



Revenue Projections & Reform

Washtenaw County
Ways & Means Committee
February 18, 2009



Agenda

- 2010/11 Revenue Projections
 - Major General Fund Revenues
 - Review Indicators & Assumptions of Each Major Category
 - *Decision on Revenue Projections*
- Revenue Reform Possibilities
 - Opportunities
 - Next Steps



2010/11

REVENUE

PROJECTIONS



Declaring Revenue Projections

- Property tax is largest part of budget with greatest impact from economy
- Economic forecasts are bleak but uncertain
- Need decision on revenue budgets for 2010/11 budget
- Must continue monitoring projections as get more information throughout year

Major General Fund Revenues

16 Revenues equal ~95% of GF

- Property Tax
- Register of Deeds
- Drain Contribution

- State Revenue Sharing
- State Liquor Tax
- State Cigarette Tax
- State Court Fund
- State Salary Reimbursement

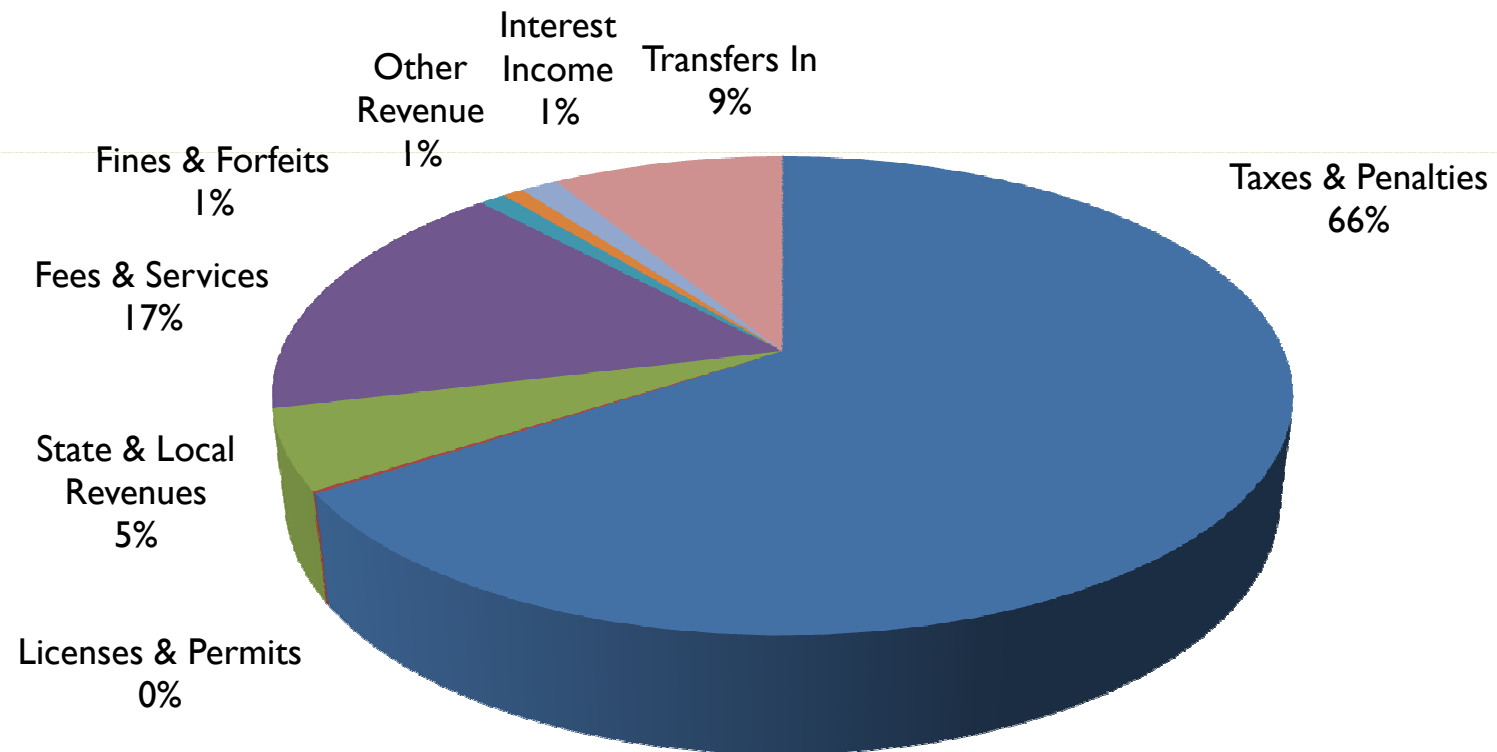
- Probation Oversight Fees
- Civil Fee
- Prisoner Board
- Probate Court Fee
- Court Costs
- Ordinance Fines & Costs
- Police Services

