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M E M O R A N D U M

TO: VERNA J. MCDANIEL, WASHTENAW COUNTY ADMINISTRATOR
KELLY BELKNAP, WASHTENAW COUNTY FINANCE DIRECTOR

FROM: MEREDITH A. SHANLE, PRESIDENT
MUNICIPAL FINANCIAL CONSULTANTS INCORPORATED

RE: QUESTIONS REGARDING WHETHER THE COUNTY MAY ISSUE UP TO $345,000,0000 IN NEW BONDS FOR THE PURPOSE OF FULLY FUNDING THE VEBA AND WCERS PENSION FUNDS WITHOUT UNNECESSARILY LIMITING THE COUNTY'S FUTURE BONDING CAPACITY OR OTHERWISE CAUSING PROBLEMS TO OTHER JURISDICTIONS WITHIN WASHTENAW COUNTY

DATE: APRIL 30, 2013

BACKGROUND

In connection with the proposed issuance of the captioned bonds, a question has been raised as to whether the large amount of this bond issue will cause a problem for the County either with the County's bond rating, the ability of the County to borrow money in the future or negatively impact all other units within the County.

In order to respond to these questions, we have reviewed the County's borrowing from a historical perspective over the past thirty or more years and have compared the amount of County debt which was outstanding in 1982 to the amount of County debt which is currently outstanding and also compared these numbers to the amount of County debt which would be outstanding if the County were to issue the maximum amount of bonds for the captioned purpose.

COMPARISON OF STATE EQUALIZED VALUE AND (SINCE 1995) TAXABLE VALUE IN WASHTENAW COUNTY

The County equalization department has provided us with a chart showing equalized values for the years beginning in 1959 and ending in 2013, which is attached hereto as APPENDIX I. As you can see from the attachment, the County's state equalized value ("SEV") in 1982 was $3,193,708,372. By 2013, this number had increased to $15,579,456,634.

Under the Michigan Constitution, counties are permitted to issue debt supported by the County's General Fund in an amount not to exceed 10% of the SEV.

In addition, since 1995 it has been commonplace for municipalities issuing debt to use a new measure of taxable value ("TV") when deciding whether the municipality was issuing too much debt since this new term was added to the constitution in 1994.

The same Appendix I includes the total TV for Washtenaw County beginning in 1995 and ending in 2013. As you can see, the TV of Washtenaw County in 2013 is $14,210,463,343

COMPARISON OF COUNTY DEBT TO COUNTY DEBT LIMIT

Using Appendix I as a source of information together with official statements prepared by our firm for a borrowing in 1982 and another borrowing in April of 2013, we have set forth on Appendix II a schedule showing a comparison of the County's debt in 1982 with both the County's current County debt and what the County's debt would be if the captioned bonds were issued in an amount of $345,000,000.

As you can see, in 1982 the County's debt was $85,400,901 while today the County's debt is only $100,880,779. If a new bond issue in the amount of $345,000,000 were issued, the County's debt would go up to $445,880,779.

As you can see from Appendix II, the County's debt limit in 1982 was $319,370,827 and the County's debt at that time was approximately 27% of the debt limit. If the County were to issue an additional $345,000,000 in bonds in 2013 this would mean that the County had increased its use of its debt limit (as compared to 1982) from approximately 27% to approximately 32% or an increase of 5%. We do not believe that the issuance of debt at that level will have any negative effect on the County's ability to maintain its current credit rating or to issue future debt since the County would have in excess of $975,000,000 in additional room to issue debt in the future.

Moreover, because the County is issuing this debt for the purpose of funding a debt which it currently owes, we believe the action will be welcomed by both Moody's and Standard & Poor's.

IMPACT OF THE PROPOSED BOND ISSUE ON OTHER UNITS OF GOVERNMENT WITHIN WASHTENAW COUNTY

Again, using the information from the official statements referred to above, we have compared the increase of the County's debt between 1982 and 2013 with the increase of debt issued by all other taxing units within the County over that period of time.

As you can see from Appendix III, which we have attached hereto, the County's debt in 1982 (which was $85,400,901) has increased only 15% without the new borrowing while all other units of government within the County have increase their 1982 debt (which was $176,270,646) by 601%. With a new borrowing of $345,000,000, the County's debt will increase over its debt in 1982 by approximately 410%, which is a lower rate of increase than has occurred for all of the other taxing units within the County.

In addition, as Appendix III also shows between 1982 and 2013 the County's 1982 SEV as compared to the County's TV in 2013 has increased at a greater rate of 445%.

CONCLUSION

While no one would suggest that public corporations should attempt to issue more debt than other public corporations in the neighborhood, it is clear that Washtenaw County has not issued very much debt in the past thirty years when compared both to the amount of debt issued by all of the other units of government within the County or when compared to its increased TV. It is silly to suggest that the issuance of the proposed bond issue will somehow have a negative effect on the surrounding communities in Washtenaw County if the County were to issue $345,000,000 in new bonds. In fact, the County's borrowing even then would have grown at a substantially lower rate than the total borrowings than all of its neighboring communities over the last thirty years.

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