

INTRODUCTION

This section is designed to provide readers with insight into the revenues that enable the County to function. Projections made in this section are derived from a combination of sources depending on the revenue and involve a variety of statistical analysis methods.

Projections for revenues generated by departments have been made in agreement with those departments. Throughout the budget development, discussions about revenue are held with each department. During these discussions departments highlight current revenue flows, anticipated levels for 2010 and 2011 and any factors that might impact the future status of revenues (i.e. legislation, economy, trends, etc.).

The analysis of major revenues beginning on the following pages examines the mix of funding sources that make up the County's revenue picture and attempts to explain some of the impacting factors. The revenues examined are primarily those which impact the General Fund. Property tax is the largest revenue source for the county with information provided starting on page E-5. Pages E-9 through E-10 provide detail on some of the revenues that Washtenaw County receives through the State of Michigan. The remaining charts are for revenues generated locally, or through a combination of local and state funding. General Fund revenues are highlighted first, followed by a discussion of revenues for other governmental type funds. The distinguishing feature of these revenues is that they are designated for distinct purposes and are outside the control of the General Fund.

MAJOR REVENUE ANALYSIS

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

Taxes & Penalties – Primarily property taxes.

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

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

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

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

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

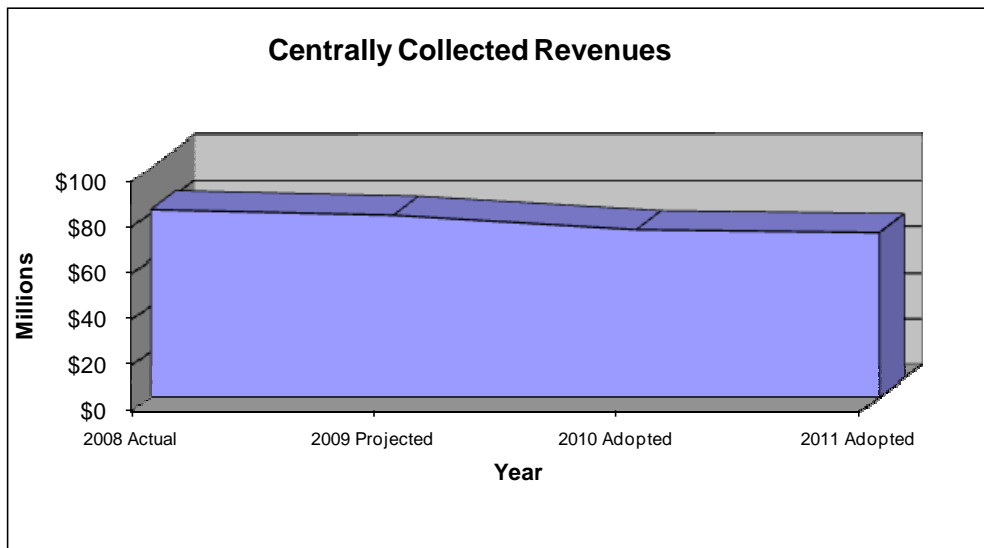
Of the many revenues summarized by these major classifications, a small number of sources account for the majority of the County's General Fund income. On page E-4, a chart lists in descending order the largest revenue sources. Note that these sources have consistently comprised approximately 95% of the total General Fund revenues. However, the ratio is reduced in 2011 to approximately 90% due to the planned carry-forward from 2010. Early in the budget process, each revenue is analyzed in conjunction with the Departments' most knowledgeable staff in regard to that particular source. Prior year trends, statistical analysis, economic factors, political climate and expert knowledge are all taken into consideration as projections for the coming cycle are generated. Each of these revenues will be discussed individually on the following pages.

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

**GENERAL FUND
CENTRALLY COLLECTED REVENUES**

Revenues	2008 Actual	2009 Projected	2010 Adopted	2011 Adopted
Taxes and Penalties	\$70,205,639	\$68,199,872	\$62,925,468	\$57,576,803
Licenses & Permits	\$0	\$0	\$0	\$0
Federal, State, & Local Revenues	\$2,349,577	\$2,054,884	\$1,886,212	\$1,886,212
Services, Fees, & Fines	\$389,901	\$366,883	\$369,955	\$369,955
Interest Earnings	\$769,588	\$750,000	\$634,400	\$434,400
Other Rev. & Reimbursement	\$7,833,941	\$7,724,875	\$6,940,954	\$11,220,954
Total	\$81,548,647	\$79,096,514	\$72,756,989	\$71,488,324

Note: The Other Revenue & Reimbursement category includes Transfers In to the General Fund. In 2011 this category is high due to the planned carry forward from 2010 in the amount of \$4.28M. Removing this revenue source from the 2011 fiscal year amounts shown would further demonstrate the decline in centrally collected revenues within the General Fund.



**SUMMARY OF ALL REVENUE SOURCES
2010 GENERAL FUND**

	Total	Property Taxes	Licenses & Permits	State & Local Revenue	Fees & Services	Fines & Forfeits	Interest Earnings	Other Rev. & Reimb.
Central Revenues Percentage	72,756,989 73.35%	62,925,468		1,886,212	369,955		634,400	6,940,954
Departmental Revenues Percentage	26,435,720 26.65%		220,700	3,357,637	18,918,048	1,262,100	34,400	2,642,835
Total	\$ 99,192,709	\$ 62,925,468	\$ 220,700	\$ 5,243,849	\$ 19,288,003	\$ 1,262,100	\$ 668,800	\$ 9,583,789

