

February 2025 Revenue Estimating Conference Report



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City of Detroit
February 2025 Revenue Estimating Conference Report

February 10, 2025

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 2025 Revenue Estimating Conference are:

- 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 (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 the Treasury, 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 the Treasury consulted with the OCFO's Offices of the Assessor, Office of Budget, and Departmental Financial Services, as well as the City Council's Legislative Policy Division and the Office of the Auditor General. The Office of the Treasury thanks its colleagues for their continued support and assistance throughout the revenue estimation process.

The estimates that follow include the current fiscal year (FY 2025) and the four succeeding fiscal years (FY 2026 through FY 2029). 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:

Detroit's economy continues to show steady growth marked by wage gains for Detroiters, according to the [Detroit Economic Outlook for 2024-2029](#) released by the Research Seminar in Quantitative Economics (RSQE) at the University of Michigan earlier this month.

The economic outlook report expects "wages to grow at a moderate but steadier pace over the next five years. Wage growth at jobs located in the city averages 3.4 percent per year from 2025 to 2029, a bit faster than the 3.0 percent average growth we forecast statewide. Wages of city residents outstrip both of the payroll wage series, growing at an average annual rate of 3.8 percent." Employment growth, although still

positive, is not expected to grow as fast as previously forecasted. The outlook forecast projects that by the end of 2025, resident employment will be 1.0 percent higher than at the end of 2024, although still below its peak in 2023.

The Revenue Conference reported FY 2026 General Fund recurring revenues projected at \$1.402 billion for the current fiscal year ending June 30, 2025, up \$20.3 million (1.4%) from the previous conference estimate in September 2024. The increase is primarily due to the higher income taxes and internet gaming activity. In addition, the City is projecting \$34.0 million in non-recurring revenues for FY 2025, primarily from investment earnings.

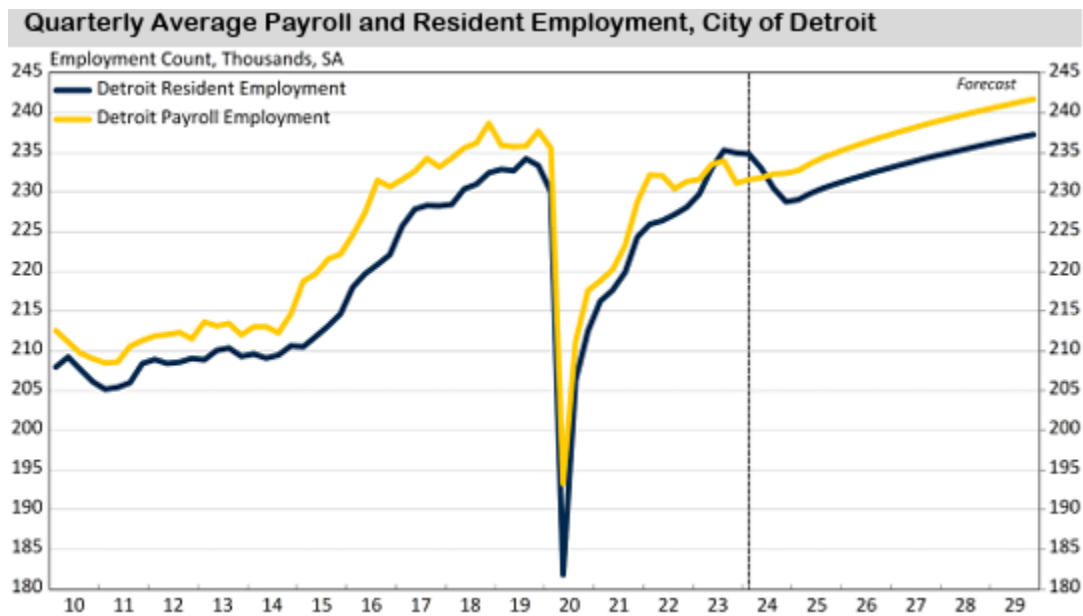
General Fund recurring revenues for FY 2026, beginning July 1, 2025, are now forecasted at \$ 1.434 billion, an increase of \$21.4 million (1.5%) from the revenue estimating conference in September 2024. The projected increase is driven by income and wagering taxes, as the local economy sees continued growth. The out-year forecasts for FY2027 through FY2029 show continued overall recurring revenue growth of about 2% per year. Note that all revenue estimates exclude the use of fund balance and inter-fund transfers, which may otherwise appear in the City budget.

