



# DETROIT REVENUE ESTIMATING CONFERENCE

FEBRUARY 2019



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FEBRUARY 13, 2019

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CITY OF DETROIT  
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**CFO MEMORANDUM**  
**No. 2019-103-001**

**TO:** City of Detroit Revenue Estimating Conference Principals  
**FROM:** Tanya Stoudemire, J.D., Deputy CFO / Budget Director, City of Detroit *Tanya Stoudemire*  
**SUBJECT:** Proposed FY 2019 – FY 2023 Revenue Estimates Pursuant to State of Michigan Public Act 279 of 1909, Section 4t(1)(d)  
**ISSUANCE DATE:** February 13, 2019

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1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909 (PA 279), Section 4t(1)(d), as amended by Public Act 182 of 2014, states the City shall hold a revenue estimating conference in the second week of September and in the third week of February of each year, subject to the following:
  - 1.1.1. A conference shall establish an official economic forecast of major variables of the national, state, and local economies. A conference also shall establish a forecast of anticipated revenues of the city as the conference determines.
  - 1.1.2. The principals of a conference shall be the chief financial officer of the city, the state treasurer or his or her designee from within the department of treasury, and a person affiliated with another public entity, including a state institution of higher education, with experience in economic forecasting and revenue projection selected by the chief financial officer of the city and the state treasurer.
  - 1.1.3. The official forecast of economic and revenue variables of the conference shall be determined by consensus among the conference principals and shall be for the fiscal year in which the conference is being held and the succeeding 2 fiscal years. The conference also shall forecast general fund revenue trendline projections for the city for an additional 2 fiscal years. Conference forecasts of revenues and expenditures shall be based upon the assumption that current law and administrative procedures will remain in effect for the forecast period.
  - 1.1.4. The conference may request and shall receive from officers, departments, agencies, and authorities of the city the assistance and data needed to enable the conference to fulfill its duties.

2. OBJECTIVES

- 2.1. To provide the City of Detroit Revenue Estimating Conference principals the assistance and data needed to fulfill their duties in establishing the City's official economic and revenue forecast.
- 2.2. To satisfy the Office of Budget's ongoing revenue estimation and economic forecasting responsibilities in accordance with CFO Directive No. 2018-101-002 Comprehensive Financial Planning.

### 3. PURPOSE

3.1. To submit proposed revenue estimates to the Revenue Estimating Conference principals for their consideration.

### 4. SCOPE

4.1. This Memorandum and the attached report are intended solely to assist the Revenue Estimating Conference principals fulfill their duties pursuant to Section 4t(1)(d) of PA 279.

### 5. STATEMENT

5.1. In accordance with Section 4t(1)(d) of PA 279 and CFO Directive No. 2018-101-002, the Office of Budget prepared the attached revenue estimates for FY 2019 through FY 2023 for consideration by the principals of the City of Detroit February 2019 Revenue Estimating Conference.

5.2. Revenue estimates were prepared on a conservative basis to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the fiscal year.

5.3. Revenue estimates were prepared in consultation with the other OCFO divisions responsible for administering their respective revenues, as well as the City Council's Legislative Policy Division and the Auditor General's Office.

**City of Detroit**  
**February 2019 Revenue Estimating Conference Report**

February 13, 2019

**Overview of Revenue Estimating Conference:**

State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014, states the City of Detroit shall hold biannual revenue estimating conferences, which shall establish the official economic forecast and forecast of anticipated revenues of the City. The City holds its Revenue Estimating Conferences in September and February of each fiscal year. The voting principals are the City's Chief Financial Officer (CFO), the State Treasurer (or designee), and a person affiliated with another public entity, including a state institution of higher education, with experience in economic forecasting and revenue projection selected by the CFO and State Treasurer. The voting principals for the February 2019 Revenue Estimating Conference are:

- David P. Massaron, Acting Chief Financial Officer, City of Detroit
- Eric Bussis, Chief Economist, Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury (on behalf of State Treasurer Rachael Eubanks)
- George Fulton, PhD, Director Emeritus, Research Seminar in Quantitative Economics (RSQE), Department of Economics, University of Michigan

The Office of Budget, within the Office of the Chief Financial Officer (OCFO), prepared revenue estimates for consideration by the conference principals. Following their review, the principals approved the revenue estimates without modification. In preparing the revenue estimates, the Office of Budget consulted with the OCFO's Offices of the Assessor, Departmental Financial Services, and the Treasury, as well as the City Council's Legislative Policy Division and the Office of the Auditor General. In addition, Dr. Eric Scorsone, Director of the Michigan State University Extension Center for Local Government Finance and Policy, delivered an economic outlook presentation to further inform the forecast. The Office of Budget thanks its colleagues for their continued support and assistance throughout the revenue estimation process.

The estimates that follow include the current fiscal year (FY 2019) and the four succeeding fiscal years (FY 2020 – FY 2023), which serve as the revenue estimates used in the City's forthcoming FY 2020 budget and FY 2020 – FY 2023 Four-Year Financial Plan. While there is a greater focus on the General Fund, the estimates also cover the City's grant, enterprise, and special revenue funds. The forecast assumes that current law and administrative procedures will remain in effect for the forecast period.

## Summary of Revenue Estimates:

<b>February 2019 Revenue Estimates, General Fund</b>									
(in millions)									
	<u>FY19</u>	<u>FY20</u>	<u>%</u>	<u>FY21</u>	<u>%</u>	<u>FY22</u>	<u>%</u>	<u>FY23</u>	<u>%</u>
	<u>Est</u>	<u>Est</u>	<u>Change</u>	<u>Est</u>	<u>Change</u>	<u>Est</u>	<u>Change</u>	<u>Est</u>	<u>Change</u>
<b>Major Taxes</b>									
Income Tax	\$ 317.5	\$ 324.3	2.1%	\$ 332.7	2.6%	\$ 343.0	3.1%	\$ 352.2	2.7%
State Revenue Sharing	203.2	204.5	0.6%	202.2	-1.1%	204.0	0.9%	205.9	0.9%
Wagering Tax	182.5	184.3	1.0%	186.2	1.0%	188.0	1.0%	189.9	1.0%
Property Tax	125.8	126.5	0.6%	127.6	0.9%	128.6	0.8%	129.6	0.8%
Tax Increment Financing Capture	(11.0)	(11.2)	1.8%	(11.5)	2.7%	(11.8)	2.6%	(12.1)	2.5%
<b>Net Property Tax</b>	<b>114.8</b>	<b>115.3</b>	<b>0.4%</b>	<b>116.1</b>	<b>0.7%</b>	<b>116.8</b>	<b>0.6%</b>	<b>117.5</b>	<b>0.6%</b>
Utility Users Tax	42.4	43.8	3.3%	44.1	0.7%	44.5	0.9%	45.2	1.6%
To Public Lighting Authority	(12.5)	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%
<b>Net Utility Users Tax</b>	<b>29.9</b>	<b>31.3</b>	<b>4.7%</b>	<b>31.6</b>	<b>1.0%</b>	<b>32.0</b>	<b>1.3%</b>	<b>32.7</b>	<b>2.2%</b>
<b>Subtotal, Major Taxes</b>	<b>\$ 847.9</b>	<b>\$ 859.7</b>	<b>1.4%</b>	<b>\$ 868.8</b>	<b>1.1%</b>	<b>\$ 883.8</b>	<b>1.7%</b>	<b>\$ 898.2</b>	<b>1.6%</b>
<b>Other Revenues</b>	<b>\$ 214.8</b>	<b>\$ 218.0</b>	<b>1.5%</b>	<b>\$ 218.9</b>	<b>0.4%</b>	<b>\$ 219.0</b>	<b>0.0%</b>	<b>\$ 220.4</b>	<b>0.6%</b>
<b>Grand Total, General Fund</b>	<b>\$ 1,062.7</b>	<b>\$ 1,077.7</b>	<b>1.4%</b>	<b>\$ 1,087.7</b>	<b>0.9%</b>	<b>\$ 1,102.8</b>	<b>1.4%</b>	<b>\$ 1,118.6</b>	<b>1.4%</b>

The estimates include updates for FY 2019 through FY 2023. Total General Fund revenues from FY 2019 to FY 2020 increase by 1.4%, with a similar trend projected throughout the forecast period.