**MAJOR GENERAL FUND REVENUES
SEVEN YEARS COMPARISON**

DESCRIPTION	2005 ACTUAL	2006 ACTUAL	2007 ACTUAL	2008 ACTUAL	2009 PROJECTED	2010 ADOPTED	2011 ADOPTED
<i>Property Tax</i>	\$ 59,645,096	\$ 66,237,030	\$ 72,803,649	\$ 70,205,639	\$ 68,199,872	\$ 62,925,468	\$ 57,576,803
Sheriff's Services	\$ 8,260,152	\$ 8,640,799	\$ 9,502,647	\$ 11,208,101	\$ 11,500,043	\$ 11,942,096	\$ 12,413,380
<i>State Revenue Sharing</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Transfer from Revenue Sharing Reserve Fund</i>	\$ 5,731,819	\$ 5,920,969	\$ 6,140,045	\$ 6,281,266	\$ 6,557,642	\$ 6,557,642	\$ 6,557,642
Real Estate Transfer	\$ 2,545,218	\$ 2,208,023	\$ 1,843,622	\$ 1,397,379	\$ 1,027,891	\$ 900,000	\$ 900,000
<i>State Liquor Tax</i>	\$ 1,557,692	\$ 1,652,316	\$ 1,762,234	\$ 1,904,153	\$ 1,739,728	\$ 1,739,728	\$ 1,739,728
Court Costs	\$ 1,488,786	\$ 1,699,906	\$ 1,732,146	\$ 1,581,470	\$ 1,642,162	\$ 1,882,162	\$ 1,882,162
State Court Fund	\$ 1,539,236	\$ 1,483,759	\$ 1,508,338	\$ 1,537,070	\$ 1,487,000	\$ 1,487,863	\$ 1,487,863
Register of Deeds Fees	\$ 1,533,465	\$ 1,213,673	\$ 1,010,954	\$ 783,579	\$ 798,233	\$ 800,000	\$ 800,000
Ordinance Fines & Costs	\$ 967,824	\$ 1,016,863	\$ 977,205	\$ 928,765	\$ 940,934	\$ 1,056,500	\$ 1,056,500
Salary Reimbursement	\$ 903,318	\$ 807,094	\$ 792,763	\$ 794,649	\$ 773,461	\$ 786,955	\$ 786,955
<i>Interest Earnings</i>	\$ 628,154	\$ 1,145,750	\$ 1,429,479	\$ 785,074	\$ 571,034	\$ 668,800	\$ 468,800
Drain Contribution	\$ 473,538	\$ 479,016	\$ 536,268	\$ 617,675	\$ 631,480	\$ 594,840	\$ 594,840
Probation Oversight Fees	\$ 259,429	\$ 371,335	\$ 602,281	\$ 458,390	\$ 346,937	\$ 385,000	\$ 385,000
Civil Fee	\$ 372,060	\$ 347,162	\$ 369,427	\$ 411,237	\$ 340,000	\$ 340,000	\$ 340,000
Prisoner Board	\$ 321,638	\$ 328,312	\$ 190,125	\$ 202,646	\$ 181,432	\$ 300,000	\$ 300,000
<i>State Cigarette Tax</i>	\$ 201,764	\$ 190,628	\$ 155,769	\$ 110,968	\$ 146,484	\$ 146,484	\$ 146,484
Probate Court Fee	\$ 89,326	\$ 110,139	\$ 104,346	\$ 108,700	\$ 125,883	\$ 125,500	\$ 125,500
SUBTOTAL	\$ 86,518,515	\$ 93,852,774	\$ 101,461,298	\$ 99,316,761	\$ 97,010,216	\$ 92,639,038	\$ 87,561,657
TOTAL GENERAL FUND	\$ 92,348,356	\$ 98,738,578	\$ 107,562,264	\$ 106,250,989	\$ 103,760,837	\$ 99,192,709	\$ 98,405,155
Major revenues as a percent of total	93.69%	95.05%	94.33%	93.47%	93.49%	93.39%	88.98%

Note: Centrally collected revenues are listed in italics.

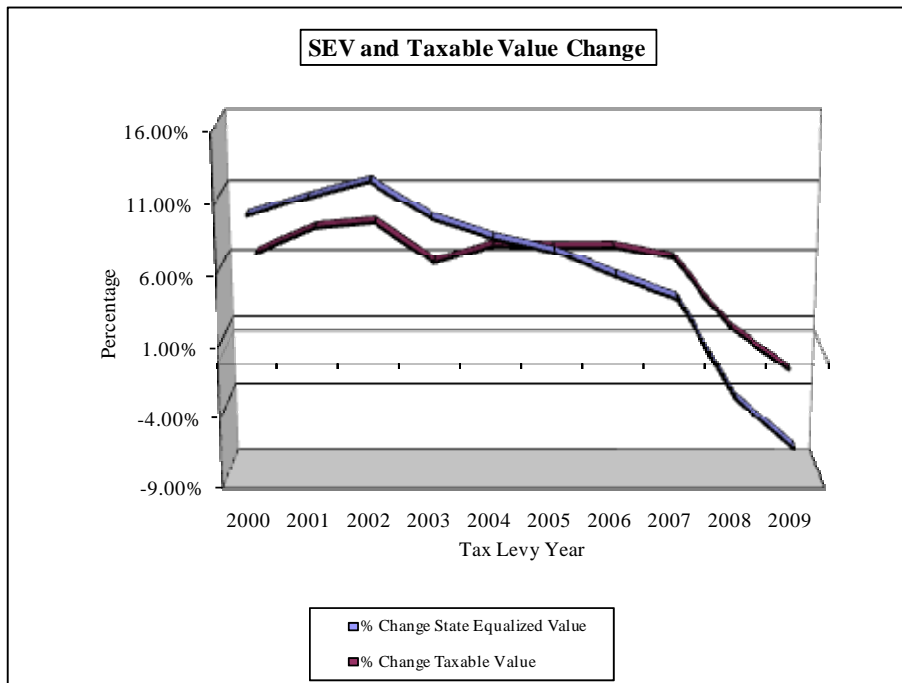
COUNTY PROPERTY TAX

INTRODUCTION- PROPOSAL A

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

STATE EQUALIZED VALUATION (SEV)

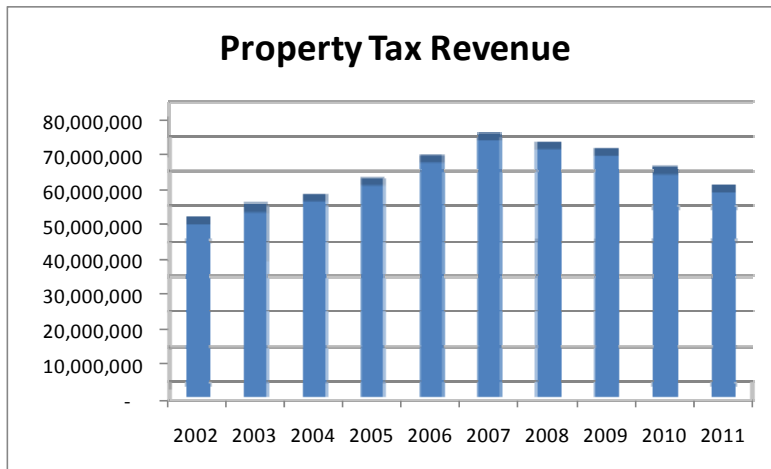
Washtenaw County continues to be one of the leading growth counties in Michigan. The total SEV for the 2009 County property tax levy, including the taxable portion of Industrial Facilities Tax properties, is \$17,529,497,260. However, due to Proposal A passage (discussed above), the taxable value is only \$15,312,121,625. As can be seen in the graph below, both the SEV and taxable value have had declining growth rates, with the SEV’s growth declining more rapidly resulting. This is resulting in a shrinking gap between SEV and Taxable Value. Also, for the first time the county is experiencing negative growth as is reflected below.