City of Detroit - General Fund Revenue Estimates - Summary								
\$ in millions								
	FY 2022	FY 2023	FY 2024	February 2025 Estimates				
	Audited Actual	Audited Actual	Audited Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Major Taxes								
Income Tax	\$ 402.2	\$ 408.1	\$ 434.1	\$ 455.1	\$ 470.5	\$ 483.8	\$ 501.7	\$ 519.5
Recurring Base	366.2	406.0	433.2	450.1	465.5	482.8	500.7	518.5
Non-recurring	36.0	2.0	0.8	5.0	5.0	1.0	1.0	1.0
State Revenue Sharing	\$ 219.6	\$ 224.7	\$ 235.3	\$ 241.0	\$ 246.0	\$ 251.0	\$ 256.2	\$ 261.4
Recurring Base	214.9	223.2	227.5	241.0	246.0	251.0	256.2	261.4
Non-recurring	4.7	1.5	7.8	-	-	-	-	-
Wagering Tax	\$ 277.6	\$ 255.8	\$ 260.1	\$ 286.7	\$ 292.4	\$ 295.8	\$ 298.8	\$ 305.8
Recurring Base	237.1	255.8	258.8	289.8	292.4	295.8	298.8	305.8
Non-recurring	40.5	-	1.3	(3.1)	-	-	-	-
Property Tax	\$ 129.8	\$ 140.0	\$ 150.5	\$ 159.8	\$ 164.9	\$ 168.3	\$ 172.5	\$ 176.3
Recurring Base	129.8	140.0	150.5	159.8	164.9	168.3	172.5	176.3
Non-recurring	-	-	-	-	-	-	-	-
Utility Users Tax	\$ 38.1	\$ 41.1	\$ 36.2	\$ 36.6	\$ 37.1	\$ 37.6	\$ 38.1	\$ 38.6
Recurring Base	38.5	41.1	36.4	36.6	37.1	37.6	38.1	38.6
Non-recurring	(0.4)	0.0	(0.3)	-	-	-	-	-
Subtotal, Major Taxes	\$ 1,067.3	\$ 1,069.6	\$ 1,116.2	\$ 1,179.2	\$ 1,210.8	\$ 1,236.6	\$ 1,267.4	\$ 1,301.7
Major Taxes, Recurring	986.5	1,066.1	1,106.5	1,177.3	1,205.8	1,235.6	1,266.4	1,300.7
Major Taxes, Non-Recurring	80.8	3.5	9.7	1.9	5.0	1.0	1.0	1.0
Other Revenues	\$ 186.0	\$ 231.2	\$ 252.2	\$ 256.7	\$ 236.2	\$ 234.5	\$ 240.0	\$ 247.4
Recurring	181.3	196.4	203.0	224.6	228.1	233.7	239.2	246.5
Non-recurring	4.6	34.8	49.2	32.1	8.1	0.9	0.9	0.9
Total, General Fund	\$ 1,253.3	\$ 1,300.8	\$ 1,368.4	\$ 1,435.9	\$ 1,447.0	\$ 1,471.2	\$ 1,507.4	\$ 1,549.1
General Fund, Recurring	1,167.8	1,262.5	1,309.5	1,401.9	1,433.9	1,469.3	1,505.5	1,547.2
General Fund, Non-Recurring	85.4	38.4	58.9	34.0	13.1	1.9	1.9	1.9

