# INTRODUCTION

The following section is presented to give the reader a greater appreciation for the complexities involved in operating a government the size of Washtenaw County, and to provide an analysis of the overall health of the County.

Pages C-1 and C-2 present a brief overview of Washtenaw County's government, demographics, and economic status. A trend analysis of select financial indicators as recorded from 1993 through 2002 begins on page C-3. Modeled after a system described in the book, "Financial Trends Monitoring System" (International City Management Association, publisher), many of the measures are benchmarks followed by the national credit rating agencies.

# ECONOMIC AND FINANCIAL INFORMATION

## BACKGROUND

Washtenaw County is located in the southeast region of Michigan's lower peninsula, approximately 40 miles west of Detroit. It is the 6th largest county in the state of Michigan, having a population of 336,048. Its major cities are Ann Arbor, with a population of approximately 114,870, and Ypsilanti, with a population of approximately 22,460. The County was incorporated on January 1, 1827 - ten years before the Michigan territory was recognized as a State.

## ORGANIZATION OF GOVERNMENTAL UNIT

The governmental structure of Washtenaw County is based upon the State Constitution and the general laws of the State of Michigan. The County's legislative and administrative body for many functions is the County Board of Commissioners. Currently, the Board is comprised of eleven commissioners who are elected by direct vote from single-member districts. Also serving within the County are fifteen other elected officials serving as judicial, administrative, or staff officers. The County has annual operating revenues of approximately $148 million.

## SERVICES PROVIDED

The County is responsible for the management and financing of many services for its citizens. These services are separated into the following major program areas: Legislative, Judicial, General Government, Public Safety, Public Works, Health, Social Services and Culture and Recreation.

The funds and entities related to Washtenaw County are controlled by the Board of Commissioners or the County Administrator. Control by or dependence on the County was determined on the basis of budget adoption, taxing authority, outstanding debt secured by general obligation of the County, or the County's obligation to fund any deficits that may occur.

## SIGNIFICANT LOCAL ECONOMIC EVENTS

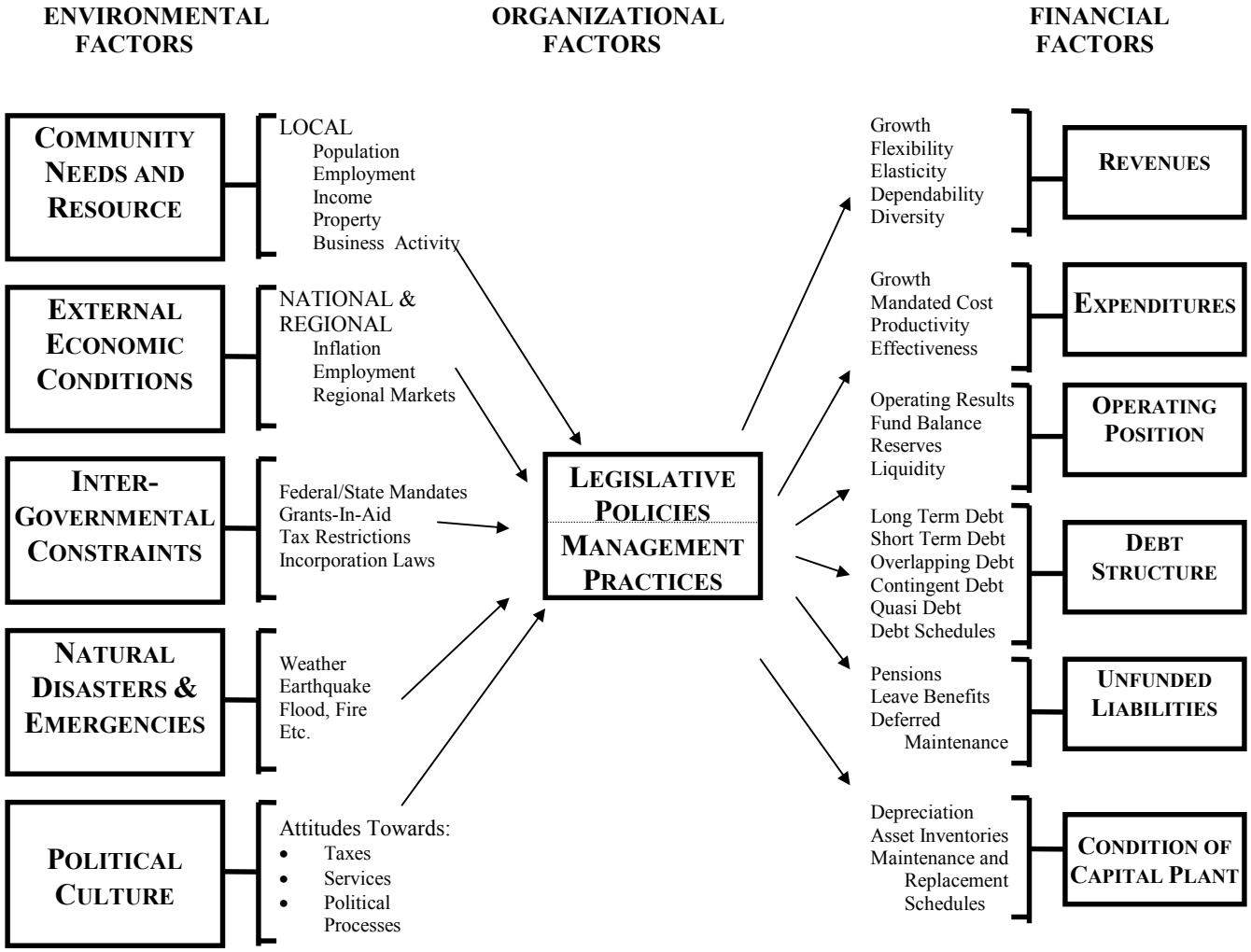
The County's labor force reflects the current economic growth that is taking place. An estimated 173,275 people were employed in Washtenaw County in January 2002, a slight decrease of 3.8% from January 2001, when 180,100 people were employed in the County. Unemployment rates for January 2002 and January 2001 were 2.9% and 2.3% respectively. The County consistently reports an unemployment rate that is below both the state and national averages, and currently has one of the lowest unemployment rates in the State of Michigan.

The assessed value of the taxable property to fund the County's 2002 operations (the 2001 valuation) was approximately 12 billion, an increase of $1.2 billion, or 11.32%. The economic base of the County is continuing to increase. The 2002 valuation (to fund 2003 operations) shows a 12% increase over the 2001 valuation.

## FINANCIAL TRENDS MONITORING SYSTEM

There are a multitude of influences and factors that affect a governmental unit's policy formulation and implementation. Some of these factors are reasonably predictable, some are totally unpredictable and most fall between the two extremes. The following chart presents a graphic representation of factors that influence the fiscal health of a government.

## FINANCIAL CONDITION FACTOR



The Financial Trend Monitoring System attempts to display the financial factors (on the right side of the chart) in a quantified form to enable analysis. Its purpose is to examine trends that are occurring across time rather than looking at one specific point in time. This allows a governing body to distinguish between legitimate patterns and erratic fluctuations. To facilitate analysis, raw numbers are converted into constant dollars in order to eliminate distortions, and the resulting figures are plotted in charts and graphs.

The indicators presented are neither perfect nor absolute, but they do present quantifiable information, and thus form a basis for analysis. They do not necessarily provide the answers as much as they raise the questions and provide a framework for objective investigation. These indicators are similar to those used by national credit and bond rating agencies

Indicators from each of the following categories will be presented.



For each indicator, there will be a graphic representation of the trend that has developed, along with a brief discussion of the trend's potential implications. No single indicator should be considered separately from the others; rather, each indicator needs to be examined as one part of a whole, taking into consideration its interrelation with other indicators, as well as the political and administrative characteristics of the County.

Adjustments have been made to eliminate erratic occurrences or changes in accounting procedures that have occurred during the time frame presented. Unless otherwise stated in the accompanying analysis, all indicators deal with the General Fund. In cases where figures have been adjusted for inflation, the standard used was the Consumer Price Index for All Urban Consumers (CPI-U) for the Detroit area with a 1982 base.

# REVENUE INDICATORS

Revenues determine to what extent a governmental entity will be able to provide services for its constituents. Theoretically, a governing body's revenues should be diverse in nature, allow for flexibility, and increase at a rate equal to or greater than expenditures for services. An analysis of revenues will point out a deterioration in tax bases, an over-dependence on soon-to-be-obsolete revenue sources, or poor revenue estimation or collection.

