

## INTRODUCTION

This section is designed to provide readers with insight into the revenues that enable the County to function. Projections made in this section are derived from a combination of sources including trend analysis, linear regression, time line studies, and economic indicators.

Projections for revenues generated by departments have been made in agreement with those departments. Early in the budget process, revenue review meetings were held with each department. During those meetings departments discussed current revenue flows, anticipated levels for 2006 and 2007 and any factors that might impact the future status of revenues (i.e. legislation, economy, trends, etc.).

The analysis of major revenues beginning on the following pages examines the mix of funding sources that make up the County's revenue picture and attempts to explain some of the impacting factors. The revenues examined are primarily those which impact the General Fund. Since property taxes are the County's primary source of funding, a detailed analysis of the components determining the overall tax level are presented on pages E-6 through E-8 with further discussion on delinquent tax reserves on page E-23. Pages E-10 through E-11 provide detail on some of the revenues that Washtenaw County receives through the State of Michigan. Pages E-9 and E-12 through E-16 look at major revenues generated locally.

Page E-17 begins a discussion of revenues for other governmental type funds. The format is similar to that presented for the General Fund for comparison purposes. The distinguishing feature of these revenues is that they are designated for distinct purposes and are outside the control of the General Fund.

## MAJOR REVENUE ANALYSIS

There are a number of ways of analyzing the revenues received from varied sources. Throughout this book, revenues have been summarized into the following major categories:

**Taxes & Penalties** – Primarily property taxes.

**Licenses & Permits** – Such as building permits, marriage licenses, food licenses, inspection fees.

**State & Federal Revenue** – Grants, pass-throughs, salary reimbursements, revenue sharing.

**Services, Fees & Fines** – Fees charged for services rendered, fines or forfeits assessed.

**Other Revenue & Reimbursements** – Interest earnings, reimbursement for costs incurred.

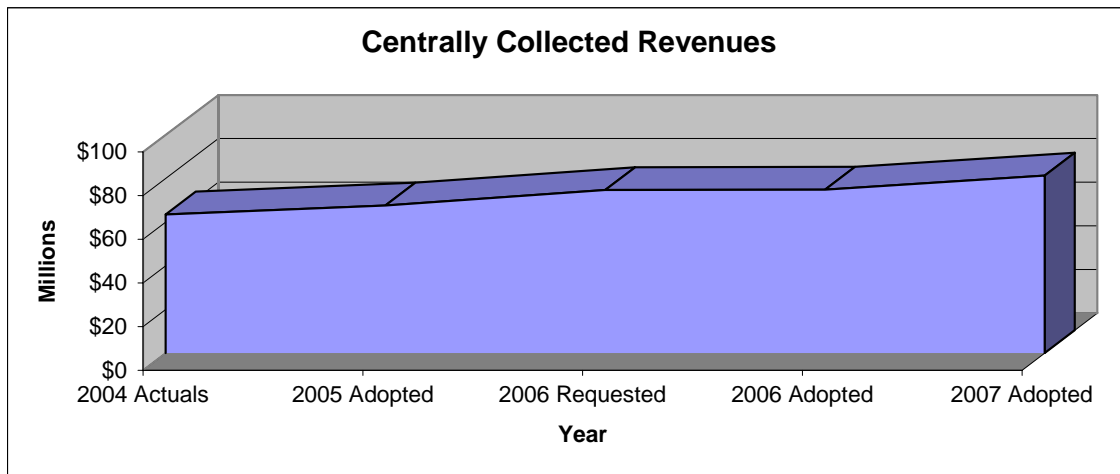
**Transfers In** – Transfer in of monies from other County funds.

Of the many revenues summarized by these major classifications, a small number of sources account for the majority of the County's General Fund income. On page E-4, a chart lists in descending order the largest revenue sources. Note that these sources consistently comprise approximately 95% of the total General Fund revenues. Early in the budget process, each revenue is analyzed in conjunction with the Departments' most knowledgeable staff in regard to that particular source. Prior year trends, statistical analysis, economic factors, political climate and expert knowledge are all taken into consideration as projections for the coming cycle are generated. Each of these revenues will be discussed individually on the following pages.

Another way of classifying General Fund revenues is based on how they are collected, either by a specific department or centrally. The top chart on page E-3 gives a summary of revenues centrally collected. At the bottom of the page a chart shows the proportional relationship between revenues collected centrally and those attributed to specific departmental functions. Again the majority (over 75%) is collected centrally. These revenues are a rough indication of what the citizens of Washtenaw County are contributing for governmental services as opposed to those services paid for directly. In the chart on page E-4, centrally collected revenues are listed in italics.

**CENTRALLY COLLECTED REVENUES**

Revenues	2004 Actuals	2005 Adopted	2006 Requested	2006 Adopted	2007 Adopted
Taxes and Penalties	\$54,883,846	\$59,430,088	\$65,693,161	\$65,693,161	\$72,117,994
Licenses & Permits	\$0	\$0	\$0	\$0	\$0
Federal, State, & Local Revenues	\$7,853,061	\$7,531,303	\$7,757,241	\$7,757,241	\$7,922,891
Services, Fees, & Fines	\$148,876	\$145,000	\$420,416	\$420,416	\$420,416
Interest Earnings	\$544,005	\$464,400	\$754,400	\$754,400	\$754,400
Other Rev. & Reimbursement	\$79,731	\$68,796	\$102,500	\$287,500	\$102,500
<b>Total</b>	<b>\$63,509,519</b>	<b>\$67,639,587</b>	<b>\$74,727,718</b>	<b>\$74,912,718</b>	<b>\$81,318,201</b>



**SUMMARY OF ALL REVENUE SOURCES  
2006 GENERAL FUND**

	Total	Property Taxes	Licenses & Permits	Federal, State, & Local Revenues	Fees & Services	Fines & Forfeits	Interest Earnings	Other Rev. & Reimbursement
Central Revenues	74,912,718	\$65,693,161	\$0	\$7,757,241	\$420,416	\$0	\$754,400	287,500
Percentage	76.80%							
Departmental Revenues	\$22,632,114	\$0	\$123,200	\$3,130,019	\$16,250,402	\$1,262,100	\$0	\$778,339
Percentage	23.20%							
<b>Total</b>	<b>\$97,544,832</b>	<b>\$65,693,161</b>	<b>\$123,200</b>	<b>\$10,887,260</b>	<b>\$16,670,818</b>	<b>\$1,262,100</b>	<b>\$754,400</b>	<b>\$1,065,839</b>

**MAJOR GENERAL FUND REVENUES  
SEVEN YEARS COMPARISON**

DESCRIPTION	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL	2004 ACTUAL	2005 BUDGET	2006 ADOPTED	2007 ADOPTED
<i>Property Tax</i>	\$ 45,683,776	\$ 48,813,595	\$ 52,227,354	\$ 54,883,846	\$ 59,430,088	\$ 65,693,161	\$ 72,117,994
<i>State Revenue Sharing</i>	\$ 6,972,262	\$ 6,706,688	\$ 5,828,453	\$ 6,168,099	\$ 5,778,734	\$ 5,915,237	\$ 6,080,887
<i>Sheriff's Services</i>	\$ 6,067,815	\$ 6,822,167	\$ 7,090,466	\$ 7,593,564	\$ 8,021,842	\$ 8,501,812	\$ 9,988,407
<i>Real Estate Transfer</i>	\$ 1,882,228	\$ 2,112,567	\$ 2,261,594	\$ 2,516,787	\$ 2,400,000	\$ 2,600,000	\$ 2,600,000
<i>State Court Fund</i>	\$ 1,619,251	\$ 1,558,022	\$ 1,559,229	\$ 1,620,421	\$ 1,560,000	\$ 1,560,000	\$ 1,560,000
<i>Register of Deeds Fees</i>	\$ 1,464,837	\$ 1,967,113	\$ 2,925,822	\$ 1,853,957	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
<i>Court Costs</i>	\$ 1,349,643	\$ 1,288,598	\$ 1,369,510	\$ 1,343,545	\$ 1,310,400	\$ 1,310,400	\$ 1,310,400
<i>State Liquor Tax</i>	\$ 1,306,411	\$ 1,429,182	\$ 1,429,886	\$ 1,499,337	\$ 1,550,769	\$ 1,652,496	\$ 1,652,496
<i>Interest Earnings</i>	\$ 1,185,820	\$ 824,979	\$ 612,245	\$ 544,005	\$ 464,400	\$ 754,400	\$ 754,400
<i>Ordinance Fines &amp; Costs</i>	\$ 971,890	\$ 871,345	\$ 923,579	\$ 1,057,011	\$ 1,056,500	\$ 1,056,500	\$ 1,056,500
<i>Salary Reimbursement</i>	\$ 781,019	\$ 787,251	\$ 775,091	\$ 789,948	\$ 772,098	\$ 786,955	\$ 786,955
<i>Prisoner Board</i>	\$ 451,650	\$ 351,744	\$ 306,980	\$ 297,531	\$ 300,000	\$ 300,000	\$ 300,000
<i>Drain Contribution</i>	\$ 344,032	\$ 312,684	\$ 316,983	\$ 409,608	\$ 473,564	\$ 473,564	\$ 473,564
<i>State Cigarette Tax</i>	\$ 286,731	\$ 278,658	\$ 194,114	\$ 185,625	\$ 201,800	\$ 189,508	\$ 189,508
<i>Civil Fee</i>	\$ 239,119	\$ 273,508	\$ 303,683	\$ 360,364	\$ 290,000	\$ 290,000	\$ 290,000
<i>Probate Court Fee</i>	\$ 120,413	\$ 130,568	\$ 120,177	\$ 95,701	\$ 125,500	\$ 125,500	\$ 125,500
<i>Probation Oversight Fees</i>	\$ 104,950	\$ 139,305	\$ 195,644	\$ 224,486	\$ 110,000	\$ 110,000	\$ 110,000
<b>SUBTOTAL</b>	<b>\$ 70,831,849</b>	<b>\$ 74,667,972</b>	<b>\$ 78,440,810</b>	<b>\$ 81,443,835</b>	<b>\$ 85,245,695</b>	<b>\$ 92,719,533</b>	<b>\$ 100,796,611</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 74,195,332</b>	<b>\$ 79,262,704</b>	<b>\$ 82,970,515</b>	<b>\$ 86,311,384</b>	<b>\$ 89,486,951</b>	<b>\$ 97,544,832</b>	<b>\$ 105,421,603</b>
Major revenues as a percent of total	95.47%	94.20%	94.54%	94.36%	95.26%	95.05%	95.61%

