



COUNTY ADMINISTRATOR
220 NORTH MAIN STREET, P.O. BOX 8645
ANN ARBOR, MICHIGAN 48107-8645
(734)222-6850
FAX (734)222-6715

TO: Jason Morgan
Chair, Board of Commissioners

Katie Scott
Chair, Ways & Means

FROM: Gregory Dill
County Administrator

DATE: June 23, 2020

SUBJECT: 2020-2023 Budget and Financial Update

As promised during my report following the 2020-2023 Financial Impact and Budget Forecast presentation on the May 20, 2020, Ways & Means Meeting, I committed to provide an update to the Board of Commissioners by July 1, 2020. At this time there is no new financial information and guidance being provided by the State of Michigan that would change the County's financial outlook and budget forecasts as well as the "best-case" or "worst-case" budget assumption scenarios that were already shared.

On May 28, 2020, the United States Treasury issued a guidance to states that they need to send CARES Act money to local governments that did not qualify for direct payments under the act due to their population (direct payments went to counties with populations of 500K or more) to help address their COVID-19 financial effects. There is hope that the guidance will encourage the State of Michigan Budget Office to act within the guidelines, but the timing and the exact process of how this may work has yet to be determined and shared with counties. In Michigan, [the federal guidance](#) would apply to 79 of the 83 counties and Washtenaw County is one of them.

Besides the good news U.S. Treasury guidance, the State of Michigan has been slow to take any impactful action on their projected budget deficits. The State has a \$2.5 billion deficit in the current fiscal year and a \$3 billion shortfall in the upcoming 2020/21 fiscal year resulting from the COVID-19 pandemic. The Governor's Office dropped the May 31, 2020, deadline of needing to know whether the federal government will provide aid to states to help them cope with staggering budget deficits for the State to avoid starting reductions, and the new statutory July 1st deadline for the Legislature to pass the upcoming fiscal year budget will likely have to change (legislation is currently pending to modify this date). The Governor's Office continues to hope that there will be some federal assistance and additional resources provided to states, but it depends on federal legislative action. Although there are two federal bills developed by House Representatives, one passed and will proceed to the Senate and one was introduced recently, that may provide corona aid to state and local governments, but there is no definite timeframe when official action will be taken. Finally, the State of Michigan's next scheduled consensus revenue conference will take place during August/September to review and revise estimates. The State's financial situation will continue to be monitored and updates will be shared as information becomes available.

At this time no new information has been shared that changes the short-term (current year) and long-term (2021-2023) projections presented during the 2020-2023 Financial Impact and Budget Forecast presentation. For the County's current year 2020 General Fund Budget is still projected to be somewhere between the "best-case" (-\$445K) and "worst-case" (-\$5.0M) net shortfall scenarios shared. Although a 2020 General Fund Budget adjustment is prepared and proposed to incorporate the increased property tax revenues as a result of the 2020 Equalization Report to align the budget with projections, it does not change the outcome of the scenarios as the assumption was included in both forecasts.

For the County's long-term 2021-2023 General Fund Budgets are still projected to be somewhere between the "best-case" (2021 = -\$4.8M, 2022 = -\$6.7M, 2023 = -\$8.7M and the 3Y average = -\$6.7M) and "worst-case" (2021 = -\$7.5M, 2022 = -\$9.8M, 2023 = -\$11.7M and the 3Y average = -\$9.7M) net shortfall scenarios shared. There are many moving parts that will likely impact the budget. Any updated information from the Federal and/or State governments, the economic impact of the COVID-19 pandemic, as well as Board defined, authorized and adopted budget assumptions may change the outlook projections and forecasts. At this time it is recommended to hold on any structural investments for 2021 and beyond, until updated financial information is shared by the Federal and State governments and economists, and a comprehensive four-year review is completed of the impact of updated salary projections in alignment with settled union agreements with medical and dental renewals, and required contributions resulting from the annual actuarial reports for pension and retiree healthcare, as well as the updated annual cost allocation plan (CAP). The comprehensive review is in progress and will be completed during late July or early August.

The comprehensive review and update of the budget will be the first step in preparing the County's 2021-2024 Quadrennial General Fund Budget. After expenditures are updated and more up to date financial information is shared regarding state and federal revenues and the long-term economic impacts of the COVID-19 pandemic, the County will be in a better position to make decisions on the budget assumptions moving forward. Therefore, I'm requesting time for the comprehensive budget analysis to be completed and during the budget reaffirmation process will develop a list of recommendations for consideration that will allow for flexibility and the ability to respond methodically to the continuous changing economy and our financial situation. My main objection during these challenging times is for the County to continue-on the path of financial stability and sustainability.