

# FINANCIAL STATE OF COUNTY

Washtenaw County

Leadership Academy Group 180

January 30, 2009

# Economic Reality

2

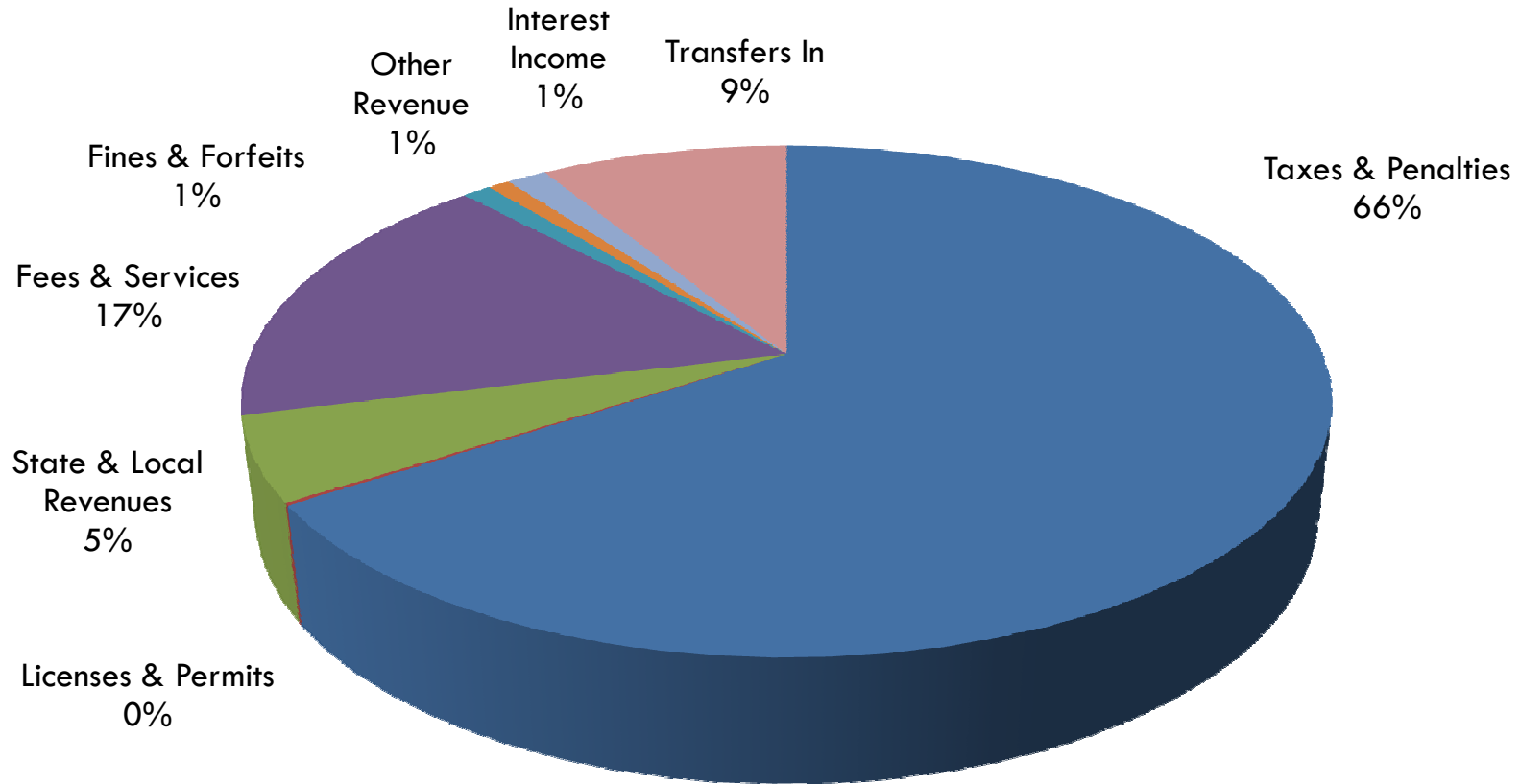
**Worst Crisis Since '30s,  
With No End Yet in Sight**  
- Wall Street Journal