- Interest Earnings

General Fund Revenues

Revenues by Source

Based on 2008 Projected Year End





STATE REVENUES

State Revenues

- Most GF State revenues are based on formula and reasonably secure under current legislation
 - State Court Fund
 - Reimbursement for Judges & other employees
 - State Liquor & Cigarette Tax
- State commitment for Revenue Sharing when reserve fund is depleted in 2013
- Questionable stability of NGF State revenues



**PUBLIC SAFETY &
JUSTICE**



Public Safety & Justice Revenues

- Revenues holding steady
- Some increases due to collection efforts and increased programming in courts
- Police Services growth based on adopted policy



INTEREST & CASH



Interest Earnings

- Realizing lower return on investment
- Cash flow change resulting in less interest revenue in General Fund
- GF Interest revenue will continue decreasing as Revenue Sharing Reserve Fund is depleted

Cash Flow

- Previously received majority of revenues early in year with December tax levy
- Now need to spend money before have revenue
- Currently borrowing from Revenue Sharing Reserve Fund
- Ability to borrow from Other Non General Funds
- Options if NGF not able to support



Cash Flow – What if Shift Fiscal Year

- Scenario 1: Desire to shift property tax revenue to future so know revenue prior to start of fiscal year
 - Result – Need up front cash
- Scenario 2: Maintain finding out about property tax revenue in current fiscal year
 - Result – Potential one-time windfall but would further delay period during fiscal year in which do not know property tax revenue



**MAJOR HOUSING
RELATED REVENUES**

Register of Deeds Revenue

- Fee Revenue Continues to Decrease
- Based on document counts and property values

	Total Revenue	% Change from Previous Year
2002	\$4,079,678	21.9%
2003	\$5,187,415	27.2%
2004	\$4,351,934	-16.1%
2005	\$4,076,054	-6.3%
2006	\$3,421,695	-16.1%
2007	\$2,854,575	-16.6%
2008	\$2,180,958	-23.6%



Property Tax Revenue – Lots of Leading Indicators

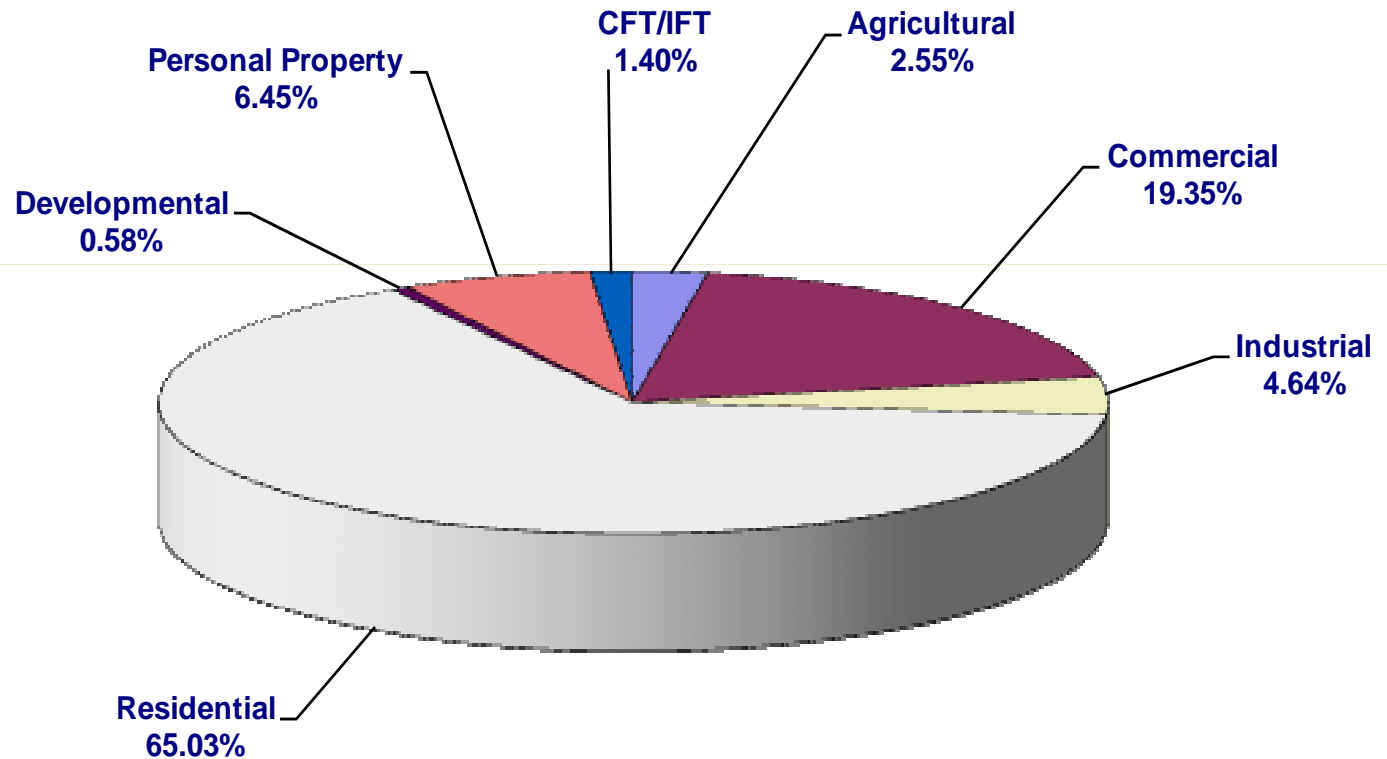
- Previous year changes
- Housing values
- Deeds recordings, values and revenue
- Building Permits
- Delinquencies & Foreclosures
- Appeals
- Median Income
- Economic Indicators – Stock Market, Unemployment, Business Stability

