

CAPITAL IMPROVEMENT & DEBT SERVICE

Washtenaw County's Capital Program is complex, dealing with capital construction, modification and acquisition at different levels through separate and specific approaches. Although there is overlap, fundamentally the county breaks capital outlay into four classes:

- 1) Infrastructure (water and sewer)
- 2) Buildings (construction or acquisition)
- 3) Capital improvements (modification of existing facilities)
- 4) Capital equipment acquisitions

This section of the book begins with an overview of the county's capital planning and budgeting philosophy and processes used for the 2010/11 budget. A summary of the comprehensive capital allocation is provided. The remainder of the capital section outlines the key elements within each of the county's major infrastructure strategic plans:

- Technology and Capital Equipment
- Fleet
- 1/8th Mill Building Maintenance & Repair
- Space Plan

In addition to the capital project shown in this section, the County Drain Commissioner and Department of Public Works oversee a number of water and sewer construction projects each year. These projects are initiated by local units of government or other agencies, and although the county issues the debt and retains ownership of the infrastructure, the local units are responsible for repairs, maintenance and debt repayment. For this reason these are considered "component units" (more information on page H-1). This arrangement is discussed in greater detail under the Debt Service section beginning on page G-21.

Building construction and acquisitions are carried out by the Washtenaw County Building Authority, a separate nonprofit corporation, with ownership being passed to the county upon retirement of all debt, or through an oversight committee established by the county Board of Commissioners. These budgets are established for the duration of a project and are taken to the Board of Commissioners on a case by case basis. This is discussed in greater detail under the Debt Service section.

CAPITAL IMPROVEMENT

Over the past decade Washtenaw County has worked to ensure proper infrastructure development and maintenance is achieved for all county operations. The foundation of the county’s strategic framework is that all employees have the necessary skills, resources and tools essential to provide customer service. Each county business is dependent on the infrastructure of space, technology and professional development. This is County Guiding Principle #4. Without a strong plan in each of these areas, the business will not be successful. Since the inception of the Business Improvement Process, Washtenaw County has continually progressed in its approach to providing infrastructure in an integrated manner. As with all government agencies, Washtenaw County continues to face the challenge of ever increasing needs and opportunities with limited resources. It is essential that these resources be used in a wise manner to serve our citizens. The governance of our infrastructure is critical in ensuring that our delivery systems are efficient and effective and that our employees have what they need to provide world class service. For purposes of internal infrastructure allocation, infrastructure is defined as the tools, skills and knowledge necessary for employees to work effectively and efficiently. This includes:

- Space
- Capital equipment
- Technology
- Professional development
- Processes (and their impact on positions)

Prior to the Business Improvement Process the provision of these resources was uncoordinated and hit-or-miss at best. Each planning cycle has seen an improvement in the manner in which our infrastructure is provided and maintained. A history of this progression is provided below and on the next page.

| | Technology | Space | Professional Development |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| 1996/97 | PC replacement schedule – the beginnings of the county’s Technology Plan was a plan to provide every employee with a PC on a 3 year replacement schedule | | Technology – the first priority for the new PD program was an emphasis on county employees becoming proficient in the use of available technology |
| 1998/99 | Mainframe to Client/Server – primary emphasis was to migrate county systems from mainframe applications to client/server applications both for usability and in preparation for Y2K | Space Plan Phase I – County began the first phase of coordinated space plan that would design and construct 5 new county facilities | |
| | | Ergonomic Furniture – comprehensive plan to provide all employees with ergonomically correct furniture over a 3 year period | |
| 2000/01 | Server replacement schedule – with the expansion of county networks and applications a replacement schedule the county’s 50+ servers and network hardware was developed | Capital reserve – the Board of Commissioners established a capital reserve policy and fund to be sustained by delinquent tax revenue. It would be the source of all capital expansion projects and associated debt service | |
| | | Capital improvement schedule – development of a comprehensive 20 year schedule to ensure proper maintenance of all facilities. To be funded by a dedicated 1/8 th | |

WASHTENAW COUNTY MICHIGAN

| | | mill allocation | |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--|
| 2002/03 | Web enablement – Washtenaw County had built a world class infrastructure and was now positioned to take advantage of the opportunities afforded by the internet. | | |
| 2004/05 | Systems integration – The planning focus for this cycle was expanding the concept of service area groups and strengthening our internal capacity through systems integration. The strategic direction of all infrastructure resources was channel toward systems integration | | |
| 2006/07 | Infrastructure Integration – further integrated the provision of resources through the development of one comprehensive infrastructure plan detailed in separate components. Coordination of the plans was advanced through implementation of common project management methodology, standards and partnership agreements between Support Services and departments. | | |
| 2008/09 | Shared Project Selection and Implementation Processes – much emphasis was made to create a consistent and strategic process for project selection based on organizational needs and priorities. Each infrastructure request was channeled through the county’s Infrastructure Resource Allocation (IRA) process with an organizational wide panel conducting an evaluation process. Support Services staff then developed a recommended budget based on staff capacity and funding allocation. Each project was then implemented using the county’s project management framework. The county’s fixed asset management system Tririga assisted in this process allowing the county to comprehensively track space, equipment, furniture and personnel assignments. | | |

For 2010/11, the economic downturn and organizational changes resulted in a renewed focus on the county’s approach to infrastructure. It was desired to save resources where possible as long as there was no significant long-term risk associated with the budget reduction. The organization understood the financial situation and made very few requests for infrastructure enhancements. As a result, the 2010/11 budgets more or less is based on a commitment to maintain our existing infrastructure as strategically and cost effective as possible.

The county’s capital budgets are shown on the next page by major fund as outlined in the 2010/11 Budget Resolution. The focus of the remainder of the capital section is on the following funds as these service the entire organization rather than being earmarked for specific service areas or component units:

- Fund 4010 1/8th Mill Building Maintenance – based on life cycle of facility components with a contingency for unplanned repair/replacement
- Fund 4020 Capital Projects – for significant building remodels outside the scope of debt service projects
- Fund 4050 Capital Equipment – Including Technology Plan funding a combination of maintenance to existing technology as well as enhancements or allocation of new technology, with a contingency for unplanned repair/replacement. Also includes appropriation for operating equipment replacement as needed.
- Fund 6320 Fleet – Acquisition, maintenance and disposal of vehicles funded through direct charges to each department in which a fleet is assigned.

Contingencies as well as reasonable fund balances are provided within the capital funds as infrastructure needs cannot always be predicted. Most of these allocations cover on-going, routine capital needs. The Space Plan narrative provides more information on some of the county’s larger capital investments, with an outline on the impact of operations where appropriate. In addition, great strides have been made within the county’s building maintenance to focus on preventive maintenance. Most is outlined later in this section with an overview of how this effort has saved the county’s resources through a reduction in Facilities staff and operating costs.

