



Revenue Estimating Conference

February 13, 2023

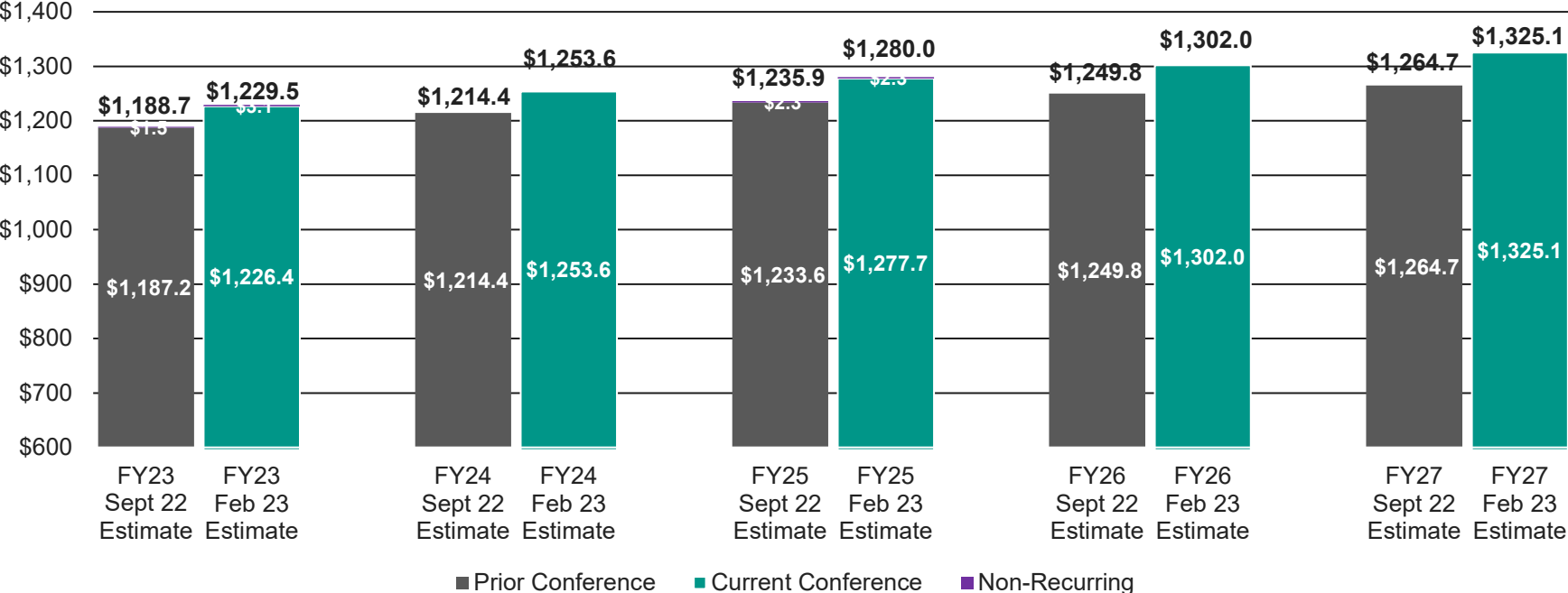
**Office of the Chief Financial Officer
Office of Budget**

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 (FY2023) and the next four years (FY2024-FY2027).
- They set the revenues the City uses for the FY 2024 budget and FY 2024–FY 2027 Four-Year Financial Plan

