Office of Legislative
Auditor General

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August 18, 2014

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of Legislative Auditor General's Consulting Report on Budget Sensitive Issues/Review of the County's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2013. The final report did not change substantially from the draft report. Our report is dated June 20, 2014; DAP No. 2014-57-802. The draft report was accepted by the Audit Committee at its meeting held on Wednesday, July 30, 2014 and formally received by the Wayne County Commission on August 7, 2014.

We are pleased to inform you that officials from the county provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: http//www.waynecounty.com/commission/lagreports.htm

Willie Mayo, CPA, CIA, CGAP, CICA, CGMA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Management & Budget
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Terry L. Hasse, Director, Grants Compliance and Contracts Management

Wayne County Commission Fiscal Agency
Dwayne B. Seals, Chief Fiscal Advisor

Wayne County Executive

DAP No. 2014-57-802

BUDGET SENSITIVE ISSUES
REVIEW OF COUNTY's 2013 CAFR

Consulting Report

For the period: May 1, 2013 – May 31, 2014

June 20, 2014

Presented to:	*Ways and Means and Audit Committees* County of Wayne, MI
Prepared by:	*Office of Legislative Auditor General* County of Wayne, MI

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June 20, 2014 DAP No. 2014-57-802

Honorable Gary Woronchak, Chairman, Wayne County Commission
Honorable Laura Cox, Chairwoman, Ways and Means Committee
Honorable Raymond Basham, Chairman, Wayne County Audit Committee, and
Members of the Wayne County Commission
Honorable Robert A. Ficano, Wayne County Executive

Ladies and Gentlemen:

The Office of Legislative Auditor General (OAG) is pleased to provide its annual Budget Sensitive Issues/Review of the county's FY 2013 Comprehensive Annual Financial Report (CAFR) to the Wayne County Commission as it begins its fiscal year 2014-2015 budget deliberations. The report is based on matters of budgetary concerns, audits, consulting, and other engagement reports that contain issues which could have a budgetary impact on county operations and financial position.

In summary, this report identifies $613 million that have a potential budgetary impact on FY 2014 – 2015 (see Appendix A). The report is primarily prepared for the benefit and use of the county's Ways and Means Committee during its budget deliberation process.

This report is classified as a consulting engagement and contains potential budgetary issues for the period May 1, 2013 – May 31, 2014, as well as issues contained in the county's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending September 30, 2013.

You can be assured that the OAG will continue our efforts to strengthen the county's internal control environment by working to identify and mitigate risk, assess areas for potential cost saving and revenue enhancements, as well as assist the Wayne County Commission in its oversight responsibility of county operations.

Respectfully submitted,

Willie Mayo, CPA, CIA, CGAP, CICA, CGMA
Auditor General

PURPOSE AND OBJECTIVE

The purpose of this engagement is to comply with both (1) Enrolled Appropriations Ordinance 2013-599 that requires the Office of Legislative Auditor General (OAG) to summarize issues which may be deemed to have a budgetary impact on the budget hearings and deliberations for the fiscal year 2014-2015 and beyond and to provide the report to the Ways and Means Committee and Wayne County Commission, and (2) Home Rule Charter section 3.119(e) which requires the OAG report on the financial position of the county.

The objective of this engagement is to specifically identify matters and financial issues that impact county operations and have budgetary implications, with an assessment overview, suggested topics of discussion, and/or courses of action for consideration by the Ways and Means Committee in carrying out their oversight of the budget deliberations and approval responsibilities.

SCOPE

This report is not an audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

This is a consulting report and contains a summary of budgetary issues and observations that either came to the attention of the OAG or were presented in reports to the Wayne County Commission Committee on Audit for the period May 1, 2013 – May 31, 2014. Also included was a review of the county's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2013.

The consulting engagement and the procedures performed were in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). The IIA standards define consulting engagements as advisory and related management services/activities, the nature and scope of which are agreed with and/or requested by management and is intended to add value and improve the county's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The fieldwork for this engagement was significantly completed on June 20, 2014.

METHODOLOGY

The procedures performed were limited to reviewing ordinances, laws, regulations, policies and procedures, external auditor reports, third-party reports, and when necessary, limited interviews with appropriate management officials. We also reviewed and evaluated financial issues and matters that came to our attention as of June 20, 2014 that could potentially have a budgetary impact on county operations.

We shared the report with Management & Budget (M&B) management officials in order to obtain their comments on the budgetary issues presented in this report.

The subjects titled **"context"** as used in this report are designed to identify conditions that existed based on observations, reports previously issued, and conclusions reached.

FISCAL YEAR 2014-2015 BUDGETARY ISSUES

CEO Directives/Initiatives - Budget Policy Statement (BPS)

Context

Section 5.122 (Policy Statement) of the Wayne County Charter states: "At least 9 months before the next fiscal year, the CEO shall transmit the budget policy statement to all agencies to be included in the comprehensive budget. This statement shall estimate the revenues available for appropriation in the next fiscal year and include a budget policy statement." According to the charter, the BPS must be transmitted on January 1 prior to the beginning of the next fiscal year.

- From fiscal year 2009 through fiscal year 2014, the issuance of the BPS has ranged from approximately 5 weeks to over 5 months after the charter mandated date of January 1. The most recent BPS for fiscal year 2014/2015 was issued on May 27, 2014; over 4 months after the due date.

- **Impact/Action** – The Budget Policy Statement sets forth broad strategic parameters that are intended to provide guidance in preparing the budget. It initiates the county's budget process for the upcoming fiscal year (i.e., Oct. 1) and involves elected officials, executive management, and the Wayne County Commission in the budgetary process.
- Issuing a BPS after its due date could hinder the timeframe of the commission to make fiscally sound budgetary decisions, especially in these times of the county's severe fiscal distress. Commission leadership should consider measures to ensure it receives adequate

lead time to perform sufficient review, analysis, and inquiry prior to adopting and approving the county's annual $1.5 billion budget.

- In addition, best practices suggest that the commission and the CEO should hold conferences to validate and agree to the amount of revenue projected for the year and build mandated program expenditures around validated budgeted revenue.

Views from responsible officials:

Management agrees that the transmittal of the Budget Policy Statement (BPS), which signals the "kick off" of the budget season, should be transmitted as soon as possible. The Charter does require the transmittal nine months prior to beginning of the fiscal year. However, given the financial constraints and stresses that the county has experienced over the last number of years, achieving this goal has been a challenge. The BPS establishes the revenue estimates as well as identifies the challenges and constraints facing the county for the upcoming year, many of which are not available in January or February. This makes it difficult to set policy and processes.

Management has included the commission for the last number of years in developing the revenue assumptions and policies. In the FY 2012 and 2013 budget years, a budget taskforce was established which included the Commission Chair, and the Chair of Ways and Means. This taskforce identified budget challenges and sought solutions that were incorporated into the BPS. For FY 2014, the commission was heavily involved through the Committee of the Whole and passage of the Deficit Elimination Plan.

County Liquidity

Context

We assessed the county's General Fund liquidity by calculating its current and quick ratios for fiscal years 2009 through 2013. (As illustrated in the table below.)

Wayne County Current and Quick Ratio Analyses General Fund Only Fiscal Years 2009, 2010, 2011, 2012, 2013 (In Thousands)					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Current Assets	146,577	148,951	134,716	152,545	151,090
Current Liabilities	79,713	175,467	216,597	287,578	296,656
Current Ratio	**1.84**	**0.85**	**0.62**	**0.53**	**0.51**
Cash + Current Investments + A/R	144,891	147,556	132,979	150,813	149,356
Current Liabilities	79,713	175,467	216,597	287,578	296,656
Quick Ratio	**1.82**	**0.84**	**0.61**	**0.53**	**0.50**

Liquidity is a measurement of an organization's ability to meet short-term obligations as they come due. The county's current ratio has continued in a downward spiral starting with FY 2009 through FY 2013. In FY 2009 the county's general fund had $1.84 in cash and liquid assets for every $1 in current liabilities. Thus, the county's General Fund had sufficient assets with which to satisfy its short-term obligations. By FY 2013, the current ratio decreased 72.2% to 0.51 which meant there was only 51 cents in cash and liquid assets for every $1 in current liabilities.

The quick ratio is a narrower measure of liquidity and a more conservative indicator of whether the county has enough cash and/or readily available liquid assets on hand to pay its obligations as they come due. This ratio also decreased dramatically from FY 2009 through FY 2013. In FY 2009 the county had $1.82 in quick current assets for every $1 in current liabilities. By FY 2013, the quick ratio decreased 72.5% to 0.50 which meant there was only 50 cents in cash and/or readily liquid assets on hand to pay its obligations as they come due.

The General Fund is the county's primary operating fund and payer of last resort. The above analysis indicates the county is in a very weak liquidity position to satisfy its short-term obligations. Therefore, to bridge this gap it is necessary for the county to continue short-term borrowing. (Tax Anticipation Notes – see page 21.)

For comparative purposes, we performed the same analysis for Oakland and Macomb Counties. (See tables below.)

Oakland County Current and Quick Ratio Analyses General Fund Only Fiscal Years 2009, 2010, 2011, 2012, 2013 (In Thousands)					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Current Ratio	2.23	3.43	4.66	8.58	5.22
Quick Ratio	2.23	3.43	4.65	8.54	5.21

Macomb County Current and Quick Ratio Analyses General Fund Only Fiscal Years 2009, 2010, 2011, 2012, 2013 (In Thousands)					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Current Ratio	12.75	15.59	23.37	12.43	Not available
Quick Ratio	11.36	14.06	23.20	12.35	Not available

Both Oakland and Macomb Counties have maintained very strong liquidity positions, as opposed to Wayne County.

- **Impact/Action** – The decline in the current and quick ratios is directly attributed to structural deficit spending. It is our understanding that M&B is working on plans to address the structural deficits which will become effective October 1, 2014.
- Failure to improve the General Fund's liquidity could possibly result in greater control being exerted by the State of Michigan and a continuing decline in the bond rating which could lead to higher borrowing cost.

Views from responsible officials:

Management agrees that there has been a decline in the current and quick ratio since 2009. The impact of a bad economy and related financial constraints the county has experienced for the last five years has resulted in deficits in the General Fund. Comparison to Macomb and Oakland Counties' liquidity position may not be applicable as neither county is in a deficit situation. However, Management and Budget is working towards resolving the accumulated and structural deficits as outlined in the approved deficit elimination plan. Management and Budget is also closely monitoring the cash flow position to determine the strategic actions that need to be taken to improve the County's liquidity position.

Please note that in the Wayne County table referenced above, short term notes payable of $100 million were not included in current liabilities for FY 2012. Therefore the current and quick ratios for FY 2012 were not represented accurately.

Note: OAG has revised chart to include notes payable of $100,000,000 for FY 2012.

Fund Deficits

Context

- A review of the county's Comprehensive Annual Financial Report (CAFR) for fiscal years 2011, 2012, and 2013 disclosed the following undesignated/unassigned/unrestricted fund balance deficits:

County of Wayne Comprehensive Annual Financial Report Undesignated/Unassigned/Unrestricted Fund Balance Deficits Fiscal Years Ending September 30, 2011, 2012 and 2013							
Description by Fund	**Undesignated/ Unrestricted Fund Balance Deficit 9/30/2011**	**Unassigned/ Unrestricted Fund Balance 9/30/2012**	**2011/2012 Increase (Decrease)**	**Unassigned/ Unrestricted Fund Balance 9/30/2013**	**2012/2013 General Fund Supported Deficits**	**2012/2013 Increase (Decrease)**	**2011-2013 Total Increase (Decrease)**
General Fund	$127,953,000	$148,925,000	$20,972,000	$159,483,000	$159,483,000	$10,558,000	$31,530,000
Health	1,919,000	1,289,000	(630,000)	1,732,000	1,732,000	443,000	(187,000)
Mental Health	0	0	0			0	0
Victim Witness	0	243,000	243,000			(243,000)	0
Juvenile Justice/Abuse & Neglect	11,255,000	8,685,000	(2,570,000)	7,347,000	7,347,000	(1,338,000)	(3,908,000)
Law Enforcement	1,886,000	0	(1,886,000)			0	(1,886,000)
Drug Enforcement	1,088,000	2,412,000	1,324,000	1,416,000	1,416,000	(996,000)	328,000
Nutrition	832,000	2,306,000	1,474,000	2,822,000	2,822,000	516,000	1,990,000
Nuisance Abatement	0	0	0			0	0
Central Services	918,000	572,000	(346,000)			(572,000)	(918,000)
Department of Environment	14,000	0	(14,000)			0	(14,000)
General Liability	561,000	0	(561,000)			0	(561,000)
NE Sewage Disposal System	1,847,000	1,694,000	(153,000)			(1,694,000)	(1,847,000)
CSO Basins	0	0	0			0	0
Copy Center	586,000	386,000	(200,000)			(386,000)	(586,000)
Worker's Compensation	0	0	0			0	0
Community & Economic Development	1,742,000	1,681,000	(61,000)	2,776,000	2,776,000	1,095,000	1,034,000
Community Development Block Grants	0	0	0			0	0
Health & Family Services				1,793,000	1,793,000	1,793,000	1,793,000
E&ND 21st Century	0	0	0			0	0
Pinnacle Aeropark	0	0	0			0	0
Equipment Lease Financing	30,444,000	0	(30,444,000)			0	(30,444,000)
Building and Ground Maintenance	5,962,000	2,265,000	(3,697,000)	420,000	0	(1,845,000)	(5,542,000)
Circuit Court	0	7,441,000	7,441,000			(7,441,000)	0
Chapter 8	0	2,029,000	2,029,000	2,769,000		740,000	2,769,000
Probate Court	1,711,000	1,870,000	159,000			(1,870,000)	(1,711,000)
Reg. Jobs Econ. Growth Fnd.(RJEGF)	47,000	5,000	(42,000)			(5,000)	(47,000)
Brownfield Authority (BRA)	25,000	0	(25,000)			0	(25,000)
Land Bank	0	0	0			0	0
Rouge Valley Sewage Disp. Sys.	890,000	0	(890,000)			0	(890,000)
Totals	**$189,680,000**	**$181,803,000**	**($7,877,000)**	**$180,558,000**	**$177,369,000**	**($1,245,000)**	**($9,122,000)**

Context

Undesignated/unreserved fund deficits have decreased from $190 million in FY 2011 to $180 million in FY 2013. This represents a decrease of approximately $10 million, or 5%, over the three fiscal year periods. General Fund supported deficits totaled $177 million in FY 2013.

