



Revenue Estimating Conference

February 18, 2022

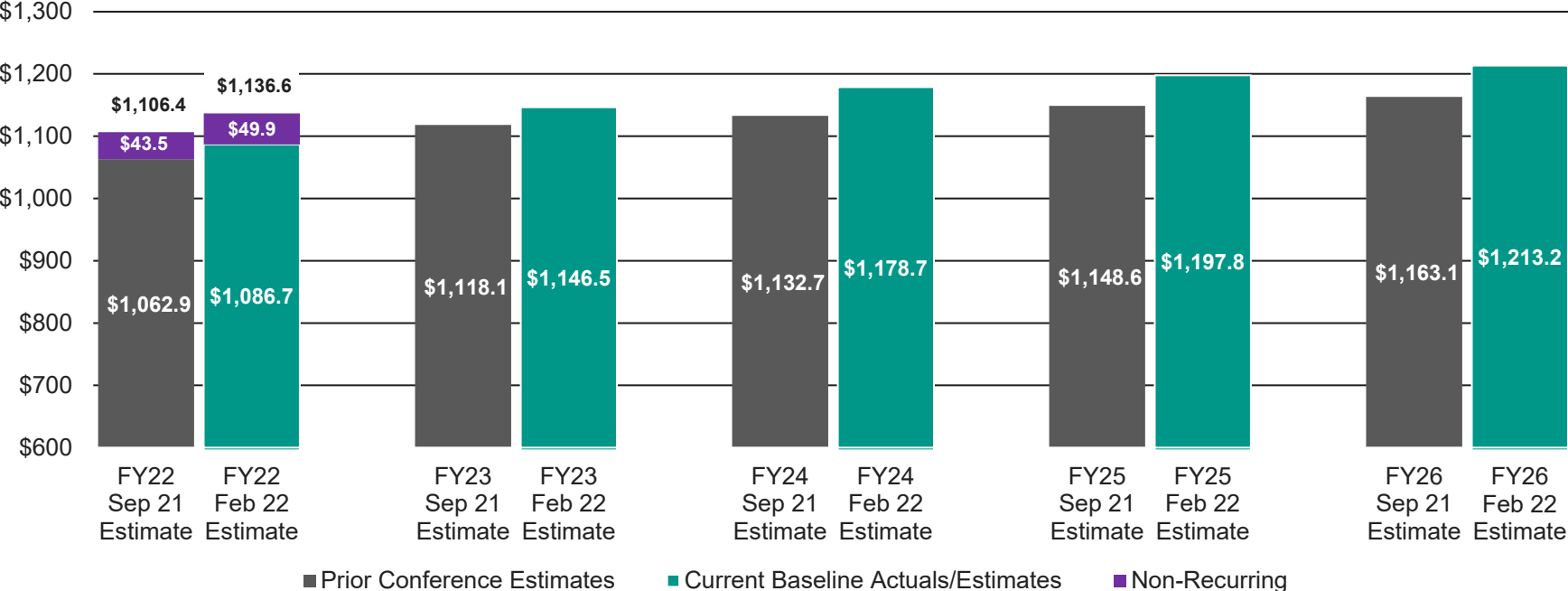
**Office of the Chief Financial Officer
Office of Budget**