Note: Centrally collected revenues are listed in italics.

**DEPARTMENTAL REVENUE SUMMARY  
2006 GENERAL FUND**

	Central Revenues	Licenses & Permits	Federal, State & Local	Fees & Services	Fines & Forfeits	Other
<b>LEGISLATIVE</b>						
Board of Commissioners	592,070	-	-	-	-	-
<b>JUDICIAL</b>						
Circuit Court	2,379,821	33,000	2,220,487	-	-	80,000
District Court	1,873,007	-	-	1,505,580	1,225,000	41,208
Probation	145,272	-	-	-	-	-
Probate Court - Estates	821,061	-	-	125,000	-	-
Probate Court - Juvenile	2,784,078	-	126,468	22,940	7,100	40,000
Public Defender	2,716,025	-	-	-	-	-
<b>GENERAL GOVERNMENT</b>						
County Administrator	766,591	-	-	-	-	-
Finance	2,981,893	-	-	-	-	-
Information & Tech Systems	6,651,561	-	-	-	-	60,000
Human Resources	1,518,151	-	32,000	-	-	226,957
Corporation Counsel	246,335	-	-	-	-	-
Equalization	1,436,738	-	-	-	-	24,000
Building Authority	7,697	-	-	-	-	-
Clerk / Register of Deeds	(768,112)	24,700	-	5,337,200	30,000	98,500
Treasurer	1,111,549	22,000	-	13,120	-	-
Drain Commissioner	1,841,671	37,000	473,564	105,700	-	38,934
Planning & Environment	1,796,402	-	-	43,000	-	-
<b>PUBLIC SAFETY</b>						
Prosecuting Attorney	4,688,823	-	177,500	-	-	-
Sheriff	24,504,724	6,500	62,000	9,097,862	-	266,500
Emergency Management	313,349	-	38,000	-	-	87,240
<b>SOCIAL SERVICES</b>						
Veteran Services	667,694	-	-	-	-	-
Children's Services	605,477	-	-	-	-	-
<b>CULTURE &amp; RECREATION</b>						
County Extension	679,359	-	-	-	-	-
<b>OTHER</b>						
Reserves	1,505,184	-	-	-	-	-
Other Agencies	(5,500,936)	-	7,757,241	420,416	-	102,500
Costs allocated to other departments	(12,758,377)	-	-	-	-	-
<b>TRANSFERS OUT</b>						
	23,928,508	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>\$ 67,535,615</b>	<b>\$ 123,200</b>	<b>\$ 10,887,260</b>	<b>\$ 16,670,818</b>	<b>\$ 1,262,100</b>	<b>\$ 1,065,839</b>

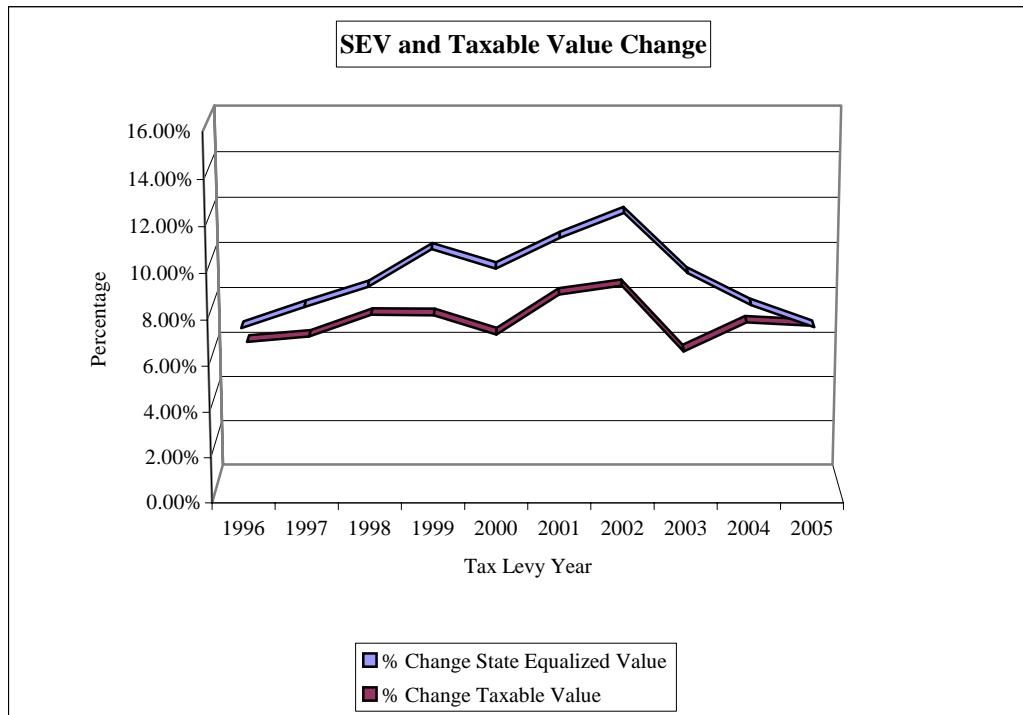
## COUNTY PROPERTY TAX

### INTRODUCTION- PROPOSAL A

In order to understand the following discussion on the County Property Tax, a brief discussion of Proposal A is necessary. Proposal A was passed in 1994 and drastically changed the way in which the taxable value of a parcel of property is calculated in Michigan. The net result of these changes was that the taxable value of each parcel adjusted for additions and losses will not increase more than the increase in the Consumer Price Index (CPI) or 5%, whichever is less, until ownership is transferred. A related point important to remember when reading this section is that the total State Equalized Value (SEV) for the County is no longer equal to the total taxable value. Previously, the taxable value of a parcel was equal to the SEV, which was 50% of the current assessed value. With Proposal A, the County will continue to calculate the SEV for each parcel but the taxable value of a parcel will be the lesser of the SEV or the "capped value." The exception is when a parcel changes owners; at that time, the taxable value is made equal to the SEV.

### STATE EQUALIZED VALUATION (SEV)

Washtenaw County continues to be one of the leading growth counties in Michigan. The total SEV for the 2005 County property tax levy, including the taxable portion of Industrial Facilities Tax properties, is \$17,534,623,609. However, due to Proposal A passage (discussed above), the taxable value increase is only 6.80%, instead of 7.48% had Proposal A not been in effect. The impact of this on tax revenue can be seen on page E-7. Revenue from the 2005 County tax levy (General County, Debt Service, Parks & Recreation, Natural Areas, and Huron-Clinton Metropolitan Authority) will increase by 5.99% over the 2004 levy to \$74,647,366 which will impact the county's 2005 and 2006 budgets. The total millage rate will be 5.5024 mills; a slight decrease from 5.5493 mills levied in 2004.



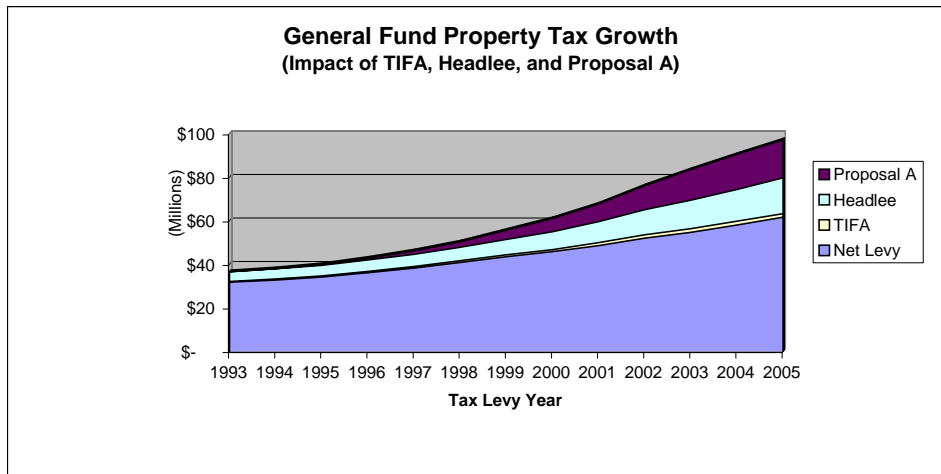
**GENERAL FUND OPERATIONS**

The 2006 General Fund budget includes continuation of the maximum property tax levy for operations. By State Law, this is 5.5 mills in Michigan counties without a special vote of the people. However, various factors such as the Headlee Constitutional Amendment, the loss caused by Tax Increment Finance Act (TIFA) Districts, and Proposal A will result in a net 2005 tax levy of 4.5713 mills. The net 2005 tax levy for General Fund operations is \$62,015,757 after deducting \$16,421,015 for Headlee, \$1,668,525 for TIFA and \$17,559,562 for Proposal A.

