



Michigan Department of
TREASURY



michigan municipal league

COVID-19 Updates and Resources for Local Governments

Monday, May 18, 2020

COVID-19 Updates and Resources for Local Governments - Third Webinar

*Monday, May 18, 2020
2 p.m. – 3:30 p.m.*

I. Welcome & Introductions

Joyce Parker, Deputy Treasurer of State and Local Finance, Department of Treasury

II. Michigan Consensus Revenue Estimating Conference

Jeff Guilfoyle, Chief Deputy Treasurer, Michigan Department of Treasury

III. Michigan Department of Transportation (MDOT) Project Timeline Updates and Financing

Adam Feldpausch, CPA, Financial Operations Division Administrator, MDOT

Tracie Leix, PE, Local Agency Program Engineer, MDOT

IV. Local Government Cash and Debt Management

Shu Wang, Government and Public Policy Specialist, Michigan State University

Stephanie Leiser, Lecturer in Public Policy, University of Michigan

V. Question and Answer

VI. Closing Remarks

Joyce Parker, Deputy Treasurer of State and Local Finance, Department of Treasury



Welcome & Introductions

Joyce Parker
Deputy Treasurer
of State and Local Finance,
Department of Treasury



Michigan Consensus Revenue Estimating Conference

Jeff Guilfoyle
Chief Deputy Treasurer,
Michigan Department of Treasury



MAY CONSENSUS CONFERENCE UPDATE



Economic Outlook

NATIONAL OUTLOOK

U.S. GDP -5.8% for 2020; +3.0% in 2021; +3.4% in 2022

Wage and salary employment: -4.9% in 2020; +3.5% in 2021; +3.4% in 2022

STATE OUTLOOK

Wage and salary employment: -10.3% in 2020; +6.3% in 2021; +1.3% in 2022

Unemployment rate: +12.7% in 2020; +8.8% in 2021; +7.9% in 2022

Revenue Forecast—General Fund

	FY 2020	FY 2021	FY 2022
GF-GP (millions of \$)	\$9,028.2	\$9,279.2	\$10,149.7
Change from January	-\$1,983.9	-\$1,915.3	-\$1,368.8
% Change From Prior Year	-18.8%	2.8%	9.4%

Revenue Forecast—School Aid Fund

	FY 2020	FY 2021	FY 2022
School Aid Fund (millions of \$)	\$12,676.7	\$13,180.4	\$13,920.4
Change from January	-\$1,248.8	-\$1,137.1	-\$719.7
% Change From Prior Year	-6.5%	4.0%	5.6%

Revenue Forecast—Combined

	FY 2020	FY 2021	FY 2022
Combined (millions of \$)	\$21,704.9	\$22,459.6	\$24,070.1
Change from January	-\$3,232.7	-\$3,052.4	-\$2,088.5
% Change From Prior Year	-12.0%	3.5%	7.2%

Revenue Sharing Update

FY 2020 Constitutional Payments

Projected to be down in total about \$53 million from the January Consensus estimates

This equates to a roughly 6.1% reduction from the January estimates

FY 2021 Constitutional Payments

Projected to be down \$109.5 million from the January Consensus estimates

This equates to a roughly 12.1% reduction from January estimates

FY 2020 City, Village, Township Revenue Sharing and County Payments

These payments are based on appropriations, not estimates sales tax collections, and will not change unless the appropriations are changed

Budget Next Steps

FY 2020

Bring FY 2020 into balance through some combination of executive order cuts, School Aid proration, or legislative budget bills

FY 2021

Governor and legislature will work on FY 2021 budget in coming weeks

Another Consensus Conference will be held in August/September to review revenue estimates before budgets are finalized

MDOT Project Timeline Updates and Financing

Adam Feldpausch

Financial Operations Division Administrator,
Michigan Department of Transportation

