

ADOPTED BUDGET

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

April 28, 2023

Budget Details at detroitmi.gov/budget

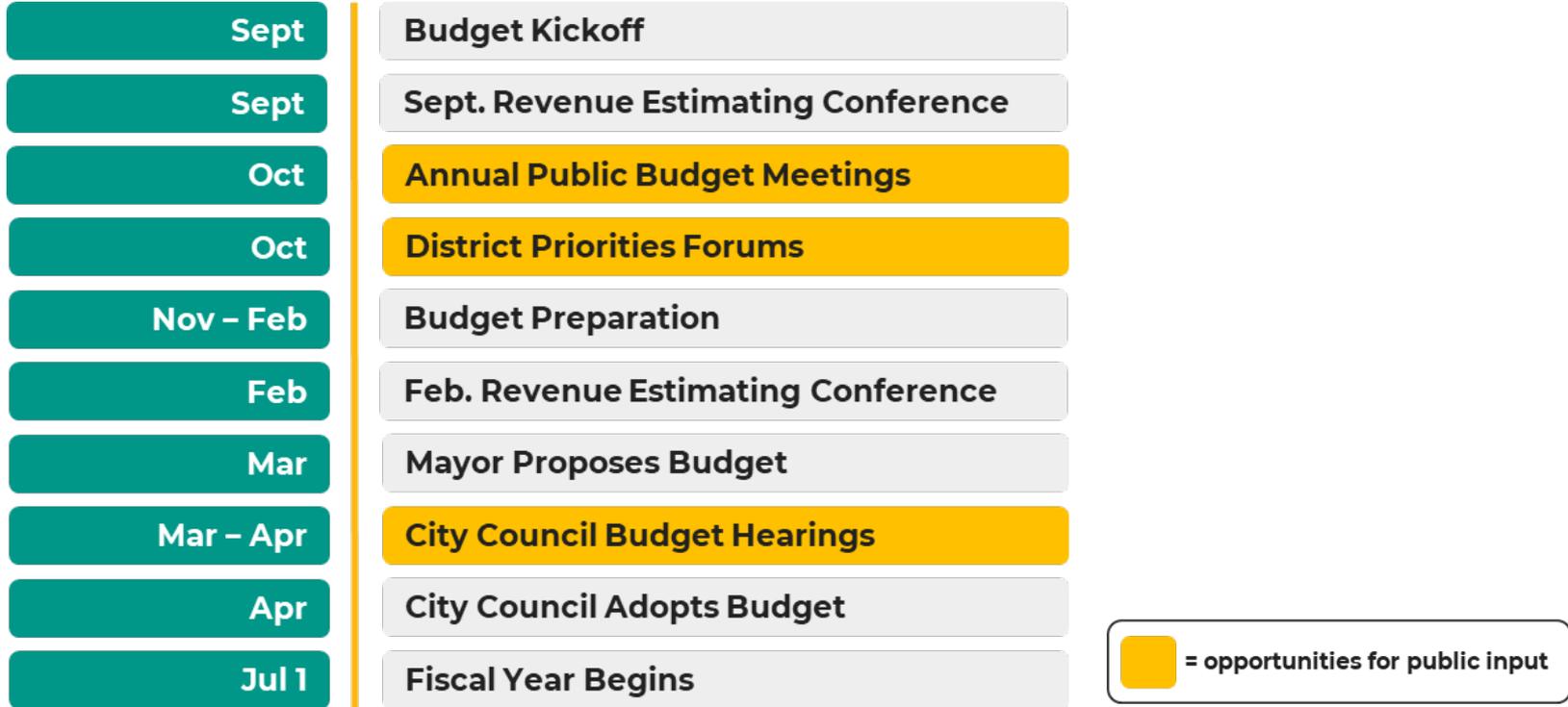


TAKE PART
Opportunity Rising



Budget Calendar

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

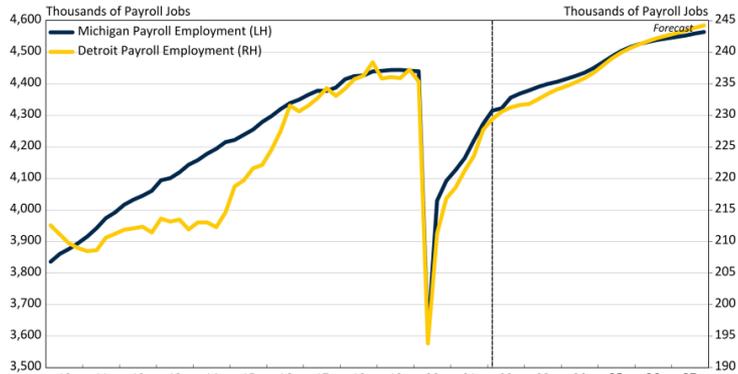


Detroit Economic Forecast

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.

