Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA
AUDITOR GENERAL

500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

September 11, 2024

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our copy of the Office of Legislative Auditor General's Consulting Report on Budget Sensitive Issues and Review of Wayne County's September 30, 2023 Annual Comprehensive Financial Report (ACFR). Our report is dated August 1, 2024; DAP No. 2024-57-802. The report was accepted by the Committee on Audit on August 21, 2024, and formally received by the Wayne County Commission on September 5, 2024.

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: https://www.waynecounty.com/elected/commission/oag/legislative-auditor.aspx.

Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Management & Budget
John Wallace, Chief Financial Officer
Yogesh Gusani, Deputy Chief Financial Officer
Shauntika Bullard, Director, Grants Compliance and Contract Management

Wayne County Commission Fiscal Agency
Terrance Adams, Chief Fiscal Advisor / Budget Director

Wayne County Executive

DAP No. 2024-57-802

Consulting Report on
Budget Sensitive Issues and
Review of Wayne County's September 30, 2023
Annual Comprehensive Financial Report

August 1, 2024

Table of Contents

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August 1, 2024 DAP No. 2024-57-802

Honorable Alisha Bell, Chairwoman, Wayne County Commission
Honorable Melissa Daub, Chairwoman, Committee on Audit
Honorable Jonathan C. Kinloch, Chairman, Committee on Ways and Means
Members of the Wayne County Commission
Honorable Warren C. Evans, Wayne County Executive

Honorable Elected Officials:

The Office of Legislative Auditor General (OAG) is pleased to provide its annual report on our review of the County's FY 2023 Annual Comprehensive Financial Report (ACFR) and Budget Sensitive Issues to the Wayne County Commission as it begins its fiscal year 2024-2025 budget deliberations. The report contains issues which could have a budgetary impact on the County's operations and financial position that came to our attention through not only our review of the ACFR, but other audits, consulting, and engagement reports.

In summary, this report identifies issues that may have a potential budgetary impact on FY 2024-2025. This 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 budgetary issues for the period May 1, 2023 – June 30, 2024, as well as issues contained in the County's September 30, 2023 ACFR.

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

Respectfully submitted,

Marcella Cora, CPA, CIA, CICA
Auditor General

PURPOSE/ OBJECTIVE

The purpose of this engagement is to comply with (1) Home Rule Charter section 3.119(e), which requires the Office of Legislative Auditor General (OAG) to report on the financial position of the County; and (2) Enrolled Appropriations Ordinance 2023-727, which requires the OAG to summarize issues which may be deemed to have a budgetary impact on the budget hearings and deliberations for the fiscal year ended 2025 and beyond, and to provide the report to the Ways and Means Committee and the Wayne County Commission (the Commission).

The objective of this engagement is to specifically identify matters and financial issues that could impact County operations and budget, 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's Committee on Audit for the period May 1, 2023 – June 30, 2024. Also included is a review of the County's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2023.

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 service activities, the nature and scope of which are agreed with and/or requested by management. The consulting services are 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 substantially completed on August 1, 2024.

METHODOLOGY

The procedures performed were limited to reviewing the County's FY 2023 ACFR, other external auditor reports, and OAG internal audit reports. We performed limited interviews with appropriate management officials and obtained and reviewed additional documentation provided for our analyses. We also reviewed and evaluated financial issues and matters that came to our attention through June 30, 2024 that could potentially have a budgetary impact on County operations for the fiscal year ended 2025.

We shared the report with officials from the County's Department of Management & Budget (M&B) to obtain their comments on the budgetary issues presented in this report. Their comments have been included.

Review of FY 2023 ACFR and Other Audit Results Potentially Impacting FY 2024 Budget Decisions

The General Fund

The General Fund is the primary operating fund of the County and accounts for all financial resources and expenditures except those accounted for and reported in other funds. The table below presents a comparative analysis of the County's General Fund revenues, expenditures, and fund balances for the fiscal years ended September 30, 2023 and 2022.

General Fund FY 2023 to FY 2022 Comparison

	FY 2023	FY 2022	Change Over PY	
Revenues				
Taxes:				
Property	$ 354,259,725	$ 344,040,217	$ 10,219,508	3%
State sales	59,625,141	57,127,215	2,497,926	4%
Licenses and permits	951,837	920,371	31,466	3%
Federal grants	29,767,639	23,129,155	6,638,484	29%
State grants and contracts	22,767,414	27,159,057	(4,391,643)	-16%
Local grants and contracts	0	979,165	(979,165)	-100%
State sources	20,389,740	18,173,542	2,216,198	12%
Charges for services	124,649,514	108,142,504	16,507,010	15%
Interest revenue (loss) and rents	25,258,468	3,745,249	21,513,219	574%
Other	24,745,817	19,006,136	5,739,681	30%
Total revenues	662,415,295	602,422,611	59,992,684	10%
Expenditures				
Current operations:				
Legislative	10,036,943	8,821,636	1,215,307	14%
Judicial	104,965,087	129,715,793	(24,750,706)	-19%
General government	102,230,092	108,301,527	(6,071,435)	-6%
Public safety	42,902,290	118,377,283	(75,474,993)	-64%
Public works	2,072,442	614,057	1,458,385	237%
Health and welfare	21,101,054	23,909,336	(2,808,282)	-12%
Capital outlay	1,185,958	1,427,310	(241,352)	-17%
Debt service: Interest	3,500	9,500	(6,000)	100%
Total expenditures	284,497,366	391,176,442	(106,679,076)	-27%
Revenues over (under) expenditures	377,917,929	211,246,169	166,671,760	79%
Other financing sources (uses)				
Transfers in	35,491,745	16,057,409	19,434,336	121%
Transfers out	(330,326,239)	(183,138,884)	(147,187,355)	80%
Proceeds from sale of capital assets	47,270	9,153	38,117	416%
Total other financing sources (uses)	(294,787,224)	(167,072,322)	(127,714,902)	76%
Net change in fund balances	83,130,705	44,173,847	38,956,858	88%
Fund balances (deficits), beginning of year	305,129,042	260,955,195	44,173,847	17%
Fund balances, end of year	$ 388,259,747	$ 305,129,042	$ 83,130,705	27%

General Fund revenues increased over prior year by $60 million (10%) and expenditures decreased by $106.7 million (27%). Fund Balance increased by $83.1 million (27%) in FY 2022, as compared to a $44.2 million (17%) increase in prior year.

Explanations for major fluctuations in General Fund revenues and expenditures are discussed below.

Increase in Property Tax Revenues
Property tax revenues increased by $10.2 million or 3% as compared to a 13% increase over prior year (from $344 million in FY 2022 to $354 million in FY 2023) based increase on property tax collections by the Treasurer's Office and increase in taxable values.

The County's 2023 Equalization Report indicates the total State Equalized Value for Wayne County increased by $6.3 billion, from $65.9 billion to $72.1 billion, an increase of 9.5%. The total taxable value of the County serves as the basis for current and future tax levies. The total taxable value increased by $3.4 billion from $48.2 billion to $51.6 billion, an increase of 7%.

Increase in Charges for Services Revenues
In FY 2023, General Fund charges for services revenues increased 15.3% or $16.5 million over the prior year, from $108.1 million in FY 2022 to $124.6 million in FY 2023, indicating continued economic recovery from the pandemic and an increase in operations which charge direct fees for services. Charges for services as a percentage of total General Fund revenue remained relatively consistent at 19% year over year. In prior years, the Budget Task Force recommended an annual fee adjustment to reflect market rates of comparable services in peer counties; however, an analysis of the fee ordinance has not been performed.