Economic Conditions

Employment and Wages

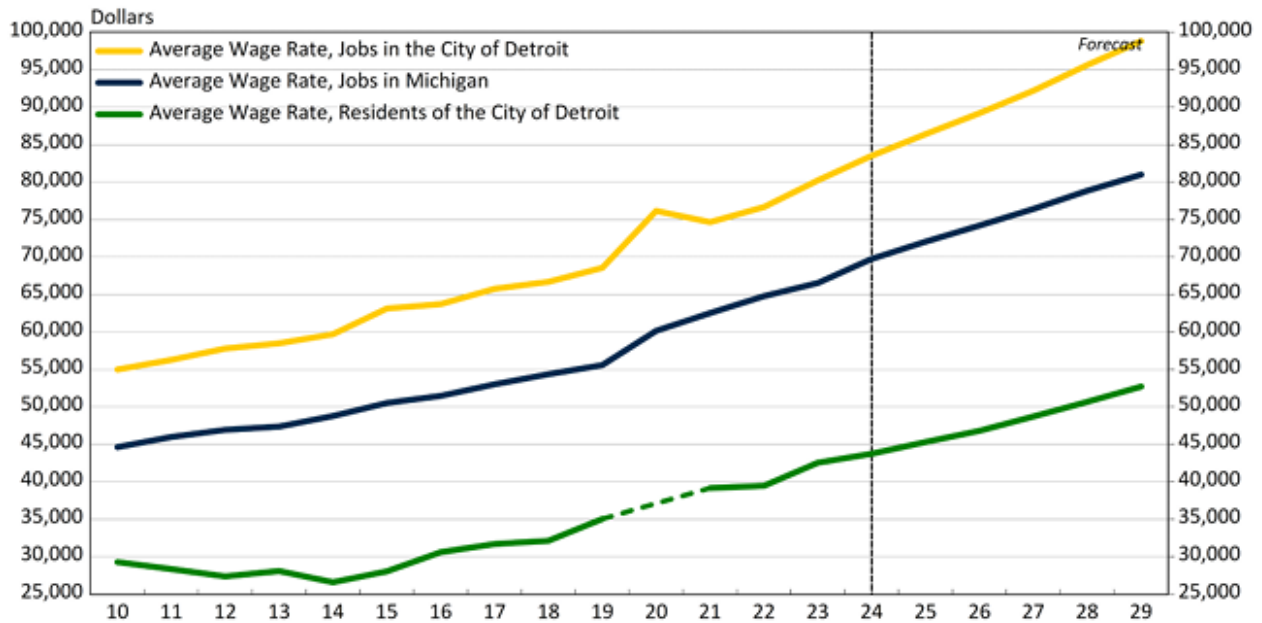
According to the RSQE report, (<https://lsa.umich.edu/econ/rsqe/forecasts/city-of-detroit-forecast.html>) the number of jobs at Detroit establishments will recover to pre-pandemic levels by the first quarter of 2026 and is projected to rise 2.6 percent above that level by the end of the forecast. The report states, “resident employment is projected to surpass its pre-pandemic level by 3.1 percent at the end of 2029 after recovering its 2024 losses in the first quarter of 2028.” This follows a stretch of job losses in the City from December 2023 to November 2024 when “resident employment declined in nine out of twelve months, with nearly 10,000 residents, or 4.3 percent, losing their jobs.” At the state level, resident employment dropped by 1.0 percent from its recent peak in May to November 2024.



Source: University of Michigan, Research Seminar in Quantitative Economics, City of Detroit Economic Outlook for 2024-2029

Wage growth represents a bright spot in the forecast: Wages of city residents outstrip both of the payroll wage series, growing at an average annual rate of 3.8 percent. By 2029, Detroit residents’ average wages rise to 53.3 percent of the average wage earned at jobs in Detroit establishments. Meantime, the report says, “wage growth at jobs located in the city averages 3.4 percent per year from 2025 to 2029, a bit faster than the 3.0 percent average growth we forecast statewide.” While disparity in wage levels remains between Detroit residents and jobs in the city, the gap is reduced over the forecast period and is the smallest since 2010, when this series of data collection started. The report concludes, “after adjusting for local inflation, we are forecasting that Detroit residents’ average real wages will climb to 6.8 percent higher in 2029 than in 2019, significantly outpacing the 2.3 percent growth in average wages at Detroit establishments during that time.”