## Economic Conditions and Outlook:

There has been little change from national and state trends as identified during the September 2018 Revenue Estimating Conference. Recent economic data for the nation and the state have shown few signs of an upcoming slowdown or recession, but recent volatility in financial markets has reflected that market participants expect otherwise. United States Real Gross Domestic Product (GDP) posted strong 2<sup>nd</sup> and 3<sup>rd</sup> quarter growth, 4.2% and 3.4% respectively.<sup>1</sup> Unemployment for both the nation and the state remain near record lows and inflation still has not accelerated as one would expect at this point in the recovery, not straying far from 2%.<sup>2</sup> Just as recent economic data around employment, wage, and consumption for the nation and state show stability, the data best describing the Detroit economy shares a similar narrative.

Since September, employment in Detroit has continued to steadily improve despite seasonal volatility in the labor force. On average, 226,400 Detroiters were employed throughout 2018 in continuation of a steady growth trend beginning in 2011. In December, employment levels were above the annual average, topping out at 228,000. Volatility in the labor force has generally been governed by concurrent volatility in the number of unemployed residents either entering or exiting

<sup>1</sup> Source: U.S. Bureau of Economic Analysis

<sup>2</sup> Source: U.S. Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers

the labor force, typically in line with seasonal historical patterns. In comparison to 2017, total average employment rose by 1,500 and total unemployed dropped by 1,000 when compared to 2017. The average unemployment rate for 2018 was 8.9%, an improvement over the 9.3% unemployment rate experienced in 2017.<sup>3</sup>

**Labor Force and Employment of Detroit (Not Seasonally Adjusted)<sup>3</sup>**

Calendar Year	Employed	Unemployed	Labor Force	Unemployment Rate
2008	304,376	53,781	358,157	15.0%
2009	283,041	94,787	377,828	25.1%
2010	208,289	68,596	276,885	24.8%
2011	206,226	55,117	261,343	21.1%
2012	208,119	49,611	257,730	19.2%
2013	208,943	48,765	257,708	18.9%
2014	209,701	40,275	249,976	16.1%
2015	212,953	28,514	241,467	11.8%
2016	219,906	26,420	246,326	10.7%
2017	224,958	23,112	248,070	9.3%
2018	226,431	22,112	248,543	8.9%

Conversely, wages in Wayne County, the most timely and geographically local income measure available for Detroit, has not accelerated to the same degree as national or state wages. Average weekly wages in Wayne County grew by 1.2% from the third quarter of 2017 to the second quarter of 2018. Over the same period, average weekly wages grew by 2.3% statewide and 2.7% nationwide.<sup>4</sup> If the current observed wage growth continues nationally, we could expect to see an acceleration in wage growth locally as well through the forecast.

**Risks to the Economic Outlook:**

While there has not been much change in economic conditions since September, there is a general consensus that there will be a slowdown in economic growth or potentially a recession within the next two to three years. Although recent economic data does not reflect that, there are potential concerns that could trigger either a slowdown or recession, which would negatively impact the forecast.

The first two quarters of 2019 arrive with high level uncertainty around the immediate effects of federal policy challenges involving the recent partial government shutdown and the potential for another shutdown. The Congressional Budget Office estimated a GDP decrease of 0.1% in the fourth quarter of 2018 and 0.2% in the first quarter of 2019, but the estimate does not include the effect of the shutdown on discretionary spending by federal employees.<sup>5</sup> Further, the federal government is one of the largest employers in Detroit with approximately 6,280 employees in the

<sup>3</sup> Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

<sup>4</sup> Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

<sup>5</sup> Source: Congressional Budget Office

city.<sup>6</sup> Thus, some of the impact to discretionary spending may have had a significant local effect. Uncertainty remains around the impact from the changes in tax policy from the Tax Cuts and Jobs Act (TCJA) of 2017. While it is generally expected that the stimulative effects of the policy will have worn off by middle to late 2019 leading to a slowdown in the overall economy, the magnitude is still unknown.

Throughout 2018, the Federal Reserve policy stance has been towards normalizing the federal funds rate and security holdings from the unconventional policy used during the Great Recession and afterwards. The Federal Open Market Committee (FOMC) has raised the federal funds rate four times in the previous year and has allowed Treasuries and Mortgage Backed Securities to mature and fall off their balance sheet. The policy of normalization does have a tightening effect on financial markets which typically would be appropriate in an economic environment where inflation is accelerating. Since inflation has been stable at and slightly below the FOMC's target interest rate, further tightening could have an adverse effect on the economy. In December and January remarks from some members of the FOMC, they indicated a pause in further increases to the federal funds rate in early 2019. However, the possibility of further increases without an accelerating inflation rate remain a risk to Detroit and the overall US economy.

Potential slowdown in demand for U.S goods in China, due to a strong U.S. dollar, weakening economic conditions, and uncertainty around trade policy could affect the overall U.S. economy and spill over into Detroit, particularly the manufacturing and transportation sectors. Weakening economic conditions in the European Union, specifically France, Germany, Italy, and uncertainty around the terms of the United Kingdom's exit from the European Union may also prove to have negative effects in the forecasted years.

The City's forecast does not explicitly account for the potential effects of General Motors' and Ford Motor Company's repositionings. They have the potential to negatively affect forecasted income tax revenues to the extent the City's generally conservative forecast does not already accommodate this downside risk. The State of Michigan's latest revenue forecast does incorporate the potential statewide employment impact from these actions in the automotive industry, and the City will closely follow this and monitor its tax revenue for future local forecasts. It is possible that other firms may look to shift their overall employment to support more capital intensive activities as well, while local economic conditions and profits are still expected to stay on the current positive trend. In the short term, these movements may have a negative impact on the forecast but may have positive effects in the long run.

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<sup>6</sup> Source: 2019 Crain's Detroit Book of Lists



**Current Year Revenue Estimates Update:**

<b>February 2019 Revenue Estimates, General Fund</b>					
(in millions)					
	FY18 Actual <sup>1</sup>	FY19 Budget <sup>2</sup>	FY19 Est	% Change vs. Budget	% Change vs. FY18
<b>Major Taxes</b>					
<b>Income Tax</b>	\$ 310.2	\$ 299.4	\$ 317.5	6.0%	2.4%
<b>State Revenue Sharing</b>	199.9	200.7	203.2	1.2%	1.7%
<b>Wagering Tax</b>	179.0	180.8	182.5	0.9%	2.0%
Property Tax	128.7	133.8	125.8	-6.0%	-2.3%
Tax Increment Financing Capture	(12.2)	(9.2)	(11.0)	19.6%	-9.8%
<b>Net Property Tax</b>	<b>116.5</b>	<b>124.6</b>	<b>114.8</b>	<b>-7.9%</b>	<b>-1.5%</b>
Utility Users Tax	41.2	40.0	42.4	6.0%	2.9%
To Public Lighting Authority	(12.5)	(12.5)	(12.5)	0.0%	0.0%
<b>Net Utility Users Tax</b>	<b>28.7</b>	<b>27.5</b>	<b>29.9</b>	<b>8.7%</b>	<b>4.2%</b>
<b>Subtotal, Major Taxes</b>	<b>\$ 834.3</b>	<b>\$ 833.0</b>	<b>\$ 847.9</b>	<b>1.8%</b>	<b>1.6%</b>
<b>Other Revenues</b>	<b>\$ 210.5</b>	<b>\$ 216.4</b>	<b>\$ 214.8</b>	<b>-0.7%</b>	<b>2.0%</b>
<b>Grand Total, General Fund</b>	<b>\$ 1,044.8</b>	<b>\$ 1,049.4</b>	<b>\$ 1,062.7</b>	<b>1.3%</b>	<b>1.7%</b>

(1) FY 2018 Actuals have been adjusted vs. CAFR to align with budget presentation.  
(2) Adopted Budget is adjusted to exclude \$2.6m in prior-year fund balance resources appropriated for one-time expenditures.