Increase in Interest Revenue and Rents
Interest Revenue and rent increased by 574% or $21.5 million over the prior year from $3.7 million in FY 2022 to $25.2 million in FY 2023. The increase is due to better performance and earnings on investments.

Decrease in Expenditures
General Fund expenditures experienced a net decrease of $106.7 million or 27% due primarily attributable to operating expenses of General Government, Judicial and Public Safety functions as certain expenditures were recorded in other funds where ARPA grant funding was utilized.

Other Financing Sources and Uses
Other financing sources and uses consist of transfers in and out of the General Fund and proceeds received from the sale of capital assets. The net increase of $127.7 million is primarily attributable to $23.5 million more in transfers from the Delinquent Tax Revolving Fund as compared to prior year. In the prior year, transfers to the General Fund from the DTRF totaled $6.5 million as compared to $30 million in FY 2023. the following:

- **Impact/Action**
  Commission leadership should request the Administration submit an annual report analyzing the costs of delivering mandated services and proposing service fee increases as deemed necessary.

- ✓ **Views from Responsible Officials**
  Management & Budget (M&B) agrees with the need for a cost study and fee assessment. A cost analysis of required services and proposed corresponding service fee increases would help ensure the County maintains a stable outlook.

General Fund – Fund Balance

As of the fiscal year ended September 30, 2023 the County's General Fund had a total fund balance of $388.3 million, of which $334.8 million was unassigned as shown in the table below. Unassigned fund balance consists of residual amounts remaining in the General Fund in excess of nonspendable, restricted, committed, and assigned fund balances. Unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year. Consistent with prior year, the General Fund's unassigned fund balance includes $23 million for budget stabilization.

General Fund - Fund Balance Summary
Fiscal Years 2023 and 2022

	FY 2023	FY 2022	Incr (Decr) Over PY	
Nonspendable	$ 19,264,734	$ 1,495,945	$ 17,768,789	1188%
Restricted for				
Inpatient hospitalization	10,567,535	3,413,928	7,153,607	100%
Community and Economic Dev.	3,679,197		3,679,197	-
Total restricted	14,246,732	3,413,928	10,832,804	100%
Committed for Judicial	7,932,862	11,421,190	(3,488,328)	-31%
Assigned for				
General government	11,976,604	11,976,604	-	0%
Total assigned	11,976,604	11,976,604	-	0%
Unassigned	334,838,815	276,821,375	58,017,440	21%
Total fund balance	$ 388,259,747	$ 305,129,042	$ 83,130,705	27%

In addition to the $334.8 million unassigned fund balance, the General Fund's total fund balance is also comprised of the following:

- Nonspendable fund balance includes amounts that are not in spendable form or are legally or contractually required to be maintained intact. The General Fund's nonspendable fund balance of $19.2 million at 9/30/2023 primarily includes prepayments, supplies/inventory, and interfund receivables.

- Restricted fund balance includes amounts that have externally imposed constraints and are legally restricted by outside parties, constitutional provisions or enabling legislation for use of a specific purpose. Restricted fund balance for FYE 2023 is $14.2 million restricted for inpatient hospitalization and Community and Economic Development.

- Committed fund balance includes amounts committed for a specific purpose by formal action of the County Commission and can only be rescinded via resolution by the Commission. The General Fund's committed fund balance of $7.9 million is committed for the Third Circuit Court.

- Assigned fund balance includes amounts that are intended to be used for a specific purpose but are not restricted or committed. By resolution, the Commission designated authority to the Chief Financial Officer subject to approval of the Commission for assignment of funds. The assigned General Fund balance includes $12.0 million assigned for general government costs associated with retention stipends, additional pension fundings, and right size compensation.

➢ **Impact/Action**
The Commission should continue to monitor the General Fund's fund balances and amounts allocated for budget stabilization.

✓ **Views from Responsible Officials**
M&B agrees that the Commission should continue to monitor the General Fund's fund balances and amounts allocated for budget stabilization.

Unassigned/ Unrestricted Fund Deficits and Deficit Elimination Plans

The County is required by its Home Rule Charter and State statutes to operate under a plan to eliminate any fund deficits. A three-year summary of unassigned/unrestricted fund deficits is shown in the table below, with discussion surrounding each.

Unassigned/Unrestricted Fund Deficits
Fiscal Years 2021, 2022, and 2023

	Unassigned/Unrestricted Fund Deficit			Increase (Decrease) in Deficit					
	9/30/2021	9/30/2022	9/30/2023	2021-2022		2022-2023		2021-2023	
Governmental Funds									
Community Dev. Block Grant		404,201	953,756	404,201	0%	549,555	100%	953,756	100%
Community Corrections	629,435			(629,435)	(100%)			(629,435)	(100%)
Victim Witness	273,124	250,466		(22,658)	(8%)	(250,466)	(100%)	(273,124)	(100%)
Raise the Age – RTA			137,404			137,404	100%	137,404	100%
Economic Dev. Corporation	1,107,605			(1,107,605)	(100%)			(1,107,605)	(100%)
Chapter 8 Drains	1,090,324	328,109		(762,215)	(70%)	(328,109)	(100%)	(1,090,324)	(100%)
Internal Service Funds									
Central Services	9,354,763	8,665,957	3,838,569	(688,806)	(7%)	(4,827,388)	(56%)	(5,516,194)	(59%)
Environment	2,908,371	3,525,029	23,907	616,658	21%	(3,501,122)	(99%)	(2,884,464)	(99%)
Buildings & Grounds Maintenance	18,308,967	3,154,481	703,223	(15,154,486)	(83%)	(2,451,258)	(78%)	(17,605,744)	(96%)
Total	$33,673,589	$16,328,243	$5,656,859	($17,344,346)	(52%)	($10,808,788)	(66%)	($28,153,744)	(83%)

Unassigned/unrestricted fund deficits decreased $10.8 million (66%) over prior year. Under State statute, the County is required to submit a deficit elimination plan (DEP) for funds showing a deficit position. Of those funds in a deficit position for FY 2023, only one (1), the Community Development Block Grant, required a DEP be submitted to the State. Each fund deficit is explained below.

- According to the notes to the ACFR, the FY 2023 deficit in Community Development Block Grant is due to the recording of grant reimbursable expenses incurred prior to fiscal year end, with offsetting revenue received in FY 2023. The deficit will be eliminated upon the receipt of grant revenues. However, when the DEP was submitted to the Commission for approval, M&B stated the deficit was the culmination of current year federal grant revenue coming in 68% lower than budgeted, while expenses only dropped 64% incurring $869,760 in Central

Service Chargebacks, while only $140,454 were allowed per the federal grant coupled with a prior year fund balance deficit. The County plans to eliminate the deficit by using the surplus General Fund balance.

- The deficit in the Raise the Age fund reports a deficit on the modified accrual basis of accounting due to unavailable revenue being reported as deferred inflows of resources. The county believes the deficit will be eliminated upon the receipt of these revenues.

- The FY 2023 deficits in Internal Service Funds, Central Services, Environment, and Buildings & Grounds Maintenance were directly caused by recording net pension liability and net other post-employment benefits liability.

➢ **Impact/Action**
The Commission should consider requesting periodic updates on the progress of eliminating existing fund deficits and notification of projected or potential deficits and causing factors.

✓ **Views from Responsible Officials**
M&B will continue to monitor funds in a deficit position, as well as funds at risk of moving into a deficit position.

