

**WASHTENAW COUNTY, MICHIGAN**

**PRELIMINARY REPORT ON THE  
FINANCIAL STATE OF THE  
COUNTY**


Board of Commissioners  
January 19, 2011


# Current Reality – The Good News

## Solid Financial Foundation

 AA+ Bond rating





 Annual General Fund Surplus of \$250+

 Building of General Fund Reserves above 8% policy

 Low Debt Ratio of 1.68% with allowable level of 10%


# Building Upon Past Changes

## Reductions Over Past Several Years

-  We've been managing reductions since 2002 due to State reductions and Property Tax Decline
-  Most departments have been reduced by at least 20%
-  Few targeted areas have been without reductions due to nature of work
-  Increased support to some mandated services and some targeted community impact areas

# Building Upon Past Changes

## Union Concessions & Reductions to Non Union

 0% Across the Board Salary Increase for 2008 with 1/2% in 2009

 \$4.1M in savings in 2010/11 through unions agreeing to reopen existing contracts and reductions to Non Union employees

- Waving salary increases with furlough / banked leave
- Medical premium sharing for non union and some unions

# New Realities – Uncertain Times

## Externally






-  State Budget Crisis
-  New Governor
-  Evolving Economy & Real Estate Market
-  Health Care Reform
-  Increased Community Need

## Internally

-  New Board
-  New Administration
-  Retirements in Leadership throughout Organization

