

LAKE ORION COMMUNITY SCHOOLS

FINANCIAL REPORTING PACKAGE

March

Fiscal Year 2019-20



LAKE ORION COMMUNITY SCHOOLS
Fiscal Year 2019-20

Table of Contents:

1. Executive Summary
2. Commentary & Analysis
 - a. Operational Overview
 - b. Economic Information
 - c. State Aid & Legislative Update
 - d. Fund Level Activity Review
 - e. Cash Position and Disbursement Activity
3. "Budget to Actual" Financial Reports:
 - a. General Fund (Funds 110 - 190) Expenditure by Function
 - b. General Fund (Funds 110 - 190) Expenditure by Object
 - c. Community Service Special Revenue Fund (230)
 - d. Food Service Special Revenue Fund (250)
 - e. Pine Tree Center Special Revenue Fund (220, 221)
4. Other Funds Overview
5. District Cash Balance & Investments Report
6. General Fund Basic Cash Flow Report
7. Summary Disbursements Report for the Period
8. Electronic Funds Transfers Activity for the Period (EFT, ACH & Wires)
9. District Purchase Card Program Activity for the Period

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

EXECUTIVE SUMMARY

Economic Update:

Jobs declined in March by 710,000. The unemployment rate rose to 4.4%. The “third” estimate of the fourth quarter 2019 U.S. GDP is 2.1%. Consumer price index indicates an inflation rate of 1.5%. As a result of the COVID19 pandemic, the U.S. and Michigan economic forecasts are yet to be published. It is all but a certainty that we are in a recession or a depression. We will continue to include current recent economic reports to this document.

District Response to Current Condition:

The School Aid Fund, which is the primary funding source of the State Aid portion of our per pupil foundation allowance, is under server pressure at this time as a result of the COVID19 driven economic decline. We are assuming that there will be some form of State funding reduction. Likely via proration of previously budgeted State funding commitments. We have already begun the process of establishing a short term Line of Credit for the District which can be accessed beginning July 1, 2020. The District's ongoing analysis of our current economic situation is identifying a material reduction in local source revenues. We are anticipating net budgeted expenditure savings which will help minimize our utilization of fund balance for this year. What we are not certain of is the possibility of a State Aid proration this year or next. We suspect that will be the case and it will have a material impact on our fund balance.

State Aid and Legislative Issues:

New Funding Flexibilities to Support Continued Learning During COVID-19 National Emergency

APRIL 6, 2020

Contact: Press Office, (202) 401-1576, press@ed.gov

WASHINGTON — U.S. Secretary of Education Betsy DeVos announced today a [new streamlined process](#) for providing states funding flexibilities to best meet the needs of students and educators during the COVID-19 national emergency. The new flexibilities, authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, allow schools to repurpose existing K-12 education funds for technology infrastructure and teacher training on distance learning, among other flexibilities to move resources to areas of highest need during the national emergency.

"Across the country, students, teachers and families are proving that learning can and does happen anywhere," said Secretary DeVos. "By extending additional funding flexibility to schools, we are helping to ensure student learning continues and supporting

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

teachers as they transition to virtual classrooms. Local leaders have asked for the ability to steer more resources to local needs, and these new tools will help them do just that."

The CARES Act, signed into law by President Donald J. Trump on March 27, now allows states and school districts to devote more of their federal resources to technology infrastructure to support distance learning for students and for professional development for teachers who are teaching remotely, many for the first time. By providing a streamlined process to obtain funding flexibilities, states will be able to quickly make decisions to meet the needs of their students.

Any state may complete a brief form available at oese.ed.gov, and it will receive an initial determination within one business day. Using the form, states can receive flexibility in the use of funds and other requirements covered under the Elementary and Secondary Education Act of 1965 (ESEA), including the Title I, Parts A-D, Title II, Title III, Part A, Title IV, Parts A-B, and Title V programs. Specifically, states may request a waiver of:

- Section 1127(b) of Title I, Part A of the ESEA to waive the 15% carryover limitation for Title I, Part A funds;
- Section 421(b) of the General Education Provisions Act (GEPA) to extend the period of availability of prior fiscal year funds, for Title I, Parts A-D, Title II, Title III, Part A, Title IV, Parts A-B, and Title V, Part B programs, and the McKinney-Vento Homeless Children and Youth program;
- Section 4106(d) of Title IV, Part A of the ESEA to waive a needs assessment to justify the use of funds;
- Section 4106(e)(2)(C), (D), and (E) of Title IV, Part A of the ESEA to waive content-specific spending requirements;
- Section 4109(b) of Title IV, Part A of the ESEA to waive spending restrictions on technology infrastructure; and
- Section 8101(42) of the ESEA to waive the definition of "professional development," which might otherwise limit the ability to quickly train school leaders and teachers on topics like effective distance learning techniques.

This action follows the Department's earlier announcement of a turnkey [waiver process](#) allowing states to cancel federally-mandated standardized testing, in response to widespread school closures in the wake of the declaration of a national emergency. Since that announcement, Secretary DeVos has approved waivers for all 50 states and the District of Columbia. It further builds on the Department's actions to support states and local education leaders since the outbreak of COVID-19, including guidance on ensuring students with disabilities have access to distance learning opportunities and providing an extension for states that need additional time to develop career and technical education plans under the Strengthening Career and Technical Education for the 21st Century Act (Perkins V).

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

The Department continues to update www.ed.gov/coronavirus with information for students, parents, educators and local leaders about how to prevent the spread of COVID-19.

For more information about COVID-19, please visit the following websites: coronavirus.gov, cdc.gov/coronavirus/2019-ncov/index.html, and usa.gov/coronavirus.

General Fund Actual Verses Budget Highlights:

The amended fiscal year 2019-20 revenue budget total is \$83,894,719. We have recognized to date \$51,081,391 which is 61.0% of the budget. Considering how the State Aid funding mechanism operates, taken together, we are on budget. The amended fiscal year 2019-20 expenditure budget total is \$83,872,077. We have expended to date \$55,311,349 which is 66.0% of the budget. Considering the point in the fiscal year we are at, taken together, we are on budget.

General Fund Cash Position:

This month's cash flow analysis continues to portray a favorable cash flow position for the General Fund. The current General Fund cash position is \$5.0 million with a forecast of \$5.9 million at year-end.

District Disbursement Activity:

For the month, the district disbursed, including bond project related expenditures and net of investments, \$7.1 million via accounts payable check, purchasing card settlement, automated ACH payments and payroll. It included two (2) payrolls.

COMMENTARY & ANALYSIS

Revenue & Expenditure Operational Overview:

The "Budget to Actual" reports provided herein reflect posted activity for the fiscal year to date. All budgets reflect the Fiscal Year 2019-20 amended budget as approved by the Board of Education February 12, 2019.

Operational funding for Lake Orion Community Schools are categorized into five broad revenue sources. The five major revenue sources include local, intermediate, state, federal, and other financing source revenues. The local source revenues include locally levied operating property taxes, program based fees, athletic fees, grant revenue and investment income. The "intermediate source" revenues consist of Public Act-18

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

special education funds and Medicaid program revenues. The “state source” revenue consists of the state portion of the per student foundation allowance, state issued grants and categorical payments. The state-aid payment process runs from October of our existing fiscal year to August of our next fiscal year. Federal source revenues are comprised of federally issued grants. Other financing source revenue includes operating transfers-in from other funds.

Operational spending for Lake Orion Community Schools, as presented, is comprised of three broad expenditure categories: salary and wages, fringe benefits and program operations. Program operations consist of purchased services, supplies (including gas and electricity), materials, capital outlay and other miscellaneous expenditures. For the purposes of this report, the definition of “expenditure” is the actual expenditure incurred to date.

Economic Overview:

Please see the various attached reports, as provided by Comerica Bank, pertaining to the economy.

National Economic Dashboard:

The following data set contains indicators that inform the reader about the current and near future national macroeconomic picture:

- US real gross domestic product (GDP) increased at an annualized rate of 2.1% in the fourth quarter of 2019 according to the “third” estimate of the Bureau of Economic Analysis.
- Total non-farm job payroll decreased in March by 710,000.
- The U.S. unemployment rate rose to 4.4%.
- The civilian labor force participation rate (LFPR) declined to 62.7% from the prior month. The LFPR peaked in 2000 at 67.3%.
- Existing home sales increased by 6.5% in February to 5.77 million units.
- Housing starts, defined as single-family units and multifamily units, for March were at a seasonally adjusted annual pace of 1.216 million units, down 22.3% from the prior month. (Most recent available data)
- The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.4% to a seasonally adjusted annualized rate of 1.5 percent.
- Conference Board’s leading economic indicator index rose 0.1 in February to 112.1. This indicator is designed to predict future economic growth or decline six months forward.
- U.S. light vehicle annualized sales for March CRASHED to 11.372 million units.
- The University of Michigan consumer sentiment index registered a seasonally adjusted to 89.1 from the prior month’s 101.0.

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

State Aid Overview:

The typical Local Education Agency (LEA), better known as the local school district, receives the majority of its operating revenues from two funding sources, locally levied property taxes and the School Aid Fund. Lake Orion Community School's fiscal year 2019-20 foundation allowance level, net of the permanent reduction of \$470 in fiscal year 2011-12, has been increased by \$136 from \$8,393 to \$8,529. The student membership blended count formula is unchanged for fiscal year 2020 from the prior year. The formula continues to use 90% of the current year's October count plus 10% of the prior year's February count to calculate the district's total foundation allowance funding.

Lake Orion's foundation allowance guarantee is funded from two sources. The first source is the district's local tax levy of 18 mills on qualifying non-homestead property only. This levy is expected to generate about \$1,153 per pupil this year. The second and primary funding source is from the State's School Aid Fund (SAF). The balance of the fiscal year foundation allowance funding comes from the SAF. State aid continues to be paid out over 11 payments based on the state's fiscal year (spanning October through August) and not the school district's fiscal year. The district's fiscal year 2019-20 budget continues to incorporate the \$470 foundation allowance reduction (\$3.6 million annual loss) imposed by the state in fiscal year 2012. The section 147c MPERS unfunded liability rate stabilization categorical has been approved again for 2019-20. This State categorical will provide funding and a corresponding (invoice) expenditure to the district for the Michigan Public Schools Employee Retirement System existing unfunded accrued actuarial liability. The manner in which the State has chosen to fund this categorical and generate the corresponding invoiced expenditure results in a "grossing up" of the district's revenue and expenditure budgets. The growth (grossing up) in the district's revenue and expenditure budgets resulting from this state categorical (section 147c) gives the very false impression that the district has received or benefitted from "additional revenue" as a result of this categorical. This state categorical is simply a "pass through" funding mechanism that comes with a bill attached.