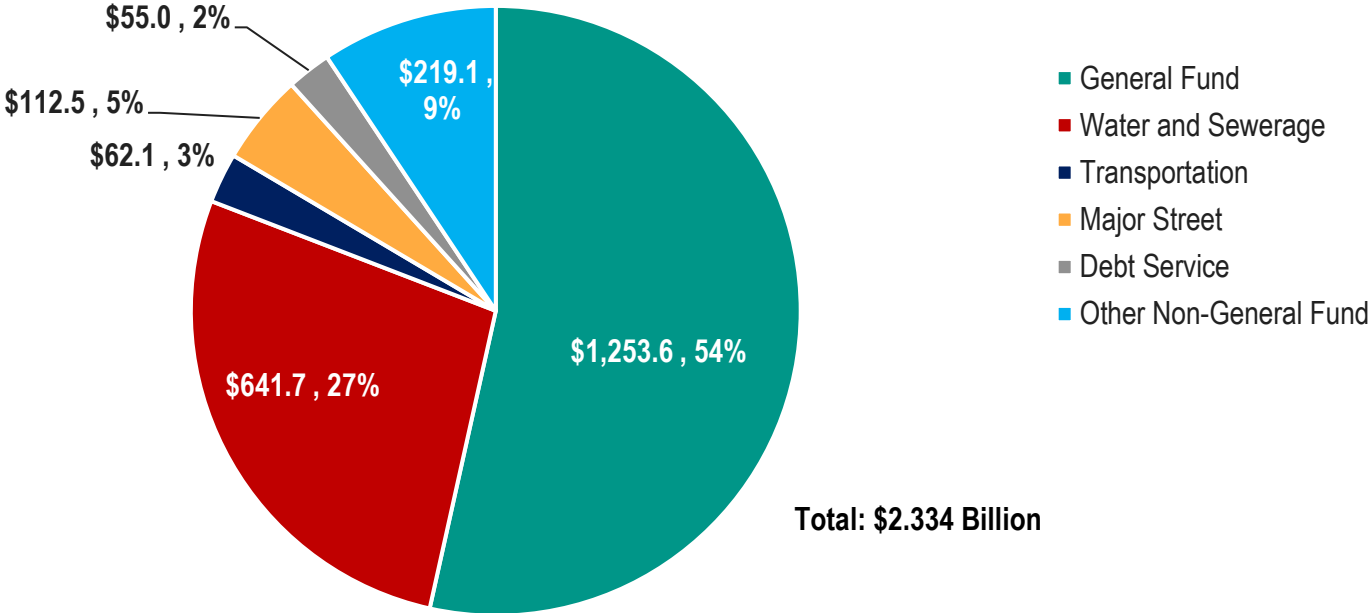
General Fund Revenue Comparison to September 2022 Conference

(\$ in millions)