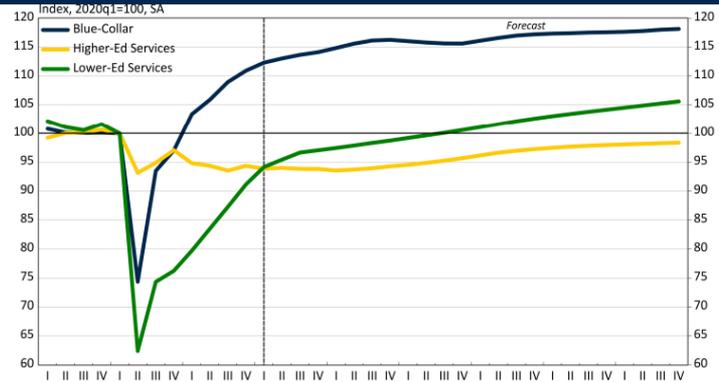
Seasonally Adjusted Quarterly Average Payroll Employment, City of Detroit and Michigan



RSQE: February 2023



City of Detroit Employment by Industry Group



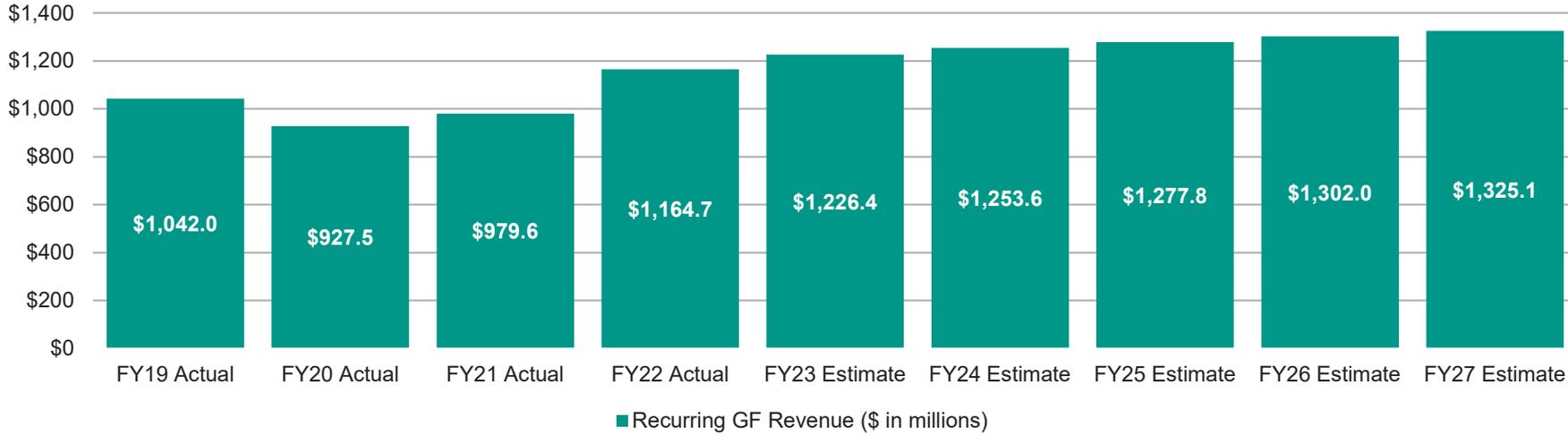
RSQE: February 2023



Detroit Revenue Estimating Conference

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

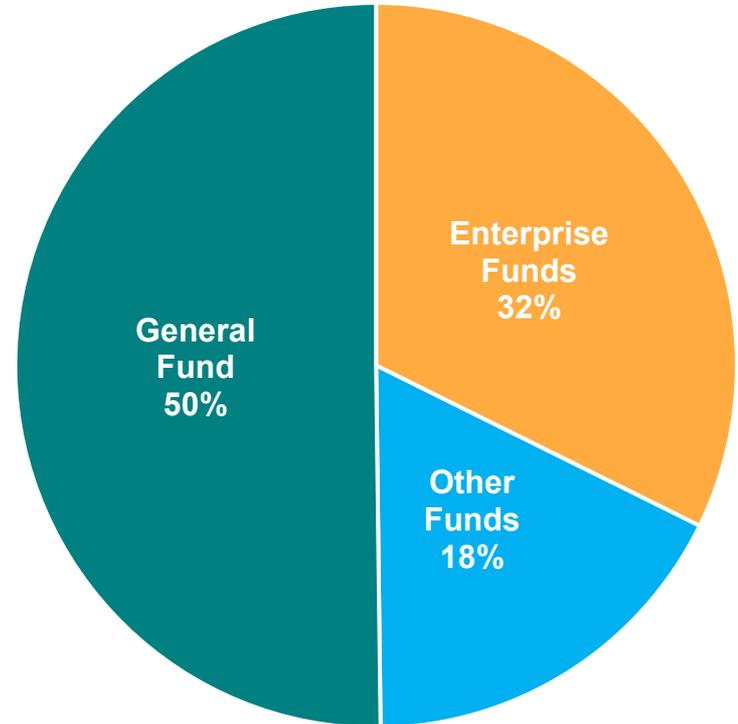
- On Feb 13, the [Revenue Estimating Conference](#) approved General Fund recurring revenues at over \$1.25 billion for FY24, up \$107 million (9.3%) over the FY23 Adopted Budget and \$27 million (2.2%) over revised FY23 estimates.
- Updated forecasts show employment stability in key sectors, boosting 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 Adopted Budget – All Funds

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