WASHTENAW COUNTY ANNUAL CAPITAL FUNDS

| Fund | Agency | | 2008 | 2009 Projected | 2010 | 2011 |
|------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------|--------------|--------------|
| 4010 | 240 | 1/8TH MILL BUILDING MAINTENANCE & REPAIR <i>Funding for the county's 20 year CIP to maintain our existing facilities, provide for security & safety of those entering county facilities.</i> | \$ 2,005,731 | \$ 1,596,486 | \$ 1,346,486 | \$ 1,346,486 |
| 4020 | 240 | CAPITAL PROJECTS <i>Contains miscellaneous capital renovation projects that are funded without bond issue, frequently through a small annual general fund appropriation and through department identified revenues.</i> | \$ 372,008 | \$ 300,000 | \$ 150,000 | \$ - |
| 4040 | 400 | REGISTER OF DEEDS AUTOMATION FUND <i>A state required fund based on fees within the county's Register of Deeds office to finance technology related enhancements within ROD operations.</i> | \$ 229,583 | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| 4050 | 220 | TECHNOLOGY PLAN & CAPITAL EQUIPMENT <i>Includes maintaining the county's existing infrastructure, the replacement of network and desktop equipment, software upgrades and system enhancements to meet the goals of the organization.</i> | \$ 2,768,569 | \$ 2,431,246 | \$ 2,530,016 | \$ 2,165,232 |
| 4060 | 200 | CAPITAL RESERVES <i>Established by the BOC with funding predominately through the Delinquent Tax funds for funding of the county's strategic space plan, including the payment of capital bond issues.</i> | \$ 6,334,880 | \$ 7,097,979 | \$ 6,360,059 | \$ 6,307,577 |
| 4300 | 580 | DPW REVOLVING <i>This fund provides seed money for DPW projects while they wait for revenue from special assessments.</i> | \$ 54,035 | \$ 47,000 | \$ 47,000 | \$ 47,000 |
| 4500 | 580 | WWRA RECYCLING PROJECT <i>This fund is managed through Public Works and handles recycling for local communities paid for through special assessments.</i> | \$ 403,954 | \$ 357,000 | \$ 357,000 | \$ 357,000 |
| 6320 | 240 | FLEET SERVICES <i>An internal service fund for the acquisition, disposal and maintenance of the county's fleet.</i> | \$ 2,764,366 | \$ 2,568,569 | \$ 2,516,048 | \$ 2,478,957 |

Note: This list does not include financial data for the county's capital bond projects although the bond repayment is included within the Capital Reserves. Also, the Fleet Services fund is including in this section as capital, however, it is not reflected throughout the book as part of capital as a means to prevent double counting. The fleet fund is an internal service fund with a direct payment from those county departments and offices with county vehicles through a fleet allocation.

Washtenaw County Infrastructure Allocation Process

Since the inception of the Business Improvement Process, Washtenaw County has continually progressed in its approach to providing infrastructure in an integrated manner. The Business Improvement Process has encouraged county staff to continuously improve service delivery. This inevitably leads to requests for infrastructure enhancement projects.

As with all government agencies, Washtenaw County faces the challenge of ever increasing needs and opportunities with limited resources. It is essential that these resources be used in a wise manner to serve our citizens. The governance of our infrastructure is critical in ensuring that our delivery systems are efficient and effective and that our employees have what they need to provide world class service.

For Washtenaw County:

Infrastructure is defined as the tools, skills and knowledge necessary for employees to work effectively and efficiently. This includes:

- Space
- Capital equipment
- Technology
- Organizational Development
 - Professional development
 - Processes (and their impact on positions and other infrastructure)

Governance is defined as:

- Ensuring the alignment of resources with business objectives (County-wide and Departmental)
- Ensuring resources are used in the most effective and efficient manner
- Ensuring decisions regarding resources are made at appropriate levels within the organization

DETERMINING INFRASTRUCTURE NEEDS FOR 2010/2011

Despite the challenge of ever increasing needs and opportunities along with limited resources, Washtenaw County provided an opportunity through base budget discussions for each Department Head and Elected Official to make requests for infrastructure improvements. The organization responded with an understanding that resources were scarce and that now may not be the appropriate time to do infrastructure modifications. Very few requests were submitted. The following two pages provide the standard evaluation used by the county in determining infrastructure requests for funding. While this wasn't used significantly in the 2010/11 budget process due to the lack of requests, the county remains committed to using a structured evaluation process throughout the years as operational changes occur and the need for infrastructure modifications becomes evident.

We anticipate new infrastructure needs will be identified during 2010/11. These requests will be handled through the Infrastructure Request Allocation (IRA) Process. The developed process systematically gathers requests and evaluates them based on business merits, and select projects based on clear criteria. A review panel will be assembled to review and score all requests based on a common score sheet (see next page). Each request will be examined for estimated effort (staff time), cost and business merit.

As part of the Phase 1 budget reductions, both Information Technology and Facilities Management committed to significantly reduce costs for the 2010/11 budget. Each unit engaged their leadership team and staff to identify critical efforts to maintain the county's existing infrastructure. These discussions led to the recommended budgets and project lists for their respective areas, as reflected on the following pages.

**Department Review Panel
2010/11 Infrastructure Enhancement Requests**

Application #: _____

Name of Request: _____

Final Score:

Customer Need (Max 30 Points): _____

Internal Efficiencies (Max 30 Points): _____

Collaborations (Max 25 Points): _____

Maximize Resources (Max 15 Points): _____

Total Score (100 Points Possible): _____

The scores and recommendations of the Department Review Panel will be reviewed and considered by the Support Services Leadership Team. This information will be weighted along with other data sources such as direction from Strategic Steering Committees (Document Imaging, GIS, eGovernment, etc), project Total Cost of Ownership (TCO) calculations, alignment with Support Services goals, and the capacity within Support Services for enhancement projects during the 2008/09 fiscal years. Support Services will then make a recommendation to County Administration who will in turn provide the final recommendation to the Board of Commissioners in the Administrator's Recommended Budget.

While the opinions and scores of the review panel are not the final decision, this information is critical to ensuring the county makes the best use of limited resources to maximize the impact on the organization and community. Due to the breadth of requests being considered, we want to ensure consistency and objectivity as much as possible in this review. As a result, we ask that you review your final score in the following framework:

_____ 90 – 100 Points This is an exemplary request with no significant questions remaining that if funded will result in the desired outcomes of community impact, collaborations, internal efficiencies and maximizing county resources. Ideally this request would be funded.

_____ 75 – 89 Points This is a very good request with few major questions remaining that if funded should result in at least three of the desired outcomes of community impact, collaborations, internal efficiencies and maximizing county resources significantly being accomplished. This request is a good candidate for funding.

_____ 60 – 74 Points This is a request with some merit that will in part result in some of the desired outcomes of community impact, collaborations, internal efficiencies and maximizing county resources. More information may be needed to fully understand the impact of this request which could result in a higher score upon further review.

_____ 0 – 59 Points This request does not adequately address the desired outcomes of community impact, collaborations, internal efficiencies and maximizing county resources. More information may be needed to fully understand the impact of this request.

Customer Need / Community Impact

Max Score 30 Points:

| Major Considerations: | Yes | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| Does this initiative demonstrate a customer service enhancement for a significant portion of the community? | | |
| Does this request align with Community of Interest goals or a change in a departmental business plan to better meet customer needs? | | |
| Will this initiative increase available information/data for better policy/program decisions that will be used to better meet customer needs? | | |

Internal Efficiency

Max Score 30 Points:

| Major Considerations: | Yes | No |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| Does the request demonstrate that it will reduce the cost of doing business through an anticipated savings in FTE or operating costs? | | |
| Does the request demonstrate that it will reduce the cost of doing business through saved staff time or operating costs that can be redirected towards other initiatives? | | |
| Will this initiative provide the necessary tools to employees for them to more efficiently carry out operations? | | |

Collaborations

Max Score 25 Points:

| Major Considerations: | Yes | No |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| Does this request demonstrate collaboration between county departments (further systems integration)? | | |
| Will this initiative further systems integration between county departments? | | |
| Will this initiative develop partnerships between “Public & Private”, “Public & Non-profit”, or “Public & Private & Non-Profit” resulting in a community wide increased efficiency or effectiveness? | | |

Maximizing County Resources

Max Score 15 Points:

| Major Considerations: | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| Does this request demonstrate that county dollars will be leveraged by resulting in new outside funding being awarded to the county? | | |
| Does this request demonstrate feasibility and commitment of all parties needed to fully implement the project? | | |
| Does this request adequately address any concerns about sustainability? | | |

TECHNOLOGY AND CAPITAL EQUIPMENT

In the 21st century, technology is playing an increasingly larger role in how citizens, visitors, businesses, and employees conduct business with the county. Thus, Washtenaw County has made it a goal to maintain and continually upgrade the current viable technological infrastructure and to be a leader in the emerging field of E-Government, Geographic Information Systems and Document Management.