# General Fund Revenues

3

## Revenues by Source

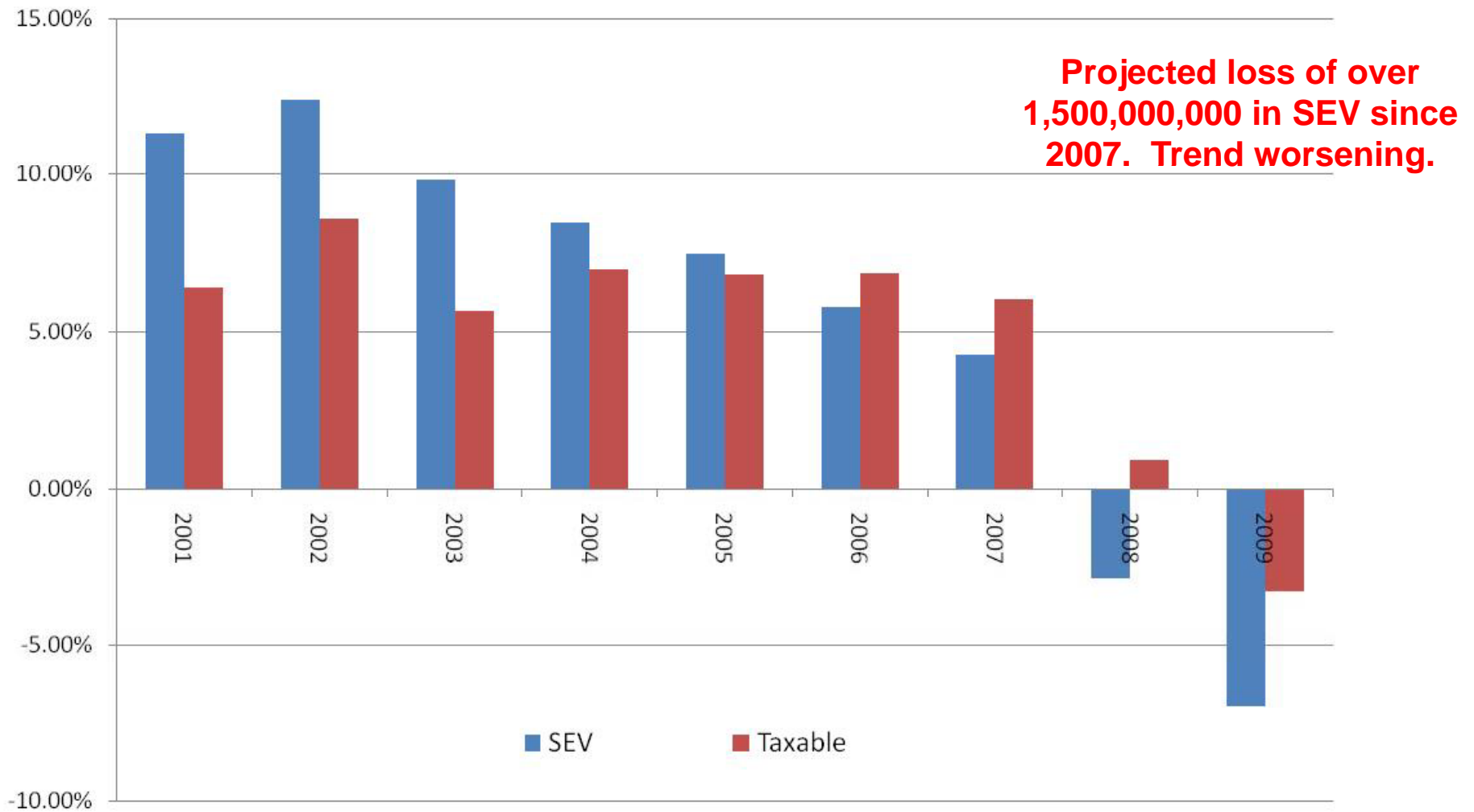
*Based on 2008 Projected Year End*



# Impact on Revenues

4

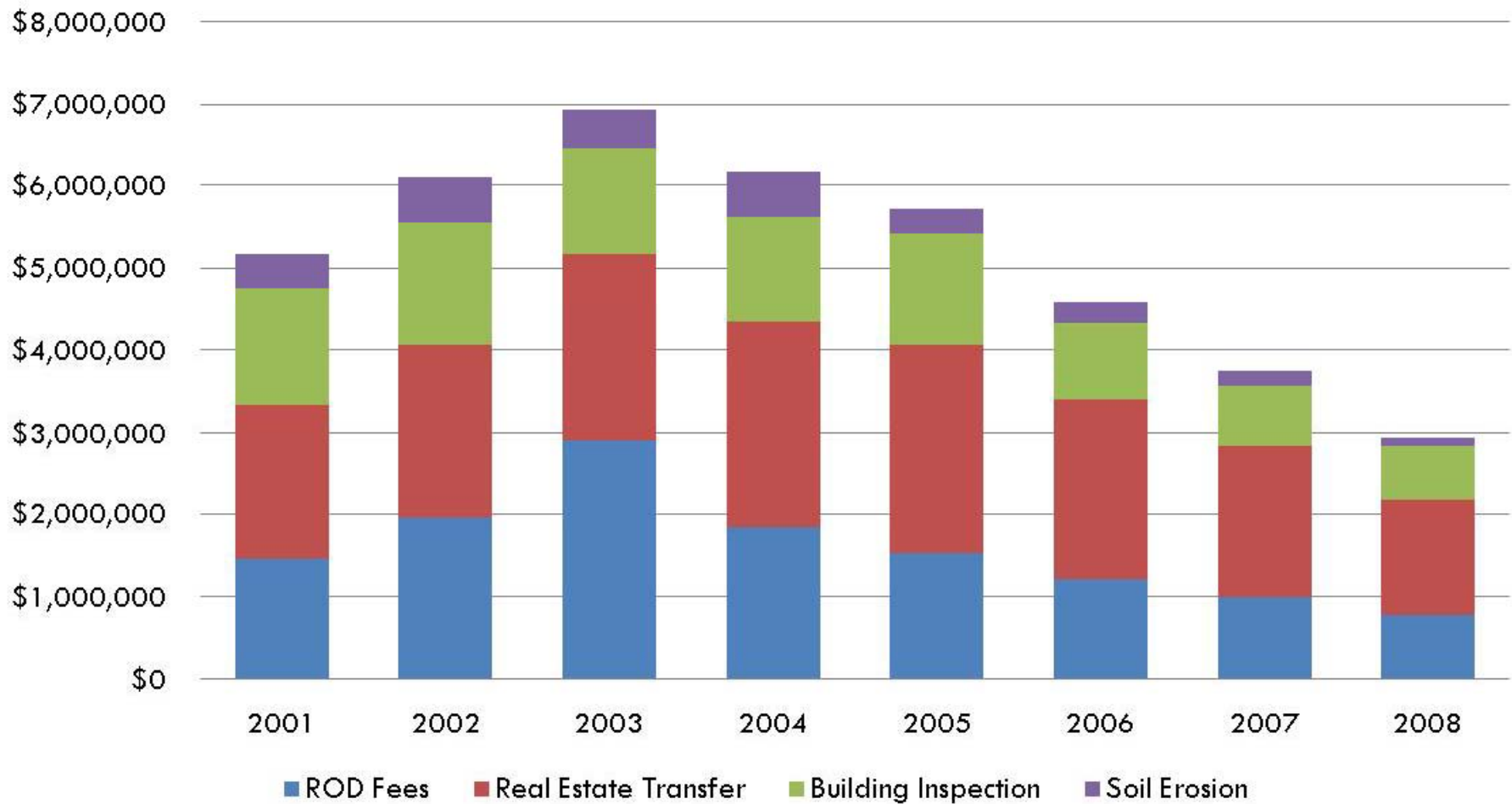
## Change in SEV vs Change in Taxable



# Impact on Revenues

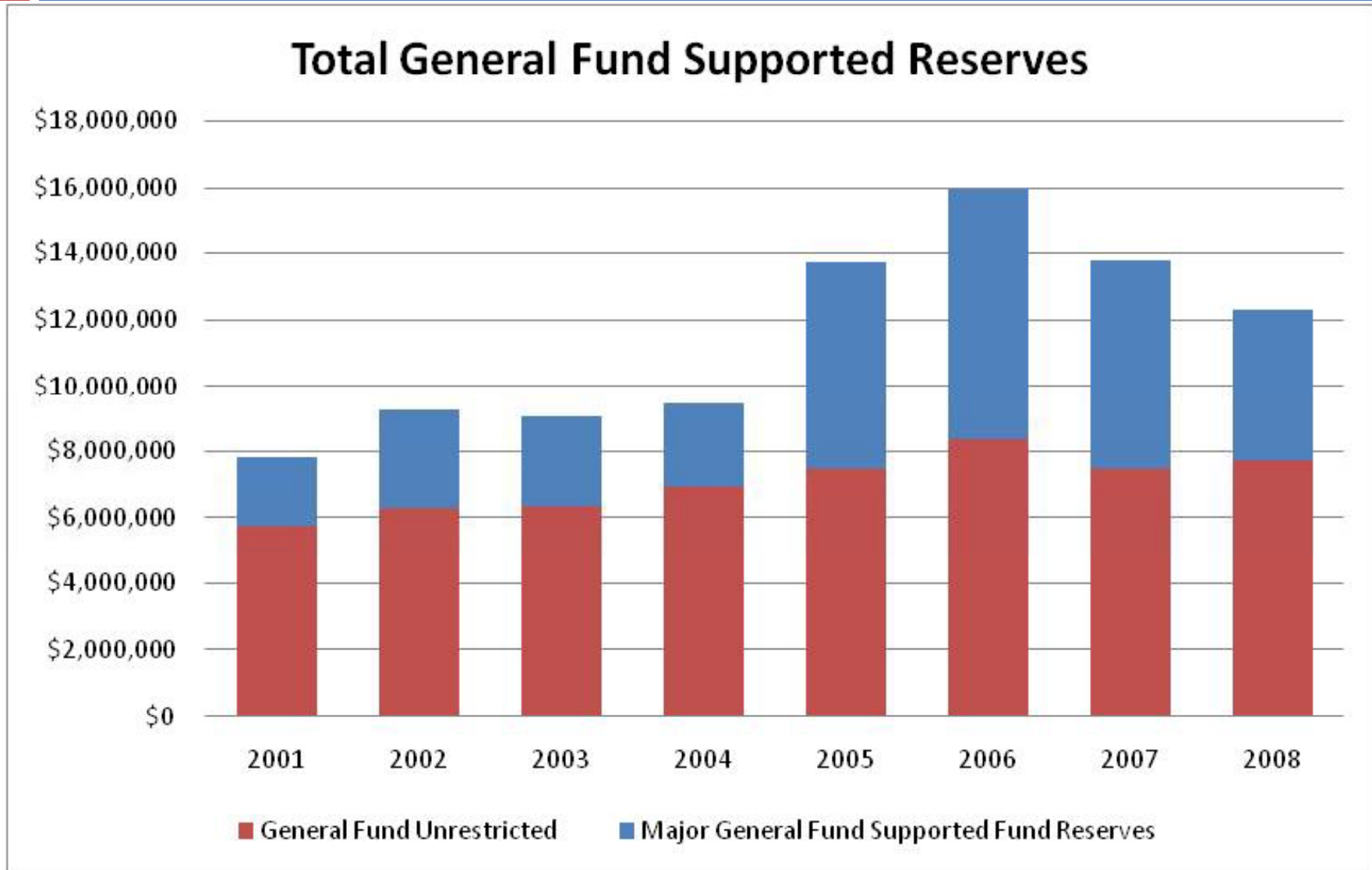
5

## Major Housing Fees



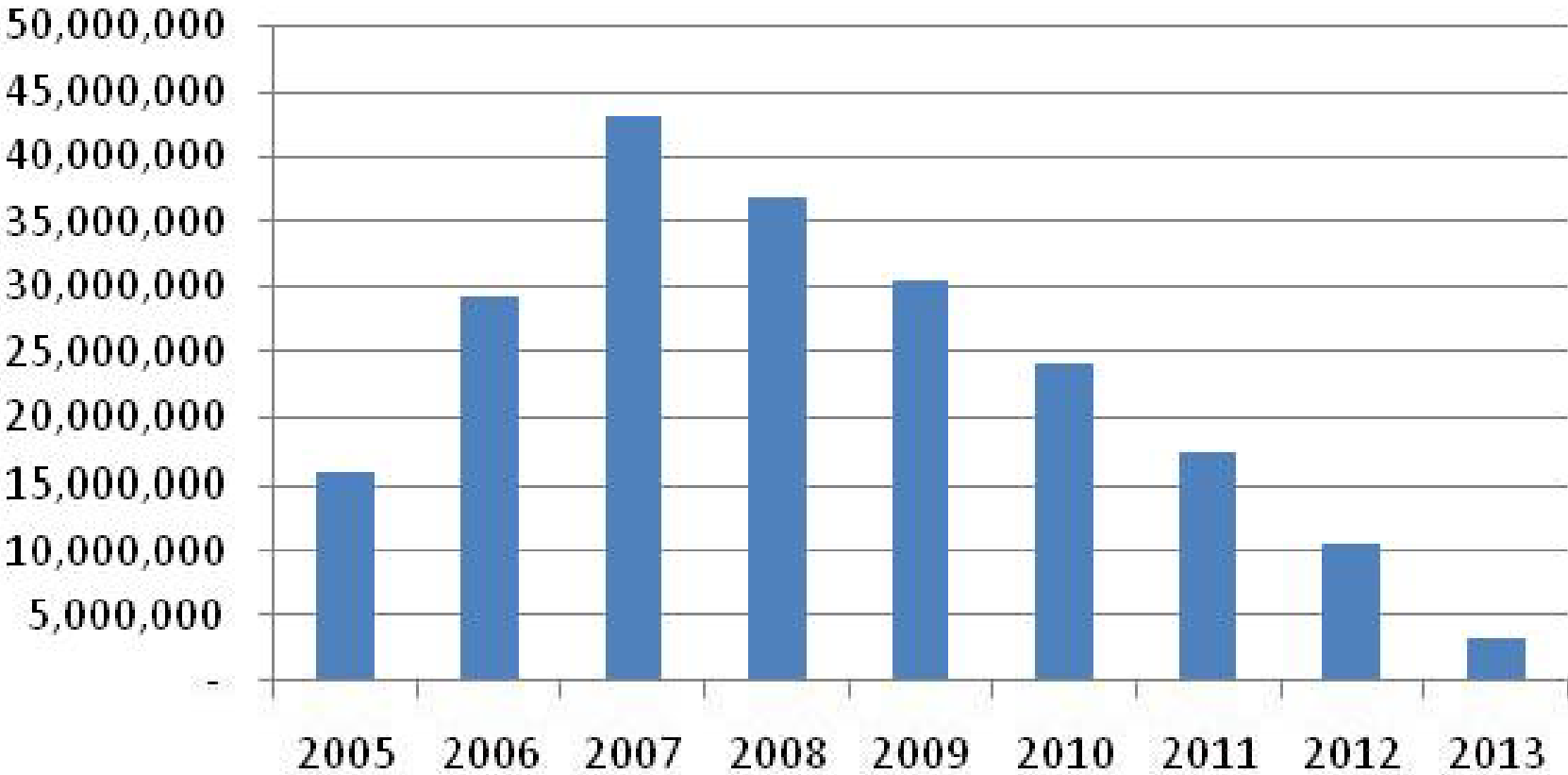
# Impact on Revenues

6



# Impact on Revenues

## Revenue Sharing Reserve Balance



8

# Our Response

# Our Response

## Budget Balancing Solutions Used to Date

- Hiring Freeze & Long-Term Personnel reductions
- Use of NGF reserves
- Transfer of LBPD
- Reduction of non-mandated program levels
- Support Services Reductions
- Reduced benefit levels for new employees
- Reduce Pay for Performance
- Decreased staff in services affected by housing market
- Alignment of DPW, Soil Erosion and Water Management Departments
- Lump sum reductions in courts and Sheriff
- Veterans Millage
- Reduced support to NGF departments
- Reduced county fleet allocations

# Our Response

10

- Continue to Lean on Our Sound Organizational & Fiscal Practices
  - ▣ Guiding Principles
  - ▣ Focus on Vision and Strategic Planning through Business Improvement Process
  - ▣ Established Communities of Interest
  - ▣ Increased bond rating to AA+
  - ▣ Increased General Fund reserve levels
  - ▣ Strategic Budget Management Philosophy