Annual Wage and Salary Income per Worker, City of Detroit and Michigan

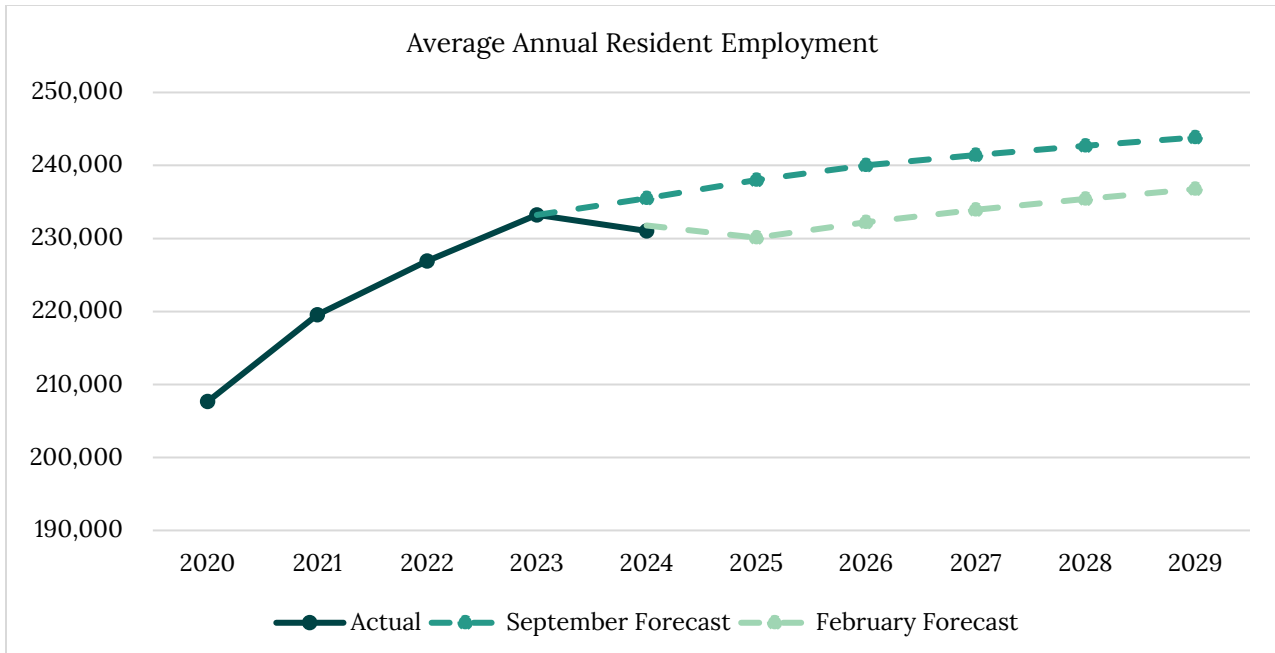


Source: University of Michigan, Research Seminar in Quantitative Economics, City of Detroit Economic Outlook for 2024–2029

Economic Risks

As mentioned in the previous section, there has recently been a decline in resident employment. The chart below shows the variance between the forecast published by RSQE in September 2024 and the forecast published in February 2025. The shift in the forecast reflects the decreases in observed resident employment that started in April 2024. From January to June 2024, a trend that has been relatively flat in the past three years, resident employment dropped 2.6 percent. The second half of the calendar year observed a fall of 1.7 percent in 2024 while the previous three years saw an uptick as seasonal end-of-year employment prompted higher employment levels. While there are lower expectations for the next few years, the outlook is positive for the later years in the forecast. In September 2024, the average annual employment was expected to grow around 0.5 percent per year while the February 2025 forecast holds annual growth around 0.6 percent. It is also important to note that while the City has enjoyed three years of strong growth in resident employment, the labor force has not had the same growth which limits the growth potential of resident employment.

The forecast for resident employment contributes to the projections for income tax revenue for the City. Other pieces of the income tax revenue forecast include payroll employment and wage growth for both residents and non-residents who work in Detroit. As previously mentioned, wage growth is still projected to be strong in 2025 and future years. All drivers included in the income tax forecast are shown in the Economic Drivers section of this report.



Summary of Economic Drivers:

<u>Major Revenue</u>	<u>Economic Input</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Municipal Income Tax	Resident Employment Growth ¹	-2.1%	0.7%	0.8%	0.7%	0.6%
	Payroll Employment Growth ¹	0.3%	1.1%	0.9%	0.7%	0.6%
	Resident Wage Growth ²	3.3%	3.2%	4.0%	4.1%	3.8%
	Payroll Wage Growth ²	3.9%	3.4%	3.3%	3.6%	3.5%
	Corporate Income Growth ⁴	2.1%	2.5%	2.6%	2.6%	2.6%
	Partnership Income Growth	2.1%	2.5%	2.6%	2.6%	2.6%
Property Tax	U.S. Consumer Price Index for All Urban Consumers (U.S. CPI-U) ³	5.0%	3.1%	2.4%	2.4%	2.4%
	State Sales Tax Forecast ⁴	-2.5%	2.3%	2.2%	2.2%	2.2%
State Revenue Sharing	City/State Population Ratio ⁵	6.4%	6.4%	6.4%	6.4%	6.4%
Wagering Tax	Onsite Adjusted Gross Receipt (AGR) Growth Rate	4.8%	1.0%	1.0%	1.0%	1.0%
	Internet AGR Growth Rate	14.2%	1.0%	1.0%	1.0%	1.0%
Utility Users	Net UUT Growth Rate	0.6%	1.3%	1.3%	1.3%	1.3%