- **Impact/Action** – The decrease in the deficits is an indication that some cost saving measures employed by the CEO are working. However, based on the first quarter projections, M&B is projecting an annual operating deficit of $30.24 million in the General Fund for FY 2014.
- Beginning November 2012, departments with projected deficits have been submitting monthly deficit elimination plans in accordance with the Wayne County Enrolled Ordinance 2010-515 which states: "a department or office with a projected deficit shall develop and submit a deficit elimination plan, in line-item form, to the commission and the CEO within seven (7) business days of receipt of written notice from M&B."
- During Fiscal Year 2014, commission leadership will need to review and monitor executive management's strategic plan to identify the causes for the remaining fund deficits. More importantly, ensure that designated funding appropriated to eliminate the fund deficits is actually being used for that purpose. Until strategically and structurally addressed, unassigned/unrestricted/undesignated fund deficits could eventually have a major negative impact on the county's budget and result in reduced services to county taxpayers and constituents, as well as the declaration of a financial crisis as defined by the State of Michigan. This could result in the appointment of an emergency manager by the State of Michigan.
- In an effort to address the fund deficits, the administration and commission needs to bring all stakeholders to the table, including consideration to enact an ordinance requiring vendor concessions.

Views from responsible officials:

Management and Budget does not agree with the OAG on the amount represented as General Fund supported deficits. The deficits of the Juvenile Justice fund and Health and Family services are shown as 100% supported by the General Fund. However, only $3.6 million of the Juvenile Justice Fund deficit is supported by the General Fund and the remaining deficit will be addressed through expenditure reductions in the current fiscal year. In the Health and Family services fund, the $1.7 million deficit is supported by grant revenues. The deficit in this fund was primarily due to the timing of the Headstart grant funds that were not received in fiscal year 2013. Therefore, the unassigned deficits or unrestricted net position supported by the county's General Fund at September 30, 2013 is $170.9 million. However, in an effort to reduce the burden on the General Fund we are continuously working with the county departments to identify and resolve fund deficits. In addition, the approved transfer of $106 million unrestricted surplus from the Delinquent Tax Revolving Fund (DTRF) fund will also help in reducing the accumulated General Fund deficit at the end of the fiscal year 2014.

OAG Clarification:

The table reflects General Fund supported deficits at September 30, 2013, and thus, do not include any timing differences and anticipated spending reductions.

Deficit Elimination Plans

Context

Section 5.171 of the Wayne County Charter states: "If expenditures exceed revenues in any fiscal year, the CEO shall submit a specific 5-year plan for short-term financial recovery and long-term financial stability to the Governor and the Legislature prior to the adoption of the next annual budget. The 5-year plan shall include those items required by law, the Governor, or the Legislature."

- Prior to FY 2012, the Deficit Elimination Plan (DEP) Wayne County was operating under was approved by the commission on July 1, 2010, and the plan covered FY 2010 – 2014. According to the state treasury, the plan is required to be amended if deficits increase or the plan is not followed.
- The commission approved a revised DEP on May 3, 2012, that was submitted to the state treasurer for their acceptance and approval. However the State of Michigan did not approve the plan.
    - Beginning November 2012, the county instituted a monthly Financial Performance Report, which is submitted to the state treasurer as part of the county's proposed Deficit Elimination Plan
    - M&B has stated to the commissioners that going forward a separate account referred to as the Fiscal Stabilization Restoration Fund will be setup to provide transparency and accountability as to how funds are being applied toward the DEP in the future. There has been no activity in this fund. The county withdrew the plan to solve the deficit by diverting unused grant money; however the county must report its monthly spending to the state treasurer.
    - In May 2014, the CFO presented a revised Deficit Elimination Plan to the commission. The plan has two parts, Part I Elimination of Accumulated Deficit and Part II Elimination of Annual Structural Deficit.

      Part I - The accumulated General Fund deficit as of September 30, 2013 according to the DEP submitted by the CFO is $175 million. However, the OAG analysis of the General Fund supported deficit for FY ending September 30, 2013 is $177 million. In addition, the deficit is anticipated to increase by $30 million for fiscal year ending September 30, 2014. The DEP recommends using the unrestricted fund balance of the Delinquent Tax Revolving Fund at September 30, 2013 of $82 million to reduce the accumulated deficit. The amount needed to eliminate the accumulated deficit projected for September 30, 2015 would come from the proceeds from the monies generated through the sale of the wastewater treatment facilities to an authority. The proceeds are estimated to be in excess of $119.8 million. Total impact from the DEP is $202,020,000.

      Part II - Elimination of Annual Structural Deficit. According to the DEP, the annual structural deficits are a multi-facet task encompassing many areas of county operations and include savings generated from:

        - Revisions to pension and health care plans
        - Reductions in countywide levels of compensation

- Changes to employee work rules
- Reprioritizing and reductions to service levels now provided through the offices of both prosecuting attorney and sheriff.
- Reducing the number of circuit court judges, as well as benefits provided to judges.
- Better utilization of leasing of county owned facilities.

Total Annual Savings: $27.7 million General Fund
$42.6 million All Funds

- **Impact/Action** - The DEP is a start to encourage much needed discussion on the county's deficits. But acceptance of the plan will require buy in by many stakeholders including local communities, and collective bargaining units. Some of the recommendations for reductions could be litigated in court; therefore, the savings will not be immediate. In addition, many of the recommended changes will need to be negotiated with the unions to see the savings.

In any event, increased commission oversight, as that expressed in Enrolled Ordinance No. 2010-515 (the Deficit Elimination Plan Ordinance) will be necessary to ensure the DEP is adhered to and the county works toward reducing its deficits. Not adhering to the DEPs submitted to the State Department of Treasury could result in a "trigger point" under House Bill 4214 - Emergency Financial Manager Act.

Views from responsible officials:

Management disagrees with the OAG the assertion that the Deficit Elimination Plan is merely a proposal. The DEP is a framework or targeted roadmap to eliminate the accrued and structural deficit that has been approved by the commission as well as conditionally approved by the State Treasurer. The administration has already implemented many of the various aspects of the DEP and is currently working on implementing the remainder. As for the OAGs comment regarding increased oversight, it should be pointed out that the administration, through Management and Budget, has worked closely with the Committee on Ways and Means to enforce Ordinance 2010-515.

OAG Clarification:

We have eliminated the word "proposal"; however, there is no written evidence that the State of Michigan has actually approved the DEP submitted by the administration as of June 20, 2014.

Structural Deficits

Context

A structural deficit is the difference between what is committed to spending in the next budget and projected revenues.

- For the past three fiscal years, the county's actual revenues have been less than budgeted amounts. Thus, there has been continuous deficit spending which means the county is in violation of the State Budgetary Act as well as the appropriation ordinances being passed each year by the commission.

- M&B is projecting a FY 2014 General Fund operating deficit of $30.24 million as of the end of the first quarter. (December 2013)
    - On average, based on the March 2014 cash flow statements, the General Fund needs approximately $47.3 million to meet operating requirements.
    - On average, based on the March 2014 cash flow statements, the General Fund is receiving approximately $47.5 million monthly revenues.
- Therefore the General Fund is incurring a monthly surplus of approximately $200,000; or approximately $2.4 million annually.
- In May 2014, M&B estimated that the county's annual operating deficit at $21 million for FY 2015.
- A deficit elimination plan was approved by the commission to eliminate the $21 million structural deficit. According to the plan, elimination of the annual structural deficit is a multi-faceted task encompassing many areas of county operations. They include revisions to pension and health plans, reduction in county-wide levels of compensation, changes to work rules, re-prioritizing and reductions to service levels, reducing the number of circuit court judges and benefits to judges, and better utilization and leasing of county owned facilities.

    - ➢ **Impact/Action** – Continued efforts will be required by the CEO, elected officials, and commission leadership to eliminate the deficits. The Deficit Elimination Plan that was approved by the commission in May 2014 is a step toward eliminating the structural deficits. In addition, county leadership will need to assess, re-engineer county government business processes, and concentrate on only providing mandated services going forward.
    - ➢ Preliminarily, the structural deficits for FY 2014 related to the Wayne County Sheriff's Office (WCSO) and Prosecuting Attorney's Office (PAO).
    - ➢ We are suggesting that the commission, in conjunction with the administration, budget for the hiring of outside consultants to perform studies of the WCSO and PAO operations in order to determine the annual budget that may be requried to operate these two departments based on mandated services. This independent study can be used for future funding, as well as support for on-going litigation with the PAO.

<u>Views from responsible officials:</u>

Management agrees that only through joint leadership and cooperation by all involved parties can the structural deficit be eliminated. The sheriff on previous occasions has agreed to an outside independent consultant. The Prosecutor has not. Management is currently developing the parameters and scope of service for an operational review of all county functions and an RFP is expected to be issued in the first quarter of FY 2014-15. Unfortunately, the Sheriff and the Prosecuting Attorney have both chosen to seek budgetary relief through the courts.

<u>DTRF Program</u>

<u>*Context*</u>

The Wayne County Treasurer's Office (WCTO) is currently holding $76 million in a DTRF internal funding/reserve account as of September 30, 2013. There is $38 million pertaining to tax year 2011 that will become available as of September 30, 2014 and another $38 million for tax year 2012 that will become available as of December 15, 2015.

We are suggesting that the WCTO give consideration to releasing at least $38 million of the internal funding/reserve as of September 30, 2014. The WCTO will still have $38 million remaining in the DTRF program for future internal funding.

Since the internal funding/reserve originates from surplus funds that are not pledged as additional collateral, we believe the commission has the authority to determine the final disposition of these funds.

- **Impact/Action** – We were able to determine that the WCTO has, on average, a collateral to debt ratio of 142% (350/248) based on Delinquent Tax Anticipation Notes (DTAN) issued in 2014. In addition to holding more than $76 million in an internal funding/reserve which is serving no useful purpose.

- The $38 million can be used to pay down the DEP and/or fund mandated services in the General Fund and still leave more than $38 million in the DTRF program to assist in internally funding the program.

- The commission should meet with the treasurer and/or their financial advisor and agree to a reasonable amount to be held annually in internal funding/reserve account on a go forward basis.