2010/2011 TECHNOLOGY CAPITAL PLAN

The focus of the Technology Capital Plan is to:

- Maintain current infrastructure (example: Server Maintenance, Application Upgrades)
- Provide necessary tools and technologies to County employees (example: PC & Server Replacement, New Software, etc.)

The Capital Plan below outlines the strategic direction for each focus area mentioned above.

Emerging Trends

The emerging trends this year are focused on efficiencies, cost savings, energy savings, and partnerships.

- Collaborative Technology
- Desktop Virtualization
- Web 2.0
- Green IT
- Rapid Development Tools
- Desktop Collaboration
- Windows 7

Maintaining Existing Infrastructure

- **PC Replacement Plan:** PC Replacement was deferred in 2009 which resulted in a one-time \$350,000 savings. Current standards specify that desktops be replaced every 4 years while laptops are replaced every 3 years. The new and proposed standards replace desktops every 5 years and laptops every 4 years. These new standards were developed to maximize the hardware useful life and realize immediate costs savings. IT's strategy is to replace approximately 600 PC's within the next two years by using a combination of traditional laptop replacement to support the growing trend towards mobile commuting, utilizing desktop virtualization and redeploying used PC's that are still within county operating system requirements. This strategy will allow Washtenaw County to maintain a ratio of 3 PC technicians to support over 1900 PC's and remain competitive and efficient in the rapidly changing field of technology.
- **Server Replacement:** Replace servers every 4-5 years to achieve 99.9% network uptime to ensure critical systems remain operational. We added a year to our server life by adding an inexpensive 3rd party warranty to all servers over 3 years old. This not only extends life, but saves maintenance costs. We are still planning on replacing 15 servers in 2010 and 25 servers in 2011 due to normal replacement timelines. Beginning in 2006, efficiency was increased by introducing virtual server technology, which replaced 13 physical servers. There are currently 30-40 virtualized servers in operation. To further increase efficiency and capacity, IT will continue to virtualize servers during 2010/11 where it makes technical and financial sense. Cost reductions of up to 30% per server have been realized by implementing a virtualization strategy.
- **Fiber Network:** Complete installation of the county's 90 mile long high speed fiber network. The fiber network will link 16 county locations and facilitate the further sharing of high speed computing and networking resources with the City of Ann Arbor. This will also be the first replacement of the county's wide area data network in 12 years moving away from leased fixed bandwidth services. The core network is comprised of dual fault tolerant redundant fiber optic rings with a speed of 10 Gigabits per second connecting 5 core campus locations. The remaining county sites will be connected as spokes off of the main ring with speed of 1 Gigabit per second. The main goal of the project is to reduce or eliminate leased service costs as well as future proof the county's core data network infrastructure for the next 25 years.

- **Core Technologies Strategy:** IT continues to support a large demand despite a much smaller staff by implementing core technologies. Projects for a continued focus on limiting technology components include:
 - Removing UNIX from the core technologies by replacing UNIX servers with Windows servers
 - Rewriting the Public Defender system from Oracle Forms (not core) to Java (core)
 - Rewriting the DayOne system from Perl (not core) to Java (core)

Strategic Direction for Technology during 2010/11

- **Sustainability:** Sustainability efforts focus on environmental sustainability and the ability of staff to support the infrastructure we operate. **Virtualization:** Server and desktop virtualization provide opportunities for both: they use less energy for the same computing power and require less staff effort for maintenance and provide better disaster recovery. **Core Technologies:** Reducing the number of technologies enables staff expertise to be more focused and effective. **Managed Desktop Environment:** Providing all staff with the same equipment, operating system and application base enables greater day-to-day stability, reliability and virus protection. It also enables a higher-than-industry-standard PC to staff ratio. **Desktop Energy Savings:** staff will continue to investigate and implement energy saving options to reduce energy consumption.
- **Collaboration:** Washtenaw County will continue to support local units of government technology through revenue generating partnerships. Through these collaborations, local units receive quality service while the county IT receives funding. The City of Ypsilanti, Chelsea PD and Pittsfield PD currently receive county technology support. Additionally, further opportunities will be explored with the City of Ann Arbor Information Technology Department, as well as other regional organizations and the State of Michigan. In 2009, county IT moved the data center to Ann Arbor City Hall. By moving the data center, the county was able to avoid building or retrofitting infrastructure to relocate data center operations. Now that the city/county have a joint data center, both organizations are working together to identify and implement efficiencies which sustain services and support.
- **Software as a Service** – As departments need new software to meet changing requirements, county IT will work with the department to find a Software as a Service (SaaS) option where possible. Hosting applications remotely reduces the number of servers maintained by the county while vendor application support reduces the already heavy load placed on the county’s five person application support staff.
- **Document Management:** Washtenaw County purchased OnBase, an Enterprise Content/Document Management system in 2005 in recognition of the growing demand to electronically manage documents. Through OnBase, the county can manage all electronic documents - including their creation, capture, storage, routing and electronic workflow, security, revision control, retrieval, distribution, preservation and destruction of documents and content. The OnBase system currently stores over 4.2 million documents from 12 departments. OnBase also manages many departmental work processes including Friend of the Court Domestic Filings, Court Services Document Intake, Prosecuting Attorney & Sheriff Arrest Warrant Processing (eWarrants), and Purchasing Contracts processing resulting in significant time savings and customer service improvements. In addition, the county has entered into a partnership with the City of Ann Arbor to host the city’s document management and workflow within the county OnBase system. In exchange the city will share in the cost of OnBase maintenance and provide development expertise. New work processes coming online in 2010/11 will be; processing arrest warrants issued by township and city police agencies electronically, countywide electronic contracts processing including electronic signatures on contracts, grants management, and video arraignment.
- **JD Edwards (Washtenaw County’s ERP system):** Oracle’s support for our current version of JD Edwards will come to an end in 2013. This means that we will need to begin to prepare to upgrade or move our ERP software. In addition to handling the day to day support of the county’s most crucial software we must focus on tasks that will prepare us for the upgrade. Reviewing and documenting our business processes and continuing to improve our security model will be important areas of focus.
- **TRIRIGA:** The county's asset and work management software will continue to be a key tool in allowing us to find efficiencies in how we deliver our services, meet customer needs to assist them in supporting customers and extending the life of our most expensive assets especially our buildings.
- **GIS:** The county's Geographic Information System has adjusted to new economic conditions by focusing on partnerships, grant opportunities, and cost savings efforts. The GIS program received \$260,000 in Homeland Security grants for the acquisition of highly accurate elevation data that will be used to create 2’ contour layers and

building footprints in 2010. Both of these products will have significant market value and provide key information for first responders and assessment personnel. In addition, the county has partnered with the USGS, City of Ann Arbor, and SEMCOG to acquire 2010 aerial imagery at a fraction of the typical cost. The county partnered with the City of Ann Arbor to acquire online mapping tools that will allow the county to host City of Ann Arbor mapping applications while sharing the cost of maintenance and server infrastructure. In 2010/11 the GIS program will continue to pursue partnership opportunities with the City of Ann Arbor and other external entities. This includes combining the City and County GIS infrastructure to lower costs, providing map and data sales for the City of Ann Arbor to increase revenue, partnering with the State of Michigan on application development and hosting, and continuing to partner on data acquisitions and pursue grant opportunities.

TECHNOLOGY & CAPITAL EQUIPMENT SUMMARY

In order to be good stewards of public resources, the technology provided to county employees is technology that is established, proven and economical rather than cutting edge. All decisions for technology are made upon careful consideration and investigation/analysis of return on investment. Washtenaw County citizens will most greatly benefit through enhanced customer service and through internal efficiencies that reduce the cost of doing business.