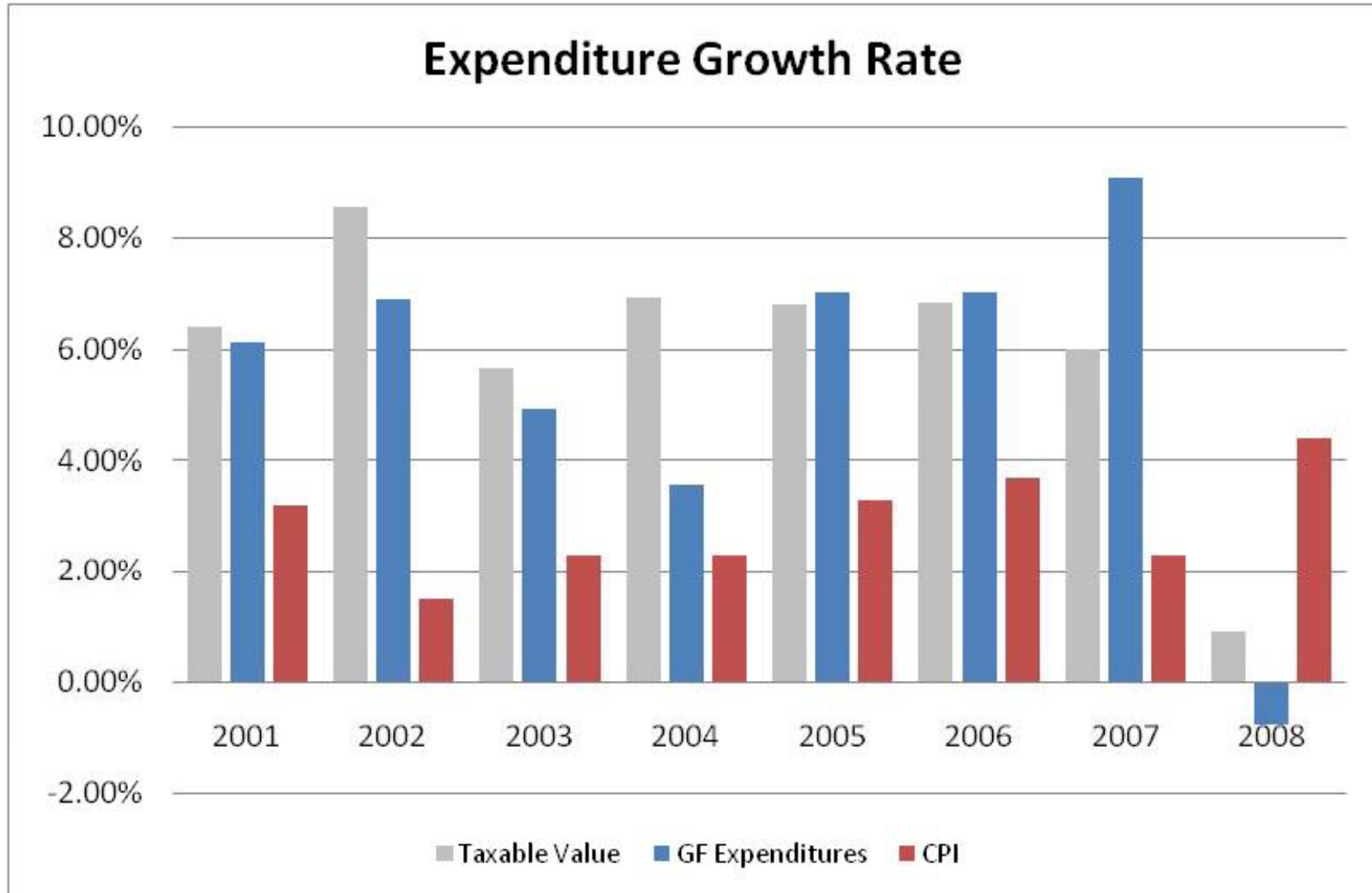
# Our Response

11

- Different Times call for Different Practices
  - ▣ Creation of Financial Advisory Team including Civic Infrastructure Community of Interest (County Clerk, Treasurer and Equalization)
  - ▣ Must implement structural expenditure solutions
  - ▣ Hope for Best -- Plan for Worse
  - ▣ Determine where to set budget

