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READER'S GUIDE TO BUDGET SUMMARY

Thank you for your interest in the Washtenaw County budget. This document has been prepared with two goals in mind. One is to present a document outlining the services and resource allocation decisions that the average citizen can read and understand. The second is to present a financial plan that the County Board of Commissioners and County Administration can utilize to meet their goals and objectives to provide world-class quality service at the lowest cost to citizens.

Washtenaw County's 2010/2011 budget document has also been designed to meet the standards set by the Government Finance Officer's Association (GFOA) to receive the Award for Distinguished Budget Presentation. By meeting these standards, this budget document will achieve the two goals stated above. To accomplish this, it should encompass the following:

- A Policy Document
- An Operations Guide
- A Financial Plan
- A Communication Device

Washtenaw County is proud to be a recipient of the Award for Distinguished Budget Presentation for the past 17 years. Suggestions and comments provided by the GFOA reviewers were given serious consideration and were implemented where possible in the continued effort to improve upon the presentation of the 2010/2011 Budget Summary.

POLICY DOCUMENT

As a policy document, each service or function division is presented individually in the DEPARTMENTAL SUMMARIES section. This section outlines each department's operating business plan including their vision, mission, programs, processes, and measures of success. Both efficiency (process) and effectiveness (program) measures are provided for the prior years with targets for the biennial budget fiscal years as a means to understand how the department is performing to carry out the intentions of the policy and desired outcomes.

The beginning of the DEPARTMENTAL SUMMARIES section contains an overview of each of the county's service area groups (formerly known as Communities of Interest) which highlights how departments work together to carry out large community goals. Service area groups have been a major initiative of the county's over the past few years to identify how to coordinate efforts internally and with other key members of the community to better meet the needs of our common customers. Overviews for each group include the vision and goals that the group is working towards as a means to ensure the citizens are being provided the best possible results and the mandated and discretionary services underway for the common customers. Significant work was done by the county as part of the budget process to understand its mandates and the funding sources for those mandates. This information is not published in this document but is available on the county's website www.eWashtenaw.org.

The official policies governing the implementation of the 2010/2011 budgets are detailed in BUDGET RESOLUTION. Modifications to these policies from the prior biennial budget resolution are shown in bold and strikethrough. Major issues impacting 2010/2011 budgetary policy are discussed in the BUDGET PREPARATION, POLICY AND ISSUES section with a detailed overview of the policy decisions reflected in the budget allocations.

OPERATIONS GUIDE

As an operations guide, under the DEPARTMENTAL SUMMARIES section of this document, the operations for each department are outlined and the resources to carry out these operations are presented by program in numeric fashion by total FTE and total operating budget. In addition, listed for each division is the 2008 actual expenditures, the 2009 projected expenditures, and the newly adopted 2010 and 2011 budgets by the following major categories:

- Personal Services - Salaries and fringe benefits;
- Supplies - Office, maintenance, and janitorial supplies, etc.;
- Other Services and Charges - Outside professional/contractual services, consulting, etc.;
- Internal Service Charges - Capital leases and indirect cost allocation;
- Capital Outlay - Machinery and equipment, office furniture, data processing equipment, etc.;
- Transfers Out - Appropriations to other funds.

Also displayed is a listing of performance/workload measurements for 2008 actuals and projections for 2009, 2010 and 2011. Shown separately is a listing of each division's position counts by classification for 2008 through 2011. Summary discussion and presentation of the County's General Fund and All Funds budgets are given in the BUDGET SUMMARY section.

FINANCIAL PLAN

As a financial plan, major operating revenues are presented under the REVENUE DISCUSSION section of this document, which contains an analysis of the past years of actual revenues and the rationale used for the 2010/2011 projections. Key trends are presented in chart or graph form showing prior actual receipts and projected receipts for 2009 through 2011. An analysis of all governmental funds is provided in the BUDGET SUMMARY section, with an overview of each major fund type provided in the APPENDIX. The BUDGET SUMMARY section also provides a thorough review of the General Fund and a detailed accounting of all appropriations provided to the various other funds. New for 2010/11 is the addition of a category level budget with anticipated changes in fund balance for each of the county's funding units adopted within the BUDGET RESOLUTION.