Views from responsible officials:

As the operation of the Delinquent Tax Revolving /Forfeiture programs is the responsibility of the Wayne County Treasurer, Management asked that office respond to the Auditor General's assertion:

The WCTO is not holding any money in an "internal funding/reserve account". Such an account does not exist. Reserves at September 30, 2013 were $82.2 million and were released to the county's General Fund this month. The WCTO internally funded $66 million of the 2011 DTAN program and $70 million of the 2012 DTAN program. The internal funding is distributed and is not retained as cash on hand. This cash is recouped at the close of the DTAN cycle for each tax year. In the current fiscal year (2014), the 2011 tax year will be closing and the $66 million of internal funding will be recouped. Of this $66 million, approximately $28 million has been committed for and will be used as internal funding of the 2013 tax year delinquent tax revolving fund program. The WCTO has been able to reduce the amount of internal funding necessary by moving the final maturity of the delinquent tax notes from June 15th to December 1st, allowing for more collections (including auction proceeds) to be available for repayment of the notes. In addition, the delinquent receivables from the City of Detroit decreased by over $10 million in this fiscal year. The remainder of the internal funding from the 2011 tax year, approximately $38 million, will be combined with the net income from the 2011 program and will become available for transfer to the county's General Fund. <u>There will be no unrestricted net assets in the DTRF at September 30, 2014 and no cash reserves.</u>

The WCTO currently estimates that the amount of DTRF retained earnings that will be available as surplus in the current fiscal year to be approximately $67 million. This is in addition to the $82.2 million in reserves that were already released. Also, it is anticipated that there will be approximately $9 million of excess auction proceeds from the 2013 auctions available for transfer to the General Fund in the current fiscal year. The current amended budget includes a $52.3 transfer in to the General Fund from the DTRF, so at this time, the actual transfer is expected to be greater than the budgeted transfer by approximately $23.7 million.

In fiscal year 2014-2015, after the closing of the 2012 tax year, the $70 million of internal funding for that year will be recouped. It is again anticipated that approximately $30 million will be required to internally fund a portion of the 2014 tax year revolving loan fund program. The difference between the internal funding for the 2012 program and the 2014 program, along with the net income from the 2012 tax year and the 2014 excess auction proceeds will be available for transfer to the General Fund. At this time, the WCTO estimates that $76 to $86 million will be available for transfer to the General Fund in fiscal year 2014-2015; therefore, the WCTO has included $76 million in its proposed budget. The majority of this amount will be purposed to reducing the accumulated deficit.

Overtime

Context

In FY 2013, overtime costs countywide were $26.97 million, of which $21.35 million was related to the Wayne County Sheriff's Office (WCSO). In FY 2014 through April 30, total overtime costs were $14.76 million of which $10 million were related to the WCSO.

Overtime Costs
(In Millions)

	All Funds		General Fund	
	Countywide	WCSO	Countywide	WCSO
FY 2013	$26.97	$21.35	$18.6	$17.80
FY 2014 (Thru 4/30)	$14.76	$10.00	$9.0	$8.35

In October 2013, there was a decision on the Act 312 arbitration between the county and the Police Officers Association of Michigan (POAM) related to overtime. Some significant changes as a result of this ruling were that overtime would only be paid for hours of work in excess of 80 hours. The ruling also included that vacation, sick, personal business, holiday, and bereavement hours would not be included as hours worked for overtime purposes. Double time was also eliminated.

- **Impact/Action –** According to the officials within the county's Labor Relations Division, the overtime modifications with the POAM contract awarded almost 100 percent more savings than projected. The savings appear to be approaching $6 million annually. If the county is successful in negotiating similar changes in the remaining Collective Bargaining Agreements (CBAs), the savings could be even more.
- We commend the Director of Labor Relations and the administration for pursuing the POAM issue on overtime compensation, which resulted in a favorable arbitration award.

Views from responsible officials:

Management agrees that overtime, especially in the County Jail System has been a historical problem. However, as a result of the most recent Act 312 decision, the rules governing the paying of overtime has been restructured and significant savings will be realized. The overtime savings anticipated in the Sheriff's operations is included in the DEP approved by the Commission.

CFO Disbursement Oversight/Approval

Context

Wayne County's Home Rule Charter, Section 5.142 (Allotments) requires the CEO to establish a schedule of periodic allotments for the fiscal year. These allotments are binding, included in the comprehensive budget, and shall not be exceeded.

Section 5.143 (Disbursement Procedure) states that expenditure may be made only if an unencumbered and allotted appropriation is available. The CFO shall authorize the payment only if funds are available for the expenditure. (i.e., deficit spending is prohibited.)

The CEO did submit the monthly allotment schedule for FY 2013-2014. The CEO has also issued Executive Order 2014-01which, among other things, (1) states that M&B is responsible for monitoring and enforcing compliance with the allotment schedule; (2) requires any county agency or department to submit a deficit elimination plan if it is projected to exceed its monthly allotment; and (3) empowers the CFO to take corrective action for any county agency or department that is not in compliance with Executive Order 2014-01.

County departments are submitting deficit elimination plans, to the Committee on Ways and Means, if they have exceeded monthly allotments. That is, they are in deficit. At the March 25, 2014 Committee on Ways and Means meeting, all submitted deficit elimination plans were approved with the exception of the Wayne County Sheriff's Office which was rejected.

- **Impact/Action** – The CFO has not exercised the authority granted by the charter to not approving expenditures that are in excess of the budgeted appropriations. Thus, deficit spending is allowed to continue.
- The commission needs to inquire of the CFO why he does not exercise his charter granted authority and what actions are intended to prevent approving expenditures in excess of budgeted appropriations.

Views from responsible officials:

Management objects to the OAG's assertion that the Chief Financial Officer is not performing his duties. The CFO does control and has exercised his authority over excessive spending by departments wherever possible. What the OAG has not acknowledged are the multiple instances where expenditures are denied or deferred due to budgetary shortfalls. However, the vast majority of deficit spending is the result of uncontrolled personnel spending by certain elected officials without regard to the budget appropriated by the commission. Those elected officials, in spite of Charter authority of the Wayne County Commission to establish a serviceable level of funding (Wayne County Charter Section 5.134(b)), turn to the courts to spend beyond their legally binding appropriation. Two elected officials are currently seeking relief through the Third Circuit Court regarding their appropriation. The cost overruns are the result of county personnel being ordered to perform work by their superiors in these areas and, as a result, the county through the CFO has an obligation to pay the employees for work performed regardless of budget status.

Also be aware, the CFO through the DCFO/Budget Director does play an active role in monthly reporting of allotment overruns at the Committee on Ways and Means. The Budget to Actual reports are generated and distributed by Management and Budget and is the initial trigger that commences action on the Deficit Elimination Ordinance (2013-098).

OAG Clarification:

The OAG stated that the CFO has not exercised delegated authority as opposed to not performing his duties.

Sheriff's Office

Context

Based on our analysis and review of the Wayne County Sheriff's Office vehicle fleet operations and use of fuel, there appears to be opportunities to reduce the number of vehicles and fuel cards assigned. Our reviews noted the following:

- The WCSO had a fleet of about 232 vehicles including cars, vans, sport utility vehicles, trucks, boats, motorcycles, and other vehicles.
- In May 2013, the WCSO had 76 vehicles assigned for take home of which 13 were no longer in service due to funding cuts while another employee had a change in responsibilities and the vehicle was turned in. All 76 individuals also had fuel access.
- In June 2013, there were 93 credit cards assigned to individuals, units, and stations.
- In Fiscal Year 2012, WCSO charged $756,106 of which 78 percent, or $590,522, was for fuel and $265,584 was for non fuel charges.
- For a four month period from October 6 – December 5, 2012 total credit card charges were $254,948 of which 85 percent was for fuel. Several individuals were averaging several hundred dollars per month in fuel.
- Credit card billings were not being reconciled nor were receipts being maintained for fuel or non-fuel charges.
- In May 2013 county credit cards were suspended by vendor for nonpayment thereby preventing the WCSO from fueling their vehicles. WCSO obtained approval to obtain fuel from the Department of Public Services.
- The Department of Management & Budget has not submitted a formal policy of credit cards for fuel for the Wayne County Commission to adopt by resolution to ensure compliance with Michigan Public Act 266 of 1995.

  - **Impact/Action** – Providing take-home vehicles that are primarily used for commuting to and from home results in additional costs for fuel and maintenance that otherwise could be avoided and decreases the useful life of the vehicle. We estimate the county could save as much as $9,500 - $22,000 per vehicle, or $1,386,000 for the 63 vehicles. Considering the county's current financial condition, vehicles should only be assigned to individuals who need to respond to emergencies in the field rather than reporting to their normal duty location.

- In order to ensure compliance with Michigan Public Act 266 of 1965, the Wayne County Commission should work with M&B to adopt a policy for fuel credit cards that is approved by resolution by the commission. The resolution should require quarterly reports are submitted to them on the status of all credit cards including the number of cards issued, who issued to, and amount paid on the credit cards. In addition, when and if a credit card is 30 days past due, a report should be submitted to the commission with the proposed action to bring the account current.

Views from responsible officials:

As it relates to the Wayne County Sheriff fuel credit cards:

The Department of Management and Budget has made drastic changes in the past several months to restrict use, validate authorized card holders, reconcile all receipts to the monthly fuel card statements, delete all unused and not needed credit cards, and eliminated the ability to charge non fuel purchases to the credit cards. A formal Fuel Card Policy has been prepared, reviewed by the OAG and will be submitted to the Wayne County Commission for approval during the first part of July, 2014. The purpose of this policy is to provide further rules, guidance, and procedures for the use of fuel credit cards.

As this relates to the operation of the Wayne County Sheriff, Management asked that office respond to the Auditor General's assertion:

WCSO has reduced the number of take-home vehicles by 25%. The Sheriff's Office assigns take-home vehicles based on operational needs and assignments of the individual in accordance with the Sheriff's Office General Order 14-02. A continuous review is conducted by the organization's Chief, Deputy Chiefs and Undersheriff to recommend to the Sheriff whether a take-home vehicle assignment is appropriate.

The reduction of take-home vehicles has reduced the cost of fuel consumption (note the cost of fuel is substantially higher in 2014 than FY 2012). We disagree that the estimated savings per vehicle is $9,500 - $22,000 per vehicle. We estimate the savings to be $2,500 - $4,000.

Context

During our review of the Sheriff's Food Service Operations, we identified lost revenue, expenditures paid in excess of the contract, costs that could have been avoided and apparent excess meals ordered that should be analyzed which could result in a reduction in the amount of meals actually needed.

- The number of meals ordered appears generally to be in excess of the number of inmates reported in the daily population reports.

- Until 2010, the county received reimbursement from the National School Lunch Program (NSLP). However, in 2011, the Michigan Department of Education (MDE) denied the application due to the county not receiving approval from the MDE on the Request for Proposal and the contract.

  - ➢ **Impact/Action** - An analysis should be performed to determine the number of meals that could be reduced thereby saving the county's general fund possibly up to $1 million
  - ➢ Since the 2011 school year, the county has lost approximately $1 million in revenue. The commission should ensure that the contract is put out for bids and the process is in compliance with the MDE to ensure receipt of the NSLP reimbursement.

<u>Views from responsible officials:</u>

With respect to the number of meals ordered, the OAG stated the number appears to be in excess of the inmates reported in the daily population reports. The WCSO does not use the daily population report that is issued at 7:30 am each day as the basis for ordering meals. Instead, a meal count is based on the number of inmates in the facility 30 minutes before the plating of food per meal hour is conducted. With the significant movement of inmates throughout the day, this method provides a more accurate count as to the number of meals required.

With respect to Food Service, the loss of $250,000/year in National School Lunch Program revenue was created because Juvenile Detention Facility (JDF) did not obtain pre-approval from the State for the Food Service RFP issued in 2011. This issue is being resolved for the current Food Service RFP that is expected to be issued in 2014. A request has already been submitted to the State for approval of the RFP.

<u>Mental Health Authority</u>

<u>Context</u>

- On December 14, 2012, the Michigan Legislature approved and the governor signed Public Acts 375 and 376 of 2012, a Mental Health Authority bill. Effective October 1, 2013, the new law transferred management and control of the Detroit Wayne County Mental Health Agency (Mental Health Fund) to the new Mental Health Authority (Authority).
- As of September 30, 3013, the county reported the Mental Health Fund as a major Special Revenue Fund and it represented approximately 35% of the county's total revenue.
- The following items have potential future budgetary impacts to the county:
  - o **Cash flow impact**
    - ▪ Authority Investment and Bank Account: The Authority will retain the following percentages of its cash and investments within the county's General Pooled Cash Account: 75% as of October 1, 2013; 50% as of October 1, 2014; 25% as of October 1, 2015; and, 0% each year thereafter.

- Based on M&B's March 2014 cash flow projection, the Authority is estimated to have a $33 million balance in the General Pooled Cash Account at October 1, 2014. Based on the transfer percentages, the estimated budget impact to the county for FY 2014/2015 is approximately $16.4 million.

- **County Services**
  - The Authority also purchased the following County Services:
  - Wayne County Children & Family Services
  - Wayne County Jail Mental Health
  - Wayne County 3rd Circuit Court
  - Others - PAO, Library, etc.

  A Mental Health Authority official stated that the Authority sent a letter in November 2013 and again in March 2014 emphasizing that the county should seek alternative funding for these programs. The enabling resolution creating the Mental Health Authority required that the Authority maintain services for one year - 2014. The Authority is currently collaborating with the county to seek funding from the State. The 67% cut in state general funds proposed in FY 2015 significantly impacted funding for the entire system. An M&B official estimates the impact to the county for these county services to be approximately $9.9 million.

