

2019 2nd Quarter Budget Update



Washtenaw County Board of Commissioners
August 7, 2019

AGENDA

- ▶ Budget Adjustments
- ▶ Revenues
- ▶ Expenditures
- ▶ General Fund Status
- ▶ Structural and Nonstructural Investments
- ▶ Non General Funds Status
- ▶ General Fund Budget Summary
- ▶ Summary and Next Steps

2019 General Fund Budget Adjustments

- ▶ August 7, 2019, Resolution #19-TBD (on the agenda for consideration tonight)
Structural budget adjustment in the amount of \$310,727 to recognize the public safety portion of increased property tax revenues from the Mental Health and Public Safety Millage as a result of the 2019 Equalization Report. To be used for Sheriff program expansion and operations in alignment with their 8 year plan.

Nonstructural budget adjustment in the amount of \$250,645 for the 2018 personal property tax reimbursement settlement received in May, 2019 to be identified as undesignated allocation for future investment to be discussed and determined upon resolving the CMH 9-30-19 deficit
- ▶ June 5, 2019, Resolution #19-109
Structural budget adjustment in the amount of \$2,950,702 to recognize increased property tax revenues with a portion being allocated for both structural (\$500,000) and non-structural (\$513,656) investments and the remaining identified as undesignated allocations (\$1,934,046) for future investment to be discussed and determined upon resolving the CMH 9-30-19 deficit
- ▶ May 15, 2019, Resolution #19-088
Net zero budget adjustment that removed public defender financial activities from the General Fund and re-categorized the County's local share to an appropriation/transfer out and budgets the local share within the Indigent Defensive Fund as required per State law

General Fund Revenues

- ▶ Clerk/Register of Deeds: Projected surplus of \$459K due to real estate transfer tax receipts and recording fees
- ▶ Intergovernmental Revenues: Projected net surplus of \$236K due to the 2018 personal property tax settlement received in May 2019, partially offset by a shortfall from local animal control reimbursements
- ▶ Interest Revenue: Projected surplus of \$163K due to investment earnings for the first half of the year
- ▶ Sheriff's Office: Projected shortfall of \$655K due to fees and services for contracted road patrol and civil division activities

General Fund Revenues Actual Variance as of 6/30/19

| | |
|--|-------------------|
| Clerk/Register of Deeds | \$ 458,519 |
| Intergovernmental Revenues | 235,606 |
| Interest Revenue | 162,563 |
| Sheriff's Office | (655,103) |
| All Other Combined | 25,384 |
| Total Projected Revenue Surplus | \$ 226,969 |

General Fund Expenditures

- ▶ Personnel Services & Departmental Operating: Net surplus of \$1.9M due to position vacancies, attrition and operational savings
- ▶ Central Charges & Reserves: Projected surplus of \$2.5M due to the undesignated allocations, tax refund and overpayments savings, lower than budgeted appropriations and budgeted contingencies
- ▶ Courts: Projected surplus of \$306K primarily due to personnel savings from attrition and leaves
- ▶ Sheriff's Office: Projected to be on budget

General Fund Expenditures Actual Variance as of 6/30/19

| | |
|---|---------------------|
| Personnel Services & Departmental Operating (excludes District and Trial Courts & Sheriff's Office) | \$ 1,861,159 |
| Central Charges & Reserves | 2,484,946 |
| District and Trial Courts | 306,360 |
| Total Expenditure Surplus | \$ 4,652,465 |