County Debt and Bond Ratings

At the end of fiscal year 2023, the County's total bonded debt and notes outstanding was $802.2 million. Of the total bonded debt, $546.1 million is comprised of debt primarily backed by the full faith and credit of the County (general obligation bonds). $41 million is debt primarily backed by specific revenue sources of the County (revenue bonds), $50.5 million bond premium. The remaining $164.6 million consists of delinquent tax notes. During the fiscal year ended 2023, the County's total bonded debt and notes increased by $2.8 million. Debt for governmental activities decreased by $0.7 million. The decrease is primarily due to principal payment and principal payments of long-term debt of $144 million net of new debt issuance of $164.5 million.

The County's bond ratings remain the same as the prior year, as recovery from the pandemic resumes. The table below provides a historical trend of the County's bond ratings from the three major rating agencies, in addition to the current outlook, as reported in the FY 2023 ACFR.

Rating Agency	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023 Outlook
Moody's	Baa2	Baa1	Baa1	A3	A1	A1	Stable
S&P	BBB+	BBB+	BBB+	A	A	A	Stable
Fitch	BBB-	BBB+	BBB+	BBB+	A	A	Stable

Source: Wayne County Annual Comprehensive Financial Reports

Since August of 2022, Moody's rating has remained at A1 with a stable outlook. According to Moody's, the rating reflects the County's continued strengthening of operating reserves and liquidity, aided by the restructuring of retiree benefits and proactive management. Moody's listed the County's outlook as stable citing the expectation that the County will maintain strong operating reserves while continuing to reduce its unfunded pension and other post-employment benefit liabilities.

S & P's rating from January 2022 remains at A with a stable outlook. According to the report, the rating is a result of continued maintenance of structurally balanced operations; seven years of positive financial results; strong management and, ongoing, albeit slow, economic recovery.

Fitch's rating from September 2022, remains at A/stable and reflects the County's continued improvements in financial resilience, driven by consistent positive operating results following several years of financial stress. The rating also reflects the County's moderate long-term liability burden, weak revenue framework and solid spending flexibility.

The rating upgrades and positive outlook changes are noteworthy accomplishments.

- **Impact/Action**
  It is suggested that the Commission continue to monitor bond ratings and request the Administration provide notification of rating changes or anticipated rating changes.

- ✓ **Views from Responsible Officials**
  M&B agrees that the Commission continue to monitor bond ratings and request the Administration provide notification of rating changes or anticipated rating changes. Also, in July 2024, S&P Global Ratings raised its rating one notch to 'A+' from 'A' on Wayne Charter County (Wayne County), Mich.'s general obligation (GO) debt with a stable outlook.

Staffing Shortages, Overtime Expenditures, and Recruiting/Retention Efforts

Staffing Shortages
Staffing shortages remain a challenge for the County and have not improved post-pandemic. The inability to hire and retain employees poses a serious risk to the County's ability to provide County services, as well as departmental responsibilities. The table below presents a summary of budgeted versus actual positions in the last five fiscal years and more recent information as of June 3, 2024.

Summary of Budgeted versus Actual Positions

Fiscal Year	# of Positions		Vacant Positions	
	Budgeted	Filled	Number	% of Budget
FY 2019	4,003	3,284	719	18%
FY 2020	4,026	2,962	1,064	26%
FY 2021	3,932	2,782	1,150	29%
FY 2022	4,000	2,692	1,308	33%
FY 2023**	4,037	2,807	1,230	30%

**Data per M&B as of June 3, 2024

In FY 2023, the County budgeted for 4,037 positions, of which 1,230 (or 30%) were vacant as of September 30, 2023. Over the past several years, there has been a continued fluctuation in the percentage of vacant positions, from 18% in FY 2019, to 33% in FY 2022, and to 30 % in FY 2023.

The number of budgeted positions approved with the County's FY 2023 budget increased by 37; and similarly, the number of positions filled through September 30, 2023 increased by 115, suggesting progress is being made.

The table below shows a breakdown of budgeted, actual, and vacant positions, and vacant positions as a percentage of departmental budgets as of September 30, 2023 *(Refer to the FY 2023 ACFR M&B Presentation and supplement schedule).*

Budget, Actual, and Vacant Positions
As of September 30, 2023

Department/Agency	Number of Positions			Vacancies as a % of Dept/Agency Budget
	Budgeted	Actual	Vacant	
Circuit Court	618	472	146	24%
Commission	55	50	5	9%
County Clerk	293	235	58	20%
Probate Court	79	67	12	15%
Prosecutor	363	274	89	25%
Register of Deeds	63	44	19	30%
Retirement	27	17	10	37%
Sheriff	1,065	616	449	42%
Treasurer	90	75	15	17%
County Executive	35	25	10	29%
Corporation Counsel	47	38	9	19%
Public Services	632	441	191	30%
Technology	59	55	4	7%
Economic Development	23	87	(64)	-278%
Health, Human & Veterans Services	313	110	203	65%
Homeland Security	6	5	1	17%
Personnel/Human Resources	32	20	12	38%
Indigent Defense Services	20	11	9	45%
Management & Budget	124	103	21	17%
Senior Services	9	9	--	0%
Facilities Management	84	53	31	37%
Total	4,037	2,807	1,230	31%

Attracting and retaining qualified employees still remains a challenge for the County. Prior analysis has shown that non-competitive salaries and benefits have been a driving factor for increased employee turnover at the County.

In June 2023, Wayne County Executive, Warren Evans, conducted a meeting with Union leaders to discuss improvements to the salaries and benefits that are offered to current and future County employees. These improvements included but were not limited to a reduction in health care premiums; free parking access to local structures; and a higher annual wage bonus payout.

A May 2024 Report on Voluntary Employee Departures provided an update on an exit interview survey that was conducted by P/HR on a total of 824 County employees that voluntarily departed during the period of January 1, 2023 to April 30, 2024. P/HR found that the surveyed employees departed for the following key factors: pay too low (39%); workplace culture (34%); workplace conditions (32%); supervision (20%); and lack of career opportunities (20%).

It was also noted that the County has been diligently working to improve employee satisfaction and retention by reducing health care premiums; increasing annual wage bonuses; providing free parking access; and continuously negotiating other benefits through the collective bargaining process. County Departments, Elected Offices, and Unions have also been working together to develop performance evaluations and comprehensive training programs to help retain County employees.

While conditions appear to be improving, the problem of attracting and retaining employees continues to persist. The total number of vacant positions County-wide declined from 1,308 vacant as of September 30, 2022 to 1,230 vacant as of September 30, 2023. It is recommended for the Commission to continue to work with P/HR and department heads to develop mechanisms to retain employees and to determine the root cause of recurring employee vacancies.

<u>Overtime Expenditures</u>
In FY 2023, County-wide overtime costs amounted to $35.3 million as compared to $24.9 million in FY 2022; a $10.4 million (42%) increase over the prior year. In FY 2023, overtime costs were budgeted at $28.5 million as compared to $25.1 million in FY 2022; a $3.4 million (14%) increase over the prior year. Also, in FY 2023 actual overtime expenditures came in over budget by $6.8 million.

Also, for FY 2023, $7.2 million of the actual overtime expenditures were primarily CSLRF expenditures, as compared to $1.1 million in the prior year, a majority of which were related to the Wayne County Sheriff's Office (WCSO).

For FY 2023, the overtime costs incurred by the WCSO accounted for 43% of total overtime expenditures, as compared to 56% and 60% in fiscal years ended 2022 and 2021, respectively. The overtime costs for the WCSO also exceeded the budget by $6.5 million in FY 2023, and by $974K and $4.3 million, in FY 2022 and 2021 respectively as shown in the below table.