The following table summarizes the Technology Plan expenditures for 2010 and 2011. The Technology Plan is included as part of the Capital Equipment Fund, that budget can be found on the following page.

| Account Description | 2010 | | 2011 | |
|---------------------------|-----------|------------------|-----------|------------------|
| | | Adopted Budget | | Adopted Budget |
| Technology Training | \$ | 30,000 | \$ | 30,000 |
| Telecommunications | \$ | 269,000 | \$ | 270,000 |
| Desktop Equipment | \$ | 721,353 | \$ | 774,846 |
| Network Equipment | \$ | 142,500 | \$ | 172,500 |
| Enterprise Applications | \$ | 362,500 | \$ | 475,000 |
| Systems Integration | \$ | 438,594 | \$ | 194,953 |
| Contingency | \$ | 1,285 | \$ | 47,933 |
| One-time Costs | \$ | 364,784 | \$ | - |
| Total Expenditures | \$ | 2,330,016 | \$ | 1,965,232 |

A planned use of fund balance is budgeted in 2010 for one-time costs as the county shifts from a leased network system to a county's owned fiber network. Both a lease payment and a debt service payment are required for this first year.

The following table summarizes the Capital Equipment Fund budget 2008 through 2011.

| | 2008 Actuals | 2009 Projected | 2010 Adopted | 2011 Adopted |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | |
| Federal Revenue | | | | |
| State Revenue | | | | |
| Local Revenue | \$ 114,196 | \$ 65,353 | \$ 99,000 | \$ 99,000 |
| Fees & Services | | | | |
| Fines & Foreitures | | | | |
| Internal Revenue | | | | |
| Interest Revenue | \$ 43,025 | \$ 3,475 | | |
| Other Rev & Reimb | \$ 172,794 | \$ 162,086 | \$ 426,784 | \$ 62,000 |
| Transfers In | \$ 2,389,747 | \$ 2,200,332 | \$ 2,004,232 | \$ 2,004,232 |
| Total Revenues | \$ 2,719,762 | \$ 2,431,246 | \$ 2,530,016 | \$ 2,165,232 |
| EXPENDITURES | | | | |
| Personal Services | 3,378 | 202,828 | 209,947 | 219,799 |
| Supplies | 5,538 | 4,441 | 5,000 | 10,000 |
| Other Services | 578,075 | 919,546 | 827,284 | 272,500 |
| Internal Service Charges | | | | |
| Capital Outlay | 2,108,508 | 1,304,431 | 1,041,500 | 1,165,000 |
| Reserves | 2,517 | | 446,285 | 497,933 |
| Transfers Out | 70,553 | | | |
| Total Expenditures | 2,768,569 | 2,431,246 | 2,530,016 | 2,165,232 |

FLEET SERVICES

The procurement, operation and maintenance of county owned vehicles are the responsibility of our Fleet Management Division. All transactions for the fleet will be accounted for in the Fleet internal service fund. The overall size of the county fleet is established by Board resolution in accordance with the biennial Planning Process.

The county undertook a complete business review of the operations and billing areas of our fleet management in 2006 and 2007. Most of the study took place in 2006 and were implemented throughout 2007 and into the 2008/09 fiscal years. It was found in the study that we needed to make a conscientious change from simply operating a garage, as we have done for the past many years, to professionally and strategically managing the fleet. Pursuant to changing the way we do business, a Fleet Manager position was converted out of the former Garage Supervisor, and an experienced Fleet Manager was hired in early 2007. Within the 2008/09 budget resolution, the Board of Commissioners approved updated Fleet Policies. Previous policies have not been updated in over 20 years and need to be done in accordance with the recommendations of the review process and the future direction of our fleet management. A summary of the policy governing vehicle procurement and management is as follows:

- A. Monthly lease fees shall be determined for departments or agencies utilizing a formula developed by the Fleet Manager as well as the full life cycle cost of owning the vehicle
- B. The County Administrator shall develop the rules of the Fleet and notify the Board of any changes
- C. Requests for equipment shall be made by the department head or designee during the biennial planning process
- D. Distance boundaries are included for assigned take home vehicles

A listing of vehicles scheduled by department is shown on the next page. A comparison with vehicles approved in the 2008/09 budget is shown to demonstrate the cost containment efforts of the organization along with budgeted fleet expenses for 2010/11. Discussions have been had throughout the organization to reduce the county's fleet size where operationally feasible. The county is committed to continuing these discussions as the organization and service levels continue to evolve.

2010/11 Vehicle Allocation by Department

| DEPARTMENT | 2008/09 | 2010/11 | Variance | 2010 | 2011 |
|------------------------------|------------|------------|------------|---------------------|---------------------|
| | Vehicles | Vehicles | | Adopted Budget | Adopted Budget |
| 14-A District Court | 1 | 0 | -1 | \$ - | \$ - |
| Administration | 3 | 1 | -2 | \$ 5,548 | \$ 5,743 |
| Building Inspection | 5 | 4 | -1 | \$ 30,389 | \$ 27,471 |
| Children's Services | 5 | 3 | -2 | \$ 22,291 | \$ 20,765 |
| Community Development | 1 | 1 | 0 | \$ 4,457 | \$ 5,038 |
| CSTS - All Units Combined | 38 | 43 | 0 | \$ 344,562 | \$ 349,292 |
| Drain Commission | 10 | 8 | 5 | \$ 86,951 | \$ 90,644 |
| Emergency Management | 2 | 2 | -2 | \$ 18,195 | \$ 17,436 |
| Environmental Health | 10 | 5 | 0 | \$ 32,045 | \$ 28,125 |
| ETCS | 1 | 1 | -5 | \$ 4,795 | \$ 4,425 |
| Facilities Management | 30 | 20 | 0 | \$ 108,947 | \$ 123,995 |
| Fleet Services | 3 | 0 | -10 | \$ - | \$ - |
| Parks & Recreation | 11 | 11 | -3 | \$ 82,405 | \$ 85,586 |
| Planning & Environment | 1 | 0 | 0 | \$ - | \$ - |
| Prosecuting Attorney | 3 | 3 | -1 | \$ 22,603 | \$ 21,689 |
| Public Defender | 0 | 1 | 0 | \$ 4,831 | \$ 6,405 |
| Sheriff - All Units Combined | 116 | 112 | 1 | \$ 1,525,044 | \$ 1,461,358 |
| Soil Erosion | 1 | 1 | -4 | \$ 7,579 | \$ 6,831 |
| Treasurer | 1 | 2 | 0 | \$ 2,727 | \$ 3,310 |
| Trial Court Juvenile Center | 4 | 4 | 1 | \$ 46,930 | \$ 55,032 |
| Verterans Services | 1 | 1 | 0 | \$ 5,191 | \$ 5,203 |
| WCHO | 1 | 0 | 0 | \$ 5,056 | \$ 5,109 |
| Total County Fleet | 248 | 223 | -25 | \$ 2,360,547 | \$ 2,323,456 |

The above Fleet adopted budget for 2010/11 do not include \$155,500 that is expected from surplus property, gains of the disposal of assets and refunds/rebates.

1/8TH MILL ALLOCATION – BUILDING REPAIR & MAINTENANCE

An effective organization must carefully plan for and manage the use of its physical assets. The buildings, which comprise an organization's physical inventory, must meet the operating needs of that organization. As an organization devoted to serving the public, Washtenaw County's facilities serve as the support structure for county departments as they in turn provide service to the public. The process of capital planning and budgeting ensures that Washtenaw County facilities are developed and maintained in a manner that meets the needs of the county's citizens. The process recognizes that government operate within specific fiscal constraints and resources are not available to accomplish every objective immediately. Through the planning process, capital needs are reviewed and prioritized. The result is a schedule of improvements and maintenance designed to match needs with available resources.

