



Revenue Estimating Conference

February 16, 2021

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:** Acting 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 (FY2021) and the next four years (FY2022–FY2025).
- They set the revenues for the City's FY2022 budget and FY2022–FY2025 Four Year–Financial Plan

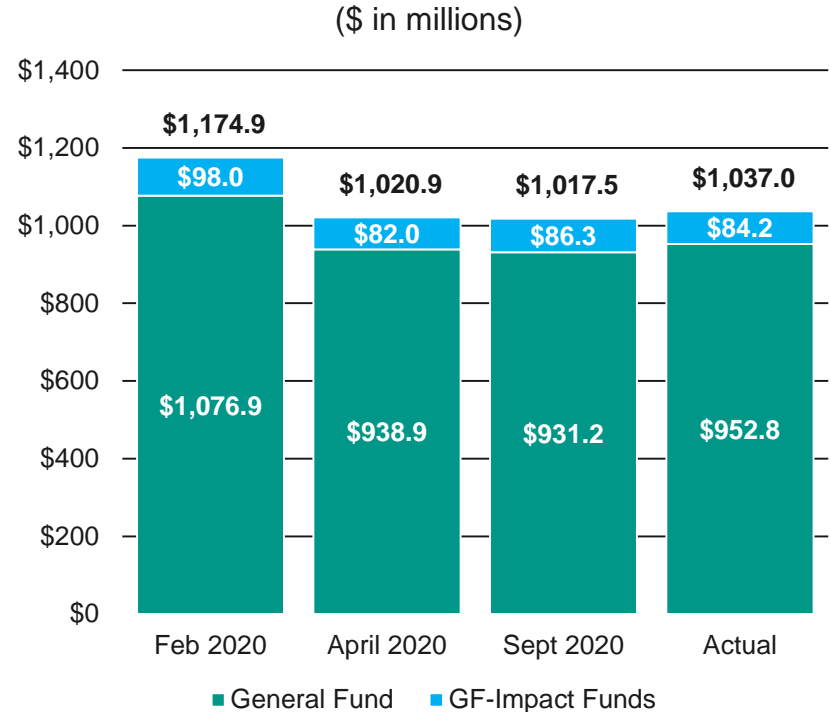
FY 2020 Revenue Shortfall General Fund and Funds with GF-Impact

In April 2020, we projected a \$154M shortfall vs. our pre-pandemic Feb 2020 estimates

In Sept 2020, preliminary year-end results showed a shortfall of \$157.4M; our original estimate was very close

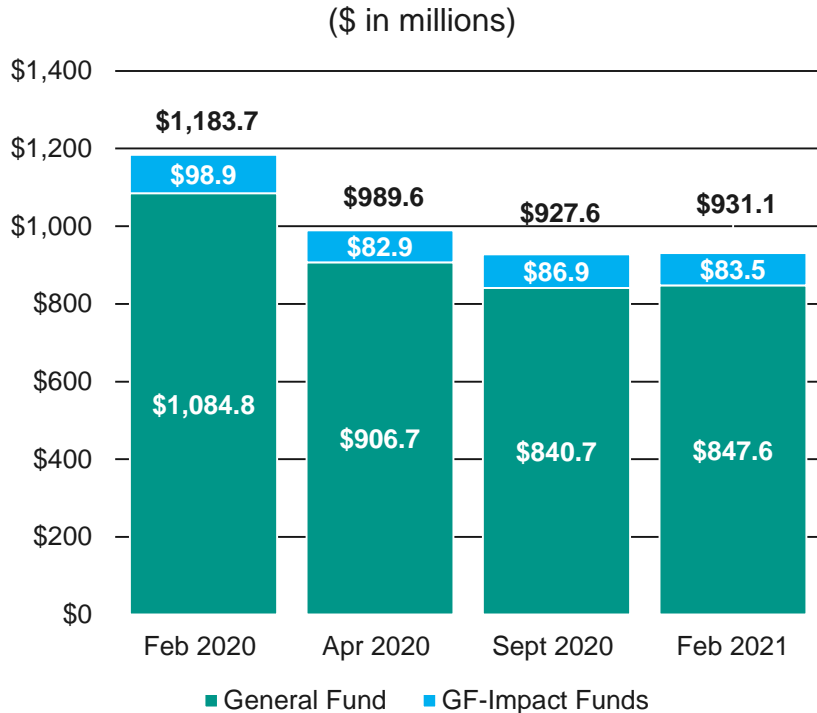
Final results improved by \$12M for a **total shortfall of \$145.5M**, driven by:

- Stronger income tax than expected after final accruals from tax filing extension
- Various one-time revenues



Note: GF-Impact Funds include funds that may require General Fund contributions to offset revenue shortfalls (Construction Code, Transportation, and Airport).

FY 2021 Revenue Shortfall General Fund and Funds with GF-Impact



In April 2020, we projected a \$194M shortfall vs. our pre-pandemic Feb 2020 estimates

In Sept 2020, we projected the shortfall to increase \$62M to a total of \$256M, driven by slower casino reopening and at reduced capacity

We now project the shortfall to improve by \$3.5M to a **total of \$253M**, driven by the net effect of:

- Gains from stronger than expected casino performance when open under restrictions
- Losses from longer period of nonresident remote work (income tax)

Note: GF-Impact Funds include funds that may require General Fund contributions to offset revenue shortfalls (Construction Code, Transportation, and Airport).