- **Local Matching**
  - M&B senior management stated that the General Fund will still provide annual local matching to the Authority of approximately $18.8 million.
- **Chargebacks**
  - For a minimum of one (1) year following the October 1, 2013 establishment of the Authority, it was agreed that the Authority would continue to purchase the following chargeback services from Wayne County:
  - Corporation Counsel, at the discretion of the Authority's board
  - Personnel and Human Relations
  - Information Technology
  - Management and Budget, Mental Health Finance, Accounting, Payroll and Purchasing.
  - A Mental Health Authority official confirmed that the Authority will no longer purchase administrative services from the county - i.e., chargebacks. The Authority will continue to utilize the county hospital and dental insurance plans and will pay its prorated share of the administrative costs Blue Cross Blue Shield/Health Alliance Plan (BCBS/HAP) charges the county.
  - An M&B official estimated the budgeted chargeback impact to the county will be approximately $1.5 million, not including any Health and Human Services internal reallocations.
- **Authority Leased Space**
  - The Authority was required to continue leasing space at its 640 Temple location for a minimum of one (1) year. The annual lease charge to the Authority is approximately $1 million per year. Should the Authority

move to a new location, the impact to the county will be approximately $1 million. Should the Authority move, the county should consider selling 640 Temple and relocate county employees from that location to the Guardian Building.

- **Impact/Action** – The Commission should request M&B to present a plan on how it plans to address the budgetary impacts of the Mental Health Authority no longer utilizing county services.
- If the Authority vacates 640 Temple, the commission should request the administration pursue a sale of the building and the relocation of any county employees to the Guardian Building.
- Estimated potential budgetary impact for FY 2014/2015 is:

o Minimum reduction in pooled cash	$16.4 million
o Authority no longer funding program services	9.9 million
o Loss of chargeback allocations	1.5 million
o 640 Temple lease space	1.0 million
Estimated FY 2014/2015 budgetary impact	**$28.8 million**

Views from responsible officials:

Management agrees that the separation of the Detroit Wayne County Mental Health Authority (DWCMHA) from the county has significantly impacted county programs and operations. The county is reviewing its options related to the loss of funding of county mental health programs. These cuts resulted from funding cuts from the state. The state reduced funding on the assumption that the population receiving these services would be covered by the Medicaid expansion. It is the county's position that the funding remains the responsibility of the DWCMHA.

Although the separation of the DWCMHA from the county impacts county overhead chargebacks and rental fees that the county received prior to the separation, it is the plan of Management and Budget to hold departments harmless for these losses in developing their budgetary funding target. With the exception of certain direct charges, allocated costs will have to be reallocated to the remaining departments. The services and workload provided by the chargeback departments will only slightly be decreased as a result of the loss of the MHA.

As it relates to the budgetary impact, the reduction in pooled cash is a balance sheet impact and only has a minimal impact to the county budget except to possible debt service if the county has to increase TANs borrowings to offset the loss of this cash.

Pending Legislative Changes/Court Orders

Airport Parking Tax

Context

The Michigan State Legislature is considering a bill to reduce Detroit Metropolitan Airport's parking tax by 62 percent. The bill would cut the tax customers pay to park at Detroit Metropolitan Airport's parking lots from 27 percent to 6 percent. The county uses its share of the airport parking tax to fund state-required health care for the indigent. The bill is currently in committee.

- **Impact/Action** – The county annually receives approximately $13 million from this tax which helps fund $20 million in publicly assisted health care for about 30,000 low-income residents each year. The remainder is financed with General Fund and cigarette tax income. If the bill passes, the county will have to find other revenue sources to make up the difference.
- If the bill is passed, the county would lose approximately two-thirds, or $8.7 million, of the annual revenue needed for state-required health care for the indigent.

Views from responsible officials:

With respect to State Bill 353, it has been in the Senate Finance Committee since May 7, 2013. Opposition to the bill has been a priority of our Lansing lobby team. Although a hearing in committee was held, a referral vote has not occurred. The consensus of our Lansing lobby team is that we do not anticipate any movement on this bill.

13th Check

Context

In 2011, the county made its $32 million annual payment to the Wayne County Employees Retirement System by using monies from the "13th Check" Fund. This fund has provided an annual extra payment to retirees in place of cost-of-living increases. The Wayne County Employees Retirement System sued the county over the use of the 13th Check Fund. The Michigan Court of Appeals ruled that the county violated state law governing collective bargaining.

The county sought leave to appeal to the Michigan Supreme Court on June 20, 2013. On November 27, 2013, the Supreme Court issued an order for supplemental briefing and oral argument on the county's application, which was scheduled for the first week of March 2014.

- **Impact/Action** – If leave to appeal is denied or the Court of Appeal's decision is affirmed, the county will be obligated to make an additional $32 million contribution to the Retirement System for FY 2010 - 2011, of which about $16 million would be owed by the county's General Fund.

Views from responsible officials:

Management agrees that if the Court of Appeals opinion is affirmed, there would be a significant negative impact to the county. The leave to appeal has been accepted by the Supreme Court. On April 1, 2014, the Michigan Supreme Court granted the County's Application for Leave to Appeal. On May 27, 2014 the county timely filed its brief. The Retirement System's brief is due July 22, 2014 and the county's reply brief is due on August 12, 2014. Oral argument and ultimate decision on the merits is anticipated at some point during the 2014-2015 term which ends on July 31, 2015.

SAS 114 Unrecorded Possible Adjustments

Context

- In its **Report to the Wayne County Commission, Audit Committee, and the County Executive (SAS 114 Letter),** the external auditors noted the following unrecorded possible adjustments:
  - Questioned costs per the Department of Housing and Urban Development (HUD) monitoring report pertaining to Community Development Block Grant related to a conflict of interest in the amount of $850,000.

➢ **Impact/Action –** If HUD denies these costs, the impact to the General Fund would be $850,000.

Views from responsible officials:

Despite HUD's letter, the county holds that there was no actual conflict of interest with respect to this matter. Nevertheless, the ex-County official, (who was not involved with HUD grants nor this award), has divested all interest in the LLC. The county has since passed a more stringent Ethics Ordinance as well as closer pre-screening of potential conflicts of interest and eligibility in collaboration with HUD. Transactions that raise questions through internal screening by county community development and legal staff are sent to HUD for its opinion to avoid disagreements over interpretations of the regulations. The county is still working with HUD to determine the eligibility of this project under HUD rules and regulations.

Budgeted Revenue and Expenditure Projections

Context

In an effort to ascertain possible reasons for the increasing fund deficits, we performed a trend analysis of budgeted revenues to actual revenues for fiscal years 2011 through 2013 for both major and non-major governmental funds.

Revenue Projections
Budget to Actual Analysis
Major Governmental Funds
(General, Roads, Mental Health, Juvenile Justice/Abuse and Neglect
Fiscal Years 2011 - 2013
(In Thousands)

FY	Original Budget	Final Amended Budget	From Original Budget Increase/ (Decrease)	% Increase/ (Decrease)	Actual	From Amended Budget Favorable/ (Unfavorable)	% Increase/ (Decrease)
2011	1,407,284	1,446,261	38,977	2.77%	1,387,277	(58,984)	(4.08%)
2012	1,397,820	1,421,983	24,163	1.73%	1,364,552	(57,431)	(4.04%)
2013	1,535,986	1,548,921	12,935	0.84%	1,479,279	(69,642)	(4.50%)
Totals	4,341,090	4,417,165	76,075	1.75%	4,231,108	(186,057)	(4.21%)

Source: 2013 Wayne County CAFR

Revenue Projections
Budget to Actual Analysis
Non-Major Governmental Funds
Fiscal Years 2011 - 2013
(In Thousands)

FY	Original Budget	Final Amended Budget	From Original Budget Increase/ (Decrease)	% Increase/ (Decrease)	Actual	From Amended Budget Favorable/ (Unfavorable)	% Increase/ (Decrease)
2011	140,101	128,273	(11,828)	(8.44%)	126,352	(1,921)	(1.50%)
2012	127,963	128,865	902	0.70%	119,841	(9,024)	(7.00%)
2013	132,739	147,295	14,556	10.98%	111,871	(35,424)	(24.05%)
Totals	400,803	404,433	3,630	0.91%	358,064	(46,369)	(11.47%)

Source: 2013 Wayne County CAFR

- Based on this analysis, for both major and non-major governmental funds, projected county revenues are not being received as budgeted; in fact, there has been almost a $232 million shortfall in government fund revenues for FY 2011 - 2013. In fact, FY 2013 had almost a $105 million shortfall. Further, budgeted revenues are being amended upward with one exception in FY 2011 and approved by the commission, but falling short of actual revenue collections/charges.

- More important, in all instances, the actual revenues were less than the original budget. Throughout the year, approval of expenditures is based on the budget. This could be a large contributor toward the deficit spending.

  - **Impact/Action** – Over the last three fiscal years, amended budgeted revenue fell short of actual revenue by approximately $232 million.
  - Commission leadership should request that the CEO, as part of the FY 2014-2015 budget process, validate the revenue sources to support departmental expenditures.
  - Also, commission leadership needs to intensify their efforts to monitor material amendments to revenues, as well as consider analyzing budget to actual revenue trends on a periodic basis throughout the year.

Context

We also performed a trend analysis of budgeted expenditures to actual expenditures for fiscal years 2011- 2013 for both major and non-major governmental funds.

Expenditure Projections
Budget to Actual Analysis
Major Governmental Funds
(General, Roads, Mental Health, Juvenile Justice/Abuse and Neglect
Fiscal Years 2011 - 2013
(In Thousands)

FY	Original Budget	Final Amended Budget	From Original Budget Increase/ (Decrease)	% Increase/ (Decrease)	Actual	From Amended Budget Favorable/ (Unfavorable)	% Increase/ (Decrease)
2011	1,397,881	1,436,735	38,854	2.78%	1,357,001	79,734	(5.55%)
2012	1,386,896	1,416,711	29,815	2.15%	1,374,485	42,226	(2.98%)
2013	1,544,077	1,563,646	19,569	1.27%	1,518,664	44,982	(2.88%)
Totals	4,328,854	4,417,092	88,238	2.04%	4,250,150	166,942	(3.78%)

Source: 2013 Wayne County CAFR

Expenditure Projections
Budget to Actual Analysis
Non-Major Governmental Funds
Fiscal Years 2011 - 2013
(In Thousands)

FY	Original Budget	Final Amended Budget	From Original Budget Increase/ (Decrease)	% Increase/ (Decrease)	Actual	From Amended Budget Favorable/ (Unfavorable)	% Increase/ (Decrease)
2011	183,204	165,897	(17,307)	(9.45%)	140,762	25,135	(15.15%)
2012	167,606	180,055	12,449	7.43%	173,463	6,592	(3.66%)
2013	167,363	201,008	35,645	20.10%	152,059	48,949	(24.35%)
Totals	517,173	546,960	28,787	5.56%	466,284	80,676	(14.75%)

Source: 2013 Wayne County CAFR

- Based on this analysis;

    - **Impact/Action** - Budgeted expenditures exceeded actual expenditures in the government fund statements by approximately $247 million over fiscal years 2011 - 2013. This implies that amendments to the budget are not being closely monitored in addition to adjustments not being made on a timely basis.
    - The commission needs to intensify their efforts to monitor material amendments to expenditures, as well as consider analyzing budget to actual expenditure trends on a periodic basis throughout the year.

<u>Views from responsible officials:</u>

The budget to actual analysis for the non-major governmental fund for FY 2013 is incorrect as it incorrectly states the expense and excludes several non major funds.

Note: OAG corrected schedules.

<u>OAG Clarification:</u>

The analysis only includes major and non-major governmental funds.

<u>Revenue Conference</u>

<u>Context</u>

Annually all county elected officials and department heads receive detailed budget instructions from the Budget Division/Department of Management & Budget. Part 2 of the instructions requires the submission of a Department Budget Revenue/Expenditure Request Summary Form.

- FY 2014-2015 - Budget instructions not submitted until May 27, 2014.
- FYs 2011-2012 and 2012-2013 - Revenue/Expenditure Request Forms were received approximately 3 $^{1/2}$ months prior to beginning of the fiscal year.
- Over the past few fiscal years, the county has faced challenges with generating revenues.
- Given the revenue challenges and shortfalls faced by the county, preparing and communicating final budgeted revenue numbers only 3 $^{1/2}$ months before the beginning of the next fiscal year does not allow adequate time to discuss the realization of revenue estimates.
- The State of Michigan convenes two Revenue Estimating Conferences annually, in January and May. According to the State Budget Office: "...The Executive Budget is more than a statutory requirement. It represents a statement of priorities for the policy activities of state government. Therefore, a detailed budget preparation process is necessary to provide information that will help the governor and the legislature to allocate state resources most effectively...."
    a) The Detroit Financial Stability Agreement between the City of Detroit and the state treasurer requires a semi-annual revenue conference, as well.