GENERAL FUND OPERATIONS

The 2010 General Fund budget includes continuation of the maximum property tax levy for operations. By State Law, this is 5.5 mills in Michigan counties without a special vote of the people. However, various factors such as the Headlee Constitutional Amendment, the loss caused by Tax Increment Finance Act (TIFA) Districts, and Proposal A will result in a net 2009 tax levy of 4.5493 mills. The net 2009 tax levy for General Fund operations is \$68,509,705 after reductions for Headlee, TIFA and Proposal A. In addition, the county’s top tax payer, Pfizer Global Research, has closed its City of Ann Arbor facility and has settled on a modified taxable value for 2009. This reduction is incorporated into the 2009 budget projections referenced throughout this publication.

Below is a 10 year comparison of the county’s general fund property tax revenues, with 2010 and 2011 being projected as part of this budget. It is estimated that property tax revenue will decline by 7.5% in 2010 and an additional 8.5% in 2011. The 2010 Equalization Report will be available in April of 2010 to determine the accuracy of these projections.



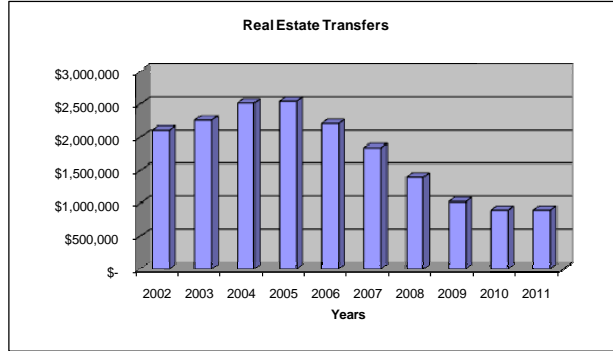
**DEPARTMENTAL REVENUE SUMMARY
2010 GENERAL FUND**

	Total Budget	Central Revenues	Licenses & Permits	State & Local Revenue	Fees & Services	Fines & Forfeits	Other Rev. & Reimb.
LEGISLATIVE							
Board of Commissioners	507,855	507,855	0	0	0	0	0
JUDICIAL							
Circuit Court	3,400,276	898,926	33,000	2,148,350	240,000	0	80,000
District Court	5,080,168	1,622,618	0	0	2,187,342	1,225,000	45,208
Probation	219,695	219,695	0	0	0	0	0
Probate Court - Estates	1,311,611	1,186,611	0	0	125,000	0	0
Probate Court - Juvenile	3,211,328	3,014,820	0	126,468	22,940	7,100	40,000
Public Defender	2,607,138	2,607,138	0	0	0	0	0
GENERAL GOVERNMENT							
County Administrator	739,728	739,728	0	0	0	0	0
Finance	2,120,930	2,120,930	0	0	0	0	0
Human Resources	1,115,813	746,951	0	62,000	0	0	306,862
Budget	607,148	607,148	0	0	0	0	0
Project Management	151,603	151,603	0	0	0	0	0
Information Technology	4,956,109	4,878,931	0	77,178	0	0	0
Corporation Counsel	195,503	195,503	0	0	0	0	0
Equalization	1,500,516	1,470,516	0	0	0	0	30,000
Building Authority	7,085	7,085	0	0	0	0	0
Clerk / Register of Deeds	4,470,490	926,090	24,700	0	3,390,800	30,000	98,900
Treasurer	1,397,583	1,077,463	22,000	0	268,120	0	30,000
Water Resources Commissioner	2,884,219	1,983,275	134,500	657,810	69,700	0	38,934
PUBLIC SAFETY							
Prosecuting Attorney	5,495,747	5,318,247	0	177,500	0	0	0
Sheriff	40,948,090	26,369,890	6,500	62,000	12,614,146	0	1,895,554
Emergency Management	514,148	371,040	0	46,331	0	0	96,777
SOCIAL SERVICES							
Veteran Services	469,971	469,971	0	0	0	0	0
CULTURE & RECREATION							
County MSU Extension	639,155	624,155	0	0	0	0	15,000
OTHER							
Reserves	1,573,469	1,573,469	0	0	0	0	0
Other Agencies	4,923,286	4,923,286	0	0	0	0	0
Costs allocated to other departments	-13,079,974	-13,079,974	0	0	0	0	0
TRANSFERS OUT							
	21,224,019	21,224,019	0	0	0	0	0
GRAND TOTAL	\$ 99,192,709	\$ 72,756,989	\$ 220,700	\$ 3,357,637	\$ 18,918,048	\$ 1,262,100	\$ 2,677,235

CLERK/REGISTER OF DEEDS

REAL ESTATE TRANSFER TAX

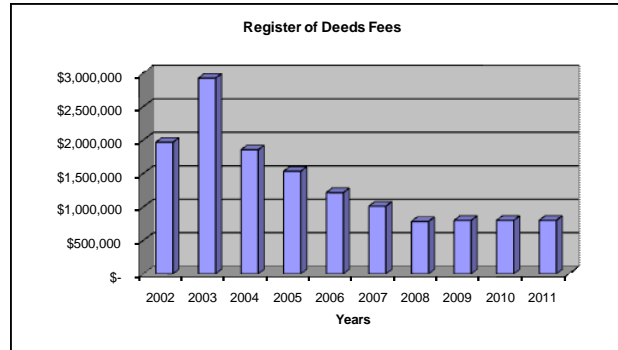
The passage of Proposal A brought a change to the rate of taxation on the sale of real estate. Effective January 1, 1995, all real estate transactions realizing a change of ownership for monetary consideration are charged a Transfer Tax of \$8.60 per thousand dollars of sale. Of this \$8.60 per thousand dollars of sale, \$7.50 per thousand is the State's tax, effective with the passage of Proposal A, and \$1.10 is the County's portion of the tax. The County's rate of \$1.10 has been unchanged for many years. It is the addition of the State's portion that has greatly increased the cost of purchasing real estate.



The amount of revenue has declined over the past several years due to the declining housing market resulting in fewer transactions coming through the Register of Deeds Office as well as transactions based on a reduced property value. The 2010 and 2011 budgets were developed through a review of current 2009 projections and assuming a continued although not as steep decline.

FEES & SERVICES

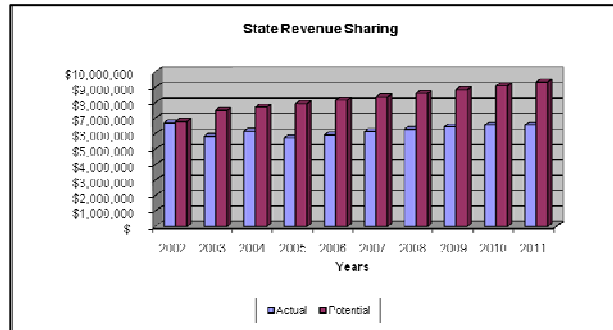
Real estate transactions continue to be a significant revenue generation in Washtenaw County. The Register of Deeds Office is responsible for recording real estate documents and collecting real estate transfer taxes. The economy and interest rates play an important role in the volume of documents recorded and have fluctuated greatly over the past 10 years.



The budget projections for 2010 and 2011 are in line with current 2009 collections and expectations for the rest of the year. As the graph demonstrates, a large decrease in revenue collections has resulted in the past several years.