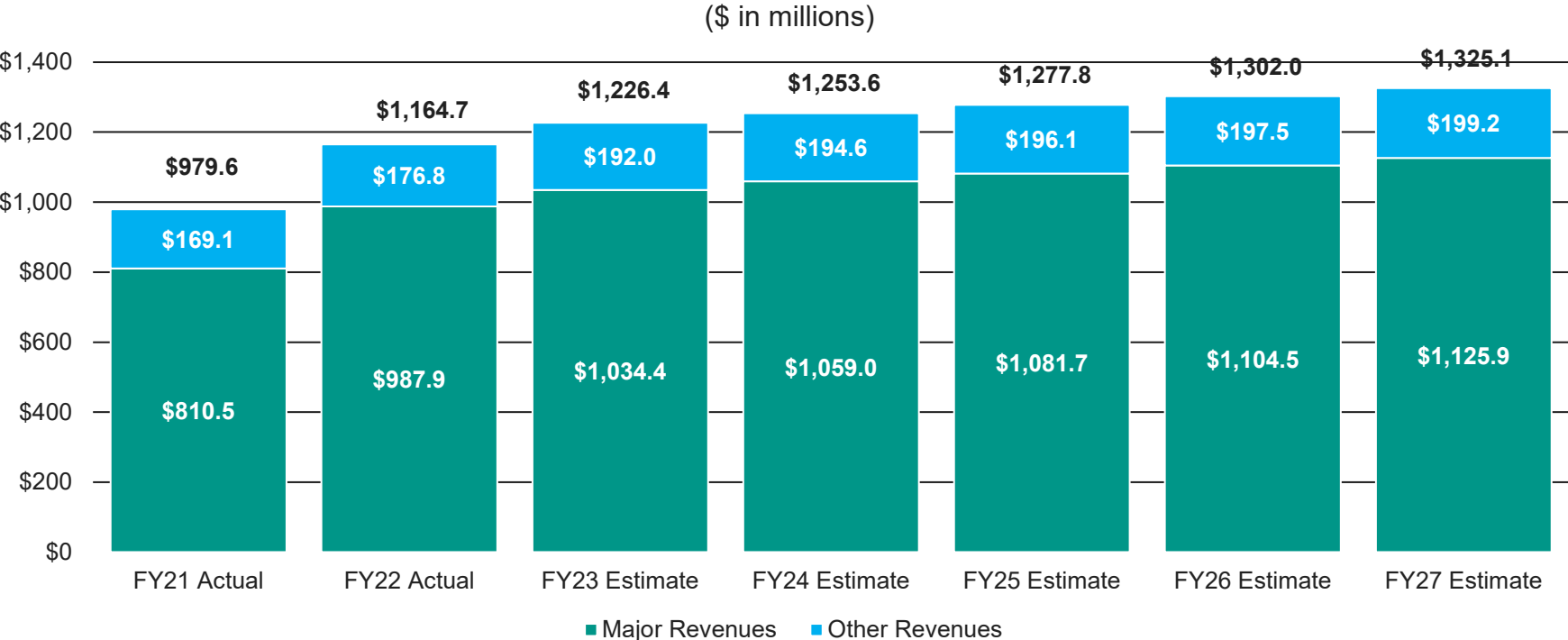


FY 2024 Revenue Summary, All Funds

(\$ in millions)



Recurring General Fund Revenue

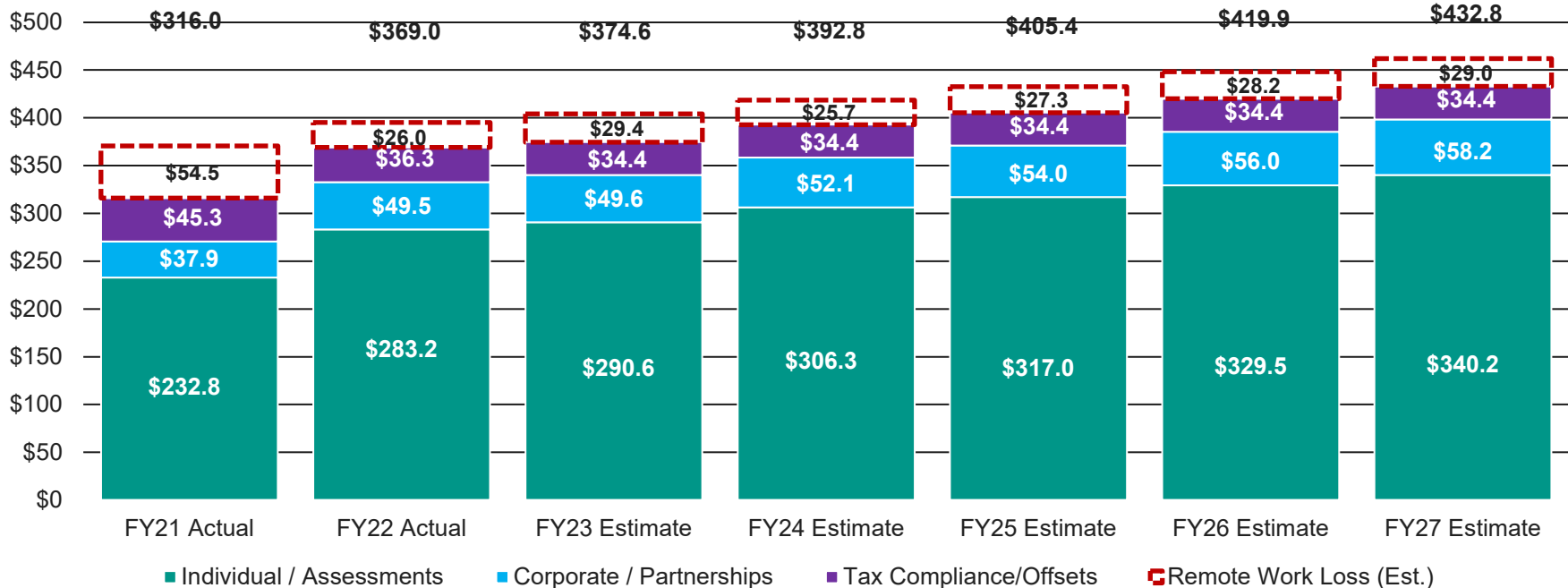


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments. Income Tax Compliance/Offsets and Monthly delinquent property tax payments were categorized as one-time in past forecasts but are now categorized as recurring revenue.