General Fund Analysis:

Revenue:

The General Fund revenue budget for the period, as approved in the fiscal year 2019-20 amended budget, is \$83,894,719.

- Revenue recognized fiscal year to date is \$51,081,391 or 61.0% of the budget.

The Local Source revenue budget is \$9,386,457 and is 11.1% of the total budget.

- We have recognized \$9,102,897 to date.

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

The State Source revenue budget is \$65,925,775 and is 78.3% of the total budget.

- We have recognized \$36,897,705 to date.
 - State aid (foundation allowance and categorical funds) is paid out over 11 payments beginning in October and is based on the State of Michigan's fiscal year. We expect the last two payments for our fiscal year 2020 state aid to arrive in July and August of 2020, which are the first and second month of our next fiscal year (FY2021).

The Federal Source revenue is grant based reimbursement funding with a total budget of \$2,308,948 and is 3.3% of the total revenue budget.

- We have recognized \$965,358 to date.

The ISD and Medicaid source revenue is budgeted at \$5,671,033 and is 6.6% of the total revenue budget.

- We have recognized \$3,686,988 to date. PA-18 Special Education funding provided through Oakland Schools is paid out quarterly. The majority of the Medicaid funding is released from Oakland Schools in June of each fiscal year.

The "Other" revenue source are indirect charges assessed to the Food Service, Community Service and Pine Tree Center Special Revenue funds and is currently budgeted at \$602,506.

- We have recognized \$435,443 to date.

Expenditures:

The General Fund expenditure budget is \$83,872,077 as approved in the fiscal year 2019-20 adopted budget. We have expended \$55,311,349 or 66.0% of the budget.

The Salary & Wage expenditure budget of \$42,767,193 represents 50.7% of the budget.

- We have spent \$26,969,465 or 63.0% of our salary & wage budget to date.

The Benefits expenditure budget of \$28,970,619 represents 34.7% of the budget. We have spent \$18,324,134 or 63.3% of this budget to date.

- This category of expenditure is typically expended in close tandem with the salary & wage budget with a few exceptions.

The Purchased Services budget of \$6,353,680 represents 7.7% of the budget.

- We have spent \$5,357,218 or 84.3% of this budget to date.

The Supplies expenditure budget of \$2,972,108 represents 3.7% of the budget.

- We have spent \$2,661,125 or 89.5% of this budget to date.

The Capital Outlay expenditure budget of \$48,341 represents 0.03% of the budget.

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

- We have spent \$63,341 or 131.0% of this budget to date. This item will be addressed through the amendment process.

The Other Expenditures & Other Financing Uses budget of \$2,760,136 represents 3.1% of the budget.

- We have spent \$1,936,066 of these budgets to date.

Community Service Special Revenue Fund Analysis:

Revenue:

The Community Service Special Revenue Fund budget for fiscal year 2019-20 is \$2,392,960. Year to date recognized revenue is at \$1,604,992 or 67.0% of budget.

The Community Enrichment revenue of \$776,022 comprises 32.6% of the total budget.

- Year to date recognized revenue is \$514,176 or 66.3% of budget.

The Early Childhood revenue is \$1,616,238 and represents 67.4% of the total budget.

- Year to date recognized revenue is \$1,090,816 or 67.5% of budget.

Expenditures:

The Community Service Special Revenue Fund expenditure budget is \$2,620,759 as approved in the fiscal year 2019-20 budget. We have expended \$1,880,184 or 71.7% of the total budget.

The Salary & Wage expenditure budget of \$1,174,544 represents 45.8% of the total budget.

- We have spent \$816,326 or 69.5% of this budget to date.

The Benefits expenditure budget of \$747,045 represents 25.8% of the total budget.

- We have spent \$521,019 or 69.7% of our Benefits budget to date.

The remaining expenditure budgets (Purchased Service, Supplies & Materials, Capital Outlay & Other, and Other Financing Uses – Transfer to General Fund) total \$699,170 and represents 28.1% of the total budget.

- We have spent \$542,839 or 77.6% of these budgets.

LAKE ORION COMMUNITY SCHOOLS
Fiscal Year 2019-20

Food Service Special Revenue Fund Analysis:

Revenue:

The Food Service Special Revenue Fund revenue budget as approved in the fiscal year 2019-20 budget is \$2,664,453. We have recognized \$1,618,610 or 60.7% of the budget.

The Food & Vending Sales revenue budget of \$1,527,293 is 57.3% of the budget.

- Food & Vending Sales recognized to date are \$1,020,833 or 66.8% of budget.

The Federal Grants revenue budget of \$902,960 is 33.9% of the budget.

- The revenue recognized to date is \$507,601 or 56.2% of budget.

Expenditures:

The Food Service Special Revenue Fund expenditure budget as approved in the 2019-20 budget is \$3,038,648. We have recognized \$2,193,210 or 72.2% of the total budget.

The Salary & Wage expenditure budget of \$797,777 represents 30.6% of the budget.

- We have spent \$536,938 or 67.3% of this budget to date.

The Benefits expenditure budget of \$444,669 represents 17.3% of the budget.

- We have spent \$342,061 or 76.9% of our Benefits budget to date.

The Supplies expenditure budget of \$1,111,600 represents 43.0% of the budget.

- We have spent \$684,548 or 61.3% of our Supplies budget to date.

The Purchased Services, Capital Outlay, Other and Other Financing Uses expenditure budgets of \$684,602 represents 9.1% of the budget.

- We have spent \$629,663 or 92.0% of these budgets to date. Included in the actual costs are \$423,321 of the LOHS Food Service line renovation capital costs originally budgeted for last year.

LAKE ORION COMMUNITY SCHOOLS
Fiscal Year 2019-20

Pine Tree Center Special Revenue Fund Analysis:

Revenue:

The Pine Tree Center Special Revenue Fund revenue budget as approved in the fiscal year 2019-20 budget is \$2,112,130. We have recognized \$1,052,051 or 49.8% of the budget.

Expenditures:

The Pine Tree Center Special Revenue Fund expenditure budget as approved in the 2019-20 budget is \$2,240,945. We have recognized \$1,351,262 or 60.3% of the total budget.

School Activity Special Revenue Fund Analysis:

Revenue:

The School Activity Special Revenue Fund revenue budget as approved in the fiscal year 2019-20 budget is \$1,650,000. We have recognized \$1,168,302 or 70.8% of the budget.

Expenditures:

The Pine Tree Center Special Revenue Fund expenditure budget as approved in the 2019-20 budget is \$1,200,000. We have recognized \$966,452 or 80.5% of the total budget.

Debt Service Funds (Combined):

The revenue and expenditure budgets for all our debt service funds are based on our current year debt service requirements. The majority of our debt service payments occur in November and May of each fiscal year. The summary Debt Service Funds adopted revenue and expenditure budgets are:

Total revenue and other financing sources:	\$22,904,503
Total expenditures:	<u>\$23,034,003</u>
Revenues over/(under) expenditures:	\$ (129,500)
Beginning Fund Balance (budget):	\$ 574,952
Ending Fund Balance:	\$ 445,452

LAKE ORION COMMUNITY SCHOOLS

Fiscal Year 2019-20

Capital Project Funds (410, 440 & 490):

The summary Capital Projects Funds revenue and expenditure budgets as adopted for fiscal year 2019-20 are:

Total revenue and other financing sources:	\$ 5,674,359
Total expenditures:	<u>\$ 17,149,020</u>
Revenues over/(under) expenditures:	\$ (11,474,661)
Beginning Fund Balance:	\$ 71,381,375
Ending Fund Balance:	\$ 59,906,714

RISK - Internal Service Fund (81):

The summary Internal Service Fund revenue and expense budgets as adopted for fiscal year 2019-20 are:

Total revenue sources:	\$779,000
Total expenses:	<u>\$754,000</u>
Revenues over/(under) expenses :	\$ 25,000
Beginning Net Assets:	\$ 0
Total Ending Net Assets:	\$ 25,000

District Cash Position Analysis:

Contained in the enclosed reports are the district's current (as of this report date) cash balances, investment position, and projected cash flow information. The results of this month's review of the current period's information continue to support a favorable cash position for the district. The General Fund current period cash balance is at \$5.0 million. In this month's report, we forecast a fiscal year end cash balance of \$5.9 million. The combination of our current fund balance policy, a 100% summer tax levy and collection practice continues to position the district in its most efficient cash management position.

LAKE ORION COMMUNITY SCHOOLS
Fiscal Year 2019-20

District Disbursement Activity:

The District issued 192 accounts payable checks in an aggregate amount of \$1,781,999, 19 electronic payments in an aggregate amount of \$2,812,322 and completed 2 payroll runs in the net aggregate amount of \$2,476,809 during the period. The District's purchasing card program incurred 680 transactions in the aggregate amount of \$68,280 for an average expenditure of \$100.41 generating an estimated rebate of \$819.36 for the period. The district receives a rebate based on card spending and receives a 120 basis point (1.20%) rebate. The Summary Disbursements, Electronic Funds Transfers Activity, and the District Purchase Card Program Activity reports represent the District's cash disbursements summary information for the period. Detail check information will continue to be provided at the first board meeting of each month under the "consent agenda" format and can be found on our website in our Transparency Reporting section. The District's (all funds) total cash out flow for the month, reflecting current operating expenditures net of investments, is \$7,071,131.12.