The following indicators are provided for an analysis of the county's revenue picture:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Revenues per Capita | Favorable |
| 2. | Restricted Revenues | Favorable |
| 3. | Intergovernmental Revenues | Mixed |
| 4. | Elastic Revenues | Favorable |
| 5. | Property Tax Revenues | Favorable |
| 6. | Uncollected Property Taxes | Favorable |
| 7. | Revenue Shortfalls | Favorable |

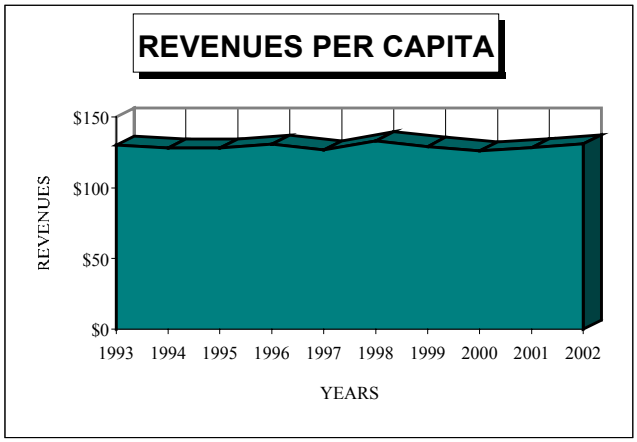
Overall, the County's revenue picture is mixed to favorable.

## REVENUES PER CAPITA

This graph shows General Fund revenues per capita after adjusting for inflation. Theoretically, as the population increases, the total amount of service provided must increase in order to maintain the same amount of service per capita. To allow for this increase in service, revenues must increase as well. A decrease in revenues per capita should signal the need to find new revenue sources, or develop cost-cutting strategies to get more mileage out of the existing revenues.

Any analysis of this graph needs to be done in conjunction with Expenditures per Capita (pg. C-9) and Population (pg. C-21).

**TREND:** Favorable; revenues have remained fairly steady for the past 10 years.

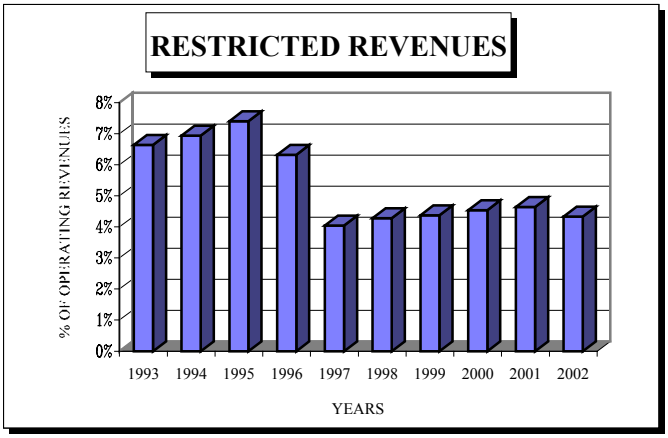


# RESTRICTED REVENUES

These are revenues whose use is restricted to specific activities by law, grant or bond covenants. The graph plots these revenues as a percentage of net operating revenues. An increase in reliance on restricted revenues may indicate a reduced ability to fund programs not designated by restricted revenues. Also, the County may experience a reduced freedom to respond to changing conditions, since restricted funding may not be used to support other programs. However, an increase in restricted revenues is not necessarily unfavorable. It may be that programs supported by restricted revenues could not be reduced even if the revenues were eliminated.

12/17ths of the total revenue from the State Cigarette Tax legislation is earmarked for Public Health programming.

**TREND:** Favorable; In 1996 restricted revenues decreased from 1995 levels due to the continuing decrease in funding received from State Cigarette Tax. This decrease has been offset in part by the inception of State Court Funding, which began in 1994 and increased in 1995. 1997 also saw a decrease due to the movement of Friend of the Court revenues out of the General Fund.

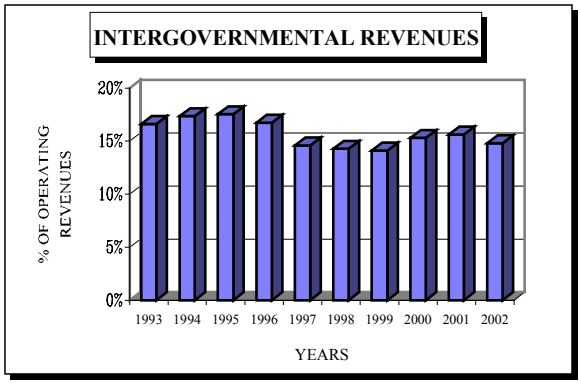



# INTERGOVERNMENTAL REVENUES

Intergovernmental revenues are those received from another governmental entity, such as State income and liquor tax and federal funding for the Friend of the Court office. This graph depicts intergovernmental revenues as a percentage of net operating revenues.

Becoming overly dependent on these funds can be dangerous, in that the County must decide whether to discontinue programs or find alternate funding if the intergovernmental funds begin to dry up. Such was the case with Federal Revenue Sharing, which was phased out during 1985 and 1986. Intergovernmental funding may also come with many strings attached, and make the cost of accepting the funding prohibitive. An important analytical point to consider is whether the County is controlling its use of external revenues or if the revenues are controlling the County.

**TREND:** Mixed; In 1997 and 1998 the revenue has started to decline due to reduced funding from cigarette tax. In addition, Friend of the Court revenues were moved out of the General Fund in 1997. A slight increase in 2000 and the slight decrease in 2002 were due to fluctuations in the State Revenue Sharing, which is driven by population. State Revenue Sharing will continue to be an issue in the future since the State has set the precedent of reducing the distribution to local units (pg. E-10).

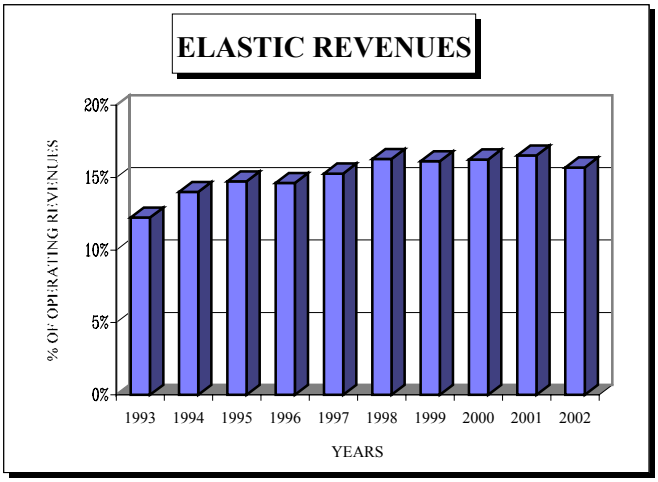


# ELASTIC REVENUES

Elastic revenues are those whose yields are highly responsive to changes in the economic base or inflation. This graph looks at elastic operating revenues as a percentage of net operating revenues.

It is desirable to have a balance between elastic and inelastic revenues to limit the impact of sudden fluctuations in the tax base or inflation. But during inflationary periods, it is helpful to have a higher percentage of elastic revenues. As inflationary pressures drive up the cost of doing business, the same pressures will increase the County's revenues, thus offsetting the expenditure increase. These same elastic revenues will work against the County in periods of slow growth or recession; thus, inelastic revenues such as user fees will be more beneficial. The majority of the county's elastic revenues come from the State Revenue Sharing, interest income and the real estate transfer tax.

**TREND:** Favorable; the inverse relationship between real estate transfers and interest earnings have kept the level consistently around 15%.



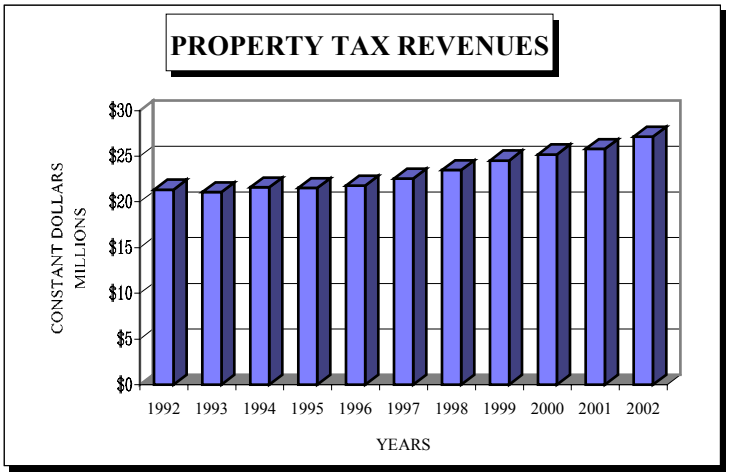

# PROPERTY TAX REVENUES

This graph shows property tax revenues, measured in constant dollars.

The flat growth rate despite increases in property values can be primarily attributed to TIFA, and Proposal A. The full impact of these effects can be seen in the TIFA/Headlee graph found in the Revenue Discussion section of this book.