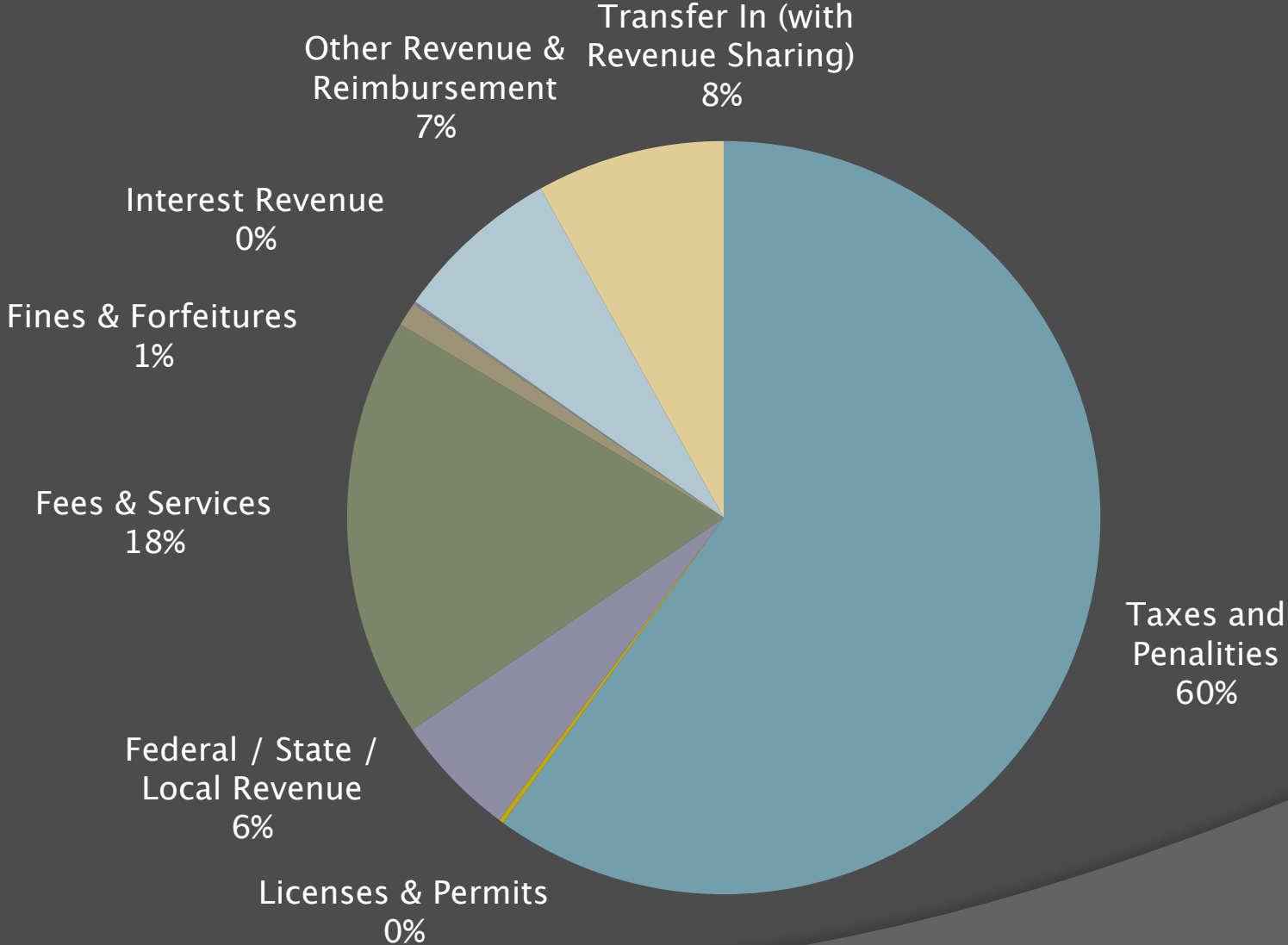
# Declining Revenues

Top 5 GF Revenues are Unstable and Declining

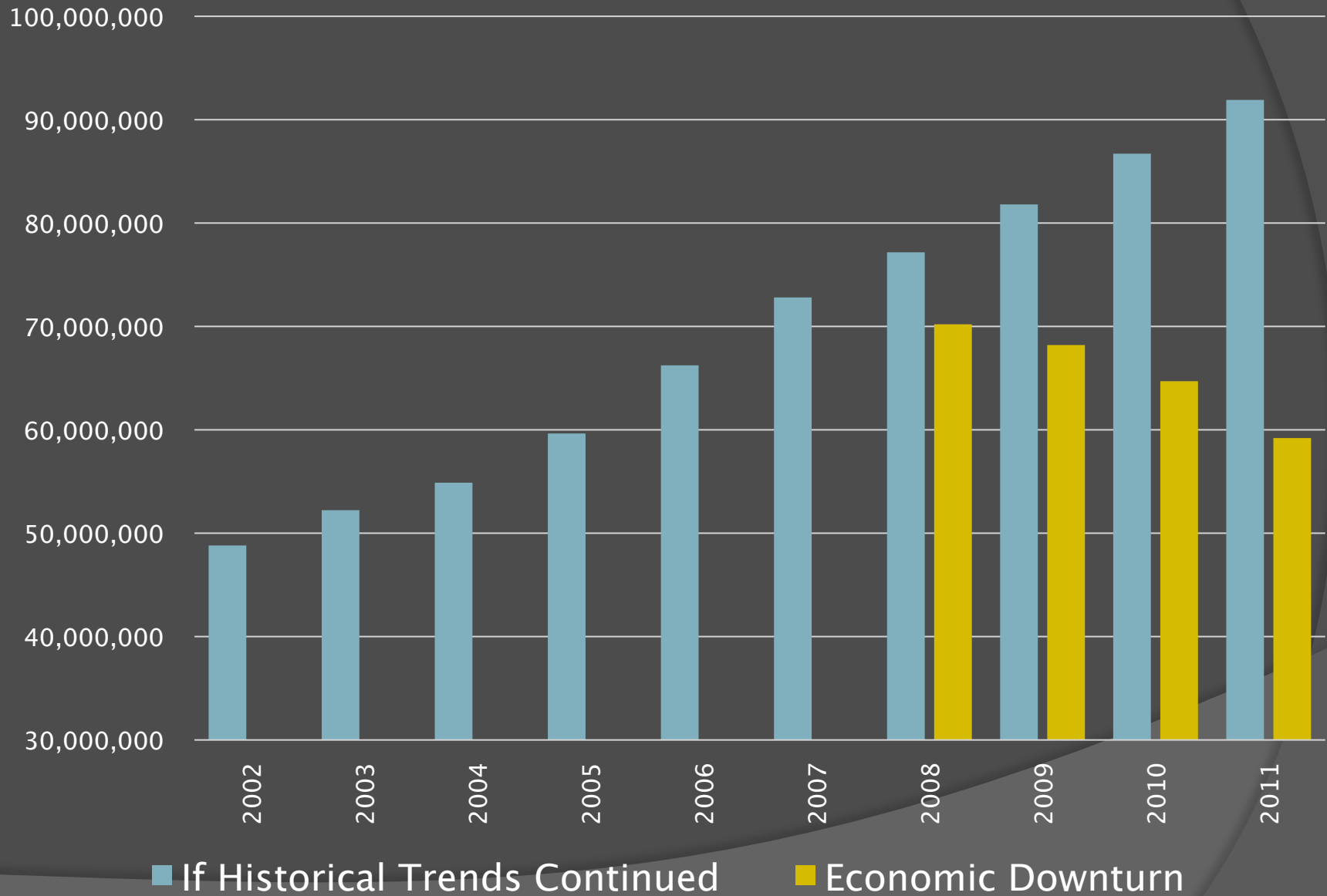
-  Property Taxes (long-term compounding effect)
-  Revenue Sharing
-  Police Services Contracts
-  Real Estate Transfers
-  Court Fines & Fees