LAKE ORION COMMUNITY SCHOOLS
Fiscal Year 2019-20

LAKE ORION COMMUNITY SCHOOLS
FUND STRUCTURE INFORMATION

General Fund (Consolidated)

Fund 110 = General Fund Sub-fund

Fund 120 = Special Education Sub-fund

Fund 130 = Local Grants Sub-fund

Fund 140 = State Grants Sub-fund

Fund 150 = Federal Grants (non Special Education) Sub-fund

Fund 170 = Special Education Federal Grants Sub-fund

Fund 180= Shared Time Services

Fund 190 = Athletics Sub-fund

Fund 220 - 221 Pine Tree Center Special Revenue Fund

Fund 230 - Community Service Special Revenue Fund

Fund 250 – Food Service Special Revenue Fund

Fund 290 – School Activity Special Revenue Fund

Funds 330 – 390 Debt Service Funds

Fund 410- Building & Site Sinking Fund

Fund 440 – District Capital Projects Fund

Fund 490 – Capital Projects Series 1 - 2019

Fund 810 – Internal Service Fund



Lake Orion Community Schools
General Fund (110 - 190) Financial Analysis
March 31, 2020

Stated by Function	Current Budget	Year-to-Date Actual	% of Budget
<u>REVENUE</u>			
Local Sources	9,386,457	9,102,897	96.98%
State Sources	65,925,775	36,897,705	55.97%
Federal Sources	2,308,948	965,358	41.81%
ISD and Other Sources	5,671,033	3,686,988	65.01%
Other Revenue	602,506	435,443	72.27%
TOTAL REVENUE	83,894,719	51,088,391	60.90%
<u>EXPENDITURES</u>			
<u>Instruction</u>			
Basic Programs	41,761,976	25,433,631	60.90%
Added Needs	11,864,170	7,695,481	64.86%
SUB TOTAL	53,626,146	33,129,112	61.78%
<u>Non-Instruction</u>			
Pupil Services	6,880,634	4,270,807	62.07%
Instructional Staff Support Services:			
Instruction Improvement	1,411,720	965,915	68.42%
Educational Media Services	1,253,370	738,199	58.90%
Technology Assisted Instruction	64,999	58,295	89.69%
Instructional Staff Supervision	740,069	524,034	70.81%
General Administration	1,071,627	859,152	80.17%
School Administration	4,710,340	3,521,160	74.75%
Business Services	888,573	714,364	80.39%
Operations & Maintenance	5,056,037	4,000,555	79.12%
Transportation	3,827,660	3,159,450	82.54%
Communication Services	188,331	153,529	81.52%
Human Resources	900,122	784,201	87.12%
Technology Services	1,458,495	1,144,301	78.46%
Athletic Activities	1,255,738	1,042,678	83.03%
Community Services	201,247	146,140	72.62%
SUB TOTAL	29,908,962	22,082,781	73.83%
<u>Other Financing Uses</u>			
Transfer to Capital Projects	336,969	99,456	29.52%
TOTAL EXPENDITURES	83,872,077	55,311,349	65.95%
Revenues Over/(Under) Expenditures	22,642	(4,222,958)	
Beginning Fund Balance	7,824,641	7,824,641	100.00%
Projected Ending Fund Balance	7,847,283	3,601,683	45.90%



Lake Orion Community Schools
General Fund (110 - 190) Financial Analysis
March 31, 2020

Stated by Object	Current Budget	Year-to-Date Actual	% of Budget
<u>REVENUE</u>			
Local Sources	9,386,457	9,102,897	96.98%
State Sources	65,925,775	36,897,705	55.97%
Federal Sources	2,308,948	965,358	41.81%
ISD and Other Sources	5,671,033	3,686,988	65.01%
Other Revenue	602,506	435,443	72.27%
TOTAL REVENUE	83,894,719	51,088,391	60.90%
<u>EXPENDITURES</u>			
Salaries	42,767,193	26,969,465	63.06%
Benefits	28,970,619	18,324,134	63.25%
Purchased Services	6,353,680	5,357,218	84.32%
Supplies	2,972,108	2,661,125	89.54%
Capital Outlay	48,341	63,341	131.03%
Dues, Fees and Other	272,667	176,782	64.83%
	81,384,608	53,552,066	65.80%
<u>Other Financing Uses</u>			
Outgoing Transfers and Other	2,487,608	1,759,284	70.72%
TOTAL EXPENDITURES	83,872,216	55,311,349	65.95%
Revenues Over/(Under) Expenditures	22,503	(4,222,958)	
Beginning Fund Balance	7,824,641	7,824,641	100.00%
Projected Ending Fund Balance	7,847,144	3,601,683	45.90%

LAKE ORION COMMUNITY SCHOOLS
FINANCIAL REPORT - ANALYSIS EXPLANATIONS
March 31, 2020

Expected % of Budget To Date

The percentage in this column is based solely on passage of time or events (i.e. 3 out of 12 months or 5 out of 26 paychecks). While this percentage can be an accurate benchmark, it doesn't allow for normal fluctuations in spending (i.e. a majority of educational supplies are purchased at the beginning of the year).

Prior Year % of Budget To Date

The percentage in this column shows the percentage of budget spent in the prior year. This percentage is good benchmark, as it allows for the normal fluctuations in spending. However, it can be misleading if there was an extraordinary event in either the current or prior year (i.e. purchase of a bus in one year).

Explanation of Analysis

Since both of these benchmarks have their strengths and weaknesses, the "Percentage of Budget To Date" for the current year will be compared to both of the benchmarks. If this percentage is aligned with at least one of the benchmarks, no further analysis will be done. If the "Percentage of Budget To Date" is not aligned with either benchmark, an explanation will appear on this sheet.

- A** Technology Assisted Instruction is high due to the grant purchase of equipment for the LOHS TV Production Studio. The budget will be amended in the February amendment. Considering this, the percentage is reasonable.

- B** Communications services are higher than expected and prior year due to the payment of Website maintenance. Considering this, the percentage is reasonable.

LAKE ORION COMMUNITY SCHOOLS
FINANCIAL REPORT - ANALYSIS
March 31, 2020

	<u>2019-20 Budget</u>	<u>Year-to-Date Actual</u>	<u>Percentage of Budget To Date</u>	<u>Expected % of Budget To Date</u>	<u>Prior Year % of Budget To Date</u>	Explanations	<u>Variance A vs. E</u>	<u>Variance CY v. PY</u>
REVENUE								
Local	9,386,457	9,102,897	96.98%	90.96%	90.95%		6.02%	6.03%
State	65,925,775	36,897,705	55.97%	53.79%	56.01%		2.18%	-0.04%
Federal	2,308,948	965,358	41.81%	47.64%	46.50%		-5.83%	-4.69%
Medicaid and ISD	5,671,033	3,686,988	65.01%	62.98%	64.72%		2.03%	0.30%
Other	602,506	435,443	72.27%	75.56%	80.71%		-3.29%	-8.44%
TOTAL REVENUE	83,894,719	51,088,391	60.90%	66.39%	60.42%		0.22%	-1.37%
EXPENDITURES								
<u>Instruction</u>								
Basic Programs	41,761,976	25,433,631	60.90%	63.19%	61.39%		-2.29%	-0.49%
Added Needs	11,864,170	7,695,481	64.86%	63.19%	66.25%		1.67%	-1.39%
SUB TOTAL	53,626,146	33,129,112	61.78%	63.19%	62.43%		-1.42%	-0.65%
<u>Non-Instruction</u>								
Pupil Services	6,880,634	4,270,807	62.07%	63.19%	64.30%		-1.12%	-2.23%
Instructional Staff Support Services:								
Instruction Improvement	1,411,720	965,915	68.42%	63.19%	64.50%		5.23%	3.92%
Educational Media Services	1,253,370	738,199	58.90%	63.19%	61.02%		-4.30%	-2.12%
Technology Assisted Instruction	64,999	58,295	89.69%	63.19%	146.16%	A	26.49%	-56.48%
Instructional Staff Supervision	740,069	524,034	70.81%	63.19%	71.77%		7.61%	-0.96%
General Administration	1,071,627	859,152	80.17%	75.00%	81.92%		5.17%	-1.75%
School Administration	4,710,340	3,521,160	74.75%	71.06%	74.04%		3.69%	0.72%
Business Services	888,573	714,364	80.39%	75.00%	75.90%		5.39%	4.49%
Operations & Maintenance	5,056,037	4,000,555	79.12%	75.00%	75.25%		4.12%	3.88%
Transportation	3,827,660	3,159,450	82.54%	75.00%	80.95%		7.54%	1.59%
Communications Services	188,331	153,529	81.52%	75.00%	92.30%	B	6.52%	-10.78%
Human Resources	900,122	784,201	87.12%	75.00%	82.41%		12.12%	4.71%
Technology Services	1,458,495	1,144,301	78.46%	75.00%	96.05%		3.46%	-17.59%
Athletic Activities	1,255,738	1,042,678	83.03%	75.00%	79.63%	C	8.03%	3.40%
Community Services	201,247	146,140	72.62%	75.00%	67.96%		-2.38%	4.66%
SUB TOTAL	29,908,962	22,082,781	73.83%	69.69%	73.53%		4.15%	0.30%
<u>Other Financing Uses</u>								
Transfer to Capital Projects	336,969	99,456	29.52%	50.00%	50.00%		-20.48%	-20.48%
TOTAL EXPENDITURES	83,872,077	55,311,349	65.95%	65.46%	66.31%		0.49%	-0.36%

Explanations for variances greater than 5% in both columns are on attached "Financial Report - Analysis Explanations".



Lake Orion Community Schools
Community Services Fund (230) Financial Analysis
March 31, 2020

	<u>Current Budget</u>	<u>Year-to-Date Actual</u>	<u>% of Budget</u>
<u>REVENUE</u>			
Community Enrichment	776,022	514,176	66.26%
Early Childhood	1,616,238	1,090,816	67.49%
TOTAL REVENUE	<u>2,392,260</u>	<u>1,604,992</u>	<u>67.09%</u>
<u>EXPENDITURES</u>			
Salaries	1,174,544	816,326	69.50%
Benefits	747,045	521,019	69.74%
Purchased Services	345,270	265,658	76.94%
Supplies	64,000	34,106	53.29%
Capital Outlay/Other	8,200	49,326	601.54%
TOTAL EXPENDITURES	<u>2,339,059</u>	<u>1,686,435</u>	<u>72.10%</u>
<u>Other Financing Uses</u>			
Transfer to General Fund	281,700	193,749	68.78%
TOTAL EXPENDITURES	<u>2,620,759</u>	<u>1,880,184</u>	<u>71.74%</u>
Revenues Over/(Under) Expenditures	<u>(228,499)</u>	<u>(275,192)</u>	
Beginning Fund Balance	794,372	794,372	100.00%
Projected Ending Fund Balance	<u>565,873</u>	<u>519,180</u>	<u>91.75%</u>



Lake Orion Community Schools
Food Service Fund (250) Financial Analysis
March 31, 2020