Washtenaw County financial accounting records for general governmental operations are maintained on a modified accrual basis with the measurable revenues recorded when they become available to finance expenditures of the current fiscal year. Available means collectible within the period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long term debt, are recognized in the accounting period in which the fund liability is incurred. This is discussed in greater detail in the APPENDIX.

The County prepares a long-term Capital Improvement Plan as part of the annual budget process. Details and policies governing this plan are presented in the CAPITAL IMPROVEMENTS section. This section also outlines the process used for capital budget development, an overview of the county's technology plan, and a comprehensive budget overview for all major capital expenses planned in 2010/11.

Under the DEBT SERVICE section of this document is an overview of the County's long term debt with a comprehensive list of 2010 debt. Also included are a listing of major bond type, a description of use of bond proceeds and a summary of how bond debt is repaid.

COMMUNICATION DEVICE

As a communication device, the BUDGET PREPARATION, POLICY & ISSUES section of the book clearly articulates the entire planning process used to develop the goals and policies that will govern the county through the next two years, the major issues affecting the availability of resources for conducting county business, and the decisions that were made and incorporated into the 2010/2011 Budget. The TRANSMITTAL MEMORANDUM at the beginning of the book provides the reader a summary of the process, issues, goals and decisions made leading to the Administrator's recommended budget presentation to the Board of Commissioners. Throughout each section of the book, conscious decisions were made as to the best way to display information so it was as clear as possible for the reader. In addition, efforts were made to present information in multiple formats whenever possible due to the diverse group of readers of this publication. The proposed budget was made available for public review at the offices of the County Clerk/Register and County Administration prior to the public hearing and adoption. The final printed budget document is available to the public electronically on the website or in print form by contacting the Budget Office. For additional information concerning the budget document or Washtenaw County government, please call the Budget office at (734) 222-3737 or visit our website at:

www.eWashtenaw.org



COUNTY ADMINISTRATOR



September 16, 2009

TO: Rolland Sizemore, Jr., Chair
Honorable Members of the Board of Commissioners
Department and Agency Heads of the County
Washtenaw County Employees
Citizens of Washtenaw County

FROM: Robert E. Guenzel, County Administrator

SUBJECT: 2010/2011 Budget

This budget message comes after a long year filled with unprecedented challenges. Not since the Great Depression more than 70 years ago have we experienced such profound economic loss. As many have said, this is deeper and different than any downturn we have seen. That is especially true in the state of Michigan with the dramatic changes in the auto industry, rapid deterioration of the housing market, and the highest unemployment rate in the nation. Local governments across the nation are experiencing a significant decline in revenues with limited ability for revenue reform. For the first time since the creation of the property equalization system 51 years ago, the county's primary funding source – property tax revenue – have decreased from the prior year. All revenue sources are unstable with the demand for services being higher than ever. This is unparalleled. We are operating in uncharted waters.

The county initially projected a \$26M budget deficit for 2011 if property tax revenues declined by -7.5% in 2010 and -8.5% in 2011, and if spending continued at previous levels. That projected deficit has now grown to \$30M. When the magnitude of the situation came to light, my immediate reaction was twofold: Awe at the sheer size of the problem and the interrelatedness of the variables that created it, and then almost simultaneously came gratitude for the people and foundation of Washtenaw County that can help us navigate through. Our response to this crisis must be swift yet deliberate. We desire strategic decisions that will assist the community through these difficult times as much as we possibly can. With the future so uncertain and change all around, it can feel as if our identity is being tested. It is that very identity – our values and our guiding principles – that must continue to support us as they have for the past 15 years.

For those unfamiliar with Washtenaw County, and for the rest of us who need to keep them in the forefront of our thoughts during these trying times, our guiding principles include:

1. Ensure Long-Term Fiscal Stability
2. Reduce the Cost of Doing Business
3. Enhance Customer Service
4. Equip Employees with the Necessary Tools, Knowledge and Skills
5. Ensure Adequate Provision of Mandated Services
6. Focus on Root Causes
7. Provide Leadership on Intragovernmental, Intergovernmental and Intersectoral Cooperation and Collaboration Aimed at Improving Services to County Citizens

These principles were created during the last significant downturn as a means to bring the organization to a brighter future. A vision of World Class Service ensued with a progression from focusing on “doing things right” to “doing the right things” and creating a true, positive impact on this community. This strategic focus has made Washtenaw County a different kind of government: one where service lay at the heart of the organization. Many discretionary services have been created over time to fulfill citizen needs often unique to Washtenaw County. In most cases these discretionary services address root causes through prevention to help minimize the demand on our mandates. Our mandated services are equally important and are fundamental to our role in public service, especially through the leadership and quality by which they are performed. It is this commitment to service that helped clarify the first goal when this economic crisis hit: to preserve services and the employees required to deliver them.