# Budget Trends

12



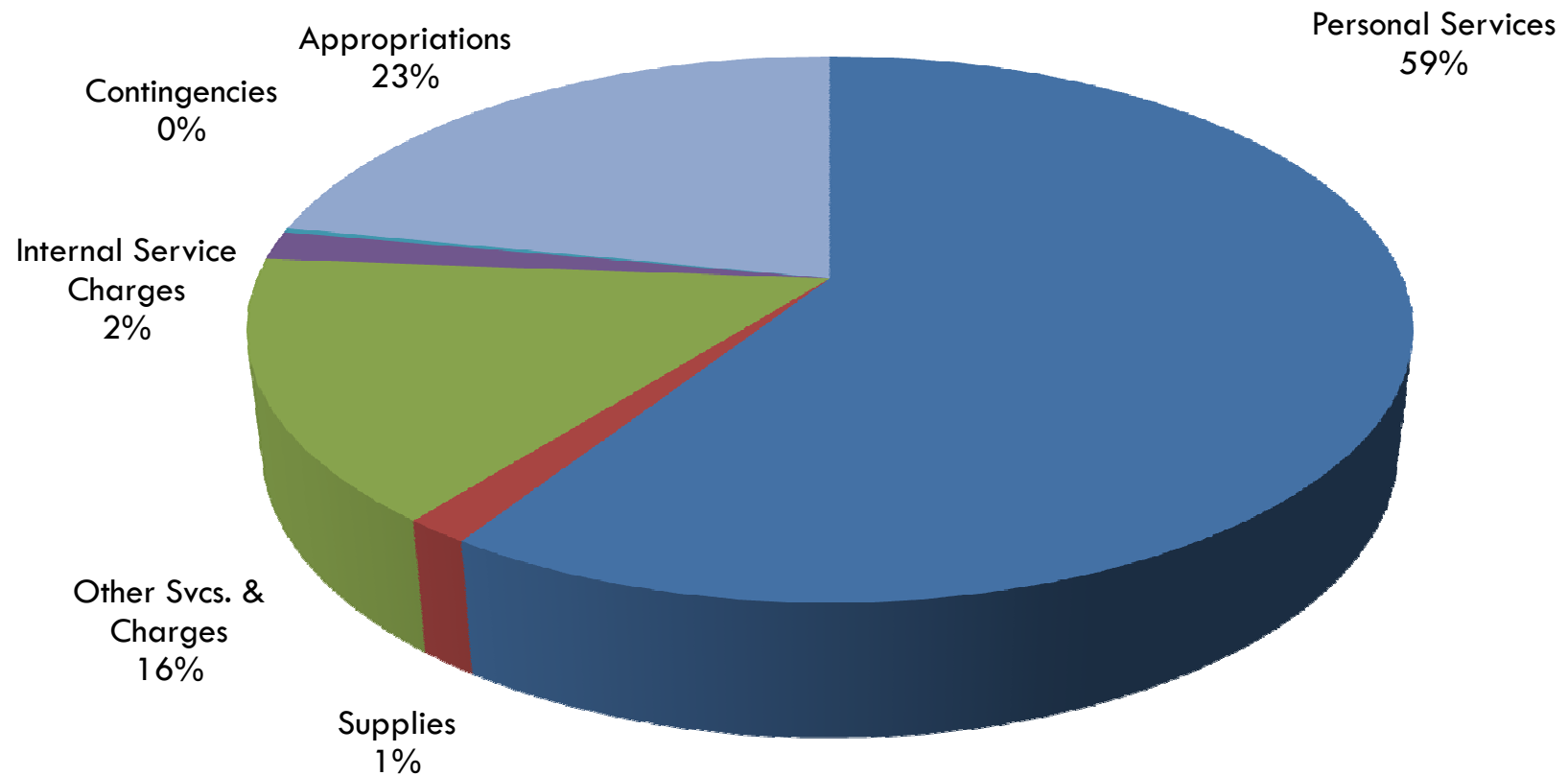
# General Fund Expenditures

## By Category

13

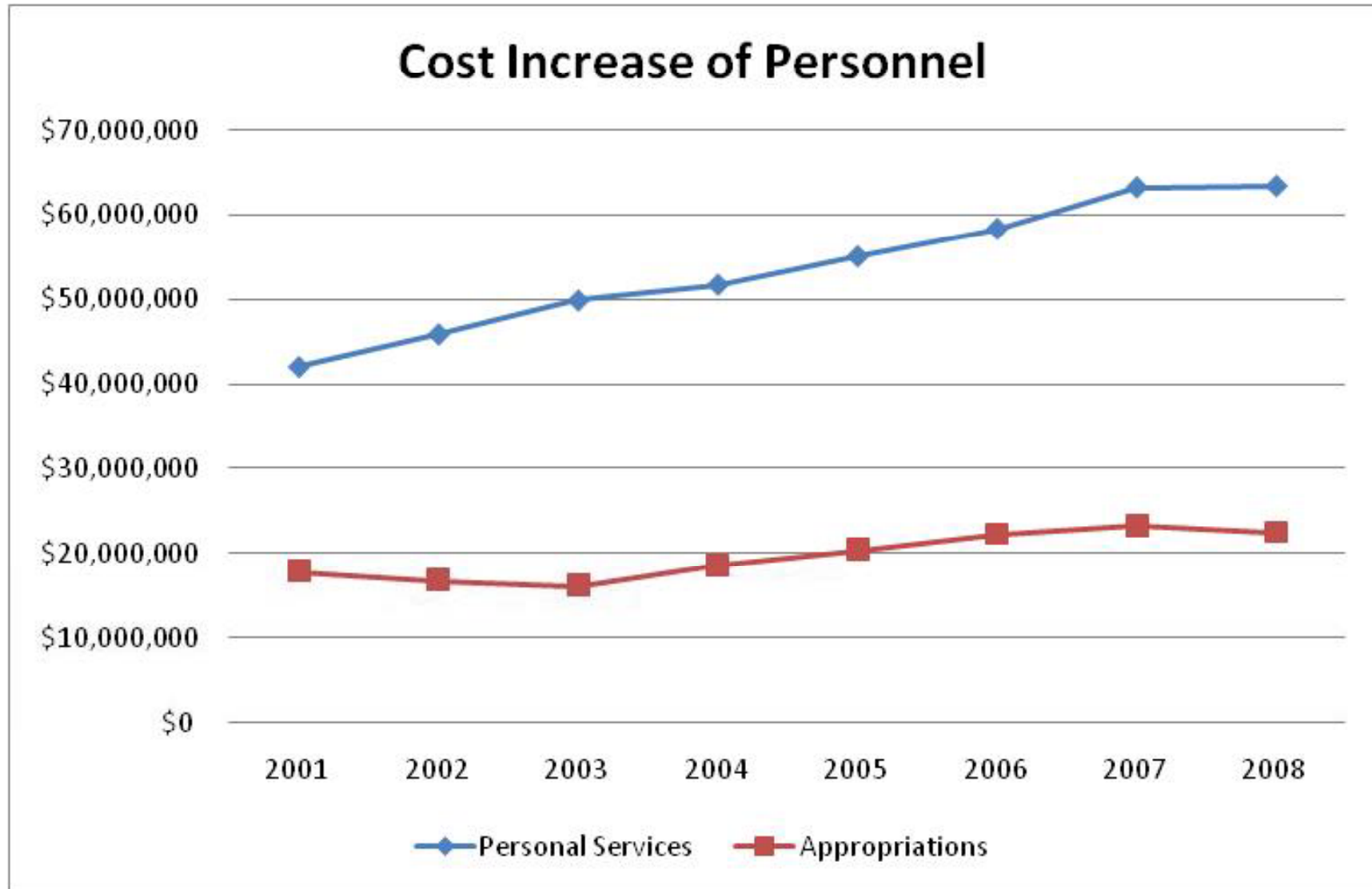
### Expenditures by Category

*Based on 2008 Projected Year End*



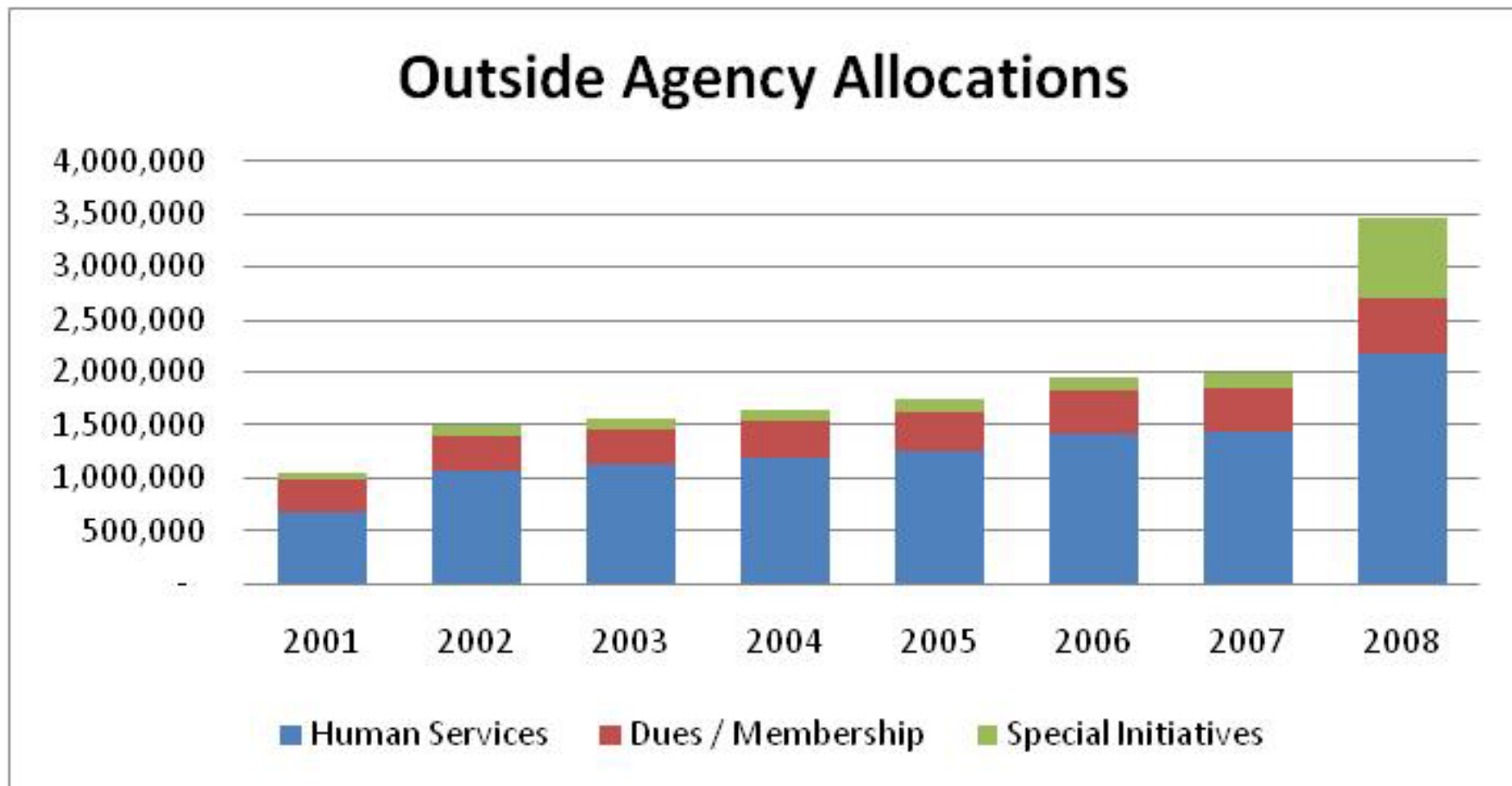
# Budget Trends

14



# Budget Trends

15



16

## Long-Term Impact

# General Fund Projections

17

- Recommendation from national researchers
  - do not look in rear view mirror
  - ▣ Use historical data cautiously - no longer indication for future
  - ▣ Use indicators to guide you in budget projections
  - ▣ Nobody knows how bad things will get or when we will hit bottom