Property Tax Projection - CPI

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.9%	3.2%	3.2%	1.5%	2.3%	2.3%	3.3%	3.7%	2.3%	4.4%

- CPI-U All Cities
- Sum of October to September of current year divided by October to September of prior year
- Applied to following fiscal year Equalization Report
- Already signs of slowing – 1st three months only 1.6%
- In 2009, CPI impact projected to provide \$1M in revenue

2008 Percentage of County Total by Classification of Property



Source: 2008 Equalization Report

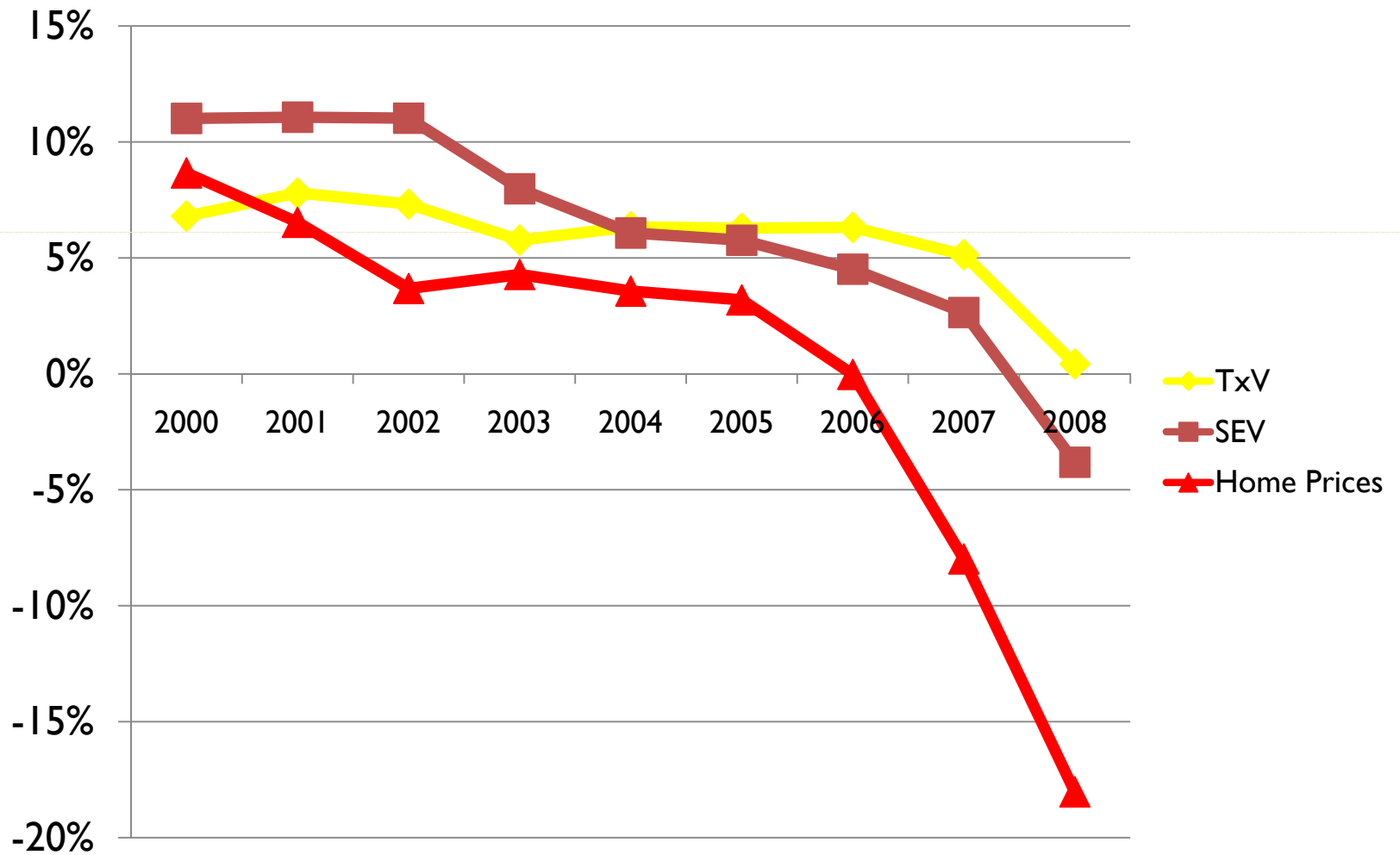
Property Tax Projection – SEV Changes

