacant. Realignment between Organizational Development and LLRC will need to occur, resulting in a reduced level of internal capacity for process reviews, facilitation, team training and coaching. Also, the LLRC will return to provide day time only support. Support Services will reduce its warehouse functions limiting the ability for deliveries, moves and furniture reconfigurations, and the ability to manage the county donations of old PCs to Not-For-Profit organizations. A reduction in IT application development and enhancement will also materialize, with a focus on maintaining existing systems rather than developing new ones. Building maintenance would also be reduced primarily through a newly defined response standard for non-urgent requests and a reduced cleaning schedule for non-public spaces. A \$200K reduction in IT maintenance contracts is anticipated due to renegotiation with current vendors. These reductions are projected to save the General Fund \$1,004,000 annually beginning in 2009.

Veteran Services – Operating Budget Reductions

Operating budget reductions of \$6,462 have been identified that will have a minimal impact on service delivery. This includes subscriptions, dues, travel and telephone related expenses.

Possible 2009 Solutions for Further Analysis

The short term and structural solutions identified above are estimated to save approximately \$10 million for 2009. However, an additional \$3 million is currently projected to be needed to balance the budget for 2009. This projection will be revised in the coming months as more information will be obtained on property taxes (2008 Equalization Report to be provided to the BOC on April 16th), fringe benefit costs (actuary reports for WCERS and VEBA to be used in the 2009 budget are expected in July and August, respectively), and anticipated attrition that can be reasonably quantified for the 2009 fiscal year. Some additional possible structural solutions have been identified and it is recommended that the board direct the County Administrator to continue pursuing these options over the coming months with a resolution to be brought back to the Ways & Means Committee no later than August 2008. This resolution will include a revised projected budget status including updated information on property taxes and actuary reports, and a final recommendation to balance any remaining 2009 budget projected shortfall.

All of the identified possible solutions demonstrate promise for structural cost savings to the county. Some of these items will take longer to analyze and determine feasibility than the August timeline for recommendations coming back to the Board. Where possible, these items will have a status update and the county will continue pursuing discussions as needed to bring firm recommendations as quickly as possible. The items for further consideration include:

City of Ann Arbor Shared Services

An effort has been underway during the 2008 fiscal year to identify possible collaborations and shared services between the county and City of Ann Arbor. Further exploration is needed as to which services should be pursued, the required implementation timeline and the projected cost savings for both the city and the county.

Community Collaborative of Washtenaw County (CCWC)

The CCWC has been undergoing a restructuring for the past couple of years, with an effort being placed on its governance structure, membership and direction. The county's involvement and level of support has been part of these discussions. Final determination as to the future of the CCWC should be known within the next few months at the latest. It is possible that the recommendation would include the county eliminating this initiative.

CSTS / WCHO / WHP Restructuring

Conversations are ongoing within the Health Community of Interest as to the potential restructuring and collaboration possibilities. It is thought that some further integration could occur, especially within the Administration of CSTS and WCHO, resulting in significant cost savings and increased levels of efficiency and effectiveness. More analysis and deliberation is needed before any firm recommendations can be made.

Equalization Operations

Most county departments identified some operating cost reductions as outlined above. With the current focus on SEV and Taxable value reductions and their corresponding impact on property tax revenues, there are no recommended reductions to Equalization at this time. However, more conversations need to occur to determine options for efficiencies that will not hinder the county's ability to meet all mandated responsibilities as well as focus on county property tax revenue projections.

ETCS / Community Development Collaboration

Collaborations between these two county departments have existed for years. Related services are provided by both departments relating to rehabilitation and housing needs. It is possible that further collaboration is possible that will result in both service enhancements and cost savings.

Juvenile Detention / Day Program Restructuring

The county chose years ago to implement a county run juvenile detention as well as a juvenile day program for youth on behalf of the Juvenile Center branch of the Trial Court. These are both non-mandated programs, although the county is still responsible for the cost of detention placements whether or not detention is provided internally. All options are being considered, including possible contracting for services.

Planning & Environment Collaborations, Staffing Levels and Revenue Collections

All options are again being reviewed, including programs provided, staffing levels, possible collaborations between county departments and with external agencies, charges for services and revenue collection levels.

Public Safety & Justice Determination of Indigent Status

The Public Safety & Justice community of interest has identified the possibility of a restructuring of the process for determining indigent status for offenders. This is a potential revenue source

that needs further exploration to better understand the potential cost savings and community impact.

Regional Dispatch

The county has participated for several years in the discussions about creating a regional dispatch center. These discussions are ongoing but are anticipated to come to fruition over the next several months.