Significant Unknowns with Federal/State funding in Non General Fund Programs

# 2011 General Fund Revenues by Source



# General Fund Property Tax Revenues





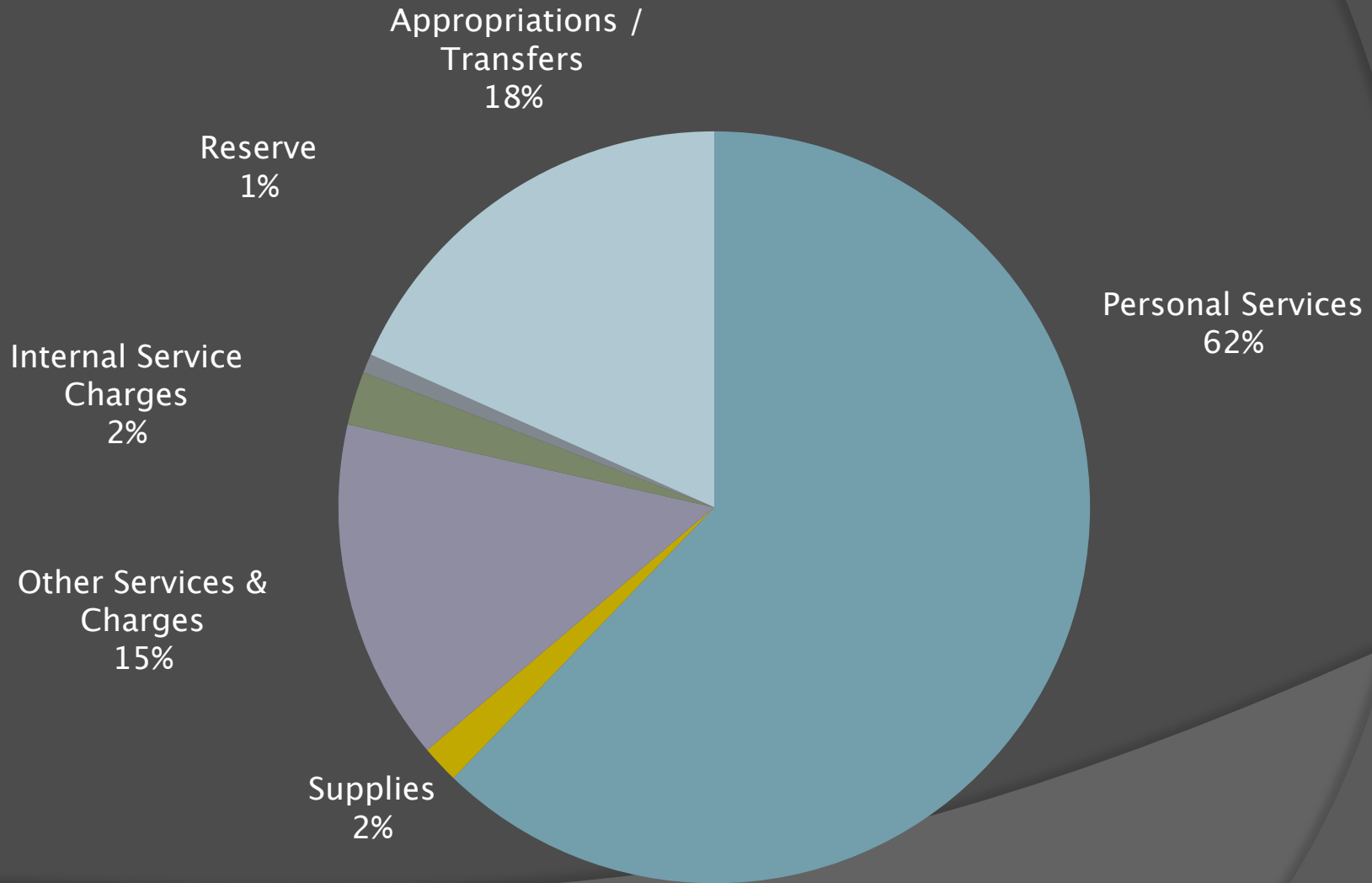
# Growing Expenditures & Liabilities

Personnel comprises 62% of General Fund Budget