The FY 2019 General Fund revenue estimates approved at the February 2018 Revenue Estimating Conference and used for the FY 2019 Adopted Budget total \$1.05 billion (after adjustments noted in the table above). The updated February 2019 revenue estimates have been increased by \$13.3 million, representing a 1.3% change from the Adopted Budget. The February 2019 estimates reflect upward adjustments to income tax and utility users tax revenues based on both FY 2018 actual collections and revised economic assumptions. Property tax revenue estimates have been adjusted downward due to FY 2018 actual collections, shift of personal property tax reimbursements to the Debt Service Fund, and updated taxable value assumptions. Other revenues have also been adjusted downward compared to the Adopted Budget largely due to lower anticipated cost reimbursements across departments.

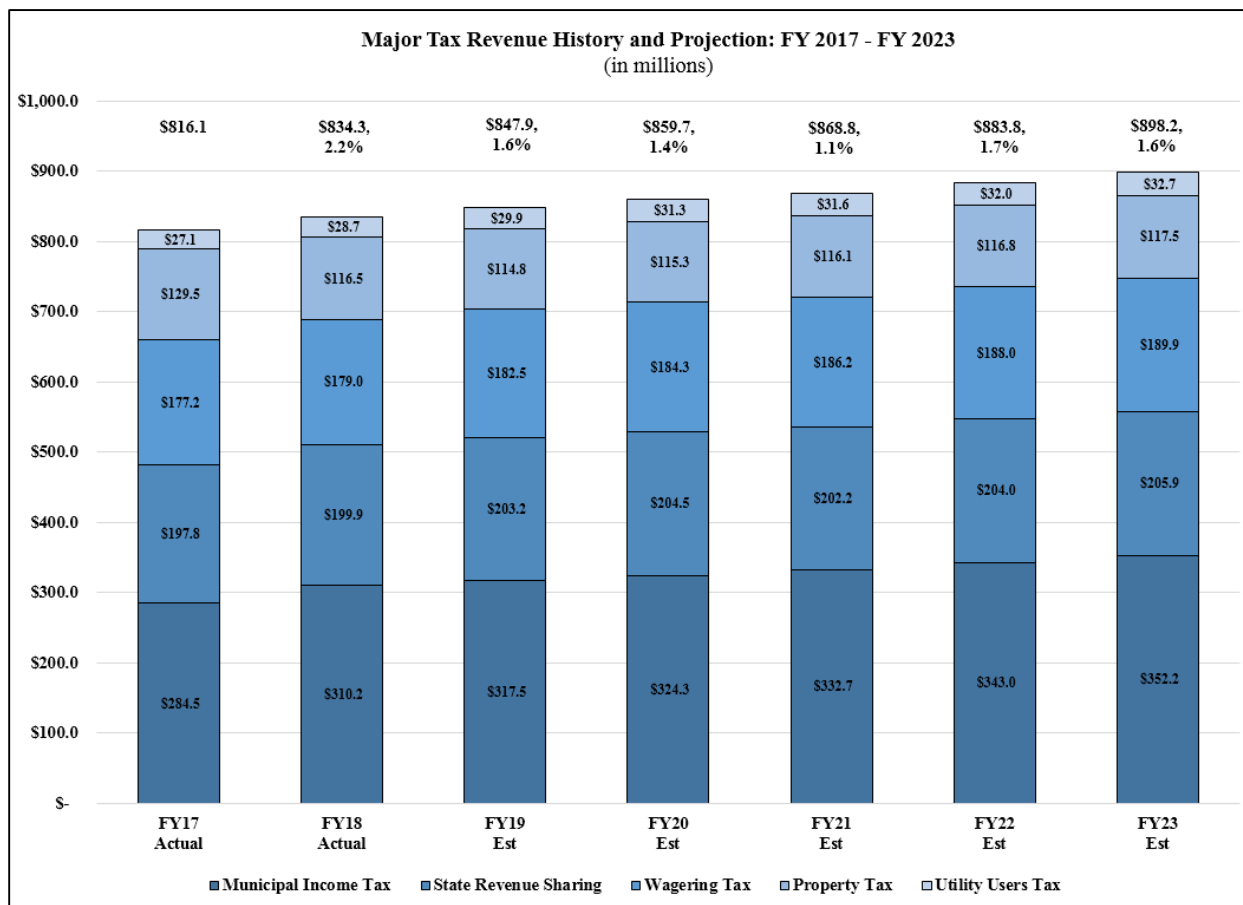
**Budget Reserve:**

State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014, states the City’s annual four- year financial plan shall include and comply with the following requirements:

- Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both.
- Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to no less than 5% of the projected expenditures for the fiscal year.

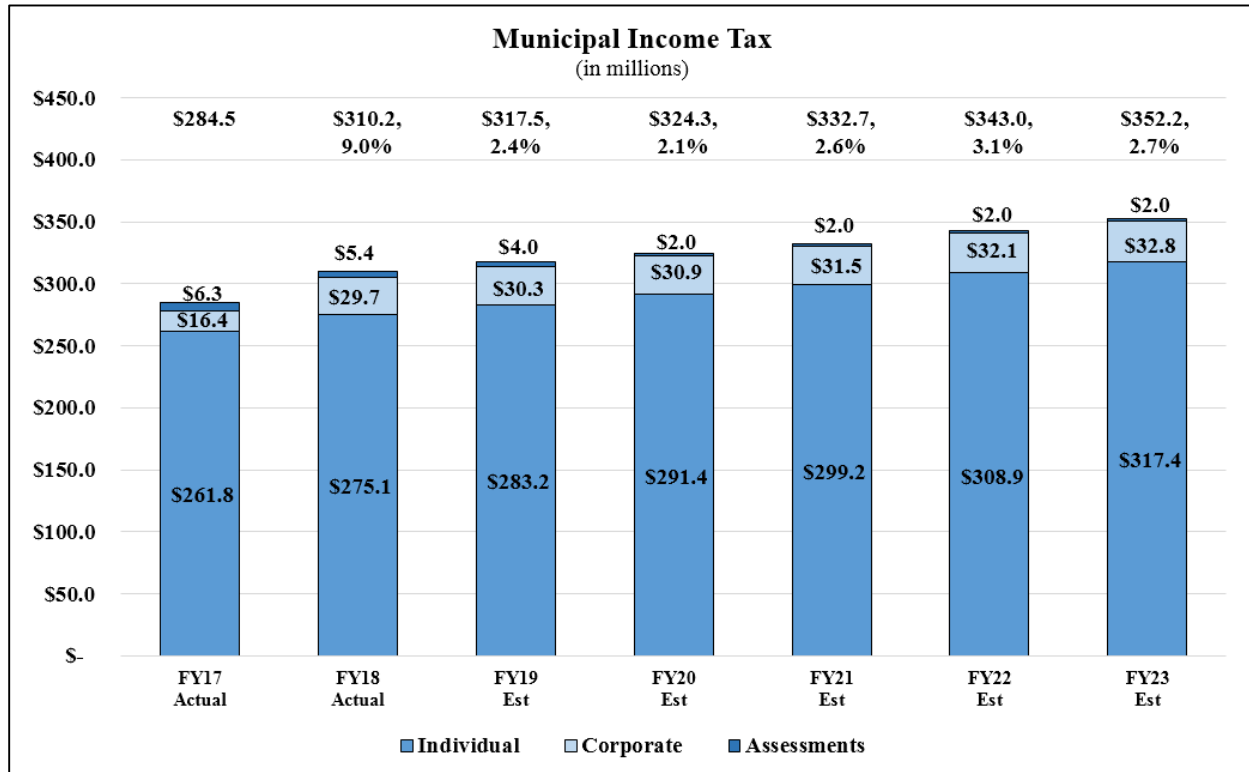
As of June 30, 2018, the City’s Budget Reserve totaled \$62.3 million, which exceeds the minimum requirement of 5% of the projected expenditures for FY 2019.