Several budget priorities became the focus for the 2010/11 budget process. These included:

- Preserve Services and Jobs
- Attempt for Equity in Process, Not Equality in Funding Allocation
- Determine Serviceability of Mandate
- Evaluate Non-Mandated Services
- Invest in Community

Four major categories of budget solutions were used: 1) Revenue Enhancement, 2) Department Identified Expenditure Reductions, 3) Major Organizational Changes and 4) Employee Compensation & Benefit Levels. The organization was engaged in an intense and thorough exchange of ideas which culminated in a Phase 1 budget recommendation.

Phase 1 Budget Recommendation

This multi-faceted approach used to identify budget solutions began, first and foremost, with a **review of revenue opportunities**. Counties in the State of Michigan do not have the authority to implement sales or income taxes, and property tax revenues are governed by statute set to limit growth. New property taxes can be generated by citizen vote, but in a time of economic stress a millage campaign would prove difficult and take too much time to be a viable solution for the 2010/11 biennial budget. Revenue increases would therefore have to come from maximizing federal or state funds, or through fee increases. Every county department head and elected official reviewed their services for revenue generation ideas which resulted in over \$4.3M in enhanced revenues. Over \$3 million of these savings came from the extraordinary partnership the county has with the Washtenaw Community Health Organization (WCHO) and our contract for the provision of mental health services through the county’s Community Support & Treatment Services department (CSTS).

Along with a revenue review, each **department identified scenarios to reduce expenditures**. They were to first look at efficiencies or means to reduce the cost of doing business, then evaluate serviceability levels and ultimately, and the least desirable, the loss of whole programs. These scenarios were reviewed by Administration with most but not all items being included in the Phase 1 recommendation. This resulted in a total budget savings of \$6M, equating to a 10-20% reduction in most departments when combined with revenue growth. Much of this was through efficiencies and reduced service levels. Our elected officials were fully engaged and their cooperation helped identify reductions in their services comparable to those in the rest of the organization. The Washtenaw County Sheriff’s Office, comprising approximately 35% of the total general fund budget, identified over \$1.5M in budget modifications. The Water Resources Commissioner (formerly titled Drain Commissioner) found ways to restructure and identify operating budget reductions that total 17% of their budget allocation. The reductions in Phase 1 impact nearly all parts of the organization and will not be easy, but they have the support and cooperation of the management and leadership of the county to minimize the loss of the service to the community. The one program elimination included in Phase 1 was that of the Juvenile Day Program in our Children’s Services department. This program was a significant discretionary service that filled a need, but was determined it is not cost effective especially given the economic situation before us.

Additional to the scenarios developed by departments was a **review of the organizational structure and non-department specific expenditures**. Several organizational changes were made including the combining of Emergency Management and Community Corrections with the Sheriff’s Office, and the merging of Soil Erosion and

Department of Public Works into the Water Resources Office. A reduction in the county’s support to Outside Agencies was proposed with a new process for competitive bidding for funding allocations based on a set of community priorities. Significant infrastructure modifications were also included, requiring the county to move into a mode of preventative maintenance with only critical equipment replacement and enhancements.

This initial budget solution also included a very difficult decision to modify our non-union salary and benefit levels as part of the approach to realize savings through **Employee Compensation & Benefit levels**. More than 80% of county employees are represented by 17 bargaining units. All of these unions have contracts in place for 2010, with a few extending to 2012. The Board of Commissioners had previously aligned the non-union employees with these union contracts that called for planned salary increases in 2010. The commissioners revised this plan by adopting a phased in salary reduction of 5% over two years. Modifications to the county’s medical benefits were also implemented for the non-union staff. At the time of these changes, it was stated that parity between the non-union and unions was desirable. Discussions with our labor partners began almost immediately.