Sources:

1. U.S. Census Bureau and Local Area Unemployment Statistics
2. Quarterly Census of Employment and Wages
3. Actual CPI was higher than 5%, but taxable value growth cannot exceed 5% per Proposal A limits. FY 2026-2029 uses the US CPI-U consensus forecast from the Survey of Professional Forecasters.
4. State of Michigan January 2025 Consensus Revenue Estimating Conference
5. U.S. Census Bureau, 2020 Decennial Census Redistricting Data

Current Year General Fund Revenue Estimates:

As shown in the summary table on page 2, the FY 2024 recurring General Fund revenue was \$1,309.5 million. Fiscal year 2025 is projected to grow by 7.1% to \$1,401.9 million. The updated FY 2025 estimates have been increased by \$23.6 million since the September 2024 Revenue Estimating Conference, representing a 1.7% gain. The increase is primarily driven by improved expectations of corporate collections for income tax and elevated internet gaming tax receipts. The City, however, has seen decreased energy consumption, which resulted in a decreased base for utility users' tax.

Compared to the FY 2025 projected actual, recurring FY 2026 revenues are expected to increase overall by \$32.0 million (2.3%). Income tax growth is a primary driver behind this expected increase and accounts for \$15.3 million of the \$32.0 million. Recurring Other Revenues for FY 2026 are forecasted to increase \$3.6 million over the FY 2025 projected actual value.

Non-recurring revenues of \$58.9 million were received in FY 2024. These revenues include \$37.3 million from one-time investment activity and \$5.0 million from one-time income tax payments. In FY 2025, non-recurring revenues are expected to be \$34.0 million, almost two-thirds of which is from one-time investment activity (\$21.5 million).

Summary of Major Taxes:

As shown in the summary table below, the General Fund major revenues in FY 2024 were \$1,116.2 million, \$9.7 million of which is non-recurring. Recurring major revenue in FY 2025 is projected to be 6.4% higher than FY 2024. The forecasts for FY 2026-2029 also show an increase in recurring revenue spurred by growth in all recurring major revenue categories. Please see the sections below for additional details on the major revenues forecast:

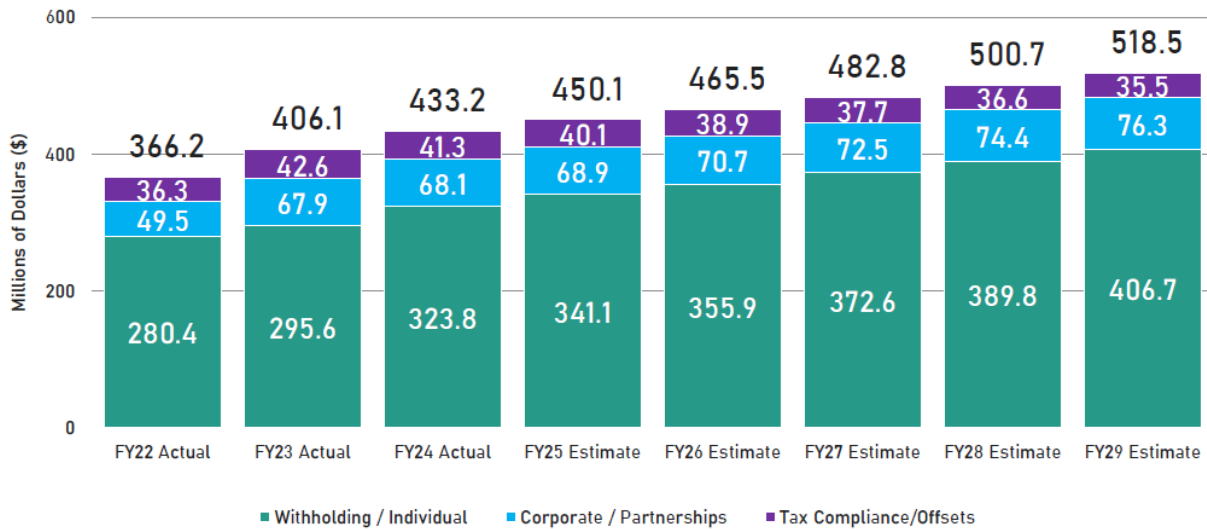
City of Detroit - General Fund Major Revenue Estimates - Detail