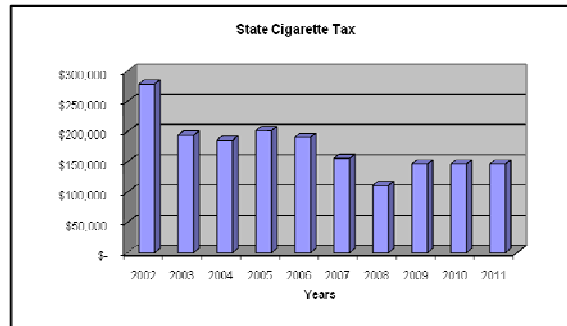
STATE REVENUE SHARING

The State of Michigan, in years prior to 1996, levied an income tax on both personal income and corporate profits. Of the revenue the State collected through this means, a small percentage was set aside for pass-through to local governments, known as revenue sharing. Effective January 1, 1996, the basis of the revenue sharing shifted from income tax to state sales tax per the changes brought about by Proposal A. County allocations were and still are based on population, as determined by the United States Census taken every ten years. In 2002, the State passed a budget that overrides the distribution formula for revenue sharing and instead based revenue sharing on the previous year's distribution with a reductionary factor. Beginning in 2004, the State again passed legislation that resulted in revenue sharing being calculated based on prior year's distribution but with an annual inflationary growth rate. However, instead of being paid by the State, the annual revenue sharing funds now are paid through a county reserve fund resulting from an early collection of property taxes. It is projected that the county will continue drawing down revenue sharing from the reserve fund but with an assumed flat inflationary factor. It is unknown what calculation will be used for revenue sharing, if any, once the reserve fund is depleted which is projected to occur for Washtenaw County in fiscal year 2013. In addition, the State is once again considering a modification to the revenue sharing system and may reduce the amount the county is able to withdraw from the reserve fund.



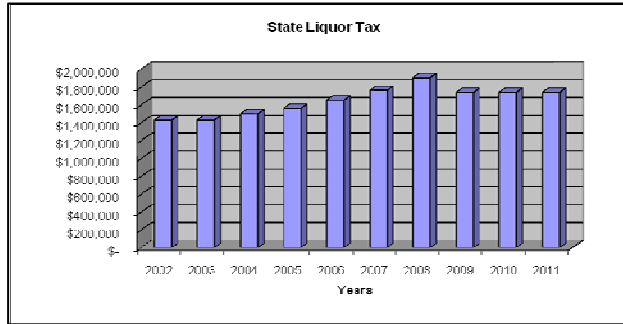
STATE CIGARETTE TAX

In December 1987, Public Act 264 - the Health and Safety Fund Act - was enacted by the State of Michigan, to be effective January 1, 1988. The legislation levies a \$.04/pack cigarette tax, with the revenue earmarked primarily for counties. By state law, 12/17ths of this revenue must be allocated to the County Health Fund to be used for new public health programming. The passage of Proposal A increased the tax on a package of cigarettes by 50 cents, affecting the revenue levels of this tax. Another tax increase in 2003 reduced revenue to Counties even further. (As taxes increase, people tend to buy fewer cigarettes.) The projected amount for 2010 is \$146,484. The graph shows a 10-year history of Washtenaw County's total cigarette tax allocation.



STATE LIQUOR TAX

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

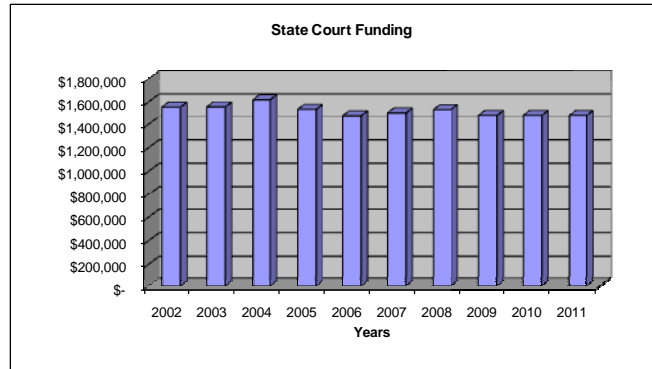


In October of 1987, the Board of Commissioners adopted a policy stating that of the 50% allocated to substance abuse programs, only one-third is to fund existing programs, while two-thirds is to be used for new programs.

The Washtenaw Community Health Organization (WCHO) Board is the coordinating agency for both Washtenaw and Livingston Counties. This Board is responsible for overseeing the distribution of substance abuse funds. The State of Michigan shifted the timing of distributions for this revenue resulting in higher funding levels in 2008.

STATE COURT FUNDING

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



For both 2010 and 2011, it is projected that Washtenaw County will receive approximately \$1,487,863, which is the same level as is projected for 2009.

INTEREST EARNINGS

The level of interest earnings generated is contingent on a number of factors as discussed below. Interest Earnings are projected to continue a decline due to the General Fund cash flow decline and use of the Revenue Sharing Reserve Fund cash which was assisting the General Fund as allowed by statute. For 2010 the General Fund interest earnings are projected to be \$668,800 and \$468,800 in 2011.

Interest Rates

Interest rates have been at a very low level over the past few years. The 2010/11 budget assumes interest rates are consistent with the past year, with lower rates than seen historically. The increase in interest earnings in 2006 was due to the county accounting for the early collection of property tax revenue in the General Fund prior to transferring to the Revenue Sharing Reserve Fund.

Instruments of Investment

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

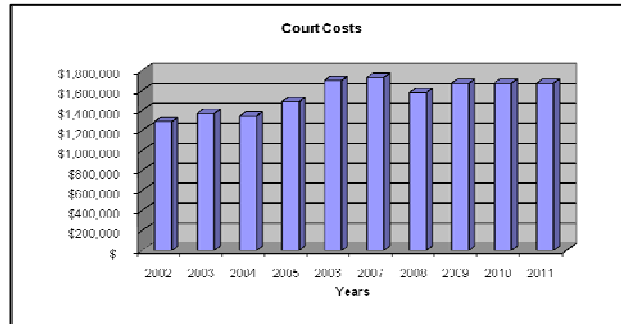


COURT GENERATED REVENUE

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

COURT COSTS

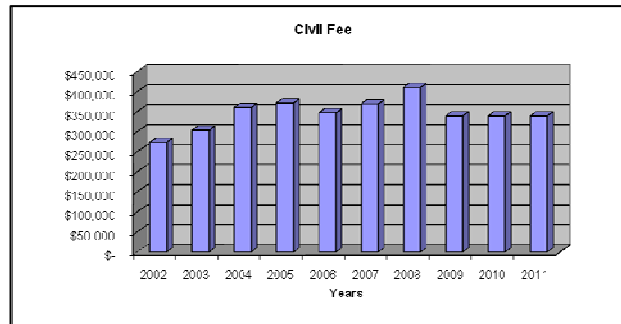
Court costs are one major area of collections for the courts. Revenues falling under this category can include assessments for traffic and criminal convictions, assessed late fees, and fees for failure to appear in court or failure to comply with judgments.