**WASHTENAW COUNTY GENERAL FUND TAX LEVIES**

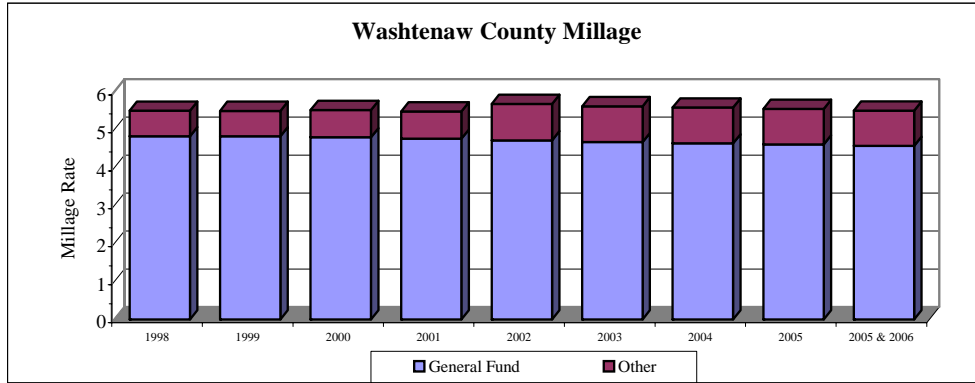
Tax Levy Year	Budget Year	Potential Tax Levy	Reductions to TIFA Districts	Reductions Headlee Factor	Reductions Proposal A	Total Reduction	Percent Reduction	PiLoT/Interest Offset	Net Tax Levy	Annual Growth Rate
1987	1988	\$23,731,709	\$218,722	\$164,994	\$0	\$383,716	1.62%	\$0	\$23,347,993	4.81%
1988	1989	\$24,715,016	\$315,487	\$571,692	\$0	\$887,179	3.59%	\$0	\$23,827,837	2.06%
1989	1990	\$27,439,858	\$382,154	\$1,604,911	\$0	\$1,987,065	7.24%	\$0	\$25,452,793	6.82%
1990	1991	\$31,038,014	\$496,315	\$3,004,850	\$0	\$3,501,165	11.28%	\$0	\$27,536,849	8.19%
1991	1992	\$33,909,014	\$554,745	\$3,389,927	\$0	\$3,944,672	11.63%	\$0	\$29,964,342	8.82%
1992	1993	\$34,438,908	\$577,324	\$3,443,517	\$0	\$4,114,415	11.95%	\$0	\$30,324,493	1.20%
1993	1994	\$36,618,633	\$242,477	\$4,482,121	\$0	\$4,724,598	12.90%	\$0	\$31,894,035	5.18%
1994	1995	\$37,977,018	\$574,135	\$4,648,387	\$0	\$5,222,522	13.75%	\$0	\$32,754,496	2.70%
1995	1996	\$39,898,907	\$556,522	\$4,883,626	\$347,081	\$5,787,229	14.50%	\$0	\$34,111,678	4.14%
1996	1997	\$42,811,449	\$559,493	\$5,240,121	\$825,395	\$6,625,009	15.47%	\$0	\$36,186,440	6.08%
1997	1998	\$46,249,547	\$711,627	\$5,660,945	\$1,619,845	\$7,992,416	17.28%	\$0	\$38,257,131	5.72%
1998	1999	\$50,344,224	\$795,489	\$6,166,710	\$2,506,545	\$9,468,744	18.81%	\$0	\$40,875,480	6.84%
1999	2000	\$55,718,935	\$863,604	\$7,113,788	\$4,236,148	\$12,213,540	21.92%	\$0	\$43,505,395	6.43%
2000	2001	\$61,059,064	\$856,764	\$8,217,440	\$6,149,424	\$15,223,628	24.93%	\$0	\$45,835,435	5.36%
2001	2002	\$67,820,953	\$1,415,220	\$9,650,305	\$8,214,046	\$19,279,571	28.43%	\$0	\$48,541,382	5.90%
2002	2003	\$76,127,147	\$1,633,905	\$11,511,809	\$11,002,013	\$24,147,727	31.72%	\$0	\$51,979,420	7.08%
2003	2004	\$83,583,864	\$1,669,824	\$13,093,792	\$14,184,142	\$28,947,758	34.63%	\$415,419	\$55,051,525	5.91%
2004	2005	\$90,532,008	\$1,683,015	\$14,633,265	\$16,110,617	\$32,426,897	35.82%	\$415,458	\$58,520,569	6.30%
2005	2005 & 2006	\$97,249,467	\$1,668,525	\$16,421,015	\$17,559,562	\$35,649,101	36.66%	\$415,391	\$62,015,757	5.97%
2006	2006 & 2007	\$102,598,188	\$1,760,293	\$17,324,170	\$18,525,338	\$37,609,802	36.66%	\$438,238	\$65,426,624	5.50%
2007	2007	\$108,241,088	\$1,857,109	\$18,277,000	\$19,544,232	\$39,678,341	36.66%	\$462,341	\$69,025,088	5.50%

Growth in tax revenue is limited by the Headlee Constitutional Amendment on a county-wide basis. If the composite SEV increases by an amount greater than inflation, the millage is adjusted downward to compensate. Headlee reduced the millage rate for 2006 primarily because of a low inflation rate and a larger increase in taxable value. Proposal A limits growth on individual parcels so the adjustment is made on an individual parcel level rather than a county-wide level. The maximum allowable increase in an assessment is 5% or the rate of inflation, whichever is smaller. Assessment growth above this level will only be recouped when the property is sold. At that time the buyer assumes taxation at the full level of SEV. The combined effect of Proposal A and Headlee continue to limit property tax revenues.

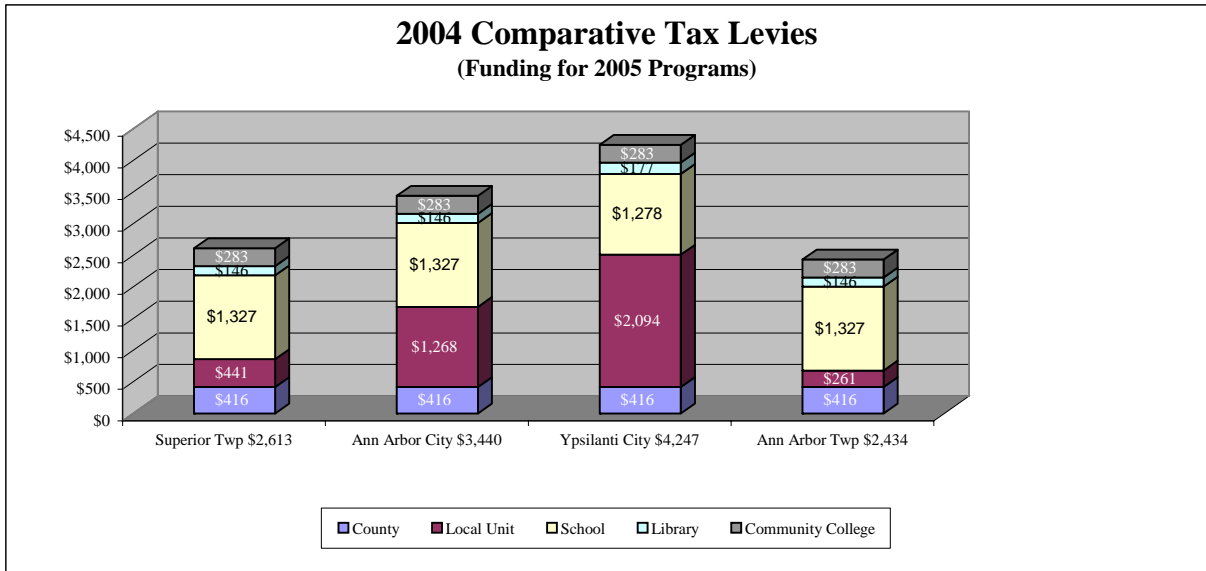


**OTHER MILLAGE**

The County also levies taxes for Parks & Recreation, Natural Areas, and the Huron-Clinton Metropolitan Authority; all are subject to Headlee and TIFA adjustments. Parks & Recreation's total levy in 2006 will be 0.4744 mills, yielding \$6,435,866; the Natural Areas millage will be 0.2421 mills, yielding \$3,284,408; and the Huron-Clinton levy will be 0.2146 mills, yielding \$2,911,334.



