

# MAYOR'S PROPOSED BUDGET

## Fiscal Year 2023-2024 Budget and FY24-27 Four-Year Financial Plan

March 3, 2023

Budget Details at [detroitmi.gov/budget](https://detroitmi.gov/budget)



**TAKE PART**  
Opportunity Rising



# Introduction

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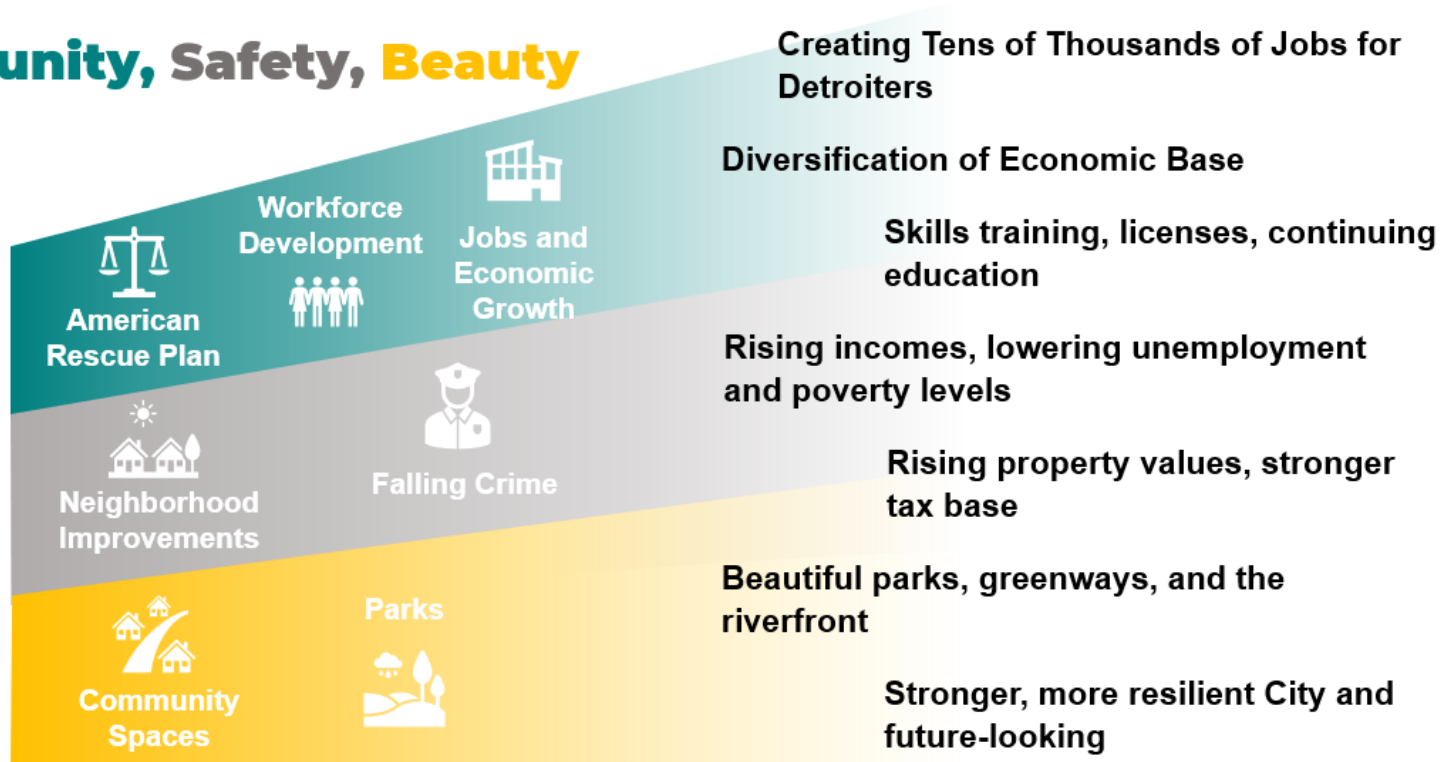
Through this budget, we keep our promise to our retirees and sustain services for Detroiters.

- For ten years, the Plan of Adjustment (POA) let us pause pension payments to improve City services, invest in our community, and improve the quality of life for Detroiters
- Many thought we could not accomplish these goals, and the 2024 “pension cliff” would be insurmountable
- Together, we have grown our economy, our revenues, and our reserves to help us meet this moment
  - Ten years ago, income tax revenues were \$254 million, and the POA projected \$313 million by FY24
  - Now, we are projecting \$393 million in FY24 (more than double the POA projected growth)
  - We have amassed \$473 million in the Retiree Protection Fund to pay our pensions and protect our budget
- With economic risks ahead, we must continue our commitment to long-term fiscal stability and growth
  - This budget is balanced, despite pressure to keep up with current services and competitive wages
  - This budget increases our Rainy Day Fund to \$150 million, to ensure we can withstand a downturn
  - This budget provides property tax relief, by reducing our debt millage by two mills over two years