Budget to Actual Overtime Costs
Fiscal Years 2021, 2022, and 2023

Description of Overtime (OT)	**FY 2021**		**FY 2022**		**FY 2023**	
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Sheriff	$9,548,677	$13,882,357	$12,912,088	$13,886,204	$8,842,520	$15,356,079
Other Departments	12,118,971	9,355,384	12,181,946	11,048,530	196,661,572	19,992,174
Total OT Costs County Wide	$21,667,648	$23,237,741	$25,094,034	$24,934,734	$28,504,094	$35,348,253
Sheriff OT as a % of Total OT Costs		60%		56%		43%

The WCSO continues to experience challenges with hiring and retaining new recruits, largely due to starting wages lower than the median salary for corrections officers nationwide, plus imposed mandatory overtime.

A June 2024 report on Sheriff's Office overtime costs provided an update on the overtime costs that were incurred within the WCSO during FY 2024. Per the report, as of May 31st, budgeted overtime costs for the Sheriff's Office were $8,319,661 and actual overtime costs were $13,182.062.

The report also stated that the total number of active WCSO employees with FMLA leave increased by 30% in FY 2023, which created the need to use an excessive amount of overtime hours. Also, a total of 73 police officers were hired and 96 were lost due to retirement, resignation, or termination during this period. Therefore, the WCSO is currently losing employees at a faster rate than it is hiring employees.

However, the WCSO has been diligently working on recruiting more police officers through hiring events, social media platforms, and increased advertising in order to fill the vacant positions and reduce the amount of overtime hours that are used each year.

Recruiting and Retention Efforts
In the April 2024 Government Operations Committee meeting the Department of Personnel/Human Resources (P/HR) reported on the various ongoing initiatives that were performed during fiscal year 2023 to assist in employee recruiting and retention *(Refer to the March 2024 Report on Progress of Hiring Initiatives and Retention Policies in Light of the COVID-19 Pandemic).*

FY 2023 Recruiting Efforts and Accomplishments:

- To ensure the focus on building the Wayne County Talent Pool, P/HR coordinated with all eleven (11) County Departments and Elected Offices. As a result, the County was able to participate in various recruitment events, both within and outside Wayne County, including thirty-four (34) career fairs. This effort was instrumental in building the talent pool and increasing the County's hiring rate by 45%.
- P/HR raised the salaries for Juvenile Detention Facility (JDF) employees by 35% due to the aggressive recruitment and employee retention needed for this unit. During this time, there were 54 more employees working at JDF than when we started.
- P/HR also continued to coordinate the annual Career and Service Day. The event was hosted in partnership with ACCESS (Arab Community Center for Economic and Social Services) and SEMCA Michigan Works.

It goes without saying that employee retention is equally important as recruiting. The County's P/HR retention efforts and accomplishments for FY 2023 are listed below:

- P/HR trained and worked with all County employees to ensure that all job descriptions accurately reflect the duties, responsibilities, and qualifications of the jobs.
- P/HR also engaged County employees in providing input in their job description development within the new Pay Factors system.
- In June 2023, the Wayne County Executive hosted a meeting with union leaders that represented over 2,500 County employees. During the meeting, County officials and union leaders negotiated the following benefit enhancements:
  - The reduction of employee healthcare premium contributions from 25% to 20%.
  - An increase in the annual wage bonus by $100 - $200.
  - Free parking for all County employees.

In a June 2023 Benefits and Staffing Task Force meeting, County officials also discussed the new "One Wayne" collaborative effort with the County's unions in which collective bargaining agreements (CBAs) will be amended and the County will change its culture to engage employees in order to improve working conditions, retain employees, and attract new employees. The benefit enhancements were set to become effective January 1, 2024, based upon the negotiations held with Union leaders.

➢ **<u>Impact/Action</u>**

As hiring and recruiting challenges endure across all County departments, Commission leadership should consider requesting the following from the Administration:

- ***A detailed and comprehensive compensation analysis (including pay and benefits) for all positions within the County, starting with County-mandated departments affected the most.***
- ***A County-wide what-if cost analysis of improved employee health benefit provisions;***
- ***Continued monitoring of the reasons for voluntary employee departures, and the actions taken to remediate recurring employee departures;***
- ***Continued updates on the status of staffing shortages, progress of hiring initiatives, and their related impact on key initiatives and mandated services;***
- ***Continued periodic updates from PHR on implementation progress of succession planning.***

✓ **<u>Views from Responsible Officials</u>**

M&B acknowledges the issue surrounding the attraction and retention of quality employees. As mentioned, M&B and PHR are actively participating in the new "One Wayne" collaborative effort. This is an effort in which the administration is working with the County's unions in which collective bargaining agreements (CBAs) will be amended and the County will change its culture to engage employees in order to improve working conditions, retain employees, and attract new employees.

Funding of the Retirement System

The funding objective for the Wayne County Employees' Retirement System (WCERS or the Retirement System) is to establish and receive contributions, invest the contributions, and accumulate assets sufficient to pay expected retirement benefits.

<u>Contributions</u>

The Retirement System is supported by member contributions, employer contributions, and investment income on Retirement System assets. Members contribute percentages of their pay, and the County contributes the actuarially determined remainder needed to meet the funding objective. Employer contribution requirements are determined by the Annual Actuarial Valuation Report, the most recent of which, is dated September 30, 2023. Employer-required minimums and known actual contributions for the last eight (8) years are shown in the table below. The County's fiscal year 2023 actual contributions exceeded the required minimum by $7,742,986.

Employee Required Minimum versus Actual Contributions
Fiscal Years 2017 to 2025

Fiscal Year Ending	Valuation Date September 30	[1] Minimum Required	Employer Dollar Contributions [2] Actual Contributed	[2]-[1] Excess Contributed	[2] / [1] Ratio
2017	2015	47,467,616	61,830,334	14,362,718	130.26%
2018	2016	55,082,405	144,639,837	89,557,432	262.59%
2019	2017	56,869,257	68,633,312	11,764,055	120.69%
2020	2018	52,280,754	57,638,508	5,357,754	110.25%
2021	2019	51,703,879	56,770,685	5,066,806	109.80%
2022	2020	52,411,871	58,319,186	5,907,315	111.27%
2023	2021	55,240,807	62,983,793	7,742,986	114.02%
2024	2022	58,463,206	n/a	n/a	n/a
2025	2023	60,921,407	n/a	n/a	n/a

Investment Rate of Return

The market value rate of return on investments during fiscal year 2023 was 10.3%, and the total Retirement System fund had $95.1 million in investment income, as compared to a loss of 12.8% and a loss of $142.7 million, respectively, in fiscal year 2022.

Funding Progress

Michigan Public Act 202 of 2017 established reporting requirements that are applicable to all local Michigan governments that offer or provide defined benefit pensions and/or defined benefit Other Post-Employment Benefits (OPEB) plans. Government units that are in an "underfunded status" of less than 60%, must either submit a waiver or a corrective action plan to bring funding levels up to 60%. The following table summarizes the Retirement System's funding progress and status for the last nine (9) valuation years ended September 30.