The following chart shows the total property taxes levied on a typical Washtenaw County homestead property, broken down by the various entities levying taxes on the property. The County portion includes both the General Fund operating millage as well as the other millages described above.



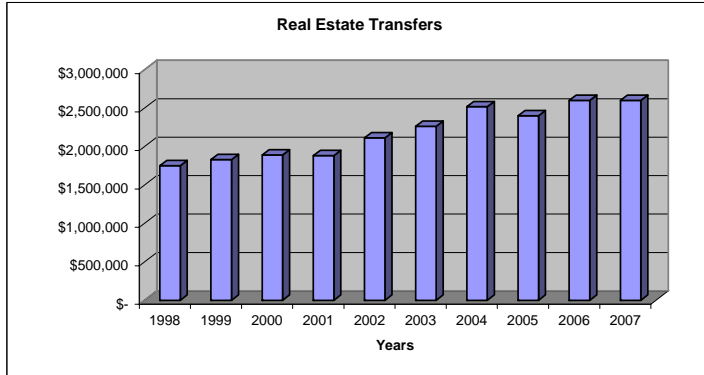
**NOTES:**

- Taxes based on home value of \$150,000 with a taxable value of \$75,000
- Superior Township School taxes calculated for home located in Ann Arbor Schools
- School tax levy includes local unit's school levy, State Education Tax and Washtenaw Intermediate School District levy

## CLERK/REGISTER OF DEEDS

### REAL ESTATE TRANSFER TAX

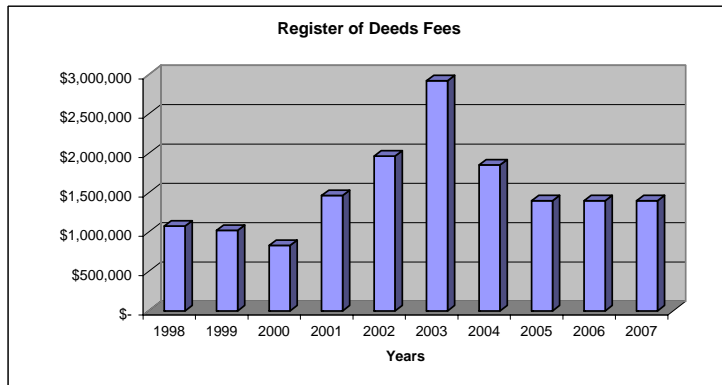
The passage of Proposal A brought a change to the rate of taxation on the sale of real estate. Effective January 1, 1995, all real estate transactions realizing a change of ownership for monetary consideration for real estate are charged a Transfer Tax of \$8.60 per thousand dollars of sale. Of this \$8.60 per thousand dollars of sale, \$7.50 per thousand is the State's tax, effective with the passage of Proposal A, and \$1.10 is the County's portion of the tax. The County's rate of \$1.10 has been unchanged for many years. It is the addition of the State's portion that has greatly increased the cost of purchasing real estate. This higher Transfer Tax rate has not seemed to affect the level of real estate sales and purchases in the area.



The amount for 2005 is the adopted budget but actual collections are expected to meet or exceed 2004 levels. The projections for 2006 and 2007 are approximately equal to current collections based on the expectation of the housing market and fees associated with the types of real estate transactions that are expected to continue into 2006 and 2007.

### FEES & SERVICES

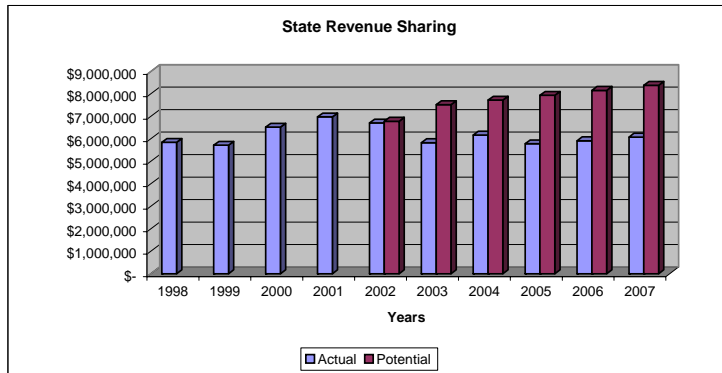
Real estate transactions continue to be strong in Washtenaw County. The Register of Deeds Office is responsible for recording real estate documents and collecting real estate transfer taxes. The economy and interest rates play an important role in the volume of documents recorded. Interest rates have fluctuated greatly over the past three years. The decrease in 2000 was due to fewer documents filed because of higher interest rates and an increase in 2002 was due to lower interest rates which enticed citizens to sell, buy and refinance their properties, thus generating documents to be recorded in the Register's office. The amount for 2005 is the adopted budget but actual collections are expected to be close to or somewhat higher than budget due to the continued low interest rates.



The projections for 2006 and 2007 are in line with 2005 as it is expected for the market to stabilize during this time period.

## STATE REVENUE SHARING

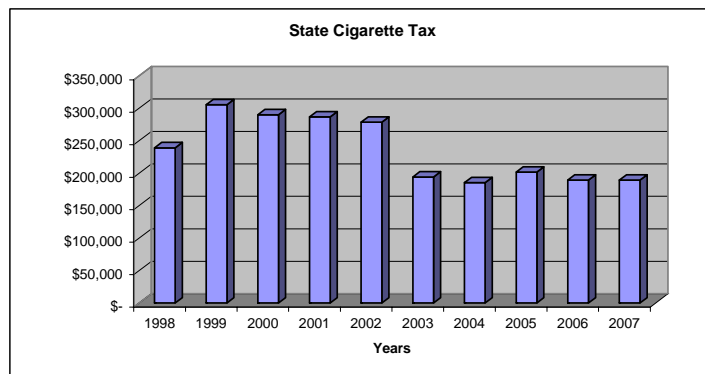
The State of Michigan, in years prior to 1996, levied an income tax on both personal income and corporate profits. Of the revenue the State collected through this means, a small percentage was set aside for pass-through to local governments, known as revenue sharing. Effective January 1, 1996, the basis of the revenue sharing shifted from income tax to state sales tax per the changes brought about by Proposal A. County allocations were and still are based on population, as determined by the United States Census taken every ten years. In 2002, the State has passed a budget that overrides the distribution formula for revenue sharing and instead based revenue sharing on the previous year's distribution with a reductionary factor. Beginning in 2004, the State again passed legislation that resulted in revenue sharing being calculated based on prior year's distribution but with an annual inflationary growth rate. However, instead of being paid by the State, the annual revenue sharing funds now are paid through a county reserve fund resulting from an early collection of property taxes. It is projected that the county will continue drawing down revenue sharing from the reserve fund using an inflationary factor over the prior year amount. It is unknown what calculation will be used for revenue sharing, if any, once the reserve fund is depleted.



The potential amount shown for 2003 was the adopted budget that was expected prior to the State budget legislation change that occurred in 2002/03. If this change hadn't occurred, it would have been expected to receive a 3% annual growth on the revenue sharing annually. The difference between the actual and potential amounts in the table above demonstrates the loss of funding for 2002 – 2007 that the county has been forced to sustain due to the changes made at the State.

## STATE CIGARETTE TAX

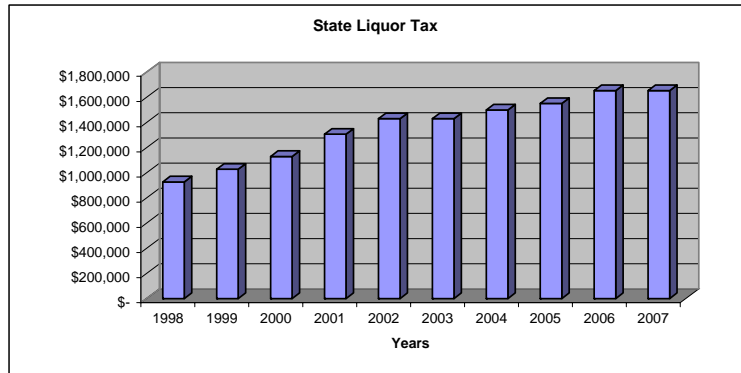
In December 1987, Public Act 264 - the Health and Safety Fund Act - was enacted by the State of Michigan, to be effective January 1, 1988. The legislation levies a \$.04/pack cigarette tax, with the revenue earmarked primarily for counties. By state law, 12/17ths of this revenue must be allocated to the County Health Fund to be used for new public health programming. The passage of Proposal A increased the tax on a package of cigarettes by 50 cents, affecting the revenue levels of this tax. Another tax increase in 2003 reduced revenue to



Counties even further. (As taxes increase, people tend to buy fewer cigarettes.) The projected amount for 2006 is \$189,508. The graph shows a 10-year history of Washtenaw County's total cigarette tax allocation.

## STATE LIQUOR TAX

In a series of legislation during 1985 and 1986, the State of Michigan enacted the "Convention Facility (Cobo Hall) Development Tax." This tax allocates a portion of the state liquor tax revenues to Michigan counties, and mandates that at least 50% of a County's share be used for substance abuse programming. The County first received money under this act in 1987.