As I write this budget message, these conversations with our unions are ongoing. I’d characterize these discussions over the past few months as being both cooperative and progressing. It says a great deal about this organization and its union leadership that these bargaining units have understood the critical need to come to the table to assist the county in finding ways to deal with the budget deficit. The recommended budget includes assumed labor savings that we believe to be realistic. However, due to the economic instability that surrounds us, it is recommended that if these labor savings cannot be confirmed by October 16th that the county move into further operating budget reductions to arrive at a balanced biennial budget for 2010/11.

A total of \$14.4M in Phase 1 recommendations were presented to the Board of Commissioners. All but the Outside Agency allocations and ACT 88 revenue were approved by the Board in July of 2009. These two items were to be further reviewed for consideration.

Phase 2 Budget Recommendation

Included in Phase 1 was a list of items still under review for consideration of modification in Phase 2, or this final Recommended Budget. This list was derived predominately from our review of Mandated and Discretionary Services. All major discretionary services were included, as were some organization wide efforts to reduce costs or raise revenues. An additional category entitled “Further Reductions in Serviceability” was included. Basically, nothing in the budget was exempt from further review.

For each option, a range of scenarios was developed and an analysis was performed to provide a snapshot of the impact that may result. These options were then prioritized, taking into consideration the potential General Fund savings, impact on positions, community and service level impact, political feasibility and alignment with County’s guiding principles. Below are my recommendations for each item under review in Phase 2 with projected General Fund Savings and Full Time Equivalent (FTE) impact.

Administration	\$118,000 Savings	1.0 FTE Loss
Permanent elimination of the Assistant to County Administrator for Public Safety & Justice. This will further reduce the capacity within the Administrator’s Office for staff support to special projects and research initiatives.		

Act 88	\$603,000 Savings	0.0 FTE Loss
This public act allows for the implementation of a tax levy for the use of economic development and agricultural promotion. This is a rare exemption to the statute and does not require voter approval. It is proposed that the Board of Commissioners adopt a levy of 0.040 mills (\$4.00 annual cost per taxpayer based on \$100,000 taxable value on property) to support the following activities:		

- | | |
|--|--|
| <ul style="list-style-type: none"> • Ann Arbor SPARK \$200,000 • SPARK East \$50,000 • Eastern Leaders Group \$100,000 • 4H Activities \$60,000 • Horticulture \$27,000 | <ul style="list-style-type: none"> • Agricultural Innovation \$15,000 • FSEP \$15,000 • Heritage Tourism \$50,000 • Director of Economic Development & Energy \$87,000 |
|--|--|

Building Inspection

**\$285,000 Savings
(from Capital Reserves)**

**2.0 FTE Loss plus
other vacant positions**

Given the decline in new construction, the building inspection program has been in challenging times for some years. There was a great deal of conversation on the feasibility and impact of eliminating this program entirely, thereby turning all such services over to the State of Michigan. Thorough analysis was completed and every opportunity to raise revenue to bring the program back to sustainability was pursued. My recommendation is to maintain the program with new fees and collaboration with the County's Employment Training & Community Services (ETCS) for Weatherization inspections, and to reduce costs through the elimination of the Mechanical Inspector and a Customer Service Specialist positions. No general funds should be necessary, with a potential for a surplus. Any surplus that does materialize will go towards repaying previous county support from its capital reserves. In addition, it is recommended that conversations continue with community partners including the City of Ann Arbor to pursue a long-term regional solution.

Head Start

\$167,000 Savings

0.0 FTE Loss

Washtenaw County Head Start is a nationally recognized *program of excellence* which provides valuable services to a vulnerable segment of the community. However, this discretionary program may be performed by some other entity within the community. The financial picture gets complicated by the fact that the county constructed a new Head Start facility which has remaining bond payments. It is therefore recommended to reduce the general fund support by a lump sum amount of \$167K with details to be identified. This reduction is not expected to result in the loss of positions or significant service levels.