Retirement System's Finding Progress and Status
Last Nine Valuation Years Ended September 30th

Valuation Date September 30	Actuarial Accrued Liabilities (AAL) [1] Member Contributions	[2] Retirees and Beneficiaries	[3] Employer Financed	[4] Total AAL	[5] Funding Value of Assets	Portion of Accrued Liabilities Covered by Plan Assets: Active Member Contributions	([5] - [1]) / [2] Retirees and Beneficiaries	Employer Financed Portion for Active Members	[5] / [4] Total Funded Ratio	[4] - [5] Unfunded Actuarial Accrued Liability (UAAL)
2015	91,806	1,142,343	142,593	**1,376,742**	**740,195**	100%	57%	0%	**54%**	**636,547**
2016	92,970	1,207,108	136,482	**1,436,560**	**782,839**	100%	57%	0%	**54%**	**653,721**
2017	93,312	1,187,208	136,234	**1,416,754**	**780,642**	100%	58%	0%	**55%**	**636,112**
2018	92,374	1,164,651	133,330	**1,390,355**	**863,172**	100%	66%	0%	**62%**	**527,183**
2019	92,806	1,150,369	124,809	**1,367,984**	**879,462**	100%	68%	0%	**64%**	**488,522**
2020	87,856	1,138,840	117,286	**1,343,982**	**873,375**	100%	69%	0%	**65%**	**470,607**
2021	87,293	1,157,657	125,593	**1,370,543**	**896,348**	100%	70%	0%	**65%**	**474,195**
2022	83,125	1,140,796	121,488	**1,345,409**	**876,652**	100%	70%	0%	**65%**	**468,757**
2023	82,359	1,118,505	119,716	**1,320,580**	**875,704**	100%	71%	0%	**66%**	**444,876**

Note: $ in thousands

Note: Values in table are determined based on present value of future expectations and other actuarial assumptions. Refer to the September 30, 2023 Actuarial Valuation Report for additional information.

As of the September 30, 2023 valuation date, the defined benefit plan is funded at a level of 66%. The funded ratio, calculated by taking the funding value of assets divided by the actuarial accrued liability

(AAL), is expected to hold steady or gradually move toward 100% in the absence of benefit changes, assumption changes, or valuation method changes. As expected, the funded ratio has gradually increased over the years, from 44% in 2013 to 66% in 2023. Much of this increase is due to the accelerated funding policy adopted by the Retirement System's Board and the additional contributions made by the County over the years.

Also presented in the above table, is the portion of accrued liabilities covered by assets on hand (at funding value), and the unfunded portion of the actuarial accrued liability (UAAL). The funding value of assets on hand as of the September 30, 2023 valuation date were sufficient to cover 100% of active member contributions on deposit and 71% of future benefits to present retirees and beneficiaries, leaving nothing to fund employer financed obligations. According to the Actuarial Valuation Report, it is very important that rapid progress be made in funding the total liability to 100%.

According to the 2023 Actuarial Valuation Report, the funded status is comparable to last year; however, potential cash flow problems remain a concern for the Retirement System. Assets in the plan are not sufficient to cover 100% of current retiree liabilities. The ratio of assets at market value to retiree benefit payroll is 7.0, which means that approximately seven (7) years of retiree benefit payments can be paid from current assets (at market value). The ability to make such payments beyond seven (7) years is heavily dependent upon future contributions and future investment return. The Retirement System's Funding Policy promotes funding by defining the amount of time in which certain types of unfunded liabilities should be paid off. Adhering to the Funding Policy should ultimately lead to the plan becoming 100% funded. A copy of the Retirement System's Funding Policy can be found in Section D of the 2023 Actuarial Valuation Report.

Combined Pre-2002 Retiree Liability

Prior to August 9, 2002, the County operated the Detroit Metropolitan Wayne County Airport and the Willow Run Airport through the County's Department of Airports. Following that date, the Wayne County Airport Authority (WCAA or the Authority), created in March 26, 2002 (under Michigan Public Act 90), assumed operational jurisdiction of the airport, including rights and obligations with respect to airport contracts and duties, including, but not limited to, employee benefits and retirement responsibilities for airport employees or retirees that were County employees or retirees prior to August 9, 2002 (Pre-2002 Airport Retirees), in addition to WCAA employees hired after August 9, 2002. WCAA continues to utilize WCERS as a means of providing retirement benefits for its retirees and employees. As it currently stands, the Pre-2002 Airport Retirees represent a subset of all County employees that retired prior to August 9, 2002 (together referred to as the Combined Pre-2002 Retirees).

On July 27, 2017, via Resolution No. 2017-482, the Wayne County Commission approved a retroactive memorandum of understanding (MOU) between the County, WCERS and the WCAA to memorialize both the County's and the Authority's respective share of the Combined Pre-2002 Retiree obligations. Under the MOU, the parties agreed the Authority is responsible for 10.25% of the total Combined Pre-2002 Retiree liability and committed the Authority to an accelerated payment schedule which provided for payments of $4.4 million per year for five (5) years beginning with fiscal year ended September 30, 2015. At the end of the 5-year period (September 30, 2020), the resulting unfunded portion of the Authority's 10.25% obligation, if any, would either be paid in lump sum or in another manner to be determined at that time. The term of the MOU expires upon the occurrence of either of the following: (1) all the Pre-2002 Airport Retirees and their beneficiary(ies) are deceased, and the Authority paid off its unfunded actuarial accrued liability for said employees; or (2) the Authority and the County agree on an amount that satisfies termination of the liability which is calculated by WCERS' actuary.

On September 30, 2020 the Authority's total actuarial accrued liability amounted to $27.5 million, the unfunded portion of which approximates $6.3 million. To date, an official agreement regarding the settlement of the unfunded Combined Pre-2002 Retiree liability has not been reached. Furthermore, in fiscal years 2021 to 2023, no amounts were paid by the WCAA which means the County made all the benefit payments for the combined retiree group from fiscal years 2021 to 2023.

- **Impact/Action**
  Commission leadership should request management's plan to resolve the outstanding obligations due from the Authority for the Pre-2002 Airport Retirees.

- ✓ **Views from Responsible Officials**
  M&B agrees with the recommendation of working with WCAA to come to a revised agreement surrounding the settlement of the outstanding portion of the unfunded Combined Pre-2002 Retiree liability.

The Delinquent Tax Revolving Fund

The Wayne County Treasurer's Office (WCTO) is required by the General Property Tax Act 206 of 1983, to collect delinquent real property taxes levied by all local units of government within the County. Taxes become delinquent, if unpaid, on March 1 of the year subsequent to the year levied. For example, taxes levied in July and December of 2022 became delinquent March 1, 2023. On this date, the local municipalities close their current tax rolls, create delinquent property tax rolls, and formally transfer the delinquent tax rolls to the WCTO. The delinquent tax cycle is two and a half years from delinquency to foreclosure and property sale. Property sales generally take place in September and October.

The Delinquent Tax Revolving Fund (DTRF) was established to advance the amount of delinquent property taxes and special assessments owed to the County's General Fund, other internal County funds, municipalities, school districts, and other taxing authorities through the issuance of tax revenue notes. Amounts advanced to all entities creates a delinquent tax receivable for the specific tax year within the DTRF. Subsequent collections of delinquent property taxes, along with statutory interest and fees, are pledged as collateral for repayment of the tax revenue notes.

The table below presents a historical summary of the DTRF's net position, including the three (3) components that make up total net position.

- Net investment in capital assets: Includes capital assets, net of accumulated depreciation, and outstanding debts related to the acquisition thereof. The net investment in capital assets at FY 2023 approximates $168K.