# FY 2024 Budget – 10 Years in the Making

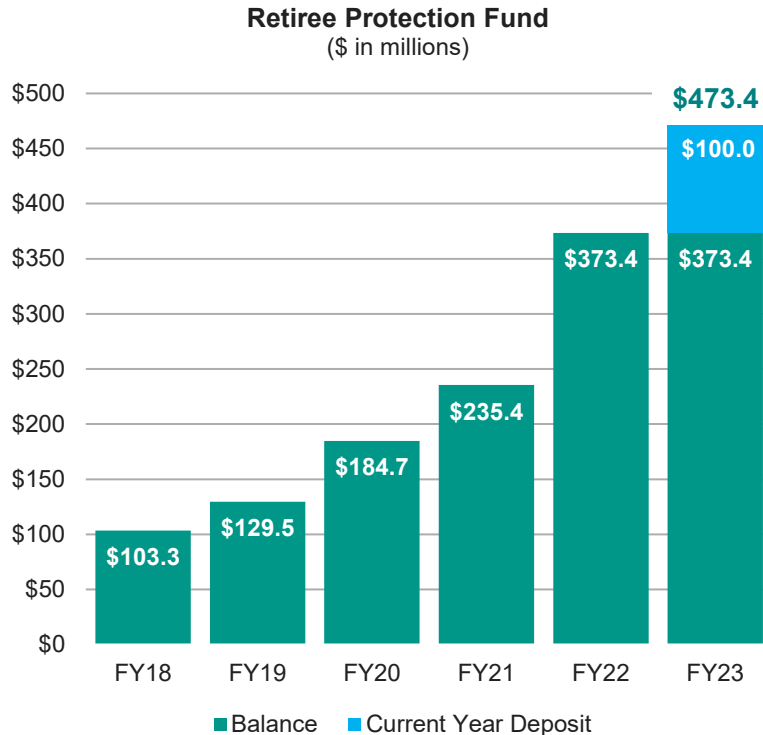
We have focused on improving quality of life, restoring services, growing our tax base, and ensuring fiscal stability.

## Opportunity, Safety, Beauty



# Retiree Protection Fund (“RPF”)

In 2017, the City created the RPF to prepare for the coming “pension cliff” and provide a smooth budget transition.



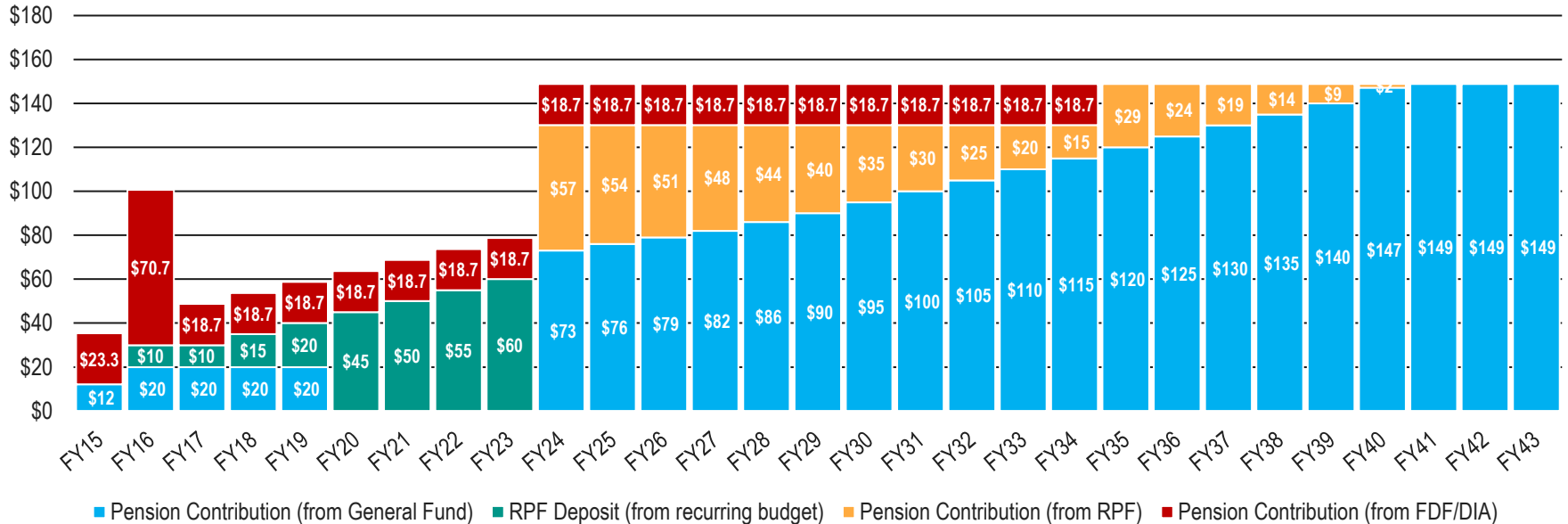
- The City has been setting aside surplus funds for 8 years to prepare for our legacy pension payments resuming in FY24
- Going beyond the POA requirements, the City has amassed over \$463 million in the RPF, an irrevocable trust fund exclusively for future pension payments
- This week, City Council approved another \$10 million deposit in FY23 to bring the total to over \$473 million before FY24
- The RPF strategy has always been two-fold:
  1. Build a pension funding resource to gradually draw down every year beginning in FY24
  2. Gradually build room in the recurring City budget for annual pension contributions before FY24 begins