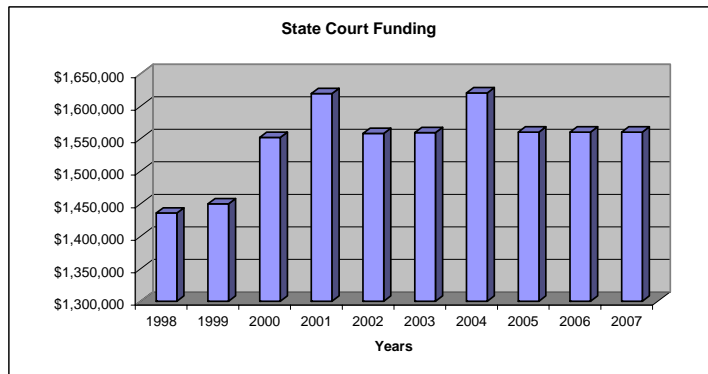


In October of 1987, the Board of Commissioners adopted a policy stating that of the 50% allocated to substance abuse programs, only one-third is to fund existing programs, while two-thirds is to be used for new programs.

The Washtenaw Community Health Organization (WCHO) Board is the coordinating agency for both Washtenaw and Livingston Counties. This Board is responsible for overseeing the distribution of substance abuse funds.

## STATE COURT FUNDING

Beginning in 1994, the State of Michigan passed legislation to begin partial reimbursement of trial courts targeted at "31.5% of expenditures less 31.5% of local general fund revenues less current state reimbursements." In 1995, the state also appropriated an additional \$4,000,000 state wide to partially reimburse counties for jury fee expenditures. Both of these actions were based on a lawsuit filed against the state by a number of local governments. The lawsuit contended the State was bound by law to pay for the operation of trial courts.



For both 2006 and 2007, it is projected that Washtenaw County will receive approximately \$1,560,000.

## INTEREST EARNINGS

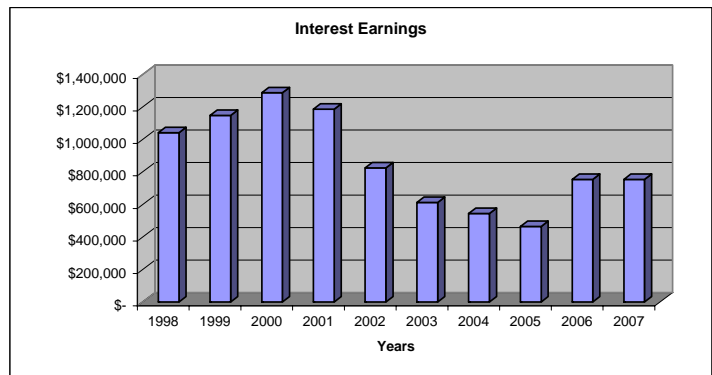
The level of interest earnings generated is contingent on a number of factors as discussed below. For both 2006 and 2007, the projected General Fund interest earnings are \$754,400.

### Interest Rates

Interest rates have been at a fairly low level over the past few years. The 2006/07 budget assumes interest rates are consistent with previous years, with rates around 4%.

### Instruments of Investment

The investments in which the Treasurer may invest are restricted by both State law and County policy. However, the increased use of technology (electronic fund transfers and automated investment system) has helped to ensure that the optimal mix and timing of investments are maintained.

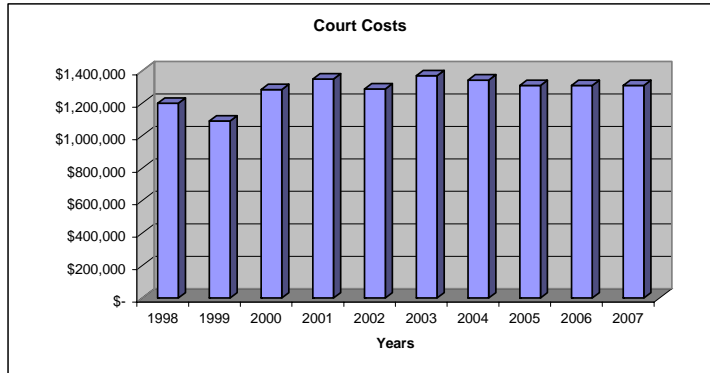


## COURT GENERATED REVENUE

By state law and statutory regulations, various fees, fines and costs are levied upon users of services provided by the court system. These revenues are collected at local court systems and then disbursed to state and local agencies entitled by law to a portion of the revenue. The revenues collected are applied towards specific programs and/or used to offset overall operating expenses.

### COURT COSTS

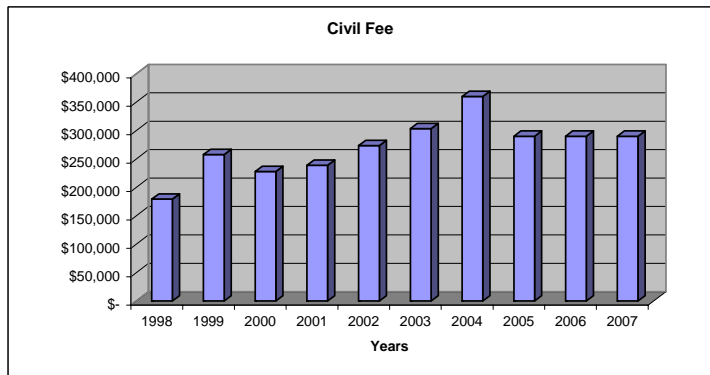
Court costs are one major area of collections for the courts. Revenues falling under this category can include assessments for traffic and criminal convictions, assessed late fees, and fees for failure to appear in court or failure to comply with judgments.



### CIVIL FEES

Civil fees are collected in the district division for a variety of civil proceedings. These fees may include initial case filing fees for small claims, general civil and landlord-tenant cases and also fees assessed for post-judgment actions.

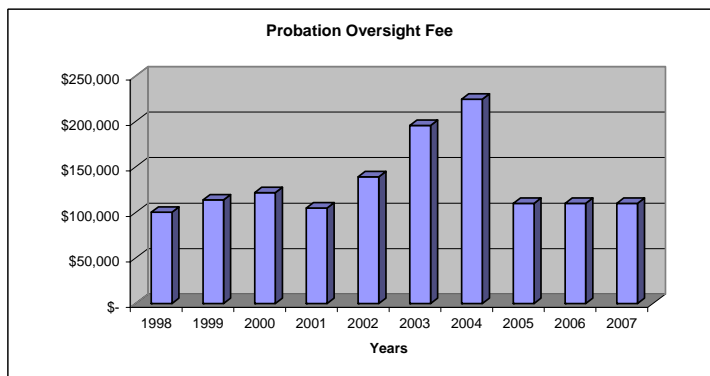
Revenues from this source increased in 2002 and 2003 due to a revised fee schedule and the institution of new procedures. The 2005 through 2007 amounts are as budgeted and may be realized at a higher level if trends continue.



### PROBATION OVERSIGHT FEES

The district and juvenile divisions both charge recipients of probation services a fee. This fee is set by the judge and collected by the court to help defray the costs of probation services.

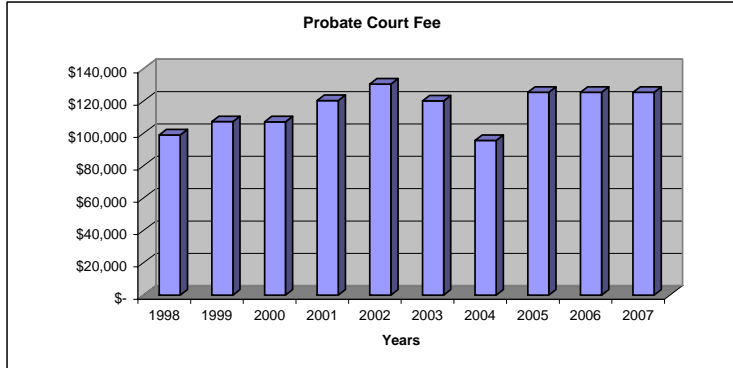
Whatever is allowed by law and is reasonable as a fee for services will be charged to the user of the service. The increase over the past few years is due to operating procedures in District Court. The 2005 through 2007 amounts are as budgeted and may be realized at a higher level if trends continue.



**PROBATE COURT FEE**

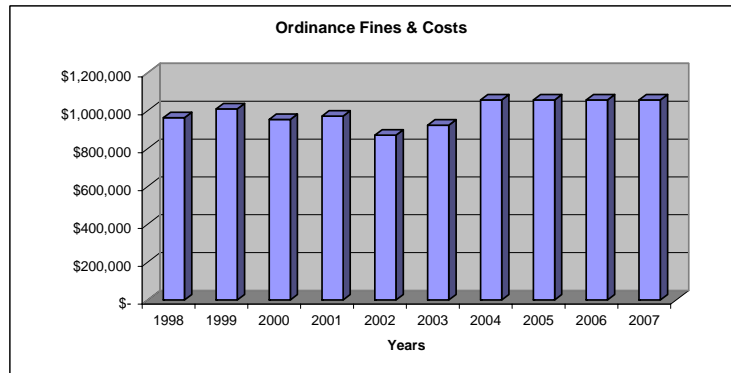
Another fee collected is a probate court fee. This covers a wide variety of services provided by the probate division - estates and includes filing fees, estate fees and certified copy fees.