	2004	2005	2006	2007	2008	2009
Agricultural	8.68%	4.60%	-1.82%	5.64%	1.57%	-0.06%
Commercial	6.34%	10.13%	5.55%	5.38%	6.58%	0.14%
Industrial	5.41%	4.36%	3.02%	4.80%	-7.70%	-4.00%
Residential	9.97%	7.90%	6.95%	3.69%	-6.09%	-10.00%
Developmental	26.71%	11.51%	3.44%	3.96%	-0.73%	0.00%
Personal Property	9.07%	8.04%	6.20%	4.12%	0.43%	-0.50%
Total County SEV	8.44%	7.48%	5.77%	4.23%	-2.93%	-6.79%

2009 Preliminary Estimates based on Assessed Values

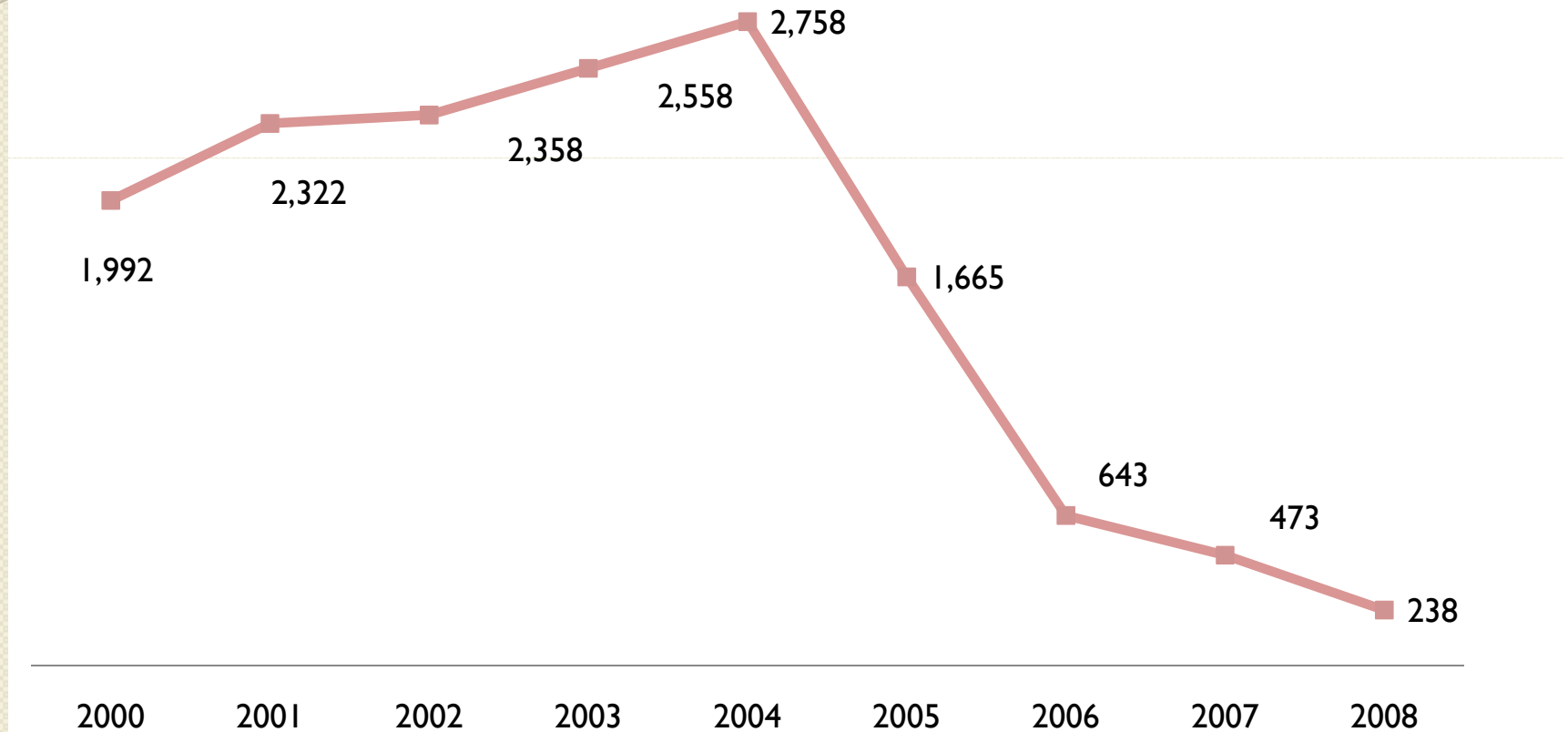
*Residential is realizing largest reduction
and is 65% of total SEV*