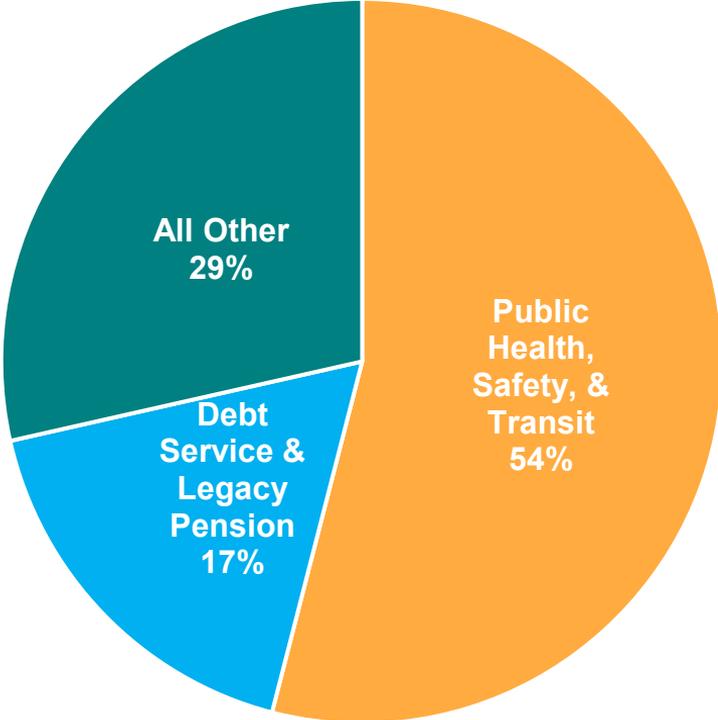
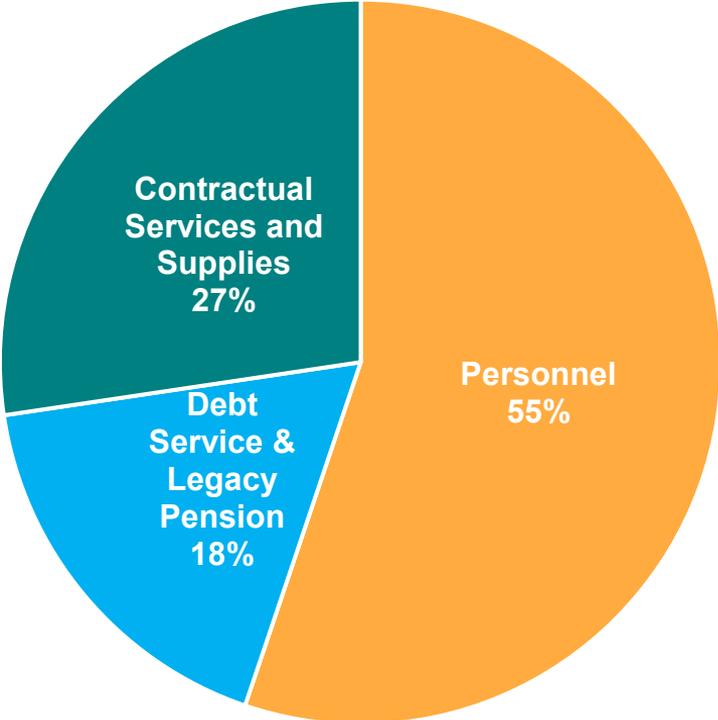
\$ in millions	<u>FY23 Adopted</u>	<u>FY24 Adopted</u>	<u>Change (\$)</u>	<u>Change (%)</u>
General Fund				
Recurring Budget	\$ 1,146.5	\$ 1,310.8	\$ 164.3	14.3%
One-Time Budget	<u>76.7</u>	<u>8.7</u>	<u>(68.0)</u>	<u>-88.7%</u>
Total	\$ 1,223.2	\$ 1,319.5	\$ 96.3	7.9%
Other Funds				
Recurring Budget	\$ 1,171.5	\$ 1,252.0	\$ 80.5	6.9%
One-Time Budget	<u>58.6</u>	<u>57.1</u>	<u>(1.5)</u>	<u>-2.6%</u>
Total	\$ 1,230.1	\$ 1,309.1	\$ 79.0	6.4%
All Funds				
Recurring Budget	\$ 2,318.0	\$ 2,562.8	\$ 244.8	10.6%
One-Time Budget	<u>135.3</u>	<u>65.8</u>	<u>(69.5)</u>	<u>-51.4%</u>
Total	\$ 2,453.3	\$ 2,628.6	\$ 175.3	7.1%
Total FTE	10,512.85	10,801.35	288.50	2.7%
General Fund	7,106.35	7,232.85	126.50	1.8%
Other Funds	3,406.50	3,568.50	162.00	4.8%