Many of the levels for these various fees are set by the State to be enforced at local levels. Upon collection, a certain pre-established portion of the revenue is disbursed to the State or to other benefiting agencies. The portion disbursed out of the county varies with each particular fine. Some are a 50% split between the State and the County. Others are 10% held at the County level and 90% distributed to another agency.



**ORDINANCE FINES AND COSTS**

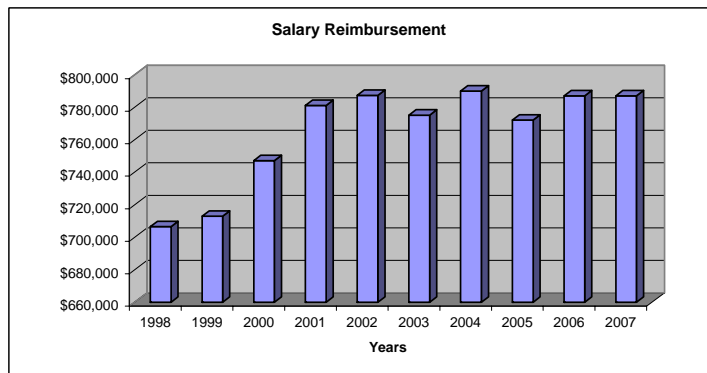
The district division is responsible for the collection of fines and costs levied for violations of local ordinances. The court acts as a central collection point for these revenues. Once a month, they are deposited with the County Treasurer, who in turn disburses one third of the revenues back to the municipality that initiated the legal action.



The amount of these revenues is dependent upon the activity level of village, township and city law enforcement in the County. Any decrease in the level of this law enforcement coverage would most likely result in a decrease in the collection of ordinance fines and costs revenue.

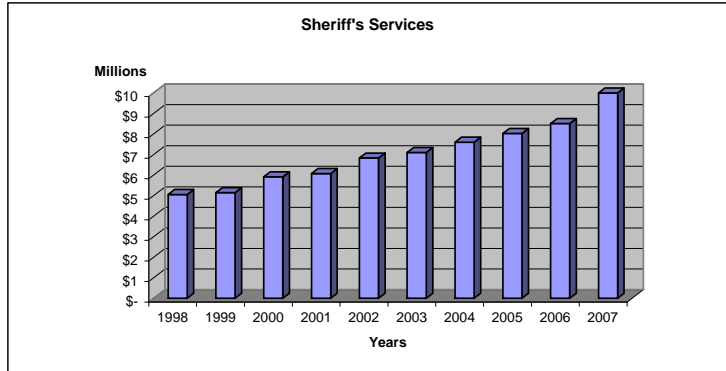
**SALARY REIMBURSEMENT - STATE**

The state provides funding for Trial Court judge's salaries. The salary rate for the judges is a formula based on a percentage of the Supreme Court Justices' salaries. Both the state and county pay a portion of the annual salary amount directly to the judge with the state reimbursing the county 100% of the amount paid to the judges so long as the county pays the exact amount that legislation has stated as the judges' salary.



## SHERIFF SERVICES

On January 1, 2002 a new contracting methodology for Police Services was implemented that essentially required local jurisdictions to contract with the Sheriff to receive law enforcement services. Beginning in 2004, annual contracts increase by a cost escalator of 6% per year. In 2005, the county passed a modification to the contracting methodology that maintains the 6% annual cost increase but beginning in 2007 also shifts the cost responsibility of overtime to the contracting entity. It is estimated that this will result in an additional \$1 million in revenue to the county. Projections assume current contracting levels continue at 90 Police Services Units.



## PRISONER BOARD

The Washtenaw County Jail houses inmates for the state who are serving sentences between 12 to 25 months in duration. As reimbursement the County receives \$35 per day for each qualifying inmate. In the past the jail has had available beds and the County was able to take on additional qualifying inmates from other areas to increase this revenue.

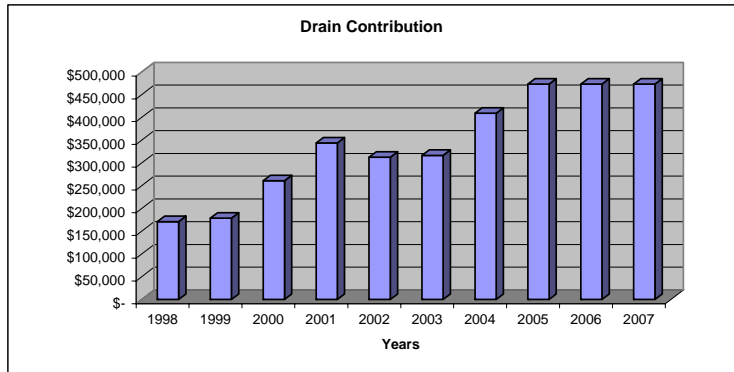
In 1996 the Board of Commissioners authorized the acceptance of a grant award from Michigan Department of Corrections for the renovation and expansion of the jail facilities. This project increased the jail capacity by 84 "beds".



For 1999 the State capped reimbursements at 110% of 1998 payments. However, the State granted waivers to this cap for both 1999 and 2000 resulting in greater reimbursements than expected. In addition, 1999 revenues included a number of billings for 1998. In more recent years, reimbursements have also been affected by changes in the sentencing guidelines, called Truth in Sentencing, which has resulted in fewer reimbursable inmates. Reimbursements have been budgeted at the capped level.

## DRAIN CONTRIBUTION

The Drain Commissioner's office provides inspection services to communities located within Washtenaw County. The inspectors assist communities in the establishment of new drains, drain maintenance and the preparation of special assessments. The Drain Commissioner in turn will charge back to the districts that used the inspector's services up to 80% of the inspector's time spent on the project. The increase seen starting in 2004 is due to the creation of new positions to meet the demands of development within Washtenaw County. The 2006 and 2007 amounts are as budgeted and are expected to be consistent with the past couple of years.



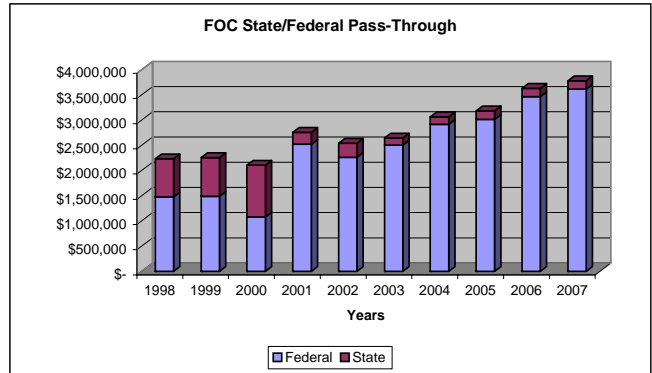
**DEPARTMENTAL REVENUE SUMMARY**  
**2006 Governmental Funds**

	G.F. Support	Licenses & Permits	Federal Revenue	State & Local Revenue	Fees & Services	Fines & Forfeits	Other Rev. & Reimb.
<b>LEGISLATIVE</b>							
Board of Commissioners	592,070						
<b>JUDICIAL</b>							
Circuit Court	3,725,194	33,000		2,220,487			
District Court	1,873,007				1,505,580	1,225,000	41,208
Probation	145,272						
Friend of the Court	1,549,434		3,778,148	168,172	185,000		
Probate Court - Estates	821,061				125,000		
Probate Court - Juvenile	2,784,078			126,468	22,940	7,100	40,000
Law Library	0					8,500	
Public Defender	2,716,025						
<b>GENERAL GOVERNMENT</b>							
County Administrator	766,591						
Budget	532,188						
Finance	2,449,705						
Information Technology	6,651,561						60,000
Human Resources	802,577						226,957
Organizational Development	747,574						
Corporation Counsel	246,335						
Equalization	1,516,738						24,000
Building Authority	7,697						
Clerk / Register of Deeds	-768,112	24,700			5,337,200	30,000	98,500
Treasurer	1,111,549	22,000			13,120		
Drain Commissioner	1,841,671	37,000		473,564	105,700		134,484
Planning & Environment	1,523,954						
Western Service Center Customer Support	315,448						
Costs allocated to other departments	-12,758,377						
<b>PUBLIC SAFETY</b>							
Prosecuting Attorney	4,897,925		425,110	177,500			0
Sheriff	24,878,696	6,500		62,000	9,097,862		266,500
Emergency Management	451,651			38,000	1,196,946		123,240
Building Services	0	1,703,425			10,500		100
<b>PUBLIC WORKS</b>							
Public Works - Solid Waste	0						689,000
<b>HEALTH</b>							
Environmental Health	1,258,392	1,697,368		812,397	116,241	8,926	7,180
Community Support & Treatment Services	1,849,834		507,369	568,344	18,006,751		420,612
Public Health	2,190,989			3,695,993	1,148,235		180,905
<b>SOCIAL SERVICES</b>							
Child Care - Juvenile Center	2,189,970			1,400,642			25,000
Child Care - FIA	689,252			678,113			50,274
Child Care - Day Program	928,490			1,011,679			5,000
Child Care - Detention	1,704,549			2,048,727			1,011,352
Children's Services - Children's Well-Being	605,477						
Veteran Services	667,694			29,264			
Employment Training & Community Services	610,157		7,136,178	680,210			85,000
Head Start	613,642		3,592,568				469,983
Family Independence Agency	54,109			800,000			
Housing	360,000						51,804
<b>CULTURE &amp; RECREATION</b>							
Parks & Recreation	0			9,544,419	2,985,000		721,386
Library/Learning Resource Center	798,035			45,980		1,100	
County MSU Extension	679,359						
<b>OTHER</b>							
Reserves	21,750,158						
Other Agencies	2,779,221						
<b>CAPITAL OUTLAY</b>							
	4,609,572						200,000
<b>DEBT SERVICE</b>							
							4,165,251
<b>GRAND TOTAL</b>	<b>\$ 93,760,412</b>	<b>\$ 3,523,993</b>	<b>\$ 15,439,373</b>	<b>\$ 24,581,959</b>	<b>\$ 39,856,075</b>	<b>\$ 1,280,626</b>	<b>\$ 9,097,736</b>