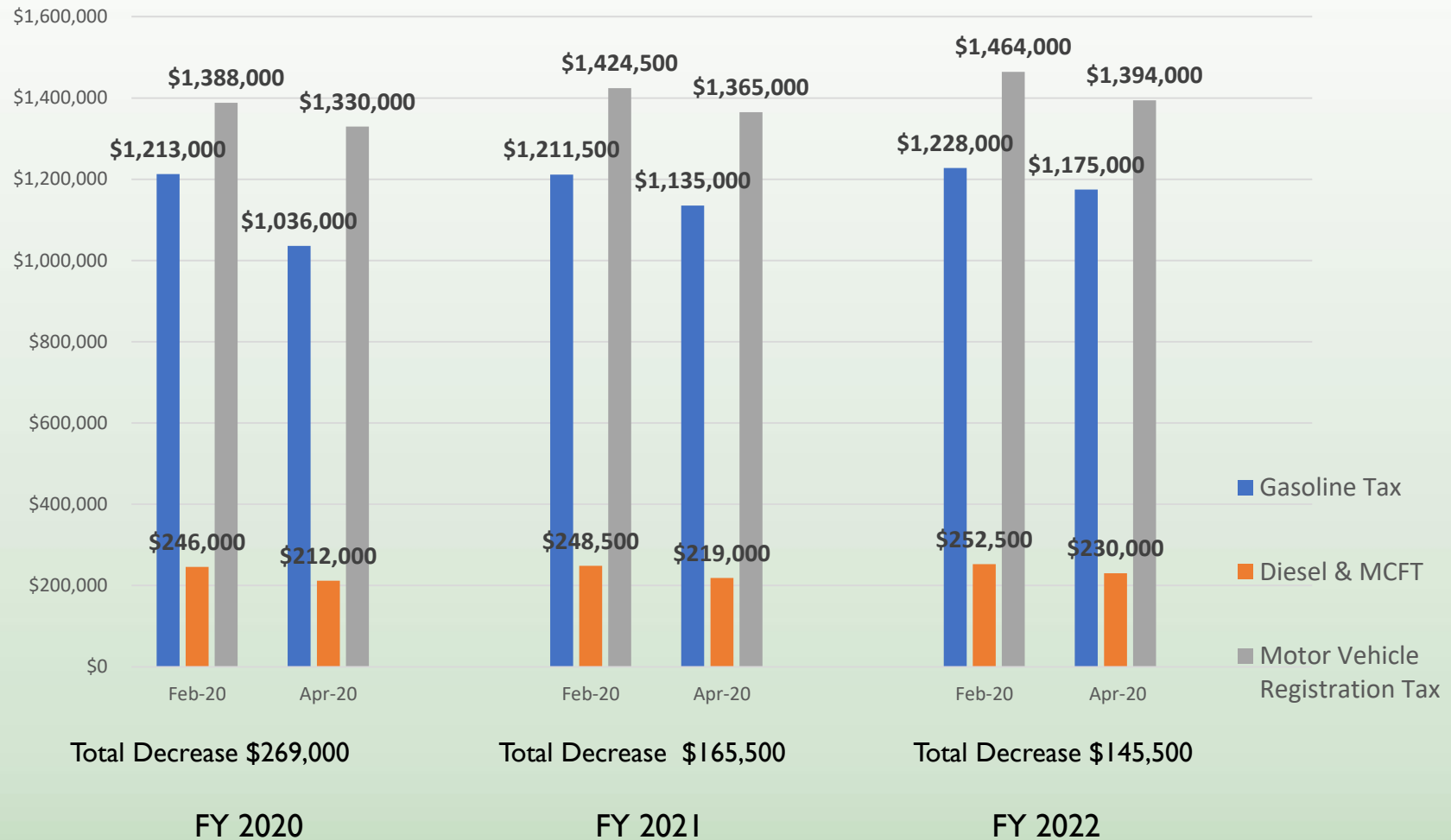


MDOT's Transportation Revenue Forecast

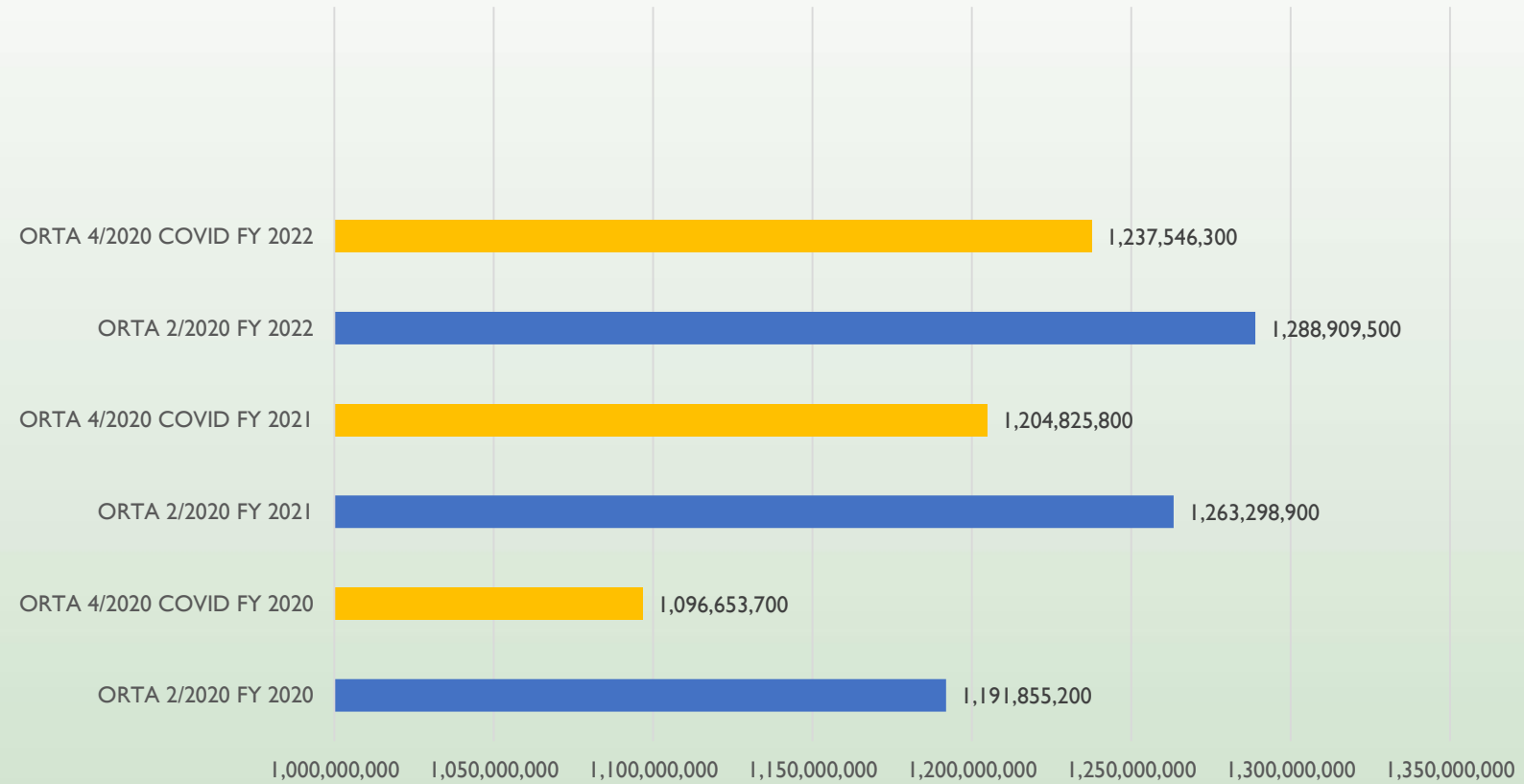
Bureau of Finance & Administration Briefing