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|
| Growth Rate (Actual) | **5.9%** | **5.8%** | **6.7%** | **6.2%** | **5.3%** | **6.9%** |
| Growth Rate (Adjusted) | **3.53%** | **4.18%** | **4.43%** | **2.69%** | **2.4%** | **5.19%** |

**TREND:** Favorable; Growth in this area continues as it has over the last 8 years, some of the contributing factors to this growth rate have been the continued low mortgage rates that have promoted real estate transactions. Once the sale transaction has taken place tax obligations are set to that of the market value (sale price) of the property. This allows the tax base in the county to grow.

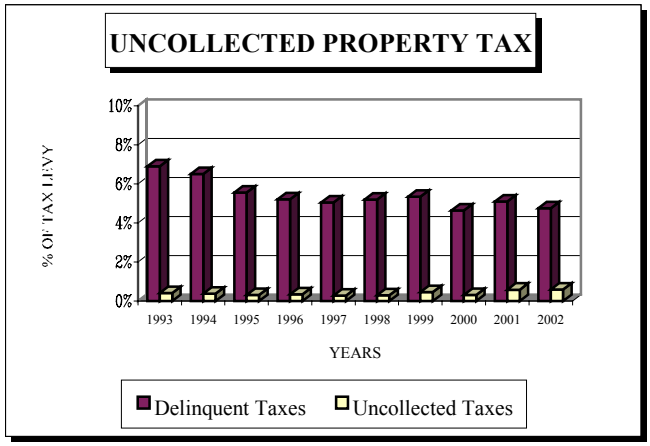


# UNCOLLECTED PROPERTY TAX

This graph depicts the amount of uncollected property tax as a percentage of the total tax levy. The taller bar represents the percentage that goes delinquent, the shorter bar is the percentage that is deemed uncollectible.

This trend can signal important information about the general economic condition of the community and the ability of its citizens to finance operations.

**TREND:** Favorable; The last seven years have seen a steady level in the percentage of taxes that become delinquent and those that are deemed as uncollectible. Uncollected percentages are .6%, .59% and .32% for 2002, 2001 and 2000 respectively. In 1994 Proposal A reduced the tax levy by approximately 37 mills per household, this reduction has affected the level of delinquent taxes. PA 123 of 1999 caused a slight increase in the percentage of 2001 and 2002 uncollected taxes by decreasing the time period in which delinquent taxes are considered uncollectible.



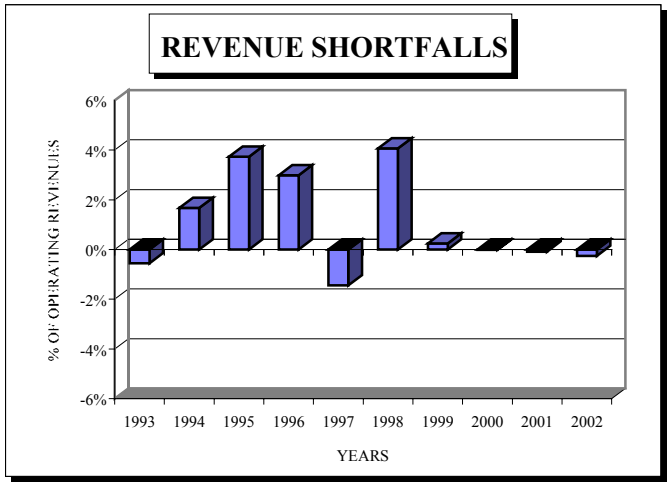

# REVENUE SHORTFALLS

This graph portrays the percentage difference between revenues budgeted and revenues actually received. It is essential that revenue estimates be conservative in order to avoid deficit spending. Consistent shortfalls can indicate a number of things:

1. A declining economy
2. Inefficient collection procedures
3. Inaccurate estimating techniques

On the other hand, if estimates are consistently low it may indicate a need to look more closely at specific revenues.

**TREND:** Favorable; shortfalls in 1993 and 1997 but surpluses in 1994 through 1996 and again in 1998 through 2002. Higher levels in 1995, 1996 and 1998 are due to the addition of State Court funding. Overall revenues are being accurately projected and collected, especially in the past four years.



# EXPENDITURE INDICATORS

Expenditures should be expected to be a measurement of services provided; however, the measurement is not always proportional. There are many fixed costs that cannot be easily adjusted, or there may be areas of inefficiency.

Due to the unpredictable nature of a governmental environment, fluctuations in expenditures from one year to the next are somewhat common. It is imperative that in the long run a government's expenditures are within its revenues.

The following indicators are presented for analysis:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Expenditures per Capita | Favorable |
| 2. | Fixed Costs | Favorable |
| 3. | Employees per Capita | Favorable |
| 4. | Personnel Costs | Favorable |
| 5. | Fringe Benefits | Mixed |

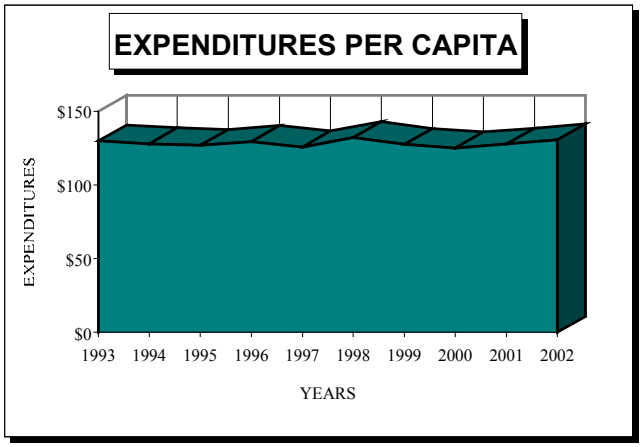
The overall analysis of the County's expenditures is favorable.

# EXPENDITURES PER CAPITA

This graph shows General Fund expenditures per capita after adjusting for inflation.

When expenditures per capita increase at a rate greater than inflation it can be an indication that the cost of providing services is outstripping the community's ability to pay. Increases can result from two primary factors: increase in service or a decline in productivity.

**TREND:** Favorable; the rate has remained stable over the past 10 years.



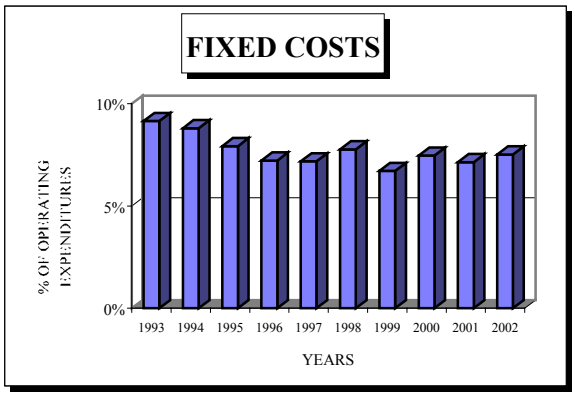

# FIXED COSTS

This graph depicts fixed costs as a percentage of total operating expenditures, with fixed costs being defined as:

1. Debt service within the General Fund
2. State mandated expenditures
3. Lease purchase payments
4. Long-term contracts

These are items over which there is little control in the short term. The higher the level of fixed costs, the less flexibility a government has, since these expenditures cannot be reduced proportionately with other expenditures.

**TREND:** Favorable; rate generally declined from 1993 through 1996. Since 1996 the rate has remained relatively stable. The slight increase in 1998 of 0.58% is due to the countywide upgrading of technology and the slight decrease of 1.0% in 1999 is due in part to the fact that debt service is no longer paid out of the General Fund.



# EMPLOYEES PER CAPITA

The upper graph represents the trend for employees per capita for the county as a whole, while the lower graph represents the General Fund only.

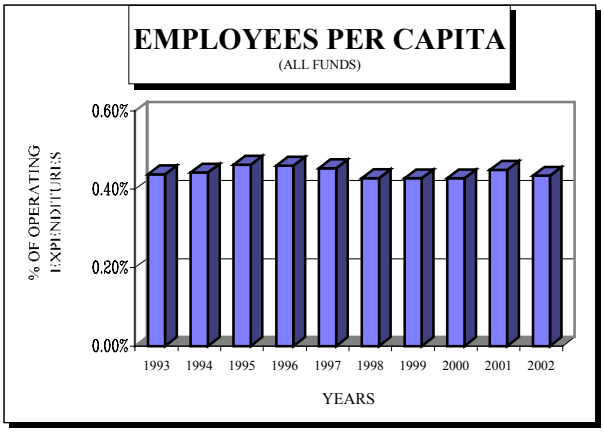
An increase in employees per capita may indicate that a government is becoming more labor intensive or that productivity is declining. A large decline in the General Fund, without a correspondingly large decline in the All Funds summary, shows a shift of personnel from tax-supported to outside-revenue supported programs.