**Summary of Major Taxes:**



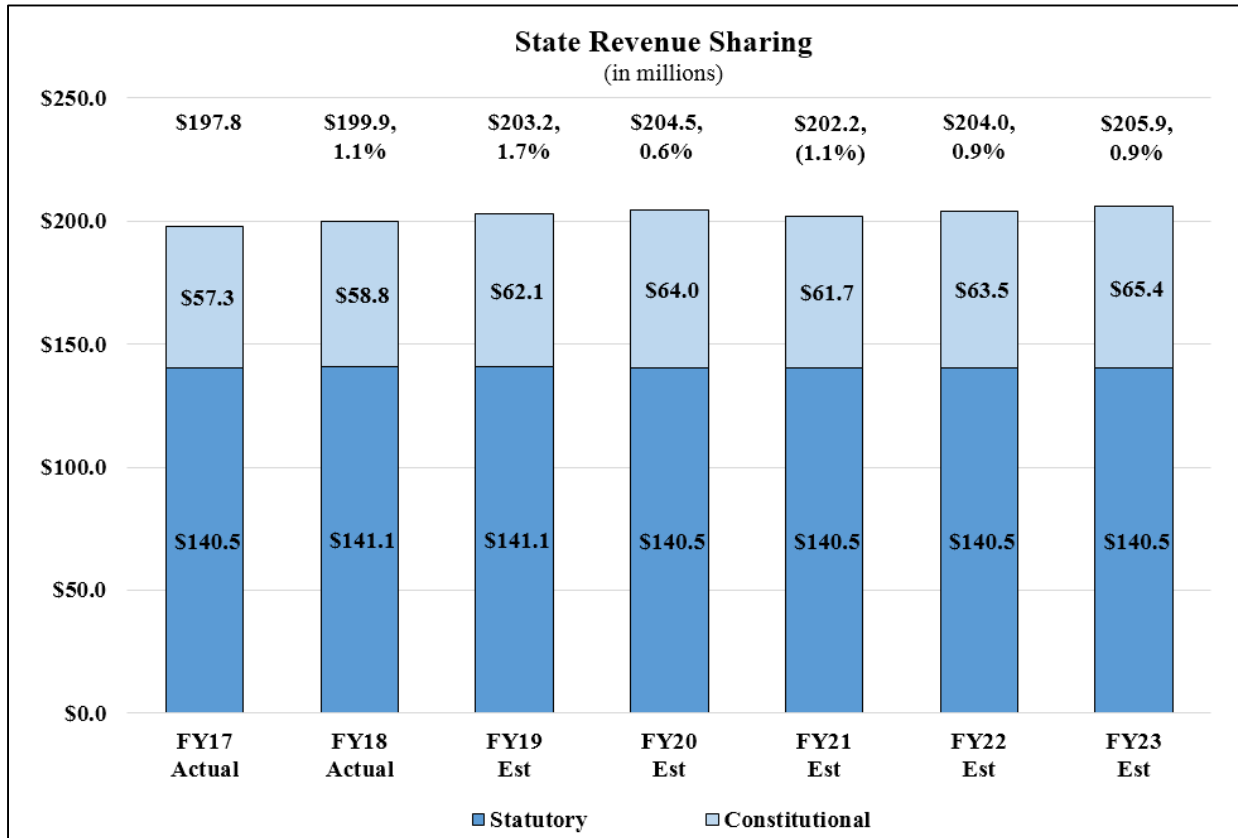
The FY 2019 and four-year forecast assumes a total growth trend consistent with prior-year actuals. In total, major tax revenues have increased annually from FY 2017 – FY 2018, and this trend is expected to continue from FY 2019 – FY 2023.

## Municipal Income Tax:



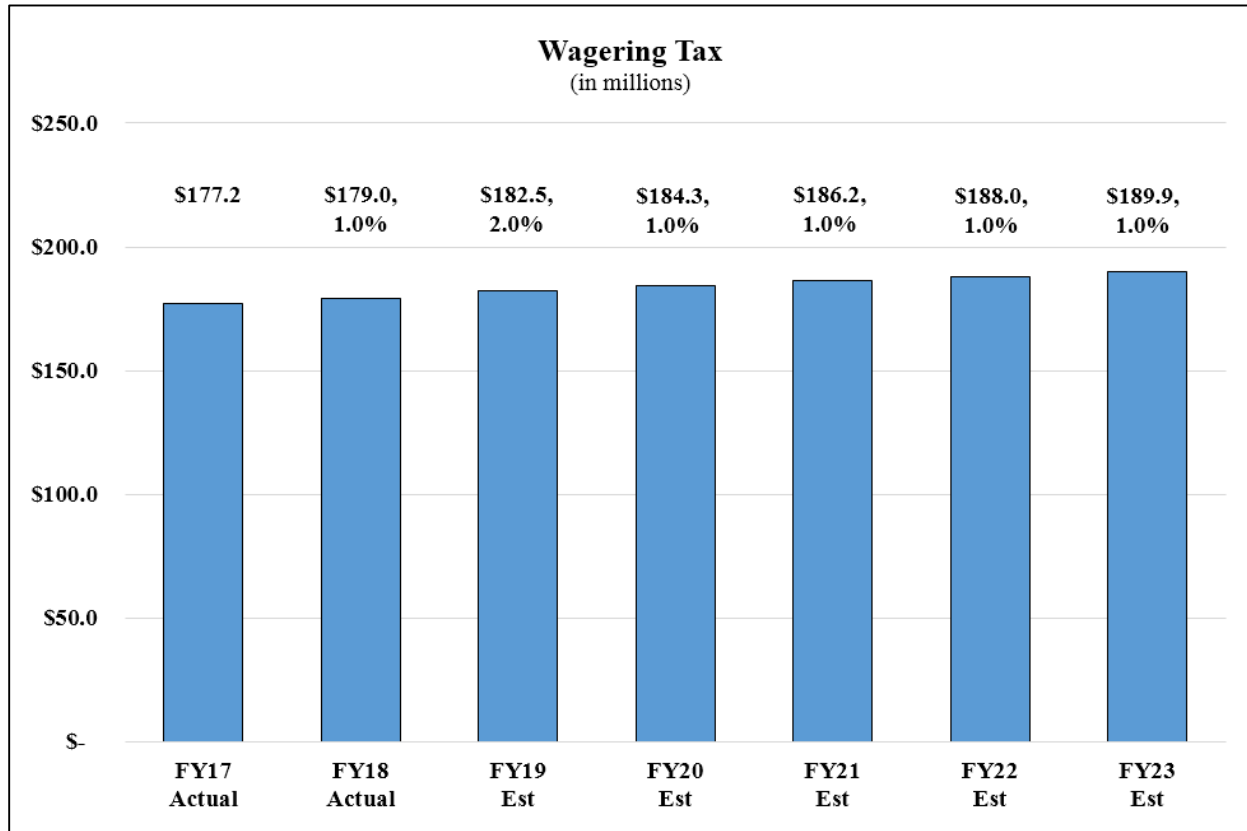
In accordance with the City Income Tax Act (Public Act 284 of 1964, as amended), the City levies a municipal income tax on income from all sources with few exemptions. The current tax rates are 2.4% for residents, 1.2% for non-residents, and 2.0% for corporations, which are the maximum allowed by State law. The primary drivers behind income tax revenue are resident employment levels, non-resident employment levels, and wages. The base year employment estimates are tied to observed local area employment data, and employment growth rates for each employment category are projected independently. Wage growth is projected using observed regional wage data and is assumed to be uniform for each employment category. The FY 2019 estimate represents a 2.4% increase compared to total FY 2018 actuals. This is consistent with year-to-date collections. The FY 2020 – FY 2021 forecast incorporates an anticipated GDP growth slowdown (1.7% in FY 2020, and 1.4% in FY 2021). Significant corporate tax growth has been observed in the past two years, and the forecast assumes a 2% annual growth rate in corporate tax revenue from FY 2019 – FY 2023. The forecast does not include potential upside from new development projects or improved compliance efforts.