May 18, 2020

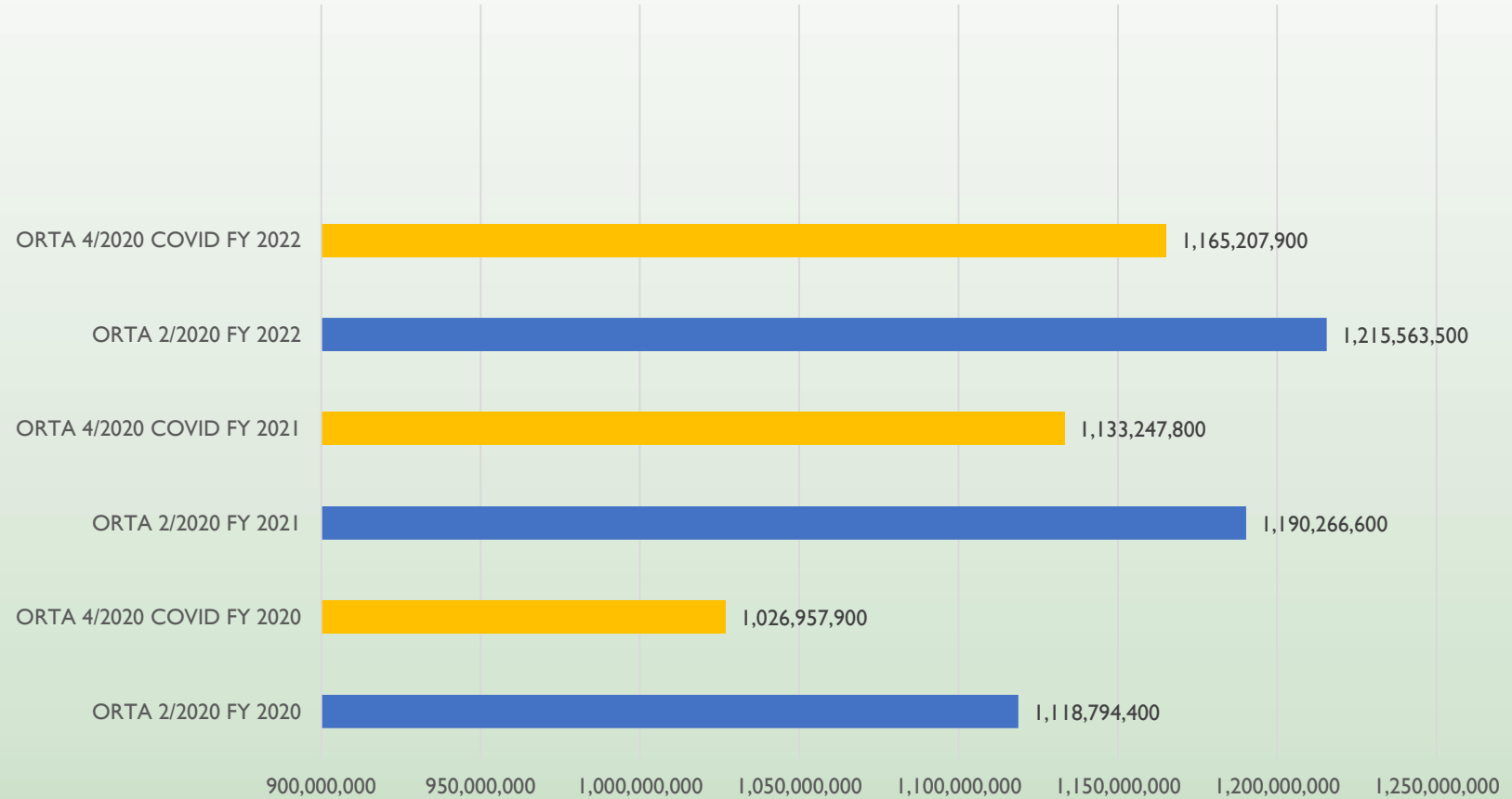
Transportation Revenue Forecast Update (thousands)



State Trunkline Fund (39.1%) Estimate



County Road Commissions (39.1%)
Estimate



Cities and Villages (21.8%)
Estimate



MDOT'S ACT 51 WEBSITE

www.michigan.gov/act51

Act 51 Home Page

-- MTF Distribution History Program

Act 51 - Financial Outreach

MDOT's Financial Outreach area is responsible for the distribution of Michigan Transportation Funds (MTF) to counties, cities, and villages as provided for in PA 51 of 1951, MCL 247.660. In addition, the department is responsible for the administration of MCL 247.662 and 247.663, which requires counties, cities, and villages to adhere to certain Act 51 requirements in order to be eligible for monthly MTF revenue distributions. Included in these requirements are the annual submission of county, city, and village financial reports to the department for review and approval.

Questions?