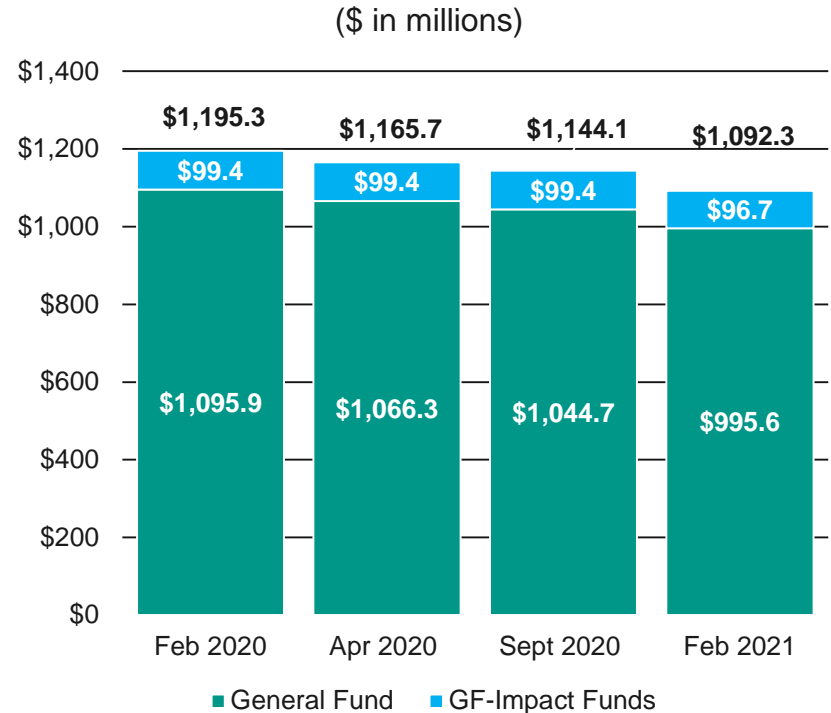
FY 2022 Revenue Shortfall General Fund and Funds with GF-Impact

In April 2020, we projected a \$30M shortfall vs. our pre-pandemic Feb 2020 estimates

In Sept 2020, we projected the shortfall to increase \$21M to a total of \$51M, driven by various COVID impacts on revenue continuing longer than expected

We now project the shortfall to increase by \$52M to a total of \$103M, driven by:

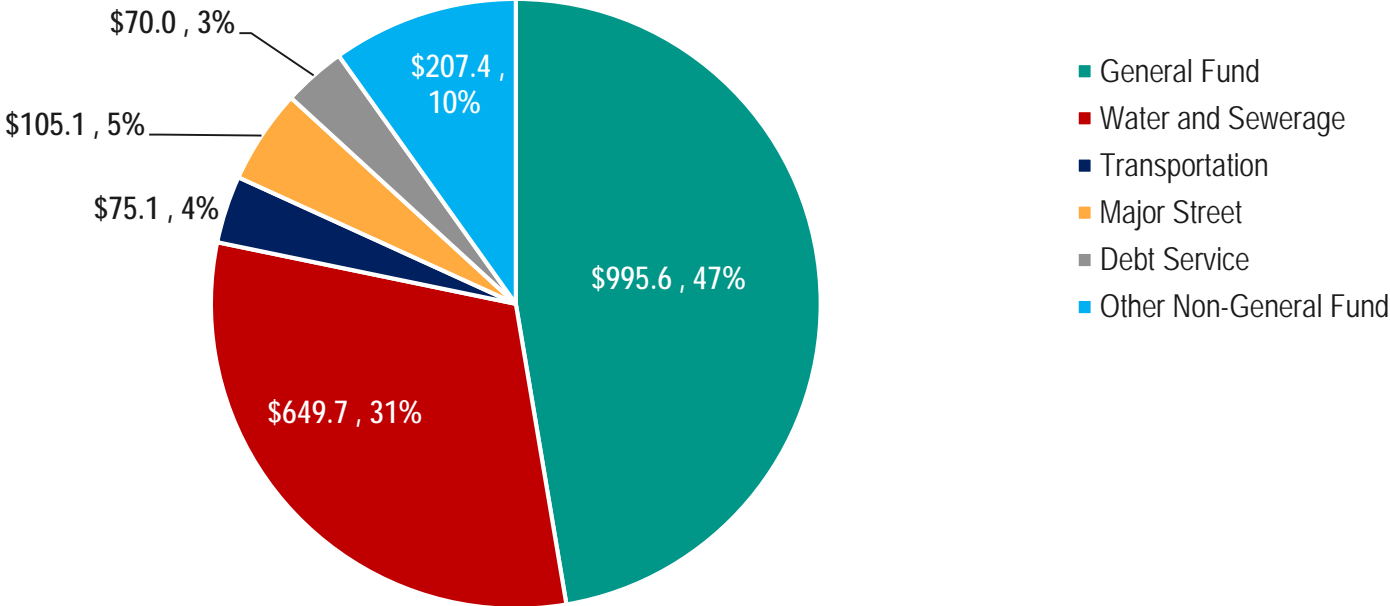
- Losses from longer period of nonresident remote work (income tax)
- Losses from longer period of casino capacity restrictions (wagering tax)



Note: GF-Impact Funds include funds that may require General Fund contributions to offset revenue shortfalls (Construction Code, Transportation, and Airport).