	<u>Current Budget</u>	<u>Year-to-Date Actual</u>	<u>% of Budget</u>
<u>REVENUE</u>			
Food and Vending Sales	1,527,293	1,020,833	66.84%
Interest and Rebates	22,200	18,186	81.92%
Catering Services	37,000	21,254	57.44%
State Revenue	175,000	50,735	28.99%
Federal Revenue	902,960	507,601	56.22%
TOTAL REVENUE	<u><u>2,664,453</u></u>	<u><u>1,618,610</u></u>	<u><u>60.75%</u></u>
<u>EXPENDITURES</u>			
Salaries	797,777	536,938	67.30%
Benefits	444,669	342,061	76.92%
Purchased Services	53,802	42,045	78.15%
Supplies	1,111,600	684,548	61.58%
Capital Outlay	481,000	481,005	100.00%
Other	49,800	31,616	63.49%
TOTAL EXPENDITURES	<u><u>2,938,648</u></u>	<u><u>2,118,213</u></u>	<u><u>72.08%</u></u>
<u>Other Financing Uses</u>			
Transfer to General Fund	100,000	74,997	75.00%
TOTAL EXPENDITURES	<u><u>3,038,648</u></u>	<u><u>2,193,210</u></u>	<u><u>72.18%</u></u>
Revenues Over/(Under) Expenditures	<u><u>(374,195)</u></u>	<u><u>(574,600)</u></u>	
Beginning Fund Balance	1,094,027	1,094,027	100.00%
Projected Ending Fund Balance	<u><u>719,832</u></u>	<u><u>519,427</u></u>	<u><u>72.16%</u></u>



Lake Orion Community Schools
Pine Tree Center Fund (220/221) Financial Analysis
March 31, 2020

	<u>Current Budget</u>	<u>Year-to-Date Actual</u>	<u>% of Budget</u>
<u>REVENUE</u>			
Local Sources	-		0.00%
State Sources	456,635	-	0.00%
Federal Sources	46,752	-	0.00%
ISD and Other Sources	<u>1,608,743</u>	<u>1,052,051</u>	<u>65.40%</u>
TOTAL REVENUE	<u>2,112,130</u>	<u>1,052,051</u>	<u>49.81%</u>
<u>EXPENDITURES</u>			
Salaries	1,081,813	599,574	55.42%
Benefits	814,026	453,064	55.66%
Purchased Services	189,975	125,223	65.92%
Supplies	19,500	75,617	387.78%
Capital Outlay	-		0.00%
Other	<u>-</u>	<u>-</u>	<u>0.00%</u>
TOTAL EXPENDITURES	<u>2,105,314</u>	<u>1,253,478</u>	<u>59.54%</u>
<u>Other Financing Uses</u>			
Indirect Costs/Transfer to GF	<u>135,631</u>	<u>97,784</u>	<u>72.10%</u>
TOTAL EXPENDITURES	<u>2,240,945</u>	<u>1,351,262</u>	<u>60.30%</u>
Revenues Over/(Under) Expenditures	<u>(128,815)</u>	<u>(299,211)</u>	
Beginning Fund Balance	(176,652)	(176,652)	
Projected Ending Fund Balance	<u>(305,467)</u>	<u>(475,863)</u>	<u>155.78%</u>

LAKE ORION COMMUNITY SCHOOLS

Cash and Investment Report

As of March 31, 2020

Institution	Funding Source	Type of Investment	Acquisition Date	Maturity Date	Days Duration	Rate	Principal Amt/Bal
PNC Bank	General Fund (11 - 19)	Corporate Business Acct	na	na	na	0.000%	\$ -
PNC Bank	General Fund (11 - 19)	Sweep Investment Account	na	na	na	0.531%	\$ 5,007,432
PNC Bank	2019 Bond Series 1 Checking	Corporate Business Acct	na	na	na	0.000%	\$ 815,664
PNC Bank	Debt Service Funds	Corporate Business Acct	na	na	na	0.280%	\$ 729,961
PNC Bank	School Activity / Internal Funds	Corporate Business Acct	na	na	na	0.310%	\$ 343,450
PNC Bank	Food Service Fund	Corporate Business Acct	na	na	na	0.300%	\$ 499,697
PNC Bank	Community Service Fund	Corporate Business Acct	na	na	na	0.310%	\$ 542,783
PNC Bank	Building & Site Sinking Fund	Corporate Business Acct	na	na	na	0.230%	\$ 2,395,650
PNC Bank	LOCS ORS 3% Refund Escrow	Escrow Account	na	na	na	0.000%	\$ 7,122
Business Account Totals:							10,341,759
MILAF	General Fund	Cash+/Max funds	na	na	na	1.320%	\$ 140
MILAF	Debt Service Fund	Cash+/Max funds	na	na	na	1.657%	\$ 11,550,455
MILAF	School Activity Fund	Cash+/Max funds	na	na	na	1.320%	\$ 750,185
MILAF	Bond Proceeds	Cash+/Max funds	na	na	na	1.760%	\$ 68,012,258
Other Totals:							\$ 80,313,038
Total Cash/Investments							\$ 90,654,797

GENERAL FUND CASH FLOW TRACKING MODEL

	July	August	September	October	November	December
Beginning cash/investments	5,892,713	6,154,778	4,699,364	5,308,437	6,527,450	7,036,531
Cash basis revenues:						
Property taxes	208,780	529,475	6,483,453	484,891	2,905	69,801
State aid (cash basis)	5,913,777	5,939,968	-	5,372,480	6,569,943	5,932,040
LOC Proceeds	-	-	-	-	-	-
Operating transfers in	44,204	44,204	44,204	44,204	44,204	47,356
Other cash income	948,854	209,865	589,276	1,846,248	77,732	223,040
Total revenue (sources of CF):	7,115,615	6,723,512	7,116,933	7,747,823	6,694,784	6,272,237
Total available resources:	13,008,328	12,878,290	11,816,297	13,056,260	13,222,234	13,308,768
Cash basis expenditures:						
Accounts payable	1,947,366	2,860,808	1,493,381	1,974,259	1,292,718	1,803,683
Payroll	4,906,184	5,318,118	5,014,479	4,554,551	4,892,985	5,996,180
Operating transfers out	-	-	-	-	-	168,554
LOC Repayment				-		
Total expenditures (uses of CF):	6,853,550	8,178,926	6,507,860	6,528,810	6,185,703	7,968,417
Ending cash/investments	6,154,778	4,699,364	5,308,437	6,527,450	7,036,531	5,340,351
Ending available resources	6,154,778	4,699,364	5,308,437	6,527,450	7,036,531	5,340,351

GENERAL FUND CASH FLOW TRACKING MODEL

	January	February	March	April	May	June
Beginning cash/investments	5,340,351	5,176,483	3,942,343	5,007,572	5,129,817	5,003,837
Cash basis revenues:						
Property taxes	40,214	635	126,179	-	-	202,573
State aid (cash basis)	5,974,348	6,480,621	5,998,427	5,998,427	5,998,427	5,747,317
LOC Proceeds	-	-	-	-	-	-
Operating transfers in	55,689	55,689	55,689	55,689	55,689	55,685
Other cash income	1,881,282	78,780	1,253,923	380,698	300,615	1,427,219
Total revenue (sources of CF):	7,951,533	6,615,725	7,434,218	6,434,814	6,354,731	7,432,794
Total available resources:	13,291,884	11,792,208	11,376,561	11,442,386	11,484,548	12,436,631
Cash basis expenditures:						
Accounts payable	1,614,168	2,307,856	1,605,456	1,340,331	1,340,331	1,340,331
Payroll	6,501,233	5,542,009	4,763,533	4,972,238	4,972,238	5,180,945
Operating transfers out	-	-	-	-	168,142	-
LOC Repayment						
Total expenditures (uses of CF):	8,115,401	7,849,865	6,368,989	6,312,569	6,480,711	6,521,276
Ending cash/investments	5,176,483	3,942,343	5,007,572	5,129,817	5,003,837	5,915,355
Ending available resources	5,176,483	3,942,343	5,007,572	5,129,817	5,003,837	5,915,355



**Lake Orion Community Schools
Cash Disbursement Detail
March 1 - March 31, 2020**

Checks Issued

Check Range	Number of Checks Written	Total Amount of Checks Issued
314960 - 315151	192	\$ 1,781,999.82

Payroll

Payroll Dates Range	Number of Pay Periods	Total Amount of Net Payroll
3/13/2020 - 3/27/2020	2	\$ 2,476,808.54

Electronic Payments

Number of Electronic Payments	Total Amount of Electronic Payments
19	\$ 2,812,322.76

Total Cash Disbursements **\$ 7,071,131.12**

Approval:

4/8/2020
Board of Education
Regular Meeting



Lake Orion Community Schools
Electronic Payment Detail
March 1 - March 31, 2020

Date	Payment To	Description	Amount
3/2/2020	Health Equity	Transfer for HSA Deductions	14,570.94
3/4/2020	National Processing Company	Credit Card Processing Fees	94.00
3/9/2020	PNC	Credit Card Charges	167,280.41
3/10/2020	Office of Retirement Services	Retirement Payment	621,290.29
3/12/2020	Payschools	Online Processing Service Charge	183.34
3/13/2020	EduStaff	Contracted Staffing	53,538.30
3/13/2020	State of Michigan	Payroll Taxes	66,590.88
3/13/2020	OMNI	403B Contributions	80,571.62
3/13/2020	IRS	Payroll Taxes	446,802.73
3/16/2020	Health Equity	Transfer for HSA Deductions	15,724.14
3/20/2020	State of Michigan	Food Service Sales Tax	158.28
3/24/2020	Office of Retirement Services	Retirement Payment	731,743.80
3/26/2020	IOS Capital	Copier Leases	7,881.32
3/27/2020	EduStaff	Contracted Staffing	45,749.91
3/27/2020	Health Equity	Transfer for HSA Deductions	14,560.94
3/27/2020	State of Michigan	Payroll Taxes	56,981.68
3/27/2020	IRS	Payroll Taxes	385,848.38
3/27/2020	OMNI	403B Contributions	80,744.36
3/31/2020	BASIC	Transfer for FSA Deductions-Mar.	22,007.44
Total Electronic Payments			\$ 2,812,322.76

Lake Orion Community Schools Purchasing Card - 3/31/2020 (PNC VISA)