\$ in millions

	FY 2022	FY 2023	FY 2024	February 2025 Estimates				
	Audited Actual	Audited Actual	Audited Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Major Taxes								
Income Tax	\$ 402.2	\$ 408.1	\$ 434.1	\$ 455.1	\$ 470.5	\$ 483.8	\$ 501.7	\$ 519.5
Withholding	309.1	331.7	359.1	377.2	393.2	411.0	429.6	448.2
Individual Returns	28.7	26.6	24.2	24.4	25.2	26.3	27.5	28.7
Corporate	40.3	58.9	60.6	61.3	62.8	64.4	66.1	67.8
Partnership	9.2	9.0	7.5	7.7	7.9	8.1	8.3	8.5
Tax Compliance/Offsets	36.3	42.6	41.3	40.1	38.9	37.7	36.6	35.5
Total Refunds	(57.4)	(62.7)	(59.5)	(60.5)	(62.5)	(64.7)	(67.3)	(70.2)
Regular Refund Estimate	(30.0)	(32.2)	(34.9)	(35.9)	(37.4)	(39.1)	(40.9)	(42.6)
Nonresident Remote Work Estimate	(27.4)	(30.5)	(24.5)	(24.6)	(25.1)	(25.6)	(26.5)	(27.5)
Non-Recurring	36.0	2.0	0.8	5.0	5.0	1.0	1.0	1.0
State Revenue Sharing	\$ 219.6	\$ 224.7	\$ 235.3	\$ 241.0	\$ 246.0	\$ 251.0	\$ 256.2	\$ 261.4
Statutory	147.2	154.5	157.5	172.7	176.2	179.7	183.3	186.9
Constitutional	67.7	68.7	70.0	68.3	69.8	71.3	72.9	74.5
Non-Recurring	4.7	1.5	7.8					
Wagering Tax	\$ 277.6	\$ 255.8	\$ 260.1	\$ 286.7	\$ 292.4	\$ 295.8	\$ 298.8	\$ 305.8
Retail Gaming	141.9	137.6	133.3	141.0	142.4	143.8	145.3	146.7
Internet Gaming	59.1	77.2	86.1	100.0	101.0	102.1	103.1	104.1
Retail Sports Betting	1.0	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Internet Sports Betting	3.5	4.8	3.9	4.3	4.3	4.4	4.4	4.5
Percentage Payment - Retail	19.3	19.1	17.8	19.1	19.2	19.5	19.7	23.9
Percentage Payment - Internet	12.3	16.4	17.1	25.0	25.0	25.7	25.9	26.2
Non-Recurring	40.5	-	1.3	(3.1)				
Property Tax	\$ 129.8	\$ 140.0	\$ 150.5	\$ 159.8	\$ 164.9	\$ 168.3	\$ 172.5	\$ 176.3
Gross Current	109.7	119.1	129.8	138.9	143.6	147.0	150.8	154.2
TIF Distributions	(15.1)	(18.2)	(18.8)	(20.9)	(21.6)	(22.1)	(22.6)	(23.1)
Delinquent	31.8	34.9	34.5	36.3	37.1	37.6	38.4	39.1
Special Acts	3.4	4.2	5.0	5.5	5.7	5.9	6.0	6.1
Non-Recurring	-	-						
Net Utility Users Tax	\$ 38.1	\$ 41.1	\$ 36.2	\$ 36.6	\$ 37.1	\$ 37.6	\$ 38.1	\$ 38.6
Utility Users Tax	51.0	53.6	48.9	49.1	49.6	50.1	50.6	51.1
To Public Lighting Authority	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)
Non-Recurring	(0.4)	0.0	(0.3)					
Total, Major Taxes	\$ 1,067.3	\$ 1,069.6	\$ 1,116.2	\$ 1,179.2	\$ 1,210.8	\$ 1,236.6	\$ 1,267.4	\$ 1,301.7
Major Taxes, Recurring	986.5	1,066.1	1,106.5	1,177.3	1,205.8	1,235.6	1,266.4	1,300.7
Major Taxes, Non-Recurring	80.8	3.5	9.7	1.9	5.0	1.0	1.0	1.0

Municipal Income Tax:

Recurring Income Tax



In accordance with the City Income Tax Act (Public Act 284 of 1964, as amended), the City levies a municipal income tax, with certain exemptions such as unemployment benefits. The current tax rates are 2.4% for residents, 1.2% for nonresidents, and 2.0% for corporations, which are the maximum allowed by State law. Nonresident taxes only apply to work performed within the City’s boundaries. The primary drivers behind income tax revenue are resident employment levels, nonresident 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 and local wage data and is assumed to be uniform for each employment category.