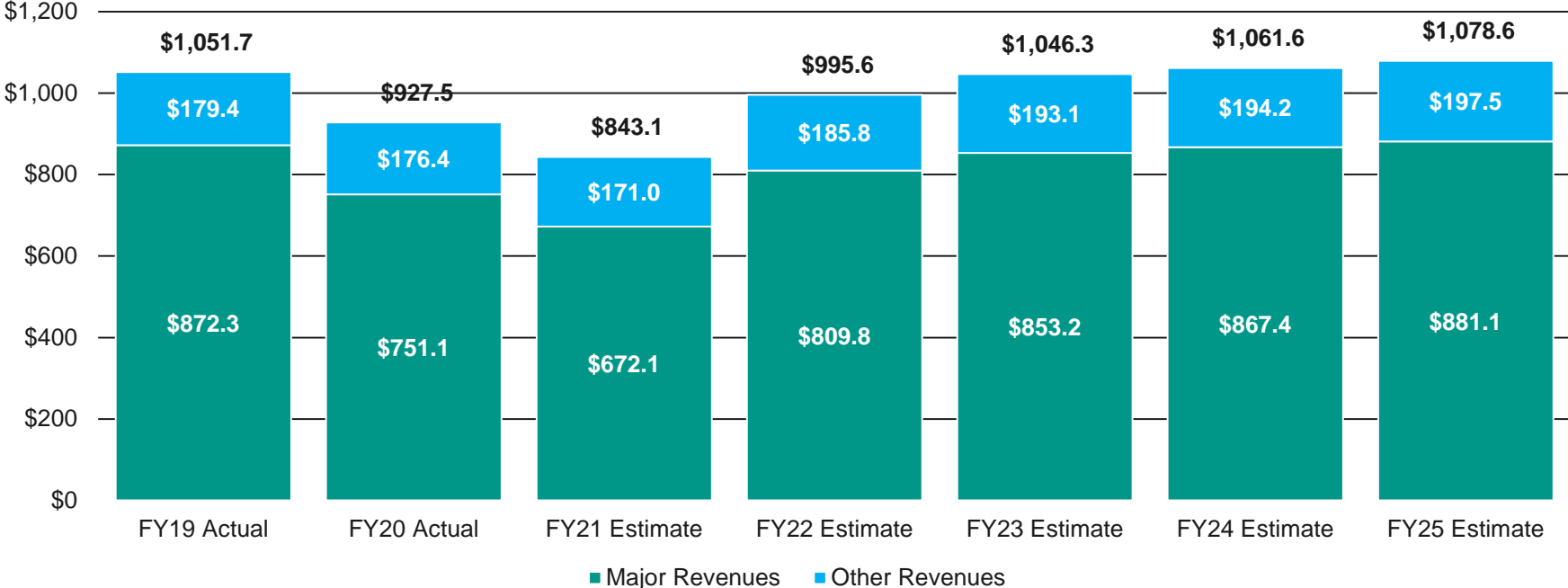
FY 2022 Revenue Summary, All Funds

(\$ in millions)



Recurring General Fund Revenue

(\$ in millions)

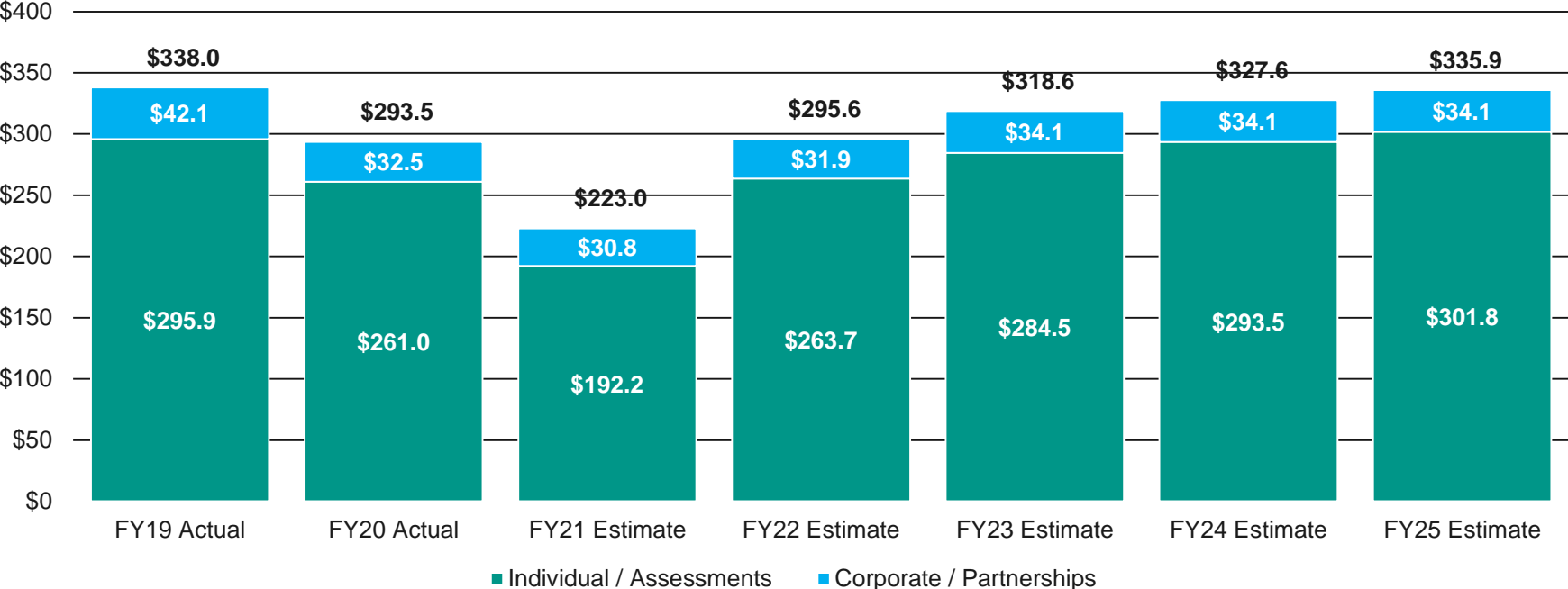


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments.