Name	School/Dept	Title	Last 4 Acct #	Credit Limit	No. of Trans.	Total Spent	Average Trans.
Anderson, Gwen	Waldon MS-St Council	Teacher	2629	3,000	2	325.89	162.95
Anderson, Kerri	Board Office	Director of Curriculum	8070	10,000	116	3,048.65	26.28
Arnett, Rick	Board Office	Asst Superintendent HR	2904	2,500	3	233.69	77.90
Barry, Lisa	Board Office	Admin Assistant	0643	2,500	2	40.85	20.43
Bartley, Susan	Headstart	Headstart Director	8559	1,500	5	417.43	83.49
Bell, Chris	High School	Athletic Director	3163	20,000	12	5,382.73	448.56
Burden, Vernon	High School	Asst Principal	4144	2,500			
Colwell, Nicholas	Scripps MS	Robotics Advisor/Teacher	7915	5,000			
Crimmins, Eric	Music Director	Teacher	5032	2,500	1	2.00	2.00
Crissman, Jeannine	Carpenter Elementary	Media Specialist	7891	2,500	1	253.54	253.54
Cubitt, Brent	High School	Teacher	9263	2,500			
Dalrymple, Julia	High School - School Store	Teacher	0784	9,000	11	1,458.36	132.58
Drumm, Lisa	Stadium Drive Elementary	Secretary	4500	5,000	29	2,522.76	86.99
Ernst, Marla	Food Service	Director	8195	2,500	21	1,405.07	66.91
Eveland, Kathy	Paint Creek Elementary	Secretary	1999	6,000	12	958.82	79.90
Everitt, Rosa	High School - Voc Ed	Voc Ed Director/Teacher	7356	20,000	39	1,281.64	32.86
Falls, Joyce	Oakview MS	Secretary	8039	5,000	22	3,987.81	181.26
Fitzgerald, John	Board Office	Asst. Superintendent	9151	20,000	4	1,391.80	347.95
Ginopolis, Marion	Board Office	Superintendent	8179	2,500	2	83.88	41.94
Goethals, Jennifer	Webber Elementary	Administrator	1557	6,000	2	329.87	164.94
Goodman, Wes	Ops & Mtce	Director	2860	10,000	4	124.64	31.16
Green, Chris	Bldgs & Grounds	Supervisor	9094	7,500	3	2,169.76	723.25
Groya, Randy	Waldon MS	Administrator	3272	7,000	44	3,983.31	90.53
Gutman, Julie	Special Ed	Director	2888	30,000	2	(5,834.28)	-2,917.14
Haas, Dan	Scripps MS	Administrator	0376	5,000	2	125.91	62.96
Hammerl, Heather	High School-Principal Office	Secretary	7986	4,000	1	64.66	64.66
Harris, Stephanie	Oakview MS	Teacher	8435	2,000			
Hawley, Stephen	High School-Principal Office	Administrator	6824	2,000			
Hogan, Lori	High School - St Leadership	Teacher	4036	10,000	18	1,650.23	91.68
Howe, Jennifer	High School - World Lang.	Teacher	9490	2,000	2	266.00	133.00
Hunter, Dan	Waldon MS	Teacher	9193	1,000			
Hynes, Gretchen	High School	Administrator	5599	5,000	6	679.55	113.26
Kempski, Melissa	Oakview MS	Media Specialist	3242	3,000	6	158.05	26.34
Kind, Jonathan	High School Drama	Teacher	4093	3,500	9	2,446.19	271.80
King, Pam	Transportation	Dispatcher	5792	20,000	16	4,092.42	255.78
Knapp, Jillian	Pine Tree Center	Supervisor	0703	5,000	5	286.31	57.26
Kowalski, Ashley	High School - Lifeskills	Teacher	9166	2,000	3	154.43	51.48
Larsen, Jason	Oakview MS	Administrator	9474	5,000			
Lowe, Rebecca	Scripps MS	Media Specialist	4085	2,000	3	133.06	44.35
Manzo, Sarah	Oakview MS	Administrator	8369	5,000	2	1,242.40	621.20
McGraw, Lori	Community Services/GAP	Program Director	3686	5,000	12	2,267.33	188.94
McKay, David	Scripps MS	Administrator	8615	4,000	11	1,132.85	102.99
McLean, Kim	Early Childhood	Director	1024	4,000	6	588.77	98.13
Meador, Giulia	Senior All Night Party	Senior All Night Party	0398	5,000	2	203.81	101.91
Mercer, Heidi	Board Office	Asst. Superintendent	9325	30,000	13	806.00	62.00
Meteyer, Kyle	High School	Assistant Principal	8719	5,000	3	654.43	218.14
Middleton, Melissa	High School - Media	Media Specialist	8229	7,000	42	3,382.25	80.53
Montei, Katherine	Waldon MS Media	Media Specialist	7274	3,000	3	67.21	22.40
Murray, Robert	Stadium Drive Elementary	Administrator	2564	5,000	3	11.67	3.89
Nuss, Ken	Blanche Sims Elementary	Administrator	6181	5,000	12	370.83	30.90
Olko, Julie	Board Office	Exec. Assistant	5501	3,000	3	116.46	38.82
Palmeri, Anthony	High School	Associate Principal	3605	1,000	1	410.00	410.00
Paulson, Kris	Bldgs & Grounds	Bldgs & Grounds	0185	2,000	2	65.68	32.84
Perry, Sarah	Waldon MS	Administrator	3298	3,000	11	458.17	41.65
Roeher, David	Bldgs & Grounds	Bldgs & Grounds	9276	1,000			
Romito, Tom	High School - Social Studies	Teacher	9158	3,000	12	246.74	20.56
Rutledge, Heather	High School - Sp Ed	Teacher	9391	5,000	1	33.19	33.19
Schoon, Craig	WMS -Admin	T&L Coach/Teacher	4378	5,000	3	118.79	39.60
Schwartzmiller, Marysue	Admn Asst - Teach/Learn	Admin Assistant	2480	2,500	2	76.29	38.15
Sliwinski, Kristin	Learning Options	Director	0398	3,000	11	373.29	33.94
Smith, Roger	High School	Teacher - Broadcasting	2783	3,000	4	932.95	233.24
Smith, Lauren	Paint Creek Elementary	Administrator	8104	1,000	1	161.25	161.25
Smith, Matthew	High School	Choir Teacher	5656	5,000	1	34.99	34.99
Snyder, Mark	Board Office	Communications Director	1557	5,000	4	350.94	87.74
Spencer, Sharon	LOHS Robotics	Teacher/Advisor	9035	20,000	13	1,758.84	135.30
Sprenger, Gloria	Webber Elementary	Secretary	9359	6,500	11	593.97	54.00
Tighe, Steve	High School - Science	Teacher	1650	3,000	4	109.16	27.29
Towlerton, Andrew	Orion Oaks	Administrator	3048	5,000	21	2,389.58	113.79
Tumey, Susan	Technology	Secretary - Technology	2299	25,000	9	4,882.08	542.45
Tumey, Susan	Ops & Mtce - NEW	Secretary - Technology	3828	30,000	13	7,101.52	546.27
Weldon, Adam	Carpenter Elementary	Administrator	0870	4,000	12	1,790.59	149.22
Whitaker, David	High School Phys Ed	Teacher	9292	4,500	1	425.00	425.00
Wilson, Melissa	High School-Art	Teacher	0232	5,000	17	1,188.29	69.90
Young, Ryan	Bldgs & Grounds	Bldgs & Grounds	8351	3,000	1	13.18	13.18
Zach, Tina	Blanche Sims Elementary	Secretary	8492	3,500	5	296.58	59.32

Number of Transactions	680
Total Purchases	\$68,280.11
Average Cost Per Transaction	\$100.41

A Profound Economic Event

The coronavirus pandemic has rapidly evolved into a profound economic event. We expect second quarter real GDP in the U.S. to contract at the fastest rate recorded since World War II. Likewise, we expect the U.S. unemployment rate to peak late this year at a post-WWII record of near 15 percent.

As usual, we have included our forecast tables in this publication. The one thing we can say with certainty about our forecast is that actual events and metrics will follow their own path, and not our forecast. There are simply too many unknowns at this time to speak with a high degree of confidence about any particular forecast data point. In addition to the layers of uncertainty about economic and financial markets linkages, and the massive U.S. and global policy response to the coronavirus pandemic to date, there remain fundamental biological uncertainties too. What we can do at this time is to posit a path out of the current downturn, and discuss our assumptions in order to provide a reference point for the unprecedented intensity of business planning that is now taking place.

With this forecast, we assume that the coronavirus outbreak in the U.S. fades with warmer temperatures this summer. We assume that it does not disappear completely, but many regions and many industries are able to return to work more or less normally this summer. Not all establishments and not all industries will return. The return to work will be less efficient than we would like. Work processes will have to be altered. Supply chains will take time to realign. Credit markets will adjust to another new normal. Further, we assume that the disease does not re-emerge next fall with the same consequences as it had this winter and spring. If we remain under wide-spread and long-lasting shelter-in-place directives next fall and winter that will certainly impede the economic recovery. We assume that there will be an effective and available immunization for COVID-19 within a year.

We could be incorrect in our biological assumptions in either direction. A quick fade of the disease this spring and minimal return next fall would allow nearly all regions and all industries to get back to work relatively soon. However, a tenacious disease could impede the economic recovery in the U.S. and globally.

The policy response to the coronavirus pandemic has been massive. We assume that more will follow. The Federal Reserve has already done four very important things. First, they lowered the fed funds rate to near-zero. This is certainly not enough to pull the U.S. economy out of deep recession by itself, but it does prime the credit market pump, which is essential to getting and keeping businesses running. Second, the Fed has announced that they are buying large volumes of Treasury bonds and mortgage-backed securities. The Fed has backstopped the U.S. Treasury market by announcing that they will buy Treasury bonds with no preset limit. This will allow financial markets to function as the Treasury Department increases debt sales in order to finance a huge volume of fiscal stimulus. Third, the Fed has announced a number of new programs designed to keep the financial system running despite very high stress. They are providing enormous amounts of liquidity to various parts of the U.S. financial system through repurchase agreements. Fourth, the Fed has announced a new facility for meeting the demand for U.S. dollars from other central banks and international entities, thus shielding the U.S. from dollar demand stress coming from overseas.