Recurring Income Tax with Remote Work Loss

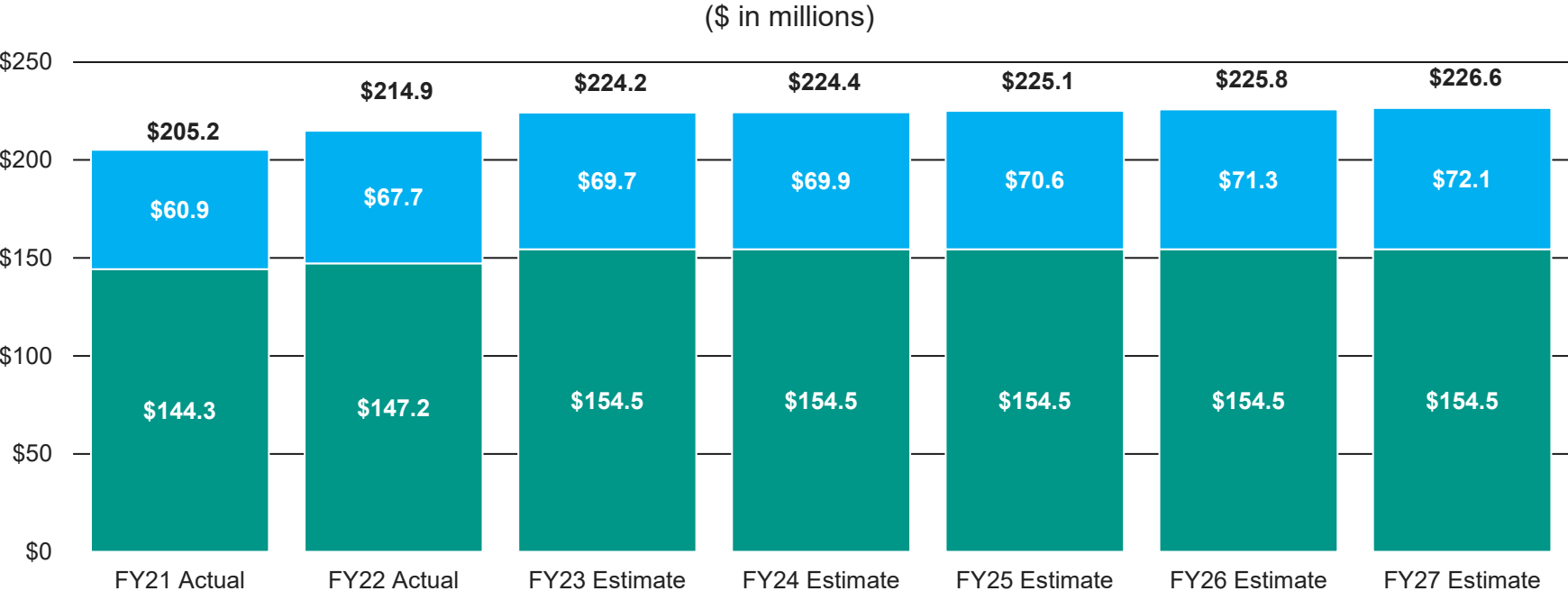
(\$ in millions)



Note: FY20 Actuals exclude (\$3.3M) in one-time corporate refunds. FY22 actuals exclude \$33.2M in one-time corporate tax payments. Tax Compliance/Offsets were categorized as one-time in past forecasts but are now categorized as recurring revenue.