Recurring Income Tax

(\$ in millions)

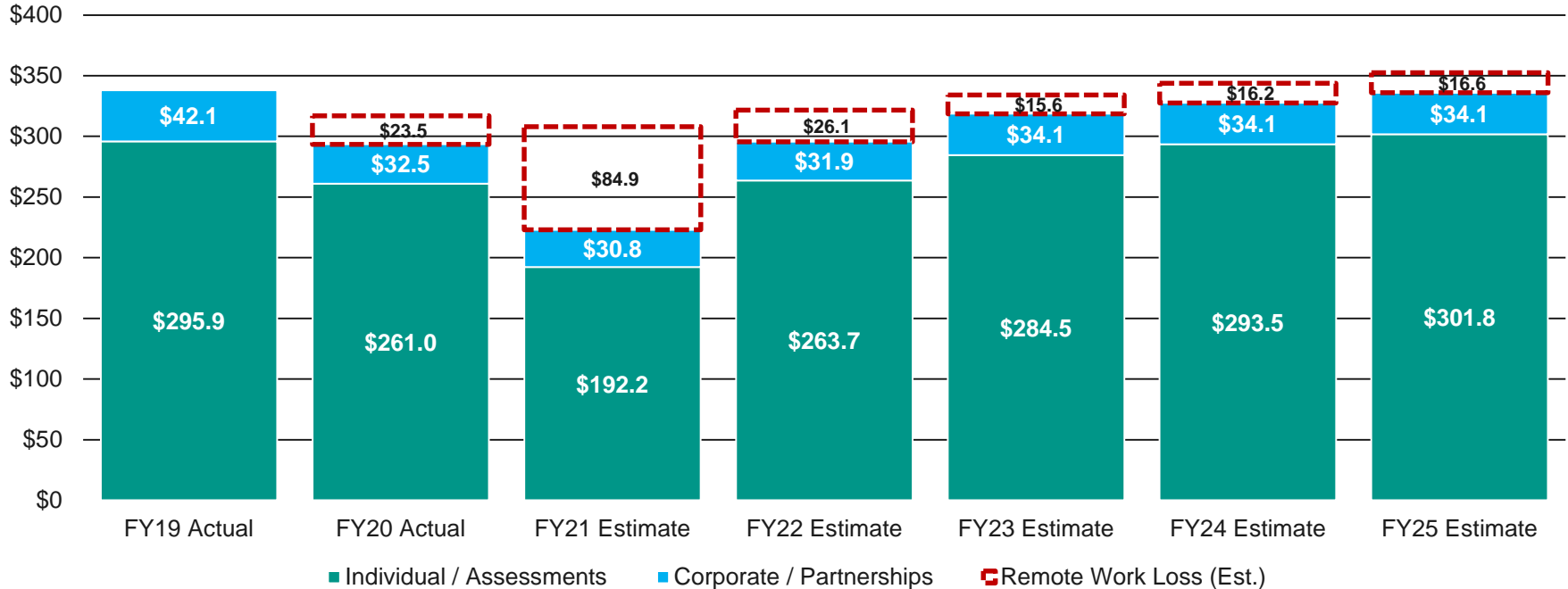


Note: FY19 Actual excludes \$23M one-time corporate collections. FY20 Actual excludes (\$3.5M) in one-time corporate refunds.



