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TO: Jason Morgan
Chair, Board of Commissioners

FROM: Gregory Dill
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SUBJECT: COVID 19 Financial Impact and Forecast

The consequence of spending at the current rate is \$1.8M per month. The details for the ongoing monthly costs include: payroll of \$1.225M, sheltering \$570K (Red Roof Inn and Baymont - currently reserved, but limited utilization at this time), expanded cleaning services for County buildings \$10,220 and to date \$20K for the cleaning and sanitization of Sheriff substations. In addition, there have been one-time costs of \$420K for supplies and site-specific (other than Sheriff substations) deep cleaning as needed. At the current rate of spending, the \$3.45M allocation (\$3.2M on 4-8-20 and \$250K on 3-18-20) authorized by the BOC will be exhausted in just over a month and a half.

County projections and forecasts for FY 2020

While it is too early to have solid figures to work with in looking at the 2020 budget to actuals, we can identify areas where impacts are likely to occur.

First quarter revenues will be below budget, it is projected this will continue into the second and third quarters of the fiscal year.

- Property values which impact property tax revenue, the single largest funding source (60%) for the general fund, will remain stable for 2020 as property values were established earlier in the year and the tax levy in July will be based on those values. The actual collection percentage will be lower than it has been, possibly resulting in more foreclosures in the future.
- The Sheriff's office has been operating under normal circumstances during the COVID 19 crisis. Because most of their revenues (20% of the general fund) are due to contracted road patrol and dispatch services, transfers for E-911 and property tax from the Mental Health and Public Safety Millage their revenues are anticipated to be on budget.
- The 2020 FY budget includes State revenue sharing at just over \$7 million (5.5% of the general fund). Due to the State's forecasted revenue being \$2.6 billion being less than budgeted it is highly likely that the County Revenue Sharing payments may be greatly reduced.
- It is anticipated that court revenues (4.5% of the general fund) for both the Trial and District courts will be down, first due to the actual weeks of closure, secondly due the reduction in tickets issued, case load and other normal activities.
- While the Clerk's office has maintained some level of service to the public through the utilization of technology they too have been closed and not processing certain types of licensing and document request. Going forward revenue (3% of the general fund) from the purchase of property and the refinancing is anticipated to be greatly reduced due to the job loss in Michigan to forecasted to reach 1.2 million in the second quarter of the year.

- Medicaid revenue for Community Mental Health is an uncertainty. The past three years have ended with a significant shortfall in this revenue category. Going into FY 2020 there was continued concern around this revenue. Earlier in April the Director of CMH shared that the State of Michigan would be issuing payments in April to address a 6-month backlog in payments due to system programming errors as well as going forward providing higher rates for services provided. Since the COVID19 event additional Federal funding for Medicaid services has been authorized. What is not clear yet is how much of these dollars will flow to local Mental Health services versus how much will be allocated to hospitals.
- Federal Emergency Management Agency (FEMA) provides funding relief for response to emergencies. COVID19 has been identified nationwide as an event that qualifies for relief funding. The standard reimbursement is 75% of actual, eligible costs. Eligible expenses incurred include the purchase of personal protection equipment (PPE), non-congregate sheltering with prior approval, disinfection of public facilities, and local government force account overtime costs. The County will be applying for reimbursement of expenses incurred up to the maximum allowed. The timeline for receipt of reimbursement for past incidents across the nation has taken months to even years. Due to the magnitude of this event it is unclear to when we would actually receive any of the funding

First quarter expenditures should be close to budget as most of the increase response efforts do not result into actual costs until April, which is the beginning of the second quarter.

- Increase in payroll costs (61% of the general fund) for COVID19 response will not be reflected in the first quarter for general fund departments. The County closure took effect on March 16th the first payroll to reflect a significant increase in costs was April 3rd.
- Increase cost for supplies purchased for personal protective equipment and contracts entered into for COVID19 response also will not be reflected in the first quarter. Included in the PPE purchases to date are masks and individual hand sanitizer to be available to all employees upon their return to work. Actual expenditures based on contracts and invoices are impacting the budget beginning in April.
- With focus on employee safety upon buildings being reopened OIM will be actively working with departments whose employees interact face to face with the public. They will work with the department to identify safety measures that can be implemented to protect employees. One example is the installation of a safety shield between the employee and the public. OIM is actively researching the need, the materials and costs and will provide a cost estimate in the near future. It is anticipated this will be a changing number as other needs and solutions are identified.
- As mentioned previously, the Sheriff's office has been operating under normal circumstances during the COVID19 crisis. Their expenditures (44% of the general fund with personnel costs or 12% of the general fund without personnel costs) are expected to be on budget at this time.
- As we progress through this event some of the funds authorized by Federal Acts will become available to the County to be invested in identified actions to support various populations through this event. In these areas we will see an increase in expenditures with corresponding supporting revenues. One area is OCED where additional Federal funds of \$1.9M have been received for COVID19 response.

Long Term Outlook beyond 2020

Many of the revenue challenges the County is facing in FY 2020 will likely carry forward into 2021. Like the rest of the nation Michigan is experiencing a high rate of unemployment due to the Governor's stay at home order that was necessitated by COVID19. This current high unemployment will be reduced as the ability to reopen is slowly initiated, but it will not go back to prior low levels for a while. It will take time for the economy to recover.

Areas to monitor as we move forward include some of the following:

- Economic impact on property values, a decline would impact FY 2021 property tax revenues
- State Revenue Sharing
- Fee revenue from the Court systems, Building Inspection, Clerk's office
- Interest revenue
- Medicaid revenue as it supports CMH
- Many times, during an economic downturn funding for the Human Services component of the organization will increase from additional Federal funding.

Most Recent Economic Outlook for Michigan and the United States

The University of Michigan: The US and Michigan Economic Outlook for 2020-2022 (April 9, 2020) Report

([http://smcg.informz.net/SMCG/data/images/The%20Economic%20Impacts%20of%20COVID-19%20SEMU/RSQE%20Forecast%20Update%20\(2020.04\).pdf](http://smcg.informz.net/SMCG/data/images/The%20Economic%20Impacts%20of%20COVID-19%20SEMU/RSQE%20Forecast%20Update%20(2020.04).pdf)). The report is 46 pages long, but the narrative is only 17 pages with tables referenced attached following page 18.