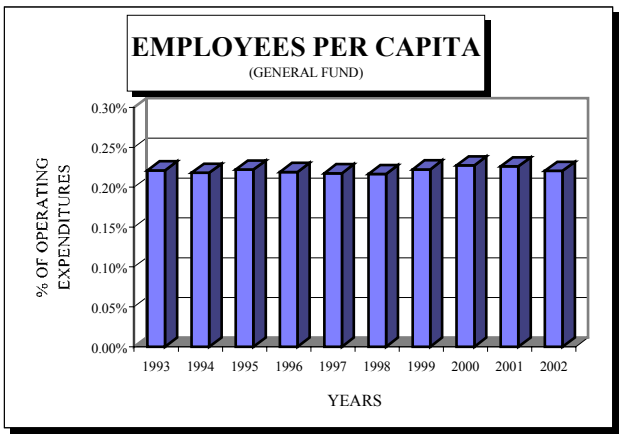
Since interpreting the numbers for these graphs can be confusing, the chart below shows how many county residents are being serviced by one county employee.

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| **All Funds** | 228 | 226 | 216 | 217 | 220 | 233 | 234 | 234 | 222 | 230 |
| **General Fund** | 452 | 459 | 450 | 457 | 460 | 462 | 450 | 440 | 443 | 454 |

**TREND:** Favorable; from 1993 through 2002 the rate has been relatively flat. Within the Sheriff's Department, 24 revenue generating deputy positions were created in 1995 and an additional 10 revenue positions were created in 1996 in correlation with contracts with local government agencies.

During 1997 and 1998 many employees took advantage of an early retirement offer that reduced the total number of employees countywide.



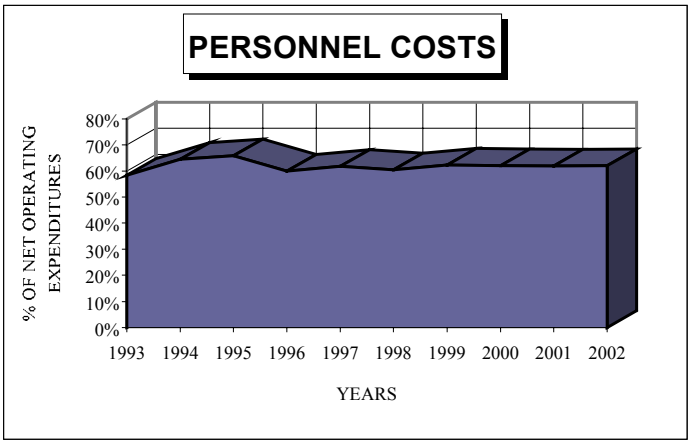




# PERSONNEL COSTS

This graph depicts total personnel costs as a percentage of net operating expenditures (i.e., expenditures less Capital Outlays and Internal Service Charges).

Rising personnel costs can indicate that an organization is becoming increasingly labor intensive. It can also indicate that, as labor costs rise, and overall expenditures are forced to remain flat, a government may find itself working with inadequate resources.

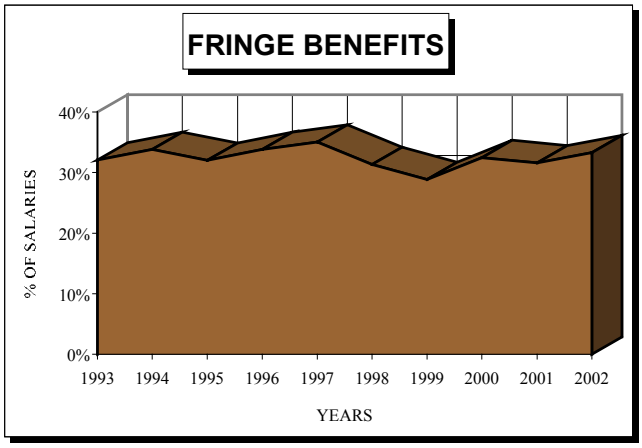
**TREND:** Favorable; costs have stabilized since 1996. This is consistent with the fact that the workforce has remained flat as illustrated above.



# FRINGE BENEFITS

This graph plots fringe benefits as a percentage of salaries.

**TREND:** Mixed; costs for medical insurance and worker's compensation steadily rose through 1994. 1995 reflects a slight reduction in cost due to better risk management methods being implemented, and while workers compensation rates remained low in 1996 and 1997, there was an increase in hospitalization. In 1998 and 1999 a reduction in hospitalization rates took place. 2000 through 2002 have seen an increase due primarily to the increased costs of prescription coverage.



# OPERATING POSITION INDICATORS

These indicators are aimed at analyzing how well a government is managing its fiscal operations over time. In any given year there will likely be either a surplus or a deficit, thus it is necessary to look for trends rather than events. Important questions are: how well is the budget being balanced on an on-going basis; are sufficient reserves being maintained; and how efficiently is cash being managed.

Indicators looked at are:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Operating Deficits | Favorable |
| 2. | General Fund Balances | Favorable |
| 3. | Liquidity | Favorable |

The overall trend in fiscal operations is favorable.

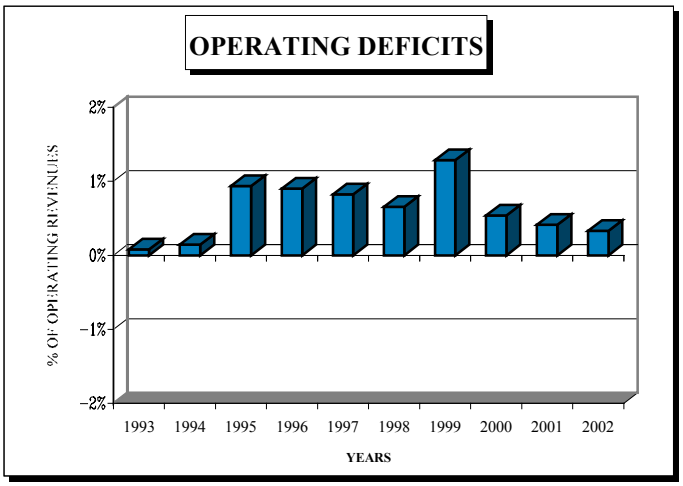
# OPERATING DEFICITS

This graph depicts General Fund operating deficits / surpluses as a percentage of the General Fund operating revenues.

The credit industry has established benchmarks by which they rate governmental entities. The following indicators are considered unfavorable.

1. Two consecutive years of operating fund deficit
2. Current operating deficit greater than previous year
3. Operating deficits in two or more of the last 5 years
4. Abnormally large deficit (more than 5 - 10%) in one year

**TREND:** Favorable; the last ten years show surpluses. This is primarily due to a policy that budgets a $250,000 surplus annually.

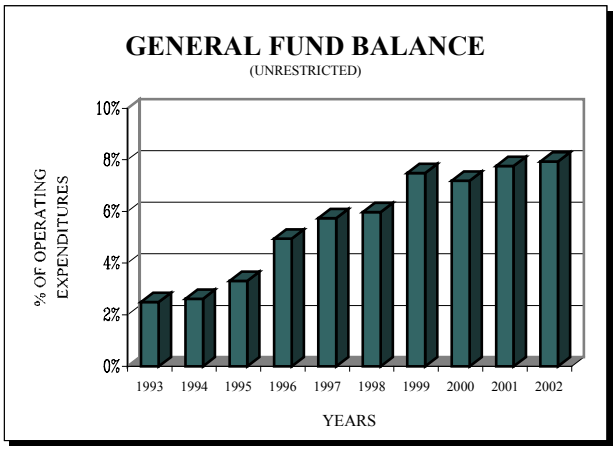


# GENERAL FUND BALANCES

This graph shows the amount of unrestricted (or undesignated) fund balance (General Fund) as a percentage of operating revenues.

The general rule of thumb in the credit industry is that fund balances can be used to help government weather bad times but should not be used as a means of funding routine operations.

**TREND:** Favorable; from 1995 through 1998 the fund balance increased at approximately $500,000 per year. In 2002, the total fund balance increased by $263,000, but the amount of restricted fund balance decreased by $267,000. The County has committed to maintaining a general fund balance that is 8% of operating expenditures.

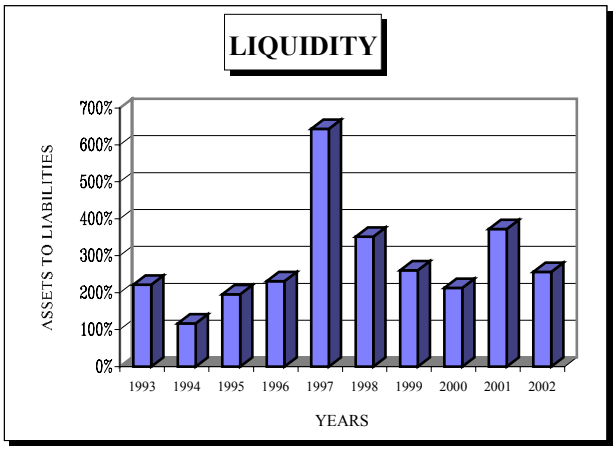



# LIQUIDITY

This graph plots the ratio of General Fund cash, short-term investments, and monies due from other funds, to current liabilities. In the private sector, this liquidity ratio is known as the "quick ratio". This ratio measures a government's ability to meet short term obligations in that it matches current liabilities directly with those assets that are available to meet them. However, it should be remembered that this ratio is like a single-frame snapshot - small timing discrepancies can make the ratios look markedly different over time, while the true picture remains relatively stable.