Overview

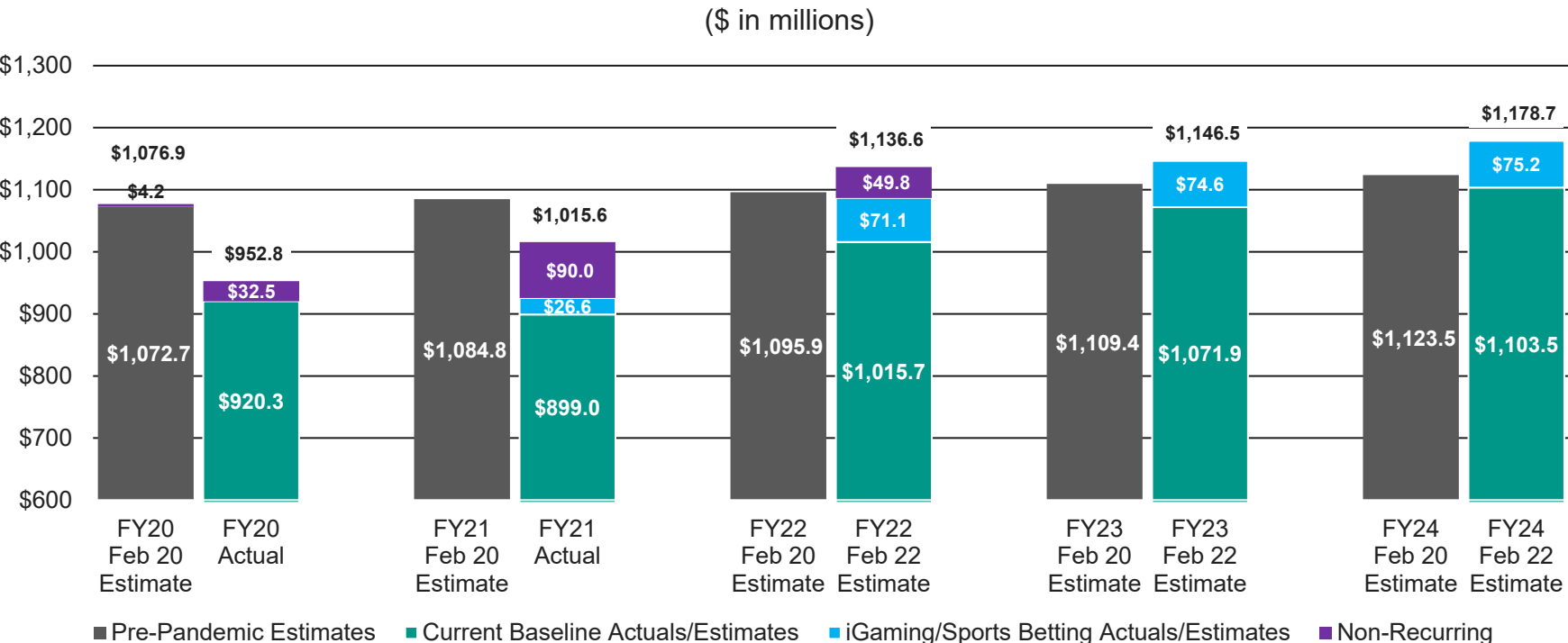
- Michigan PA 279 of 1909, Section 117.4t(1)(d), as amended by PA 182 of 2014, states the City of Detroit shall hold independent biannual revenue estimating conferences (in September and February) that establish the official economic forecast and forecast of anticipated City revenues
- Revenue estimates must be approved by the voting principals:
 - **Jay B. Rising:** Chief Financial Officer, City of Detroit
 - **Eric Bussis:** Chief Economist and Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury
 - **George A. Fulton, PhD:** Director Emeritus, Research Professor Emeritus, Research Seminar In Quantitative Economics (RSQE), Department of Economics, University of Michigan
- The estimates include the current fiscal year (FY2022) and the next four years (FY2023-FY2026).
- They set the revenues for the City's FY 2023 budget and FY 2023-FY 2026 Four-Year Financial Plan

General Fund Revenue Comparison to Sep 2021 Conference

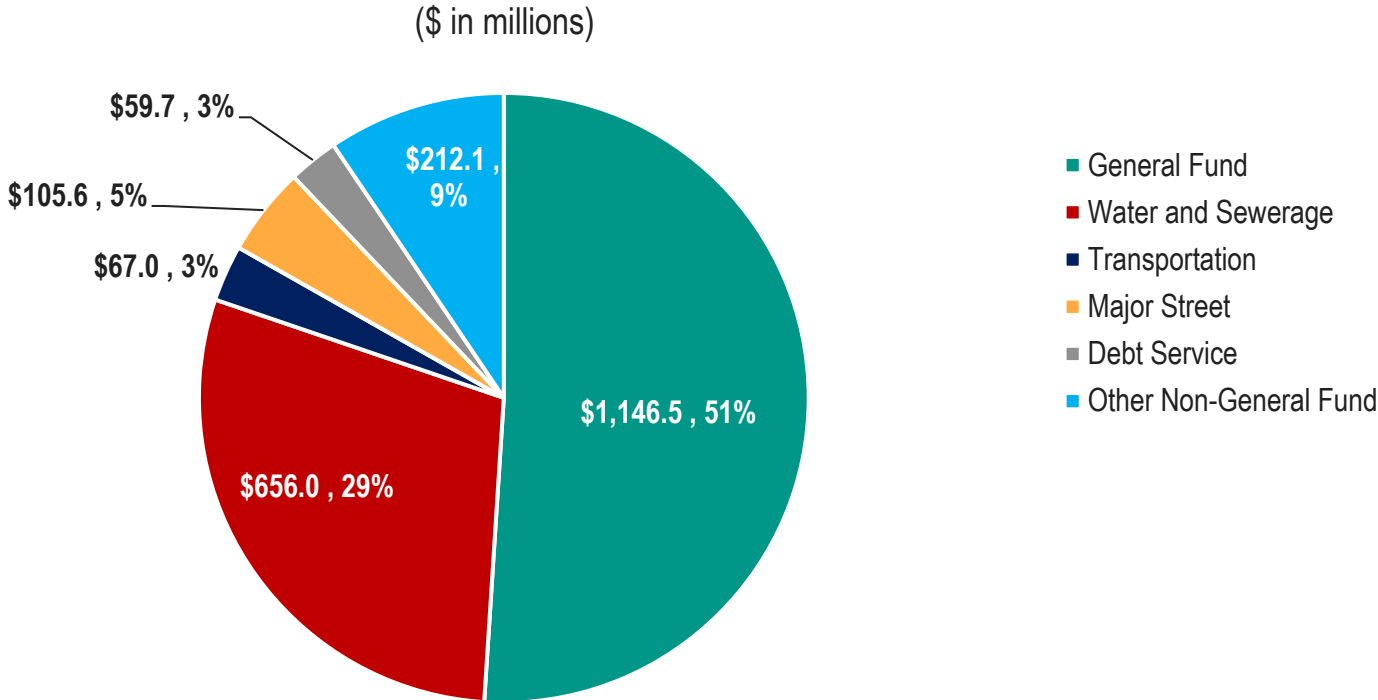
(\$ in millions)