## FRIEND OF THE COURT REVENUES

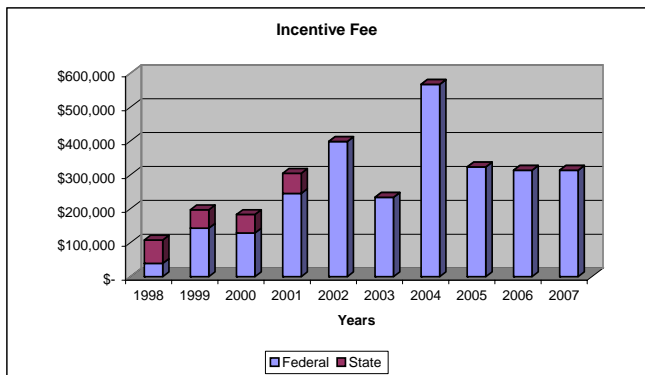
### STATE / FEDERAL PASS THROUGH

The Friend of the Court (FOC) receives partial reimbursement of actual expenses incurred through a State / Federal reimbursement program. This program allows reimbursements for up to 70% of expenses incurred while working with qualifying cases referred to as IV-D cases. The criteria for IV-D enforcement services eligibility are that the recipient of support requests in writing enforcement action by the FOC office and the recipient of support receives Temporary Assistance to Needy Families (TANF) benefits.



### INCENTIVE FEE

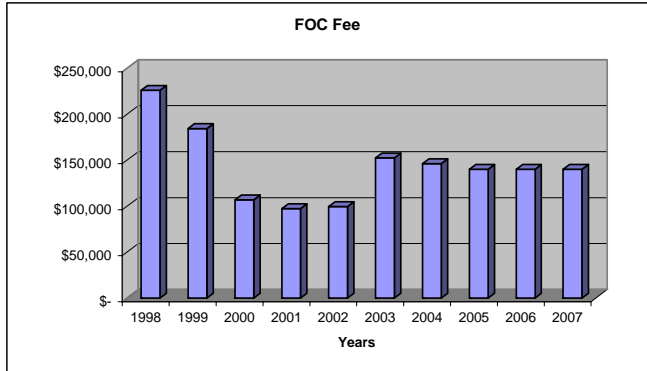
The methodology for calculating the Friend of the Court incentive fee revenue has changed significantly over the past few years. It is now tied to five performance factors: 1) Paternity Establishment Percentage, 2) Establishing Court Orders, 3) Collecting Current Support, 4) Collecting on Cases with Arrears Due and 5) Cost Effectiveness Ratio. Counties report this information to the State, who then combines them and submits a statewide report to the federal government. The State is subject to an annual Data Reliability Audit in which the federal government verifies the source data with the final reported figures. The audit determines the ability for the State to receive federal incentive payments in each of the five performance indicators. Along with this change in methodology, the State has greatly reduced its incentive payment relying only on the Federal incentive to offset Friend of the Court costs for the county.



Given the economic condition of the State, the pool of funding to be distributed statewide has been frozen at previous levels. This means that in order for the county to receive an increase in incentive fee revenue, the county's performance on the five performance indicators must increase relative to the other counties. Likewise, if the county's performance decreases relative to other counties, the county will experience a decline in incentive revenue. The spike in 2004 is due to accounting for a portion of multiple fiscal year payments in the county's 2004 fiscal year. The 2006 and 2007 amounts assume a level amount of incentive revenue is received.

**FRIEND OF THE COURT FEE**

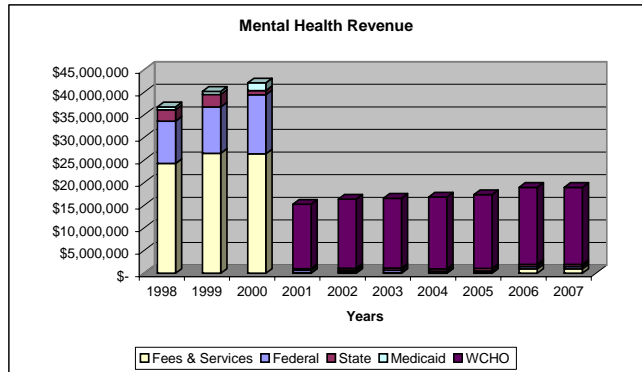
All open, active accounts and cases with a balance owing are charged an annual statutory fee by law. Of this fee approximately \$10 per year per case is held at the local office to help offset expenses. The remainder is forwarded to the Friend of the Court Office at the State level. In the past the local fee was assessed first, but beginning in 2000, a new state-wide computer system tracks the payments and allocates the local assessment last. This is the reason for the sharp reduction beginning in 2000.



**HEALTH REVENUE**

**COMMUNITY SUPPORT & TREATMENT SERVICES**

The Community Support & Treatment Services (CSTS), formerly Community Mental Health (CMH), department has undergone rapid changes during the past few years, due to changes in the way the state funds mental health services across Michigan. One of the biggest effects on the department is that all funding coming into CSTS is now local, with the bulk of it coming from the Washtenaw Community Health Organization (WCHO).

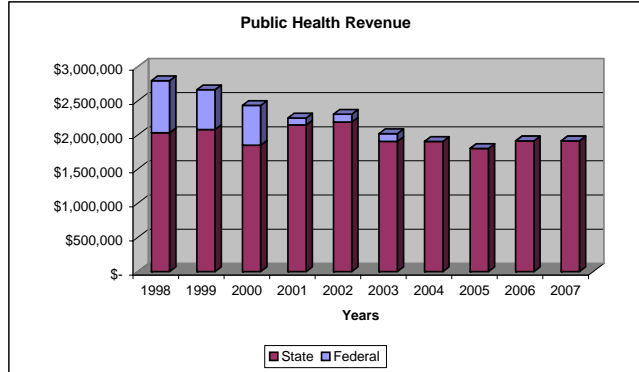


The new state managed care model for provision of mental health services identifies a local entity as the Community Mental Health Service Provider (CMHSP) for a contiguous region of one or more counties with a minimum population of Medicaid-eligible residents. The CMHSP, WCHO in our case, receives all funds (both Medicaid and State General Fund) for mental health for the region, and contracts with service providers to deliver services to clients. County CMH departments are contracted service providers to the regional entity under this model. This model promotes economies of scale while retaining the service provision expertise of county CMH departments, as long as those departments provide “best value” in terms of service quality and reasonable cost.

As a result of State budget constraints, funding for mental health services has been static for the past two years and is anticipated to remain so for the near future. The projected CSTS budget for 2006 is \$21,352,910 and includes provisions for grant- and state-funded projects, local revenue such as insurance payments, and sheltered workshop contracts. However, the bulk of their funding (80%) will be managed care revenue from WCHO.

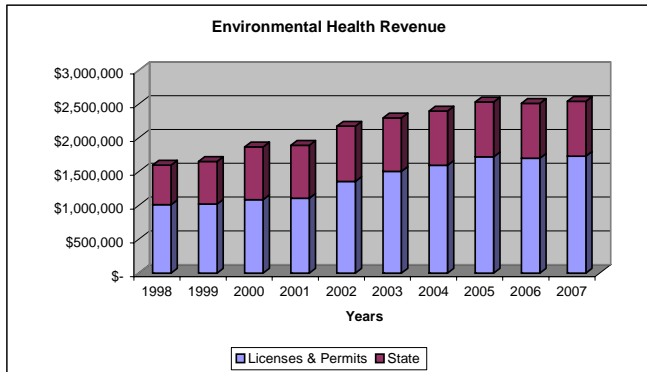
## PUBLIC HEALTH

The Public Health department is responsible to assure continued and diligent endeavors to prevent disease, prolong life, and promote the public health through organized programs, including prevention and control of environmental health hazards; prevention and control of diseases; prevention and control of health problems of particularly vulnerable population groups; and the development and regulation of health care facilities and health service delivery systems to the extent provided by law. To accomplish this, the state provides 27% of Public Health's total funding, with another 16% derived from fees and services such as Medicaid income. The County general fund appropriation and cigarette tax revenue account for 30% of Public Health's funding.