Benchmarks in the credit industry consider a ratio of less than 1 to 1 (100%) a negative factor, with an extended trend lasting 3-5 years being deemed decidedly negative.

**TREND:** Favorable; Liquidity level has continued to remain stable and well above 100% consistently through out the 1990's and into the 2000's. 1997 was a deviation from the norm as efforts were made to reduce outstanding obligations to a minimum in preparation for change over to a new financial information system.



# DEBT STRUCTURE INDICATORS

Debt is a common means for financing capital projects and equipment, but a danger exists in becoming overly dependent on debt. It is important to make sure debt levels stay within "reasonable" limits and that debt is not being used as a means to finance operations.

The indicators used for analyzing debt structure are:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Long-Term Debt | Favorable |
| 2. | Debt Service | Favorable |
| 3. | Overlapping Debt | Favorable |
| 4. | Current Liabilities | Favorable |

The County has maintained a healthy debt structure well within the standards recognized in the credit industry.

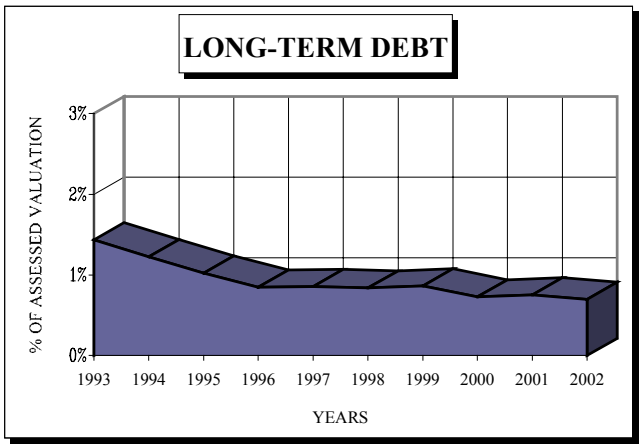
## LONG-TERM DEBT

This graph displays net direct long-term debt as a percentage of assessed valuation. Net direct debt is debt (for which the county has pledged "full faith and credit") less self-supporting debt (e.g., special assessment and revenue bonds).

Assessed valuation is used because the county depends primarily on property tax for debt repayment. The decline in percentage has been steady since 1985, aided by a steady increase in property values.

The credit industry considers the following trends to be unfavorable:
1. Net debt exceeding 10% of assessed valuation
2. Net debt percentage increasing by more than 20% in one year
3. Net debt percentage 50% higher than 4 years ago

**TREND:** Favorable; consistently below 2% and since 1996 the rate dropped below 1%.

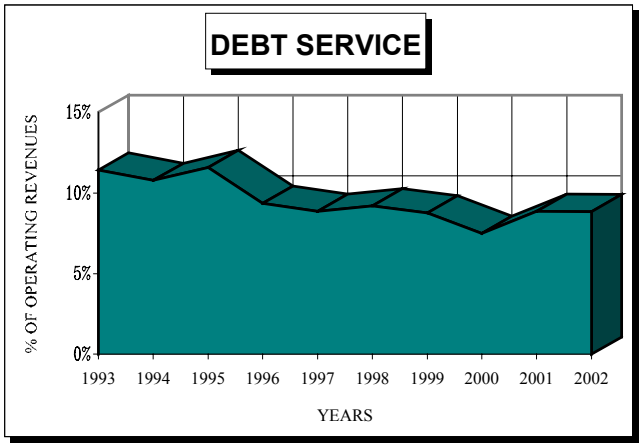


# DEBT SERVICE

This graph plots debt service as a percentage of net operating revenue. In this case the figures are derived by combining the General Fund, all special revenue funds and debt service funds. Debt service is defined as both the amount of interest and principal that must be paid each year.

Excess or rising debt service can indicate a number of potential problems, including reduced flexibility and an overburdened tax base. Credit industry benchmarks consider debt service of 10% of operating revenues to be good; in excess of 20% is considered unfavorable.

**TREND:** Favorable; for 1996 the rate was 9.37%. The rise to and slightly above 10% prior to 1996 can be attributed to payments for the new Department of Social Services building in Ypsilanti, for which the DSS will reimburse the County. The construction of new drains and sewers in 1995 increased the overall rate by 0.80%. This obligation is covered by assessments to the area receiving the service. Starting in 1996 and continuing through 2002 the rate fell below 10%.

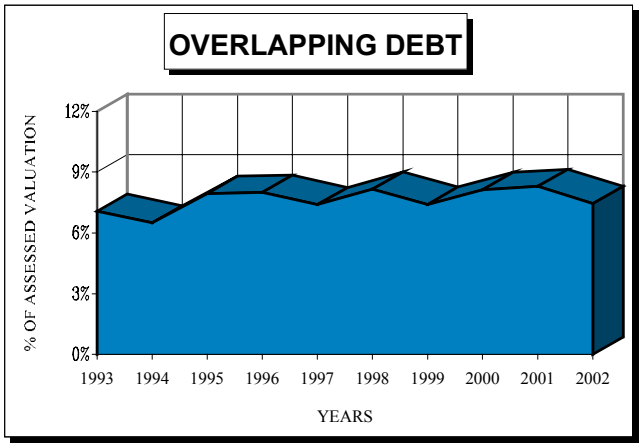



# OVERLAPPING DEBT

This graph shows overlapping debt as a percentage of assessed valuation. Overlapping debt is the net direct debt of all governmental entities that is issued against a tax base within the geographic boundaries of the county. As a result, the same tax base is being taxed by multiple units, and even though the county may not be overtaxing its base, the cumulative effect can be burdensome.

This indicator measures the ability of a community's tax base to repay the debt obligations of all organizations and, indirectly, the fiscal health of the community.

**TREND:** Favorable; overlapping debt has been well below 10% for quite a number of years. The increase in 1995 that continued into 1998 is the result of area school districts issuing debt for building expansion and technological upgrades that were needed due to enrollment increases. The passage of Proposal A reduced the tax rate for schools from 24 mills to 6 mills in 1994. This reduction helped to bring taxpayer approval for the capital needed for expansion. Of the six districts to issue debt, four are the outlying districts of Chelsea, Dexter, Manchester and Saline, all communities that have experienced rapid population growth in the past few years. 2000 also saw an increase due to the issuing of debt by school districts.

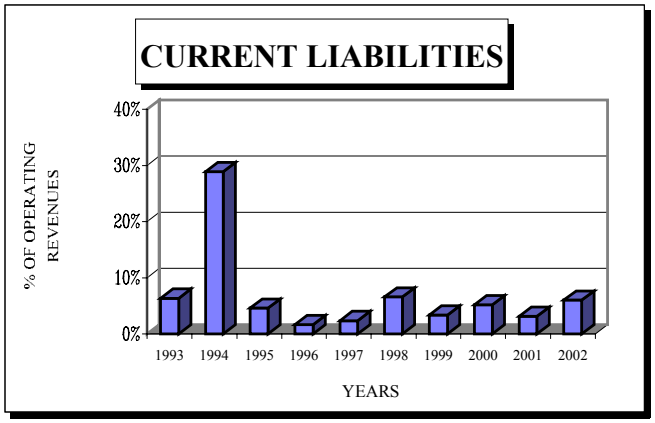


# CURRENT LIABILITIES

This graph depicts current liabilities as a percentage of net operating revenues.

If current liabilities are increasing as a percentage of revenues it can be a warning of future problems with fulfilling obligations. Credit industry benchmarks are primarily concerned with the level of short-term debt; however, an extended increase in current liabilities is considered a negative factor. In analyzing this indicator it should be remembered that current liabilities can fluctuate widely from day to day and that we are looking at a snapshot of one point in time.

**TREND:** Favorable; current liabilities have remained stable over the last six years. The wide swing from 1993 to 1994 can be identified by unusually low payables at year end in 1993 and a new information system in 1994 which caused a temporary slow down in the payment process.



# UNFUNDED LIABILITY INDICATORS

Unfunded liabilities are liabilities incurred during current operations but which will be paid in the future and for which no reserves have been set aside. Unfunded liabilities present the same potential problems as debt. If not monitored they can grow until they are out of control.

Indicators presented are:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Unfunded Pension Liability | Mixed |
| 2. | Pension Assets | Favorable |
| 3. | Accumulated Employee Leave | Favorable |

The overall trend remains mixed to favorable.