Mental Health

\$2,400,000 Savings

6.75 to 73.25 FTE Loss

As stated above, the WCHO and CSTS reduced their general fund support by \$3M in Phase 1. However, given the anticipated personnel cost increases and the county's previous commitment to cover those for CSTS, a significant general fund appropriation was projected. Scenarios were developed to understand the service impact of reductions up to the full elimination of general fund support to CSTS given that the county's mandate for mental health is met through its appropriation to WCHO. Through these discussions came the recommendation to reduce general fund support, except providing the required local match for PORT and JPORT (\$432K) to retain these services. WCHO and CSTS have identified cost containment efforts and revenue generation opportunities to maintain most other programming. A question remains as to if the WCHO will continue to contract with CSTS for the direct service provision of vocational services. If the WCHO chooses to contract with a different more cost effective provider for these mandated services, the county would have to eliminate 66.5 FTE. In addition, a new ruling by the Michigan State Attorney General states the county needs to provide complete funding for mental health services in the jail (increased appropriation of \$185K).

MSU Extension

**\$132,000 Savings
(\$102K in Act 88)**

0.0 FTE Loss

Many counties are struggling to retain MSU Extension in light of declining revenues. The State of Michigan has considered reductions in its support by 50%, although final funding decisions are not yet known. MSU Extension offers valuable services impacting many segments of the population. As shown above, it is recommended that the county secure a portion of MSU Extension services through the new revenue funding of ACT 88 where deemed eligible under that public act. Increases in fees for services to minimize General Fund costs are also recommended.

Public Health

\$160,000 Savings

0.0 FTE Loss

Phase 1 also brought significant operating reductions for Public Health, although the county is still providing more support than what is legally required within the State Maintenance of Effort agreement. There are great uncertainties on the funding level that the State will be able to provide over the next few years given its billion dollar deficit. At the same time, Public Health service needs are at an all time high with emerging issues such as H1N1 (i.e. Swine Flu). The recommended budget includes a reduction in General Fund support by \$200K which can be sustained at least in the short-term through the use of outside revenue. It is also recommended, however, that the county increase support by \$40K to support the continuation of the Health Improvement Plan (HIP).

Strategic Planning **\$600,000 Savings** **3.0 FTE Loss**
(\$137K in ACT 88)

Planning is one of the largest discretionary services within the general fund and was therefore reviewed with great sensitivity. It is recommended that the department be eliminated, but then re-created with a new focus on Economic Development and Energy. The number of positions would be reduced and an effort will be made to maximize outside revenues through grants and ACT 88. I believe these efforts will assist the community in creating long-term sustainability in these most vital areas.

Support Services **\$750,000 Savings** **5.6 FTE Loss**

Support Services, or the county's central support system which includes the core functions of HR, Finance, IT and Facilities Management, has led the way in reorganizations and budget reductions for the past decade. There is limited opportunity for further reductions without greatly jeopardizing the ability to carry-out both the mandated and necessary functions for the organization. There are a total of six recommended position reductions (5.6 FTE) made up, predominately, through current vacancies and planned retirements. Revenue enhancement is also included through collaborations with the Register of Deeds Technology Fund and the City of Ann Arbor IT Collaborative.

Professional Development **\$96,000 Savings** **1.0 FTE Loss**
(included above in Support Services)

The county has built a world-class Professional Development program that in my mind provides the critical foundation for employees to deliver world-class services. As part of Support Services, the cost savings and FTE impact for Professional Development are included above. Because of its important influence on both the character and culture of the organization, it is therefore recommended to retain the program. A focus on internal leadership academy courses will ensue, using our vast internal knowledge base to assist with the trainings. In addition, the county will pursue collaborations with community partners and investigate sole source vendor opportunities to minimize costs to help keep the county's commitment to employee development.

Sheriff Corrections **TBD** **TBD**

The county knew when the decision was made to construct an expansion to the jail that new positions would need to be created. Conversations are currently ongoing with the Sheriff to determine those levels. The recommended budget includes the original assumptions of a \$1.2M cost increase beginning in 2010 which is in addition to the previously allocated \$1.5M reserve for jail overcrowding. A recommendation for modifications to the budget or staffing levels will be brought to the Board of Commissioners at a later date.

Outside Agency allocations **\$731,000 Savings** **0.0 FTE Loss**
(portion in Phase 1)

Over time the Board of Commissioners have increased the county's allocation to local not for profits as a means to provide strategic investments into the community. A new integrated funding allocation process was adopted in July and August of this year shifting the majority of these funds to Community Development. This will provide a competitive bidding process along a set of standard community priorities. Due to the economic situation, it is recommended that the majority of these allocations be adopted with a 20% reduction in 2010 and an additional 20% reduction in 2011.