# General Fund Projections

18

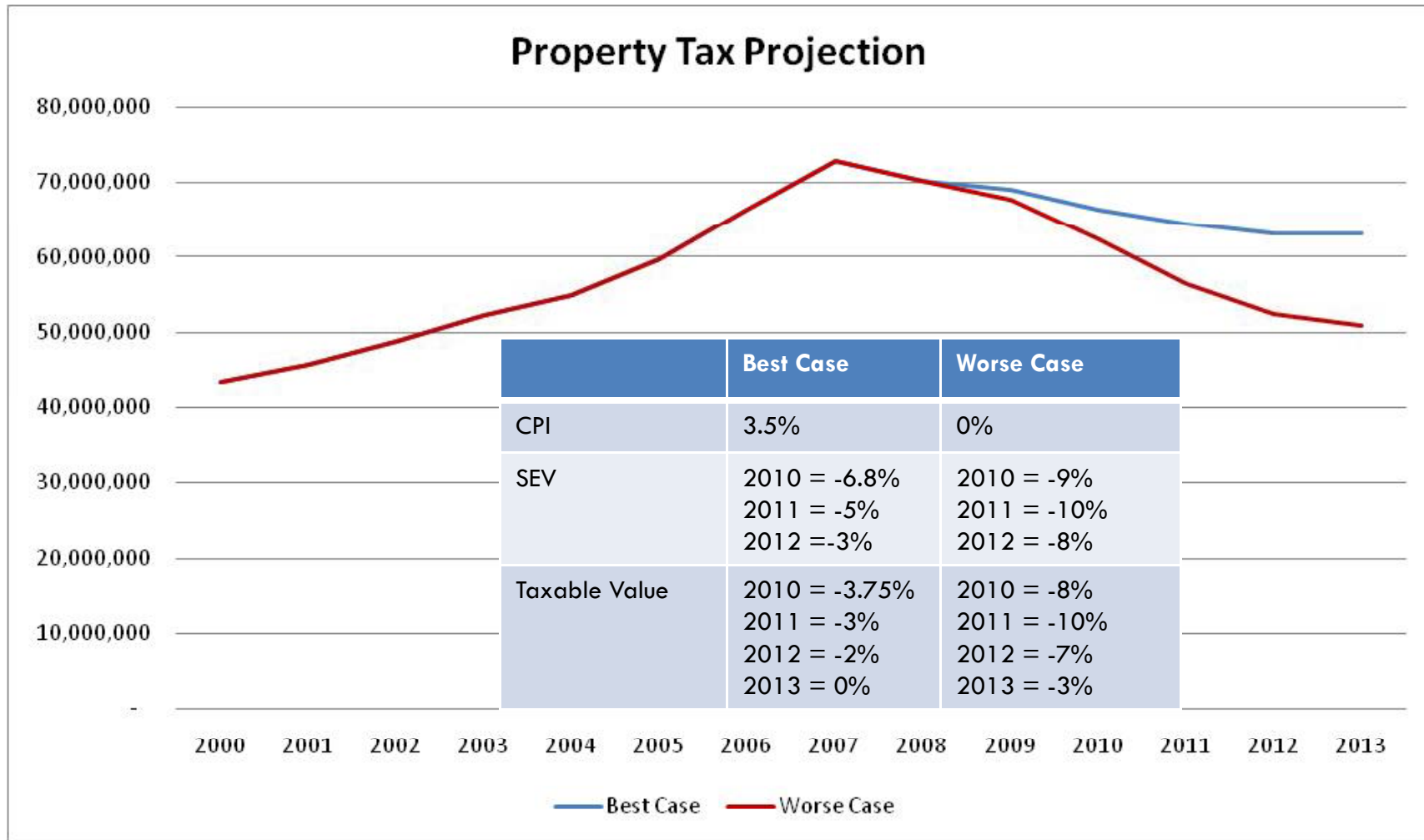
- Also less available information during budget development
  - ▣ Shift of property tax from December to July
  - ▣ Shift in fringe benefits during labor negotiations (pension and retiree health care costs)

# General Fund Projections

19

- Major Revenue Assumptions:
  - ▣ Rate of Inflation
  - ▣ Property Taxes
  - ▣ Housing Fees
  - ▣ State Revenue Sharing
  - ▣ Other State Revenue Levels
  - ▣ Growth in Police Services Contracts

# General Fund Projections

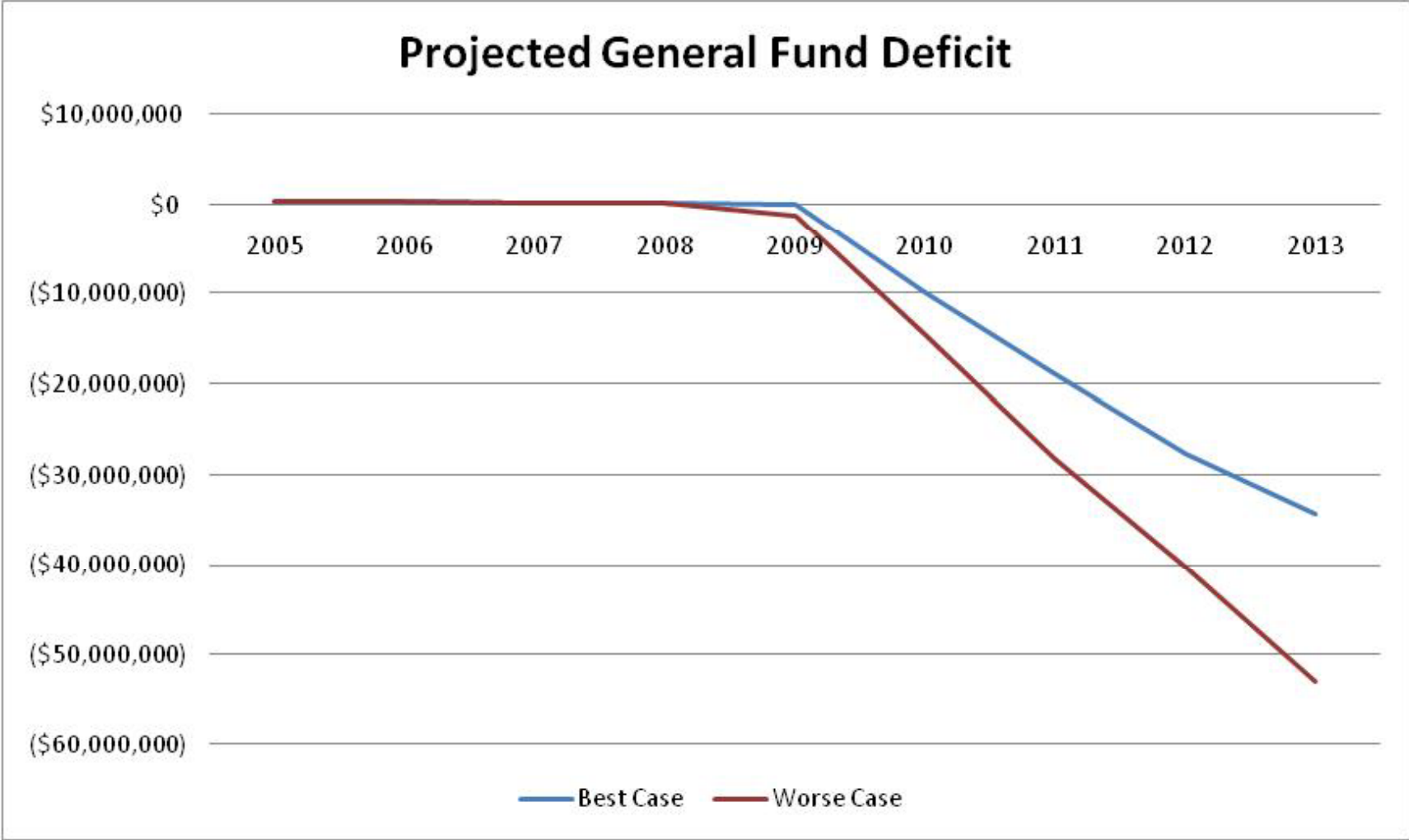


# General Fund Projections

21

- Major Expenditure Assumptions:
  - ▣ Current FTE with Increase for Jail Expansion
  - ▣ Salary growth for annual increases, longevity, step increases, attrition
  - ▣ Fringe rate growth, especially medical and pension
  - ▣ Continuation of existing programs
  - ▣ Continuation of outside agency allocations
  - ▣ Continuation of support to NGF departments with personnel cost increases
  - ▣ Continuation of budgeted reserve levels - \$100K Unearmarked and \$250K Subsequent Year Contribution