CIVIL FEES

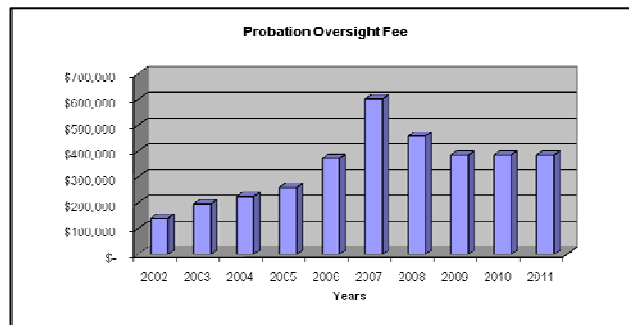
Civil fees are collected in the district division for a variety of civil proceedings. These fees may include initial case filing fees for small claims, general civil and landlord-tenant cases and also fees assessed for post-judgment actions.

New fee schedules and procedures were put in place in 2002 and 2003 resulting in a higher level of collections.



PROBATION OVERSIGHT FEES

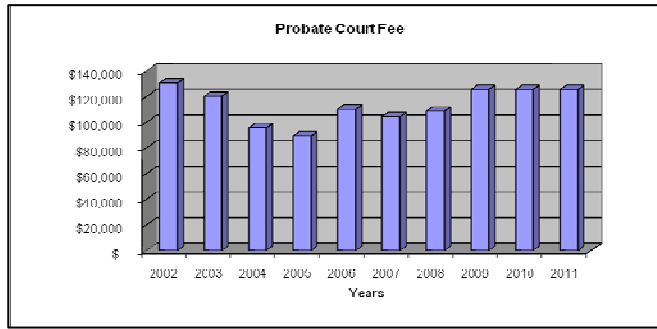
The district and juvenile divisions both charge recipients of probation services a fee. This fee is set by the judge and collected by the court to help defray the costs of probation services. Whatever is allowed by law and is reasonable as a fee for services will be charged to the user of the service. The increase leading up to the highest level in 2007 is due to operating procedures in District Court and the addition of new revenue generating positions focused on collections in the 2008/09 budget.



PROBATE COURT FEE

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

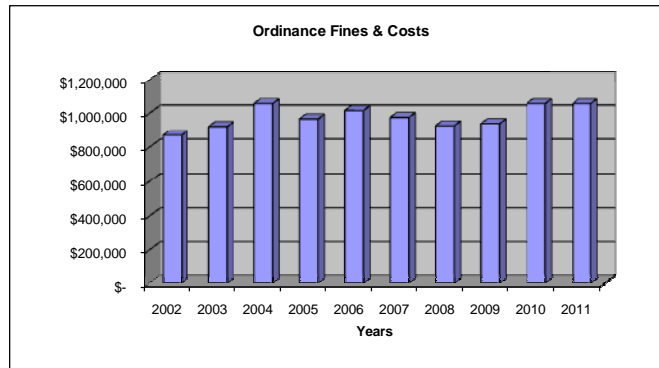
Many of the levels for these various fees are set by the State to be enforced at local levels. Upon collection, a certain pre-established portion of the revenue is disbursed to the State or to other benefiting agencies. The portion disbursed out of the county varies with each particular fine. Some are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



ORDINANCE FINES AND COSTS

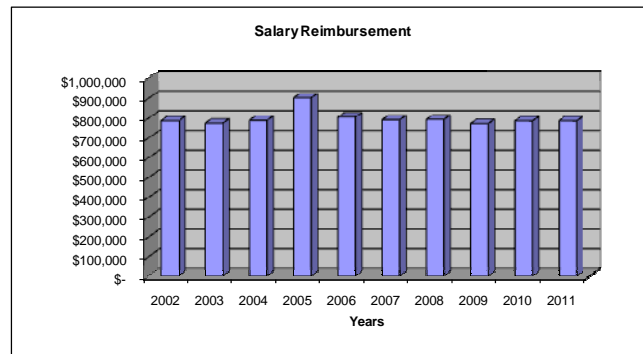
The District Court is responsible for the collection of fines and costs levied for violations of local ordinances. The court acts as a central collection point for these revenues. Once a month, they are deposited with the County Treasurer, who in turn disburses one third of the revenues back to the municipality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

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



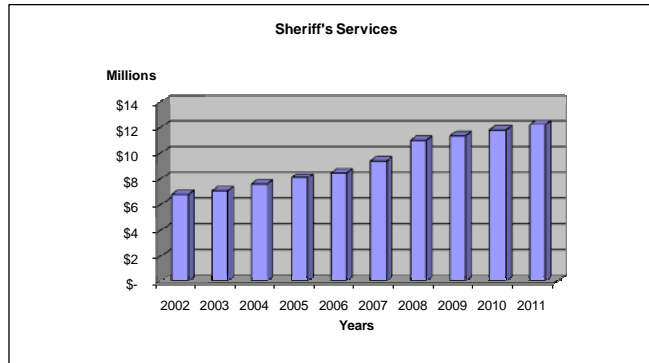
SALARY REIMBURSEMENT - STATE

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



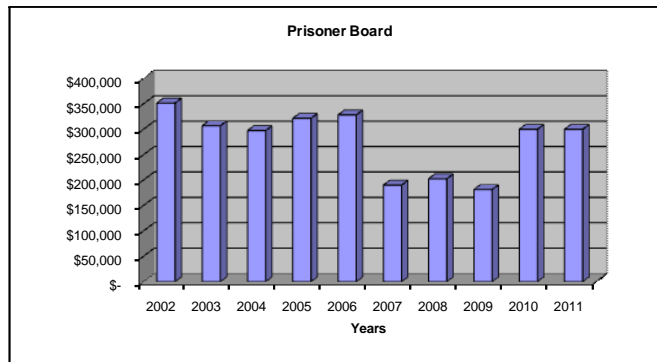
SHERIFF SERVICES

On January 1, 2002 a new contracting methodology for Police Services was implemented that essentially required local jurisdictions to contract with the Sheriff to receive law enforcement services. Beginning in 2004, annual contracts increase by a cost escalator of 6% per year. In 2005, the county passed a modification to the contracting methodology that maintains the 6% annual cost increase but beginning in 2007 the county also charged a \$10K per deputy overtime cost to the contracting entity. The county moved to a new methodology for the 2008/09 budget, by which the contracting entities pay a flat rate for a deputy and it is their determination and fiscal obligation to pay for overtime worked. In addition, a 4% contract rate growth factor was adopted for 2009, with a 2% in 2010 and a 4% in 2011. As demonstrated in the graph, this change in methodology is to generate additional revenue collections in the General Fund to assist in covering the costs of Police Services.