Sheriff Collaborations, Staffing Levels and Revenue Collections

Further position and expenditure reductions as well as new level of revenue collections are possible within the Sheriff's Office. All possibilities are being pursued and further analyzed. This includes continuing the discussions around collaborations between the Sheriff's Office and Support Services for the handling of all support functions to avoid any duplication of services. The first step was included above in the alignment of human resource needs from the Sheriff's Office to the county-wide Human Resources department.

Support Services Integration

This community of interest has restructured many times over the past five years, with a focus where possible on integration. Further consideration is being taken to determine the appropriate next steps in this ongoing initiative. This includes possible realignments, process efficiencies, a review of management to staff levels and the entire management structure.

Trial Court Revenue Collections, Community Corrections and Level of County Support

Conversations between County Administration and the Trial Court continue. With the Trial Court being a separate branch of government, these discussions focus on the level of county support being available for Trial Court operations. In addition, possible collaborations between the county and court are being reviewed that may result in increased revenue collections. The county and court are continuing discussions about the oversight and management of Community Corrections as well and how to maximize the impact of this non-mandated yet essential program on the entire Public Safety & Justice system.

Financing of VEBA Obligation

The county's commitment to retiree healthcare continues to be a significant cost burden to the county. The recently adopted GASB 45 required accounting practice change as it pertains to VEBA resulted in the county's liability growing by over \$2.7 million. While it is not required to fund this liability at this time, the liability will continue to grow and compound over time if not funded as quickly as possible. The State of Michigan has been reviewing possibilities that would allow local units of government to finance their VEBA obligation. All options are being considered by the county. Further analysis is pending and final determination by the State is needed before a recommendation can be made.

Continuation of Hiring Freeze

The 2008 budget solution included the implementation of a hiring freeze as of January 1, 2008. It is projected that this will save the county between \$2-3 million in the 2008 fiscal year. Many of these vacant positions are recommended for elimination in this resolution. It is anticipated that additional vacancies through normal attrition and retirements will occur although more analysis and projections are needed to determine realistic cost savings. It is also needed to review the possible impact on services if a hiring freeze were to be extended into the 2009 fiscal year. If recommended for implementation, it is important to note that these savings would be short-term in nature unless any vacant positions were identified for permanent elimination.

Management to Staff Ratio

As part of the process to identify potential structural solutions for the 2009 Budget and beyond, one area of analysis will be the proper ratio of management to staff.

Items Reviewed but Not Recommended

The items for consideration and further analysis outlined above were identified as possibilities through many discussions with departments and the Strategic Oversight Committee. These discussions were extremely thorough with an attempt to consider all options from top to bottom. The items above have been targeted due to their probability of success in realizing savings without a substantial service reduction. Some additional areas of consideration were originally being pursued but have been removed from this list of recommended options for further analysis as they are not deemed to be successful, lack adequate support or are determined to not be in the best interest of the organization and community. ***Eliminating these areas from current consideration does not preclude their reexamination later this year or during the process of preparing the 2010-2011 Budget.*** These include:

- Reducing General Fund appropriation to the Housing Contingency Fund. ***The Housing Contingency Fund has historically provided critical value in the County's ability to quickly and flexibly leverage funding for projects – both capital and operational in nature – that support and enhance affordable housing throughout the County. Given the economic realities the community faces in the near term, it would be unwise to diminish our capacity in this area.***
- Restructuring of Head Start. ***One possibility that was considered was to enable Head Start to operate as an independent non-profit, separate from the County. Staff learned that pursuing this reality would entail rejecting the federal Head Start grant, therefore forcing engagement in a competitive bidding process. In doing so, the County would have no control over the outcome of the process. Given the recent achievement of being designated a Program of Excellence, the County would be reluctant to divest itself completely of this program and therefore forfeit control over the quality of early childhood education for low-income families.***
- Eliminate the Third Share program (part of Washtenaw Health Plan). ***The Washtenaw Small Business Health Plan provides health coverage to low-wage workers at small businesses. While only six small businesses covering 30 employees would lose coverage if this program were eliminated, the funds appropriated are matched by state and federal funds to support doctor and hospital care for indigents.***
- Restructuring of Library for the Blind and Physically Disabled (LBPD). ***Initial exploration of the potential for the LBPD to be located elsewhere in the community – with another non-profit service provider, for example – was met with strong staff and Commissioner resistance.***
- Reducing General Fund support of MSU Extension. ***Public Act 3 creates a partnership between the County and the State. Cooperative Extension of Washtenaw is one of 83 county programs bringing research from MSU to help address local issues. Every dollar Washtenaw County put into County Extension, the State puts in \$1.75 in funding. There is currently 16 staff along with 600 well trained volunteers serving over 25,000 customers directly. Eliminating this program would make Washtenaw the only county without an Extension program which is deemed excellent in bringing education and resources to thousands of residents.***