Recurring State Revenue Sharing



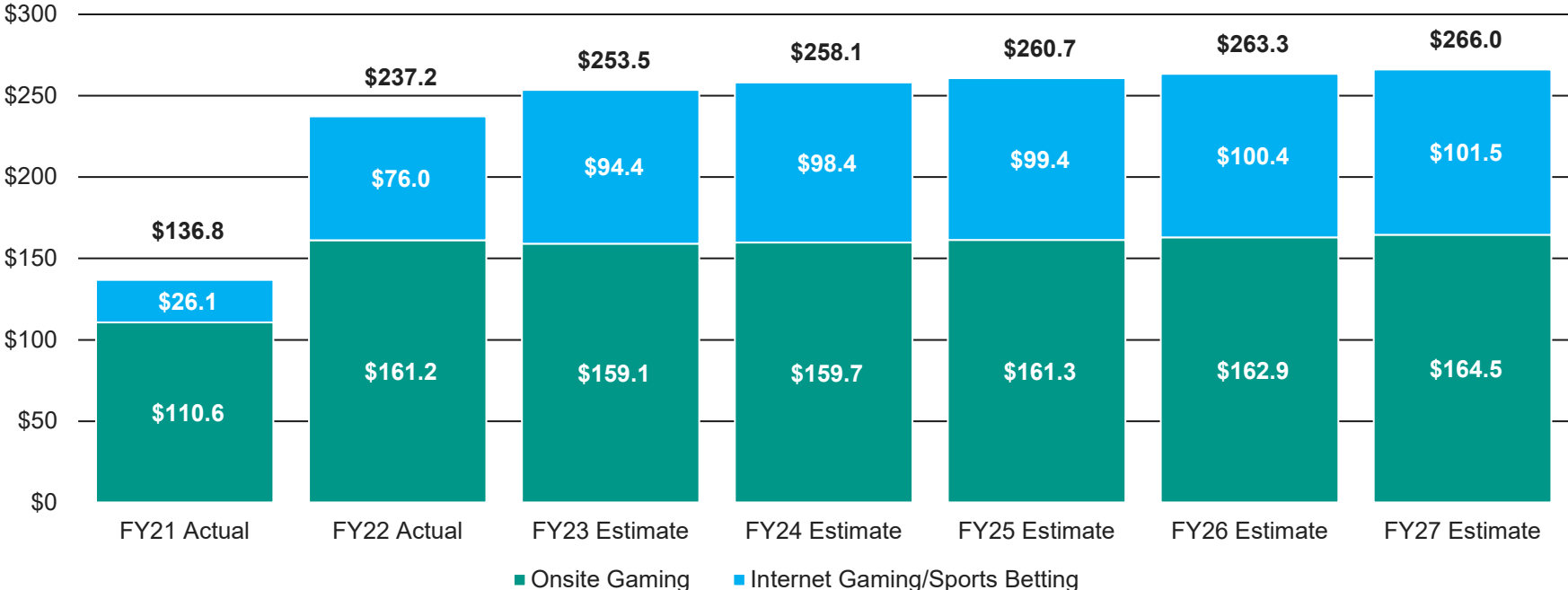
■ Statutory ■ Constitutional

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. Excludes one-time hold harmless funds received for FY21 and FY22 to offset losses due to 2020 US Census. Excludes one-time 1% increase in statutory revenue sharing for FY23.



Recurring Wagering Tax

(\$ in millions)

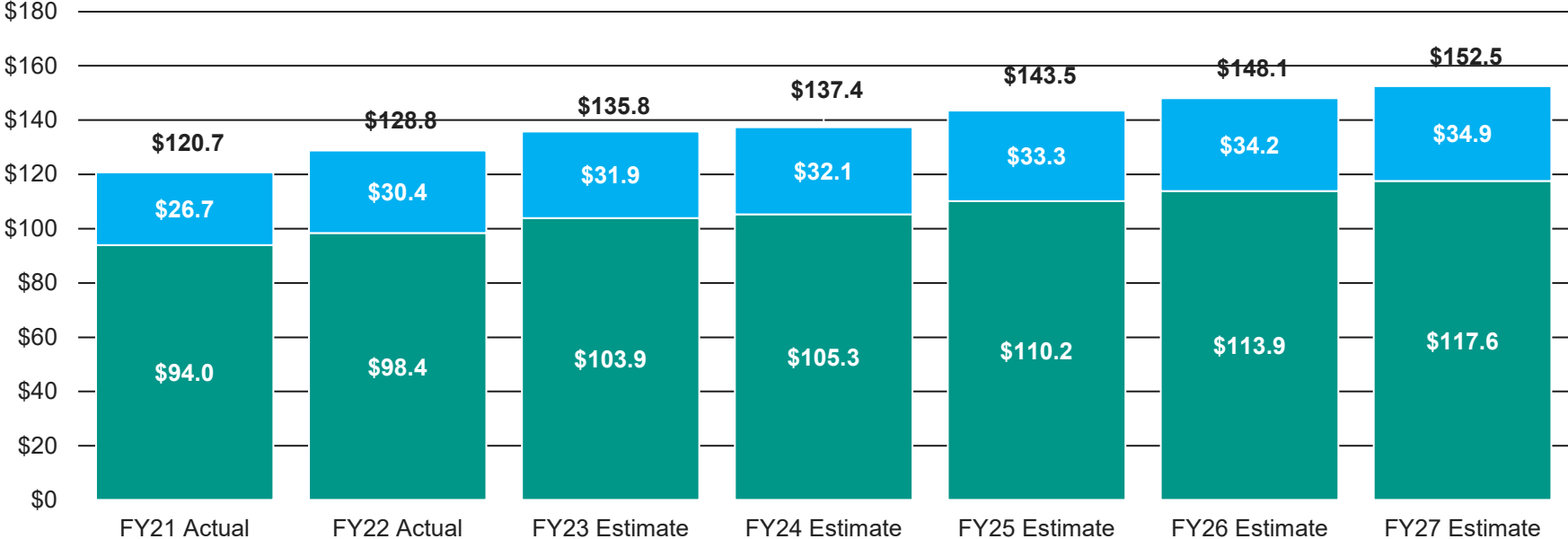


Note: FY22 excludes \$40.5M one-time hold harmless payment from State based on FY21 revenue losses.