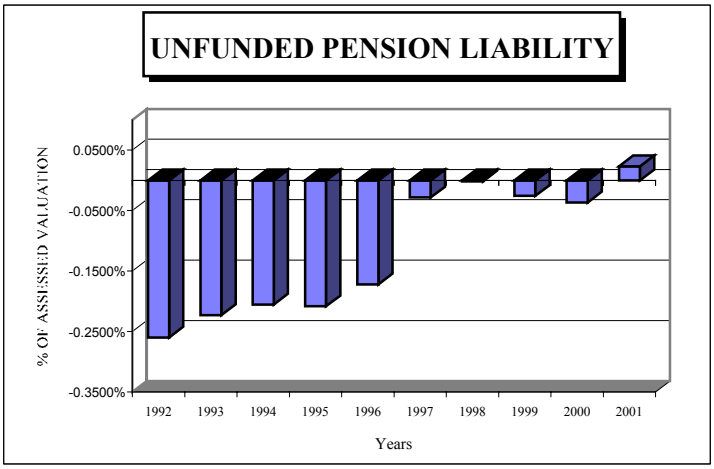
## UNFUNDED PENSION LIABILITY

This graph plots unfunded pension plan vested benefits as a percentage of assessed valuation. The rationale behind using assessed valuation is that since property taxes are a primary source of revenue, an unfunded pension plan can present a potential burden on the county's tax base.

Remember that the unfunded liability is a concern, thus a decline is favorable and negative percentages indicate a fully funded position.

Since the Money Purchase Pension Plan is a defined contribution plan, it is excluded from this analysis.

**TREND:** Mixed; the County's pension plan operated at a more-than-fully-funded level from 1992 through 2001 with the change seen from 1996 to 1997 being the result of a change in valuation assumptions used by the actuary. However, in 2001, the pension plan operated at a less-than-fully-funded level due to decreases in stock market earnings.

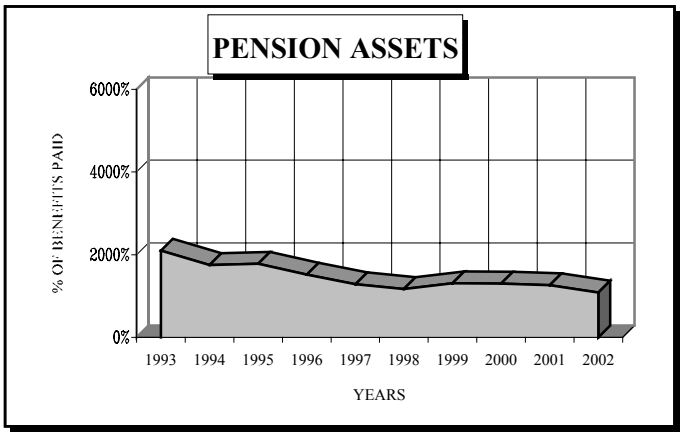


# PENSION ASSETS

This graph looks at pension plan assets held as a percentage of benefits paid. A decline in assets as a percentage of benefits can indicate potential shortfalls in the future.

Though the percentage has been falling since 1984, it should be remembered that the inception of the Money Purchase Pension Plan means that there are no new employees entering the old pension plan. The exception to this and part of the accelerated decline from 1996 through 1998 is the one time reentry back into the old pension plan. The percentage of assets to benefits paid is still above 1000%, a very healthy condition.

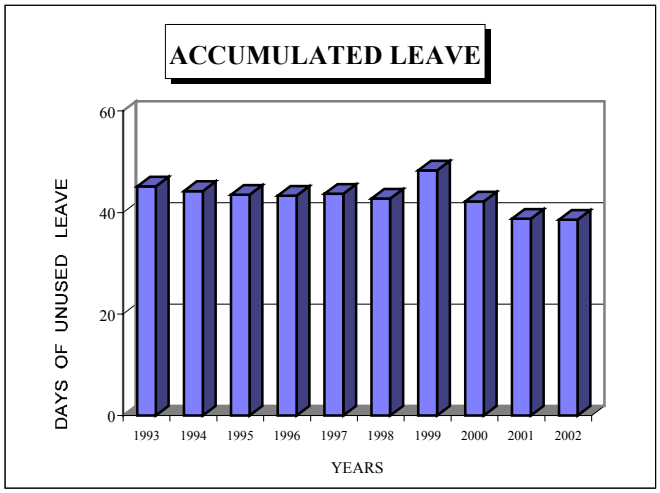
**TREND:** Favorable
Source: Washtenaw County Comprehensive Annual Financial Report




# ACCUMULATED EMPLOYEE LEAVE LIABILITY

This graph displays the number of days of unused vacation and sick leave per employee. They represent an opportunity cost of time not worked, but eventually they represent a real cost upon departure of the employee. The County does maintain an employee severance fund; thus, the liability is not totally unfunded.

**TREND:** Favorable; the level has remained relatively stable, with a gradual decrease from 1993 through 2002.



# CAPITAL PLANT INDICATORS

Capital plant consists of a government's buildings, utility networks and equipment. These items are essential to operations, but it is often convenient to forego maintenance and replacement in order to channel monies to more visible current needs. By doing so, an entity is in essence setting up an unfunded liability and gradually decreasing the efficiency and quality of operations.

Indicators examined are:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Level of Capital Outlay | Mixed |
| 2. | Depreciation | Mixed |
| 3. | Maintenance Effort | Mixed |

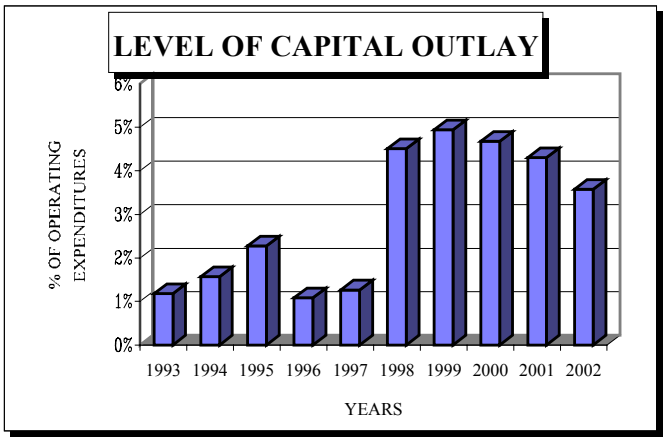
The most obvious conclusion regarding the County's level of capital and maintenance expenditures is that it is difficult to draw conclusions since spending patterns have fluctuated widely.

# LEVEL OF CAPITAL OUTLAY

This graph measures capital outlay, expressed as a percentage of operation expenditures. The purpose of capital outlay is to replace worn equipment.

A declining rate can indicate a deferral of equipment replacement and may jeopardize operations in the future, both in terms of inadequate equipment and unfunded liability.

**TREND:** Mixed; 1993 through 1997 remained relatively stable at 1 – 2%. The increase from 1998 through 2003 reflects the commitment to upgrading all PC's countywide and the purchase of the necessary hardware and software for a year 2000 compliant financial system. This commitment is budgeted for the future in the County's five-year technology plan.

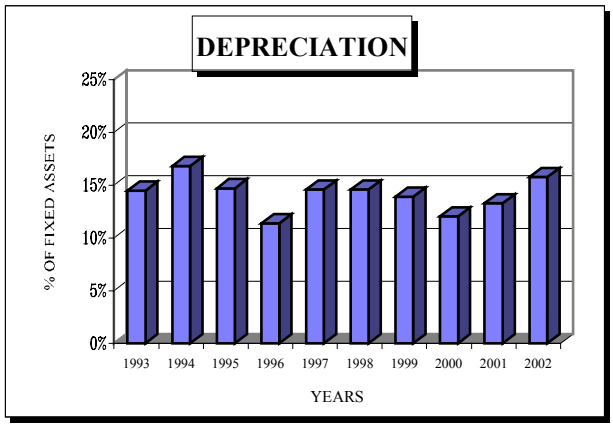


# DEPRECIATION

This graph presents depreciation expense as a percentage of the cost of depreciable fixed assets. In Washtenaw County's case this analysis involves the internal service funds.

Depreciation as a percentage should remain fairly constant across time because as fully depreciated items are removed from service newer assets take their place. If the rate begins to decline it could be a sign that assets are being used beyond their useful life.

**TREND:** Mixed; the percentage has remained relatively constant across time. The decline in 1996 is due to a change in the fixed assets policy. Effective in 1996 only assets (or asset groups) valued at $5,000 or more are included. Prior to 1996 the level was set at a $1,000. 1997 and 1998 and 2002 reflect the increase in capital outlay for technology and major projects and repairs.