For MTF payments and County Act 51 report:
Jingjing Chang, Financial Specialist, 517-241-3178
changj2@michigan.gov






For city/village Act 51 reports and Act 51 eligibility:
Laura Loomis, Financial Specialist, 517-335-2556
loomisl2@michigan.gov






ADARS-Act 51

[Act 51 Primer](#) 
[ADARS City-Village Instructions](#) 
[ADARS County Instructions](#) 
[How to Register for ADARS](#) 
[10k Nonmotorized Expenditures - 2019 Guidance](#) 

[Guidance for Local Road Agency Transfers](#) 
[MDOT Forms](#)
[MDOT Form 2012](#) 
[Snow County Map](#) 

Michigan Transportation Fund (MTF)

[MTF Reports \(Act 51 Allocations\)](#)
[Est. Treasury Adjustment \(\\$44M\) to CV](#) 
[Est. FY18 DOS Adjustment to CV](#) 
[Add'l Treasury Adjustment \(\\$13.4M\) to CV](#) 
[Combined Adjustments for CV](#) 
[Communications Related to FY18 Adjustments](#) 

[MTF Distribution History](#) 
[Est. Treasury Adjustment \(\\$44M\) to Co.](#) 
[Est. FY18 DOS Adjustment to Co.](#) 
[Add'l Treasury Adjustment \(\\$13.4M\) to Co.](#) 
[Combined Adjustments for County](#) 

Other State Grants

[PA 82 of 2018 - City/Village](#) 
[PA 82 of 2018 - County](#) 
[PA 207 of 2018 - City/Village \(1 of 2\)](#) 
[PA 207 of 2018 - City/Village \(2 of 2\)](#) 
[PA 207 of 2018 - County \(1 of 2\)](#) 
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[PA 207 of 2018 Frequently Asked Questions](#) 

Training

[Act 51 Training - January 2019](#) 

Section 18J

[Section 18J Frequently Asked Questions](#) 
[MCL 247.668j](#) 
[Form 2067](#) 
[Form 2068](#) 



ACT 51 HOME PAGE

-- MTF REPORTS (ACT 51 ALLOCATIONS)

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[Form 2067](#)
[Form 2068](#)



MTF Reports (Act 51 Allocations) – City/Village Revenue Data

MDOT / DOING BUSINESS

MTF Reports (Act 51 Allocations)

Michigan Transportation Fund (MTF) payment breakdown information related to individual monthly payments to incorporated cities, villages and county road commissions pursuant to Act 51, new revenue package, estimated revenues, and monthly and annual reports.

Revenue Data

City/Village

County

New Revenue Package

Estimated City/Village Revenue

Estimated County Revenue

Receipts & Distributions

Annual Reports

City/Village Revenue Data -- Payment Breakdown

City/Village Revenue Data

Michigan Transportation Fund (MTF) revenue, allocations and breakdown information related to individual monthly payments to incorporated cities and villages pursuant to Act 51.

Allocation Factors

March 2020 
February 2020 
January 2020 
December 2019 
November 2019 
October 2019 
September 2019 
August 2019 
July 2019 
June 2019 
May 2019 
April 2019 
March 2019 
February 2019 
January 2019 

Average Unit Values

March 2020 
February 2020 
January 2020 
December 2019 
November 2019 
October 2019 
September 2019 
August 2019 
July 2019 
June 2019 
May 2019 
April 2019 
March 2019 
February 2019 
January 2019 

Payment Breakdown

March 2020 
February 2020 
January 2020 
December 2019 
November 2019 
October 2019 
September 2019 
August 2019 
July 2019 
June 2019 
May 2019 
April 2019 
March 2019 
February 2019 
January 2019 

Updated MTF Revenue Estimates

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Revenue Data

New Revenue Package

[CV MTF Revenue Estimates - ORTA 04-29-20 PRELIMINARY](#) 

[County MTF Revenue Estimates - ORTA 04-29-2020 PRELIMINARY](#) 

[City/Village Estimated Revenue - ORTA 02-06-2020](#) 

[County Estimated Revenues - ORTA 02-06-2020](#) 

[New Revenue FAQs](#) 

[Letter to Locals](#) 

Estimated City/Village Revenue

Estimated County Revenue

Receipts & Distributions

Annual Reports

Updated MTF Estimates Worksheets

MDOT / DOING BUSINESS

MTF Reports (Act 51 Allocations)

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Revenue Data

New Revenue Package

Estimated City/Village Revenue

[FY20 - City/Village MTF Estimated Revenue Based on ORTA 02/06/20](#) 

[FY21 - City/Village MTF Estimated Revenue Based on ORTA 02/06/20](#) 

[FY22 - City/Village MTF Estimated Revenue Based on ORTA 02/06/20](#) 

Estimated County Revenue

Receipts & Distributions

Annual Reports

MTF Reports (Act 51 Allocations) – County Revenue Data

MDOT / DOING BUSINESS

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Revenue Data

[City/Village](#)
[County](#)

New Revenue Package

Estimated City/Village Revenue

Estimated County Revenue

Receipts & Distributions

Annual Reports

County MTF Estimates

-- Step 2: Calculations



MDOT / DOING BUSINESS

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Revenue Data

New Revenue Package

Estimated City/Village Revenue

Estimated County Revenue

[FY20 - County MTF Estimated Revenue Based on ORTA 02/06/20](#) 

[FY21 - County MTF Estimated Revenue Based on ORTA 02/06/20](#) 

[FY22 - County MTF Estimated Revenue Based on ORTA 02/06/20](#) 