\* RPF total excludes unrealized loss reflected in FY22 audit that will be restored when investments held to maturity.

# Retiree Protection Fund (“RPF”)

Without the RPF, the “pension cliff” would be \$130 million. Instead, only \$73 million will come from the budget.

General Fund Legacy Pension Contributions  
(\$ in millions)

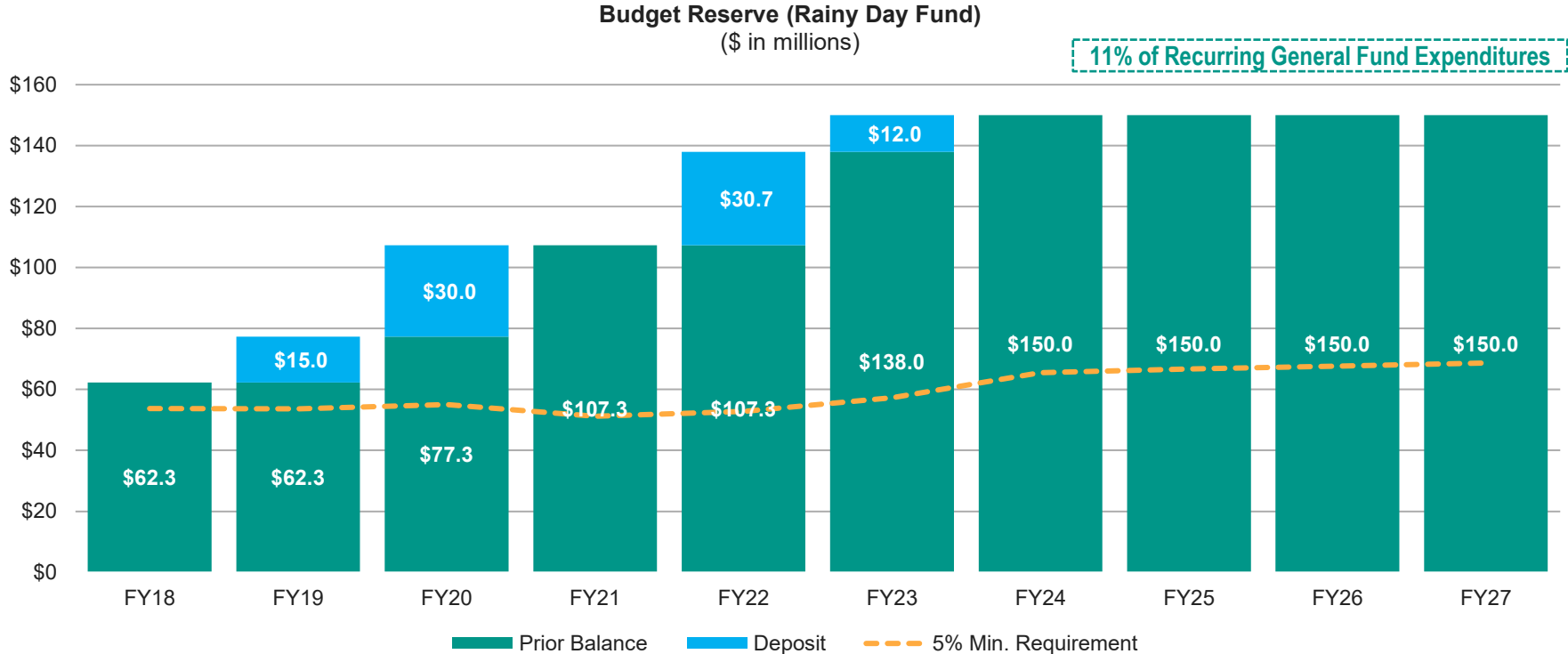


- Projections of annual legacy pension contributions based on FY22 Actuarial Valuations. “Grand Bargain” contributions from the Foundation for Detroit’s Future and the Detroit Institute of Arts (FDF/DIA) continue through FY34.
- Excludes \$190 million of RPF deposits from one-time funds. Excludes \$194.8 million “Grand Bargain” contribution from State of Michigan in FY15. DWSD and Library liabilities and contributions are separate.