The fiscal response to the crisis has so far come in three phases. Phase 1, approved on March 3, was \$8.3 billion for health agencies, testing and small business loan guarantees. Phase 2, approved on March 18, was \$100 billion for tax credits for employers, increased unemployment insurance benefits and food assistance. Phase 3, approved on March 27, was the CARES Act. The more-than-\$2 trillion CARES Act includes significant near-term relief for large and small businesses, state and local governments, households, the unemployed, healthcare and victims of disasters. There are two central features of the CARES Act that were designed to provide quick relief. One is the new mechanism for business

U.S. Economic Outlook, Summary

<i>a = actual f = forecast</i>	3Q'19a	4Q'19a	1Q'20f	2Q'20f	3Q'20f	4Q'20f	1Q'21f	2Q'21f	2019a	2020f	2021f
Real GDP (Percent Change Annualized)	2.1	2.1	-4.3	-29.1	6.3	12.4	9.0	4.5	2.3	-5.1	4.5
CPI (Percent Change Year-over-Year)	1.8	2.0	2.2	1.2	0.9	0.2	0.2	1.0	1.8	1.1	1.3
Payroll Jobs (Average Monthly Diff., Ths.)	183.7	209.3	124.4	-1938.6	-681.7	451.7	217.5	137.2	162.4	-511.1	-487.8
Unemployment Rate (Percent)	3.6	3.5	3.8	10.8	14.3	14.7	14.5	14.3	3.7	11.0	14.2
Federal Funds Rate (Effective)	2.19	1.64	1.26	0.13	0.13	0.13	0.13	0.13	2.16	0.41	0.13
10-Yr. Treasury Rate	1.80	1.79	1.38	0.66	0.80	0.81	0.81	0.81	2.14	0.91	0.82

Risk of Recession Outlook

Probability of Recession (in the next)	6 months	12 months	24 months	36 months
April 2020	100%	100%	100%	100%

loans, many of which will revert to grants if business payrolls are maintained. The other key feature is the direct payments to individuals of up to \$1200, scaled down by income caps. Both features were designed to bridge about an 8-week disruption in business and household finances due to shelter-in-place guidelines. The key dimensions of the CARES Act are amplitude, speed and duration. Given the early guidance on shelter-in-place, the size (amplitude) of the package was appropriate. The package was also designed to get funds dispersed quickly. However, the speed of dispersal has already been frustrating for many potential recipients. Also, the duration of the funding may have to be revisited if shelter-in-place guidance is extended. Some areas have already extended shelter-in-place guidance well into May.

The Trump Administration has floated the idea of a Phase 4 stimulus bill which could include significant funding for infrastructure projects. If adopted, a major Phase 4 plan could provide a longer lasting positive impulse for the economy than the Phase 3 bill.

There has been a great deal of speculation about various paths to economic recovery from here. Discussion has focused on “V-shaped”, “U-shaped” or “L-shaped” paths. The contours of a V-shaped recovery would be hard down, as we expect to happen in the second quarter, followed by a rapid bounce back in the third quarter. We believe that the odds of a V-shaped recovery are low. It is the most optimistic path, assuming that by the end of the summer we are back to business as usual. However, the V-shaped recovery does not take into account the likely second-order effects of the current downdraft. We expect that the current downdraft in the second quarter will create further negative impulses in the economy which will result in a slower-than-V-shaped recovery.

Even though the CARES Act was designed to reduce the volume of layoffs due to coronavirus social mitigation techniques, we have already seen a large volume of layoffs. Unemployment insurance claims in the second half of March were significant. Our concern is that businesses were running “labor rich” after years of rapidly expanding their payrolls heading into the downdraft. Now that many companies have reduced their workforces, other companies could feel pressure to do the same in order to realign their efficiency ratios to a new industry standard. Thus layoffs tend to lead to more layoffs at the end of a long business cycle.

Another second-order effect will be a reassessment of risk by credit markets. This could eventually be punishing for over-leveraged firms with weak revenue streams. Related to that would be a reassessment of debt ratings by the ratings agencies. This could put pressure on parts of the financial system as investment portfolios are realigned.

We expect the second-order effects of the Q2 downdraft to be mitigating factors against a V-shaped bounce back in the U.S. economy. A U-shaped is more likely. The U describes an economy that experiences a hard downdraft, takes a quarter or two to stabilize and then experiences a recovery. In our April forecast, we show a very hard GDP downdraft in the second quarter at a negative 29 percent annualized rate for real GDP. This is followed by stabilization and some improvement in the third quarter, and then stronger recovery in late 2020 and early 2021. With this U-shaped path of GDP growth rates, it is important to keep track of the levels of GDP also. We show the pre-crisis high point of real GDP in 2019Q4 at \$19.2 trillion (\$2012). We do not recover this level of real GDP until 2022Q1. Also, and importantly, we show a lingering high unemployment rate. We assume that unemployment benefits are extended, while job creation quickly settles following a relatively short-lived bounce back in hiring. Three factors will determine how quickly the unemployment rate falls. One is the rate of post-crisis job creation. The second is the duration of extended unemployment benefits. The third is the retirement patterns of older workers.

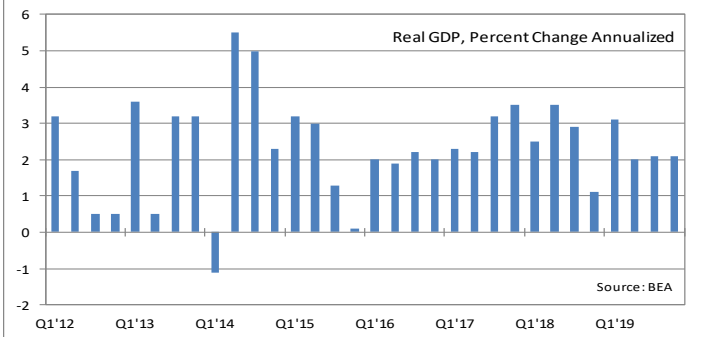
An L-shaped recovery is less vigorous, described by an L laying on its side, showing a hard downdraft followed by a long period of weak growth. The level of GDP could potentially take much longer to regain under this scenario.

The V, U or L discussion ignores what will likely be differences in the economic recoveries of regions and industries. Looking at the 5 key Comerica states of Michigan, Texas, California, Florida and Arizona we see obvious differences. Michigan will be disproportionately impacted by its large durable goods manufacturing sector. We expect U.S. auto sales to pull back meaningfully in the second quarter. Auto companies have announced and already extended production cuts this spring. They will delay the development and rollout of new vehicles this year. Also, the stall in airplane production is weighing on an important cluster of aviation-related manufacturers in Western Michigan. In Texas, the combination of demand destruction and over-production of oil has wreaked havoc on the energy sector. We are hopeful that a Saudi-Russia agreement will eventually stabilize crude oil production, but a global glut of oil will not soon evaporate in this weak economy. Also, North Texas is home to two major airlines that are seeing a huge amount of demand destruction and curtailment. California is heavily dependent on tourism and trade which are both suppressed now. The economies of Florida and Arizona both depend on tourism and home building. Also, states and municipalities are not uniform in their exposure to COVID-19 and in their mitigation protocols and medical services capacities.

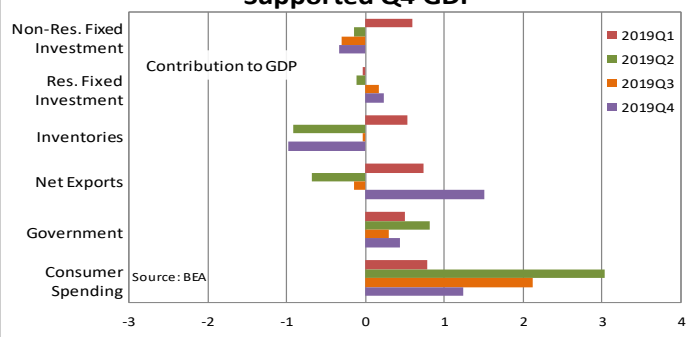
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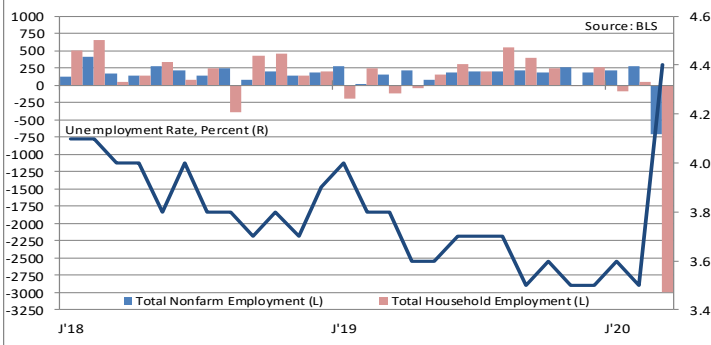
Q4 Real GDP Grew at 2.1%



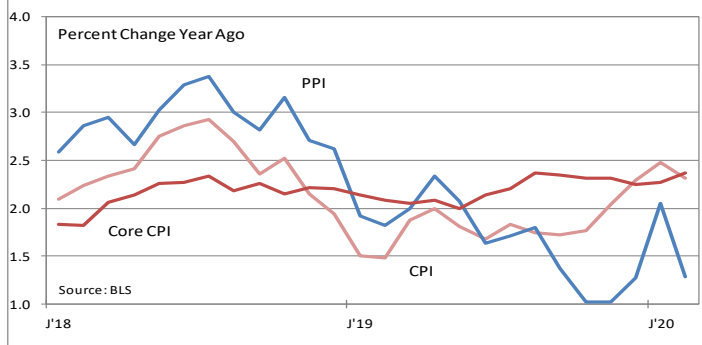
Consumer Spending and Net Trade Supported Q4 GDP



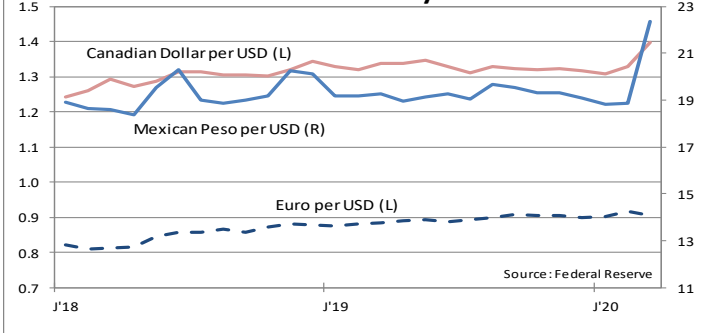
U.S. Payrolls Down by 701,000 in March



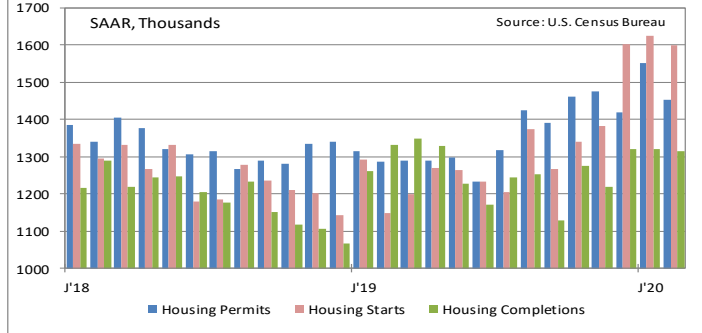
Lower Energy Prices Drag on Inflation



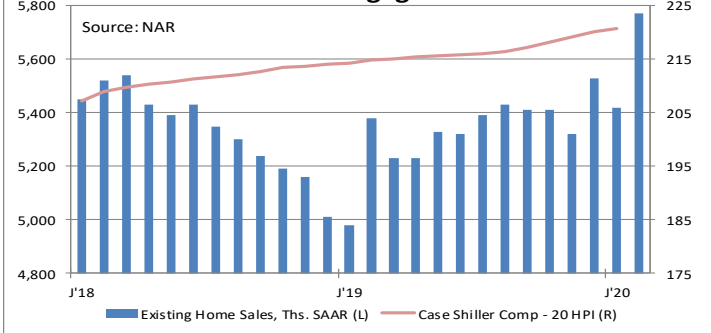
The Dollar Rallies on Global Economic Uncertainty