Receipts & Distributions

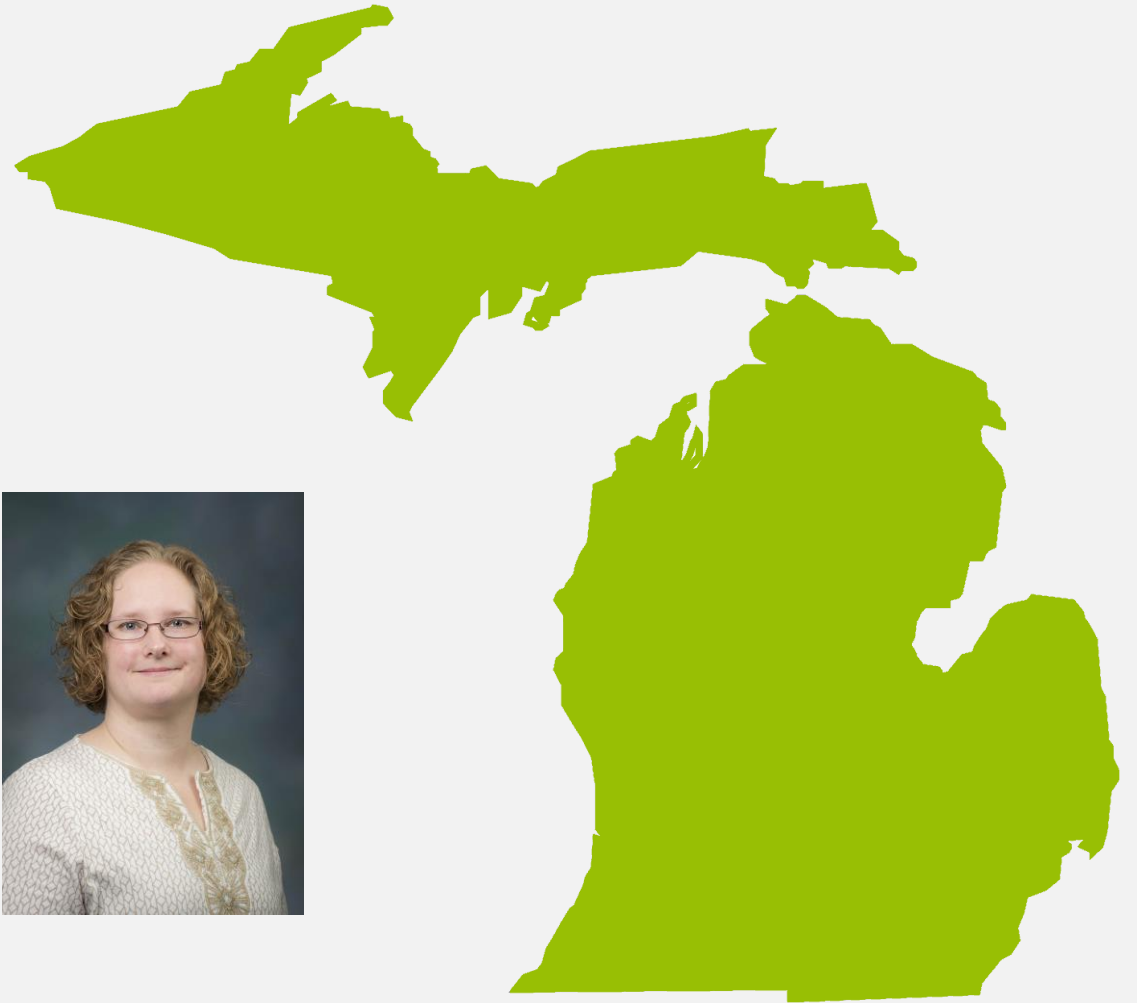
Annual Reports

County MTF Estimates -- Step 2: Calculations

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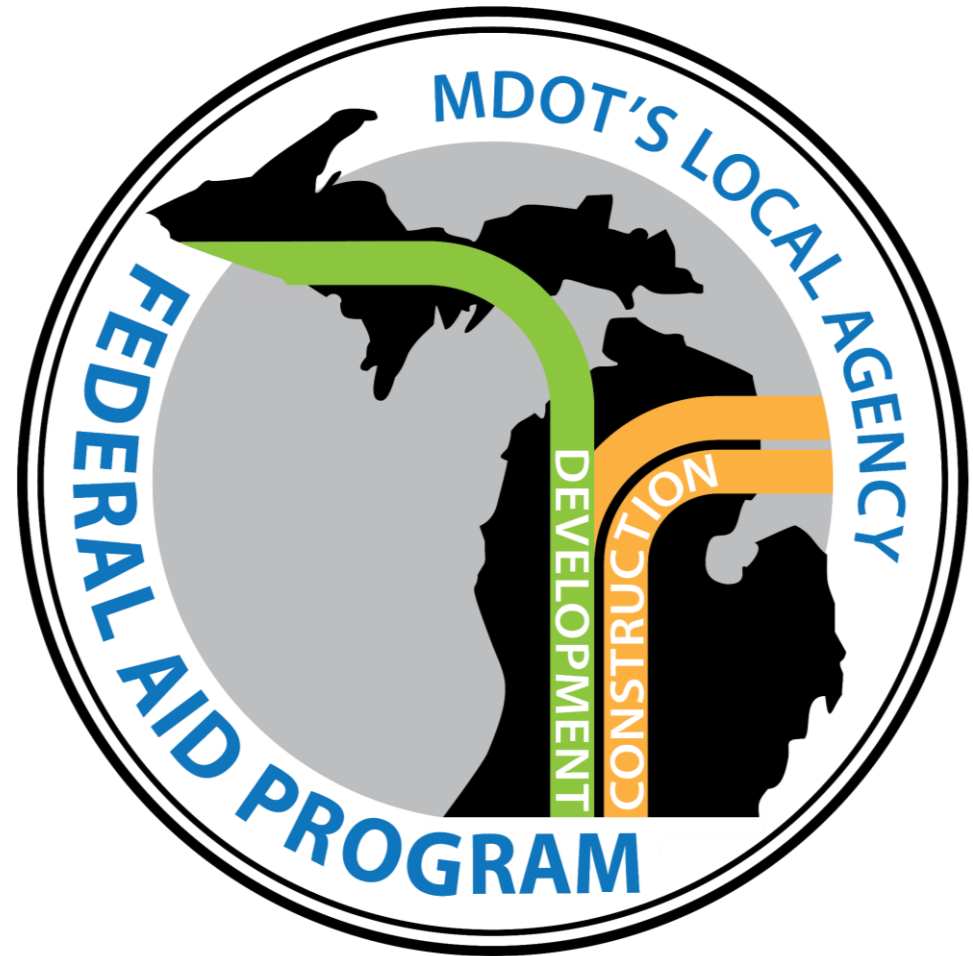
MDOT Project Timeline Updates and Financing