PRISONER BOARD

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

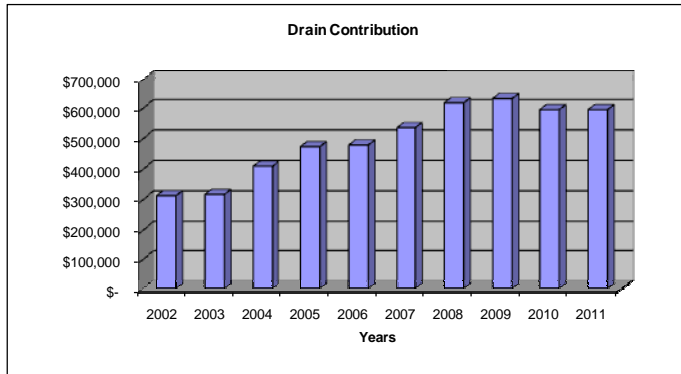


In 1996 the Board of Commissioners authorized the acceptance of a grant award from Michigan Department of Corrections for the renovation and expansion of the jail facilities. This project increased the jail capacity by 84 “beds”.

For 1999 the State capped reimbursements at 110% of 1998 payments. However, the State granted waivers to this cap for both 1999 and 2000 resulting in greater reimbursements than expected. In more recent years, reimbursements have been affected by changes in the sentencing guidelines as well as declines in available State revenues resulting in fewer reimbursable inmates. The 2010 and 2011 budget amounts may need to be revised down to more closely reflect recent trends.

DRAIN CONTRIBUTION

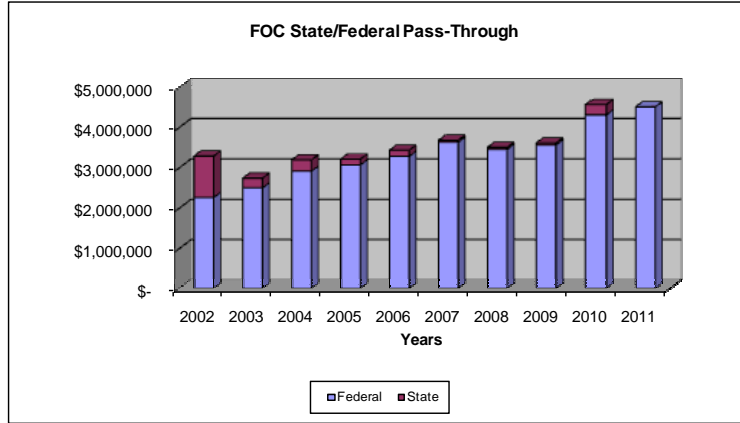
The Drain Commissioner's office provides inspection services to communities located within Washtenaw County. The inspectors assist communities in the establishment of new drains, drain maintenance and the preparation of special assessments. The Drain Commissioner in turn will charge back to the districts that used the inspector's services approximately 80% of the inspector's time spent on the project. Drain maintenance activities have resulted in revenues continuing to grow over the past several years. Conservative estimates are budgeted for 2010 and 2011.



FRIEND OF THE COURT REVENUES

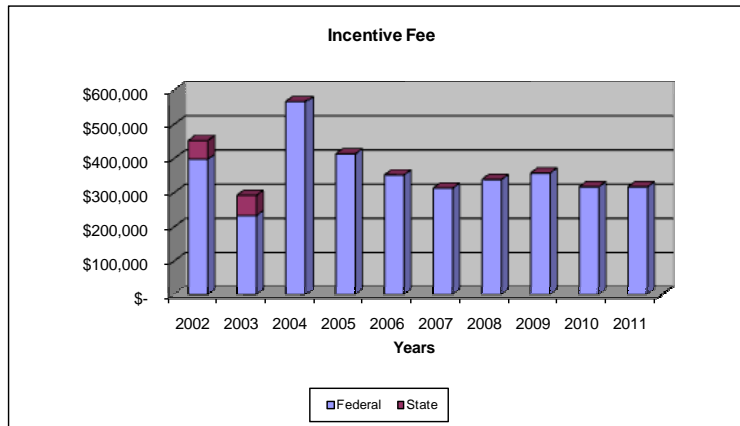
STATE / FEDERAL PASS THROUGH

The Friend of the Court (FOC) receives partial reimbursement of actual expenses incurred through a State / Federal reimbursement program. This program allows reimbursements for up to 66% of expenses incurred while working with qualifying cases referred to as IV-D cases. The criteria for IV-D enforcement services eligibility are that the recipient of support requests in writing enforcement action by the FOC office and the recipient of support receives Temporary Assistance to Needy Families (TANF) benefits. The State has ended its supplemental funding to this program resulting in all revenue being from the federal government.



INCENTIVE FEE

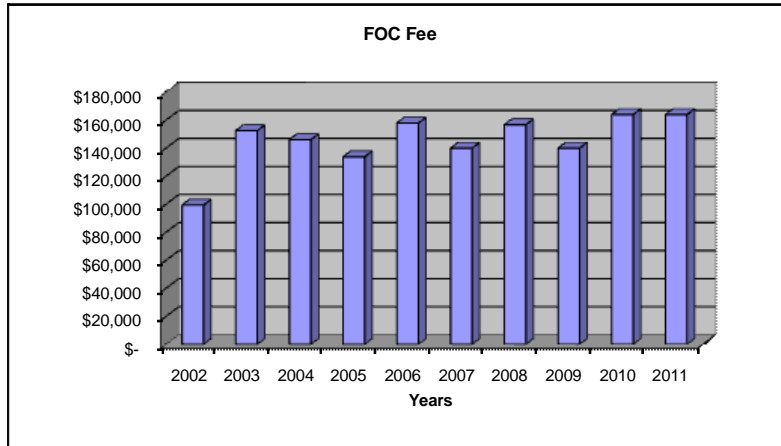
The methodology for calculating the Friend of the Court incentive fee revenue is tied to five performance factors: 1) Paternity Establishment Percentage, 2) Establishing Court Orders, 3) Collecting Current Support, 4) Collecting on Cases with Arrears Due and 5) Cost Effectiveness Ratio. Counties report this information to the State, who then combines them and submits a statewide report to the federal government. The State is subject to an annual Data Reliability Audit in



which the federal government verifies the source data with the final reported figures. The audit determines the ability for the State to receive federal incentive payments in each of the five performance indicators. Along with this change in methodology, the State has reduced its incentive payment relying only on the Federal incentive to offset Friend of the Court costs for the county. The spike in 2004 is due to accounting for a portion of multiple fiscal year payments in the county's 2004 fiscal year. The revenue levels have remained fairly stable since this time.