- **Impact/Action** – The commission should request the CEO and M&B Budget Division management to conduct semi-annual revenue conferences practiced by both the State of Michigan and the City of Detroit. A report should be provided to commission leadership for review. Given the revenue challenges faced by the county, sufficient time, on-going planning, and dialog are required to ensure budgeted revenues are realistic and attainable and operating county deficits are addressed.

Views from responsible officials:

Management disagrees. The responsibility of developing revenue estimates by charter clearly falls under the authority of the Chief Executive Officer. That being established, the CEO, through the CFO and Management and Budget, has included the commission for the last number of years in developing the revenue assumptions and policies. In FY 2012-13 and 2013-14 budget years, a budget taskforce was convened that included the commission chair and the chair of Ways and Means. This taskforce identified budget challenges and sought solutions that were incorporated into the Budget Policy Statement (BPS). For FY 2014, the Commission was heavily involved through the Committee of the Whole and passage of the Deficit Elimination Plan. Additionally, Management and Budget has provided year end projections of all funds appropriated by the Commission on a quarterly basis.

Tax Anticipation Notes (TANs)

Context

Under state statute, the county can issue Tax Anticipation Notes (TANs) for the purpose of providing a mechanism to manage periodic cash flow shortfalls that occur throughout the year. As a result of the most recent borrowing approved by the commission, the county has borrowed $450 million to meet ongoing obligations over a four-year period. Listed below are dates and

Schedule of Short-Term Borrowing FY 2009 – FY 2013			
Date	**Amount**	**Interest (%)**	**Total Borrowing Cost**
August 2009	$60 million	3.00	$ 507,945
January 2010	$100 million	3.75	2,732,877
December 2010	$100 million	3.50	2,752,055
April 2012	$100 million	1.85	1,056,421
April 2013	$ 90 million	1.34	616,767
Totals	**$450 million**		**$ 7,666,065**

costs of Wayne County's TAN borrowing over the past four fiscal years.

- As illustrated in the above schedule - we estimate it has cost the county approximately $7.7 million in borrowing costs for the period – August 2009 thru April 2013.
- The county anticipates issuing another $75 million TANs in April, 2014.
- TANs will continue to be needed to meet short-term cash flow shortages.

- **Impact/Action** – Commission leadership will need to closely monitor: (1) that the CEO is taking strategic actions to identify the cause of the periodic cash flow shortfalls; and (2) M&B's monthly cash flow projections to make sure the county's cash position is not deteriorating.
- These actions can ensure the county's bond ratings for future periods continue in a favorable trend thereby keeping interest cost on TAN debt at a minimum.

Views from responsible officials:

The Office of the CFO has commented numerous occasions on why the county issues TANs; we believe the commission has been well educated on the county's cash flows.

TANs are primarily issued for two reasons: (1) Changes in the levy period for property taxes. In 2004, the State of Michigan changed the levy date whereby the majority of the tax collections occur in the July levy, the fourth quarter of the fiscal year. Prior to 2004, the majority of collections occurred in the December levy, the first quarter of the fiscal year; and (2) the accumulated deficit in the General Fund primarily resulting from increased funding to the courts and sheriff.

In addition, due to the issuance of TANs, the county has the ability to take advantage of early vendor payment incentives and eliminated the costs associated with late payment fees. TANs are a cost effective means of managing cash flow and are very common in the industry. While management agrees that cash flow is a major concern, other than the debt service implications, TANs borrowing is utilized for cash flow purposes, and does not impact the Budget Appropriation Ordinance of the county outside of interest costs. As deficits are eliminated, cash flow will improve and the dependence on short term borrowing will be reduced.. The county issued $75 million in TANs in May 2014 but is researching the feasibility of refunding them earlier than the October 31, 2014 due date.

Revenue Enhancements – User Fees

Context

In the FY 2014-15 Budget Policy Statement, the CEO stated that the county would seek revenue options including increase in user fees charged for county services to fully recover costs where they could and seek new revenues whenever possible.

- In FY 2013, Charges for Services was $121.6 million, or 23 percent of the total county General Fund revenue. A decrease of $13 million from the $134.6 million in FY 2012.
- In prior years, the Budget Task Force recommended to "Adjust fees for county services annually to reflect market changes and the rates charged for comparable services in peer counties".

- **Impact/Action** – Commission leadership needs consider issuing an ordinance that requires management to annually review the costs of delivering mandated services and propose fee increases as deemed necessary.

Views from responsible officials:

Management disagrees that additional legislation is required for review of fees and other charges. Each department and elected official is responsible for review and update of the fees that they charge. Many fees, such as fees charged by the courts and Wayne County Clerk, are regulated at the state level. It should be pointed out that in FY 2013, approximately $73 million of $121.6 million represents chargebacks and other interdepartmental charges, and therefore increasing these fees would have an adverse effect on the county budget.

Cash Flow Deficits

Context

- Per Enrolled Ordinance 2013-599, M&B is required to submit monthly cash flow statements to the Committee on Ways & Means.
  - Fiscal Agency also noted that M&B has been consistently late with providing the monthly cash flow statements.
- Departments/Offices that are in a deficit position for any particular month are required to submit a deficit elimination plan to M&B. Two (2) Elected Officials are consistently incurring deficits - the Prosecuting Attorney and the Wayne County Sheriff. A review of the March 2014 Financial Performance Report/Corrective Action Plan for these two officials disclosed the following:
  - The Prosecuting Attorney is operating at an approximate $1.85 million deficit. The Prosecuting Attorney contends that their General Fund/General Purpose appropriations are not adequate.
  - The Wayne County Sheriffs Office has an approximate $10.1 cumulative deficit; primarily attributable to overtime, and sick and annual leave payouts not funded in their budget. The WCSO repeatedly requests a supplemental General Fund/General Purpose allocation to support the cost of operating the jails.
- The Wayne County Commission approved the county's Deficit Elimination Plan on May 15, 2014 which was subsequently filed with the State of Michigan. The plan addresses the deficits for both the prosecuting attorney and sheriff by stating:
  - Removing operational inefficiencies and lower priority services from the WCSO will result in estimated General Fund savings of approximately $9.1 million.
  - Removing operational inefficiencies and lower priority services from the Office of the Prosecuting Attorney will result in estimated General Fund savings of approximately $1 million.

  - **Impact/Action** – Commission leadership should consider:
    - Requesting M&B to submit monthly cash flow statements on a timely basis. Late receipt of these important statements prevents the commission from exercising proper oversight of the county's finances.
    - Requesting county management to provide frequent updates on the status of implementing the Deficit Elimination Plan to ensure targeted savings are realized.

Views from responsible officials:

At the Request of the state treasury, Management and Budget modified the format of the cash flow projections beginning in January 2014. It is the intent of Management and Budget to continue to prepare these projections after the close of the general ledger and submit them to the Wayne County Commission for review.

Mandated and Discretionary Functions

Context

In the Letter of Transmittal in the county's Comprehensive Annual Financial Report (CAFR), the administration has stated that long-term financial planning is an indispensable complement to traditional budgeting and is an invaluable piece of the county's overall strategic planning framework. In addition, the county continues to focus on: (1) ensuring long-term financial sustainability; deliver services in a cost-effective and efficient manner; and, (2) ensure operating revenues are sustainable.

- The county provides a myriad of services; however, no distinction is made in the budgeting process between mandated services vs. those that are discretionary; i.e., non-mandated.
- This lack of distinction has led to overall deficit spending by the county as a whole.

Kent County, Michigan has addressed this issue in their budgeting process. On their website, under Fiscal Services, is a section on Mandated & Discretionary Functions of Kent County Government.

> In 1998, the Kent County Board of Commissioners requested a compilation of what county activities were mandated, and what activities were not. Departments were asked to assign each function to one of five descriptive categories:
>
> 1. County functions performed because they are mandated by federal or state constitutions, statutes or court orders.
> 2. County functions performed because they are authorized by or emanate from contracts, grants or other binding agreements entered into by the Board of Commissioners.
> 3. County functions performed because they are authorized by one or more resolutions of the Board of Commissioners.
> 4. County functions neither mandated nor authorized by contract or resolution, but performed because they are necessary for the performance of a mandated or authorized function by a county unit.
> 5. County functions which do not meet any of the above criteria and/or are discretionary programs of a department.

For an activity to be considered *mandated* or *necessary*, it had to be conducted in some form in every county in Michigan. The mandate need not be to a specific department, but to the county in general.

Funded and Unfundated Mandates were also defined:

- **Unfunded Mandate:** There is no funding enabled or provided by the state or federal agency which requires that this function/service be performed.
- **Fully Funded Mandate:** The county receives funding through either the state or federal agency to cover the costs of providing this function/service. This may be through a designated reimbursement or through the county being enabled to assess fines or fees that are sufficient to *fully* cover the cost of providing the service.
- **Partially Funded Mandate - Designated Funding (State/Feds):** The county receives some level of designated funding or reimbursement from the state or federal agency that *partially* covers the cost to perform a specific service.
- **Partially Funded Mandate - Fines/Fees:** The county is enabled by state or federal agency to levy a fee or fine which *partially* covers the cost of providing the service.

Each office/department submits an overview of their functions/services plus detailed worksheets of each function, whether it is mandated or non-mandated, and funding source. As an example, The Kent County Prosecutor's Office submitted the following:

- Overview document
- Function matrices

➢ **Impact/Action** – Commission leadership should request the administration to implement a process similar to that of Kent County. This process should include:

- A detailed definition of services/functions that are mandated vs. those that are discretionary;
- Each office/department prepare a matrix of their services/functions detailing those that are mandated, non-mandated, and funding source; and,
- The above information/documents be included in the county's website (in the M&B budget information tab) in order to provide budgeting transparency and provide the citizens of Wayne County necessary financial information.

Views from responsible officials:

Management continues to review the operations of the county regarding mandated and non mandated operations and has shared the findings with the commission on a number of occasions usually during the annual budget process. Additionally, annually, the commission fiscal staff receives at their request, each department's analysis of mandated and not mandated operations in the budget hearings.

FUTURE BUDGETARY ISSUES

Michigan Public Act 436 (Emergency Financial Manager Act)

Context

1. Public Act 4 (Enrolled House Bill 4214 - "Local Government and School District Fiscal Accountability Act".) was rejected by Michigan voters in November 2012. The Michigan Legislature passed Public Act No. 436 (Enrolled Senate Bill No. 865 - "Local Financial Stability and Choice Act") which became effective March 28, 2013.
   a. Sec. 4. (1) of the act states: "The state financial authority may conduct a preliminary review to determine the existence of probable financial stress within a local government if 1 or more of the following occur:"
   b. The OAG believes the following "trigger points" are applicable to the county:
      i. Sec. 4. (1) (j) - "The local government has violated a requirement of sections 17 to 20 of the uniform budgeting and accounting act;
      ii. Sec. 4. (1) (n) - "The local government is in breach of its obligations under a deficit elimination plan or agreement entered into pursuant to a deficit elimination plan; (The last deficit elimination plan that was certified by the State Department of Treasury was for the fiscal year ending September 30, 2009. The county is in violation of this DEP.)
      iii. Sec. 4. (1) (p) - "The municipal government has ended a fiscal year in a deficit condition...";
      iv. Sec. 4. (1) (r) - "The local government has been assigned a long-term debt rating within or below the BBB category or its equivalent by 1 or more nationally recognized credit rating agencies"; and,
      v. Sec. 4. (1) (s) - "The existence of other facts or circumstances that, in the state treasurer's sole discretion for a municipal government, are indicative of probable financial stress...".
   c. Per Sec. 7. (1) "If there is a confirmation of a financial emergency, the governing body of the local government shall, by resolution within 7 days after the confirmation of a finding of a financial emergency, select 1 of the following local government options to address the financial emergency:"

      i. Consent Agreement
      ii. Emergency Manager (receivership)
      iii. Neutral Evaluation
      iv. Chapter 9 Bankruptcy

If an emergency manager is appointed, Sec. 12. (1) states: "An emergency manager may take 1 or more...additional actions with respect to a local government that is in receivership, notwithstanding any charter provision to the contrary." The act lists 32 additional actions that the emergency manager may take. These actions include, but are not limited to, the following:

1. Sec. 12. (1) (b) - "Amend, revise, approve, or disapprove the budget of the local government, and limit the total amount appropriated or expended."
2. Sec. 12. (1) (i) - "Notwithstanding any minimum staffing level requirement established by charter or contract, establish and implement staffing levels for the local government."
3. Sec. 12. (1) (j) - "Reject, modify, or terminate 1 or more terms and conditions of an existing contract."
4. Sec. 12. (1) (k) - "...may reject, modify, or terminate 1 or more terms and conditions of an existing collective bargaining agreement...."
5. Sec. 12. (1) (l) - "Act as sole agent of the local government in collective bargaining with employees or representatives and approve any contract or agreement."
6. Sec. 12. (1) (m) - "If a municipal government's pension fund is not actuarially funded at a level of 80% or more...the emergency manager may remove 1 or more of the serving trustees of the local pension board...."
7. Sec. 12. (1) (cc) - "For municipal governments, with the approval of the governor, disincorporate or dissolve the municipal government...."