Tracie Leix
Local Agency Program Engineer,
Michigan Department of Transportation



Overview

- Local Agencies, by statute, receive 25% of Federal Transportation Funds
- Ensure Local Agency Projects Meet State and Federal Regulations
- MDOT's Oversight Role

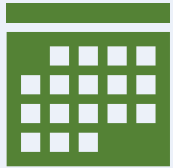




Program Challenges

- Permitting and Clearances
- Right of Way Certification
- Utility Coordination
- Match Requirements

Project Flexibilities



Deferred Fiscal Year

Coordination
with Planning
Agency



Right of Entry

Coordination
with MDOT Real
Estate



Deferred Letting

Coordination with
MDOT and Federal
Highway
Administration



State Infrastructure Bank Loans

Coordination with
MDOT Office of
Economic Development

MDOT Assistance

- Outreach to planning agencies to reprioritize projects
 - Current year project monitoring
 - Fiscal year moves, replacements, etc.
- Outreach to permitting agencies
 - State Historic Preservation Office
- Coordination with FHWA
 - Allowances on timelines
 - Review of Governor's Executive Orders



Key Contacts

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Local Agency Construction Engineer

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Jessica Pierce

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Enhancing Liquidity and Short-Term Borrowing

Shu Wang

Assistant Professor,
Michigan State University

Stephanie Leiser

Lecturer
University of Michigan



Cash flow challenges

- Cash outflows – perhaps higher than normal
- Cash inflows – interruption and delay
 - Waiving of late penalties/fees
 - Late and partial payments
 - Delays collecting A/R
- Goal = maintain sufficient liquidity to meet current obligations while protecting fund balances for the recession ahead

Understand liquidity position

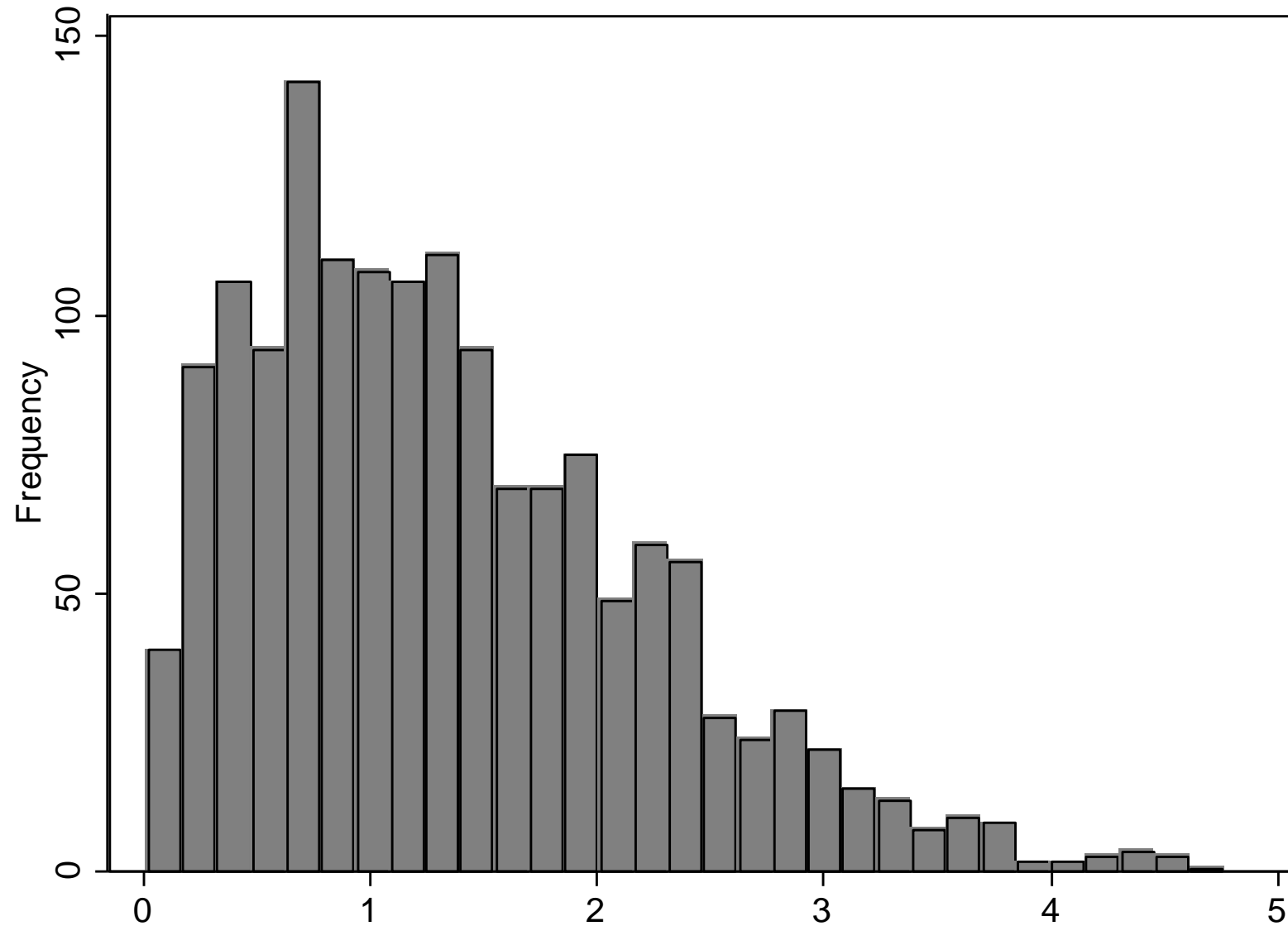
- Cash ratio = $\text{Cash} / \text{Current liabilities}$
- Days of cash on hand = the number of days of operating expenses that a government can pay with current cash
- Fund balance ratio = $\text{general fund balance} / \text{operating expenses}$

Different types of fund balance

<i>Restricted</i> fund balance	<ul style="list-style-type: none">• To be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
<i>Committed</i> fund balance	<ul style="list-style-type: none">• To be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
<i>Assigned</i> fund balance	<ul style="list-style-type: none">• To be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
<i>Unassigned</i> fund balance	<ul style="list-style-type: none">• Residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.