Capital improvement projects involve large expenditures of funds and generate a product, or facility, with a life of multiple years. Examples of capital improvement projects include:

- Remodeling or reconstruction of an existing facility
- Repair or replacement of building equipment (HVAC, plumbing, etc.)
- Repair or reconstruction of a major support system (parking lot, sidewalk, etc.)

Within Washtenaw County, the 1/8th mill allocation focuses on existing facilities. Development of new county facilities is a function of the county Space Plan. The primary activities that are contained in the 1/8th mill allocation are maintenance and improvements to existing facilities such as replacement of roof systems, carpeting and other interior finishes are also included in this process.

Facilities Management is responsible for leading the 1/8th mill allocation planning and budgeting process. Development and implementation of the plan is a collaborative effort involving Finance, Budget, Information Technology and Administration staff. Through review and analysis of existing facilities and identified space needs, capital improvement projects have been developed over the last 4 years.

The projects address necessary upgrades of county facilities with respect to the condition of the building and its systems, safety, building code compliance (including the Americans with Disabilities Act), reduction of liability and energy management. We also budget for the expansion of existing security systems, while also focusing on the installation of Closed Circuit Television Systems (CCTV) in key facilities. It is expected that the rollout of Security systems and CCTV will continue over the next few budget cycles.

During the process of reviewing the replacement and maintenance schedules, it was documented that there is a large amount of maintenance that would normally be due on buildings that the 1/8 allocation would not be able to cover within one or even two budget cycles. Due to the efforts through a preventive maintenance methodology on our county infrastructure, many of these maintenance items were rolled forward reducing the impact on the current budget cycle by extending the expected life of the equipment (assets). It should be noted additional deferred maintenance is held in abeyance pending large capital renovations or disposition that exceeds an estimated \$10M.

Process

Performance of the Capital Improvement Process involves a number of efforts:

1. **Annual review of the existing physical inventory of facilities:** Utilizing departmental staff and appropriate consultants, a review is performed of existing facilities to determine maintenance and improvement needs. Staff incorporates established preventive maintenance schedules into this review effort, along with industry standards for equipment replacement, life expectancy for specific equipment and knowledge of current performance levels.
2. **Response to departmental requests:** In response to departmental requests for remodeling or modification of their space through the Infrastructure Allocation Request process outlined above, the Facilities Management leadership team develops plans to meet identified space needs. The plans are developed in

concert with the requesting department, utilizing their input to shape the product. This often involves the use of mechanical engineers, or other specialized consultants that provide specific expertise or background. Input is sought from all staff within Facilities Management, particularly the Maintenance Technicians and Skilled Trades. These employees' hands-on experience and knowledge of county facilities is an invaluable element in the development of building renovation plans.

3. **Ongoing examination of projects and priorities:** Throughout the year, Facilities Management encounters requests for building changes and improvements, as well as unanticipated maintenance needs. Staff reviews the requests and maintenance needs and determine their relative priority in relation to projects already established or in development. If necessary, project schedules may be renegotiated to reflect the urgency or priority of need. It should be noted that while it is necessary to acknowledge that emergencies can arise, it is the intent of the planning process to minimize their occurrence.

The result of this planning process is a Preventive Maintenance Schedule. This schedule illustrates the county's plan for repair, maintenance or replacement projects within county Facilities Management. It addresses such major systems as HVAC systems, roof systems, parking lots, carpet, etc. The first two years of this plan identifies specific projects that will be implemented within the budget allocation. It provides information on the type of project, estimated cost and the proposed timeframe for implementation. Management of the Capital Maintenance Plan is the responsibility of Facilities Management in collaboration with the rest of Support Services and county Administration.

There has been considerable effort throughout 2009 in shifting the Facilities Management from a reactionary organization to one that concentrates more on preventive maintenance. By completing all preventative maintenance work on time, we have reduced the number of equipment breakdowns and the need for emergency maintenance work. This shift in management has greatly reduced staffing needs and operating costs within our Facilities Operations & Management fund. This philosophy has freed both staff and funds for completing planned maintenance and project work. In addition, we are able to provide more accurate life expectancy estimates of the county's equipment. There are 5 key strategies that we are using to make this effort successful:

1. Organizational processes support balanced preventive and demand maintenance
2. All maintenance work meets or exceeds quality standards
3. Tririga, our computer aided facilities management system, supports all FM functions
4. Continuously improve maintenance processes
5. Customers are encouraged to support maintenance initiatives

The cost estimates for planned 1/8 Mill projects are prepared through the review of current construction costs, historical construction cost data and the professional experience and judgment of the staff. Funds for the projects are provided by the biennial budget resolution of the County Board of Commissioners which allocates 1/8 Mill for capital improvements from the General Fund.

The 2010/2011 adopted budget for the 1/8th mill allocation is provided below with allocations shown by building. The entire amount will be reflected in the Capital Outlay category which reflects the Board of Commissioners priority of 1/8th Mill being allocated to the ongoing maintenance of our infrastructure. The amount shown in All County includes the annual repayment of the Chevron bond payment for energy efficiencies and allocated amount for systems and infrastructure that support all county properties and departments including replacement schedules for carpet, paint, sidewalks, HVAC, security systems and signage. All of these budget allocations are preliminary and subject to a final, thorough infrastructure review at the end of each fiscal year to ensure costs are allocated where appropriate.

2010/11 Preliminary 1/8th Mill Project List

| Preliminary 1/8th Mill Project Plan | 2010 | 2011 |
|------------------------------------------------------------------------|---------------------|---------------------|
| | Adopted Budget | Adopted Budget |
| 22 Center HVAC Roof Top Units Phase 3 Replacement | | \$ 95,000 |
| 101 E Huron HVAC Court/Clerk Distribution System | \$ 50,000 | |
| 2155 Hogback Mail Shop Parking Overhang | \$ 25,000 | |
| 220 N Main Parking Lot and Drain Repairs | \$ 25,000 | |
| 2201 Hogback HVAC Reheat, Controls, Distribution | \$ 100,000 | \$ 100,000 |
| 2201 Hogback Abatement Follow Up - Ceiling, Walls, Floor | \$ 150,000 | |
| All County Infrastructure - Flooring | \$ 75,000 | \$ 75,000 |
| All County Infrastructure - Chevron Energy Project Payment | \$ 445,000 | \$ 445,000 |
| All County Infrastructure - Mechanical/Plumbing Components Replacement | \$ 75,000 | \$ 75,000 |
| All County Infrastructure - Security Infrastructure Improvements | \$ 100,000 | \$ 50,000 |
| All County Infrastructure - Energy Management System | \$ 50,000 | |
| All County Infrastructure - Interior/Exterior Paint | \$ 62,500 | \$ 62,500 |
| All County Infrastructure - Signage | \$ 12,500 | \$ 12,500 |
| East Campus Sidewalk Replace/Replace | \$ 15,000 | \$ 15,000 |
| Service Center Sidewalk Replace/Replace | \$ 15,000 | \$ 15,000 |
| West Campus Sidewalk Replace/Replace | \$ 15,000 | \$ 15,000 |
| Reserve for Moves, Renovations, Unanticipated Repairs | \$ 131,486 | \$ 386,486 |
| Total Budget | \$ 1,346,486 | \$ 1,346,486 |

WASHTENAW COUNTY SPACE PLAN

Background

Throughout the summer of 2006, Washtenaw County undertook a space planning project at the direction of the Board of Commissioners. The outcome of this project was to identify the overall facility needs for the county over the course of the next 20 years. In addition, the Board requested that this process inform their decisions regarding immediate space needs for implementation from 2007 through 2010.

