

COUNTY ADMINISTRATOR  
220 NORTH MAIN STREET, P.O. BOX 8645  
ANN ARBOR, MICHIGAN 48107-8645  
(734)996-3055  
FAX (734)994-2592

TO: Barbara Levin Bergman, Chair  
Ways & Means Committee

FROM: Robert E. Guenzel  
County Administrator

DATE: April 15, 1998

SUBJECT: Deficit Elimination Plan for Mental Health Fund

**Board Action Requested:**

The County Administrator hereby requests that the Board of Commissioners approve the attached deficit elimination plan for the Mental Health Fund for Year-End 1997.

**Background:**

Act 270 of the Public Acts of 1980 requires that whenever any of the funds of a local unit of government ends its fiscal year with a deficit, the local unit of government shall formulate and file a financial plan with the Michigan Department of Treasury that ensures correction of the deficit condition. Upon evaluation and certification by the Department of Treasury, the local unit shall implement the plan.

**Discussion:**

The Mental Health Fund had a year-end 1997 surplus of \$560,992 and prior period adjustments of \$1,587,449. This resulted in the Mental Health fund deficit increasing from (\$1,558,136) at year-end 1996 to (\$2,584,593) at year-end 1997, an increase of \$1,026,457. The increase in the year-end deficit is the result of the final resolution of a series of overstatements in receivables in prior fiscal years.

On April 7, 1998, Mental Health received State of Michigan cost settlement documents for the Alternative Intermediate Services (AIS) Program for the period October 1, 1992 through September 30, 1995. Mental Health will be appealing approximately \$1.2 million in unapproved days of care in that program. During the process of appeal, the disputed amounts have been removed from the Mental Health accounts receivable balance, resulting in an increased deficit.

During 1997, Mental Health entered into negotiations with the State of Michigan Department of

Community Health to seek reimbursement for approximately \$2 million in State funding due to over-reporting Medicaid revenues in prior years. While the initial indications were that the State would assist Mental Health, in a recent communication they indicated funds were not available to do so. Mental Health believes the funds are due the County and would like to pursue all options, up to and including legal action to recover these funds.

It may take up to a year or longer to resolve and hopefully collect the above amounts from the State. If we are successful in collecting these amounts, the Mental Health fund deficit will be taken care of with little or no infusion of County monies. However, because of the uncertainty of collection of these monies, we need to approve a deficit elimination plan that will allow the County to resolve the deficit on its own. The plan is as follows: \$260,000 per year over the next ten years will be transferred from the Delinquent Tax Reserve Fund to the Mental Health Fund. This additional appropriation will be reserved solely for deficit reduction in the Mental Health Fund. Any collection of the requested amounts from the State of Michigan will be reserved solely for deficit reduction and will reduce one for one the amount of the transfer from the Delinquent Tax Reserve Fund starting from year 10 and working backward.

**Impact on Human Resources:**

There will be no impact on Human Resources.

**Impact on Budget:**

There will be no impact on the General Fund. Operating transfers out from the Delinquent Tax Reserve Fund and operating transfers in for the Mental Health Fund will increase by \$260,000 per year for the next ten years. These monies will be strictly reserved for deficit reduction. If we are successful in obtaining the monies from the State of Michigan, we will lower the transfers from the Delinquent Tax Reserve Fund dollar for dollar, starting from year 10 and working backwards.

**Impact on Indirect Costs:**

None.

**Impact on Other County Departments or Outside Agencies:**

None.

**Conformity to County Policies:**

This request conforms to County policy.

A RESOLUTION APPROVING A DEFICIT ELIMINATION PLAN FOR THE MENTAL HEALTH FUND

WASHTENAW COUNTY BOARD OF COMMISSIONERS

April 15, 1998

WHEREAS, the Mental Health Fund had an operating surplus of \$560,992 for fiscal year 1997 and prior period adjustments of \$1,587,449; and

WHEREAS, these amounts when added to the year end 1996 Mental Health fund deficit of (\$1,558,136) produced a fund deficit of (\$2,584,593) at year end 1997; and

WHEREAS, Mental Health has requested reimbursement from the State of Michigan for approximately \$2 million in State funding due to over-reporting Medicaid revenues in prior years for the Mental Health Fund; and

WHEREAS, Mental Health has \$1.2 million in cost settlements pending with the State of Michigan for certain services provided by the Mental Health Board since 1992; and

WHEREAS, these amounts have not been recorded as receivables in the September 30, 1997 financial statements for the Mental Health Fund because their collection from the State is not guaranteed, and

WHEREAS, Act 275 of the Public Acts of 1980 requires that a Deficit Elimination Plan be formulated by the County, be formally approved by the Board of Commissioners, and filed with the Michigan Department of Treasury; and

WHEREAS, this matter has been reviewed by the Finance Department, County Administrator's Office, and the Ways and Means Committee

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby adopts the following as the Deficit Elimination Plan for the Mental Health Fund: \$260,000 per year for the next 10 (ten) years will be transferred from the Delinquent Tax Reserve Fund to the Mental Health Fund. This additional appropriation will be reserved solely for deficit reduction in the Mental Health Fund.

BE IT FURTHER RESOLVED that the County Administrator may pursue any and all actions necessary to recover State funds due to Washtenaw County including but not limited to, formal or informal appeals and/or legal action.

BE IT FURTHER RESOLVED that any collection of these requested amounts from the State of Michigan be reserved solely for deficit reduction and reduce one for one the amount of the transfer from the Delinquent Tax Revolving Fund, starting from year 10 and working backwards.

BE IT FURTHER RESOLVED that the County Administrator submit the Deficit Elimination Plan to the Michigan Department of Treasury for certification.

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