



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO MEMORANDUM

No. 2018-101-030

TO: Michael E. Duggan, Mayor; Honorable Detroit City Council
FROM: John W. Hill, Chief Financial Officer
SUBJECT: Proposed City Ordinances and Resolutions with a Budgetary Impact
ISSUANCE DATE: September 14, 2018

A handwritten signature in black ink, appearing to read "John W. Hill".

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall do the following:
 - 1.1.1. Supervise all financial and budget activities of the city.
 - 1.1.2. Coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
 - 1.1.3. Certify that the city's annual budget complies with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and, if applicable, submit that certification to the financial review commission created in the Michigan financial review commission act.
 - 1.1.4. Submit in writing to the mayor and the governing body of the city his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the city will have on the city's annual budget and 4-year financial plan.
- 1.2. CFO Directive No. 2018-101-005 Use of Non-Recurring Resources states that Non-Recurring Resources shall not be used for Ongoing Expenditures, unless separate Ongoing Resources are identified to sustain such expenditures in future budget periods.
- 1.3. CFO Directive No. 2018-101-016 Budget Development, Execution, & Monitoring states that the City's annual budget and four-year financial plan and any subsequent budget amendments shall be balanced over four years within the revenue estimates approved by the Revenue Estimating Conference or otherwise directly offset by an unanticipated revenue already collected or otherwise receivable in a known amount, as determined by the CFO.
- 1.4. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements for all items requiring fiscal impact statements, as defined in that Directive, to provide financial information to the Mayor and the City Council when they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

- 2.1. To provide information to the Mayor and City Council regarding proposed City Ordinances and Resolutions that have a budgetary impact.

3. OBJECTIVE

- 3.1. This Memorandum serves as the statement regarding proposed City Ordinances and Resolutions that have a budgetary impact, the items the CFO recommends to the Mayor and City Council that should be taken into account during their deliberations of a proposed City Ordinance or Resolution with a budgetary impact, and the potential ramifications associated with passing a City Ordinance or Resolution with a budgetary impact.

4. SCOPE

- 4.1. This Memorandum is not intended to convey any statements nor opinions on the advisability of any policies or decisions stated in any proposed City Ordinance or Resolution now or in the future.

5. BACKGROUND

- 5.1. The Mayor and City Council have agreed to fiscal discipline and maintaining balanced budgets. In doing so, and in adhering to Financial Review Commission (FRC) Resolution 2018-13, it is reasonable to expect that the City will continue to receive waivers from the FRC
- 5.2. The Home Rule City Act, as amended by Public Act 182 of 2014, states that Chief Financial Officer (CFO) shall certify that the City's annual budget complies with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and, if applicable, submit that certification to the financial review commission created in the Michigan financial review commission act. Among other requirements, the uniform budgeting and accounting act states the following:
 - 5.2.1. The total estimated expenditures, including an accrued deficit, in the recommended budget do not exceed the total estimated revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.
 - 5.2.2. The legislative body shall not adopt a general appropriations act or an amendment to that act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.
- 5.3. The CFO advises that the Mayor and City Council should consider the budgetary impact of a proposed City Ordinance or Resolution during their deliberation processes. Pursuant to State of Michigan Public Act 279 of 1909, Section 4s(2)(d), the CFO shall submit in writing to the mayor and the governing body of the city his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the city will have on the city's annual budget and 4-year financial plan. The CFO's submission shall be consistent with CFO Directive No. 2018-101-029 Fiscal Impact Statements.

6. STATEMENT

- 6.1. In order to maintain fiscal discipline, avoid potential financial ramifications, and avert the FRC potentially rescinding the City's waiver of active oversight, the CFO advises the Mayor and City Council that should there be a proposed City Ordinance or Resolution that reduces revenues or increases expenditures, there needs to be an

accompanying budget amendment to reduce expenditures in an equal amount. Without an accompanying budget amendment to reduce expenditures in an equal amount, the CFO would not be able to certify that the annual budget complies with the uniform budgeting and accounting act and, accordingly, the City would be in violation of the Home Rule City Act.

- 6.2. Furthermore, in order to maintain fiscal discipline, avoid potential financial ramifications, and avert the FRC potentially rescinding the City's waiver of active oversight, the CFO advises the Mayor and City Council that the executive branch and the legislative branch have the following responsibilities regarding a proposed City Ordinance or Resolution that has a budgetary impact.
 - 6.2.1. Should the Mayor propose a City Ordinance or Resolution that reduces revenues or increases expenditures, the Mayor would need to propose an accompanying budget amendment to reduce expenditures in an equal amount.
 - 6.2.2. Should the City Council propose a City Ordinance or Resolution that reduces revenues or increases expenditures, the City Council would need to propose to the Mayor what expenditures should be reduced in an equal amount.
 - 6.2.3. Should the Mayor or City Council propose offsetting the budgetary impact with an increase in overall revenues, such incremental revenues must be first approved by the Revenue Estimating Conference created by the Home Rule City Act, as amended by Public Act 182 of 2014, or be an unanticipated revenue already collected or otherwise receivable in a known amount, as determined by the CFO.
 - 6.2.4. Proposals to offset the budgetary impact of a proposed City Ordinance or Resolution shall comply with CFO Directive No. 2018-101-005 Use of Non-Recurring Resources.