Recurring Property Tax

(\$ in millions)



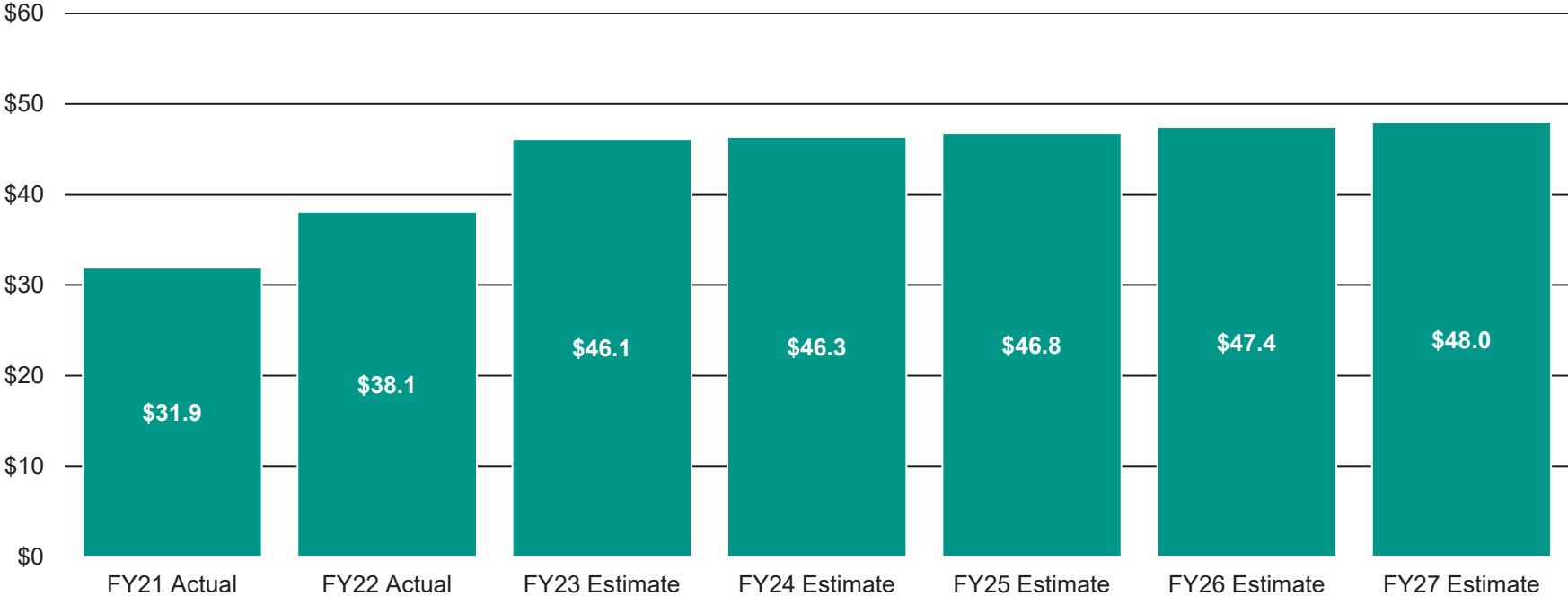
■ Current Year / Special Acts ■ Delinquent Collections

Note: Includes ad valorem taxes and special act taxes (e.g., Neighborhood Enterprise Zone, Industrial Facilities Exemption, and Obsolete Property Rehabilitation Act). Monthly delinquent tax payments were categorized as one-time in past forecasts but are now categorized as recurring revenue.