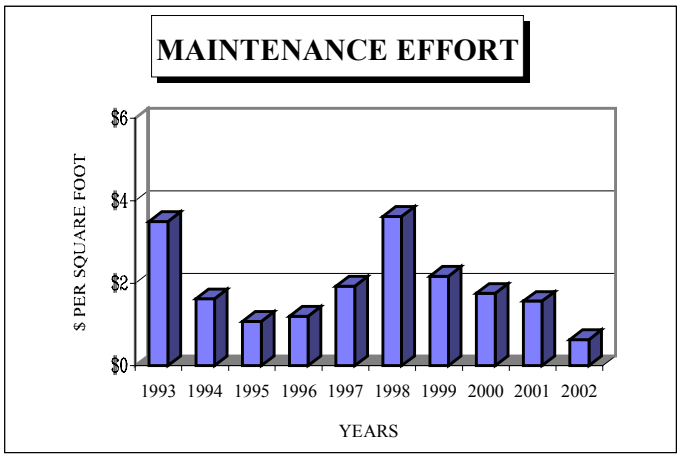



# MAINTENANCE EFFORT

This graph shows the expenditures for repair and maintenance of fixed assets per square foot of county space. Theoretically, maintenance effort should remain relatively stable in relation to the amount of assets maintained. In this case we are looking at the square footage of county buildings.

A declining rate of maintenance spending can be dangerous because the deferral of maintenance on assets and their subsequent erosion can create an unfunded liability.

**TREND:** Mixed; the overall level has been very inconsistent. In 1994 a conscious decision was made to reduce spending by $100,000 for that year. Starting in 1995 the methodology was changed to include all square footage (common areas and unassigned space) to more accurately reflect the cost per square foot of maintenance. The 1998 rate of $3.62 represented a conscious decision to increase spending to catch up on deferred maintenance. The decrease in 2002 was due to increased square footage from new buildings and projects being deferred to 2003.



# COMMUNITY NEEDS AND RESOURCES INDICATORS

There are many factors impacting a government's operations that are out of its control. These factors include economic climate, land development, the makeup of its constituents and the services they require. Although these factors cannot be controlled, it is wise to monitor them so that policies and programs can be proactive rather than reactive.

The indicators offered for analysis are:

| | INDICATOR | TREND |
|---|---|---|
| 1. | Population | Favorable |
| 2. | Birth Rate | Mixed |
| 3. | Personal Income | Mixed |
| 4. | Public Assistance Recipients | Mixed |
| 5. | Residential Development | Mixed |
| 6. | Property Values | Mixed |
| 7. | Building Permits | Mixed |
| 8. | Unemployment Rate | Favorable |
| 9. | Business Filings | Favorable |

Through the 1990s and into the 2000's the County's overall economic and community environments have been strengthened substantially.

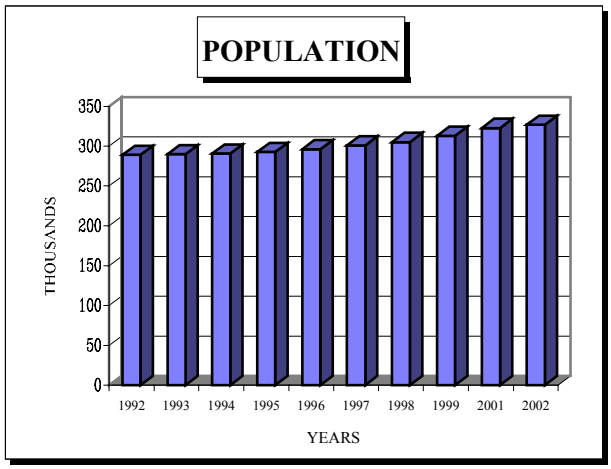
## POPULATION

This graph plots population estimates for Washtenaw County, as provided by the Michigan Department of Management and Budget.

Population fluctuations are important because they are tied to many other indicators and statistics as well as levels of service and revenues. A decline in population presents difficulties because expenditures usually cannot be cut proportionally (because of fixed costs), yet revenues decline. An increase in population means an increase in revenues but can also indicate that additional services are needed.

It must also be considered that the nature of population influxes (income range, age, single or family, etc.) can have diverse impacts on a community and the governments that service it.

**TREND:** Favorable; estimates show an upward trend since 1992. The 2000 Census provided a population figure of 322,895, which translates to a 12% increase for the 1990s.

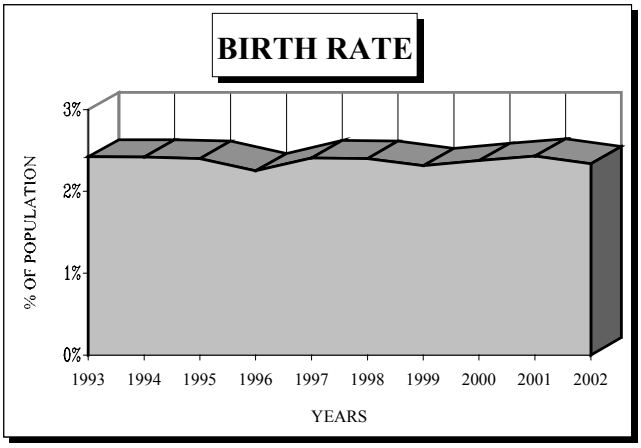


# BIRTH RATE

This graph plots birth certificates issued as a percentage of population. The important factor here is not whether the percentage is too high or too low but its course over time. Birth rate fluctuations can give significant insight into the changing nature of a government's constituency.

A declining birth rate percentage can indicate an aging population or signal a population decrease in future years. Increases in the percentage may mean an increasing number of young families in the community, translating into a strong tax base and stable work force. It can also signal an increased need for services geared toward children.

**TREND:** Mixed; from 1993 through 2002 the birth rate has remained relatively stable varying from 2.2% to 2.4%.




# PERSONAL INCOME

This graph plots personal income per capita, as estimated by the U.S. Bureau of Economic Analysis, after adjusting for inflation.

Personal income is strongly tied to the all-around financial health of a community; however, the range of income between communities with the same average personal income can vary greatly.

Typically, an increase in income indicates a greater ability to pay for services and taxes, and a decrease in dependency on governmental services. Conversely, a decrease in income should indicate the reverse scenario.

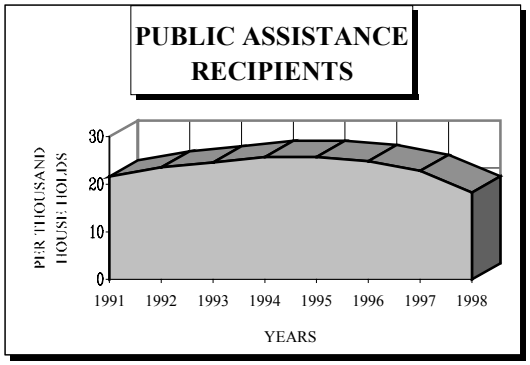
**TREND:** Mixed; 1992 to 1997 showed a strong growth in income. From 1997 to 1999 there was a leveling off and 1999 to 2001 showed a slight decrease in personal income with the 2001 rate decreasing 4.53% from 2000. Income figures are not yet available for 2002.

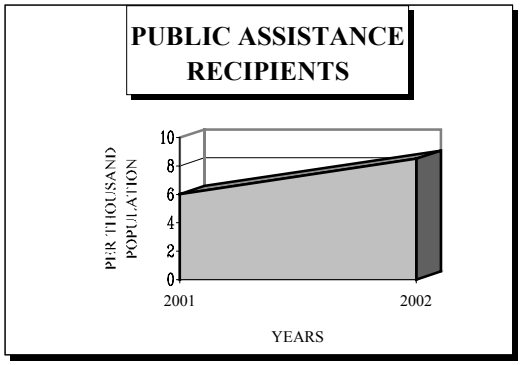
# PUBLIC ASSISTANCE RECIPIENTS

The following two graphs plot either households or individuals receiving public assistance. This trend, coupled with personal income, gives a more well-rounded picture of the distribution of wealth within a community. An increase in poverty households can signal an increased dependence upon (and expenditures for) government services.

Note that data for the time period 1998-2000 is unavailable. Beginning in 2001, data per individual (as opposed to per household) is available.

**TREND:** Mixed; Although households receiving public assistance declined in the late 1990's, 2002 data shows a marked increase (41%) over 2001. This trend mirrors other economic indicators, such as unemployment, which fell through the late 1990's but experienced a sharp rise from 2001 to 2002.



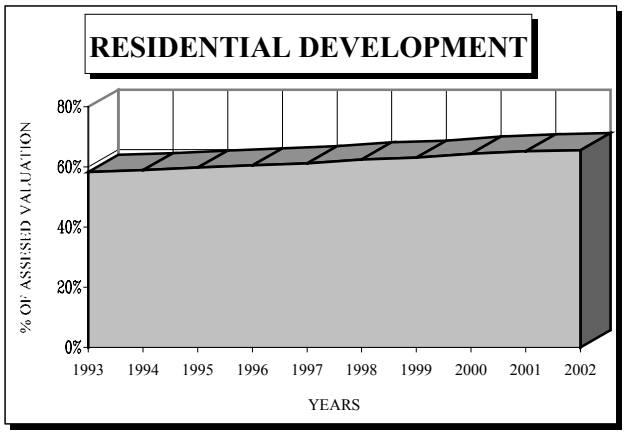




# RESIDENTIAL DEVELOPMENT

This graph shows the assessed value of residential property as a percentage of the assessed value of all property.