## State Revenue Sharing:



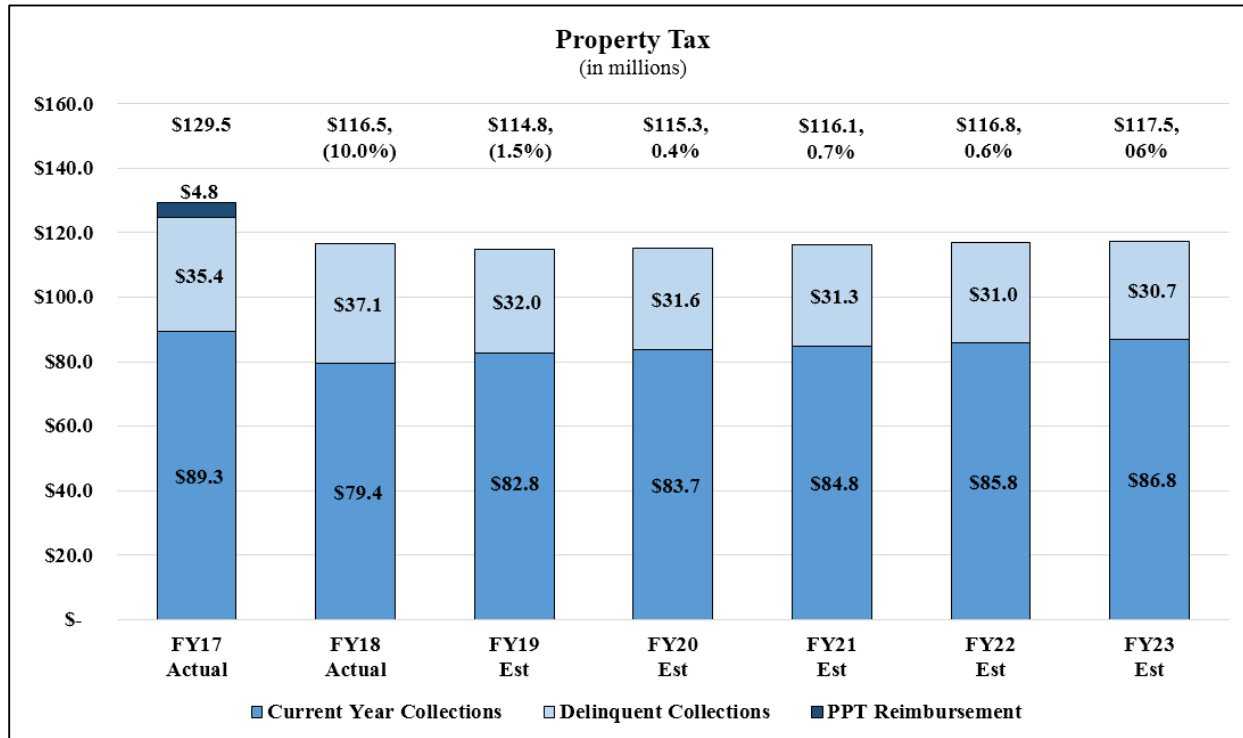
Revenue sharing payments from the State come from two components: constitutional (30%) and statutory (70%). The State Constitution of 1963, Article IX, Section 10, as amended, requires constitutional revenue sharing payments to municipalities based on 15% of the 4% portion of Michigan’s sales tax collections. The State allocates amounts to municipalities based on population as of the last decennial Census. Statutory revenue sharing payments have an underlying formula distribution. However, they are effectively set annually in the State budget and have been held flat in recent years. The forecast assumes growth in the constitutional share based on forecasted State sales tax growth, and includes increases from online sales tax enforcement based on amounts approved by the State of Michigan’s January 2019 Consensus Revenue Estimating Conference. The \$2.3 million reduction assumed in FY 2021 is due to anticipated population declines from the upcoming 2020 Census when compared to the 2010 Census base. The forecast does not assume changes to the annual statutory allocation of \$140.5 million, nor does it include any potential additional supplemental appropriations, which occurred in FY 2018 and FY 2019.

## Wagering Taxes:



In accordance with the Michigan Gaming Control and Revenue Act (Initiated Law 1 of 1996, as amended), a tax on adjusted gross receipts is applied to the three casinos operating in Detroit. The current City wagering tax rate is 11.9% (10.9% in State law, plus 1% pursuant to the casinos' development agreements with the City). The casinos also pay the City a supplemental 1% tax if their gross receipts exceed \$400 million in a calendar year. The City also assesses a municipal service fee from each casino of 1.25% of adjusted gross receipts or \$4 million, whichever is greater (included separately in the "Other Revenues" category). The FY 2020 – FY 2023 four-year forecast assumes the annual growth for adjusted gross receipts to be constant at 1%. The FY 2019 growth rate of 2% compared to FY 2018 Actuals is based on YTD gross receipts. The forecast does not reflect potential changes to casino tax rates and state regulations, including any future revenues associated with proposed initiatives to authorize and tax online gaming and sports betting.

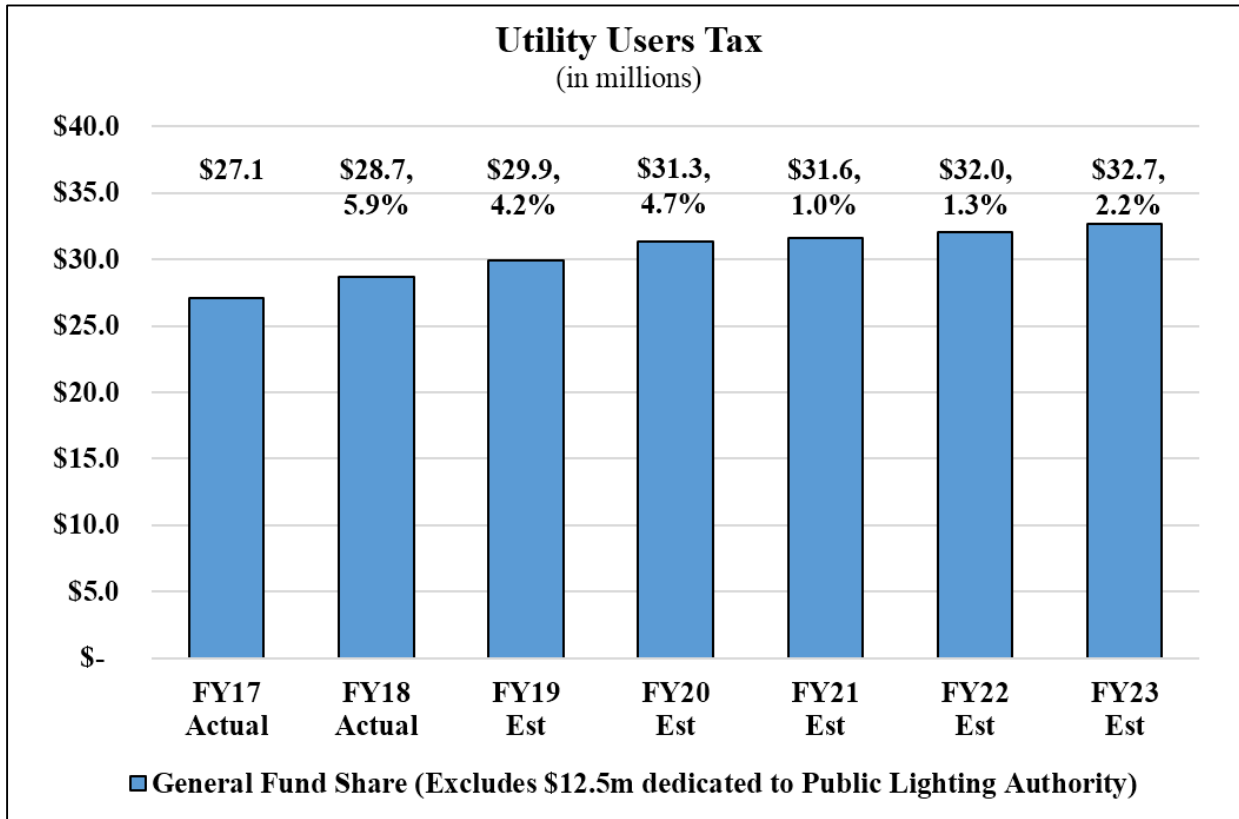
## Property Tax:



In accordance with the General Property Tax Act (Public Act 206 of 1893, as amended), the City levies taxes on real and personal property. Collections consist of current year taxes, delinquent taxes, and related auction proceeds. The City currently levies 19.952 mills for general operating purposes. However, the millage rate and taxable values are subject to various abatements and exemptions. The actual General Fund collections and revenue estimates are net of captured tax increment financing distributions. The amounts above are primarily Ad Valorem property tax revenue. Special Act property tax revenues from Neighborhood Enterprise Zones, Industrial Facilities Tax, and Obsolete Property Rehabilitation Act parcels are included separately in the “Other Revenues” category.

Declines in revenue from FY 2017 – FY 2019 are primarily due to reductions in the tax roll from residential reappraisals and the State-mandated phase-out of industrial personal property, as well as changes in tax increment financing (TIF) capture distributions and one-time audit adjustments. The primary driver for growth during the forecast period is inflation applied to the reported FY 2019 base (2.5% forecasted for US Consumer Price Index for Urban Consumers), which is defined as the cap for growth in taxable value under the State constitution (i.e., Proposal A). The FY 2018 collection rate of 82% is also held constant throughout the forecast period. Other components, such as payments from Wayne County for delinquent real property tax collections and revenue capture by TIF authorities, are also factored into the forecast based on current and historical observations. The forecast does not include additions to the tax base, uncapping of taxable value, or expiring abatements. The forecast also does not include tentative 2019 taxable values released in January 2019, pending March Board of Review and determination of TIF capture changes.

**Utility Users Tax:**



In accordance with the City Utility Users Tax Act (Public Act 100 of 1990, as amended), the City levies a 5% tax on consumption of electricity, gas, steam, and telephone services. Annual changes in the revenue forecast are largely based on inflation adjustments for natural gas and electricity prices, while assuming an average growth rate in household units that is consistent with prior-year trends. The actual General Fund collections and revenue estimates are net of \$12.5 million that are designated to the Public Lighting Authority.

**Other Revenue:**

<b>February 2019 Revenue Estimates, Other Revenue - General Fund</b>									
(in thousands)									
	<b>FY19</b>	<b>FY20</b>	<b>%</b>	<b>FY21</b>	<b>%</b>	<b>FY22</b>	<b>%</b>	<b>FY23</b>	<b>%</b>
	<b>Est</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>
<b>Department</b>									
36th District Court	\$ 18,000	\$ 18,000	0.0%	\$ 18,000	0.0%	\$ 18,000	0.0%	\$ 18,000	0.0%
Appeals and Hearings	1,800	1,800	0.0%	1,800	0.0%	1,800	0.0%	1,800	0.0%
Board of Zoning Appeals	90	90	0.0%	90	0.0%	90	0.0%	90	0.0%
Buildings, Safety Engineering and Environmental	3,632	4,378	20.6%	4,427	1.1%	4,427	0.0%	4,427	0.0%
City Clerk	6	3	-50.0%	3	0.0%	3	0.0%	3	0.0%
City Council	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
Civil Rights, Inclusion and Opportunity	402	402	0.0%	402	0.0%	402	0.0%	402	0.0%
Elections	8	5	-37.5%	1,300	25900%	5	-99.6%	5	0.0%
Fire	19,168	19,476	1.6%	19,779	1.6%	20,089	1.6%	20,404	1.6%
General Services	20,117	20,575	2.3%	20,725	0.7%	20,880	0.7%	21,036	0.7%
Health	2,453	2,551	4.0%	2,574	0.9%	2,598	0.9%	2,622	0.9%
Housing & Revitalization	7,740	4,138	-46.5%	2,518	-39.1%	2,518	0.0%	2,518	0.0%
Human Resources	1,133	1,161	2.5%	1,190	2.5%	1,220	2.5%	1,244	2.0%
Law	1,938	1,977	2.0%	2,016	2.0%	2,056	2.0%	2,096	1.9%
Mayor's Office	135	50	-63.0%	50	0.0%	50	0.0%	50	0.0%
Municipal Parking	12,700	12,700	0.0%	12,700	0.0%	12,700	0.0%	12,700	0.0%
Non-Departmental	108,250	114,640	5.9%	115,442	0.7%	116,284	0.7%	117,156	0.7%
Office of the Chief Financial Officer	4,000	5,412	35.3%	5,544	2.4%	5,681	2.5%	5,820	2.4%
Planning and Development	46	25	-45.7%	25	0.0%	25	0.0%	25	0.0%
Police	7,319	5,076	-30.6%	5,076	0.0%	5,076	0.0%	5,076	0.0%
Public Lighting	1,600	1,200	-25.0%	1,000	-16.7%	800	-20.0%	600	-25.0%
Public Works	4,296	4,296	0.0%	4,296	0.0%	4,296	0.0%	4,296	0.0%
<b>Total, Other Revenue - General Fund</b>	<b>\$214,852</b>	<b>\$ 217,975</b>	<b>1.5%</b>	<b>\$218,977</b>	<b>0.5%</b>	<b>\$219,020</b>	<b>0.0%</b>	<b>\$ 220,390</b>	<b>0.6%</b>

The Other Revenue category includes various revenues administered by individual departments related to their activities. Such departmental revenues include various fees, fines, and other charges. Examples include business licenses, inspection charges, permits, emergency medical services fees, blight tickets, parking fees and fines, court fees and fines, and various cost reimbursements.

These revenues are estimated to be \$214.8 million in FY 2019, and are expected to increase by 1.5% in FY 2020 to \$218.0 million. The FY 2020 – FY 2023 General Fund estimates do not include \$6.1 million in various dedicated fees shifting to special revenue funds. This shift explains the significant FY 2020 decreases in Mayor’s Office and Police. FY 2020 – FY 2023 Non-Departmental revenues include an additional \$3.9 million due to the State fully funding the payments in lieu of taxes (PILOTs) on State-owned facilities for fire services, per PA 616 of 2018. FY 2020 also assumes salary reimbursement increases compared to FY 2019 based on anticipated staffing levels, with modest trend growth assumed in FY 2021 – FY 2023.

The gradual annual decline in Public Lighting Authority is related to the decommissioning of the City’s former public lighting electrical grid. The FY 2020 – FY 2021 decline in Housing and Revitalization is attributable to \$5.2 million in FY 2019 and \$1.6 million in FY 2020 one-time asset sales that are not assumed to continue in FY 2021 – FY 2023. From FY 2020 – FY 2023, the majority of departmental revenues are based on modest trend growth or flat annual collections, with the exception of the Public Lighting Department item noted above and the Department of Elections for anticipated presidential primary reimbursements in FY 2021.