The Space Plan report dated November 1, 2006 and as reflected in resolution #06-0246 reflects the findings of several data gathering processes, including:

- Compilation of several facility planning projects
- Facility needs assessment analyses
- Public engagement with key stakeholder groups, including other local units of government, the for-profit sector and the not-for profit sector
- Assessment of current county facilities and their value
- Review of demographic and population information
- Strategic planning by various departments within Washtenaw County

The result of these efforts was a document that projected space needs for the future of Washtenaw County. This document will continue to be updated on a frequent basis, in conjunction with the county's biennial budget process, and will provide a framework for the planning elements undertaken in each budget cycle.

The new Space Plan builds upon the Board of Commissioners successful progress during the past decade of accomplishing new infrastructure projects to replace obsolete facilities or create new space for growing programs. Projects completed over the past decade include:

- 200 North Main
- Western County Service Center
- 110 N. Fourth Avenue
- 110 E. Huron Downtown Courthouse
- Delonis Center
- Head Start Facility
- Youth Center (Juvenile Detention and Intensive Outpatient Treatment Services)

Immediate Issues

The Space Plan report identified that the greatest needs of the county remained in the area of public safety and justice and county health programs, and included:

- **Increasing the jail capacity and upgrading the infrastructure** – a \$21.8M bond issue funded through the county's capital reserves and an \$800K annual general fund appropriation. Additional staff and operating costs will be necessary with the increase of 112 jail beds. Full operating cost impact is in discussions with the Sheriff.
- **Replacing the 14A-1 District Court** – a \$12.8M bond issue funded through the county's capital reserve and the Public Improvement Fund. No additional operating costs are anticipated. The current 14A-1 facility is planned to be demolished (estimated cost of \$120K) resulting in great capital savings through a reduction in long-term deferred maintenance.
- **Constructing a new 14A-4 Saline District Court** – a \$2.7M project funded through previous bond issues and the county's Public Improvement Fund to meet the legal mandate. Additional operating costs for utilities and operations are anticipated.
- **Renovation of 555 Towner as a health campus** – a reduced renovation project was completed in 2008/09 with just over \$1M of funding through the 1/8th mill. No impact on operating costs is anticipated.
- **Relocation of ETCS** – leased facility at Key Bank with renovation and lease paid for through additional cost allocation plan revenue and outside funding where appropriate.

- **New County Data Center** – integration with the City of Ann Arbor with the county’s portion funded through the 2008/09 technology plan.
- **Fiber Optic Network** – \$2.8M bond issue project which will offset ~\$300K annual leased network services through AT&T.
- **Identifying the needs and defining a new location for the Juvenile Division of Family Court** – planned move from Platt Road to downtown Ann Arbor courthouse upon the move of the City of Ann Arbor 15th District Court to realize approximately \$300K in operating cost savings within the Trial Court. Potential for significant savings in future capital through a reduction in deferred maintenance if the old facility is demolished.
- **Eastern County Government Center 14A-2 District Court space study** – an evaluation to determine needs and potential changes to maximize operations and security. Potential for future allocation of capital projects funding which may result in increased operating costs depending on agreed upon modifications. Also possibility for revenue enhancements through new programming.
- **Preparing a plan of action for addressing the deficiencies in the Trial Court facilities** – an evaluation of the long-term needs of the Trial Court within the downtown Ann Arbor courthouse.

The report also confirmed that the efforts of the Board of Commissioners to organize services around service area groups have been successful from an infrastructure perspective by locating similar services together where possible. The study also demonstrated that these efforts can be improved even further and there remain opportunities to realize increased operational efficiencies through facility location and design.

To date most of immediate needs items in the Space Plan have been completed or are in progress. The county has recently completed the new 14A-4 Saline District Court project. It has begun construction for the jail expansion project and the new 14A-1 District Court facility. It is anticipated that Phase One of the Jail and 14A-1 District Court projects will be completed and operational in mid 2010 and Phase Two, the renovation of the existing jail infrastructure will be completed by December 2010. The county completed the movement of the data center in a joint venture with the City of Ann Arbor. A scaled down version of the Towner Health Campus renovation was completed. The programming study of the Eastern County Government Center – 14A-2 District Court was completed, ETCS relocation completed with a new expansion of space underway, and the identification of needs for the Juvenile Division of Family Court was completed.

Other projects are underway or in development at this time. The 2010/11 operating budget for the Trial Court is based on the assumption that the Juvenile Center will relocate from Platt Road to the downtown Ann Arbor Courthouse. This would allow for the sale of the Platt Road property.

County Space Needs: 2008 – 2026

With the creation of these new projects the county’s building infrastructure is thought to be well-positioned to support the business needs of Washtenaw County through the coming decade, although that will need to be reviewed as the organization continues to evolve through this economic downturn. A long range plan for the use of Zeeb Road and the master planning of the service center as a Social Justice Campus are also long-term considerations.

We will continue to focus on the improvement of existing facilities through the 1/8th mill allocation, coupled with the judicious consolidation of workspace as an overall strategy.

Two new initiatives that will assist in providing the framework in which to achieve a coordinated plan for the most efficient utilization of the county’s facilities

1. The implementation of county-wide standards for resources such as space and design standards
2. Initiating the creation of a county master plan for development and department location to provide the road map for future space plan implementation

Implementing these standards and master plan in alignment with best practices developed by peer organizations and professional associations provides an excellent opportunity for Support Services to:

- Clarify expectations around resource allocation
- Streamline procedures for providing those resources

- Create local unit collaboration opportunities
- Reinforce dual accountability between departments and Support Services
- Introduce transparency to the decision-making process

By applying these policies throughout Washtenaw County, we will create a more cohesive organization and also reduce the cost of doing business. The policies that govern our operations will periodically be presented to the Board of Commissioners as they are updated to reflect the Board's current objectives and our internal operating practices. These updated policies as well as direction from the Board will continue to influence the next steps relating to the pending space needs of the county.

DEBT SERVICE

The issuance of debt is controlled by various State of Michigan Statutes, which limits amounts and times for capital and other projects of the county. Depending on the applicable legislation, repayment is provided from a number of sources. In some cases the repayment comes from separate funds but with the general faith and credit of the county as additional security, while in other situations debt service is a direct charge to the General Fund of the county.

The six county agencies having statutory authority to issue bonds include:

- 1) The County as a whole for a General Obligation bond requiring voter approval of a specific bond issue
- 2) The County Treasurer for cash flow borrowing
- 3) The County Building Authority for capital improvement and expansion projects
- 4) The County Drain Commissioner for drainage projects
- 5) The County Board of Public Works for sewer, water or solid waste type projects
- 6) The County Road Commission when the Michigan Transportation Fund is involved

Prior to 1979, State law permitted counties to levy extra property tax millage to retire debt on construction projects within limits, without a vote of the people. The State Headlee Constitutional Amendment now requires new issuances to be paid from within operating millage unless there is a specific vote of the people approving it. Therefore, the county now has a combination of debt retirement from outside the operating millage (pre-Headlee projects) and from within operating millage (post Headlee projects).

The county has entered into lease agreements with the Washtenaw County Building Authority, a separate nonprofit corporation, established under Act 31, P.A. Michigan 1948, for the use and improvement of various county buildings and facilities. By agreement, the leases are scheduled to terminate when sufficient rentals have been paid to the Building Authority to retire the related bond issues. At termination of the leases, titles to the leased properties will be passed to the county. Since the Building Authority is part of the governmental unit's entity for financial reporting purposes, the debt and assets of the Building Authority are reported as part of county funds.

The county has entered into lease agreements with various local units of government and agencies representing the amount of the bonds sold by the county to finance the construction of water and sewer systems for the local units of government and agencies. In compliance with Act 185, P.A. Michigan 1957, as amended, the county maintains ownership, and the local units of government and agencies operate, maintain, repair, insure and manage the systems.