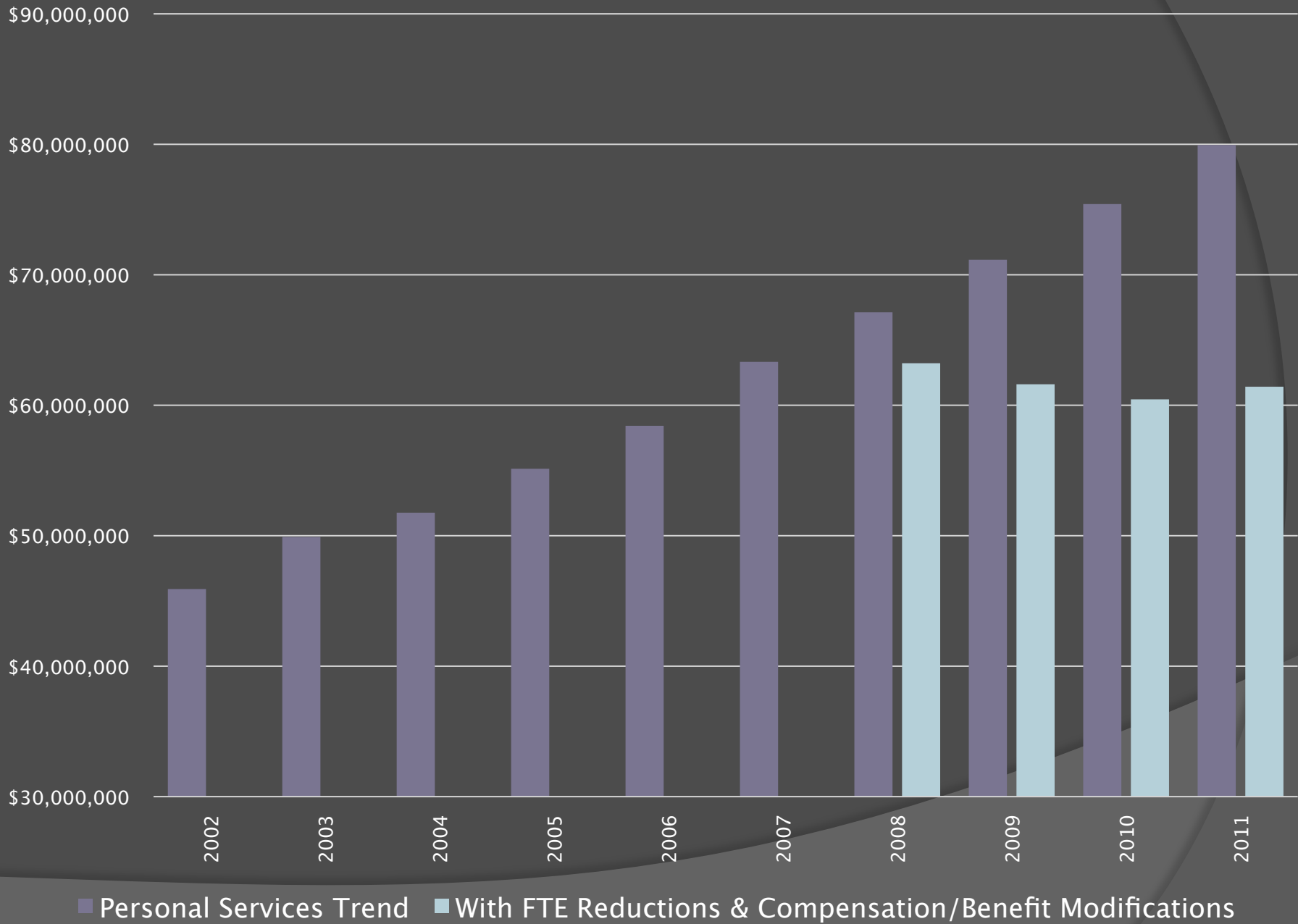
- ❑ General Fund spends \$61M on personnel; approximately half of total payroll
- ❑ Fringe benefits now equal 56% of salaries on avg
- ❑ Health care is estimated to increase 12%+ annually (statewide average)