- Restricted net position: Includes assets restricted as to use, determined by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation and any liabilities/obligations payable from the assets restricted as to use. In the table below, restricted assets (totaling $406.4 million) include cash and investments of $241.8 million, delinquent property taxes receivable of $161.7 million, and other restricted assets and deferred inflows of $2.9 million; offset by liabilities payable from restricted assets (totaling $179 million), including delinquent tax note obligations ($165.6 million) and other liabilities and deferrals ($14.5 million).

- Unrestricted net position includes other assets or obligations that are not restricted in a manner referenced in the above two categories. Consistent with prior year, unrestricted net position for the FYE 2023 equals $0.

Historical Summary of the Delinquent Tax Revolving Fund's Net Position

RECONCILIATION OF NET POSITION	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Net investment in capital assets	168,140	270,602	354,264	185,079	259,493	102,135	139,555
Restricted net position							
Restricted assets:							
Cash and investments	241,824,286	225,806,880	159,505,740	157,062,375	163,620,013	102,827,401	129,732,915
Delinquent property taxes receivable	161,723,176	145,668,814	152,556,375	168,695,487	158,394,297	171,856,332	192,236,470
Other restricted assets and deferred outflows	2,892,632	3,427,481	2,559,463	2,371,137	1,500,586	1,440,521	1,328,236
Less liabilities payable from restricted assets:							
Delinquent tax notes	(164,569,000)	(148,582,000)	(149,157,000)	(184,930,000)	(174,368,000)	(174,697,000)	(234,457,000)
Other liabilities and deferred inflows	(14,502,100)	(23,271,648)	(10,141,025)	(4,002,359)	(21,593,518)	(19,299,614)	(24,952,529)
Total restricted net position	**227,368,994**	**203,049,527**	**155,323,553**	**139,196,640**	**127,553,378**	**82,127,640**	**63,888,092**
Unrestricted net position							
Unrestricted assets:							
Cash and investments	-	-	-	-	-	27,333,314	20,279,424
Total unrestricted net position	-	-	-	-	-	**27,333,314**	**20,279,424**
Total net position	**$227,537,134**	**$203,320,129**	**$155,677,817**	**$139,381,719**	**$127,812,871**	**$109,563,089**	**$84,307,071**

Total assets = $406.4M

Total liabilities = $179.0M

Total net position has more than doubled in the last six years from $84.3 million in FYE 2017 to $227.5 million for FYE 2023. Transfers to the General Fund have not kept up with this trend, as shown in the table below.

	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
DTRF transfers to General Fund	$30,000,000	$6,452,841	$30,000,000	$17,400,000	$20,300,000	$26,100,000	$35,200,000

Throughout the 2023 fiscal year, delinquent tax note liabilities increased slightly from $148.6 million in prior year to $164.6 million in FY 2023; expected future delinquent property tax collections (aka delinquent property taxes receivable) of $161.7 million plus other receivables of $2.9 million are sufficient to cover 100% of the outstanding delinquent tax note liabilities. The remaining cash of $241.8 million far and away exceeds the remaining liabilities of $14.5 million. Given the continued surplus in the DTRF, the County would be well-served to work with the Treasurer's Office and agree upon a formula, calculated annually, to determine amounts available for transfer to the General Fund to assist with County operations. Of course, restrictions resulting from debt covenants will need to be considered.

In FY 2023, $30 million was transferred to the General Fund compared to a $6.5 million transfer in the prior year, an increase of $23.5 million. The County continues to anticipate a decline in surplus transfers from the DTRF.

➢ **Impact/Action**

The Commission should request the development of an agreed upon formula for calculating surplus DTRF funds that can be transferred to the General Fund, with the known surplus identified prior to preparation of the annual budget, included in the annual budget, and finally, transferred to the General Fund for said budget year.

✓ **Views from Responsible Officials**

Currently, WCTO is required by the Commission to provide an annual Delinquent Tax Reserve Status report that summarizes DTRF activity and Forfeiture and Foreclosure activity. M&B agrees the County should agree upon a formula to transfer a portion of DTRF surplus to the General Fund on an annual basis, to support County initiatives.

The Treasurer's Transfer of Tax-Reverted Properties to the Land Bank

In July 2023, the Treasurer and the Wayne County Land Bank (WCLB) renewed their Inter-Governmental Agreement (IGA) for the handling and management of certain tax-reverted properties. Consistent with previous IGAs, the WCTO will transfer certain tax-reverted properties to the WCLB. In return, the Land Bank agrees to obtain title to the tax-foreclosed properties, and to demolish, manage, maintain, and market the properties in exchange for maintenance and administrative funds to be paid by the Treasurer as consideration for each property transferred. The IGA is set to expire May 1, 2026 but may be extended for an additional three (3) years.

With the May 2023 agreement, the Treasurer conveyed thousands of properties to the Land Bank and earmarked maintenance funds as consideration for the Land Bank's administrative and maintenance expenses incurred. The IGA defines a "Per-Property Allocation" disbursement amount that accompanies the conveyance of the properties to the Land Bank. The Per-Property Allocation includes the following:

1) Properties with built structures or remnants of built structures: $550 per property plus an administrative payment of $150 (as compared to $450 and $100, respectively, under the previous IGA).
2) Properties with no built structures or remnants of built structures: $300 per property plus an administrative payment of $150 (as compared to $200 and $100, respectively, under the previous IGA).

In addition to the Per-Property Allocation, the IGA states the Treasurer will transfer an annual per-property maintenance disbursement of $200 and per-property administrative payment of $100. The amount transferred is based on the number of properties reported as on-hand by the Land Bank at the final Board of Directors Regular meeting in the prior calendar year. In accordance with the IGA, the Treasurer may transfer additional funds from time to time at his sole discretion.

Based on our analysis, the Land Bank recorded a combined total of $2.7 million of receipts from the WCTO for property maintenance in fiscal years 2018 through 2023. Expenditures incurred against this amount totaled $2.4 million, leaving $293K of revenues in excess of expenditures that have not been spent by the Land Bank as of September 30, 2023.

➢ **<u>Impact/Action</u>**
- ***The Commission should request periodic updates on the properties in the Land Bank inventory.***
- ***The Commission should inquire if the method of transferring funds from the Wayne County Treasurer is appropriate.***

✓ **<u>Views from Responsible Officials</u>**

Management & Budget (M&B) will review the intergovernmental agreement and work with the Land Bank to determine the disposition of excess maintenance funds that are transferred from WCTO.

The New Criminal Justice Center and the Central Utility Plant

Throughout FY 2023, the County and Rock Economic Development Group (Rock) continued building the Criminal Justice Center (CJC) at I-75 and East Warren. The project completion date was revised several times from spring/summer 2022, to early 2023; to October 2023. On March 18, 2024, the County took possession of the CJC marking the start of the 180-day period for the CJC's move-in process and the corresponding vacating of the Frank Murphy Hall of Justice, Jail Divisions I and II and the Juvenile Detention Facility. Failure to vacate those facilities by September 13, 2024, will require the County to pay Rock $500K per month for retaining occupancy at the four division properties.

The project was originally budgeted for $533.6 million with the County's costs at $401.3 million and Rock's at $132.3 million. The County was originally responsible for contributing $401.3 million in cash and four division properties (Division I, Division II, Frank Murphy Hall of Justice, and the vacated Juvenile Detention Facility). Rock was responsible for any cost overruns unless change is mandated by the County. The $401.3 million is covered by the remaining 2010 bond proceeds of $57.5 million, proceeds from the sale of Gratiot Avenue unfinished jail of $21.4 million, general fund revenue of $30.6 million and new bond issuance of $291.7 million.