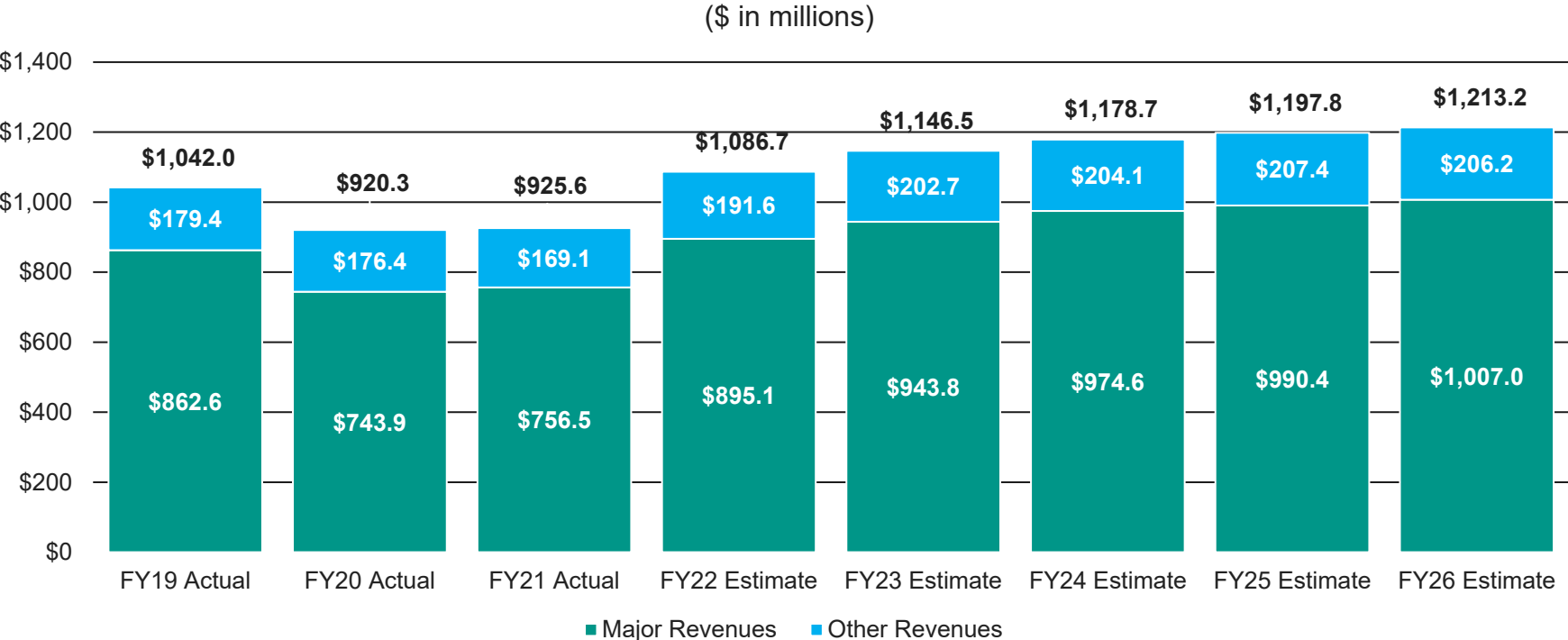
General Fund Revenue Comparison to Feb 2020 Pre-Pandemic