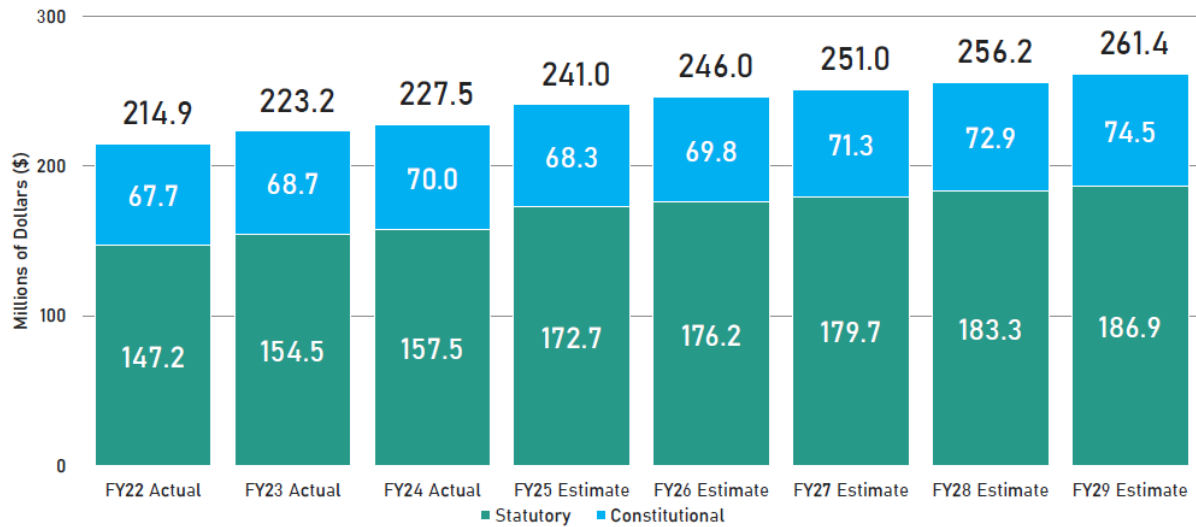
The FY 2025 projection represents a 3.9% increase compared to FY 2024 actuals. The FY 2025 forecast anticipates \$24.6 million foregone revenue collections from nonresidents working remotely, slightly above the estimated \$24.5 million revenue loss in FY 2024. There is an assumption that remote work has reached a steady state and that growth for income tax will be driven by the anticipated growth in resident wages. Remote work is assumed to be nontaxable, and subject to either an adjustment in withholding or a future tax refund. Of course, not all nonresident employment can be conducted remotely (e.g., health care, manufacturing, construction, leisure and hospitality). The remote work estimates are projected to grow at the similar rate as withholding – both between 2.0% and 4.1% annually from FY 2026 – FY 2029.

In FY 2021, City Treasury began a large-scale tax compliance program in partnership with the State of Michigan to collect income taxes owed to the City not otherwise collected from withholding or individual tax payments. In this program, a delinquent taxpayer is identified through a process where the primary address that the taxpayer used when filing State returns is matched with City tax filings to verify that all taxes due are paid. If there are outstanding taxes owed, collection efforts are initiated. The majority of collection on these prior year income taxes come from income tax refund offsets, where a refund owed to a taxpayer from federal and/or state income taxes is used to pay off income taxes owed to the City. The tax compliance program collected \$169.1 million from FY 2021 to FY 2024, with another \$79.0 million forecasted to be collected by the end of FY 2026. During the forecast period, it is estimated that collections will decrease at a 3% rate each year, as the base of delinquency tax continues to fall.

The State of Michigan expects corporate income tax to increase by an average of 2.4% from FY 2025 to FY 2027. Partnership income tax revenue is projected to follow an upward trend along with corporate income tax revenue. The forecast does not include potential upside on current year taxes from new development projects or increased compliance efforts. Income tax activity that has been identified as non-recurring is not included in the forecasted base.