General fund ratios for 2019 (N = 1,526)



Understand liquidity position

- Find a cohort of governments you'd like to compare with
- Examine ratios overtime
- Pay special attention to the changes of ratios during the recession in 2008
- Anticipate cash fluctuation
 - Identify areas with immediate revenue decline
 - Revenue loss in a foreseeable future
 - Chance of revenue rebound?

Guiding principles of enhancing liquidity

- Acknowledge that this is an unprecedented, fluid situation
- Be aware of limitations and ramifications of actions taken
- Have a long-term plan

Capacity building during crisis

- Form a recovery team with related expertise
- Solicit department inputs
- Strengthen leadership and stewardship
- Enhance stakeholder engagement

Enhancing liquidity – “Low-hanging fruit”

Strategy	Pitfall & Caution
Accelerate account receivables	<ul style="list-style-type: none">• May not always be feasible since the payer also faces cash flow challenges
Delay payments to vendors	<ul style="list-style-type: none">• Give up early payment discounts• Risk straining the relationship with vendors• Cause hardship with the vendor• Hurt credits if missing the payment
Reduce frequency of purchases and payments	<ul style="list-style-type: none">• May cause shortfall in supplies for government operations• Should prepare for larger amounts of cash outflows in future purchases and payments

Enhancing liquidity – Rearrange resources

Strategy	Pitfall & Caution
Reallocate underspent budget line items	<ul style="list-style-type: none">• Understand why the item is underspent• Have a plan to rebuild the surplus if it is reserved for a purpose
Redesignate general fund reserves	<ul style="list-style-type: none">• One-time emergency withdrawal and not sustainable• Would defer projects that the reserves are intended to fund
Interfund borrowing	<ul style="list-style-type: none">• Confirm it is allowed by statutes and review for any limitations or restrictions• Document interfund loans• Have a financial plan that reflects a repayment schedule• Should be an interim arrangement with the life of loans below 180 days (GFOA recommendation)

Enhancing liquidity – Bringing additional cash (often with strings attached!)

Strategy	Pitfall & Caution
Evaluate banking relationships	<ul style="list-style-type: none">• Look for opportunities to reduce fees or earn a better rate of return on short-term deposits
Consider short-term borrowing to increase cash inflow	<ul style="list-style-type: none">• Recognize that it is still debt that needs to be repaid• Balance usually must be repaid within the fiscal year Unsecured notes typically require a higher interest rate
Consider monetizing assets	<ul style="list-style-type: none">• May undersell the assets in a soft market• Require capacity for valuation and marketing• May not materialize in time to meet the need for cash• Privatizing assets that provide public service functions has its own consequences that require thoughtful analysis
Implement new fees	<ul style="list-style-type: none">• Ensure fairness, transparency, and accountability through communication with stakeholders

Short-Term Borrowing in Michigan

- Tax Anticipation Notes
 - Issue securities “in anticipation of and payable from taxes”
 - Must be repaid within one year of issuance
 - If borrowing for the current FY, TANs may be issued for up to 75% of operating taxes remaining to be collected
 - If borrowing against revenues in next FY, TANs may be issued for up to 50% of expected levy
 - May be adopted by a resolution; no public vote required
- Revenue Anticipation Notes
 - Up to 50% of prior year’s total revenue sharing payments

Short-Term Borrowing in Michigan

- State Aid Note program for school districts – MFA
 - Pooled SAN program each summer
 - August 2019 notes:
 - \$344.4 million
 - 165 school districts
 - Average borrowing amount \$2 million
 - Maturity: August 2020
- Possible pooled TAN program for local governments
 - Lowers transaction costs for participants
 - Higher credit rating due to state intercept

Is a TAN right for your government?

Keep in mind

Considerations

Cash-flow borrowing is not intended to cover deficits

- Purpose is to smooth out the timing of cash inflows to better match outflows
- Continuous short-term borrowing is unsustainable

Availability of internal financing

- Fund balance may be available, but carefully consider how low you will allow it get
- Interfund borrowing might be an option, but be aware of restrictions

Cost of borrowing

- Credit rating
- Even if stand-alone TAN is cost-prohibitive, pooled TAN may still be an option
- Fed's Municipal Liquidity Facility program is stabilizing the market

Is a TAN right for your government?