# Budget Reserve (“Rainy Day Fund”)

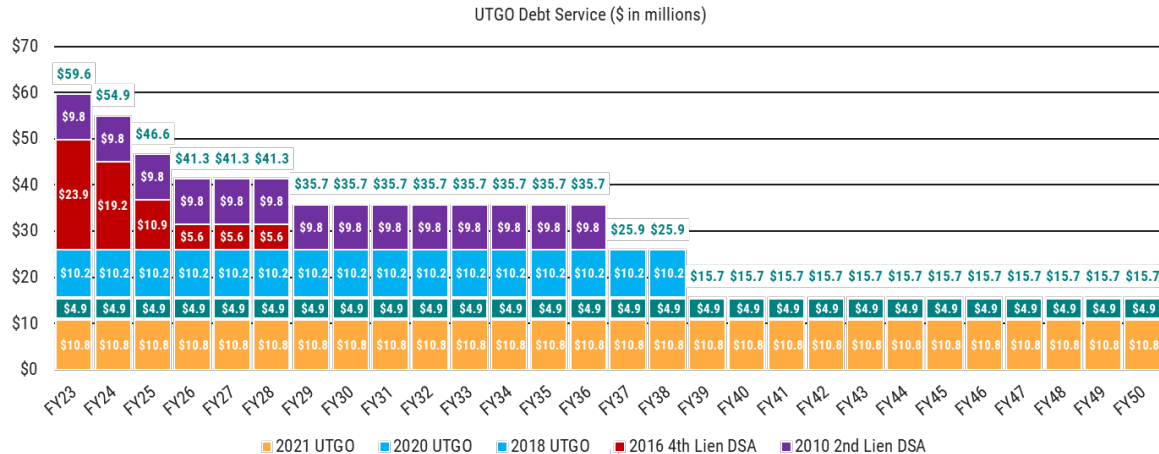
The budget continues to build up our Rainy Day Fund to protect City services against downside risks.



# Property Tax Relief

Thanks to our growing tax base and sound financial management, we can reduce taxes by 2 mills over 2 years.

- We levy 9 mills to repay voter-approved debt like our Proposal N Bonds financing neighborhood blight removal
- With our debt service decreasing and our tax base growing, we can provide tax relief by lowering our debt millage:
  - This summer, we can reduce it by 1 mill, down to 8 mills
  - Next summer, we can reduce it by another 1 mill, down to 7 mills
  - Homeowners with \$50,000 in taxable value will save \$50 this year and \$100 next year



# Budget Overview



# Budget Calendar

Budget development is a year-long planning process with multiple points of community engagement.

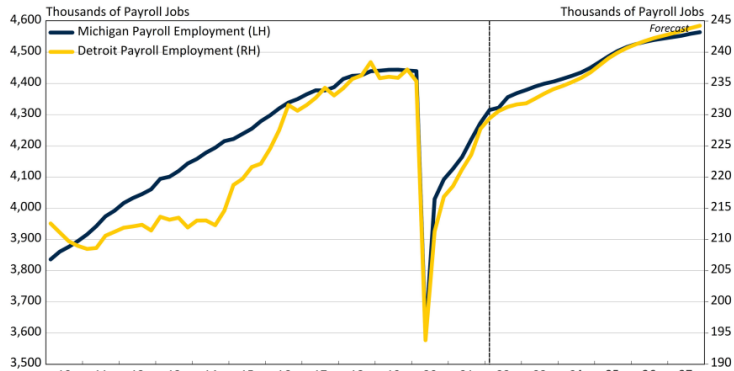


# Detroit Economic Forecast

Forecast predicts Detroit economy buoyed by demand for blue-collar jobs, but with economic risks ahead.

- The [Detroit Economic Outlook for 2022-2027](#) predicts our local economy will continue growing at a steady pace, despite projections of a mild national recession in late 2023 to early 2024.
- City-led efforts to provide good-paying jobs to Detroiters have built up resilience to withstand a downturn, but risks remain, such as delays in development and infrastructure projects and lasting effects from remote work.

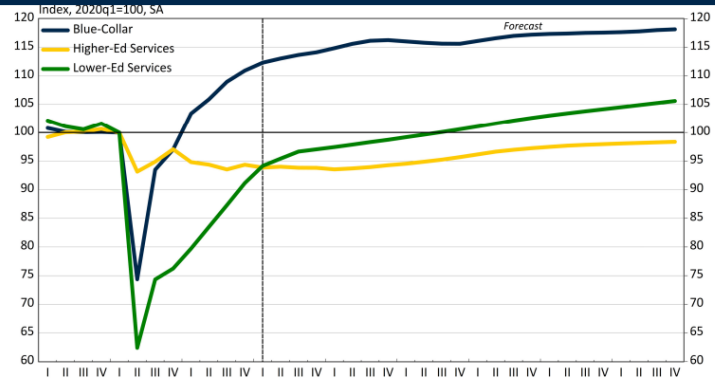
Seasonally Adjusted Quarterly Average Payroll Employment, City of Detroit and Michigan