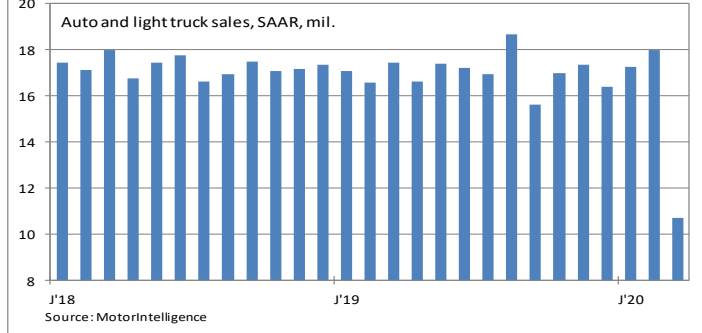
Housing Activity Strengthened Ahead of U.S. Coronavirus Outbreak



Existing Home Sales Surged in February with Lower Mortgage Rates



Auto Sales Plummeted to a 10.7 Million SAAR in March



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	3Q'19a	4Q'19a	1Q'20f	2Q'20f	3Q'20f	4Q'20f	1Q'21f	2Q'21f	2019a	2020f	2021f
Output											
Nominal GDP (Billions \$)	21543	21729	21563	19781	20117	20764	21282	21611	21428	20556	21776
Percent Change Annualized	3.8	3.5	-3.0	-29.2	7.0	13.5	10.4	6.3	4.1	-4.1	5.9
Real GDP (Chained 2012 Billions \$)	19121	19222	19011	17442	17709	18233	18629	18836	19073	18099	18919
Percent Change Annualized	2.1	2.1	-4.3	-29.1	6.3	12.4	9.0	4.5	2.3	-5.1	4.5
Pers. Consumption Expenditures	13353	13414	13167	11783	12091	12458	12864	12983	13280	12375	13039
Percent Change Annualized	3.1	1.8	-7.1	-35.9	10.9	12.7	13.7	3.8	2.6	-6.8	5.4
Nonresidential Fixed Investment	2743	2726	2689	2255	2337	2398	2461	2512	2748	2420	2538
Percent Change Annualized	-2.3	-2.4	-5.3	-50.5	15.4	10.9	10.8	8.7	2.1	-12.0	4.9
Residential Investment	594	603	612	447	473	530	560	581	594	516	588
Percent Change Annualized	4.6	6.5	6.1	-71.5	24.9	58.1	24.4	16.2	-1.5	-13.2	14.1
Change in Private Inventories	69	13	-19	-258	-217	2	16	41	67	-123	42
Net Exports	-990	-901	-818	-171	-369	-540	-630	-632	-954	-475	-649
Government Expenditures	3310	3331	3345	3357	3365	3352	3325	3316	3299	3355	3326
Percent Change Annualized	1.7	2.5	1.6	1.5	0.9	-1.5	-3.2	-1.1	2.3	1.7	-0.9
Industrial Prod. Index (2007=100)	109.5	109.5	108.6	94.7	95.7	100.3	103.4	104.8	109.5	99.8	105.5
Percent Change Annualized	1.1	0.2	-3.5	-42.2	4.5	20.6	12.8	5.6	0.9	-8.8	5.7
Capacity Utilization (Percent)	77.6	77.2	76.6	68.5	67.4	69.6	71.7	72.9	77.8	70.5	73.3
Prices											
CPI (1982-84=100)	256.3	257.8	258.7	258.2	258.6	258.4	259.2	260.6	255.7	258.5	261.9
Percent Change Annualized	1.8	2.4	1.4	-0.9	0.7	-0.3	1.2	2.2	1.8	1.1	1.3
PCE Price Index (2012=100)	109.9	110.3	110.5	109.9	110.4	110.8	111.1	111.7	109.7	110.4	112.2
Percent Change Annualized	1.5	1.4	0.8	-2.2	1.7	1.4	1.3	2.2	1.4	0.7	1.7
GDP Price Index (2012=100)	112.7	113.0	113.4	113.4	113.6	113.9	114.3	114.8	112.3	113.6	115.2
Percent Change Annualized	1.8	1.3	1.3	0.0	0.7	1.1	1.4	1.8	1.8	1.1	1.4
PPI, Final Demand (Nov. 2009=100)	118.5	118.7	118.4	116.3	115.7	115.9	116.3	117.0	118.2	116.6	117.5
Percent Change Annualized	0.7	0.8	-1.2	-6.7	-1.9	0.6	1.5	2.3	2.2	-0.8	-0.3
Crude Oil, WTI (\$/barrel)	56.4	56.7	45.1	30.0	40.0	50.0	50.0	50.0	56.9	41.3	52.5
Labor Markets											
Payroll Jobs (Average Monthly Diff., Ths.)	183.7	209.3	124.4	-1938.6	-681.7	451.7	217.5	137.2	162.4	-511.1	-487.8
Unemployment Rate (Percent)	3.6	3.5	3.8	10.8	14.3	14.7	14.5	14.3	3.7	11.0	14.2
Average Weekly Hours	34.4	34.3	34.3	33.4	32.9	33.5	33.9	33.9	34.4	33.5	33.9
Population (Millions)	328.8	329.4	330.0	330.6	331.2	331.8	332.4	332.9	328.5	330.9	333.2
Percent Change Annualized	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.5	0.7	0.7
Personal Income											
Average Hourly Earnings (\$)	28.12	28.32	28.52	28.73	28.95	29.15	29.35	29.54	28.00	28.84	29.64
Percent Change Annualized	3.5	2.8	2.9	3.0	3.0	2.8	2.9	2.5	3.3	3.0	2.8
Real Disp. Income (2012 Billions \$)	15012	15073	15142	14977	15072	15327	15490	15588	14974	15130	15622
Percent Change Annualized	2.1	1.6	1.8	-4.3	2.6	7.0	4.3	2.6	2.9	1.0	3.3
Personal Saving Rate (Percent)	7.6	7.6	8.2	7.5	5.0	5.5	6.0	6.5	7.9	6.6	6.8
Housing											
Housing Starts (Ths., Ann. Rate)	1282	1441	1494	595	764	873	970	1049	1298	932	1047
Exst. SF Home Sales (Ths., Ann Rate)	4823	4833	5449	4035	4198	4388	4463	4520	4754	4518	4545
New SF Home Sales (Ths., Ann Rate)	698	710	746	562	581	596	634	654	684	621	661
Case/Shiller HPI (Jan. 2000=100)	210.2	212.7	215.2	217.3	217.9	219.0	220.4	222.1	209.7	217.3	223.1
Year/Year Percent Change	3.2	3.4	3.9	4.1	3.7	3.0	2.4	2.2	3.5	3.7	2.7
Consumer											
Household Economic Stress Index	2.2	2.1	2.1	7.8	11.6	11.9	12.3	13.1	2.0	8.3	12.9
Auto Sales (Millions)	17.1	16.9	15.3	7.3	11.1	13.9	14.2	14.8	17.0	11.9	15.1
Interest Rates (Percent)											
Federal Funds Rate (Effective)	2.19	1.64	1.26	0.13	0.13	0.13	0.13	0.13	2.16	0.41	0.13
Prime Rate	5.30	4.83	4.44	3.23	3.23	3.23	3.23	3.23	5.28	3.53	3.23
1-Month LIBOR	2.17	1.79	1.41	0.93	0.46	0.27	0.25	0.25	2.23	0.77	0.25
3-Month LIBOR	2.19	1.93	1.53	1.37	0.86	0.53	0.46	0.43	2.33	1.07	0.43
1-Yr. Treasury Rate	1.84	1.58	1.09	0.18	0.23	0.25	0.25	0.25	2.05	0.44	0.26
5-Yr. Treasury Rate	1.63	1.62	1.16	0.40	0.54	0.55	0.56	0.57	1.96	0.66	0.58
10-Yr. Treasury Rate	1.80	1.79	1.38	0.66	0.80	0.81	0.81	0.81	2.14	0.91	0.82
30-Yr. Fixed Rate Mortgage	3.66	3.70	3.51	3.83	3.56	3.21	3.14	3.07	3.93	3.53	3.02

a = actual f = forecast

April 6, 2020

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The flow of worse news ebbed through the last week as the flow of hopeful news increased. Many hard hit countries are seeing their rate of gain in new COVID-19 cases flattening out. Here, in the U.S., that can be said for New York City and other heavily impacted areas. We heard more rumblings from Washington about plans for easing out of shelter-in-place guidelines and restarting the U.S. economy.

We expect to see a regional and industry-specific approach to restart underway by mid-May if not sooner. The pace and scope of restart depends on the ongoing improvement of coronavirus data through the remainder of April and into May.

We cannot stress enough that restart will not be a quick return to pre-coronavirus business as usual. The significant damage that the U.S. economy will suffer from mid-March through mid-May and beyond will take many quarters to heal. Even though we are expecting real GDP growth to accelerate through the second half of this year, we are also expecting that it will take more than 2 years to recapture the peak level of GDP from 2019Q4. Perhaps that will come by 2022Q1.

A big chunk of good news this week came from the Federal Reserve. The Fed announced a \$2.3 trillion credit package designed to further backstop financial markets and improve the flow of cheap credit to small and medium-sized firms. The Fed's "bazooka" will support business confidence and help to reduce the rate of business failures. It will also help to minimize the peak unemployment rate over the next few years. Also, the facilities now in place at the Fed could potentially be expanded further if the need arises later.