## Non-General Fund Revenues:

<b>February 2019 Revenue Estimates, Non-General Fund</b>									
(in thousands)									
	<b>FY19</b>	<b>FY20</b>	<b>%</b>	<b>FY21</b>	<b>%</b>	<b>FY22</b>	<b>%</b>	<b>FY23</b>	<b>%</b>
	<b>Est</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>	<b>Est</b>	<b>Change</b>
<b>Special Revenue Fund</b>									
City of Detroit Capital Projects	-	600		-	-100.0%	-		-	
Civil Rights, Inclusion and Opportunity Fund	1,000	1,000	0.0%	1,000	0.0%	1,000	0.0%	1,000	0.0%
Community Development Block Grant	32,788	32,788	0.0%	32,788	0.0%	32,788	0.0%	32,788	0.0%
Construction Code Fund	24,480	24,480	0.0%	24,480	0.0%	24,480	0.0%	24,480	0.0%
Donated Funds	-	6,100		6,100	0.0%	6,100	0.0%	6,100	0.0%
Drug Law Enforcement Fund	2,010	2,225	10.7%	2,225	0.0%	2,225	0.0%	2,225	0.0%
Elections Voter's Education Donations	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
Fire Grants Fund	1,084	84	-92.3%	84	0.0%	60	-28.6%	60	0.0%
Health Grants Fund	26,358	26,429	0.3%	27,222	3.0%	28,039	3.0%	28,880	3.0%
Homeland Security Grants Fund	800	977	22.1%	977	0.0%	977	0.0%	977	0.0%
Library	31,846	32,941	3.4%	32,241	-2.1%	32,843	1.9%	33,551	2.2%
Major Street	85,124	90,796	6.7%	97,751	7.7%	97,751	0.0%	97,751	0.0%
Mayor's Office Grants Fund	85	148	74.4%	148	0.0%	148	0.0%	148	0.0%
Office of Grants Management Grants Fund	100	-	-100.0%	-		-		-	
Planning Department Grants	250	250	0.0%	250	0.0%	250	0.0%	250	0.0%
Police Grants Fund	6,533	6,075	-7.0%	6,075	0.0%	6,075	0.0%	6,075	0.0%
Public Act 48 of 2002 Fund	3,000	3,000	0.0%	3,000	0.0%	3,000	0.0%	3,000	0.0%
Public Lighting Decommissioning Reserve Fund	312	312	0.0%	312	0.0%	312	0.0%	312	0.0%
Public Works Grants Fund	50	-	-100.0%	-		-		-	
Recreation/General Services Grants Fund	1,105	980	-11.3%	5	-99.5%	5	0.0%	5	0.0%
Sinking Interest & Redemption	51,200	64,466	25.9%	62,657	-2.8%	47,816	-23.7%	43,991	-8.0%
Solid Waste Management	53,541	53,541	0.0%	54,411	1.6%	55,307	1.6%	56,230	1.7%
Special Housing Rehab Programs	4,013	6,881	71.5%	6,881	0.0%	6,881	0.0%	6,881	0.0%
Urban Development Action and Discretionary Grants	2,683	2,676	-0.3%	2,676	0.0%	2,676	0.0%	2,676	0.0%
<b>Enterprise Fund</b>									
Airport Operation and Maintenance	2,168	2,348	8.3%	2,348	0.0%	2,348	0.0%	2,348	0.0%
Detroit Water and Sewerage Department	647,809	612,533	-5.4%	539,459	-11.9%	539,459	0.0%	539,459	0.0%
Municipal Parking	9,238	9,238	0.0%	9,238	0.0%	9,238	0.0%	9,238	0.0%
Transportation	135,073	140,256	3.8%	140,712	0.3%	141,176	0.3%	141,651	0.3%
<b>Total, Non-General Fund Revenue</b>	<b>\$ 1,122,653</b>	<b>\$ 1,121,127</b>	<b>-0.1%</b>	<b>\$ 1,053,043</b>	<b>-6.1%</b>	<b>\$ 1,040,957</b>	<b>-1.1%</b>	<b>\$ 1,040,078</b>	<b>-0.1%</b>

Non-General Fund revenues include enterprise, grant and special revenue funds. Major examples include water and sewer bills, bus fares, solid waste fees, intergovernmental aid for roads and transit, library taxes, and other dedicated revenues. The FY 2019 and FY 2021 variances in the Detroit Water and Sewerage Department is largely explained by the anticipated drawdown of one-time bond fund resources. The FY 2020 increase in Sinking Interest and Redemption (Debt Service Fund) is explained by the recently issued 2018 Unlimited Tax General Obligation bond series. Funds receiving General Fund contributions to supplement their revenue include the Detroit Department of Transportation and the Coleman A. Young Municipal Airport.

### **Potential Risks to the Revenue Forecast:**

In addition to the economic outlook risks discussed earlier in this report, the following represent additional fiscal risks to the proposed revenue forecast:

- Potential decreases in statutory State Revenue Sharing due to State budget pressures.
- Potential legislation placing additional limitations on local revenues.
- Uncertainty over the Wayne County property tax foreclosure process and its impact on City revenue.
- Potential federal aid reductions due to projected federal budget deficits.
- Potential losses in casino revenue if new or expanded casinos or other gaming substitutes open nearby, and if past revenue trends do not continue.

### **Potential Revenue Enhancement Opportunities:**

The February 2019 revenue estimates do not take into consideration potential changes to existing tax law or proposed State and local policies that have an impact on City revenues. The following potential statewide policy initiatives could yield additional revenue opportunities for the City.

- Increased State-shared revenues from recreational marijuana sales.
- Potential increases in the statutory share of State Revenue sharing.
- Increased wagering tax revenue from potential authorization of online gaming and sports betting, assuming no adverse substitution effect to existing brick and mortar gaming.

Additionally, the following City initiatives could provide further improved revenues:

- Revenue gains from continued economic development projects throughout the city.
- Property tax collection rate improvements from the City's Plan Ahead Property Tax Savings Program.
- Potential increases in property tax revenue from additional increases in taxable value from uncapping as property sales occur and as abatements expire.
- Income tax collection improvements from new withholding legislation for employers outside the city.
- Departmental revenue gains from forthcoming initiatives in emergency medical services billing, parking meters, new golf course activity, and police towing.
- Revenues collected from one-time sales of City-owned real property and other non-recurring revenues that are not anticipated in these estimates.