FY 2023 Revenue Summary, All Funds



Recurring General Fund Revenue

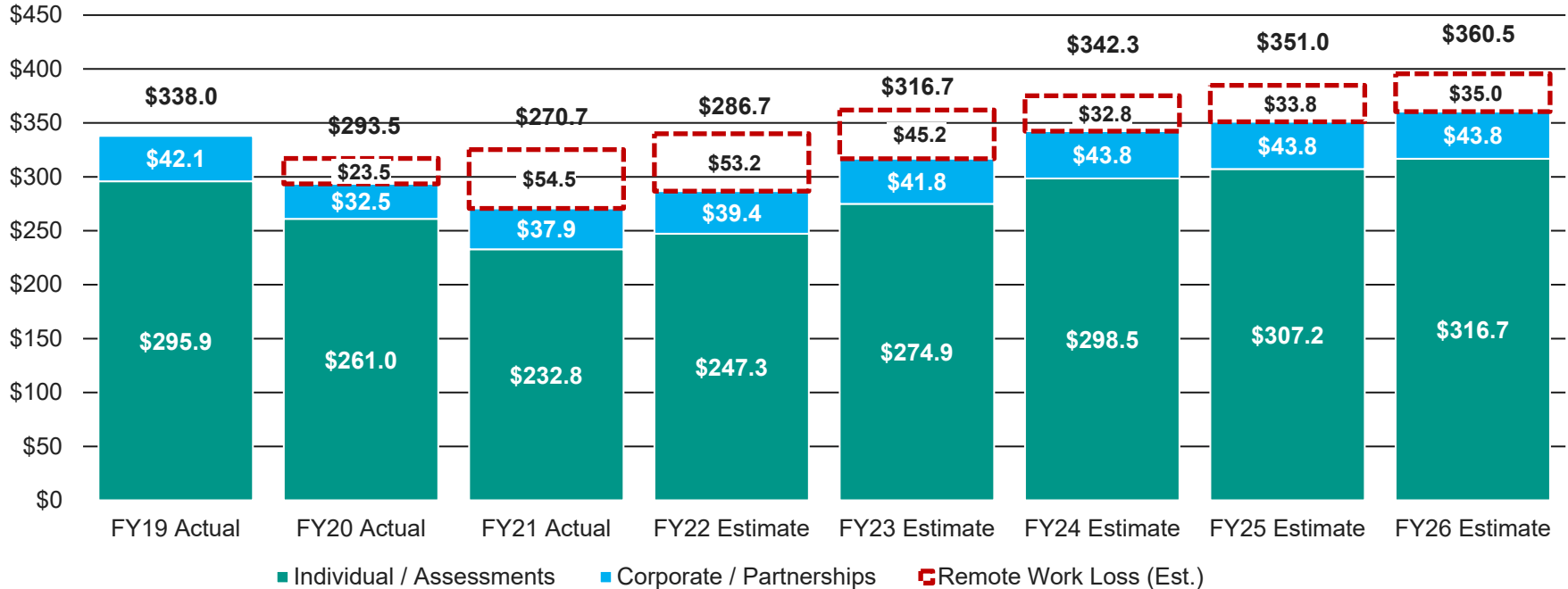


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments.



Recurring Income Tax with Remote Work Loss

(\$ in millions)

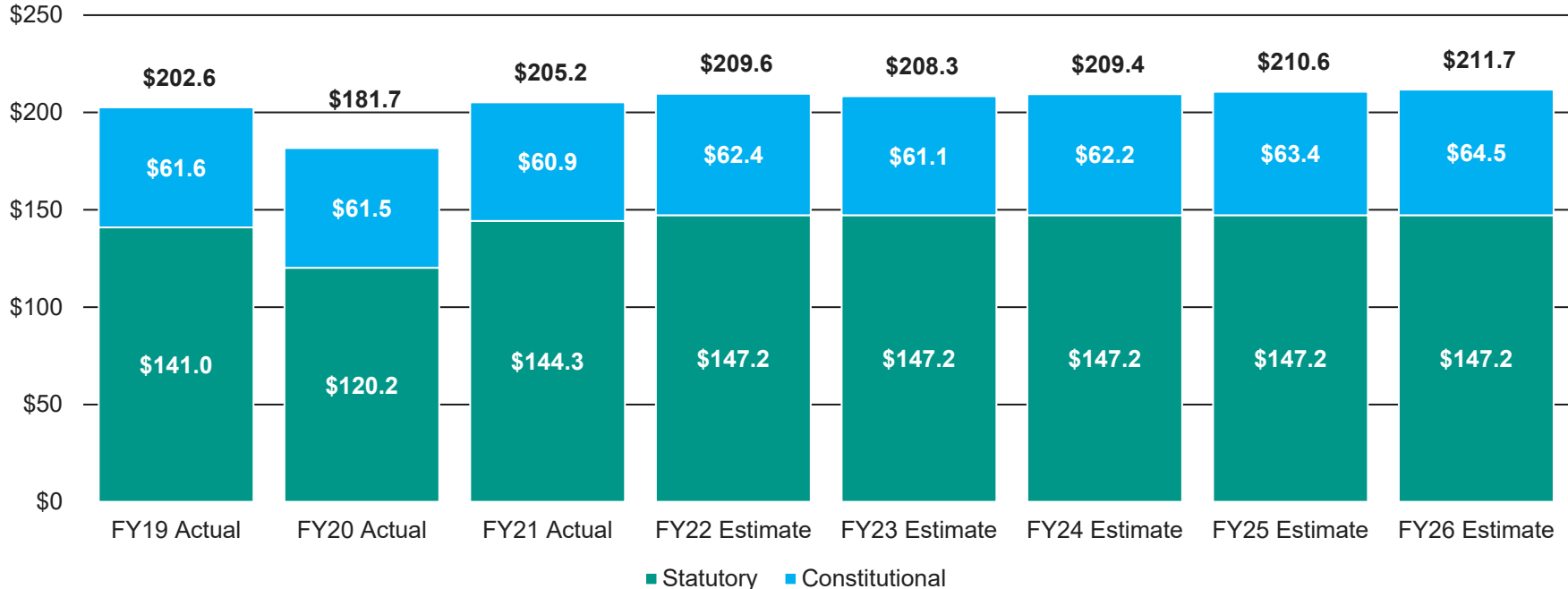


Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds. FY21 Actuals exclude \$45.3m in individual prior-year receipts. FY22 estimates exclude \$8.4M in individual prior-year receipts.