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

FY 2024 Adopted Budget – General Fund

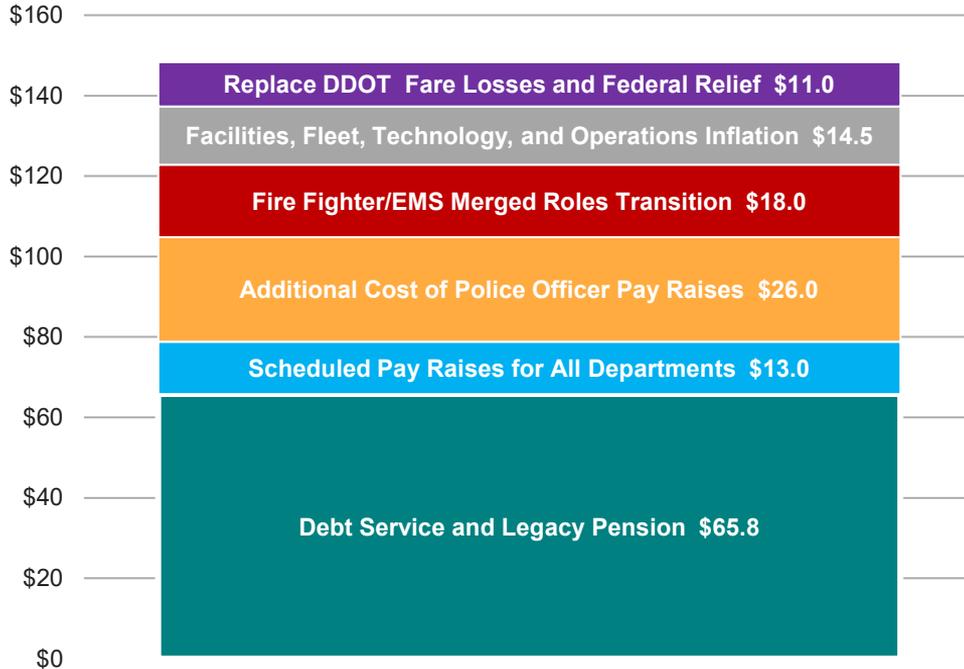
Over half the \$1.3 billion General Fund budget is for public health, safety, parks, recreation, and transit.