- **Impact/Action -** Under this Act, the county is, at a minimum, considered to be in severe financial stress that could lead to a state of financial emergency. If left unaddressed, the future capability to provide necessary government services essential to public health, safety and welfare could be threatened. The most undesirable outcome could be the county being placed in receivership and the governor appointing an Emergency Financial Manager.
- Since there has been an increase in negative publicity about the financial condition of the county, we are of the opinion that there are disturbing similarities between the City of Detroit and Wayne County such as: lingering accumulated deficits, declining bond rating, declining property tax revenue, population reduction, and high unemployment.

<u>Views from responsible officials:</u>

Management disagrees. The comparison of the county to the City of Detroit is an unfair comparison. The dire financial condition of the city which forced the bankruptcy proceeding is the result of decades of fiscal irresponsibility and is nowhere near that of the situation that the county finds itself in. The county does have its challenges but with the passage of the deficit elimination plan, the county has a roadmap back to fiscal stabilization.

Decline in County Bond Rating

Context:

The county has experienced a continuous decline in the bond rating which is due, in part, to the amount of the accumulated deficits. The current bond ratings from the three rating agencies are depicted in the table below. The county's bond ratings are bordering on "junk" status.

Wayne County Bond Rating
FY 2009 – FY 2013

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Outlook
S & P	A	A-	BBB+	BBB+	BBB-	Stable
Moody's	Baa2	A3	Baa2	Baa2	Baa3	Negative
Fitch	BBB+	A-	BBB+	BBB+	BB-	Negative

Source: County's CAFR's

- **Impact/Action** – Continuous declines in the bond ratings are due, in part, to the magnitude of accumulated deficits. The current bond ratings for the three rating agencies indicate that the county's bonds are bordering on "junk" status. As a result of this, it could cost more to borrow in the future.

Views from responsible officials:

Management agrees that all stakeholders should do everything in their power to improve the financial condition and bond ratings of the county. The implementation of the DEP and the eventual elimination of both the accumulated and structural deficits will major step in accomplishing this goal. In early June, 2014 all three rating agencies affirmed their ratings for Wayne County.

Other Post Employment Benefits (OPEB) Liability

Context

- As of September 30, 2012, the Other Post Employment Benefits (OPEB) unfunded actuarial accrued liability is $1.5 billion. Management has indicated that an OPEB Trust has been set up with fixed contributions to fund and administer retiree health care costs for new hires after mid 2008. The administration stated contributions to the trust commenced in 2011. It was also stated that the establishment of the trust resulted in substantial savings to the county. (The amount of savings was not quantified.)
    - In the transmittal letter for the county's 2011 CAFR, county management stated: "Contributions to the trust commenced in 2011."
    - In the transmittal letter for the county's 2012 CAFR, county management stated: "The county is in the process of establishing a Trust Fund."
    - An M&B management official stated that the Special Purpose Government Trust for other post-employment health benefits fund was established in 2011; however, no contributions were made until FY 2013. A contribution of approximately $9.1 million was made to the trust for certain proprietary and fiduciary funds and component units. The county may need to record assets and activity for the defined contribution part of the plan.

➤ **Impact/Action** – The commission will need to:

- Continue to monitor management's plans to fund the Annual Required Contribution (ARC) and OPEB Trust. Funding the OPEB Trust could result in higher interest earning that can be used to reduce the obligation. Conversely, this may place an additional financial burden on the FY 2014/15 budget.

Views from responsible officials:

There is no constitutional requirement to pre-fund OPEB and it is required to be minimally funded on a pay as you go basis. Any funds that recover OPEB costs in their rates or charges for services will have cash transferred to the Trust for the exclusive benefit of that fund. Until the accumulated deficits are stabilized and eliminated, resources to prefund this liability will be limited.

Retirement Plans

Context

For new hires, the county has two retirement plans; Plan 4, which is a Defined Contribution Plan (DC); and, Plan 5 which is a hybrid plan; part Defined Benefit Plan and part Defined Contribution Plan.

- The Office of Legislative Auditor General (OAG) estimates that the county contributes approximately 35% - 40% more for each employee in the Hybrid 5 plan.
- New hires covered by the CEO Executive Benefit Plan are placed into Plan 4 only.
- In October 2013, in an Act 312 decision, the panel accepted the county's last best offer effectively giving it discretion to place new hires into a defined contribution plan. However, the remaining collective bargaining agreements have the following clause: "The Hybrid Retirement Plan shall be mandatory for all new hired and former employees re-employed, re-instated or rehired on or after October 1, 2011."

    ➤ **Impact/Action** – The administration stated new hires are still going into the Defined Benefit Plan (DB) because the plan is only funded at 46%. The county cannot afford to close the DB plan at this time due to employee payroll contributions. They stated based on the actuarial determination if the plan is closed to new hires the annual required contribution would increase significantly.

Context

In the proposed Deficit Elimination Plan, the county is recommending several revisions to pension plans which will have significant annual savings.

- Reduce all defined benefit plans multipliers from 2.5 to 1.5 percent per year going forward, effective October 1, 2014. (Annual savings: $6.5 million total, $2.6 million General Fund)
- Increase employee contribution for Defined Benefit plans to 7 percent of gross wages. (Annual savings: $3 million total, $1.2 million General Fund)

- Change how Average Final Compensation (AFC) is determined, to be the average of previous six years, limiting paid leave that can be figured into AFC, and not including overtime in AFC. (Annual savings: starting 2017, $2.25 million)
- Change Defined Contribution Plan, effective October 1, 2014, as has already been done for appointees and commission staff. (Annual savings: $1 million total, $634,000 General Fund)
- According to Director of Labor relations, as a result of the Act 312 award Police Officer Association of Michigan's employee contributions have been increased by 5.1%, saving us an additional $2 million annually on our DB plan contribution. A reduced employer match to the DC plan on behalf of POAM bargaining unit members is projected to save us an additional half a million dollars annually.

  - ➢ **Impact/Action** – If the proposed changes are agreed to in the various collective bargaining; the annual savings could be $10.5 million in total and $4.4 million in the General Fund. Also, in FY 2017 the savings could increase by an additional $2.25 million.

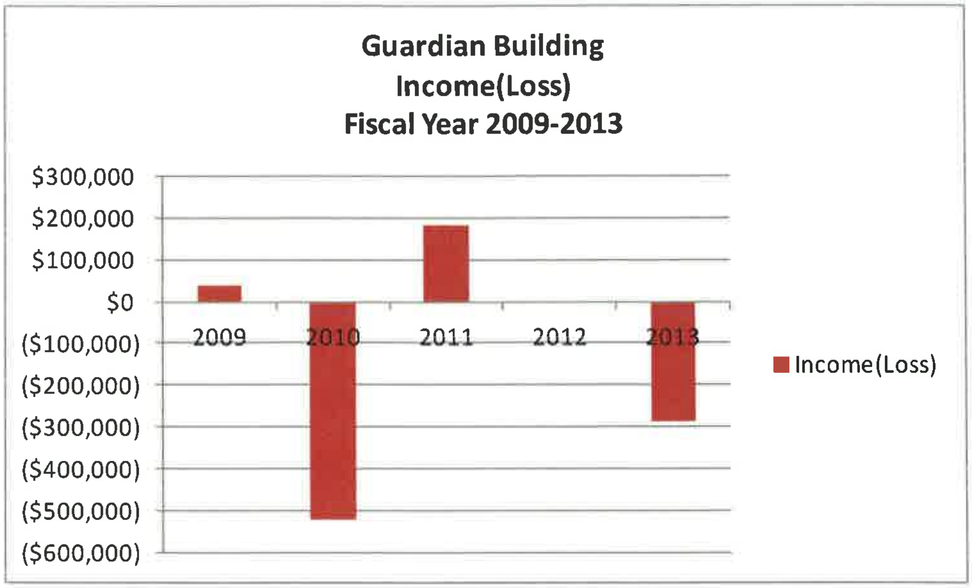
Views from responsible officials:

Implementation of the proposed changes to the Defined Benefit Plan would result in significant savings to the county. However, this requires agreements through the collective bargaining process. Labor Relations is diligently negotiating with the respective unions to reduce the financial burden of the pension plans.

Guardian Building

Context

- Documents relating to the Guardian Building continue to be the subject of a Grand Jury subpoena as part of an ongoing federal criminal investigation into possible corruption in Wayne County.
- For FY 2013, the Guardian Building incurred a net loss of $285,952. The attached chart depicts operating results for the last five fiscal years.



- The Department of Public Services (DPS), which was one of the departments initially designated to move from 415 Clifford to the Guardian Building, is now leasing facilities at 400 Monroe. The lease expires December 31, 2014. 101,500 square feet is leased at a cost of $12 per square foot, for an annual cost of $1,218,000.
  - Amendment No.1 to the lease was approved in November 2013, more than one year prior to the lease expiration. The reason given for the early processing of the amendment was the landlord had other interested tenants and in order to secure the current lease at a fair rate, a revised lease was requested.
  - This contract modification was in the amount not to exceed $6,558,050. Effective January 1, 2015, the square footage cost will increase from $12/sq. ft to $13/sq. ft
  - Reasons for the Administration requesting the contract modification included:
    - Guardian Building is 85% occupied.
    - Guardian Building elevators cannot support the significant volume of public access needed.
    - Both the Wayne County Treasurer and Wayne County Register of Deeds have been located in 400 Monroe for 20 years and the public familiarity allows them to serve the public better.
    - The cost to move these offices would be significant.
    - The average rental rate in downtown Detroit is between $15-$27 per square foot. The Guardian Building charges $18 per square foot. The proposed rate for 400 Monroe is $13 per square foot.
  - Fiscal Agency questioned why DPS Environmental Services and M&B Assessment & Equalization (A&E) could not be moved to the Guardian Building. The answer was A&E works closely with the Register of Deeds and Treasurer, and thus should remain at 400 Monroe. For DPS it was not known if enough space was now available at the Guardian Building.
  - We noted the following:
    - At September 30, 2013 total available lease space is 451,848 square

feet: 183,117 square feet (40.53%) is leased to non-county tenants; 169,838 square feet (37.59%) is leased to the county; and, 102,326 square feet (22.65%) is vacant. Included in these totals available for lease in FY 2013 is 511 Woodward (the Annex); which contains 30,000 vacant square feet. Therefore, the administration's 85% leased space comment ***includes*** approximately 38% that is county occupied; only 40.5% is leased to paying non-county tenants.

  - The $18 square foot charge for leased space in the Guardian Building (which applies only to space leased by non-county tenants) is a blended rate. A review of the rent roll at September 30, 2013 disclosed only two (2) tenants that were charged the $18 per square foot rent. There did not appear to be a consistent rental rate for non-county tenants. A sampling of the September 30, 2013 rent roll disclosed rental rates ranged from $9.96 to $26.52.

- An analysis of the tenant accounts receiveable aging schedule, as of September 30, 2013, was performed. Accounts that were 61 days, or greater, past due totaled $38,570.62. One tenant, Parlovecchio Building Inc., past due amount was $29,949.75, or 77.6%, of the total past due amount. (In fact, Parlovecchio made no rental payments for the entire 2013 fiscal year. As of Februray 28, 2014, Parlovecchio is still delinquent in his rental payments, and owes $44,313.81). Accounts that were 61 days, or greater, past due at September 30, 2012 was $23,962.14.

➢ **Impact/Action** – The commission should request executive management to:

  - Explain why certain county departments still have not been located to the Guardian Building when there is approximately 23% vacant space in the Guardian Building.
  - Provide monthly summaries on leased space activity, with associated plans to increase tenant occupancy and/or increase county utilization of vacant space.
  - Provide monthly accounts receivable aging schedules, with explanations for accounts extremely past due and plans to collect outstanding lease payments.

Views from responsible officials:

The DEP approved by the commission incorporates the leasing out of the remaining unoccupied space in the Guardian Building. Periodic summaries are prepared that review and report on leased space activity, various activities to market the Guardian Building and revenues/incomes–we will be glad to summarize periodically for the commission.