Special Initiatives **\$850,000 Savings** **0.0 FTE Loss**
(\$350K in Act 88; portion in Phase 1)

Often grouped with the Outside Agency allocations are the county's allocations to special initiatives that are strategic investments in and with the community. Each of these was reviewed for reduction or full elimination of funding. Those focused on economic development were deemed eligible to be included in the ACT 88 millage revenue identified above. On the following page is a detailed breakdown of all of the outside agency and special initiative funding recommendations for 2010 and 2011.

WASHTENAW COUNTY MICHIGAN

Washtenaw County Outside Agency Allocations

Category	Agency Name	2009 Budget	2010 Recommended	2011 Recommended	% Total Reduction	Shift to Community Development
Dues/Membership	BOC Dues	10,399	10,399	10,399	0%	No
Dues/Membership	MAC Dues	20,315	20,315	20,315	0%	No
Dues/Membership	Humane Society	400,000	500,000	500,000	25%	No
Dues/Membership	Huron Riv. Water Cou.	11,892	11,892	11,892	0%	No
Dues/Membership	Riv. Raisin Watershed	8,233	8,233	8,233	0%	No
Dues/Membership	SEMCOG	175,000	175,000	175,000	0%	No
Dues/Membership	SEMCOG Water Quality	10,000	10,000	10,000	0%	No
Dues/Membership	Food Systems Economic Partners **	15,000	12,000	9,000	-40%	No
Dues/Membership	Soil Conservation	30,000	30,000	30,000	0%	No
Dues/Membership	NEW Center	35,000	28,000	21,000	-40%	No
Dues/Membership	WATS	20,000	20,000	20,000	0%	No
Dues/Membership	Area Agency on Aging	23,712	23,712	23,712	0%	No
	Total Dues/Membership	759,551	849,551	839,551		
	Increase from 2009		90,000	80,000		
Human Services	Dom Viol Proj Saf House	120,000	96,000	72,000	-40%	No
Human Services	Eviction Prevention	50,000	40,000	30,000	-40%	No
Human Services	Fair Housing	50,000	40,000	30,000	-40%	No
Human Services	Shelter Association	200,000	160,000	120,000	-40%	No
Human Services	United Way 211	40,000	20,000	20,000	-50%	No
Human Services	DHS Child Abuse Prevention	38,000	0	0	-100%	No
Human Services	Human Services/CWB Funding	1,263,750	1,015,000	762,250	-40%	Yes
Human Services	Small Business Development Center	10,000	8,000	6,000	-40%	No
	Total Human Services	1,771,750	1,379,000	1,040,250		
	Savings from 2009		(392,750)	(731,500)		
Special Initiative	Eastern County Econ Dev **	300,000	100,000	100,000	-67%	No
Special Initiative	Eastern County Incubator **	50,000	50,000	50,000	0%	No
Special Initiative	NS Commuter Rail *	150,000	0	0	-100%	No
Special Initiative	SPARK **	200,000	200,000	200,000	0%	No
Special Initiative	Supportive Housing Initiative	250,000	150,000	150,000	-40%	Yes
Special Initiative	Housing Contingency	160,000	110,000	110,000	-31%	Yes
	Total Special Initiatives	1,110,000	610,000	610,000		
	Savings from 2009		(500,000)	(500,000)		
Total		3,641,301	2,838,551	2,489,801		
Total Savings from 2009 Budget			802,750	1,151,500		

* This money was allocated but never spent.

** To be funded through ACT 88 if adopted by Board of Commissioners

Further Reductions in Serviceability

\$1,707,000 Savings

3.0 FTE Loss plus potential changes in Trial Court

As stated above, nothing was taken off the table in this Phase 2 budget review. Most departments were significantly reduced in Phase 1. At the time of the Phase 1 development, conversations with the Trial Court were ongoing. The recommended budget includes a lump-sum reduction for the Trial Court which is supported by the court and could not have been accomplished without the efforts of the Chair of the Board Rolland Sizemore and cooperation by the Honorable Judge Shelton and the Trial Court Administrator Dan Dwyer. The list below includes all of the modifications grouped into this category of further reductions in serviceability levels. I appreciate the efforts of these elected officials and their staff in assisting the county in reducing costs at such a challenging time.