SEMCOG Analysis of SE MI Region Home Prices, SEV, Taxable Value



Property Tax Projection – New Construction

Total Residential Building Permits Washtenaw County



Source: SEMCOG

Property Tax Projection – Gap SEV & TV

- County has gap of ~16% between SEV and TV
- However, approximately 49% of properties have SEV and TV equal
- For properties with $SEV=TV$, if assessment decreases then owner pays less taxes
- For properties with gap, if assessment decreases, taxes may increase up to inflation

Property Tax Projection – Delinquencies & Foreclosures

Sheriff Deeds by Month, 2002 -November, 2008

Month	Year						
	2002	2003	2004	2005	2006	2007	2008
Jan	15	21	25	33	32	88	106
Feb	9	17	22	28	54	99	126
Mar	16	10	31	38	59	103	123
Apr	13	37	23	27	46	72	145
May	20	11	29	40	53	75	119
Jun	25	26	13	40	69	76	136
Jul	19	21	29	41	30	113	136
Aug	23	29	22	27	68	78	102
Sep	20	17	21	42	63	85	110
Oct	19	25	22	42	59	108	129
Nov	24	20	21	20	93	107	134
Dec	28	31	30	55	77	147	
Totals	231	265	288	433	703	1,151	1,366



Property Tax Projection Top Tax Payers

- Pfizer
- General Motors
- Ford Motor Company / Visteon

- Detroit Edison
- McKinley Associates
- Briarwood Complex
- Toyota
- Michigan Consolidated Gas
- Domino's
- Chrysler



Property Tax Projections Needed Assumptions for 2010 & 2011

➤ **CPI**

➤ **Estimated change in SEV**

- Capped vs. Uncapped Property Ratio
- Exempt Properties
- Millage Rate (Impact of Headlee)



Property Tax Projection Assumptions

Millage Rate

- Current operating millage at 4.5493
- In 2008, equals ~\$70M in revenue
- Each year headlee factor needs to be calculated to determine if millage rate will be reduced
- In downward market, unlikely to be a factor

Property Tax Projection Assumptions

CPI: Range of 3.5% to 0%

% Properties SEV = TV:

- Currently at 49%
- Estimated to increase each fiscal year with market decreasing

Exempt Properties:

- University of Michigan purchase of Pfizer
- New construction mainly in exempt properties
- More approvals on tax appeals reducing base