Economic Development Plans

GWEDC

Context

1. In November 2011, the Greater Wayne Economic Development Corporation (GWEDC) received a $523,000 facility fee from the sale of bonds by the Wayne County Building Authority.
2. The facility fee may be used only to make grants to unrelated third parties (unrelated to both the GWEDC and Wayne County) for economic development purposes.
3. At the January 29, 2013 Economic Development Committee meeting, the county's Chief Development Officer reported that the facility fee had not been distributed for any economic development projects thus far. He also reported that Wayne County Economic Development Growth Engine (EDGE) has received proposals which are under evaluation, and the facility fee may potentially be distributed for an acceptable economic development project in Fiscal Year 2012/2013.
4. As of April 30, 2014, the $523,000 facility fee has yet to be distributed, approximately 2 and 1/2 years after its receipt.

- **Impact/Action** – The commission should ask the director of the Economic Development Growth Engine why, after two and one-half years, the facility fee has still not been distributed. The commission should also request from EDGE its plan to distribute the fees as soon as possible in order to spur economic growth in Wayne County and increase the property tax base.

Views from responsible officials:

At the current time EDGE staff is in discussions with the Eight Mile Road Boulevard Association and the Woodward Avenue Action Association. Each has presented strategic plans for new facility projects for the purposes of economic development – one for a regional objective and the other for the redevelopment of the Ford Model T Plant in Highland Park. The GWEDC will be asked to consider grant applications for each; the total awards for both will exceed $80,000.00 at this time. Similarly the recently created Michigan International Technology Corridor (MITC) in Plymouth and Northville Townships is developing a marketing plan to be launched by late Fall 2014. There are more than 500 acres in this development area with the potential to create nearly 10,000 jobs once fully occupied. The MITC plan includes major utility and road infrastructure improvements, the GWEDC is positioned to offer grants to MITC to advance engineering and land use planning.

Aerotropolis (VantagePort)

Context

- The original Aerotropolis project did not realize its projected development goals. In July 2013, Aerotropolis was renamed VantagePort.

- Each of seven communities – Romulus, Taylor, Belleville, Ypsilanti and Ypsilanti Township, Van Buren Township and Huron Township – pay VantagePort $25,000 annually to market and help bring development to their communities. Wayne and Washtenaw counties pay $50,000 every year. Critics of this plan contend it should be completed with private investment, not taxpayer dollars.
- In April 2013, the Wayne County Economic Development Growth Engine requested commission approval of a purchase and development agreement between the Charter County of Wayne and D. T. Real Estate Investments, LLC (of Taylor) in the amount of $851,170 for 40 acres of property in the Pinnacle Development located in the Charter Township of Huron.
  a. The appraised value of the land was $1 million. The county sold the land at less than appraised value because the company had options to build its new corporate headquarters outside the county. The discounted sales price was an incentive to complete the sale and keep the company in the county.
  b. The company is planning to invest at least $6 million in real estate development with the construction of an approximately 80,000 square foot corporate headquarters on the property and will employ up to 150 white collar workers.
  c. Taxes on this new investment will benefit Huron Township and Wayne County.
  d. Net proceeds from the sale will be applied to reduce EDGE's budget deficit.

  - **Impact/Action** – The creation of VantagePort appears to be a positive move in revitalizing the Aerotropolis development. Commission should monitor and evaluate the progress of VantagePort's plans in order to: (1) ensure there is an adequate return on the tax dollars invested; and, (2) ensure future county assets are not disposed of at less than fair value in order to lure investments that may not generate projected returns.

Views from responsible officials:

VantagePort conducts an annual third party audit for its Executive Committee and Board, which together represent every partner and stakeholder including two county representatives – one is a county employee and the second a County Commissioner. Audit findings are prioritized for timely remedy and fiscal policies are adopted as necessary and when appropriate.

At this time VantagePort does not have direct control or ownership of any county assets.

Chargebacks

Context

Chargebacks continue to be a financial drain on departmental budgets and should be closely scrutinized by the Ways and Means Committee during the FY 2014 - 2015 budget deliberations.

The following table depicts chargebacks as a percentage of departmental expenditures for FYs 2012 and 2013.

	Chargebacks					
	2012 Actual			2013 Actual		
Department	Chargebacks	Total Expenditures	% of Total Expenditures	Chargebacks	Total Expenditures	% of Total Expenditures
County Executive	204,552	5,732,944	3.57%	204,552	2,392,768	8.55%
County Clerk	2,272,855	22,543,415	10.08%	2,298,220	22,352,069	10.28%
County Commission	941,740	8,808,986	10.69%	895,116	8,768,037	10.21%
Corporation Counsel	1,148,284	11,972,785	9.59%	822,896	10,440,758	7.88%
Children & Family Services	8,271,463	186,799,057	4.43%	8,138,836	182,827,926	4.45%
Register of Deeds	918,170	7,278,472	12.61%	931,122	8,181,542	11.38%
Department of Public Services	13,931,780	330,067,065	4.22%	13,895,454	316,325,341	4.39%
Homeland Security	277,127	3,175,921	8.73%	260,329	3,862,230	6.74%
Health and Human Services	7,567,805	125,219,569	6.04%	7,660,250	114,200,331	6.71%
Information Technology	1,148,284	11,972,785	9.59%	300,629	16,435,759	1.83%
Economic Development Growth Engine	1,690,182	30,839,674	5.48%	1,535,905	18,723,455	8.20%
Management & Budget	3,063,594	132,145,887	2.32%	2,918,453	131,764,916	2.21%
Personnel	657,859	5,942,699	11.07%	837,160	5,923,389	14.13%
Prosecuting Attorney	5,197,647	49,285,958	10.55%	4,495,796	46,842,666	9.60%
Retirement System	363,290	176,905,792	0.21%	340,012	170,867,833	0.20%
Sheriff	11,462,337	157,054,871	7.30%	10,638,601	161,094,938	6.60%
Treasurer	1,836,810	159,172,619	1.15%	1,978,458	265,318,838	0.75%
Sr. Citizens & Veterans Affairs	1,424,450	8,235,137	17.30%	1,371,372	8,779,674	15.62%
Total	62,378,229	1,433,153,636	4.35%	59,523,161	1,495,102,470	3.98%

As can be seen in the above table, there is a wide disparity in chargebacks as a percentage of total expenditures between departments. Management & Budget has acknowledged a need to reassess the chargeback model and/or determine an alternative approach to financing support services for the county.

- **Impact/Action –**
  - The commission should request M&B to submit quarterly chargeback summary reports, in compliance with Enrolled Ordinance No. 2013-599.
  - The commission should request a report from M&B regarding the reassessment of the chargeback model.
  - The OAG is performing an attestation engagement on the cost allocation/chargeback system. One of the objectives of this engagement is to assess the reasonableness and equity of the chargeback methodology used for the Buildings Division and the Department of Technology assessments.

Views from responsible officials:

Management and Budget agrees that quarterly chargeback summary reports need to be submitted 45 days after the end of the quarter and will work towards submitting them within the required timeline. We are also continuously assessing and revising the allocation methodology for the various chargeback units to ensure equitable distribution across the county departments. However, it is important to note that while the assessment of the allocation methodology may be done, the total cost of the chargeback unit needs to be distributed to the departments utilizing their services. Hence the assessment of the chargeback model may not necessarily result in a decrease of chargeback costs to the county departments.

Outside Legal Services

Context

- ➢ The county's Enrolled Appropriation Ordinance requires that the Department of Corporation Counsel provide a report on all outside legal counsel to the Committee on Government Operations.

  - Corporation Counsel did not submit FY 2012's report.
  - Corporation Counsel submitted the FY 2013 report.

    - o This report does not provide either the purpose for the legal service or any totals.
    - o For FY 2013, the total of all approved outside legal services contracts were approximately $7.3 million; with approximately $2.8 million being spent.

- ➢ **Impact/Action –**
  - The commission should ensure Corporation Counsel submits the annual report on Outside Legal Services in accordance with the Enrolled Appropriation Ordinance.
  - The commission should request the report be modified to include the following information:
    - o Total dollar amounts.
    - o Brief description of reason for obtaining each outside counsel.
    - o The commission should also request Corporation Counsel to provide a cost-benefit analysis of outsourcing legal services vs. providing the same services in-house.

Views from responsible officials:

The Department of Corporation Counsel submitted the Outside Legal Report in accordance with enrolled ordinance 2013-599 and provides the same every fiscal year (supporting DAF's and reports can be provided if necessary). The Department will continue to provide the reports as customarily given, which includes such information as is requested by the county commission and the Office of Fiscal Agency. While the report does not specifically state the purpose for the legal services (because such information has not been required per the report guidelines and instructions), every contract denotes the purposes of the contract and the reason for obtaining outside counsel.

While the budgetary Impact noted in Appendix A (page 44 of 45) indicates outside legal services at $7,347,900 (our report for **FY 12/13** indicates $7,292,477.26 in contracts), the actual amount spent and the actual budget impact is only $2,812,564.85. FY 13/14 has not yet been compiled but will be done in accordance with the appropriate ordinance requirements.

Litigation Settlements

Context

- The county records litigation settlements in account 911140 - Liability Payments. For FY's 2012, 2013, and 2014 (through May 31, 2014) these settlement payments total:
  - FY 2012 - $2,263,647
  - FY 2013 - $4,971,591
  - FY 2014 (through 5/31/14) - $3,213,076
  - Grand total = $10,448,314.
- Litigation settlement cases are presented at the Committee on Government Operations meetings.
- However, a periodic report summarizing litigation settlements is not prepared; thus, it is not possible to review/analyze the magnitude of these settlements.

➢ **Impact/Action –**

- The commission should request a periodic report summarizing litigation settlements to include the following information:
  - Total settlement dollar amounts.
  - Brief description of reason for settlement.
  - Department/Office from which the settlement originated.

Views from responsible officials:

(1) Appendix A indicates for FY14/15 that litigation settlements will be a little more than $8 million. Traditionally, the settlements out of the office are around $2 million. In FY 14/15 the FINAL $2.5 million payment on Havard case settlement will be made (total settlement was $8 Million to be paid over three fiscal years). Management is unclear in the origin of the OAG's estimate of the $8 million figure.

(2) The report indicates under the title Impact/Action that Corporation Counsel should submit to the Commission a periodic report about settlements. For years, in accordance with Ordinance 2014-06-002, paragraph 4, the Department of Corporation Counsel has been submitting a monthly settlement reports to the Chair of the Commission and to the Committee on Government Operation.

Outside Legal Fees for County Representation

Context

- The county is involved in various litigation proceedings. Frequently, outside legal counsel is retained to represent the county in these proceedings. Outside counsel is retained due to their area of legal expertise.
- The following table depicts the law firms retained and total contract value.

Summary of Outside Legal Counsel Services
Fiscal Year 2013

Law Firm	Total Contract Value
Allen Brothers, PLLC	$165,000
Allen Law Group	50,000
Bodman, PLC	498,000
Buckner Law Group	25,000
Butzel Long	22,000
Clark Hill, PLC	1,028,000
Dawda, Mann, Mulcahy & Sadler PLC	125,000
Dickinson Wright, PLLC	805,678
Dykema	135,500
Fink & Associate Law	250,000
Fraser, Trebilcock, Davis & Dunlap, PC	49,500
Garan, Lucow & Miller, PC	35,000
Giarmarco, Mullin & Horton, PC	32,000
Kilpatrick & Associates	1,050,000
Korkis Law Firm PC	78,000
Kotz, Sangster, Wysocki, PC	95,000
Lacey & Jones	62,500
Melvin Butch Hollowell, Jr.	45,000
Miller, Canfield, Paddock and Stone PLC	616,100
Nabih H. Ayad & Associates, PC	85,000
Nemeth Burwell PC	545,000
Ottenwess, Allman & Taweel, PLC	60,000
Plunkett & Cooney	175,000
Rutledge, Manion, Rabaut, Terry & Thomas PC	300,000
Samuel Nouhan & Associates, PLC	245,000
Schultz and Young PC	75,000
William M. Wolfson PLLC	60,000
Williams Acosta, PLLC	30,000
Zausmer, Kaufman, August, Caldwell & Taylor, PC	526,719
Total	**$7,268,997**

Impact/Action –

- The commission should request Corporation Counsel to provide a cost-benefit analysis of outsourcing legal services vs. providing the same services in-house

<u>Views from responsible officials:</u>

The Department of Corporation Counsel is always looking for ways to be more efficient without compromising client representation. While the preference is to maintain a majority of cases in-house, there are limited circumstances that require the Department to seek outside counsel to provide those legal services. For instance, there are some cases that present a conflict due to the named parties, there are some cases where we just don't have adequate resources to handle in-house (class action lawsuits) and there are other cases where a specific expertise is necessary and hiring a firm is more cost effective considering the temporary nature of the case.