Washtenaw County has established specific procedures that govern the issuance of debt, regardless of which agency initiates the process, which include but are not limited to the following:

- A. Total County debt shall not exceed 10% of the county's equalized property value. Computation of Legal Debt Margin is on page G-27.
- B. Bonds will be paid off within a period not to exceed the useful life of the project.
- C. The Board of Commissioners shall promote projects which meet comprehensive plans and goals.
- D. The Board of Commissioners shall review the feasibility of a local unit of government's request based on plans and goals and determine if the county's full faith and credit shall be approved to support County bonds and notes.
- E. The County Administrator, or his/her designee, shall be responsible for the administration and implementation of county policies and procedures and shall work closely with those Boards, Authorities or Officials that have county responsibility in determining feasibility and in implementing such projects.
- F. The County shall appoint a financial and bond counsel advisor and said consultant may assist the county Administrator in reviewing a government's bond requests. The services of the adviser shall only be used after it is determined that county staff cannot provide the information.

G. The County Administrator shall provide, in writing, information which will assist the county to determine if a project is reasonable and should or should not be supported to receive county full faith and credit. Such information shall relate to county policies and procedures and shall be provided to the Board of Commissioners and other authorizing Boards and authorities within sixty (60) days after its receipt. Comments from the County Administrator shall come from but are not limited to the following:

1. Input from the County Metropolitan Planning Commission as to whether the county's local land use policies are consistent or inconsistent with this proposed project
2. Input from the County Board or authority having statutory authority over the project regarding the project's technical acceptability
3. Input on how the financing of the project will affect financing projects of other local governments, county government or its agencies over the next five years
4. Input on how the project compares to the county formula for fund bond allocations for individual units of government
5. Input from a benefit analysis report for the project as it relates to the county's own funding allocation program
6. Input through a credit analysis carried out by the county appointed financial and bond counsel advisor

H. A local unit shall demonstrate its ability to retire County bonds as its schedule defines. If a feasibility study has been completed on a pay back schedule it should be included. The alternative methods of pay back include:

1. If by revenues, what kind?
2. If by taxes, would it be through extra taxes or within the existing tax levy?
3. If by general appropriations, are there guarantees that the appropriations will continue to be collected?
4. By special assessments
5. By connection charges or other extended annual charge
6. By any combination of the above
7. And other statutorily collected and distributed revenues

I. If growth in tax revenues as user fees is the approach to retiring bonds and notes, the local unit shall identify the projected rate of growth and how that rate was determined.

J. A local unit shall identify any reserve funds that will exist to assist the local government retiring the bonds or notes if the primary source of repayment is depleted.

K. In addition, to all other statutory requirements, any County agency issuing bonds or notes shall notify the Finance Department Head of pending issues, roles, funds, and bank accounts established and other relevant information to issuance so that the Finance Department may establish proper records and monitor the total County debt.

L. County cash flow borrowings initiated by the County Treasurer, as agent for the County, shall be restricted for the purpose of paying 100% of the delinquent real property taxes for the preceding year to the County and all units of government within the County.

M. Proceeds from long-term debt will not be used for current ongoing operations.

Source: Board of Commissioners Policy I-F3-1, Resolution 86-0252; County Procedure I-F3-4.

ANALYSIS OF DEBT & SOURCES OF FUNDING

County indebtedness consists of General Obligation Bonds and Notes, Special Assessment Bonds and Installment Notes.

General Obligation

General obligation bonds and notes include Waterworks Serial Bonds, Sanitary Sewer Improvement Serial Bonds, State Revolving Fund Act 185 Bonds, Michigan Department of Transportation Loan, Michigan Transportation Fund Bonds, Building Authority Bonds and Delinquent Tax Notes. As explained on page G-21, the county enters into lease agreements with various local units of government and agencies sufficient to cover indebtedness of bonds sold for the construction of water and sewer systems, roads and transportation improvements, building expansions and capital improvement projects. The county also has a financing arrangement for Delinquent Tax Notes whereby a bank will refinance delinquent tax notes monthly based on the FMC 7-day Commercial Paper rate, for an amount dependent upon delinquent tax collections. Delinquent property taxes receivable are pledged as collateral for repayment of the outstanding delinquent tax notes.

Special Assessment Bonds and Installment Notes

Special Assessment Bonds and Installment Notes include Drain Improvement Bonds and Notes and Road Commission Notes. The debt is repaid from special assessment levies against benefited property owners. The county has pledged its full faith and credit for payment of the Drain Improvement Notes and Bonds. The Road Commission Improvement Bonds are backed by the full faith and credit of the local units of government (townships).

Schedules

The Schedule of Bond Indebtedness and Notes Payable for 2010 are included on page G-24.

The Schedule of Debt Service Requirements for 2010 through 2029, including principal and interest payments, is reported on page G-25 for General Obligation Bonds and Notes, Special Assessment Bonds and Installment Notes Payable. The schedule reports a debt service requirement summary for the total reporting entity.

The Sources of Funding summary for debt retirement in 2010 is reported on page G-26. As explained on page G-21, the table shows the difference between operating millage and pre-Headlee millage sources of funding. Special assessment and project revenue comes from lease agreements, special assessment levies and some charge backs to districts or benefited property owners for services provided and time spent on specific projects. Interest and penalties revenue is comprised of interest earnings and collection fees.

The Computation of Legal Debt Margin on page G-27 shows the current debt of the county as a percentage of allowable debt (10% of the County's equalized value, see page G-21).

**SCHEDULE OF BOND INDEBTEDNESS & NOTES PAYABLE
JANUARY 1, 2010**

| DESCRIPTION | INTEREST RATE | FISCAL | PRINCIPAL OUTSTANDING 1/1/2010 | FISCAL YEAR 2010 | | BALANCE |
|---------------------------|-----------------|------------------------|--------------------------------|----------------------|---------------------|-----------------------|
| | | YEAR OF FINAL MATURITY | | PRINCIPAL | INTEREST | OUTSTANDING 1/1/2011 |
| GENERAL OBLIGATION | | | | | | |
| Water/Sewer Serial Bonds | 1.625% - 6.75 % | 2028 | \$ 31,772,279 | \$ 2,910,000 | \$ 1,223,133 | \$ 28,862,279 |
| Road Commission Bonds | 2.0% - 7.0 % | 2012 | \$ 900,000 | \$ 300,000 | \$ 39,600 | \$ 600,000 |
| Building Authority Bonds | 1.5% - 4.75 % | 2028 | \$ 83,125,000 | \$ 6,485,000 | \$ 2,689,662 | \$ 76,640,000 |
| Delinquent Tax Notes | 1.5% - 3.68% | 2011 | \$ 25,000,000 | \$ 18,000,000 | \$ 359,350 | \$ 7,000,000 |
| SUBTOTAL | | | \$ 140,797,279 | \$ 27,695,000 | \$ 4,311,745 | \$ 113,102,279 |
| SPECIAL ASSESSMENT | | | | | | |
| Drain Improvement Bonds | 1.625% - 6.5% | 2031 | \$ 8,876,464 | \$ 560,000 | \$ 270,163 | \$ 8,316,464 |
| Road Commission Bonds | 2.0% - 7.0 % | 2019 | \$ 320,000 | \$ 18,000 | \$ 5,546 | \$ 302,000 |
| SUBTOTAL | | | \$ 9,196,464 | \$ 578,000 | \$ 275,709 | \$ 8,618,464 |
| INSTALLMENT NOTES | | | | | | |
| Drain Improvement Notes | 1.625% - 6.5% | 2014 | \$ 2,079,961 | \$ 1,241,399 | \$ 162,709 | \$ 838,562 |
| Road Commission Notes | 2.0% - 7.0 % | 2013 | \$ 1,620,000 | \$ 375,000 | \$ 53,838 | \$ 1,245,000 |
| SUBTOTAL | | | \$ 3,699,961 | \$ 1,616,399 | \$ 216,547 | \$ 2,083,562 |
| TOTAL INDEBTEDNESS | | | \$ 153,693,704 | \$ 29,889,399 | \$ 4,804,001 | \$ 123,804,305 |