Recurring Income Tax with Remote Work Loss

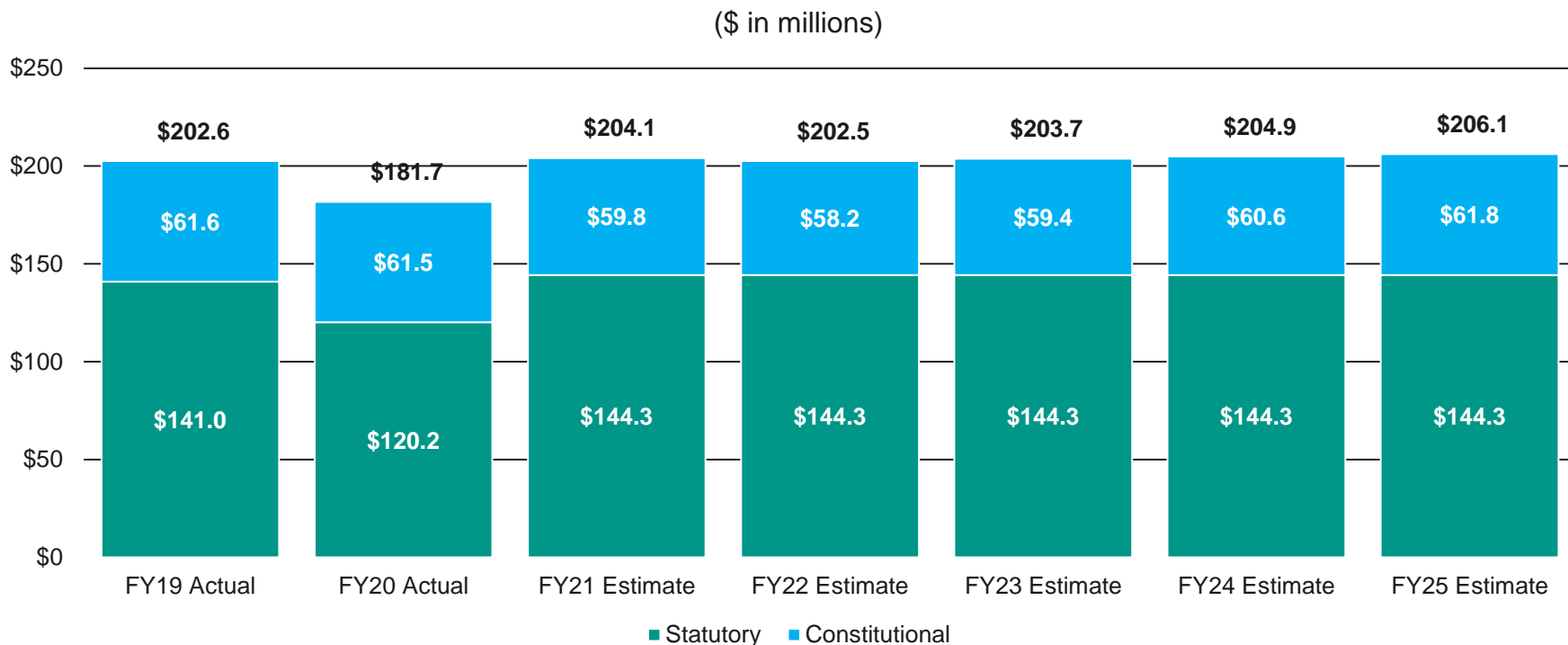
(\$ in millions)



Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds.



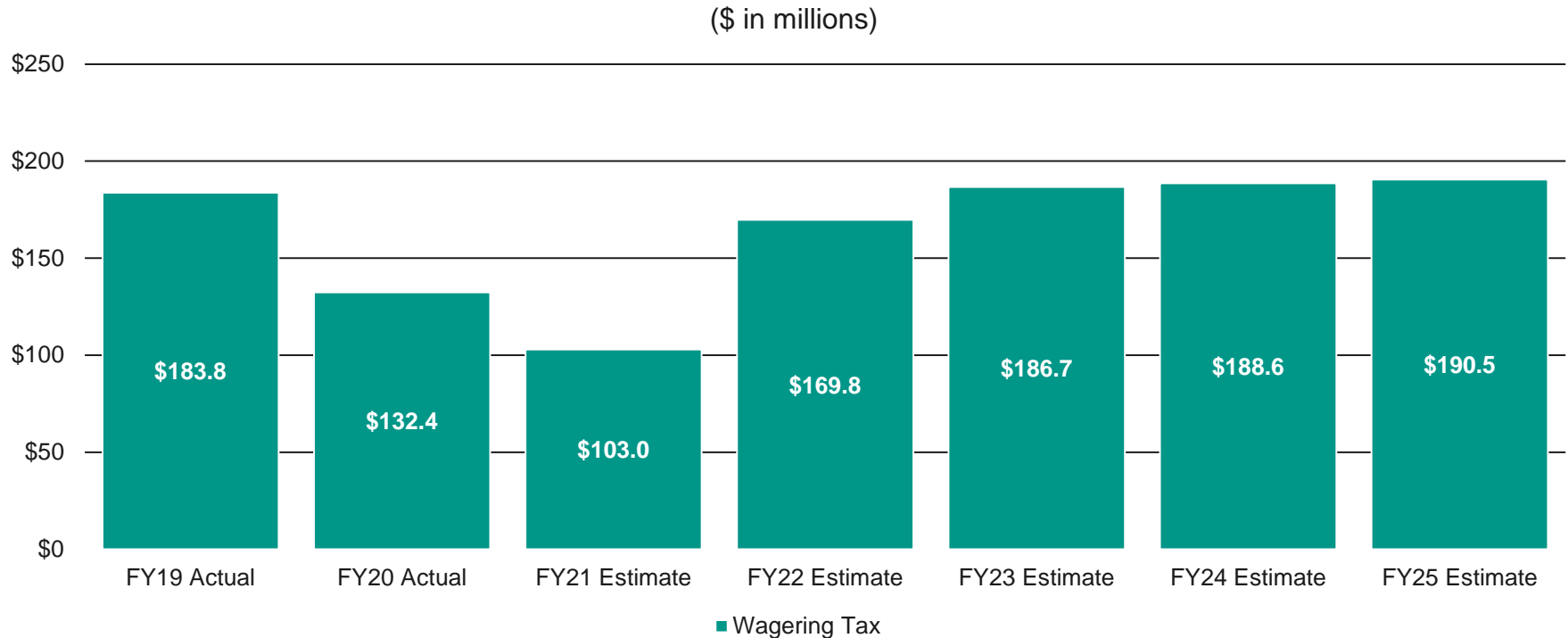
State Revenue Sharing



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.