Recurring State Revenue Sharing

(\$ in millions)

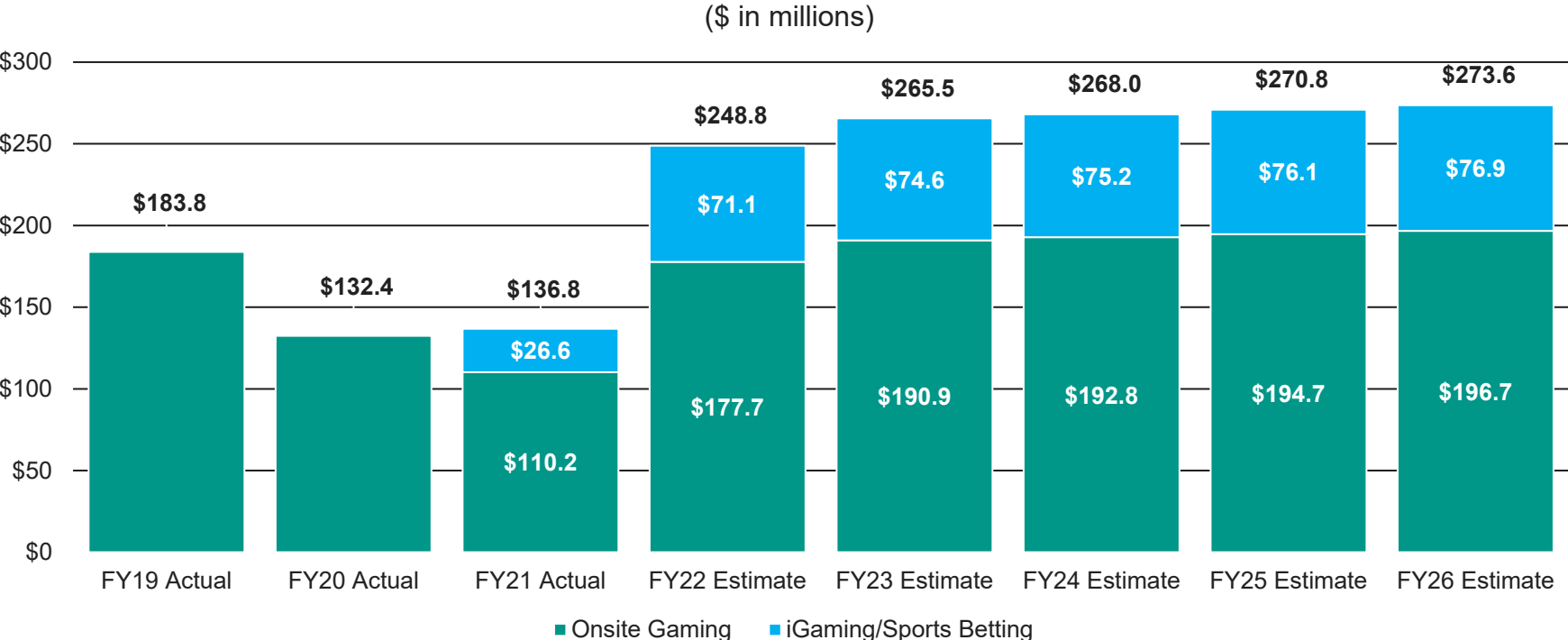


■ Statutory ■ Constitutional

Note: FY20 Actual includes one-time \$24M reduction in statutory revenue sharing that the State replaced with a one-time Coronavirus Relief Fund grant outside the General Fund. FY21 excludes \$8.8M and FY22 excludes (\$8.8M) State payment adjustment due to anticipated delay in applying 2020 US Census population decline in FY22. No net change for two-year total for FY21 and FY22.