DEBT SERVICE REQUIREMENTS-ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS 2010-2031

| FISCAL YEAR | GENERAL OBLIGATION BONDS AND NOTES | | SPECIAL ASSESSMENT BONDS AND NOTES | | NOTES PAYABLE | | TOTAL DEBT REQUIREMENTS | |
|----------------|---------------------------------------|----------------------|---------------------------------------|---------------------|---------------------|-------------------|-------------------------|----------------------|
| | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST |
| 2010 | \$ 27,695,000 | \$ 4,311,745 | \$ 578,000 | \$ 275,709 | \$ 1,616,399 | \$ 216,547 | \$ 29,889,399 | \$ 4,804,001 |
| 2011 | \$ 17,840,000 | \$ 4,102,724 | \$ 473,000 | \$ 259,902 | \$ 662,804 | \$ 78,543 | \$ 18,975,804 | \$ 4,441,169 |
| 2012 | \$ 11,460,000 | \$ 3,708,486 | \$ 524,000 | \$ 243,812 | \$ 609,104 | \$ 54,696 | \$ 12,593,104 | \$ 4,006,994 |
| 2013 | \$ 11,620,000 | \$ 3,281,822 | \$ 535,000 | \$ 227,824 | \$ 738,054 | \$ 31,769 | \$ 12,893,054 | \$ 3,541,415 |
| 2014 | \$ 10,260,000 | \$ 2,841,356 | \$ 524,000 | \$ 211,621 | \$ 73,600 | \$ 3,054 | \$ 10,857,600 | \$ 3,056,031 |
| 2015 | \$ 10,705,000 | \$ 2,440,031 | \$ 529,000 | \$ 195,388 | \$ - | \$ - | \$ 11,234,000 | \$ 2,635,419 |
| 2016 | \$ 9,400,000 | \$ 2,045,309 | \$ 468,000 | \$ 180,456 | \$ - | \$ - | \$ 9,868,000 | \$ 2,225,765 |
| 2017 | \$ 5,880,000 | \$ 1,672,636 | \$ 429,000 | \$ 167,754 | \$ - | \$ - | \$ 6,309,000 | \$ 1,840,390 |
| 2018 | \$ 5,605,000 | \$ 1,442,915 | \$ 433,000 | \$ 155,530 | \$ - | \$ - | \$ 6,038,000 | \$ 1,598,445 |
| 2019 | \$ 5,050,000 | \$ 1,223,074 | \$ 453,000 | \$ 142,655 | \$ - | \$ - | \$ 5,503,000 | \$ 1,365,729 |
| 2020 | \$ 4,132,279 | \$ 1,003,429 | \$ 425,000 | \$ 129,671 | \$ - | \$ - | \$ 4,557,279 | \$ 1,133,100 |
| 2021 | \$ 3,805,000 | \$ 836,358 | \$ 440,000 | \$ 116,721 | \$ - | \$ - | \$ 4,245,000 | \$ 953,079 |
| 2022 | \$ 3,880,000 | \$ 676,540 | \$ 455,000 | \$ 103,196 | \$ - | \$ - | \$ 4,335,000 | \$ 779,736 |
| 2023 | \$ 2,595,000 | \$ 538,756 | \$ 460,000 | \$ 89,179 | \$ - | \$ - | \$ 3,055,000 | \$ 627,935 |
| 2024 | \$ 2,685,000 | \$ 431,696 | \$ 475,000 | \$ 74,651 | \$ - | \$ - | \$ 3,160,000 | \$ 506,347 |
| 2025 | \$ 2,300,000 | \$ 320,140 | \$ 425,464 | \$ 59,561 | \$ - | \$ - | \$ 2,725,464 | \$ 379,701 |
| 2026 | \$ 2,405,000 | \$ 225,772 | \$ 370,000 | \$ 45,046 | \$ - | \$ - | \$ 2,775,000 | \$ 270,818 |
| 2027 | \$ 2,480,000 | \$ 124,752 | \$ 280,000 | \$ 33,436 | \$ - | \$ - | \$ 2,760,000 | \$ 158,188 |
| 2028 | \$ 1,000,000 | \$ 19,481 | \$ 290,000 | \$ 23,676 | \$ - | \$ - | \$ 1,290,000 | \$ 43,157 |
| 2029 | \$ - | \$ - | \$ 300,000 | \$ 13,463 | \$ - | \$ - | \$ 300,000 | \$ 13,463 |
| 2030 | \$ - | \$ - | \$ 165,000 | \$ 6,188 | \$ - | \$ - | \$ 165,000 | \$ 6,188 |
| 2031 | \$ - | \$ - | \$ 165,000 | \$ 2,063 | \$ - | \$ - | \$ 165,000 | \$ 2,063 |
| TOTAL | \$ 140,797,279 | \$ 31,247,022 | \$ 9,196,464 | \$ 2,757,502 | \$ 3,699,961 | \$ 384,609 | \$ 153,693,704 | \$ 34,389,133 |

SOURCES OF FUNDING FOR 2010

| DESCRIPTION | OPERATING MILLAGE | OTHER GOV. UNITS | SPECIAL ASSESSMENTS & PROJECT REVENUE | INTEREST EARNINGS AND PENALTIES | TOTAL |
|---------------------------|------------------------------|---------------------------------|--------------------------------------------------------------|----------------------------------------------------|----------------------|
| GENERAL OBLIGATION | | | | | |
| Water/Sewer Serial Bonds | | | \$ 4,133,133 | | \$ 4,133,133 |
| Road Commission Bonds | | | \$ 339,600 | | \$ 339,600 |
| Building Authority Bonds | | | \$ 9,174,662 | | \$ 9,174,662 |
| Delinquent Tax Notes | | | | \$ 18,359,350 | \$ 18,359,350 |
| SPECIAL ASSESSMENT | | | | | |
| Drain Improvement Bonds | \$ 77,500 | \$ 77,500 | \$ 675,163 | | \$ 830,163 |
| Road Commission Bonds | | | \$ 23,546 | | \$ 23,546 |
| INSTALLMENT NOTES | | | | | |
| Drain Improvement Notes | | | \$ 1,404,108 | | \$ 1,404,108 |
| Road Commission Notes | | | \$ 428,838 | | \$ 428,838 |
| TOTALS BY SOURCE | \$ 77,500 | \$ 77,500 | \$ 16,179,050 | \$ 18,359,350 | \$ 34,693,400 |

**COMPUTATION OF LEGAL DEBT MARGIN
JANUARY 1, 2010**

| Debt issued for purpose of County functions only: | |
|------------------------------------------------------------|-----------------------|
| General obligation tax notes | \$ 20,000,000 |
| Building authority bonds | \$ 83,975,000 |
| Notes payable | \$ 194,756 |
| County share of drain bonds and notes | \$ 558,237 |
| Subtotal | \$ 104,727,993 |
| Debt issued for benefit of local improvements: | |
| Drain bonds and notes | \$ 8,165,744 |
| Public works - water & sewer | \$ 31,772,279 |
| County Road Commission | \$ 1,220,000 |
| Subtotal | \$ 41,158,023 |
| Total debt issued with County full faith and credit | \$ 145,886,016 |
| Washtenaw County debt limit: | |
| 2009 Assessed Value - Real & Personal Property * | \$ 17,529,497,260 |
| Constitutional debt limit | 10% |
| County debt limited | \$ 1,752,949,726 |
| Outstanding debt | \$ 145,886,016 |
| Remaining debt limit against which bonds may be issued | \$ 1,607,063,710 |
| Outstanding debt as a percentage of limit: | 8.32% |

* **Source:** County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax, and prior to any Board of Review actions