## Appendix:

### Changes from the September Revenue Conference, FY 2019 – FY 2023:

February 2019 Revenue Estimates vs. September 2018 Revenue Estimates															
(in millions)															
	FY19			FY20			FY21			FY22			FY23		
	Sept	Feb	% Change	Sept	Feb	% Change	Sept	Feb	% Change	Sept	Feb	% Change	Sept	Feb	% Change
<b>Major Taxes</b>															
Income Tax	\$ 310.3	\$ 317.5	2.3%	\$ 321.9	\$ 324.3	0.7%	\$ 334.0	\$ 332.7	-0.4%	\$ 347.7	\$ 343.0	-1.4%	\$ 362.0	\$ 352.2	-2.7%
State Revenue Sharing	201.5	203.2	0.8%	202.6	204.5	0.9%	200.3	202.2	0.9%	201.7	204.0	1.1%	203.2	205.9	1.3%
Wagering Tax	180.9	182.5	0.9%	182.7	184.3	0.9%	184.6	186.2	0.9%	186.4	188.0	0.9%	188.3	189.9	0.8%
Property Tax	130.5	125.8	-3.6%	131.5	126.5	-3.8%	132.6	127.6	-3.8%	133.9	128.6	-4.0%	135.1	129.6	-4.1%
Tax Increment Financing Capture	(11.6)	(11.0)	-5.2%	(11.7)	(11.2)	-4.3%	(11.8)	(11.5)	-2.5%	(12.0)	(11.8)	-1.7%	(12.1)	(12.1)	0.0%
<b>Net Property Tax</b>	<b>118.9</b>	<b>114.8</b>	<b>-3.4%</b>	<b>119.8</b>	<b>115.3</b>	<b>-3.8%</b>	<b>120.8</b>	<b>116.1</b>	<b>-3.9%</b>	<b>121.9</b>	<b>116.8</b>	<b>-4.2%</b>	<b>123.0</b>	<b>117.5</b>	<b>-4.5%</b>
Utility Users Tax	43.0	42.4	-1.4%	44.4	43.8	-1.4%	44.5	44.1	-0.9%	44.8	44.5	-0.7%	45.4	45.2	-0.4%
To Public Lighting Authority	(12.5)	(12.5)	0.0%	(12.5)	(12.5)	0.0%	(12.5)	(12.5)	0.0%	(12.5)	(12.5)	0.0%	(12.5)	(12.5)	0.0%
<b>Net Utility Users Tax</b>	<b>30.5</b>	<b>29.9</b>	<b>-2.0%</b>	<b>31.9</b>	<b>31.3</b>	<b>-1.9%</b>	<b>32.0</b>	<b>31.6</b>	<b>-1.3%</b>	<b>32.3</b>	<b>32.0</b>	<b>-0.9%</b>	<b>32.9</b>	<b>32.7</b>	<b>-0.6%</b>
<b>Subtotal, Major Taxes</b>	<b>\$ 842.1</b>	<b>\$ 847.9</b>	<b>0.7%</b>	<b>\$ 858.9</b>	<b>\$ 859.7</b>	<b>0.1%</b>	<b>\$ 871.7</b>	<b>\$ 868.8</b>	<b>-0.3%</b>	<b>\$ 890.0</b>	<b>\$ 883.8</b>	<b>-0.7%</b>	<b>\$ 909.4</b>	<b>\$ 898.2</b>	<b>-1.2%</b>
<b>Other Revenues</b>	<b>\$ 210.2</b>	<b>\$ 214.8</b>	<b>2.2%</b>	<b>\$ 214.1</b>	<b>\$ 218.0</b>	<b>1.8%</b>	<b>\$ 216.7</b>	<b>\$ 218.9</b>	<b>1.0%</b>	<b>\$ 216.7</b>	<b>\$ 219.0</b>	<b>1.1%</b>	<b>\$ 217.7</b>	<b>\$ 220.4</b>	<b>1.2%</b>
<b>Grand Total, General Fund</b>	<b>\$1,052.3</b>	<b>\$ 1,062.7</b>	<b>1.0%</b>	<b>\$ 1,073.0</b>	<b>\$ 1,077.7</b>	<b>0.4%</b>	<b>\$ 1,088.4</b>	<b>\$ 1,087.7</b>	<b>-0.1%</b>	<b>\$ 1,106.7</b>	<b>\$ 1,102.8</b>	<b>-0.4%</b>	<b>\$ 1,127.1</b>	<b>\$ 1,118.6</b>	<b>-0.8%</b>

### General Fund Revenues by Major Use:

February 2019 Revenue Estimates, General Fund										
(in millions)										
	FY19	FY20	%	FY21	%	FY22	%	FY23	% Change	
	Est	Est	Change	Est	Change	Est	Change	Est	Change	
<b>Major Taxes</b>										
Income Tax	\$ 317.5	\$ 324.3	2.1%	\$ 332.7	2.6%	\$ 343.0	3.1%	\$ 352.2	2.7%	
State Revenue Sharing	203.2	204.5	0.6%	202.2	-1.1%	204.0	0.9%	205.9	0.9%	
Wagering Tax	182.5	184.3	1.0%	186.2	1.0%	188.0	1.0%	189.9	1.0%	
Property Tax	125.8	126.5	0.6%	127.6	0.9%	128.6	0.8%	129.6	0.8%	
Tax Increment Financing Capture	(11.0)	(11.2)	1.8%	(11.5)	2.7%	(11.8)	2.6%	(12.1)	2.5%	
<b>Net Property Tax</b>	<b>114.8</b>	<b>115.3</b>	<b>0.4%</b>	<b>116.1</b>	<b>0.7%</b>	<b>116.8</b>	<b>0.6%</b>	<b>117.5</b>	<b>0.6%</b>	
Utility Users Tax	42.4	43.8	3.3%	44.1	0.7%	44.5	0.9%	45.2	1.6%	
To Public Lighting Authority	(12.5)	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%	
<b>Net Utility Users Tax</b>	<b>29.9</b>	<b>31.3</b>	<b>4.7%</b>	<b>31.6</b>	<b>1.0%</b>	<b>32.0</b>	<b>1.3%</b>	<b>32.7</b>	<b>2.2%</b>	
<b>Subtotal, Major Taxes</b>	<b>\$ 847.9</b>	<b>\$ 859.7</b>	<b>1.4%</b>	<b>\$ 868.8</b>	<b>1.1%</b>	<b>\$ 883.8</b>	<b>1.7%</b>	<b>\$ 898.2</b>	<b>1.6%</b>	
<b>Other Revenue</b>										
Contributions and Transfers	\$ 17.1	\$ 17.1	0.0%	\$ 17.1	0.0%	\$ 17.1	0.0%	\$ 17.1	0.0%	
Fines, Forfeits and Penalties	21.1	21.1	0.0%	21.1	0.0%	21.1	0.0%	21.1	0.0%	
Licenses, Permits and Inspection Charges	11.3	11.5	1.8%	11.6	0.9%	11.7	0.9%	11.8	0.9%	
Other Taxes, Assessments, and Interest	23.0	26.8	16.5%	26.5	-1.1%	26.2	-1.1%	25.9	-1.1%	
Sales & Charges for Services	113.8	119.8	5.3%	120.9	0.9%	122.2	1.1%	123.5	1.1%	
Other (Below \$10 Million)	28.5	21.7	-23.9%	21.7	0.0%	20.7	-4.6%	21.0	1.4%	
<b>Subtotal, Other Revenue</b>	<b>\$ 214.8</b>	<b>\$ 218.0</b>	<b>1.5%</b>	<b>\$ 218.9</b>	<b>0.4%</b>	<b>\$ 219.0</b>	<b>0.0%</b>	<b>\$ 220.4</b>	<b>0.6%</b>	
<b>Grand Total, General Fund</b>	<b>\$ 1,062.7</b>	<b>\$ 1,077.7</b>	<b>1.4%</b>	<b>\$ 1,087.7</b>	<b>0.9%</b>	<b>\$ 1,102.8</b>	<b>1.4%</b>	<b>\$ 1,118.6</b>	<b>1.4%</b>	

**FY 2018 Actuals for Budget Comparison and CAFR Reconciliation:**

The FY 2018 Comprehensive Annual Financial Report (CAFR) categorizes revenue actuals differently from the FY 2018 Actuals reflected in the February 2019 Revenue Estimating Conference Report and the City’s budget. In order to provide a consistent comparison to the FY 2019 – FY 2023 revenue estimates, the following adjustments were made to the FY 2018 Actuals compared to the FY 2018 CAFR presentation:

<b>FY18 Actuals - CAFR vs. Budget Reconciliation</b>							
(in thousands)							
	<b>Income Tax</b>	<b>Wagering Tax</b>	<b>State Revenue Sharing</b>	<b>Property Tax</b>	<b>Utility Users Tax</b>	<b>Other Revenue</b>	<b>Total</b>
<b>Total Revenue, FY18 CAFR</b>	<b>\$ 310.2</b>	<b>\$ 179.0</b>	<b>\$ 199.9</b>	<b>\$ 119.1</b>	<b>\$ 28.7</b>	<b>\$ 169.1</b>	<b>\$ 1,006.0</b>
<i>Reclassify Special Act Property Taxes</i>				(2.6)		2.6	-
<i>Removal of Expenses Netted Against Revenues</i>						1.7	1.7
<i>Removal of Non-Fund 1000 Adjustments</i>						1.1	1.1
<i>Restore Revenues Netted Against Expenditures</i>						6.5	6.5
<i>Transfers / Other Financing Sources</i>						29.5	29.5
<b>Total Revenue, FY18 Baseline Revenue</b>	<b>\$ 310.2</b>	<b>\$ 179.0</b>	<b>\$ 199.9</b>	<b>\$ 116.5</b>	<b>\$ 28.7</b>	<b>\$ 210.5</b>	<b>\$ 1,044.8</b>