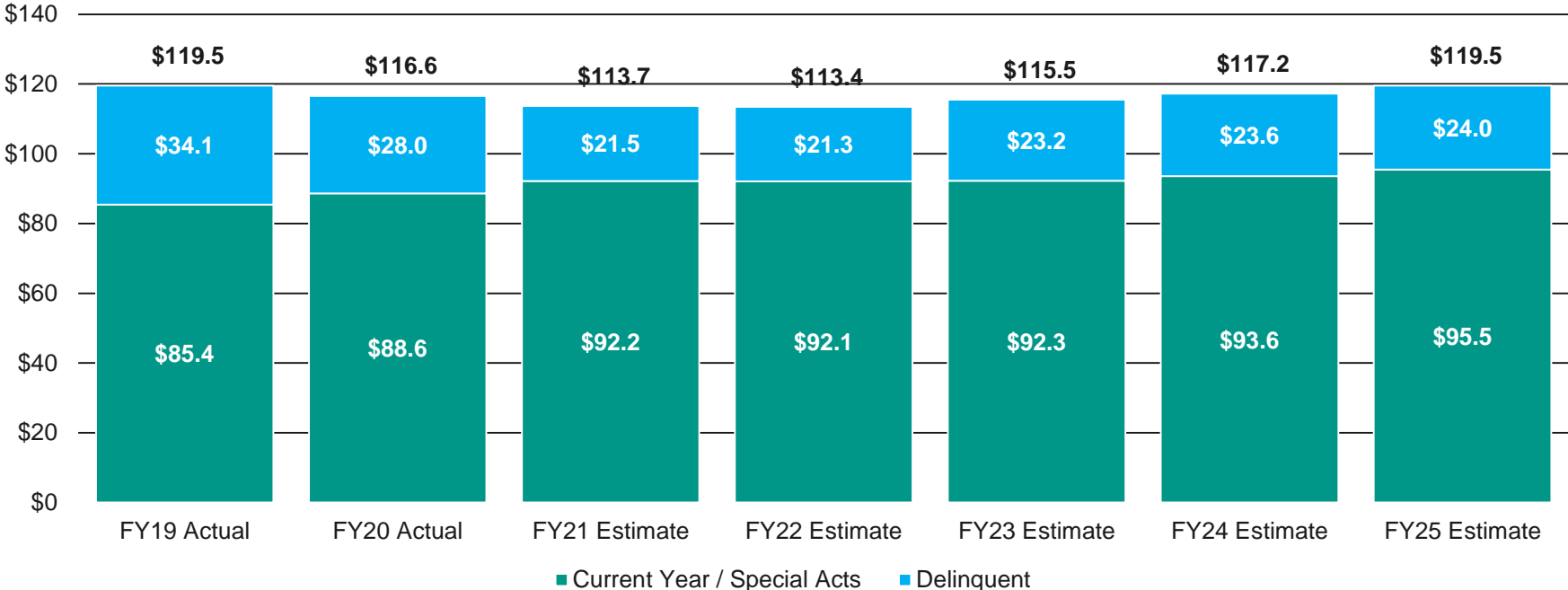
Wagering Tax



Note: FY20-FY22 impacted by casino closures and capacity restrictions due to COVID-19 pandemic. Does not include new revenues from internet gaming and sports betting.

Property Tax

(\$ in millions)