- **Trial Court** – Lump Sum Reduction of \$800K in 2010 and an additional \$450K in 2011 for a total of \$1.25M
- **Prosecuting Attorney** – Elimination of 1.0 vacant Senior Assistant Prosecuting Attorney partially reimbursed through Cooperative Reimbursement Program for total savings of \$47K
- **Clerk** – Elimination of 2.0 vacant positions including Chief Deputy and Senior Record Management Specialist for total savings of \$150K
- **Treasurer** - \$200K annually from property foreclosure pending a report from the Treasurer on total available balances and an increase in the county’s portion of the Accommodation Tax revenue (\$60K)

Juvenile Detention

\$0 Savings

0.0 FTE Loss

The recommended budget assumes the Juvenile Detention is not further reduced as part of Phase 2. These services are mandated, although the county does not need to be the provider of the services. It is my belief that eliminating our program and sending the youth involved to a different facility would have significant impact on the Public Safety & Justice system, as well as the youth and families involved.

VEBA Debt

\$0 Savings

0.0 FTE Loss

The county has considered issuing debt for the unfunded liability of our retiree healthcare system for the past two years. Market conditions have delayed this action and are too uncertain at this time to assume any cost savings. It is recommended that the county continue to conduct the necessary analysis and review the market conditions, as well as pending legislation by the State, to determine if and when things become favorable to proceed.

Retiree Health Care

\$0 Savings

0.0 FTE Loss

Current retirees have varying health plans including prescription coverage depending on the union contracts in place at the time of their retirement. A legal review is underway to determine if the county has any ability to modify these benefits. Any modifications would be made through discussions with retiree representatives.

These Phase 2 budget decisions have not been easy, but they are made with the utmost respect for the priorities of the Board of Commissioners, the needs of the community and the employees of the county. I believe they are in alignment with the budget priorities established, although this budget belongs to our commissioners and the ultimate decision lies in their hands. It is a great undertaking to attempt to balance a \$30M budget deficit and preserve services and jobs. I believe this recommended budget accomplishes that as much as is possible given the gravity of the situation. When we first looked at the size of this deficit we thought it might require over 300 position eliminations. Phase 1 included 25.75 with an additional 21.35 in phase 2. This is an incredible accomplishment for which I owe gratitude to the leaders and staff of this organization. This recommendation would not be possible without the support, pressure and ideas from our Board of Commissioners. And, of course, all of this hinged on the anticipated savings from our labor contracts. It is important to note that there is a possibility of an additional 66.5 FTE being eliminated if the county’s Community Support & Treatment Services (CSTS) is no longer selected to be the provider for the mental health vocational services by the Washtenaw Community Health Organization (WCHO). It is hoped that a solution will be identified to retain these services with county employees.

Next Steps and Long-Term Projections

Unfortunately our work is not done. While there are signs that the economy may have hit bottom and is starting to recover, there is a long and arduous road ahead. The road to recovery will not happen as quickly as the decline hit us. The county's projections on property taxes will be tested come April of 2010 when the 2010 Equalization Report is completed. The budget is a set of complex and interrelated assumptions, but nobody can predict the future. The projections for the next few years still remain with a long-term structural deficit. This recommended budget was developed with an attempt to balance the short-term with the long-term, both from a fiscal perspective but also the impact on the community. Many feel it is appropriate to make deeper cuts, to get ahead of this situation. However there are so many unknowns as we proceed. We must be conservative to do what we can to set us on a path towards long-term fiscal stability. At the same time, we must be reasonable in our assumptions to maintain as many programs and provide as many services to those in need. When we began this budget process with the Financial State of the County the commissioners asked us to focus on the next four years to ensure we are keeping in mind the impact of our decisions. Below are our updated budget projections for fiscal years 2010 through 2013, assuming the 2010/11 Recommended Budget is adopted in its current form:

	2010 Projected Budget	2011 Projected Budget	2012 Projected Budget	2013 Projected Budget
REVENUES:				
Taxes & Penalties	\$62,925,468	\$57,576,803	\$54,699,548	\$53,606,192
Licenses & Permits	\$220,700	\$220,700	\$220,700	\$220,700
State & Local Revenues	\$5,243,849	\$5,248,248	\$5,248,248	\$5,248,248
Fees & Services	\$19,288,003	\$19,760,087	\$20,008,355	\$20,261,588
Fines & Forfeits	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100
Interest Income	\$668,800	\$468,800	\$268,800	\$268,800
Other Revenue	\$1,802,281	\$6,086,909	\$1,806,909	\$1,806,909
Transfers In	\$7,781,508	\$7,781,508	\$7,581,508	\$7,581,508
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TOTAL	\$99,192,709	\$98,405,155	\$91,096,168	\$90,256,044
EXPENDITURES:				
Personal Services	\$57,742,524	\$59,916,323	\$63,098,151	\$66,482,243
Supplies	\$1,623,769	\$1,484,669	\$1,656,379	\$1,530,770
Other Svcs. & Charges	\$14,277,520	\$14,274,338	\$14,529,741	\$14,802,090
Internal Service Charges	\$1,247,569	\$2,414,172	\$2,505,997	\$2,602,414
Capital Outlay	\$13,625	\$13,625	\$13,625	\$13,625
Contingencies	\$5,330,000	\$1,100,000	\$500,000	\$500,000
Appropriations/Transfers Out	\$18,957,702	\$19,202,028	\$20,263,730	\$20,496,704
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TOTAL	\$99,192,709	\$98,405,155	\$102,567,624	\$106,427,846
PROJECTED DEFICIT	\$0	(\$0)	(\$11,471,456)	(\$16,171,802)
Deficit as % of Total Revenue	0.00%	0.00%	-12.59%	-17.92%

On the revenue side, the major assumption is that property taxes will continue to decline but not as drastically. A reduction of -5% in 2012 and -2% in 2013 have been estimated as a gradual recovery from the steeper declines projected for 2010 and 2011. Other revenue including fees and fines are estimated to remain relatively flat. The county continues to operate with a great uncertainty as the State of Michigan struggles to find solutions to balance a billion dollar deficit. An impact on the county is certain. The question is the timing and severity. The most pressing concern comes in 2013 when our Revenue Sharing Reserve fund is depleted. These projections assume the State of

Michigan will reinstate county revenue sharing as originally promised when the reserve funds were established. However, the county must proceed in developing options if that isn't the reality.

For expenditures, the assumptions take into consideration conservative wage adjustments but with growing fringe rates based on trends. Other operating costs are projected to be relatively neutral as it is assumed the organization will continue to operate with a constant pressure to contain costs as much as possible. Next to personnel, the largest portion of the General Fund budget comes through its appropriations to programs outside the general fund. The recommended budget and these projections are built on a revised policy to no longer automatically provide appropriation increases for personnel cost growth except where required to do so under statute. This is a significant policy adjustment given these economic times. It has helped to reduce the projected deficit within the General Fund, and yet this shift in approach may be difficult to realize if these non general fund programs are faced with drastic service reductions if the general fund does not provide additional support. This scenario which may be upon us in the next couple of years only highlights the necessity for clear priorities and direction for the organization.

Summary

This year has been one of the most challenging of my career. There are so many competing desires, and each decision has a real impact on both the citizens we serve and the employees who work for this organization. I believe this Recommended Budget leads us on the right path. There isn't a service performed in the county that doesn't add value. I am proud that most of them will be preserved, and will remain functioning at a high quality level through creative thinking, organizational changes and collaborations. These reductions are difficult and the road ahead will continue to be a challenge. We must hold true to our values, focus on community needs, establish clear priorities and work as a community to weather this storm. In crisis come opportunities that never would have existed otherwise. These opportunities need to be maximized. New service models, revenue generation and cost-sharing ideas should be explored. We need to focus on making the best use of the dollars we have remaining. There is a real risk in diluting our services to the point of no longer being successful in meeting the needs of the community. This evaluation will be critical as we implement the 2010/11 budget modifications and continue to explore alternative approaches for the future. Our relationships and collaborations have never been so important. This is where Washtenaw County can excel – maximizing our existing partnerships that have been fostered over the past decade in a common desire to help our community. We are public servants. And the community needs us now more than ever.

I thank you for the opportunity to serve as your Administrator, now more than ever. I thank each one of our commissioners for their guidance and patience with this process, and ongoing commitment to public service. And I thank all of those who assisted in the development of this recommendation. These efforts involved great sacrifice, all in the interest of creating a positive impact on our community.