FRIEND OF THE COURT FEE

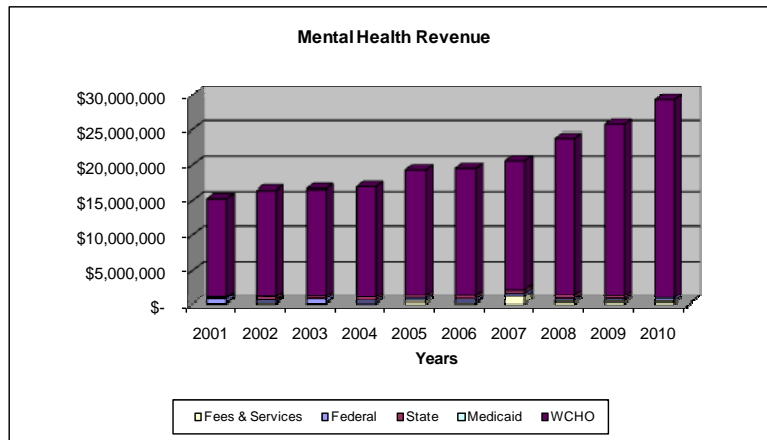
All open, active accounts and cases with a balance owing are charged an annual statutory fee by law. Of this fee approximately \$10 per year per case is held at the local office to help offset expenses. The remainder is forwarded to the Friend of the Court Office at the State level. In the past the local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



HEALTH REVENUE

COMMUNITY SUPPORT & TREATMENT SERVICES

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



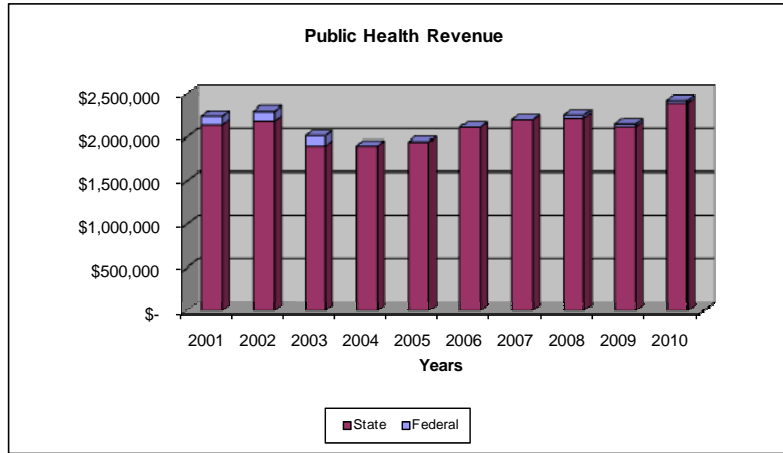
The state managed care model for provision of mental health services identifies a local entity as the Community Mental Health Service Provider (CMHSP) for a contiguous region of one or more counties with a minimum population of Medicaid-eligible residents. The CMHSP, WCHO in our case, receives all funds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

The CSTS budget is projected to increase due to outside funding, including grants and Medicaid reimbursement. The projected CSTS budget for 2010 is \$30,362,788 and includes provisions for grant- and state-funded projects, local revenue such as insurance payments, and sheltered workshop contracts. However, the bulk of their funding will be managed care revenue from WCHO.

PUBLIC HEALTH

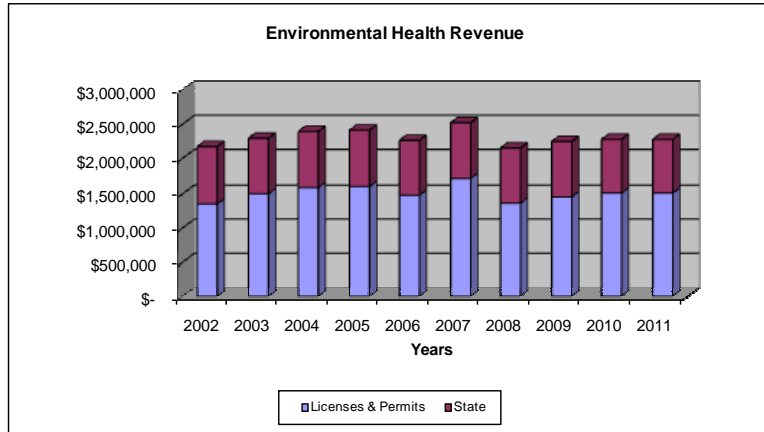
The Public Health department is responsible to assure continued and diligent endeavors to prevent disease, prolong life, and promote the public health through organized programs, including prevention and control of environmental health hazards; prevention and control of diseases; prevention and control of health problems of particularly vulnerable population groups; and the development and regulation of health care facilities and health service delivery systems to the extent

provided by law. To accomplish this, the state provides approximately 25% of Public Health’s total funding, with another 12-13% derived from fees and services such as Medicaid income.



ENVIRONMENTAL HEALTH

The Environmental Health department derives 44% of its revenue from license/permit revenue and fees. Licenses/permits are required within the County for various activities. Some of these activities are septic tank permits, state food license, inspection fees, well permits and pool and water samples. State revenue due from state cost sharing accounts for 23% of revenue. The remaining funding is derived from general fund appropriation; approximately 32% of the total revenues.

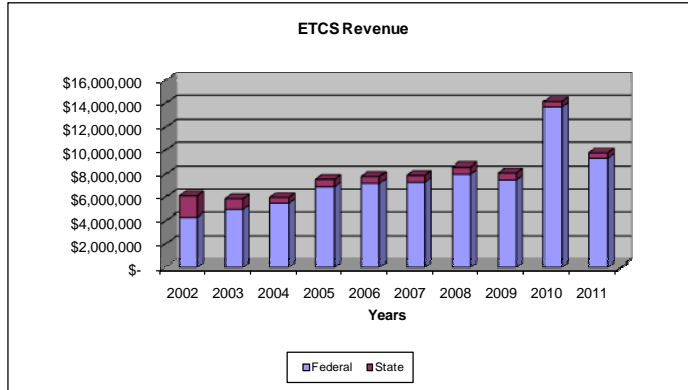


SOCIAL SERVICES REVENUE

Employment Training & Community Services (ETCS)

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

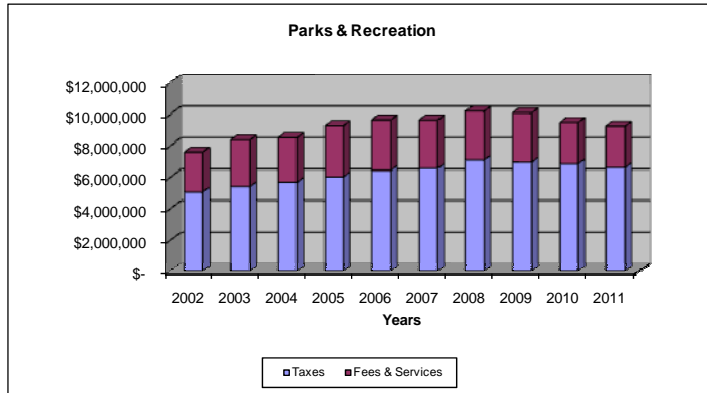
The other “division” is the Community Service Agency (CSA) administered programs. These programs include Senior Nutrition, Foster Grandparents and the Weatherization program and are funded by a mix of general fund appropriation and state and federal funds. For the majority of the CSA programs, general fund appropriations are used as leverage for local matching requirements. The significant increase in 2010 is due to new grants and stimulus funding being received by the county.