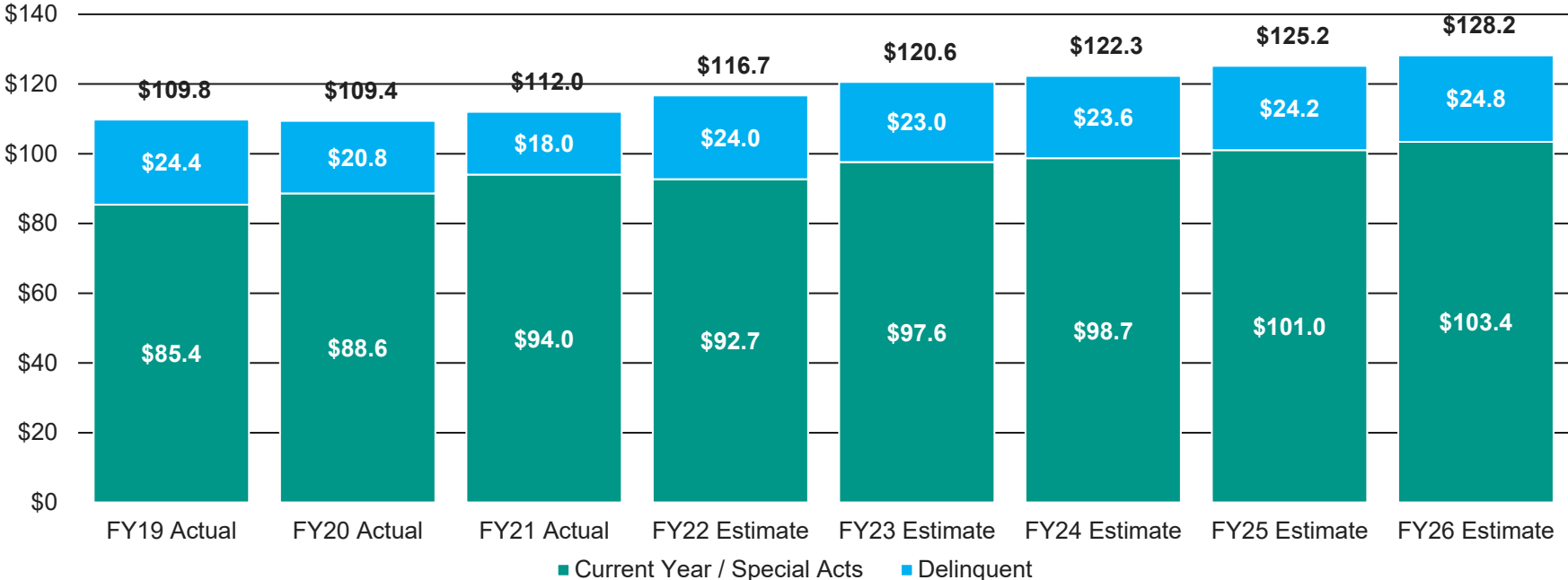


Recurring Wagering Tax



Recurring Property Tax

(\$ in millions)

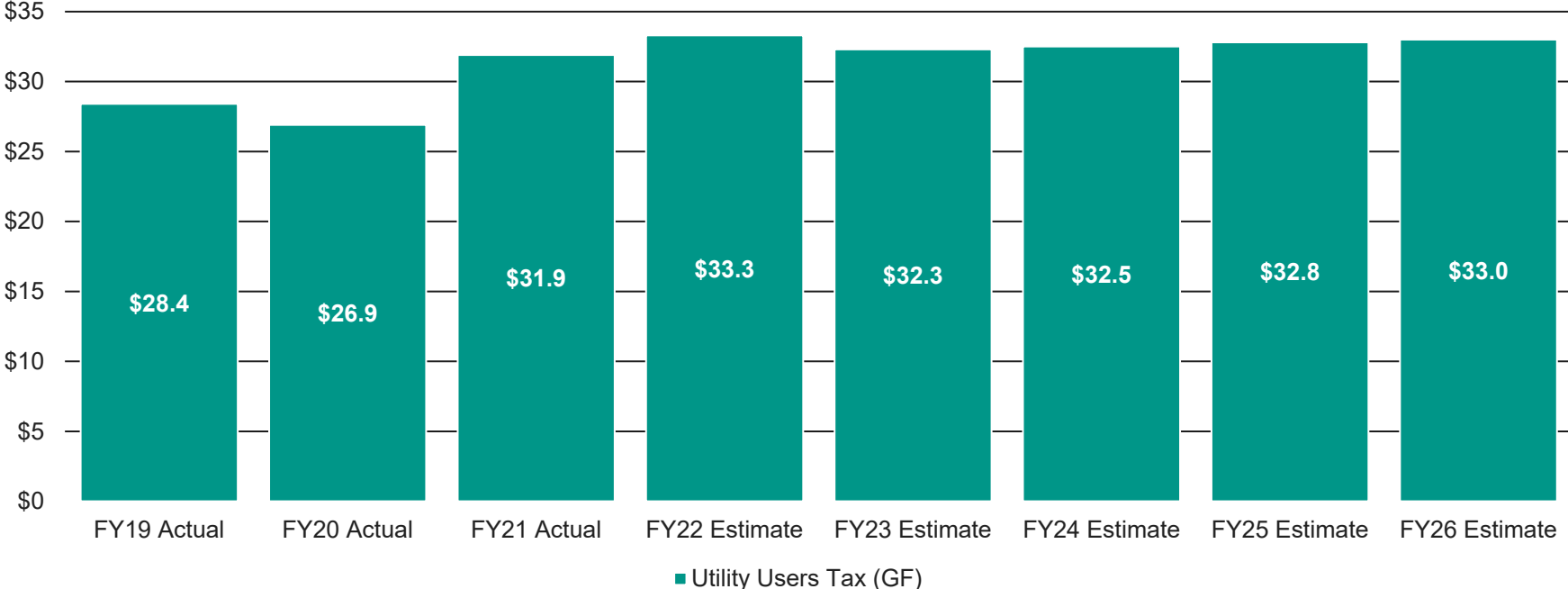


Note: Includes ad valorem taxes and special act taxes (e.g., Neighborhood Enterprise Zone, Industrial Facilities Exemption, and Obsolete Property Rehabilitation Act). Excludes monthly settlement payments on delinquent taxes.