RSQE: February 2023



City of Detroit Employment by Industry Group



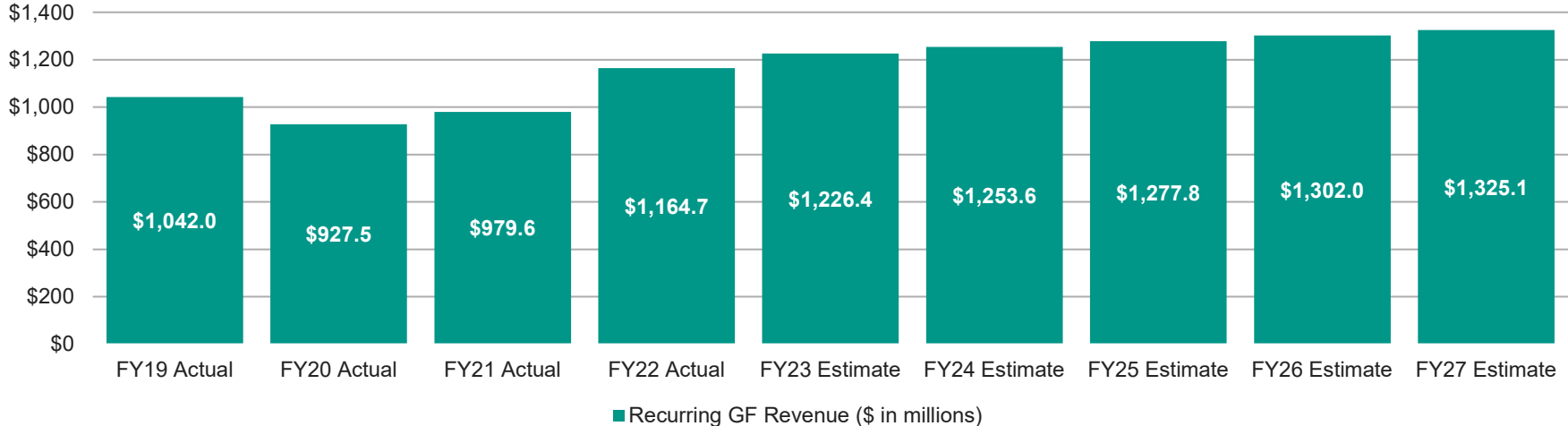
RSQE: February 2023



# Detroit Revenue Estimating Conference

Revenue outlook continues to improve despite economic challenges at the national level, but risks remain.

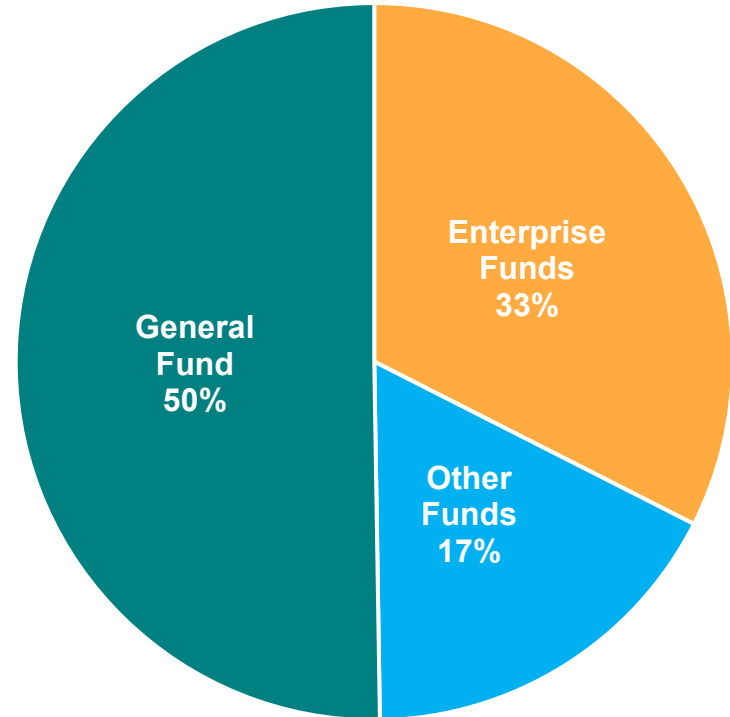
- On Feb 13, the [Revenue Estimating Conference](#) approved General Fund recurring revenues at over \$1.25 billion for FY24, up \$107 million (9.3%) over the FY23 Adopted Budget and \$27 million (2.2%) over revised FY23 estimates.
- Updated forecasts show employment stability in key sectors, boosting income tax collections as wages continue to catch up to prices. Risks remain, such as the Fed’s fight against inflation, remote work, and casino activity.