We heard more rumblings from Washington

about a potential Phase 4 fiscal stimulus plan. We presume that Phase 4 would contain significant funding for infrastructure spending.

Weighing on the side of hopeful news, OPEC and Russia have agreed on crude oil production cuts totaling 10 million barrels per day which is close to 10 percent of global pre-coronavirus consumption. However, global demand has declined by about 25-30 percent in recent weeks. The world will remain awash in oil for many months to come, keeping prices low. U.S. oil producers have announced significant cuts to capital expenditures this year.

The economic and social legacy of the global coronavirus pandemic will be profound.

Sovereign and private debt levels will balloon. Attitudes about debt and approaches to paying it off will shape the economic recovery. Some of the private debt will be forgiven, but that means that it will remain as government debt. State and local government finance will change in the wake of a massive loss of tax revenue.

Credit markets generally will price for new risks. Credit rating agencies will make adjustments and this will cause portfolio rebalancing of large investment funds.

New industries will be born and old ones will fade. Industry concentration patterns will change. Supply chains will be rethought. We expect to see less than a 1:1 return of workers to their jobs. Our forecast shows lingering high unemployment well into next year.

Many of those that return will return to slightly different jobs and ways of working. Many workers will continue to work from home. Commercial real estate demand will change, as will residential real estate demand. Academic and medical institutions will evolve.

Fed Funds Rate

Fed Funds Rate (Effective): After FOMC Meeting of 4/28-4/29

We expect the Federal Reserve to keep the fed funds rate range near zero at the next Federal Open Market Committee meeting over April 28/29.

The Week Ahead

March Retail Sales (4/15, Wednesday)

Retail sales decreased by 0.5 percent in February. Down by 7.0 percent in March. Outside of grocery stores and online retailers, almost all other types of retail businesses will show declines in March, including auto retailers, as households began to shelter in place. Consensus: -5.5 percent

(Analysis Continued on Page 2)

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The Week Ahead, Continued

March Retail Sales Ex. Autos (4/15, Wednesday)

Retail sales ex. autos decreased by 0.4 percent in February. Down by 3.0 percent in March. Consensus: -2.4 percent

March Industrial Production (4/15, Wednesday)

Industrial production increased by 0.6 percent in February. Down by 5.0 percent in March. Airline production and automobile production fell in March. Unprecedented demand destruction impacted most industries. Consensus: -3.9 percent

March Capacity Utilization (4/15 Wednesday)

Capacity utilization increased to 77.0 percent in February. Down to 72.0 percent in March. Consensus: 74.3 percent

March Housing Starts (4/16, Thursday)

Housing starts eased to a 1,599k unit annual rate in February. Falling in March to a 1,300k unit rate. Consensus: 1,345k unit annual rate

March Housing Permits (4/16, Thursday)

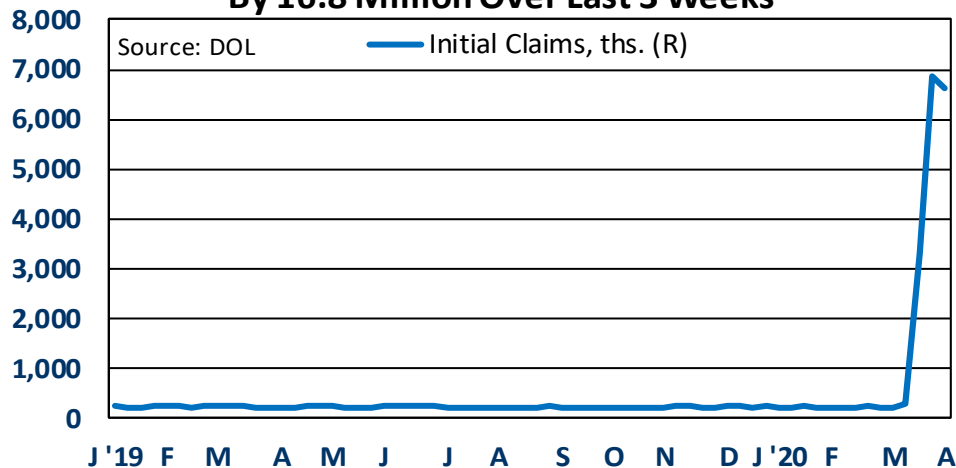
Housing permits eased to a 1,464k unit annual rate in February. Falling to a 1,300k unit rate in March. Consensus: 1,338k unit annual rate

March Leading Indicators (4/17, Friday)

The Conference Board's Leading Index increased by 0.1 percent in February. Down by 7.0 percent in March. Most of the data inputs will see a strong contraction in March. Consensus: -7.0 percent

Chart of the Week

**Initial Claims for Unemployment Insurance Up
By 16.8 Million Over Last 3 Weeks**



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U.S. economic data is catching up to the unfortunate realities of the coronavirus pandemic. The March employment numbers from the BLS were much worse than expected. But even those bad numbers do not fully reflect the current situation. We expect April data to show historic deterioration in the U.S. economy due to both the direct effects of the coronavirus globally, and due to the social mitigation efforts in place to fight it.

We saw a massive loss of 701,000 net payroll jobs for the month. The unemployment rate climbed from 3.5 percent in February to 4.4 percent in March. This was the largest monthly increase in the unemployment rate since 1975. The household survey showed a huge loss of 2,987,000 jobs in March. Given the already high number of unemployment insurance claims shown in the weekly data, we expect the unemployment rate to increase substantially in April, perhaps reaching 10 percent or more.

For the week ending March 28 (after the March payroll data was collected), initial claims for unemployment insurance soared by 3,341,000, to hit a level of 6,648,000. Continuing claims for the week ending March 21 increased by 1,245,500, to hit 3,029,000.

The ISM Non-Manufacturing Index for March fell to a still-positive 52.5, down from 57.3 in February. The production sub-index fell hard, from 57.8 in February, to 48.0 in March. New orders were still positive at 52.9. Employment also fell, down from 55.6 in February, to 47.0 in March. The seven industries that reported contraction were arts and entertainment, transportation and warehousing, professional services, mining, other services, retail trade and educational services. Anecdotal comments were focused on disruptions due to covid-19.

The ISM Manufacturing Index for March fell back

into contractionary space, hitting 49.1 for the month. Anecdotal comments focused on four key areas of concern: (1) supply chain resilience, (2) global demand, (3) domestic demand and (4) oil prices. We expect to see further deterioration in manufacturing conditions for April.

U.S. light vehicle sales fell hard in March, to a 10.1 million unit annual rate, from 18.0 million in February.

The U.S. international trade gap for February fell by \$5.5 billion, to hit -\$39.9 billion. It implies that net trade will be a positive for 2020Q1 GDP. However, a contemporaneous decline in both imports and exports is symptomatic of a weaker global and U.S. economy.

Total construction spending in February dipped by 1.3 percent with weakness seen in all three major categories: private residential construction, private nonresidential and public construction.

The Conference Board's Consumer Confidence Index fell 12.6 points to 120.0 in March. We expect to see an additional sharp decline in April.

The Case-Shiller U.S. National Home Price Index posted an improved 3.9 percent year-over-year growth rate for January.

Oil prices firmed this week on the expectation that a Saudi-Russia production deal is imminent. Even with a pullback in Saudi production, the volume of overproduction, combined with weak global demand, will keep oil markets saturated this spring. The NYMEX WTI crude oil price climbed to \$27 per barrel by the end of the week. The U.S. drilling rig count is expected to ease further after a sharp drop through the second half of March.

The JP Morgan Markit Global Composite PMI fell hard in March, deep into contraction territory. Both the service sector and manufacturing were weak.

Fed Funds Rate

Fed Funds Rate (Effective): After FOMC Meeting of 4/28-4/29

We expect the Federal Reserve to keep the fed funds rate range near zero at the next Federal Open Market Committee meeting over April 28/29.

The Week Ahead

March Producer Price Index (4/9, Thursday)

Headline PPI decreased by 0.6 percent in February. Down by 0.4 percent in March. WTI crude oil prices fell as Saudi Arabia ramped up production. Consensus: -0.3 percent

(Analysis Continued on Page 2)

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The Week Ahead, Continued

March Producer Price Index Ex. Food, Energy and Trade (4/9, Thursday)

Core PPI decreased by 0.1 percent in February. Down by 0.2 percent in March. Consensus: N/A

March Consumer Price Index (4/10, Friday)

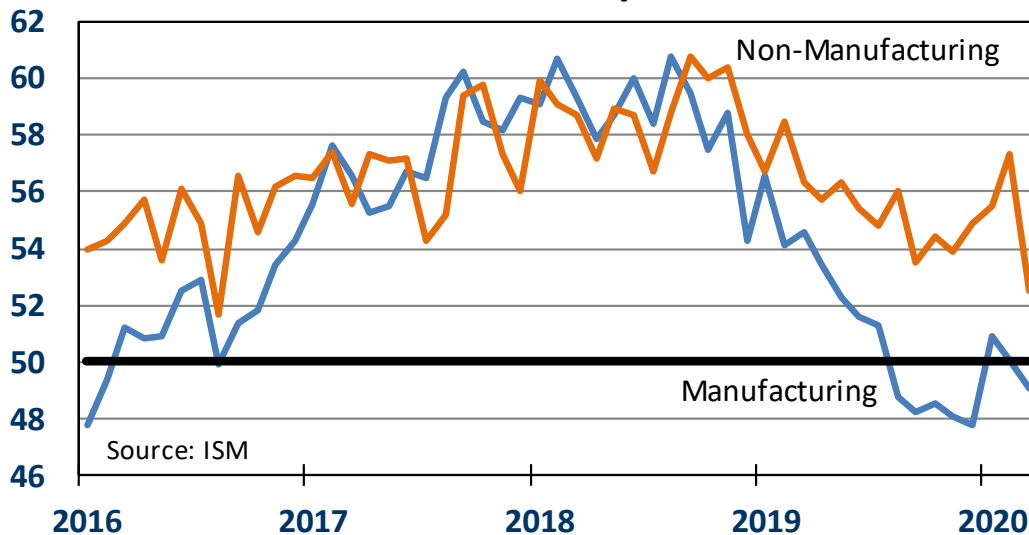
Headline CPI increased by 0.1 percent in February. Down by 0.4 percent in March. Pulled down by lower energy prices for the month. Consensus: -0.3 percent

March Consumer Price Index Ex. Food and Energy (4/10, Friday)

Core CPI increased by 0.2 percent in February. Up by 0.1 percent in March. Consensus: +0.1 percent

Chart of the Week

ISM Indexes Slump in March



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