## ENVIRONMENTAL HEALTH

The Environmental Health department derives 46% of its revenue from license/permit revenue and fees. Licenses/permits are required within the County for various activities. Some of these activities are septic tank permits, state food license, inspection fees, well permits and pool and water samples. State revenue due from state cost sharing accounts for 21% of revenue. The remaining funding is derived from general fund appropriation; approximately 32% of the total revenues.

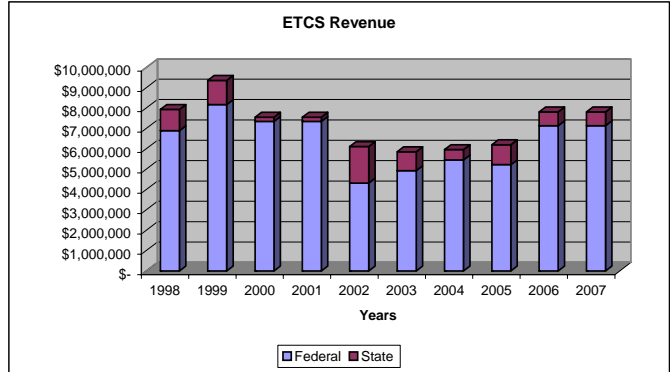


## SOCIAL SERVICES REVENUE

### Employment Training & Community Services (ETCS)

ETCS is made up of two “divisions”. The Workforce Development Board (WDB) is responsible for administrating federally funded job training programs including the Workforce Investment Act, Employment Services, and Work First programs. All WDB programs are federally funded.

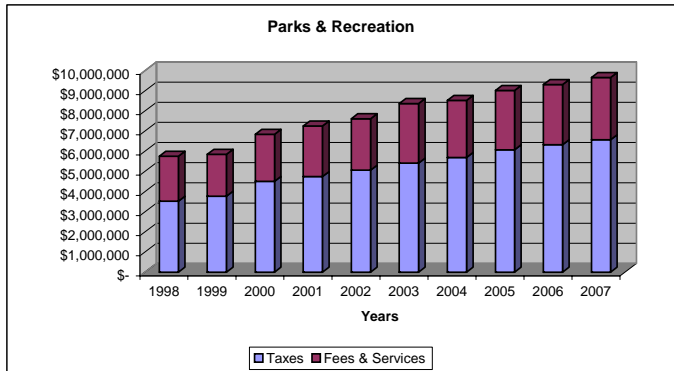
The other “division” is the Community Service Agency (CSA) administered programs. These programs include Senior Nutrition, Foster Grandparents and the Weatherization program and are funded by a mix of general fund appropriation and state and federal funds. For the majority of the CSA programs, general fund appropriations are used as leverage for local matching requirements.



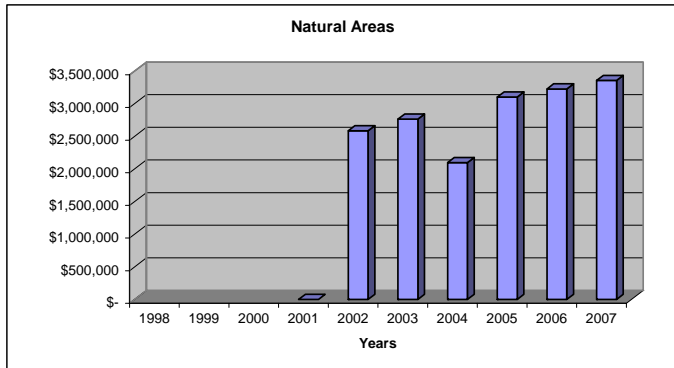
## CULTURE & RECREATION

### PARKS & RECREATION

The Parks & Recreation department maintains active recreational facilities such as swimming pools, beaches and golf courses and passive recreation parks with trails that are of natural or historical significant. The funding for these operations is derived from two main sources. In 2006, approximately 67% of revenue will come from voter approved tax levies yielding over \$5,714,366 in revenue. The other source of funding is from fees and services and will account for 33% of projected revenue in 2006.



Beginning in 2002, Parks and Recreation began administration of the Natural Areas program. This was a voter approved levy of .25 mills for the purchase of natural areas to be set aside for preservation. The second graph displays the revenue that will be received for this program.

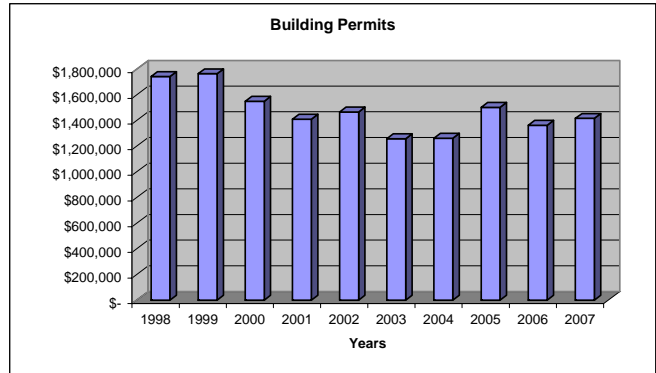


## BUILDING SERVICES REVENUE

### BUILDING PERMITS

Washtenaw County as a whole has enjoyed tremendous growth in the building of new structures throughout the past ten years. One contributing factor has been lower interest rates for borrowing that have prevailed since 1994. There was a dip in new permit applications to a low in 2002, but these have been on the rise again during the past couple of years.

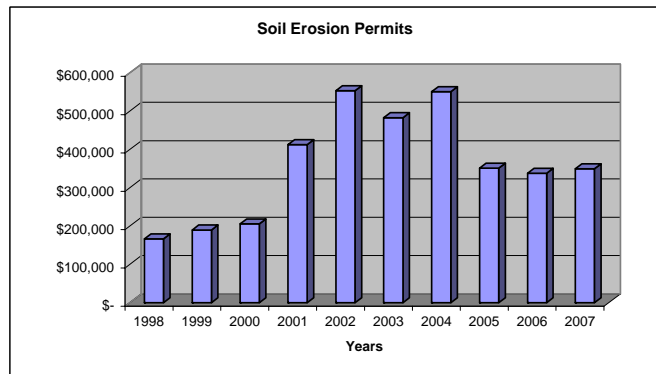
The outlook at this time is new construction will continue at a reduced level few the next few years until the economic outlook brightens. Any growth in revenues will primarily be due to increased construction costs. The cost of a building permit is tied directly to the cost of the structure being built; the higher the cost of the structure, the higher the permit fee. The industry is responding to many recent variables resulting in an uncertain impact over the next few years.



### SOIL EROSION PERMITS

Building Services also runs the Soil Erosion and Sedimentation Control (SESC) Program, which manages soil erosion and subsequent sedimentation in order to promote the safety, public health, and general welfare of the community through effectively sustaining the goal of clean water. Actions such as pond excavations, soil movement within 500 feet of surface water, or soil movement that disturbs one or more acres of soil requires a soil erosion permit.

The 2000/2001 budget included a new soil erosion fee structure that has led to increased revenues. Revenues have fluctuated some over the past few years but have remained at a higher level. Due to the uncertainties of the construction industry, the 2006 and 2007 amounts are budgeted at a conservative level.

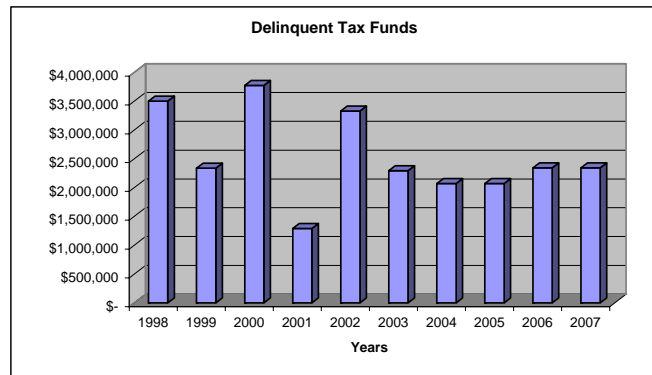


## DELINQUENT TAX FUNDS

Under state law the county is able to borrow for purpose of paying local units for delinquent taxes. The County then becomes the collector and receives all payments including interest and penalties. The County has been borrowing for delinquent local unit taxes since December 1972.

In 1999 the Board of Commissioners approved the establishment of a Capital Reserve Fund to be funded primarily by delinquent tax revenue. Although delinquent taxes are no longer a source of revenue for the General Fund, this is offset because current debt service payments were also shifted to the Capital Reserve Fund. Thus all future and current capital construction obligations are financed from the Capital Reserve Fund.

The accompanying graph depicts the level of delinquent tax income over the past several years. A number of factors have impacted its decline as a source of revenue. One reason is the passage of Proposal A, which eliminated the use of property tax as a means of funding Public Schools. Proposal A went into effect in 1995 and with a four-year debt maturity the first year of impact was 1999. Another reason is the lower rates of return experienced the last few years which is expected to continue for the 2006/2007 budget cycle.



Lastly, new legislation, PA 123, was enacted in 1999 that changed the policy and process for the collection of delinquent taxes. The \$3.7 million in 2000 is a windfall as a result of moving from a five year collection period to a two year. 2001 was low because of the start up period for PA 123 and 2002 is again a windfall, in essence recognizing a large portion of 2001 delinquencies in 2002. For the future, a consistent level around \$2 million is expected.