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
Budget Resources	\$ 1,310.8
Prior Year Base Budget	\$ 1,146.5
Debt Service and Legacy Pension	65.8
All Other Current Services Growth	82.5
Current Services Spending	\$ 1,294.8
% growth over prior year base	12.9%
Remainder for New Spending	\$ 16.0
% growth over prior year base	1.4%

FY 2024 Budget Highlights

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



- Workforce Investments reserve for more competitive wage rates: \$6.8 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
- Additional support for cultural institutions: \$0.5 million
- Outreach for the Occupied Buyback homeownership program: \$0.4 million



- Relaunch Detroit ID program: \$0.3 million
- Office of Disability Affairs expansion: \$0.3 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
- Cultural Institutions Support: \$4.8 million



- Alley Cleanup: \$5 million
- Dangerous Tree Removal: \$3.3 million
- Vacant Property Grounds Maintenance: \$2.6 million
- Childhood Education and Enrichment Support: \$2.5 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 Adopted Budget – General Fund

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

General Fund (\$ in millions)	FY23 Adopted	FY24 Adopted	Change (\$)	Change (%)
Recurring Revenues				
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%
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%
Total Recurring Revenues	\$ 1,146.5	\$ 1,253.6	\$ 107.1	9.3%
Retiree Protection Fund (RPF) Use	\$ -	\$ 57.2	\$ 57.2	-
Recurring Expenditures				
Personnel	\$ 666.2	\$ 728.3	\$ 62.1	9.3%
Non-Personnel	315.7	352.1	36.4	11.5%
Retiree Protection Fund Deposit	60.0	-	(60.0)	-100.0%
Legacy Pension Contributions	18.7	148.9	130.2	696.3%
Debt Service	85.9	81.5	(4.4)	-5.1%
Total Recurring Expenditures	\$ 1,146.5	\$ 1,310.8	\$ 164.3	14.3%
Revenues/RPF less Expenditures	-	-	-	-
<hr/>				
Retiree Protection Fund	\$ 473.4	\$ 416.2	\$ (57.2)	-12.1%
Rainy Day Fund	\$ 138.0	\$ 150.0	\$ 12.0	8.7%

Use of Prior Year Surplus (\$ in millions)

Prior Year Surplus	\$ 229.6
FY23 Supplemental approved Feb 2023	\$ 156.5
FY24 Adopted Budget	
Blight and Beautification	\$ 34.2
Capital Improvements	22.7
Rainy Day Fund Deposit	5.0
Affordable Housing and Other	8.7
Total	\$ 70.6
Remainder for Contingency	\$ 2.5

* FY24 Adopted Budget authorizes a \$5 million Rainy Day Fund deposit from the FY22 prior year surplus and up to an additional \$7 million from FY23 surplus, if available at year end.

Four-Year Financial Plan – General Fund

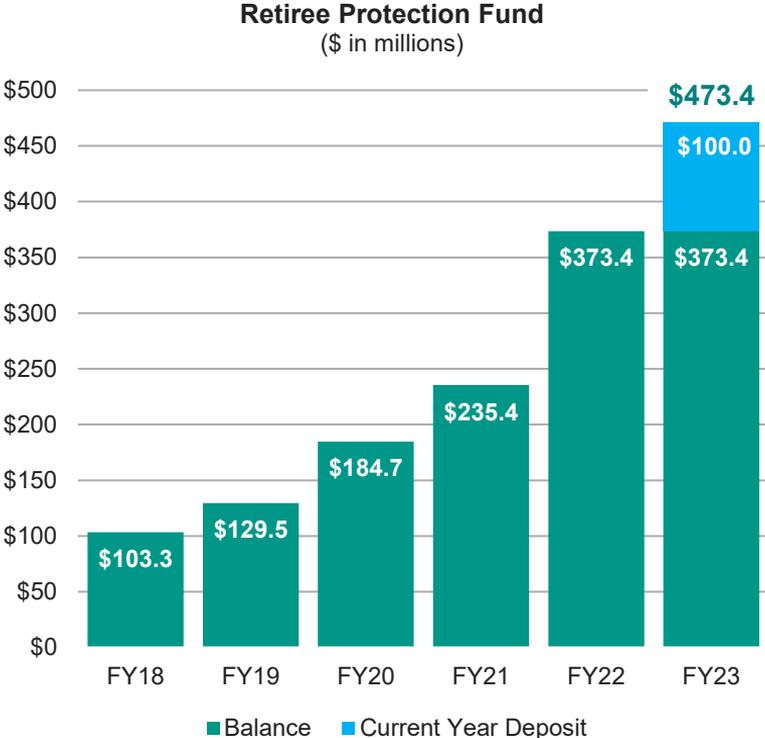
Recurring Spending must be balanced with recurring revenues. Legacy Pension phases in with declining RPF use.