The cost of servicing residential development is generally greater than commercial or industrial. For governmental entities the rule of thumb is: residential development increases expenditures, industrial creates a revenue surplus, and commercial pays for itself. Thus, an increase in residential development proportionally greater than commercial and industrial can signal a potential problem.

**TREND:** Mixed; Since 1991, the rate has been on the rise. The rate of growth for 2002 was approximately 13% over 2001.



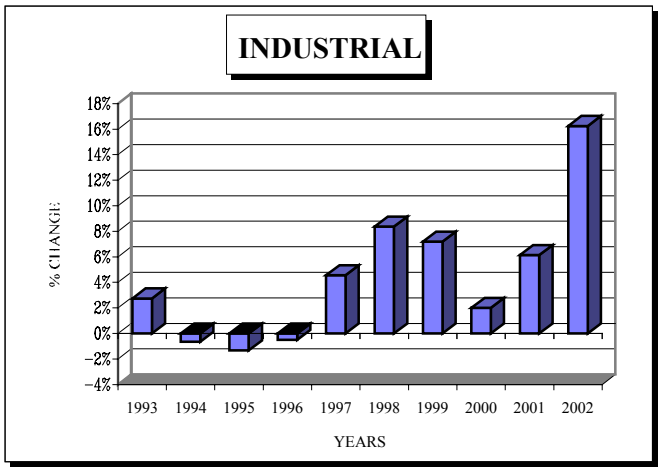
# PROPERTY VALUES

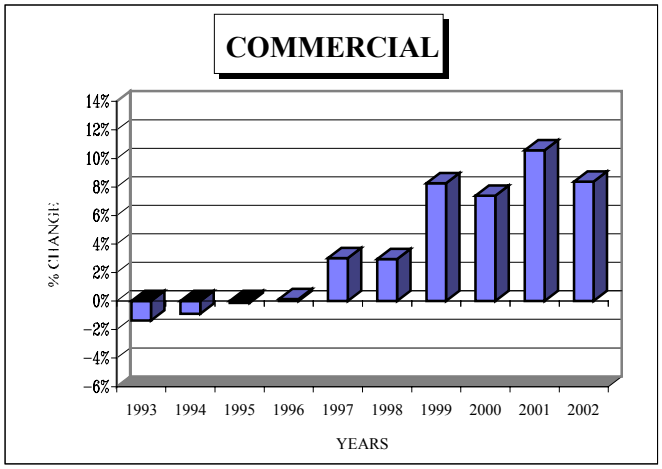
This graph plots the percentage change (in constant dollars) in property values from one year to the next. The figures used are assessed valuations by the Washtenaw County Department of Equalization. The first three graphs show separate plots for residential, commercial and industrial, while the last graph displays the cumulative effect of all three.

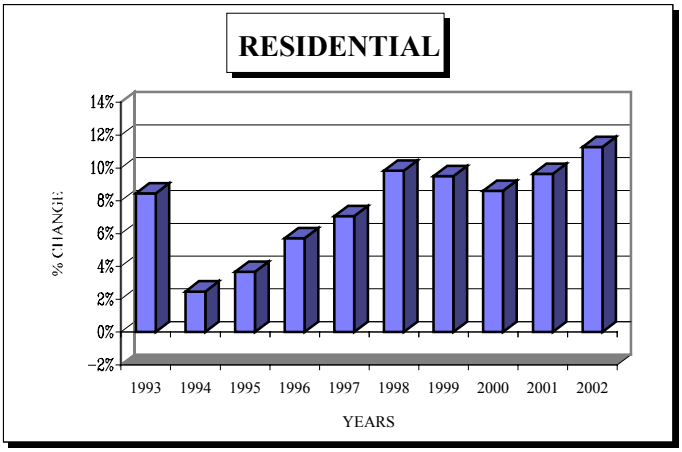
Property values are obviously important since property tax is the county's largest source of revenue. Further, they indicate much about the fiscal health of a community. Increases in property tax revenues have continued to rise but are slowed *by* the Headlee amendment and Proposal A.

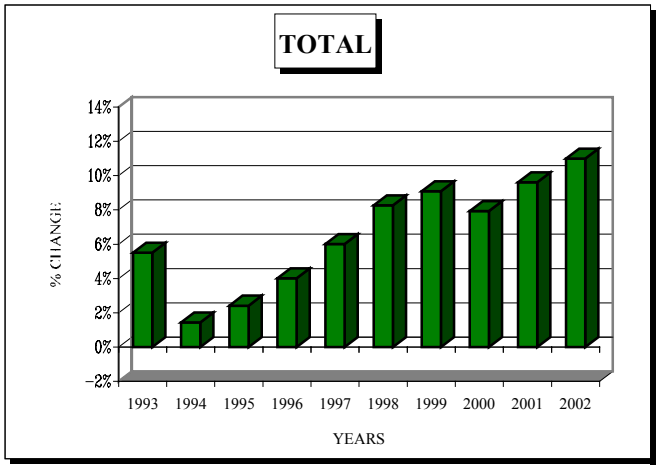
**TREND:** Mixed; overall the total property values have increased steadily. In 1994 for both residential and commercial there was a decline (for residential this is due to the affect of Proposal A). In 2002 commercial values experienced slower growth than total property values, but residential and industry experienced growth .3% and 5.2% greater than total values.

Source: Washtenaw County Equalization Report



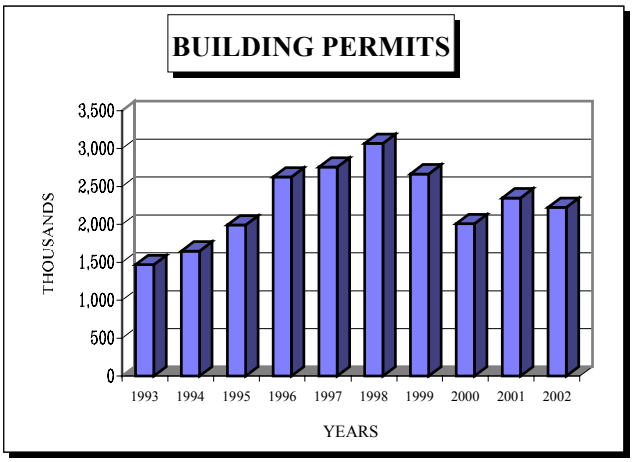



# BUILDING PERMITS

This graph depicts the total number of building permits issued per year. This includes residential, commercial and industrial.

Although the number of permits does not reflect the dollar value or size of construction projects, it does give a rough indication of the level of expansion in the County. It also gives some insight into what the future holds for property tax revenues.

**TREND:** Mixed; the number of permits issued increased strongly from 1993 through 1998. Both 1999 and 2000 saw decreases in the number of permits issued. In 2000 the number of permits issued decreased 25% from 1999. However, the increase in SEV (state equalized value) due to new construction has remained stable, indicating fewer permits, but higher construction value.

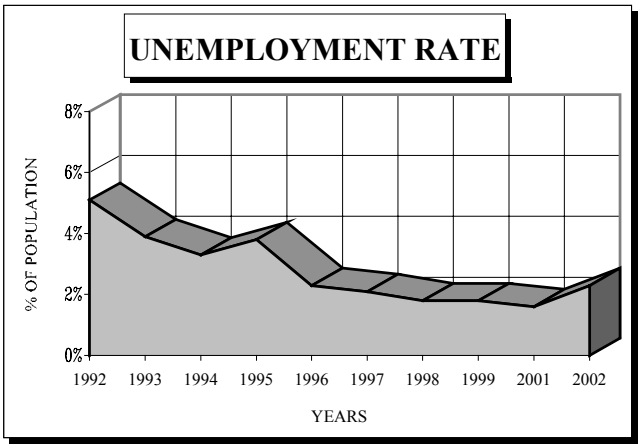



# UNEMPLOYMENT RATE

This graph plots the estimated local unemployment rate, as estimated by the Washtenaw County Planning Commission. Unemployment is a significant indicator because it is closely tied to personal income and the level of business activity.

Rising unemployment can lead to a greater need for services and a migration in population. Conversely, lower unemployment rates can bring a population influx, reduce the need for services and bring an increase in revenues.

**TREND:** Favorable; declined significantly throughout the 1990's, with a slight rise in the rate in 1995. While the rate increased by .7% in 2002, it was still well below the state and national rate of 6.2% and 5.8% respectively.



# BUSINESS FILINGS

This graph displays the number of assumed names and partnerships filed annually. The number of new businesses started each year can have a number of implications. A declining level may indicate a weakening economy, or that the County is losing its appeal to the business community. Stable or increasing levels may indicate an increased generation in revenues and a decline in services needed as more jobs are generated.

**TREND:** Favorable; relatively stable figures through 2002.