A cost-benefit analysis has been provided to the Commission in the past and it is no surprise that it is more efficient to provide services (where appropriate) in-house. Corporation counsel currently has staff attorneys with designated specialties in employment law, civil rights litigation, municipal/health law, and real estate/tax. Aside from their education and experience, staff attorneys have significant institutional knowledge of the inner-workings of Wayne County and each of its various departments. Consequently, the County's attorneys are able to navigate a case from start to finish with relative ease. By way of example, during the 2011-2012 fiscal year, the cost for outside counsel to handle only 52 cases was $4,056,383.78—that nearly surpasses corporation counsel's entire budget for attorneys and support staff. (Approximately $4.3 million annually) During the same fiscal year, county attorneys handled 151 **cases** from start to finish (that doesn't include consultations, the probate docket, gun-board, contract review, labor negotiations, foreclosure hearings, transactional work, etc). In other words, Corporation Counsel attorneys can perform three times the volume of work at a significant cost-savings. The bottom line is— sending legal work to an outside firm will not create a cost savings. By a conservative estimate, it will at least triple the County's legal expenses.

Consolidated Jail Facility

Context

- In December 2010, the Wayne County Building Authority, a component unit of the county, issued $200 million in Recovery Zone Economic Development Bonds to finance the construction of a Criminal Justice Facility.
    - In August 2011, Walbridge-dck Joint Venture was awarded a Pre-Construction Services Agreement for a not-to-exceed price of $220,000
    - On September 1, 2011 the Wayne County Commission authorized a contract between the county and Walbridge in an amount not-to-exceed $220,000,000 to act as the Construction Manager at Risk (CMAR) for the Consolidated Jail Complex.
    - On February 9, 2012 the Wayne County Building Authority authorized a Guaranteed Maximum Price (GMP) Construction Management Agreement with Walbridge-dck Joint Venture. The GMP was for $219,536,154.
- In June 2013, the Wayne County Chief of Staff made a presentation to the Wayne County Commission. The following points were made during the presentation.
    - On May 31, 2013 Walbridge (CMAR) submitted a Final GMP of $267 million.
    - Projected total cost of the jail project could be $391 million.
    - The CEO has recommended a temporary suspension on the project of 60 days.
    - The county will also consider the use of the State of Michigan's Mound Road facility. The Chief of Staff also informed the Wayne County Building Authority, at their June 19, 2013 board meeting, of the decision to suspend construction of the jail for a 60 day period.
- Updates on the Consolidated Jail Complex were presented at the August 14, 2013 Committee of the Whole meeting.
    - Robert Newton, Jail Project Manager, gave a brief overview of the Hubbel Roth Clark independent report. The objective of this report was to find the reason jail construction costs increased from $220 million to $270 million.

- Jeffery Collins, Deputy County Executive, briefed the committee on the Request for Information (RFI) process. The RFI specifically asked for development ideas on the jail's Gratiot site.
- June Lee, Chief of Staff, provided a written statement to the committee on the status of the jail project. He also discussed three (3) possible options for the jail project: (1) reduce the scope of the project to get within the $300 million bond authorization; (2) build at the present site at current scope of 2,000 beds at an additional $91 million; and, (3) terminate the project at the current location, sell the property and move to an alternate site. The first two options do not appear to be viable. He stated the administration believes the county should work and partner with the state and move to the Mound Road facility.

- On June 19, 2013 the Wayne County Building Authority passed a resolution for the issuance of a RFI regarding proposed plans for the development and disposition of the jail site and associated properties.
- On June 26, 2013 the RFI was issued for the purpose of gathering proposals for the disposition and development of the Wayne County Justice Properties. These properties consisted of: (1) the proposed Jail Construction site; (2) Frank Murphy Hall of Justice; (3) Juvenile Justice Complex; (4) Old Wayne County Jail (Division II); and, (5) Division I Jail.
- The Wayne County Building Authority terminated the GMP contract with Walbridge-dck at its August 15, 2013 meeting.
- On October 30, 2013 Wayne County and the Wayne County Building Authority filed a lawsuit in Wayne County Circuit Court against AECOM, Ghafari Associates, and Walbridge-dck Joint Venture. This legal action seeks "to recover the taxpayer money spent in connection with the design and construction of a new jail...."
  - From the respondents to the RFI, Rock Ventures was selected by a committee of Wayne County and Wayne County Building Authority members for further consideration. ***A Memorandum of Understanding of Proposed Disposition of Justice Properties*** (MOU) was executed between Wayne County, the Wayne County Building Authority, and Rock Ventures. Pertinent provisions of the MOU include the following:
    - ***Due Diligence:*** the parties have 180 days in which to assess the viability and desirability of proceeding with the transactions contemplated in the MOU.
    - ***Purchase Price:*** the purchase price is composed of two parts:
      - $20,000,000 for the Jail Parcel.
      - $30,000,000 in the aggregate for the balance of the Justice Property other than the Jail Parcel.
    - ***Mound Road:*** execution of the Purchase Agreement is contingent upon the county developing the State of Michigan's vacant correctional institution located at Mound Road in Detroit, Michigan. If the county does not develop the Mound Road site, this MOU will automatically terminate.
    - ***Reimbursement of Expenses:*** If the county or Wayne County Building Authority elects not to proceed with the transactions in this MOU prior to December 31, 2015, Rock Ventures will be paid an amount not to exceed $500,000.

        - The MOU was approved by the Wayne County Commission (Resolution 2013-819) on December 5, 2013. The Wayne County Building Authority approved the MOU at its December 18, 2013 meeting.
        - On January 23, 2014, the Wayne County Commission approved a one-year lease between Wayne County and 1801 Howard, LLC for lease space to store the new jail construction materials. The monthly rental cost of the lease is $3,500. Utilities are the county's responsibility; estimated monthly cost is $2,000. This expense is considered ongoing operational; therefore, it is not eligible to be paid from Jail Bond proceeds.
    - At both the February 6, 2014 full board meeting and the February 12, 2014 Jail Task Force meeting the CFO presented an update on the close-out/termination activities for the jail project. The close-out/termination activities included the following items:
        - "...disposing of any and all loose material on the site posing a safety concern, safely storing usable materials and equipment on the site as appropriate, taking possession of materials and equipment stored in off site locations, and other activities required to bring the site to a safe condition."
        - "The [Building] Authority has a responsibility to mitigate any damages or cost on this Project in an efficient and effective manner...."
        - Contracts are being negotiated for maintaining the following services, with the associated estimated annual costs:

• Site security	$120,168
• Site trailer and facilities	5,280
• DTE power to site	48,000
• Signage required by MDOT	6,900
• Sump pump maintenance	154,228
• Lease for storage materials	42,000
• Jail Transition Team	40,000
• Personal Property Policy	27,540
• Total Estimated Annual Costs	$444,116

        - These estimated annual costs are considered ongoing operational, therefore are not eligible to be paid from jail bonds. General Fund dollars continue to be used to pay these costs
- The Wayne County Building Authority, at its February 19, 2014 meeting, voted to demolish approximately $1 million in precast jail cells constructed specifically for the site of the Consolidated Jail Facility. There are 111 cells involved.
    - It was publicly reported that:
        - Efforts to repurpose or sell the cells were not fruitful.
            - Storing the cells at a downriver location would cost about $250,000. Moving them to the Mound Road Correctional Facility site would cost $463,000. Moving them to the construction site at Gratiot and St. Antoine would cost $450,000. Crushing them will cost $315,000.
        - On February 20, 2014, the Wayne County Commission passed Resolution No. 2014-075 which requires the county executive present to the

commission the estimated costs and feasibility for two alternatives for county jail operations:
  - Completion of the new Consolidated Jail Facility in downtown Detroit as originally conceived; and
  - The use of unspent American Recovery and Reinvestment Act (ARRA) bond proceeds and other funding resources to make capital improvements to and perform maintenance at Jail Divisions I and/or II and to continue to operate, and not sell, any criminal justice facilities.
- The administration has scheduled presentations at three (3) Committee of the Whole meetings concerning the options for the Consolidated Jail Facility.
- The cost impact to the County with moving the cells to Mound Round plus annual costs for maintaining services is $907,116.

➢ **Impact/Action** –The commission should ensure that the administration complies fully with Resolution No. 2014-075 and presents to the commission with a presentation to move the criminal justice facilities to the Mound Road prison site the estimated costs and feasibility of the following two alternatives:
  - Completion of the new Consolidated Jail Facility in downtown Detroit as originally conceived; and
  - The use of unspent ARRA bond proceeds and other funding resources to make capital improvements to and perform maintenance at Jail Divisions I and/or II and to continue to operate, and not sell, any criminal justice facilities.

Views from responsible officials:

In order to comply with Resolution No. 2014-075, the administration has been updating and educating the Commission of the various aspects of the jail project through a number of informational Committee of the Whole presentations. This process is expected to continue through mid July. Once completed, The commission will vote on the best pathway for the project. Additional clarifications as follows:

- Under Context - where reference is made to GMP it should be Initial GMP to differentiate from Final GMP.
- Under "Context", Pre-Construction Services not-to-exceed price be $220,000,000.
- Reimbursement of expenses: The county or the Building Authority will be obligated to pay Rock Ventures up to $500,000 only if they elect not to proceed at the Mound Road site and the County or Building Authority enters into lease or sale of the Justice properties prior to December 31, 2015 with an entity other than Rock Ventures.

Sale of County Assets

Context

The county owns numerous assets that could potentially be sold. The sale of these assets could raise needed funds that could be used to either pay down related debt or be used for General Fund General Purpose.

These assets include, but are not limited to:

- Warren Valley Golf Course
- Inkster Valley Golf Course
- Neudeck Building
- Waste Water Treatment Plants
- 640 Temple – Relocate Employees to Guardian Building
- 600 Randolph
- 500 Woodward
- Brush Street Parking Lot
- First Street Parking Lot
- Chandler Water Park
- Kay Beard Building
- Older Model Fleet Vehicles and Trucks

➢ **Impact/Action** –During the FY 2014/2015 budget deliberations, the Committee on Ways and Means should request the respective department that manages the respective asset to provide the following:
  - Cost of each asset and related debt, if any, at September 30, 2013.
  - Operating income/loss related to each property for year ended September 30, 2013.
  - Annual capital improvements, contingency, maintenance/repair costs, and whether reserves are required.
  - Estimated sales price, net proceeds, and General Fund impact.
  - Any other departmental recommended actions/impacts.

Views from responsible officials:

DPS and EDGE have initiated programs with the assistance of Jones, Lang, LaSalle – an international real estate management that provides commercial real estate strategy, services and support – to analyze, appraise and dispose of excess county properties one at a time. 511 Woodward is currently under a purchase agreement with a highly qualified developer at a price above the appraised value. Interested parties have approached the county interested in purchasing the Neudeck Building and 640 Temple. Plans are underway to issue an RFI for sale for 640 Temple this fall.

We agree that the potential revenue that can be realized by selling non-productive county assets is a viable revenue source. EDGE believes the first step, concurrent with property appraisals, is to map out a Capital Facility Plan to understand each property and prioritize their respective value as a county asset to be used or as a county asset that should be disposed.

CONCLUSION

Over the period covered by this report, the Wayne County Office of Legislative Auditor General (OAG) reviewed matters of budgetary concerns, audits, consulting, and other engagement reports that contain issues which could have a budgetary impact on county operations and its financial position.

We believe these items coupled with the following fiscal challenges faced by Wayne County could have an impact on the county's fiscal year 2014-2015 budget. This is particularly true given the current depressed state of the economy in the southeast Michigan region and the financial challenges the county faces in this and coming years. As such, we believe these issues may be useful to the commission as part of the budget deliberation process for fiscal year 2014-2015.

This report is intended solely to provide information to the Wayne County Commission and should not be used for any other purposes. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Willie Mayo, CPA, CIA, CGAP, CICA, CGMA
Auditor General

APPENDIX A

Summary of Budgetary Impact for Considerations for FY 2014-2015 and Beyond

Description	FY 2014-2015 Budgetary Impact	Page Number
Unreserved/Undesignated Fund Deficits	$ 177,369,000	6
Deficit Elimination Plans	202,020,000	8
Structural Deficits	42,609,000	10
Delinquent Tax Revolving Fund	76,700,000	12
Overtime	14,760,000	12
Sheriff Vehicle Use	1,386,000	15
Sheriff Food Service	1,000,000	16
Mental Health Authority	28,800,000	18
Airport Parking Tax	13,000,000	19
13th Check	32,000,000	19
SAS 114 Unrecorded Adjustments	850,000	20
Retirement Plans	10,500,000	32
GWEDC Economic Development Funds	523,000	36
Litigation Settlements	3,213,076	40
Outside Legal Fees	7,292,477	41
Consolidated Jail Facility	907,116	45
Total Budgetary Impact	**$ 612,929,669**	