- Providing only mandated level of Public Health services. ***Reducing the provision of Public Health services to the mandated level would eliminate prevention activities, and could increase long-term costs to the community.***
- Review staffing levels within Treasurer's Office. ***The Treasurer is one of the major revenue producing departments in the County. Staffing was reduced by 2 FTEs in the last 5 years and has remained stable over the years with the exception of two positions added for the prevention of mortgage foreclosures which has alarmingly increased in the past few years. The Treasurer has turned over excess tax foreclosure funds in the amount of 1.3 million dollars to assist in abating the shortfall in general fund for 2008 and 2009. During the economic downturn, it is imperative that the Treasurer be in a position to increase revenue which will help increase the general fund.***
- Restructuring of Veteran Services. ***Given the small staff of the Veteran Services department (5 individuals), restructuring the department is unlikely to yield significant cost savings, yet could impact service delivery in a disproportionate manner.***
- Reducing Outside Agency Allocations – To be further explored for inclusion in 2010/11 budget. ***Outside Agency commitments are codified in two-year contracts. It would seem an injustice to reduce these commitments given that the non-profits signed contracts in good will and presumably are depending on this funding. It seems more reasonable to revisit the issue at the end of the current commitment period, when the aggregate amount of funding allocated to Outside Agencies may be adjusted.***

As stated above, the August resolution will include an updated budget status report including final actuary reports and improved property tax revenue projections for the 2009 budget. Final recommendations will be provided at this time that will balance the projected 2009 budget. In addition, these items and cost savings will be confirmed when the Board of Commissioners officially reaffirm the 2009 budget in November.

IMPACT ON HUMAN RESOURCES:

The requested Board action includes the net elimination of 25.2 FTE with an effective date of July 1, 2008 unless otherwise noted in the resolution. Of these, 19.2 are currently vacant with 6 positions being filled with county employees. These changes include 19.2 union and 6.0 non-union positions being eliminated.

IMPACT ON BUDGET:

While many variables are still unknown and are closely being monitored, the current projected shortfall within the General Fund for fiscal year 2009 is approximately \$13 million. Implementing the recommended solutions will save the county just over \$10 million. Additional savings are still needed to balance the budget for 2009 and beyond. Further analysis on several items is recommended with a final proposal on structural budget reductions to be brought to the BOC no later than August 2008. A summary of the projected shortfall and recommended solutions identified at this time is provided on the following page.

Budget Variables and Solutions

Potential Budget Issues

	2009 Projected
Property Tax Revenue - Assuming 0% for 2008 - 2010 revised from 3.5%	(5,000,000)
Interest Earnings - Dependent on Cash Flow in GF	(250,000)
Labor Negotiations - Original Pension Savings Assumption	(5,200,000)
Planned Reduction in 2009	(1,386,000)
VEBA New Actuarial Report	(197,000)
Community Corrections	(26,000)
PS&J Statutory Line Items	(150,000)
Jail Overcrowding & Expansion Project Transition	(800,000)
Total Calculated Shortfall - Remaining Variables to Be Monitored	(13,009,000)

Non Departmental Solutions Identified

Final Projected Labor Savings	4,276,637
Reduce Strategic Planning / Organizational Consultant Use	200,000
Reduce Budget for Financial Information Systems	100,000
Reduce take home vehicles unless under contract	30,000
Use of Revenue Sharing Reserve Fund Interest	550,000
Total Non Departmental Savings Identified	5,156,637
Surplus / (Shortfall)	(7,852,363)

Department Solutions Identified

Administration	25,000
Children's Services	205,000
Clerk/Register of Deeds	400,000
Community Support & Treatment Services (CSTS) / Washtenaw Community Health Organization (WCHO)	1,126,649
District Court	250,000
Emergency Management	-
Equalization	-
ETCS	63,202
Finance	142,833
Head Start	100,000
Human Resources	40,000
MSU Extension	69,200
Office of Community Development	-
Office of the Drain Commissioner	92,700
Parks and Recreation	-
Planning & Environment	310,705
Prosecuting Attorney	191,000
Public Defender	-
Public Health *	355,192
Sheriff	167,000
Support Services Infrastructure & Planning	1,004,000
Treasurer	300,000
Trial Court	-
Veteran Services	6,462
Total Department Savings Identified	4,848,943
Surplus / (Shortfall)	(3,003,420)

* Contingent on State Maintenance of Effort Requirement

IMPACT ON INDIRECT COSTS:

These recommendations will not alter the calculated indirect cost amounts for any county department. As many of the non General Fund departments are charged at a level significantly less than their calculated amount, it is possible that the implementation of the reduced General Fund support will occur through the unfreezing of their Cost Allocation Plan actual charges, thereby allowing for more CAP revenue to be brought into the General Fund.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

All county departments and many outside agencies are impacted by these recommendations. These solutions were developed in an attempt to minimize the direct service impact that would be felt by the citizens of Washtenaw County.