# FY 2024 Mayor's Proposed Budget – All Funds

Half the budget is supported by general purpose taxes and other revenues, the rest is for restricted purposes.

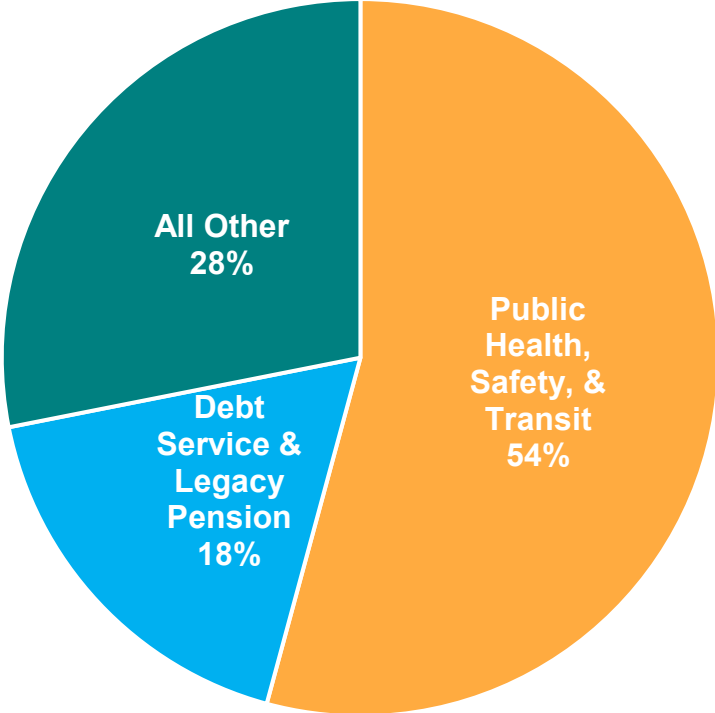
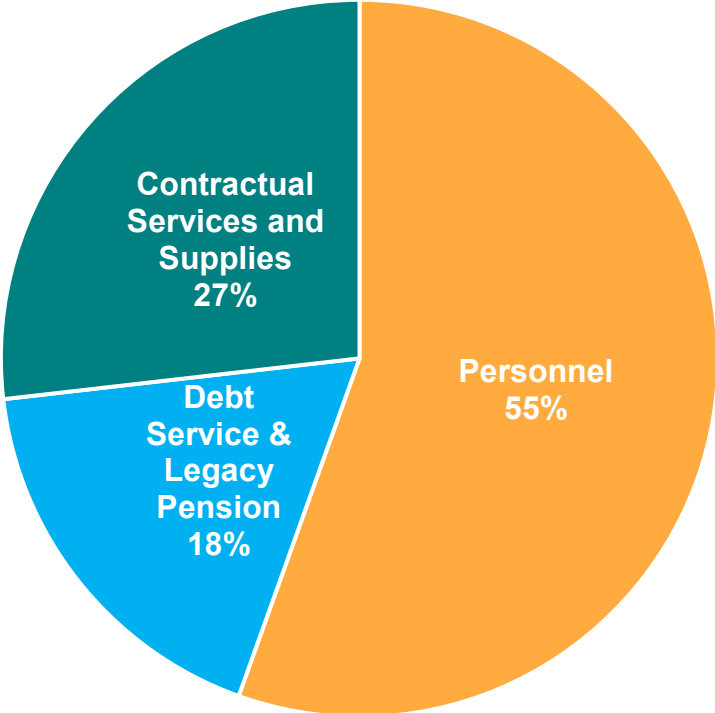
\$ in millions	<u>FY23 Adopted</u>	<u>FY24 Proposed</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>General Fund</b>				
Recurring Budget	\$ 1,146.5	\$ 1,310.8	\$ 164.3	14.3%
One-Time Budget	76.7	2.6	(74.1)	-96.6%
<b>Total</b>	<b>\$ 1,223.2</b>	<b>\$ 1,313.4</b>	<b>\$ 90.2</b>	<b>7.4%</b>
<b>Other Funds</b>				
Recurring Budget	\$ 1,171.5	\$ 1,245.3	\$ 73.8	6.3%
One-Time Budget	58.6	55.1	(3.5)	-6.0%
<b>Total</b>	<b>\$ 1,230.1</b>	<b>\$ 1,300.4</b>	<b>\$ 70.3</b>	<b>5.7%</b>
<b>All Funds</b>				
Recurring Budget	\$ 2,318.0	\$ 2,556.1	\$ 238.1	10.3%
One-Time Budget	135.3	57.7	(77.6)	-57.4%
<b>Total</b>	<b>\$ 2,453.3</b>	<b>\$ 2,613.8</b>	<b>\$ 160.5</b>	<b>6.5%</b>
<b>Total FTE</b>	<b>10,512.85</b>	<b>10,791.35</b>	<b>278.50</b>	<b>2.6%</b>
General Fund	7,106.35	7,226.85	120.50	1.7%
Other Funds	3,406.50	3,564.50	158.00	4.6%



The Retiree Protection Fund will cover the \$57.2 million difference between the General Fund recurring revenues and recurring budget.