General Fund Status Actual Variance as of 6/30/19

| Category | Original Budget | Adjustments | Revised Budget | Projected Total | \$ Var. | % Var. |
|----------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------|
| REVENUES | | | | | | |
| 40 - Taxes | 73,058,385 | 2,950,702 | 76,009,087 | 76,003,184 | (5,903) | 0.0% |
| 44 - Special Assessments | - | - | - | - | - | 0.0% |
| 45 - Licenses and Permits | 435,686 | - | 435,686 | 417,505 | (18,181) | -4.2% |
| 50 - Federal Revenue | 90,800 | - | 90,800 | 50,000 | (40,800) | -44.9% |
| 54 - State Revenue | 11,154,643 | - | 11,154,643 | 11,428,455 | 273,812 | 2.5% |
| 58 - Local Revenue | 1,466,813 | - | 1,466,813 | 1,620,737 | 153,924 | 10.5% |
| 60 - Fees and Services | 22,360,029 | - | 22,360,029 | 22,418,221 | 58,192 | 0.3% |
| 65 - Fines and Forfeits | 1,012,100 | - | 1,012,100 | 915,912 | (96,188) | -9.5% |
| 66 - Interest | 107,419 | 13,227 | 120,646 | 285,395 | 164,749 | 136.6% |
| 67 - Other Revenue | 2,111,987 | 70,965 | 2,182,952 | 1,920,316 | (262,636) | -12.0% |
| 69 - Transfers In | 8,385,319 | (33,174) | 8,352,145 | 8,352,146 | 1 | 0.0% |
| Total Revenues | 120,183,181 | 3,001,720 | 123,184,901 | 123,411,870 | 226,969 | 0.18% |
| EXPENDITURES | | | | | | |
| 70 - Personal Services | 76,770,274 | 537,666 | 77,292,940 | 74,461,328 | 2,831,612 | 3.7% |
| 75 - Supplies | 1,571,849 | (3,730) | 1,568,119 | 1,937,559 | (369,440) | -23.6% |
| 80 - Other Svcs and Chgs | 12,675,936 | 1,709,753 | 14,400,689 | 13,741,253 | 659,436 | 4.6% |
| 95 - Internal Svc Chgs | 1,605,058 | - | 1,605,058 | 1,262,506 | 342,552 | 21.3% |
| 96 - Capital Outlay | 88,625 | - | 88,625 | 35,460 | 53,165 | 60.0% |
| 97 - Debt Service | - | 359,089 | 359,089 | 359,089 | (0) | 0.0% |
| 98 - Reserves | 300,000 | - | 300,000 | - | 300,000 | 100.0% |
| 99 - Transfers Out | 27,171,439 | 398,942 | 27,570,381 | 26,735,242 | 835,139 | 3.0% |
| Total Expenditures | 120,183,181 | 3,001,720 | 123,184,901 | 118,532,436 | 4,652,465 | 3.8% |
| Surplus/(Shortfall) | | | | 4,879,434 | | |

General Fund Budget vs. Quarterly Projection as of 6-30-19

| | Revised Budget | 1st Quarter Projected | 2nd Quarter Projected |
|--------------------------------------|---------------------------|----------------------------------|----------------------------------|
| Total Revenues | 123,184,901 | 122,541,520 | 123,411,870 |
| Total Expenditures | (123,184,901) | (118,757,045) | (118,532,436) |
| Projected Surplus/(Shortfall) | - | 3,784,475 | 4,879,434 |
| Planned Use of Fund Balance | (75,000) | (75,000) | (75,000) |

Structural vs. Nonstructural Investments

- ▶ Structural Investments should only be made with structural funds. Structural funds come from revenues sources that occur each year. Property Tax Revenue is a primary source of structural revenue.
- ▶ Any nonstructural annual surplus exceeding the final budgeted planned contribution to fund balance as reported in March of each year for the prior year and confirmed in the Comprehensive Annual Financial Report as presented in April of each year may be considered by the Board of Commissioners for investment in their priorities and principles. The investments supported by this one-time annual surplus shall be considered non-structural and non-reoccurring decisions on utilization of these funds are made annually.