Utility Users Tax

(\$ in millions)

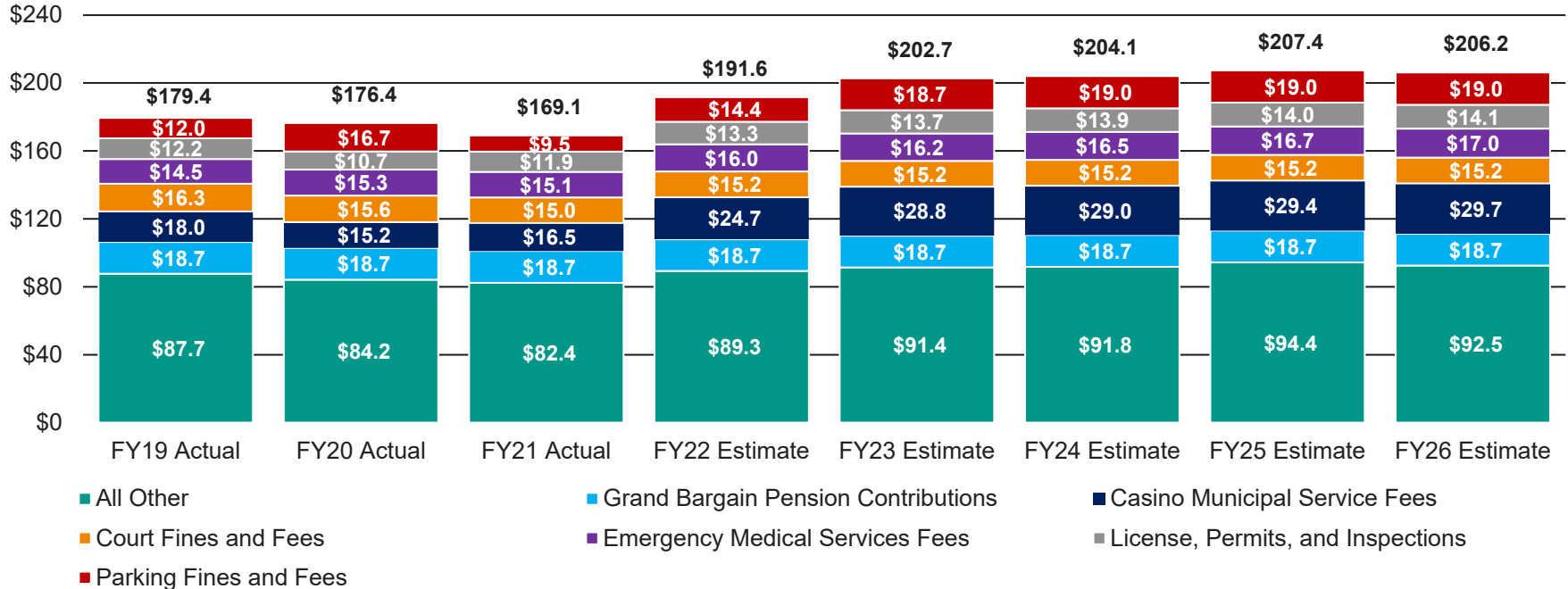


Note: Utility Users Tax for the General Fund is net of annual \$12.5M dedicated to Public Lighting Authority debt service.



Recurring Other Revenues (General Fund)

(\$ in millions)