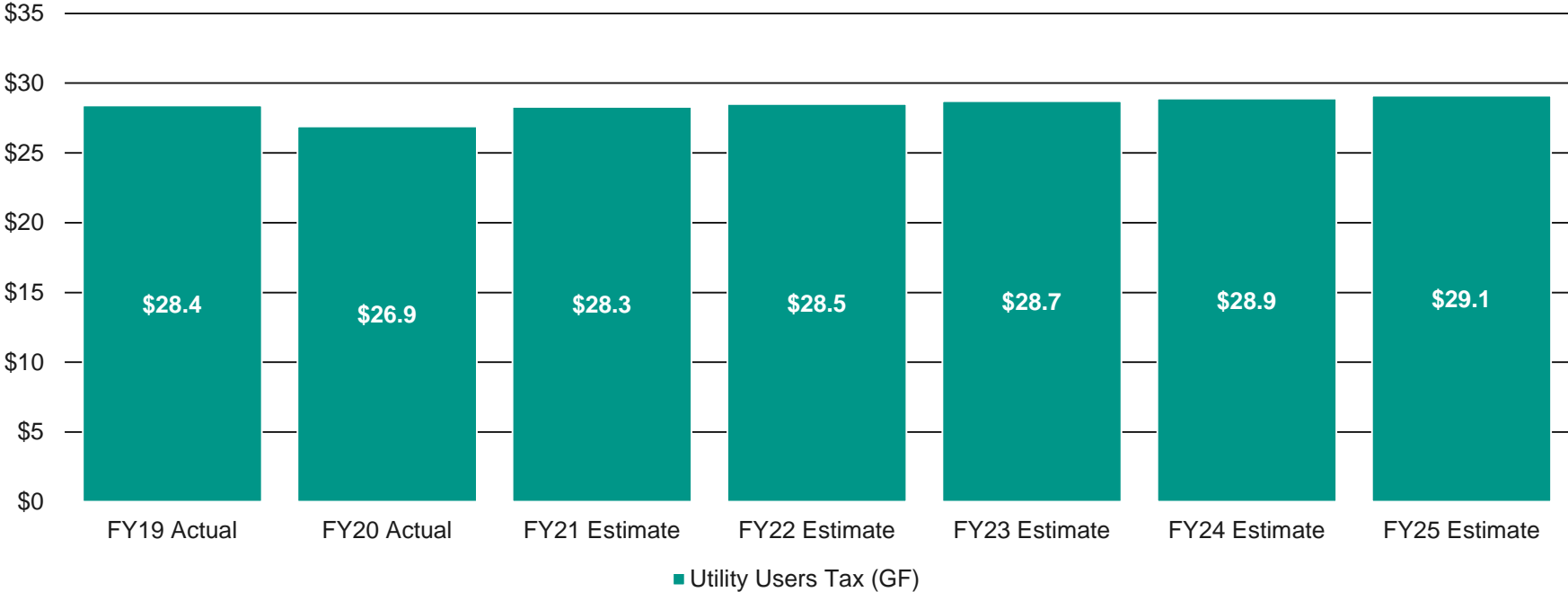


Note: Includes ad valorem taxes and special act taxes (e.g., Neighborhood Enterprise Zone, Industrial Facilities Exemption, and Obsolete Property Rehabilitation Act).



Utility Users Tax

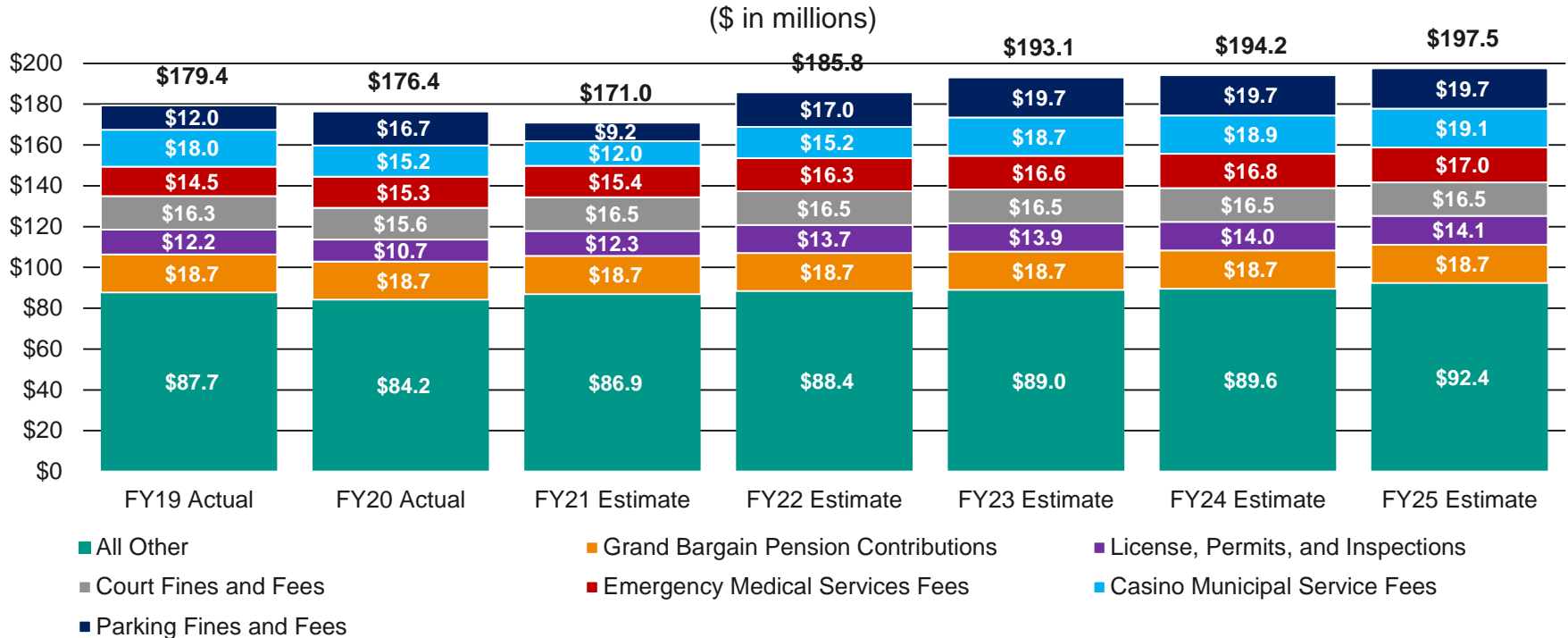
(\$ in millions)