Budgeted project costs have increased to approximately $654 million with only $2.2 million in change orders. Actual costs to date, as of February 2024, per status reports, are $670.7 million with the county's share being $502.8 million and Rock's $167.9 million as shown in the table below.

Criminal Justice Center Costs Budget to Actual Through February 2024

	Change Order Amt	Budget	Actual CTD Spent 2/2024
Original Per Development Agreement		**$401,300,000**	
Amendments and Change Orders			
Facility Maintenance Building	1,100,000		
Fixed Change Orders	811,542		
Estimated Change Orders	249,720		
Total Change Orders	**2,161,262**	**2,161,262**	
Construction Costs with Change Orders		**403,461,262**	
Additional Project Related Costs			
Rock Cup Shell Construction	$4,770,700		
CUP Indirect Impact Related to Utilities	$1,051,482		
Offsite Parking Lot Buy Out	$27,973,412		
Other Misc. Costs	$2,218,812		
Total Additional Project Related Costs		**36,014,406**	
Total Including Additional Project Related Costs		**$439,475,668**	**$441,171,890**
County Costs Incurred (Owners Rep, FFE & Moving)		24,800,000	7,320,776
Wayne County Costs Related to CUP		30,932,798	34,835,393
Wayne County Costs Other			19,518,097
Total Costs Incl. CUP/Parking Lot w/o Rock Contributions		**$495,208,466**	**$502,846,156**
Rock's Contribution	-		
Contribution for Construction Costs		**156,211,005**	**165,985,105**
Rock CUP Shell Construction Contribution		**2,500,000**	**1,929,217**
Total CJC Cost with Rock Contribution		**$653,919,471**	**$670,760,478**

During fiscal year 2022, the County amended the contract with Rock Development LLC, and Rock Parking Company LLC, to buy out Rock's Interest in operating offsite parking lots. Per the amended agreement, the County transferred $28.0 million to the Criminal Justice Center Construction Fund to cover the cost of the transaction.

The County, DTE, and Rock negotiated for the construction of a Central Utility Plant (CUP). Included in the agreement, are commitments for DTE to construct components of the CUP and to provide utilities to the County for the CJC. Rock constructed the exterior of the CUP and has agreed to pay $2.5 million of the construction costs.

In connection with this transaction, the County has recorded a $11.8 million accounts receivable for the net present value of the net contribution by Rock. During the fiscal year, the County capitalized $72.2 million of Rock contributions to the project. The County also recorded a $2.5 million liability for the net present value of its share of the operating and maintenance costs of the facilities of the four (4) properties during the construction period until the County vacates the four (4) properties.

For the fiscal year ended September 30, 2023, the CJC Fund had a total fund balance of $51.9 million, all of which is restricted or assigned as to purpose.

- ➢ **Impact/Action**
  Commission leadership should continue to request periodic updates from the Administration regarding the status of the Criminal Justice Center build-out, including budget to actual cost analyses, progress and timing of the move, and additional unanticipated costs.

- ✓ **Views from Responsible Officials**
  The work on the CJC has been progressing effectively and the Administration has set a target date of Tuesday, September 3, 2024 to open the CJC. The County and its representatives meet regularly with the Commission's Special Committee on the CJC to ensure that the legislative branch is kept apprised of the project's progress.

Guardian Building and First Street Parking Deck

Over the last year, the Guardian Building experienced a 90% decrease in net operating income (from $543K in FY 2022 to $54K in FY 2023) as compared to a 26% decrease (from $868K in FY 2020 to $731K in 2021) in the prior year. This fluctuation can be primarily attributed to reductions in net rent and increases in expenses related to electric and janitorial services. The amount unpaid rent (accounts receivable) from the prior year increased by 6%, from $148K in 2022 to $157K in 2023. The Guardian Building occupancy rate decreased from 87.9.% in FY 2022 to 87.5% in FY 2023. Since fiscal year end, occupancy has increased 2.2% leaving the Guardian Building 89.7% occupied.

The First Street Parking Deck (FSPD) holds a total of 1,451 leasable spaces, of which, 1,624 were in use at the end of fiscal year 2023, as compared to 1,432 at the end of fiscal year 2022. This is an increase in usage of 192 spaces over prior year. The variance between the total leasable spaces and the total usage is due to the common practice of overselling parking spaces to account for the vacancies resulting from remote work.

The average monthly parking rate in Detroit has remained consistent from the prior year at an approximate market rate between $150 and $200 per space. Below is a table summarizing spaces in use at the various rates. Of the 1,624 spaces in use, 53 are being offered at no cost, 725 are held for Wayne County employees at a monthly rate of $60 per space, 63 are in use at below market rate, and the remaining 783 spaces are being offered at or above monthly market rates.

First Street Parking Garage Spaces and Rates

		Number of Spaces in Use		
Description	**Rate**	**2023**	**2022**	**Incr/(Decr)**
Comp Spaces	$0	53	53	0
County Employees	$60	725	428	297
Below Market Rate	$61 - $150	63	50	13
Market Rate	$151 - $200	0	560	(560)
Above Market Rate	>$200	783	341	442
Total		1,624	1,432	192

Legal Matters

Tenant #1

As of September 2023, Tenant #1 is eight (8) months in arrears on their parking fees for the First Street Parking Deck, totaling approximately $120,000. Management has reached out for payment status without response and has asked the County for approval to pursue legal action. Approval was received on May 11th to pursue legal action and engaged counsel to send a demand for payment letter. A demand letter was sent mid-June without response. Legal Counsel obtained the property deed, the parking agreement, current balance owed and proper/updated addresses and filed a request for an eviction notice with the court during the last week of July. The court set a judgment on September 12th to pay $126,061.20 by September 22nd or a writ of eviction may be issued. As of September 30th, payment was not received. Legal Counsel will proceed with filing a writ of eviction.

Tenant #2

Tenant #2 vacated their retail space in the fall of 2022. Their lease expired in 2021, however, the tenant asked to hold over through the pandemic. Management offered rent relief, but the tenant did not comply. The outstanding balance is $16,277.52. Counsel has been engaged and a demand letter was sent in mid-June without response. Legal Counsel has collected that final lease statement ledger and will file a payment demand with the court. Management is waiting on an update from Legal Counsel.

Guardian Building Delinquencies

The table below displays the payment delinquencies for Guardian Building tenants as of February 2024.

GUARDIAN BUILDING DELINQUENCIES
AS OF FEBRUARY 2024

TENANT	BALANCE	NOTES
"Tenant A"	$3,765.50	Balance represents three (3) months of charges.
"Tenant B"	$12,885.50	Balance represents six (6) months base rent, nine (9) months electric charges, one (1) building pass, operating expenses, and late fees. Tenant paid $3,600 on 1/30/2024.
"Tenant C"	$437.83	Balance represents two (2) months of electric and four (4) late fees. Tenant made a payment of $816.40 on 1/15/2024
"Tenant D"	$1,915.38	Balance represents 1/2 rent payment for two (2) months.
"Tenant E"	$836.00	Balance represents 1/2 rent payment for two (2) months.
"Tenant F"	$4,584.50	Balance represents six (6) months of charges.
TOTAL	**$24,424.71**	

- **Impact/Action**
  Commission leadership should request that, Guardian Building Monthly Operating Reports are forwarded to the Commission for review to allow Commission leadership to monitor revenues, occupancy rates, delinquencies, and spaces leased.