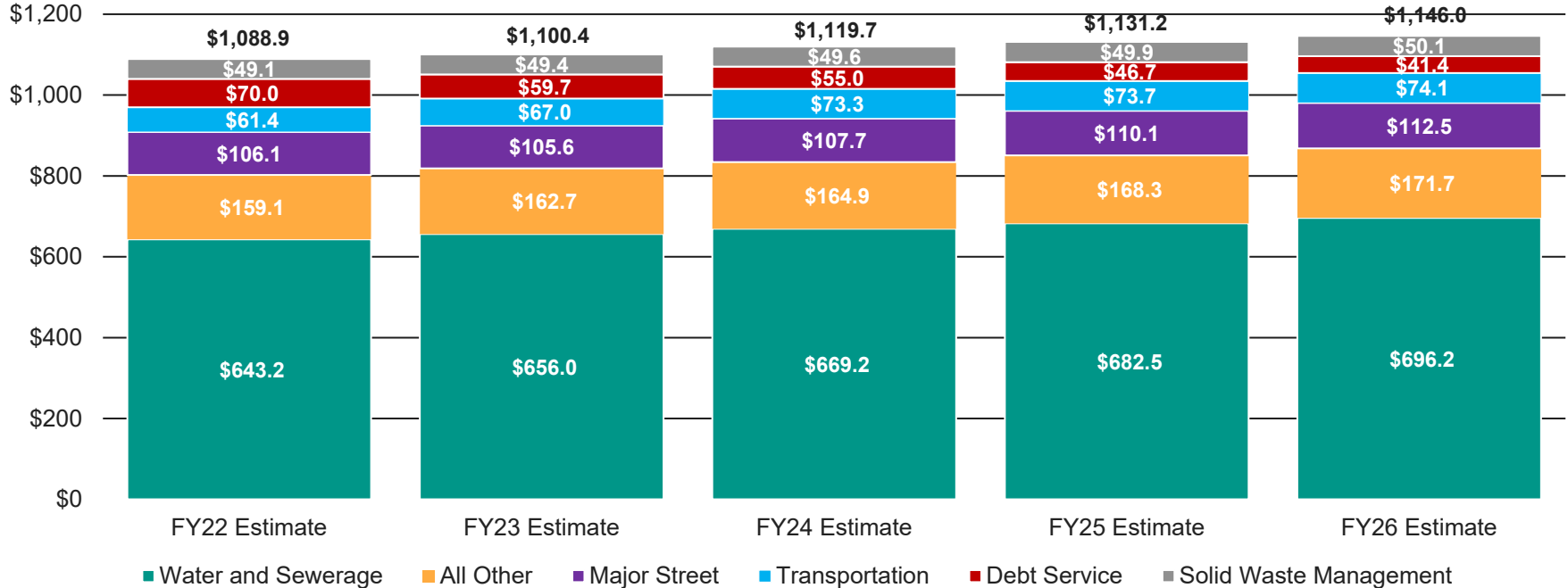


Note: The Parking enterprise fund and its associated fees were consolidated into the General Fund in FY20. Recurring revenues exclude one-time items like asset sales and bond proceeds.



Non-General Fund Revenues

(\$ in millions)



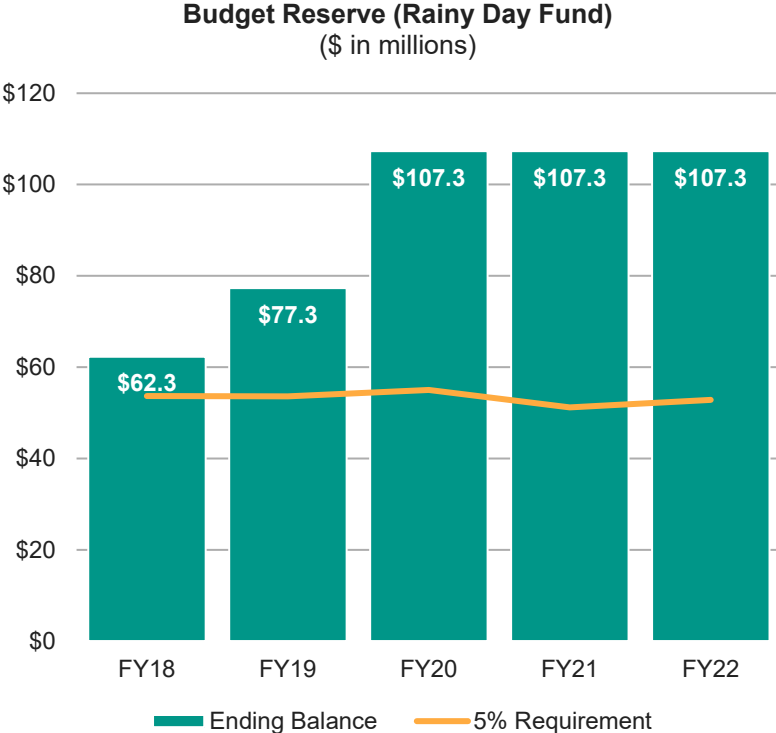
Note: Does not include contributions and transfers across funds (e.g., General Fund contribution to Transportation).



Budget Reserve (“Rainy Day Fund”)

The City must maintain a General Fund Rainy Day Fund of no less than 5% of projected expenditures for the fiscal year

- Pre-pandemic, the City increased its Rainy Day Fund to \$107.3M (10% of projected expenditures)
- The FY21 Adopted Budget assumed the City would draw down \$50M to help address COVID-19 revenue shortfalls, keeping the balance above 5%
- The FY21 drawdown was ultimately not needed, so the Rainy Day Fund was maintained at \$107.3M



Revenue Risks and Potential Upside

Downside Risks

- Slower casino recovery than expected and potential substitution effects
- Slower than anticipated recovery from recession
- Larger than anticipated nonresident remote work impact
- Longer lasting changes in economic activity due to workplace and firm/consumer behavior changes
- Additional COVID-19 variants extending pandemic impacts longer than expected
- Supply chain issues persisting and particularly impacting manufacturing sector

Potential Upside

- Residential, commercial, and industrial development activity throughout the City
- Workforce development and labor force participation gains
- Ongoing improvements in income tax audit and enforcement;
- State-shared excise tax from adult-use marijuana (implementation pending)
- Additional state and federal funding, economic stimulus, and infrastructure investment