# FY 2024 Mayor's Proposed Budget – General Fund

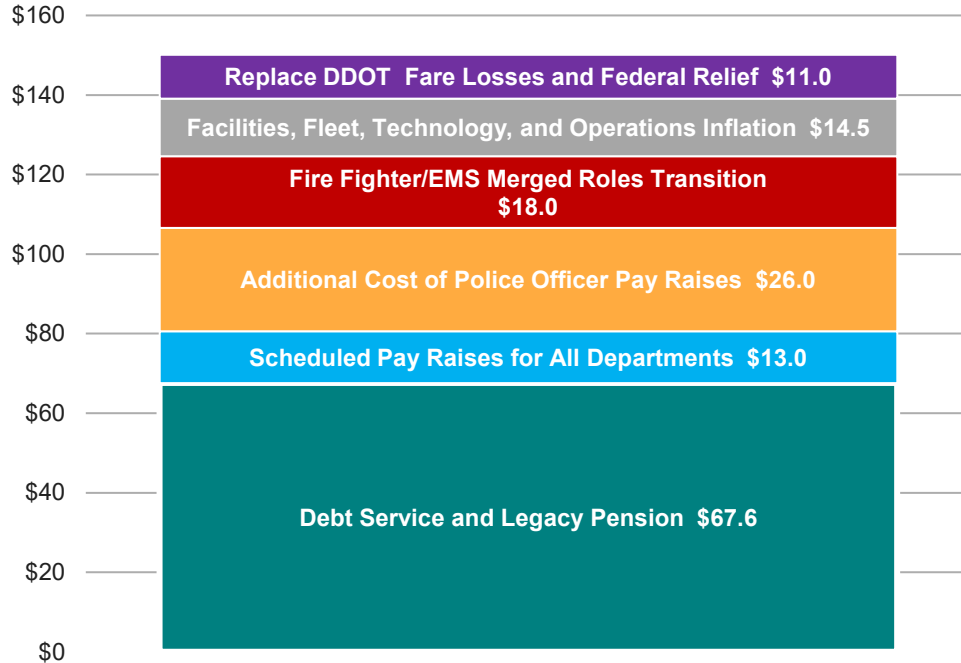
Over half the \$1.3 billion General Fund budget is for public health, safety, parks, recreation, and transit.



# Building the FY 2024 Budget

Our budget follows through on past promises and sustains the growing cost of City services.

General Fund Current Services Budget Growth  
(\$ in millions)



FY24 General Fund Recurring Budget  
(\$ in millions)

Recurring Revenues	\$ 1,253.6
Retiree Protection Fund Use	57.2
<b>Budget Resources</b>	<b>\$ 1,310.8</b>
Prior Year Base Budget	\$ 1,146.5
Debt Service and Legacy Pension	67.6
All Other Current Services Growth	82.5
<b>Current Services Spending</b>	<b>\$ 1,296.6</b>
% growth over prior year base	13.1%
<b>Remainder for New Spending</b>	<b>\$ 14.2</b>
% growth over prior year base	1.2%

# FY 2024 Budget Highlights

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After following through on past promises, the budget has limited capacity for new recurring spending.

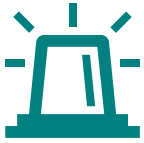


- Workforce Investments reserve for more competitive wage rates: \$7 million
- Unified Greenway Partnership operations and maintenance: \$3.5 million
- Animal Care Expansion for new facility opening this year: \$1.6 million
- Behavioral Health and Public Health staff: \$1 million
- Project Clean Slate for 1,000 more expungements: \$0.6 million
- New team to drive neighborhood economic development: \$0.5 million



# FY 2024 Budget Highlights

One-time surplus allows us to make targeted investments to improve services and the quality of life for Detroiters.



- Public Safety Fleet and Equipment: \$13.5 million
- Emergency Demolitions: \$13.3 million
- Freeway Cleanup: \$6 million



- Alley Cleanup: \$5 million
- Vacant Property Grounds Maintenance: \$2.6 million
- Commercial Corridor and Graffiti Cleanup: \$2.4 million
- Parks Amenities and Greenway Equipment: \$2 million
- Affordable Housing Development and Preservation Fund: \$1.8 million
- Neighborhood Planning Studies: \$1.4 million





# FY 2024 Mayor's Proposed Budget – General Fund

Revenues are keeping up with operating costs, the Retiree Protection Fund allows us to phase in legacy pensions.