✓ **<u>Views from Responsible Officials</u>**
Monthly financial reports are sent from the Management Company to the County's Administration. Management will forward the current operating reports for the Guardian Building and parking at First Street Parking Deck for future months. Management utilizes the reports for periodic review of activity.

Implementation of Enterprise Resource Planning (ERP) System

Implementation of the new ERP system continued throughout 2023 and into 2024. The project was renamed to Connect43 because the system implementation will impact all 43 communities within Wayne County. Connect43 has three (3) components:

1. Oracle HCM (Human Capital Management) will enable the county to manage every phase of the employee lifecycle, from attracting talent, screening, hiring, onboarding, time reporting, time-off requests, payroll, and compensation and benefits.

2. Oracle ERP (Enterprise Resource Planning) will allow the county to manage day-to-day financial activities, such as processing purchase orders; and will replace JD Edwards as the county's financial reporting system.

3. Oracle EPM (Enterprise Performance Management) will provide leadership with the tools to plan, budget, predict, and report on the county's financial results.

The project is under the guidance of Aaron Wagner, Chief Administrative Officer, and Connect43 Project Sponsor. Currently, the project is on track and within its budgetary guidelines. The HCM implementation is the first phase of the project and is expected to go live on July 1, 2024. Full-scale end user training will be conducted in June of 2024 both in person and through Zoom meetings. The Enterprise Performance Management progress is at 24 percent but is currently paused from April 1 to July 1, 2024. It is expected to go live between December 2024 and February 2025. The Enterprise Resource Management is at 17 percent and on track. It is scheduled to go live in March 2025.

The project is estimated to be completed in early 2025. Total budget for the project is $92.8 million. From FY 2018 to FY 2023, the total amount spent was $35.8 million. As per the Project Steering Committee report, an additional $18.7 million was spent in FY 2024 through May, for a total amount of $49.3 million spent.

➢ **<u>Impact/Action</u>**
The Commission should continue to monitor the status of the ERP implementation and the County's progress as the first phase of the system is rolled out.

✓ **<u>Views from Responsible Officials</u>**
Management agrees and will provide timely monitoring and provide reporting updates. Also, the first phase of the new ERP Implementation, Oracle HCM did go live on July 1, 2024 as planned.

American Rescue Plan Act Funding

In 2021, Wayne County entered into a grant agreement with the U.S. Department of the Treasury to receive $339,789,370 in State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act of 2021 (ARPA) to respond to the global COVID-19 crisis. The intent is to fund initiatives that have longtime been a need and a hope for the Wayne County residents and municipal governments, and which will improve quality of life for residents and tax revenue communities. As part of the County's engagement with its 43 communities, the County solicited "top" projects for funding consideration under the County's transformational strategy. The County set out six (6) major priority areas to guide this work: 1) Health; 2) Economic Development; 3) Infrastructure; 4) Public Spaces; 5) Workforce Development; and 6) Housing.

American Rescue Plan Act/SLFRF guidelines indicate that SLFRF funding is required to be obligated by December 31, 2024, and fully expended by December 31, 2026. Any funds not obligated or expended by these timelines must be returned to the Federal Government. Currently, the County has $30 million to be obligated as a result of the reduction in the Workforce Development contract amendment. The table below details the $339,89,370.

Breakdown of the Allocation ARPA Funds

Total ARPA Allocation		**$339,789,370**
BATCH 1 AND 2 OBLIGATED PROJECTS		
Batch 1 - Obligated Projects		
Workforce Development Initiative – SEMCA**	Wayne County	$50,000,000
Mill Street Redevelopment	Ecorse	3,500,000
Victory Station Rehabilitation - Upgrade	Belleville	176,800
Dearborn Parks Equity and Access for Citizen Engagement (PEACE) Project	Dearborn	9,619,765
The Joe Louis Greenway	Detroit	20,000,000
Downtown Outdoor Fitness Court	Lincoln Park	124,865
Marygrove Community Association Kentucky Street Lots Project	Detroit	47,500
Motown Museum Expansion Project	Detroit	2,500,000
Daylighting the Rouge River Park	Northville	2,500,000
Lange Park Action-Adventure Park	Taylor	2,326,230
Demolition of Riverside Hospital	Trenton	1,500,000
Van Buren Township Community Center Project & Senior Center Improvements	Van Buren Twp	4,500,000
City of Wayne Goudy Park Amphitheater Pavilion Rehabilitation Project	Wayne	250,000
Boys & Girls Club of Southeastern Michigan	Detroit, Highland Park	500,000
Wayne County Energy Efficiency (Sustainability Program)*	Wayne County	1,155,750
Total Batch 1 Obligated Projects		**$98,700,910**
Batch 2 - Obligated Projects		
Cherry Hill Village Renewal	Canton	4,750,000
Huron Charter Township Downtown Development Project	Huron Twp	275,000
Kessey Fieldhouse Multi-Purpose Trailhead	Melvindale	2,000,000
Recreation and Wellness Center	Redford	6,500,000
Centennial Community Plaza	River Rouge	275,000
Southgate Tower Park	Southgate	5,000,000
Downtown Wyandotte Capital Improvements and Infrastructure Project	Wyandotte	3,950,000
Wayne County Land Bank Blighted Demolition Program	Wayne County	7,498,625
The Garden City Community Center	Garden City	4,000,000
North Branch Ecorse Drain Project	Wayne County	10,000,000
Parks Improvement Project*	Wayne County	10,000,000
Total Batch 2 Obligated Projects		**$54,248,625**
Administrative Compliance and Oversight	Wayne County	6,969,580
Total SLFRF (ARPA) Obligation		**$ 159,919,115**

Funds to be Obligated as a Result of the Workforce Development Contract Amendment**		**$30,000,000**
Resolution 2023-39: Revenue Replacement for Eligible Expenditures		**$179,870,255**
Livonia 21 Project	Livonia	($8,000,000)
RESA	Wayne County	($13,495,129)
Just Air Solutions	Wayne County	($2,107,550)
Total Balance Remaining in Special Account - GJ Projects		**$156,267,576**
Special Account - Priority Internal GF Projects		
Public Health Funding	Wayne County	($57,892,450)
Employee Benefits & Compensation Enhancements	Wayne County	($60,000,000)
Balance Remaining - Special Account GF Projects		**$38,375,126**

*Proposed Batch 1 and 2 Projects Not Approved by Commission
**Contract Amended from $50 million to $20 Million on 6/6/2024

➢ **<u>Impact/Action</u>**
The Commission should:

- ***Request the annual Wayne County Recovery Plan Performance Report to review the status of amounts spent compared to the amounts allocated by project;***
- ***Obtain the status of the unobligated funds totaling $30 million from the Workforce Development contract amendment to ensure funds are obligated by the December 31, 2024 deadline;***
- ***Monitor the $117.9 million allocated for Public Health Funding and Employee Benefits & Compensation Enhancements; and***
- ***Monitor the status of the remaining $38.4 million in the Special Account***

✓ **<u>Views from Responsible Officials</u>**
Management agrees and will provide timely monitoring and provide reporting updates.

CONCLUSION

Over the period covered by this report, the Wayne County Office of Legislative Auditor General 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 the County's financial condition is continuing to move in the right direction with an unassigned general fund balance of $334.8 million and improved bond ratings. The County still faces many challenges that need to be addressed, particularly in the area of obtaining adequate staffing and employee retention, in order to fulfill obligations due to County constituents. It is our hope the Commission finds the information in this report helpful in preparation of the fiscal 2025 budget deliberation process.

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.

Marcella Cora, CPA, CIA, CICA
Auditor General