Quadrennial Recommended General Fund Budget Summary as of 6/30/19

| Category | 2019 Adopted Budget | 2020 Adopted Budget | 2021 Adopted Budget | 2022 Adopted Budget |
|--|---------------------|---------------------|---------------------|---------------------|
| Taxes and Penalties | 76,009,087 | 77,107,676 | 78,222,744 | 79,354,537 |
| Licenses & Permits | 435,686 | 431,199 | 436,665 | 451,317 |
| Federal/State/Local Revenue | 12,712,256 | 12,759,294 | 12,767,358 | 12,804,895 |
| Fees & Services | 22,360,029 | 22,361,860 | 22,565,799 | 22,773,216 |
| Fines & Forfeitures | 1,012,100 | 1,012,100 | 1,012,100 | 1,012,100 |
| Interest Revenue | 120,646 | 107,419 | 107,419 | 107,419 |
| Other Revenue & Reimbursement | 2,182,952 | 2,127,365 | 2,126,905 | 2,128,320 |
| Transfers In | 8,352,145 | 8,422,904 | 8,472,904 | 8,572,904 |
| Total Revenues | 123,184,901 | 124,329,817 | 125,711,894 | 127,204,708 |
| Personal Services | 77,292,940 | 78,700,899 | 80,338,012 | 81,356,997 |
| Supplies | 1,568,119 | 1,718,279 | 1,562,279 | 1,711,279 |
| Other Services and Charges | 14,400,689 | 15,172,565 | 15,230,996 | 15,270,121 |
| Internal Service Charges | 1,605,058 | 1,697,632 | 1,801,218 | 1,825,181 |
| Capital Outlay | 88,625 | 88,625 | 88,625 | 88,625 |
| Debt Service | 359,089 | - | 0 | 0 |
| Reserves/Contingencies | 300,000 | 650,000 | 800,000 | 800,000 |
| Appropriations/Transfers | 27,570,381 | 26,301,817 | 25,890,764 | 26,152,505 |
| Total Expenditures | 123,184,901 | 124,329,817 | 125,711,894 | 127,204,708 |
| Budgeted Planned Contribution / (Use of) Fund Balance | (75,000) | - | - | - |

Non General Fund Statuses Actual Variance as of 6/30/19

| | |
|---|--------------|
| Child Care (9-30-18 year-end) | Surplus |
| Community Mental Health (9-30-18 year end) | Shortfall |
| Facilities Operations | Fund Balance |
| Friend of the Court - CRP (9-30-18 year-end) | Surplus |
| Prosecuting Attorney - CRP (9-30-18 year-end) | Surplus |
| Health Department (9-30-18 year end) | Fund Balance |
| Building Inspection | Surplus |
| Office of Community & Economic Development | On budget |
| Risk Management | Fund Balance |
| Economic Development & Agriculture | Surplus |
| Veteran's Relief | Surplus |

Revenue Items to Monitor

- ▶ Annual Equalization Report & impact on property tax revenues
- ▶ Clerk/Register of Deeds revenues
- ▶ Community Mental Health funding issues
- ▶ Court Cost revenues & legislation impact
- ▶ District Court revenues & impact of declining caseload
- ▶ Personal Property Tax reform & revenue elimination

Expenditure Items to Monitor

- ▶ Capital/Infrastructure/Space
- ▶ Child Care expenditures rising due to caseload & placements and age change per legislation
- ▶ Community Mental Health: right size services to bring cost in line with available revenues
- ▶ Health & Human Services funding considerations
- ▶ Union Contract Obligations/Fringe Benefit Trends

2019 Summary & Next Steps

- ▶ Quarterly Budget Updates: 3rd Q November & 2019 Year-end Report March (2020)
- ▶ Development of Administrator's Recommended Budget and Integration of Board strategic budget priorities and principles included in the 2020-2023 Quadrennial Budget July - August
- ▶ Presentation of Administrator's Recommended 2020-2023 Quadrennial Budget October
- ▶ Ways & Means Deliberation of Budget October - November
- ▶ Public Hearing on the Budget November
- ▶ Adoption of the 2020-2023 Quadrennial Budget November