General Fund (\$ in millions)	FY23 Adopted	FY24 Adopted	FY25 Forecast	FY26 Forecast	FY27 Forecast
Recurring Revenues					
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
Total Recurring Revenues	\$ 1,146.5	\$ 1,253.6	\$ 1,280.0	\$ 1,302.0	\$ 1,325.1
Retiree Protection Fund (RPF) Use	\$ -	\$ 57.2	\$ 54.2	\$ 51.2	\$ 48.2
Recurring Expenditures					
Personnel	\$ 666.2	\$ 728.3	\$ 741.0	\$ 754.6	\$ 771.1
Non-Personnel	315.7	352.1	360.6	364.2	367.7
Retiree Protection Fund Deposit	60.0	-	-	-	-
Legacy Pension Contributions	18.7	148.9	148.9	148.9	148.9
Debt Service	85.9	81.5	83.7	85.5	85.6
Total Recurring Expenditures	\$ 1,146.5	\$ 1,310.8	\$ 1,334.2	\$ 1,353.2	\$ 1,373.3
Revenues/RPF less Expenditures	-	-	-	-	-

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

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 Plan of Adjustment requirements, the City has amassed over \$463 million in the RPF, an irrevocable trust fund exclusively for future pension payments
- 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

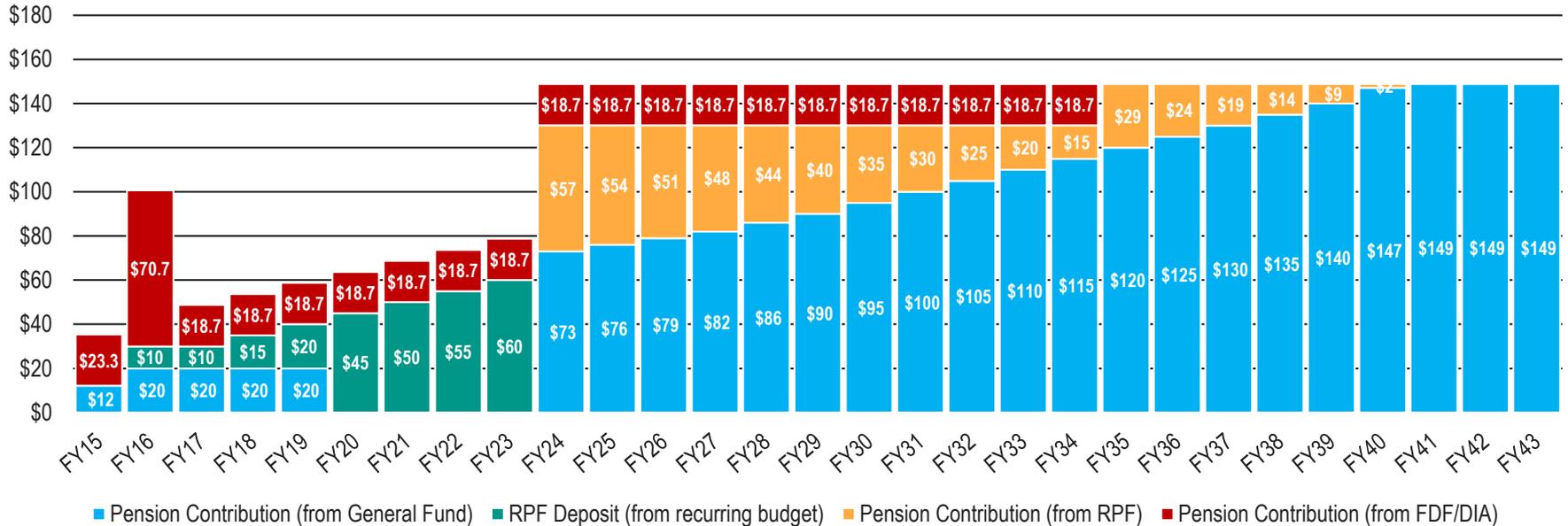
* RPF total excludes unrealized loss reflected in FY22 audit that will be restored when investments held to maturity.