Keep in mind

Considerations

Capacity and expertise

- Need reliable and accurate cash flow forecasting
- Consider future revenue uncertainty when notes would mature
- Experience using bond anticipation notes (BANs) in capital projects may help

Resources:

- Research Seminar in Quantitative Economics, University of Michigan, “Update April 9: The U.S. and Michigan Economic Outlook for 2020–2022.”
[https://lsa.umich.edu/content/dam/econassets/Econdocs/RSQE%20PDFs/RSQE_Forecast_Update_\(2020.04\).pdf](https://lsa.umich.edu/content/dam/econassets/Econdocs/RSQE%20PDFs/RSQE_Forecast_Update_(2020.04).pdf)
- GFOA, “Use of Cash Flow Forecasts in Treasury Operations.”
<https://www.gfoa.org/sites/default/files/CashFlowsFINAL.pdf>
- GFOA, “Fiscal First Aid Resource Center.” <https://www.gfoa.org/fiscal-first-aid>
- GFOA, “Financial Decision-Making Under Uncertainty.” <https://www.gfoa.org/financial-decision-makingunder-uncertainty>
- GFOA, “Procurement of Financial Services.” <https://www.gfoa.org/procurement-financial-services-0>



Contact & Website Information

Contact Information:

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Websites:

https://www.canr.msu.edu/center_for_local_government_finance_and_policy/

closup.umich.edu



Local Government COVID-19 Fiscal Strategy and Resource Guide

- What Does the CARES Act Mean for Local Governments in Michigan?
 - How to Enhance Liquidity During a Crisis
 - Planning for Reduced Operating Expenses
 - Will Property Taxes be Immune to the Effects of COVID-19?
 - Capital Spending During an Economic Crisis
 - Assessing Collaborative Readiness
 - Should We Contract This Service Out?
 - Strategies for Short-Term Cash-Flow Borrowing
-
- And more in the works ... closup.umich.edu/COVID-19

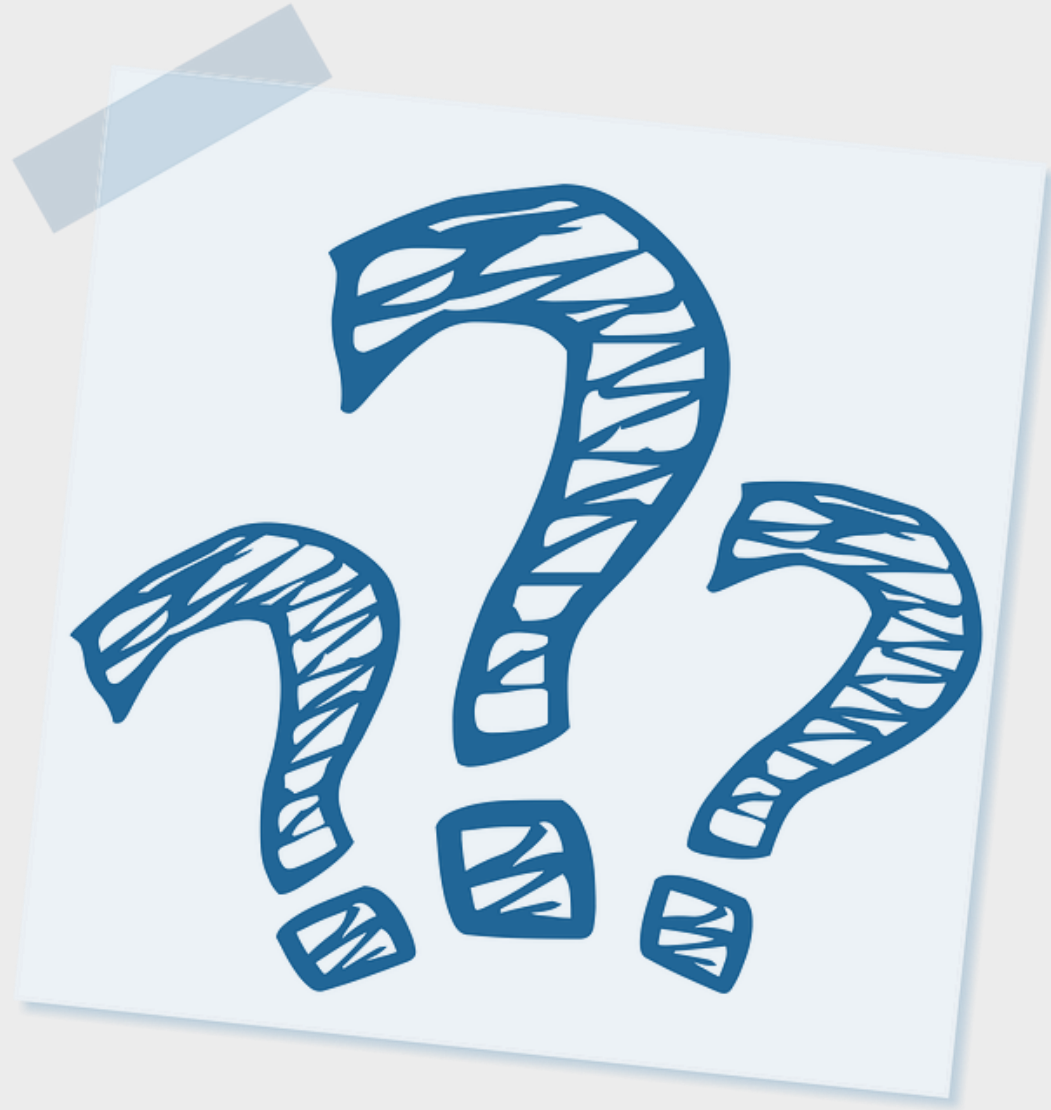


Additional collaborators include
Southeast Michigan Council of Governments
U-M Research Seminar in Quantitative Economics (RSQE)

Project Advisors

Michigan Dept. of Treasury
Michigan Association of Counties
Michigan Municipal League
Michigan Townships Association

Questions



Contact & Website Information

Websites:

- www.Michigan.gov/Treasury
- [Treasury Local Government Website](#)
- [Treasury COVID-19 Updates for Local Governments and School Districts](#)
- www.michigan.gov/revenuesharing
- www.house.mi.gov/hfa/Consensus.asp

Contact Information:

- View [Treasury Local Government Contact](#) List
- Michigan Finance Authority (MFA):
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- Revenue Sharing:
TreasRevenueSharing@michigan.gov





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