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



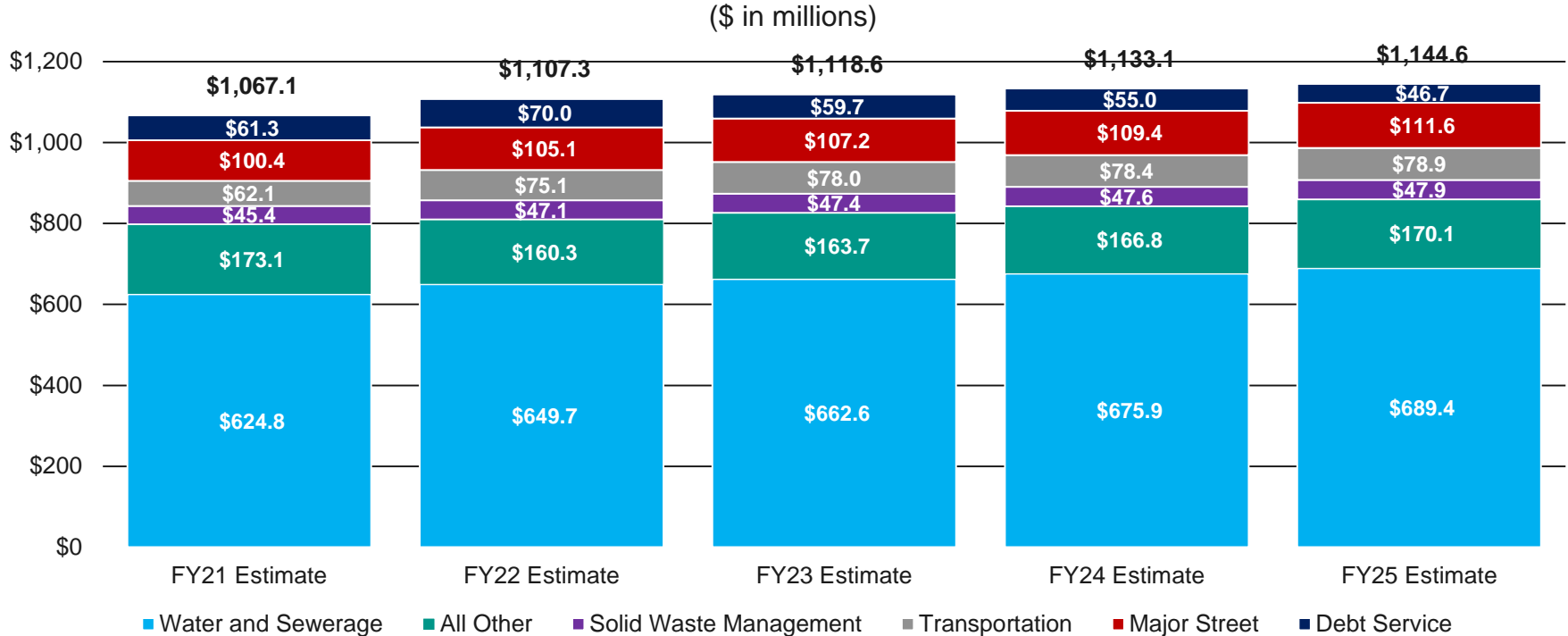
Recurring Other Revenues (General Fund)



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



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



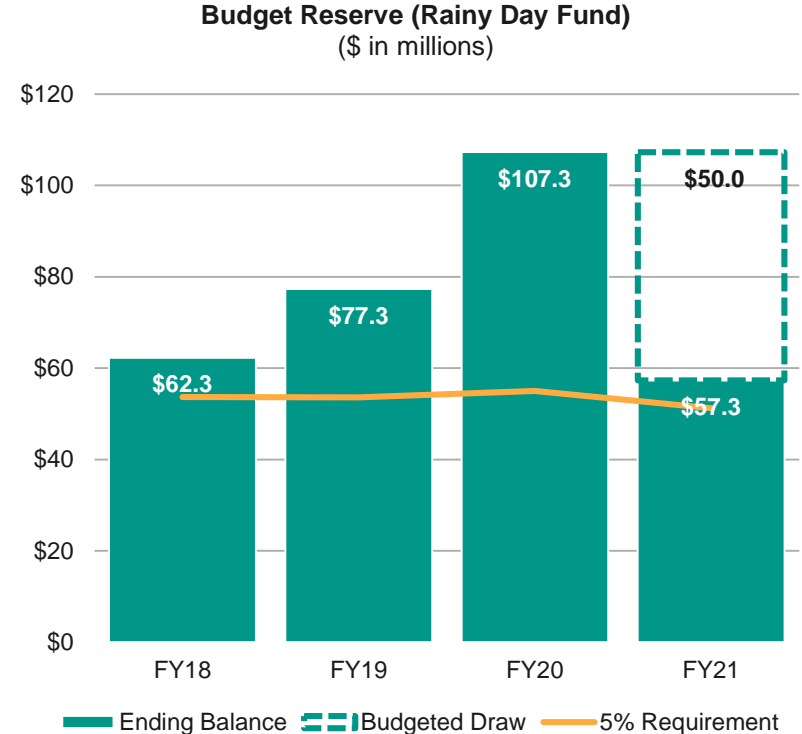
Budget Reserve (“Rainy Day Fund”)

State law requires the City to maintain a General Fund budget reserve (“Rainy Day Fund”) of no less than 5% of the projected expenditures for the fiscal year

In FY2020, the City increased and maintained its Rainy Day Fund at \$107.3M (10% of projected expenditures)

The FY2021 Adopted Budget assumes the City will draw down \$50M to help address COVID-19 revenue shortfalls, **keeping the balance above 5%**

Should FY2021 end favorably, the City **may be able to reduce the planned \$50M draw**



Revenue Risks and Potential Upside

Downside Risks

- New rounds of casino closure to respond to COVID-19
- Double-dip COVID-19 economic recession or slower than anticipated recovery
- Larger than anticipated nonresident remote work impact
- Longer lasting changes in economic activity due to workplace and behavior changes
- Future state and federal budget pressures causing reductions in local funding

Potential Upside (not counted in current revenue estimates)

- Additional federal fiscal relief and economic stimulus
- Residential, commercial, and industrial development activity throughout the City
- Workforce development and labor force participation gains
- Internet gaming and sports betting taxes (launched Jan 2021)
- State-shared excise tax from adult-use marijuana (City authorized in Nov 2020, implementation underway)