Over \$4M Liability for Tax Appeals, and growing

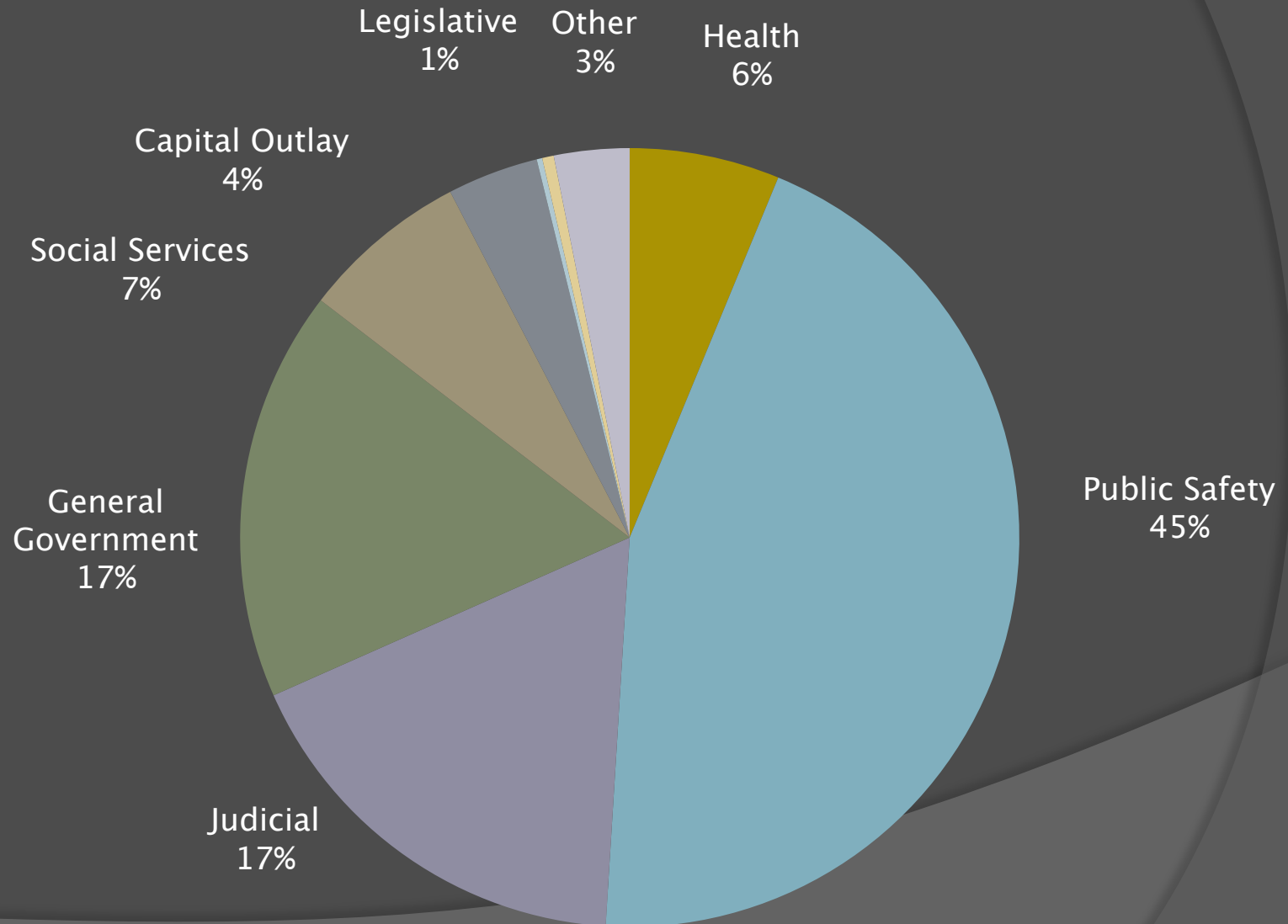
# 2011 General Fund Expenditures by Category







# General Fund Personnel Costs



# 2011 General Fund Expenditures by Function



# Current Priorities

-  62% of General Fund is Public Safety & Justice with Sheriff, Trial Court, District Court, Prosecuting Attorney and Public Defender
-  Appropriations to NGF are 18% with significant reductions over past few years in GF support to Health & Human Services (CSTS at \$4M in 2007 with now only \$404K)
-  General Government has been reduced substantially from 22% of GF to 17%
-  Approximately 70% of our services are mandated, but how we do them & serviceability is at our discretion

# Preliminary General Fund Projections

# Preliminary Estimate 2012/13 General Fund





2012  
(\$12,951,723)  
(\$20,897,305)

2013

## Major Assumptions






Property Tax Revenue	2011 = -8.5%; 2012 = -5%, 2013 = -2%
Revenue Sharing	Eliminated following depletion of Reserve Fund
Police Services	Flat contract price with all existing contracts
Real Estate Transfers	In line with 2010 revenue levels
Court Fines & Fees	In line with 2010 revenue levels
Personnel	0% Salary Increase with no furlough/banked leave days; fringe growth 12% annually
Other	Reinstate non structural 2010/11 capital reductions; Other appropriations to NGF remain flat except where mandated

# Estimates are Preliminary

-  The exact number of the deficit will continue to change as more information becomes available
-  Bottom-line is we know we have a deep and structural deficit which we must start to repair
-  We will update projections and bring the Financial State of the County in May which will include:
  -  Impact from Changes at State



# Economy Remains Uncertain

-  So much volatility – history no longer predictor of future
-  Anticipating further decline in property taxes but magnitude and length of decline uncertain
-  Anticipating decline in State revenue but magnitude and impact on service areas have yet to be defined
-  Some signs economy is slowly recovering
-  Other concerns that we could have a “double-dip” recession

# Our Response

# Must Face the Brutal Reality




We can no longer do all of the things we used to be able to do.