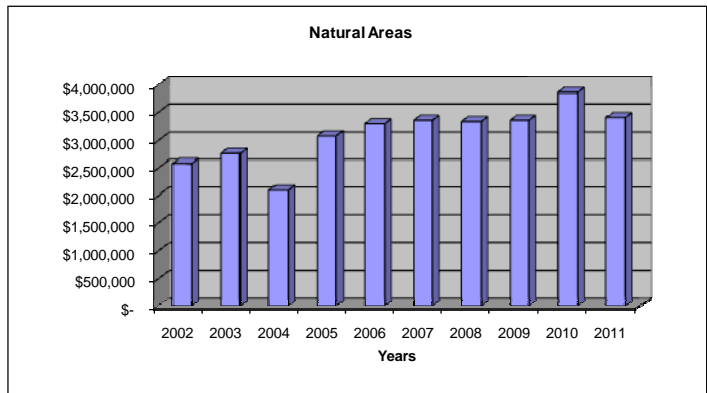
CULTURE & RECREATION

PARKS & RECREATION

The Parks & Recreation department maintains active recreational facilities such as swimming pools, beaches and golf courses and passive recreation parks with trails that are of natural or historical significance. The funding for these operations is derived from two main sources, property taxes and fees & services.



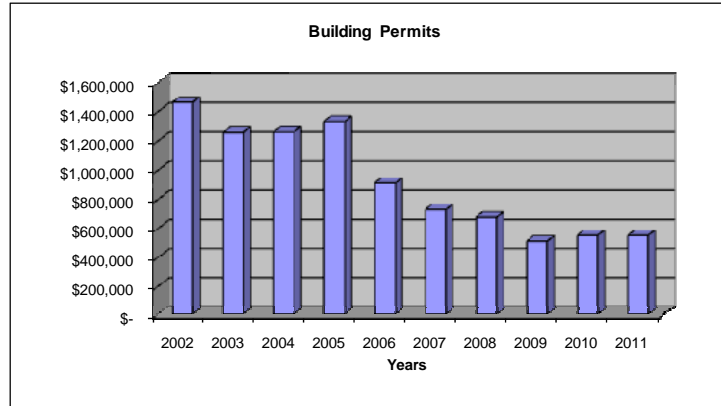
Beginning in 2002, Parks and Recreation began administration of the Natural Areas program. This was a voter approved levy of .25 mills for the purchase of natural areas to be set aside for preservation. The second graph displays the revenue that will be received for this program. The increase in 2010 is due to the planned use of fund balance.



BUILDING SERVICES REVENUE

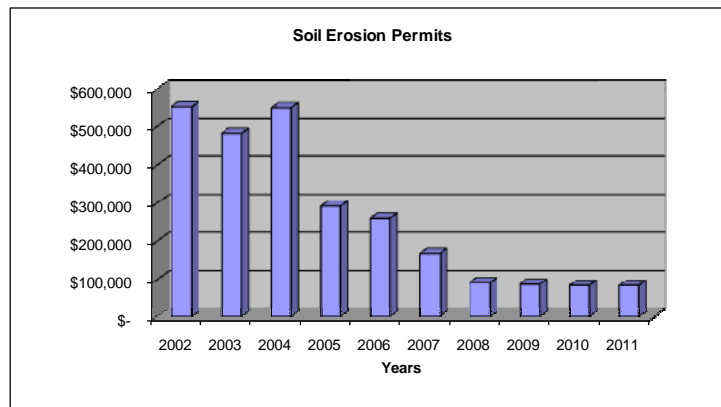
BUILDING PERMITS

Washtenaw County as a whole has enjoyed tremendous growth in the building of new structures throughout the past ten years. One contributing factor has been lower interest rates for borrowing that have prevailed since 1994. There was a dip in new permit applications to a low in 2006 which is expected to continue for the near future. New revenue generation is being pursued as part of the 2010/11 budget development.



SOIL EROSION PERMITS

Building Services has been a combined unit of Building Inspection and Soil Erosion and Sedimentation Control (SESC) Program, which manages soil erosion and subsequent sedimentation in order to promote the safety, public health, and general welfare of the community through effectively sustaining the goal of clean water. Actions such as pond excavations, soil movement within 500 feet of surface water, or soil movement that disturbs one or more acres of soil requires a soil erosion permit. During the 2010/11 Planning Process, the Water Resources Commissioner assumed responsibility for Soil Erosion programming. This function has been moved into the General Fund with these revenues being included within the Water Resources Commissioner amounts throughout the budget publication.



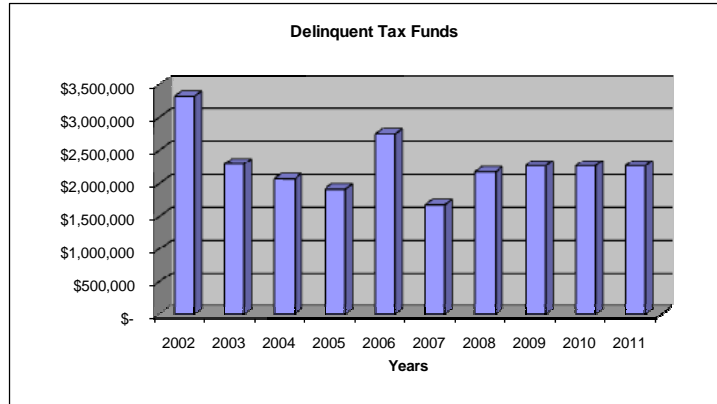
The 2000/2001 budget included a new soil erosion fee structure that led to increased revenues. Beginning in 2005 construction permit activity began to decline in the County. The decline is projected to stabilize, with a new fee structure planned to be implemented for 2010 and 2011.

DELINQUENT TAX FUNDS

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

In 1999 the Board of Commissioners approved the establishment of a Capital Reserve Fund to be funded primarily by delinquent tax revenue. Although delinquent taxes are no longer a source

of revenue for the General Fund, this is offset because current debt service payments were also shifted to the Capital Reserve Fund. Thus all future and current capital construction obligations are financed from the Capital Reserve Fund.



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

Lastly, new legislation, PA 123, was enacted in 1999 that changed the policy and process for the collection of delinquent taxes. The large amount in 2002 is a windfall, in essence recognizing a large portion of 2001 delinquencies in 2002. In 2006 a large increase was seen due to the increased delinquencies from the declining housing market.