Utility Users Tax

(\$ in millions)

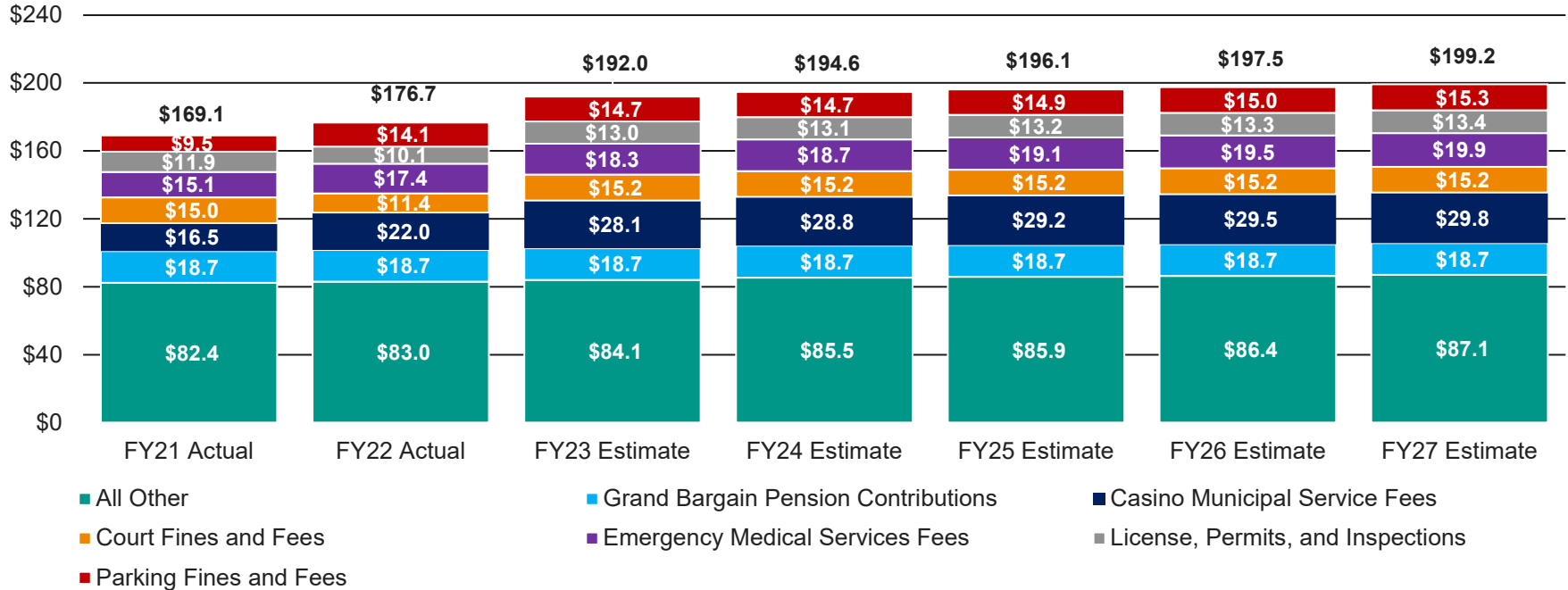


Note: Utility Users Tax for the General Fund is net of annual \$12.5M dedicated to Public Lighting Authority debt service.



Recurring Other Revenues (General Fund)

(\$ in millions)