General Fund	FY23 Adopted	FY24 Proposed	Change (\$)	Change (%)	Use of Prior Year Surplus (\$ in millions)
<b>Recurring Revenues</b>					<b>Prior Year Surplus</b> \$ <b>229.6</b>
Income Tax	\$ 316.7	\$ 392.8	\$ 76.1	24.0%	
State Revenue Sharing	208.3	224.4	16.1	7.7%	
Wagering Tax	265.5	258.1	(7.4)	-2.8%	FY23 Supplemental approved Feb 2023 \$ 156.5
Property Tax	121.0	137.4	16.4	13.6%	
Utility Users Tax	32.3	46.3	14.0	43.3%	
Other Revenues	202.7	194.6	(8.1)	-4.0%	
<b>Total Recurring Revenues</b>	<b>\$ 1,146.5</b>	<b>\$ 1,253.6</b>	<b>\$ 107.1</b>	<b>9.3%</b>	
<b>Retiree Protection Fund (RPF) Use</b>	<b>\$ -</b>	<b>\$ 57.2</b>	<b>\$ 57.2</b>	<b>-</b>	
<b>Recurring Expenditures</b>					<b>FY24 Proposed Budget</b>
Personnel	\$ 666.2	\$ 727.1	\$ 60.9	9.1%	Blight and Beautification \$ 31.1
Non-Personnel	315.7	351.5	35.8	11.3%	Capital Improvements 18.3
Retiree Protection Fund Deposit	60.0	-	(60.0)	-100.0%	Rainy Day Fund Deposit 12.0
Legacy Pension Contributions	18.7	148.9	130.2	696.3%	Affordable Housing and Other 2.3
Debt Service	85.9	83.3	(2.6)	-3.0%	<b>Total</b> \$ <b>63.7</b>
<b>Total Recurring Expenditures</b>	<b>\$ 1,146.5</b>	<b>\$ 1,310.8</b>	<b>\$ 164.3</b>	<b>14.3%</b>	<b>Remainder for Contingency</b> \$ <b>9.4</b>
<b>Revenues/RPF less Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
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Retiree Protection Fund	\$ 473.4	\$ 416.2	\$ (57.2)	-12.1%	
Rainy Day Fund	\$ 138.0	\$ 150.0	\$ 12.0	8.7%	

# Four-Year Financial Plan – General Fund

Recurring Spending must be balanced with recurring revenues. Legacy Pension phases in with declining RPF use.

General Fund (\$ in millions)	FY23 Adopted	FY24 Proposed	FY25 Forecast	FY26 Forecast	FY27 Forecast
<b>Recurring Revenues</b>					
Income Tax	\$ 316.7	\$ 392.8	\$ 405.4	\$ 419.9	\$ 432.8
State Revenue Sharing	208.3	224.4	225.2	225.9	226.6
Wagering Tax	265.5	258.1	260.7	263.3	266.0
Property Tax	121.0	137.4	143.5	148.0	152.5
Utility Users Tax	32.3	46.3	46.8	47.4	48.0
Other Revenues	202.7	194.6	198.4	197.5	199.2
<b>Total Recurring Revenues</b>	<b>\$ 1,146.5</b>	<b>\$ 1,253.6</b>	<b>\$ 1,280.0</b>	<b>\$ 1,302.0</b>	<b>\$ 1,325.1</b>
<b>Retiree Protection Fund (RPF) Use</b>	<b>\$ -</b>	<b>\$ 57.2</b>	<b>\$ 54.2</b>	<b>\$ 51.2</b>	<b>\$ 48.2</b>
<b>Recurring Expenditures</b>					
Personnel	\$ 666.2	\$ 727.1	\$ 740.0	\$ 752.8	\$ 769.1
Non-Personnel	315.7	351.5	359.8	366.0	369.7
Retiree Protection Fund Deposit	60.0	-	-	-	-
Legacy Pension Contributions	18.7	148.9	148.9	148.9	148.9
Debt Service	85.9	83.3	85.5	85.5	85.6
<b>Total Recurring Expenditures</b>	<b>\$ 1,146.5</b>	<b>\$ 1,310.8</b>	<b>\$ 1,334.2</b>	<b>\$ 1,353.2</b>	<b>\$ 1,373.3</b>
<b>Revenues/RPF less Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Retiree Protection Fund	\$ 473.4	\$ 416.2	\$ 362.0	\$ 310.8	\$ 262.6
Rainy Day Fund	\$ 138.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0

# FY 2024 Budget Takeaways

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Our ninth balanced budget since 2014 keeps our promise to our retirees and sustains services for Detroiters.

Balancing the budget is a challenge we must meet every year. This year's budget reflects:

**Resilience** in our economy and in our revenues, thanks to our work together growing our tax base and delivering economic opportunity and quality of life for Detroiters

**Promise** to our retirees, whose pension benefits will be funded thanks to our work together planning for annual legacy pension payments resuming in 2024

**Pressure** in current services spending to keep up with inflation and competitive City wages

**Relief** for our taxpayers, by reducing our debt millage by 2 mills over the next 2 years

# Questions?