# General Fund Projections



# Preliminary Best Case Revenue Assumptions

	2008	2009	2010	2011	2012	2013
	Projected	Projected	Projected	Projected	Projected	Projected
	Actual	Budget	Budget	Budget	Budget	Budget
<b>REVENUES:</b>						
Taxes & Penalties	70,133,703	\$68,911,997	\$66,327,797	\$64,337,963	\$63,051,204	\$63,051,204
Licenses & Permits	164,403	\$136,200	\$136,200	\$136,200	\$136,200	\$136,200
State & Local Revenues	5,723,334	\$5,119,562	\$5,119,562	\$5,119,562	\$5,119,562	\$5,119,562
Fees & Services	17,952,615	\$19,337,380	\$19,762,690	\$20,197,472	\$20,601,421	\$21,013,450
Fines & Forfeits	1,077,612	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100
Interest Income	835,460	\$754,400	\$604,400	\$454,400	\$304,400	\$304,400
Other Revenue	1,503,541	\$856,186	\$656,186	\$656,186	\$656,186	\$656,186
Transfers In	9,357,901	\$7,771,636	\$7,658,427	\$7,849,888	\$8,046,135	\$8,247,288
	-----	-----	-----	-----	-----	-----
<b>TOTAL</b>	106,748,569	\$104,149,461	\$101,527,362	\$100,013,771	\$99,177,208	\$99,790,390
<b>EXPENDITURES:</b>						
Personal Services	\$63,479,374	61,483,537	\$65,909,703	\$70,913,863	\$75,785,971	\$80,255,916
Supplies	\$1,644,049	\$1,428,436	\$1,693,371	\$1,471,289	\$1,744,172	\$1,515,428
Other Svcs. & Charges	\$16,688,093	\$15,861,041	\$16,182,372	\$16,528,793	\$17,040,571	\$17,568,179
Internal Service Charges	\$1,831,793	\$1,442,757	\$1,486,040	\$1,530,621	\$1,576,540	\$1,623,836
Capital Outlay	\$280,013	\$14,275	\$14,275	\$14,275	\$14,275	\$14,275
Contingencies	\$0	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000
Appropriations/Transfers Out	\$22,580,093	\$23,269,415	\$25,434,161	\$27,692,680	\$30,014,847	\$32,479,853
	-----	-----	-----	-----	-----	-----
<b>TOTAL</b>	\$106,503,414	\$104,149,461	\$111,369,922	\$118,801,522	\$126,826,375	\$134,107,487
<b>SURPLUS (DEFICIT)</b>	<b>\$245,156</b>	<b>\$0</b>	<b>(\$9,842,560)</b>	<b>(\$18,787,751)</b>	<b>(\$27,649,167)</b>	<b>(\$34,317,097)</b>
<b>Deficit as % of Total Revenue</b>	<b>0.23%</b>	<b>0.00%</b>	<b>-9.69%</b>	<b>-18.79%</b>	<b>-27.88%</b>	<b>-34.39%</b>
<b>Average Cost per Employee</b>		<b>\$80,000</b>	<b>\$84,800</b>	<b>\$89,040</b>	<b>\$93,492</b>	<b>\$98,167</b>
<b>Estimated FTE Reduction Needed</b>		-	<b>(116.1)</b>	<b>(211.0)</b>	<b>(295.7)</b>	<b>(349.6)</b>

# Preliminary Worse Case Revenue Assumptions

	2008	2009	2010	2011	2012	2013
	Projected	Projected	Projected	Projected	Projected	Projected
	Actual	Budget	Budget	Budget	Budget	Budget
<b>REVENUES:</b>						
Taxes & Penalties	70,133,703	\$67,711,997	\$62,295,037	\$56,377,009	\$52,430,618	\$50,857,700
Licenses & Permits	164,403	\$136,200	\$136,200	\$136,200	\$136,200	\$136,200
State & Local Revenues	5,723,334	\$5,119,562	\$5,068,366	\$5,017,683	\$4,967,506	\$4,917,831
Fees & Services	17,952,615	\$19,337,380	\$19,376,506	\$19,182,741	\$19,182,741	\$19,182,741
Fines & Forfeits	1,077,612	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100	\$1,262,100
Interest Income	835,460	\$754,400	\$604,400	\$454,400	\$254,400	\$254,400
Other Revenue	1,503,541	\$856,186	\$636,186	\$636,186	\$636,186	\$636,186
Transfers In	9,357,901	\$7,771,636	\$7,471,636	\$7,658,427	\$7,849,888	\$4,001,135
	-----	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>106,748,569</b>	<b>\$102,949,461</b>	<b>\$96,850,432</b>	<b>\$90,724,745</b>	<b>\$86,719,639</b>	<b>\$81,248,292</b>
<b>EXPENDITURES:</b>						
Personal Services	\$63,479,374	61,483,537	\$65,909,703	\$70,913,863	\$75,785,971	\$80,255,916
Supplies	\$1,644,049	\$1,428,436	\$1,693,371	\$1,471,289	\$1,744,172	\$1,515,428
Other Svcs. & Charges	\$16,688,093	\$15,861,041	\$16,182,372	\$16,528,793	\$17,040,571	\$17,568,179
Internal Service Charges	\$1,831,793	\$1,442,757	\$1,486,040	\$1,530,621	\$1,576,540	\$1,623,836
Capital Outlay	\$280,013	\$14,275	\$14,275	\$14,275	\$14,275	\$14,275
Contingencies	\$0	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000
Appropriations/Transfers Out	\$22,580,093	\$23,269,415	\$25,434,161	\$27,692,680	\$30,014,847	\$32,479,853
	-----	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>\$106,503,414</b>	<b>\$104,149,461</b>	<b>\$111,369,922</b>	<b>\$118,801,522</b>	<b>\$126,826,375</b>	<b>\$134,107,487</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$245,156</b>	<b>(\$1,200,000)</b>	<b>(\$14,519,490)</b>	<b>(\$28,076,776)</b>	<b>(\$40,106,736)</b>	<b>(\$52,859,194)</b>
<b>Deficit as % of Total Revenue</b>	<b>0.23%</b>	<b>-1.17%</b>	<b>-14.99%</b>	<b>-30.95%</b>	<b>-46.25%</b>	<b>-65.06%</b>
<b>Average Cost per Employee</b>		<b>\$80,000</b>	<b>\$84,000</b>	<b>\$88,200</b>	<b>\$92,610</b>	<b>\$97,241</b>
<b>Estimated FTE Reduction Needed</b>		<b>(15.0)</b>	<b>(172.9)</b>	<b>(318.3)</b>	<b>(433.1)</b>	<b>(543.6)</b>

# Projected Deficit 2010/11 Budget

25

Best Case	(\$18,787,751) 211 FTE
-----------	---------------------------

Worse Case	(\$28,076,776) 318 FTE
------------	---------------------------

26

# Questions & Answers

# BREAK

Many organizations are facing similar situations.

What have you heard from your professional networks?

Please share some of the tactics and techniques you've heard from other organizations on the easels in the room.

## King County, Washington lays off 237 workers.

The Seattle Post-Intelligencer reports, "King County issued layoff notices to 237 workers Tuesday...as part of a \$15 million cut in spending on general operations from 2008..."