Property Tax Projection Assumptions

Projected Change in SEV by Classification

	2010	2011	2012
Agricultural	0% to -1%	0% to -1%	0% to -1%
Commercial	-1% to -2%	0% to -2%	0% to -1%
Industrial	-5% to -8%	-3% to -8%	-1% to -6%
Residential	-10% to -13%	-8% to -10%	-5% to -13%
Developmental	0%	0%	0%
Personal Property	0% to -1%	0% to -1%	0%
Total County SEV	-6.8% to -9%	-5% to -10%	-3% to -8%

- Use indicators and economic forecasts for decision on when think will hit bottom
- Take into consideration known information and stability of tax base

Property Tax Projection Assumptions

Estimated Change in Taxable Value

	2010	2011	2012	2013
Total County TV	-3.75% to -8.0%	-3% to -10.0%	-2% to -7.0%	0% to -3%

Potential Impact to Property Tax Revenues

	2010	2011	2012	2013
Total Property Tax Revenue Loss	\$2.5 to \$5.4 Million	\$2 to \$5.9 Million	\$1.2 to \$3.9 Million	\$0 to \$1.5 Million



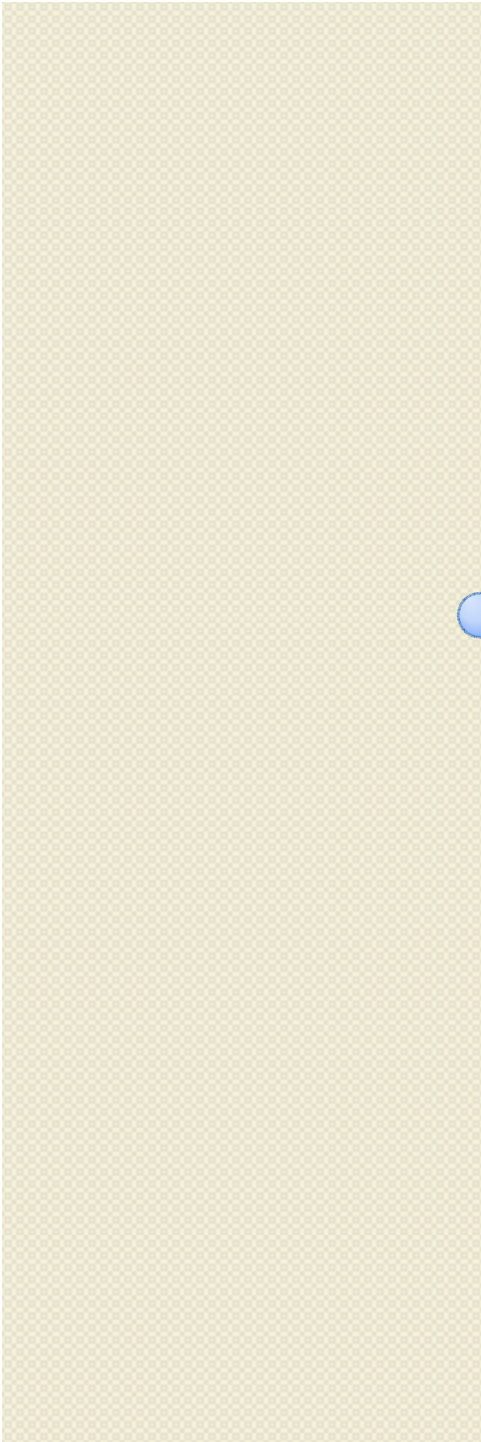
**DECLARING REVENUE
PROJECTIONS FOR
2010/2011**



Revenue Projection Summary

- Property tax is largest part of budget with greatest impact from economy
- Economic forecasts are bleak but uncertain

- Need decision on revenue budgets for 2010/11 budget
- Must continue monitoring projections as get more information throughout year
- Long-term compounding effect requires a focus on revenue growth and reform



**REVENUE REFORM
POSSIBILITIES**



Opportunities – Property Taxes

- Headlee Override
- Millage Reapportionment

- DDA & TIFA Exemptions
- New Millages
- Sustainable Economic Growth



Opportunities – Program Generation

- Increase fees
 - Increase collections
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- Add programming



Opportunities – Outside Funding

- Federal Stimulus Package
- Federal & State Earmarks and Legislation
- Medicaid
- Grants



Opportunities – Infrastructure

- Space Consolidation
 - Selling Buildings
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- Renting Unused Space
 - Eliminate Use of Leased Space
 - Other Asset Disposal



Summary

- We have opportunities for increased revenue
- Some may help in 2010/11 but most are long-term reform options
- Need further analysis and feasibility testing on areas of interest