Some things...a lot of things...  
have to change.





# Budget Principles

- ☒ Stay conservative
- ☒ Find long-term structural solutions
- ☒ Define core services
- ☒ Focus on targeted community impact areas
- ☒ Seek out opportunities for collaboration
- ☒ Determine most efficient and effective organizational structure
- ☒ Reduce personnel costs
- ☒ Find balance between reducing # positions vs. reducing employee compensation costs
- ☒ Be creative yet fiscally sound




# Changing the Culture

-  Can no longer be everything to everyone – focus our efforts and have ability to say no
-  Previous “needs” may now be “wants” – evaluate all resource allocations to ensure critical to carry out services
-  Increase accountability for budget management

# BOC Priority Setting

-  Critical that BOC guides organization in this time of change
-  We need to define our core services and determine what community impact we are attempting to make
-  Ensure operations and budget allocations are in alignment with BOC priorities
-  Define what we are going to do and do it in a “World Class” way

# Establish Budget Targets

-  Get down to business – set expectations early to provide some “predictability” for organization
-  Not an across the board reduction – equity in process, not in budget allocations
-  Establish targets for Departments and Elected Offices based on review of past reductions, serviceability levels, options for modifying service delivery, and priority of services we can no longer

Revenue  
Generation  
**\$2M**

Organizational  
Changes &  
Baseline  
Reductions  
**\$8.5M**






**2012/13 Budget  
\$20+ Million Shortfall**

Employee  
Comp &  
Benefits  
**\$8.5M**





Outside  
Agencies  
**\$1M**



# Revenue Generation


-  Limited ability due to laws governing county government
-  Ensure fines and fees are at appropriate levels
-  Areas of organization are collaborating on ways to maximize revenue collections
-  Seeking out alternative service delivery models which may be revenue generating
-  Maximizing outside funding where possible

# Organizational Changes

-  Detailed review of line item budgets and contracts
-  Seeking all opportunities for reorganization, collaboration, and consolidation
-  Discussions with community partners on services county can shift to others
-  Eliminate services county can simply no longer afford

# Outside Agencies




 \$2.5M GF going outside of organization through Outside Agency allocations, with additional support through ACT 88 and Housing Funds

 Of this \$1.5M is outside of coordinated funding model, including some due & membership fees

 Reduced by 20% in 2010

 Most allocations support discretionary services




# Employee Compensation & Benefits

-  Focus by Federal and State to reduce benefits to government employees
-  Washtenaw County offers excellent salaries and benefits compared with other government units and private organizations
-  Currently have federally defined “Cadillac Plan” for health care which will impose 40% tax if not changed by 2018

# Next Steps

# Proposed Calendar

## Kick Off: January

-  Preliminary Financial State of County
-  BOC adoption of Calendar and Guidelines
-  Presentation on Roles & Responsibilities

## Organizational Planning: January – April

-  BOC Priority Setting
-  Department Business Planning

## Budget Development: May – August

-  Updated Financial State of County
-  Administrator sets Department Budget Targets
-  Review Options & Development of Administrator's Recommended Budget

## BOC Review & Adoption: September – November

# Next Steps

BOC Priority Discussion

Town Hall Meetings with Employees

Interest Based Bargaining Training

Begin Labor Discussions

Internal Analysis of Budgets by  
Department

Internal Development of Budget Options

# Questions for Consideration in BOC Priority Setting



Do current budget allocations represent your priorities?



How should the General Fund respond when there are federal/state revenue reductions in Non General Fund programs?



What targeted community areas are most important to you?



What balance do you feel is appropriate between funding outside agencies vs. internal county services?



**Discussion**

**Questions**

**Commissioner Input**