**Fairfax County,  
Virginia executive  
predicts \$58.2  
million shortfall**

**San Luis Obispo  
Facing 16-22%  
Staff Cuts**

**Newport News  
has a \$15  
million shortfall  
City Manager  
declared that his  
"objective is to  
avoid layoffs in  
the next 12  
months if  
possible".**

**From:** Ann Strine  
**Sent:** Wednesday, December 15, 2008 12:07 PM  
**To:** MIX@LIST.LGOV.ORG  
**Subject:** Re: Economic Impact on Local Govt  
David,  
Tucson is looking at a \$29M deficit, with the number changing weekly. We've frozen almost all hiring, have very stringent reviews of spending....

# BENCHMARKS...

## City of Tulsa Could Be in Deep(er)

A projected \$7 million shortfall could grow to \$32 million if the State passes the pension cost to local government for teachers.

**From:** Bill Ryan  
**Sent:** Wednesday, October 15, 2008 1:54 PM  
**To:** MIX@LIST.LGOV.ORG  
**Subject:** Re: Economic Impact on Local Govt  
Verna,  
Annapolis has a \$21M shortfall attributed to the decline in real estate transfer tax, with a hiring Freeze already instituted and several large cut

# Looking at Options



- ▣ **The Alliance for Innovation**
- ▣ **Public Technology Inc (PTI)**
- ▣ **International City/County  
Management Association (ICMA)**
- ▣ **National Association of Counties (NACO)**

# Maricopa County, Arizona



- **Population: 3.8 million**
- **Budget Situation: Describe their situation as in a 'free fall with no sign of the bottom.' \$25.5 million new deficit so far in fiscal 2009.**
  - **Every department is required to submit proposals for 20% percent budget reduction across the board for FY 2010.**

# Sarasota County, Florida



- Population: 366,000
- Budget Situation: local economy continues to worsen; lost \$16 million in 08's bond market and property tax collections now projected to drop an additional \$30 million in 2009
- **The Sarasota County Board of Commissioners is eliminating programs based the level of mandate, the community's need for the program and program effectiveness.**

# City of Atlanta, GA



- Population: 519,145
- Budget Situation: Funding gap for fiscal 2009 is currently projected to be as much as \$80 million.
- **Reduction in both hours and pay of 4,600 employees by 10% because of anticipated shortfall.**
- **Reduce number of hours worked and salary/benefits to save money.**

# Jefferson County, Colorado



- Population 538,323
- Budget Situation: Flat increase in property tax revenues in '08 & exhausted reserve fund the preceding year created a \$10 million hole to begin their budget planning process.
  - **Created a new “Prioritization” process – a “Budgeting for Outcomes” approach ranking each service against their priorities, then reviewing their resource allocation in light of this ranking.**

34

## Recommended Process

# Mission for Process

35

**To provide leadership to stabilize Washtenaw County communities and families in these trying economic times and to enhance our long-term prosperity through the strategic direction of County human and financial resources.**

# Major Budget Principles

36

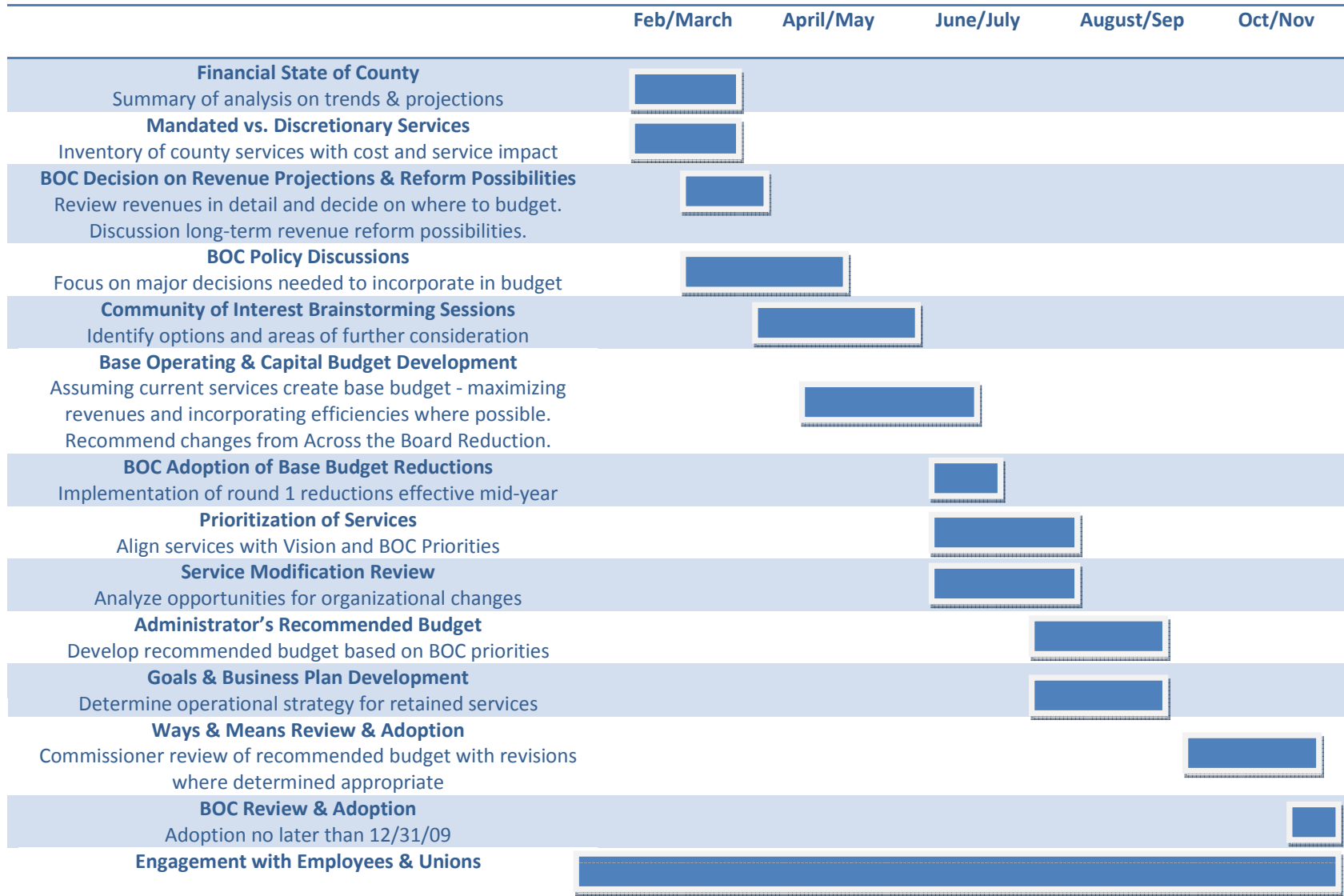
- Revenue Growth & Reform
- Reduce the Cost of Doing Business
- Mandated vs. Non-Mandated Services
- Community Collaboration
- Organization Structure by Core Business
- Employee Compensation & Benefits

# Recommended Process – Major Milestones



- Declare financial capacity
- Town Halls with Organization
- BOC Policy Discussions on Major Issues
- Community of Interest Identification of Options
- Implement Across the Board Reduction as Part of Base Budget Development *\*Including employee and union engagement\**
- BOC Adoption of Round 1 of Solutions with Outline of Items for Consideration
- Analysis on Major Items for Consideration
- Recommended Budget Options to Ways & Means

# Recommended Timeline



# Next Steps

39

- BOC Decision on Revenue Assumptions
- Completion of Mandated vs. Non-Mandated Services Inventory
- Working Sessions in March & April on Major Policy Issues
- Internal Development of Options
- Executive Session on Labor

# Summary

**Change will not come if we wait for  
some other person or some other  
time. We are the ones we've been  
waiting for. We are the change  
that we seek.**

-President Barack Obama

41

# Questions & Answers