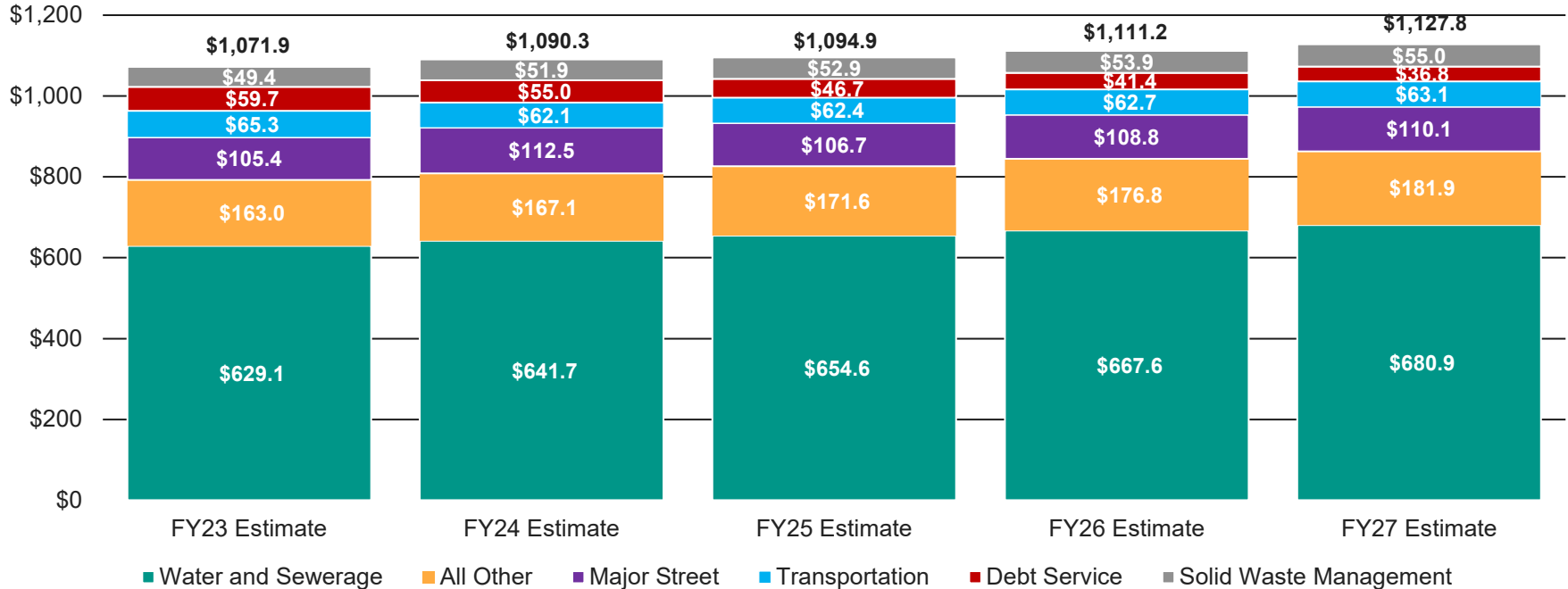


Note: Recurring revenues exclude one-time items like asset sales and bond proceeds.



Non-General Fund Revenues

(\$ in millions)



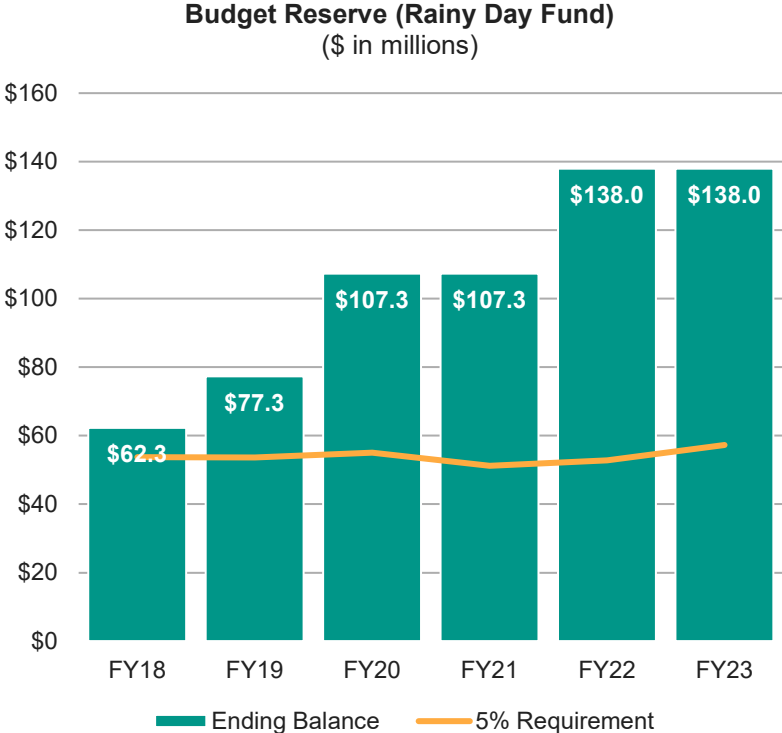
Note: Does not include contributions and transfers across funds (e.g., General Fund contribution to Transportation).



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 City ultimately did not draw down any of its Rainy Day Fund during the pandemic, maintaining it at \$107.3M
- The FY23 Adopted Budget authorized another \$30.7M to the Rainy Day Fund, for a total of \$138M (12% of the budget).



Revenue Risks and Potential Upside

Downside Risks

- Slower casino revenue growth than expected
- High inflation lasting longer than anticipated
- Larger than anticipated impacts from Federal Reserve monetary policy
- Lower natural gas demand than anticipated
- Longer lasting changes in economic activity due to workplace and behavior changes
- Slower employment and wage growth than forecasted

Potential Upside (not counted in current revenue estimates)

- 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
- Additional State Revenue Sharing from annual State budget process.
- Higher taxable property values than forecasted