CONFORMITY TO COUNTY POLICIES:

This action conforms with county policy.

ATTACHMENTS/APPENDICES:

Resolution

A RESOLUTION AUTHORIZING THE COUNTY ADMINISTRATOR TO IMPLEMENT THE RECOMMENDED BUDGET AMENDMENTS INCLUDING POSITION ELIMINATIONS TO PROVIDE SAVINGS FOR THE 2009 BUDGET AND TO CONTINUE WORK WITH THE ORGANIZATION TO IDENTIFY ADDITIONAL LONG-TERM STRUCTURAL SOLUTIONS THAT WILL BALANCE THE 2009 BUDGET TO BE BROUGHT TO THE WAYS & MEANS COMMITTEE NO LATER THAN AUGUST 2008

WASHTENAW COUNTY BOARD OF COMMISSIONERS

May 7, 2008

WHEREAS, the Board of Commissioners adopted the 2008/09 Biennial Budget (Resolution #07-0222) on November 14, 2007; and

WHEREAS, since the adoption of the 2008/09 Biennial Budget several variables including revenue assumptions for property taxes and anticipated savings from labor negotiations have changed resulting in a projected general fund budget shortfall approximately \$13 million in the 2009 fiscal year; and

WHEREAS, the Board of Commissioners adopted a budget amendment for 2008 on March 5, 2008 in resolution 08-0043 in which both short-term and structural solutions were identified to balance the 2008 budget; and

WHEREAS, some identified solutions for 2008 can carry forward into 2009 and beyond; and

WHEREAS, additional short-term and structural solutions have been identified through discussions with each county department and agency; and

WHEREAS, the structural solutions result in the net position elimination of 25.2 FTE, of which 19.2 position are currently vacant and 6.0 positions are filled with county employees; and

WHEREAS, the identified solutions are projected to save the county approximately \$10 million in 2009 leaving a remaining projected shortfall of just less than \$3 million still to be identified; and

WHEREAS, items for further analysis and review have been identified with final recommendations on most of these items targeted for Ways & Means consideration in August 2008; and

WHEREAS, the forthcoming resolution with final recommendations to fully balance the 2009 budget will include revised projections on key budget variables including anticipated property tax revenues and final fringe benefit costs for retirement and retiree medical costs through revised actuary reports; and

WHEREAS, the projected budget status and solutions will be confirmed within the official reaffirmation of the 2009 budget planned to come to the board in November; and

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

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby authorizes the County Administrator to implement the recommended budget amendments to provide savings in the 2009 fiscal year, including:

- Transfer of \$300,000 from excess proceeds in Treasurer's Property Foreclosure Restricted Funds into General Fund
- Redirecting the cash from the Revenue Sharing Reserve Fund into the General Fund as a means to not have negative cash flow in the General Fund as allowed by law which will also increase the interest earnings in the General Fund
- Personnel cost adjustments of approximately \$4.2 million as a result of revised anticipated savings from labor negotiations, with actual savings to be known by August with final actuary reports for use in the 2009 budget
- General Fund Central Charges operating budget adjustments including a reduction in Strategic Planning/Organizational Consultant Use and Financial Information Systems
- Reduced level of take home vehicles
- Negotiated position and operating budget reductions for most county departments as outlined below:
 - Administration Personnel Savings from 800 MHz Project Reimbursement
 - Children's Services Position and Contractual Reductions
 - Clerk / Register of Deeds Allocation of Clerk Automation Capital Fund
 - CSTS / WCHO Increased CAP Payment and Position Reductions
 - ETCS Appropriation Reduction
 - Finance Position and Operating Budget Reductions
 - Head Start Appropriation Reduction
 - Human Resources Revenue Increase due to Collaborations
 - MSU Extension Operating Budget Reductions
 - Drain Commissioner Operating Budget Reductions and Cancellation of Equipment Purchases
 - Planning & Environment Position and Operating Budget Reductions, New Revenue
 - Prosecuting Attorney Position Reductions
 - Public Health Position and Contractual Reductions, contingent upon the county obligation for minimal funding levels as outlined in the Maintenance of Effort agreement with the State of Michigan
 - Sheriff Position Reductions
 - Support Services Infrastructure & Planning Position and Contractual Reductions
 - Veteran Services Operating Budget Reductions