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)

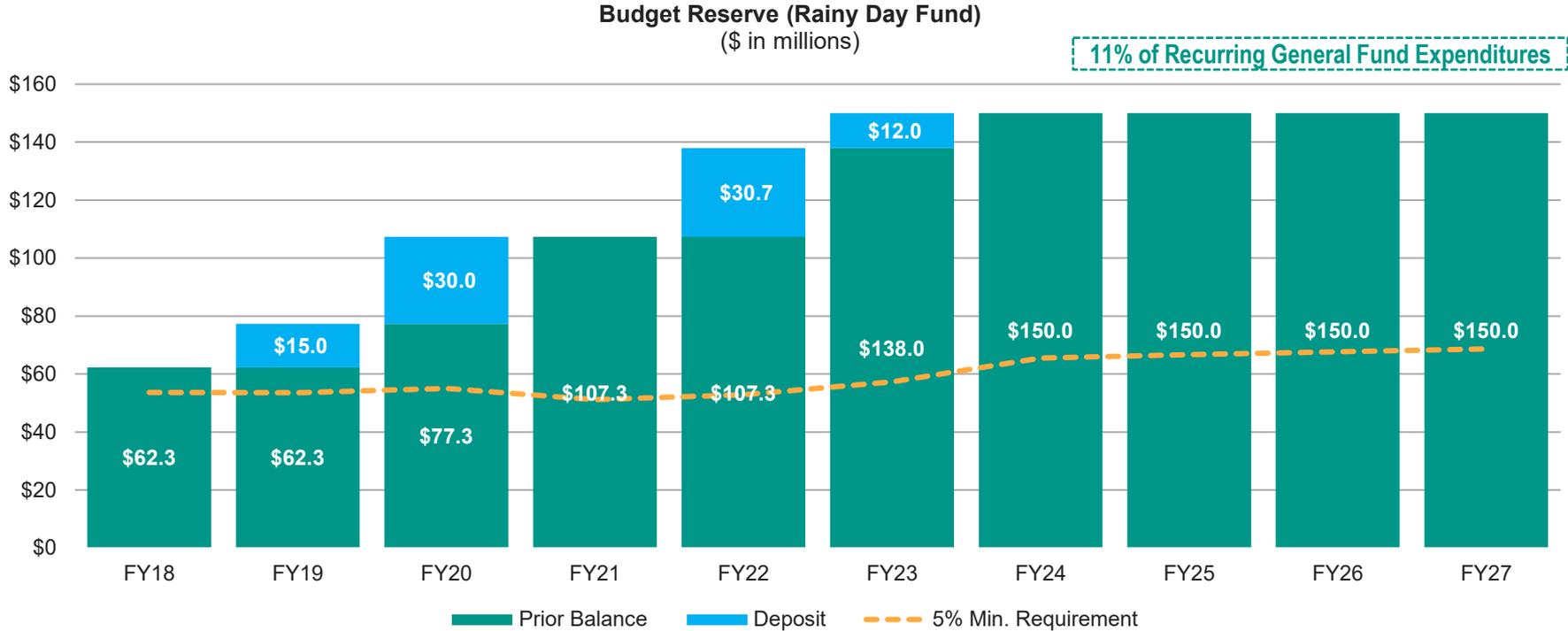


- Projections of annual legacy pension contributions based on FY22 Actuarial Valuations. “Grand Bargain” contributions from the Foundation for Detroit’s Future and the Detroit Institute of Arts (FDF/DIA) continue through FY34.
- Excludes \$190 million of RPF deposits from one-time funds. Excludes \$194.8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



* FY24 Adopted Budget authorizes a \$5 million Rainy Day Fund deposit from the FY22 prior year surplus and up to an additional \$7 million from FY23 surplus, if available at year end.