BE IT FURTHER RESOLVED that the Board of Commissioners directs the Administrator to continue pursuing the following items as additional possible structural solutions to balance the 2009 budget, with a final recommendation on these items to be provided to the Ways & Means Committee no later than August 2008:

- City of Ann Arbor Shared Services
- Community Collaborative of Washtenaw County (CCWC)
- CSTS / WCHO Restructuring
- Equalization Operations
- ETCS / Community Development Collaboration
- Juvenile Detention / Day Program Restructuring
- Planning & Environment Collaborations, Staffing Levels and Revenue Collections
- Public Safety & Justice Determination of Indigent Status
- Regional Dispatch
- Sheriff Collaborations, Staffing Levels and Revenue Collections

- Support Services Integration
- Trial Court Revenue Collections, Community Corrections and Level of County Support
- Financing of VEBA Obligation
- Continuation of Hiring Freeze

BE IT FURTHER RESOLVED that the Board of Commissioners hereby modifies resolution #07-0220 which stated that any **annual net positive position** surplus within District Court **within the District Court Budget** beginning in fiscal year 2008 was to be transferred into the Saline Court **Reserve Fund** construction project to fund **Phase II of the Court** this initiative. Through negotiations with the court, it is agreed if approved by the board to **delay implementation of** alter this arrangement **until** to begin in 2010. **For budgetary purposes, the net positive position that will therefore remain in the General Fund is projected to be \$250,000 for 2008 and 2009. If a net positive position in excess of this amount is realized in and for 2008 and 2009, the excess will be redirected to Saline Court Reserve Fund.** to allow any surplus to remain in the General Fund.

BE IT FURTHER RESOLVED that the Board of Commissioners hereby approves the following position modifications, with an effective date of July 1, 2008 unless otherwise noted:

POSITION CONTROL NO.	POSITION TITLE	NOTE	EMPLOYEE GROUP	GRADE	CREATE	ELIMINATE	HOLD VACANT
CHILDREN'S SERVICES							
2719-0059	Management Analyst I/II	b	32	29		1.0	
2270-0004	Youth Counselor-Day Treatment		26	22		1.0	
7741-0001	Detention Supervisor		28	77			1.0
CSTS							
1579-0001	Consumer Benefit Specialist		12	15			1.0
2110-0156	Mental Health Professional		11	21			0.5
DRAIN COMMISSIONER							
2935-0002	Storm Water Engineer I/II	d	11	29		1.0	
FINANCE							
1239-0002	Buyer Assistant II		12	12		1.0	
PLANNING & ENVIRONMENT							
2571-0003	Sanitarian		11	25		1.0	
2571-0014	Sanitarian		11	25		1.0	
2719-0085	Management Analyst I/II		32	27		1.0	
PROSECUTING ATTORNEY							
2720-0039	Management Assistant		32	27		1.0	
2720-0041	Management Assistant		32	27		1.0	
1646-0008	Legal Assistant		12	16		1.0	
PUBLIC HEALTH							
1004-0002	Receptionist		12	10		0.1	
1201-0053	Clerk Typist II		12	12		1.0	
2063-0008	Health Educator I/II		11	20		1.0	
2325-0033	Public Health Nurse		18	23		0.7	
3060-0001	Communications Manager		32	30		1.0	
SHERIFF							
5706-0001	HR Generalist - Sheriff's Office		16	57		1.0	
5706-0002	HR Generalist - Sheriff's Office		16	57		1.0	
SUPPORT SERVICES INFRASTRUCTURE & PLANNING							
1213-0002	Stock/Warehouse Clerk		12	12		1.0	
1262-0002	LLRC Facility & Tech Asst I/II		12	12		0.5	
2262-0001	Library Coordinator	a	11	23		1.0	
3061-0001	County Librarian	a	32	30	1.0		
2745-0001	Telecommunications Admin I		11	27		0.4	
2949-0002	GIS Developer I/II		11	29			1.0
3055-0001	Application Specialist I		11	30			1.0
3057-0002	Support Services Project Manager		32	30		1.0	
3248-0001	Application Specialist II	c	11	33			1.0
3322-0001	Director of Library Services		32	33		1.0	

NOTES:

a-Reclassification & Union Shift
b-Effective 1/1/09
c-Effective 3/1/09
d-Reimbursed at ~90%