State Revenue Sharing:

Recurring State Revenue Sharing



Note: Excludes one-time 1% increase in statutory revenue sharing for FY23 and one-time 2% increase in FY24.

Revenue sharing payments from the State come from two components: constitutional and statutory. 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. For the past several years statutory allocations have instead been determined annually in the State budget as a percentage change from the prior year allocation.

The forecast assumes growth in the constitutional share based on the State's January 2025 Consensus Revenue Estimating Conference. Based on the State’s reported sales tax, there was a 1.6% decrease projected between FY 2024 and FY 2025. This causes a new base for recurring constitutional revenue for FY 2025 compared to FY 2024. As a result, recurring constitutional revenue for FY 2026 is an estimated \$69.8 million, a 2.2% increase from FY 2025.

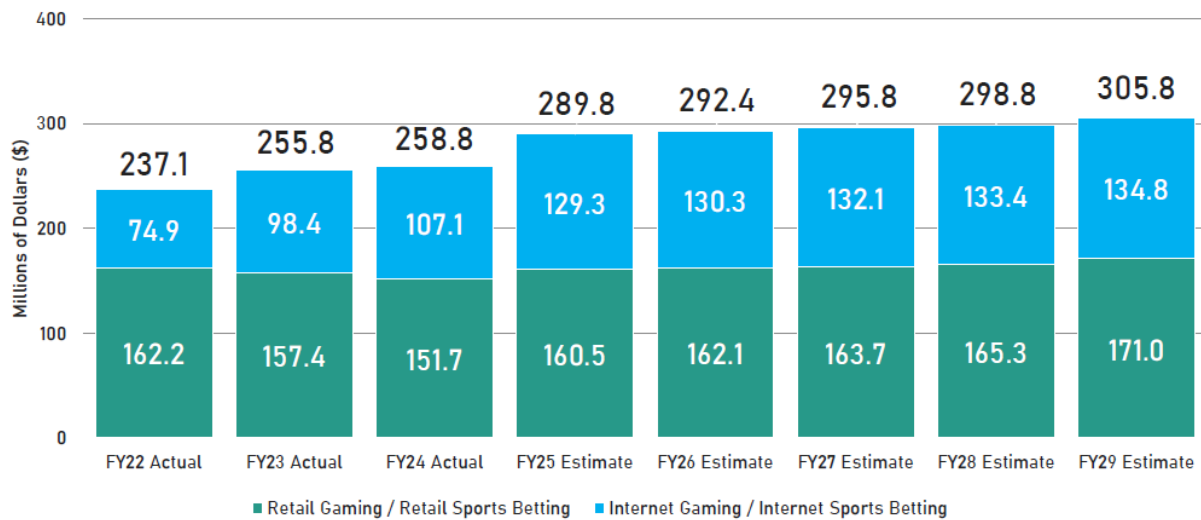
The forecast uses the reported 2020 Census results to estimate Detroit’s share of constitutional revenue sharing. Under state law, the City was also subject to recoupment in FY 2022 for the difference in the reported 2020 Census versus the 2010 Census, going back to FY 2021. Instead of the recoupment to adjust the constitutional revenue sharing payment to reflect the new population ratio, Detroit was allowed to keep the revenue sharing payments it had received before the population ratio was set. These are represented as non-

recurring “hold harmless” funds, where \$8.8 million was kept in FY 2021 and \$4.7 million was kept in FY 2022, totaling to \$13.5 million in non-recurring activity.

The statutory revenue sharing amount for FY 2025 includes a 9.7% increase over the recurring total for FY 2024 due to a change in statutory formula during the State’s 2024 budget cycle. A 2% growth rate is forecasted for the statutory portion for fiscal years 2025–2029. FY 2026 recurring statutory revenue sharing is projected to be \$176.2 million and total recurring state revenue sharing is expected to be \$241.0 million.

Wagering Tax:

Recurring Wagering Tax



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

In accordance with the Michigan Gaming Control and Revenue Act (Initiated Law 1 of 1996, as amended) and associated development agreements, a tax on adjusted gross receipts (AGR) is applied to the three casinos operating in Detroit. The current City retail gaming wagering tax rate is 10.9% plus 1% on all gaming types pursuant to the casinos’ development agreements with the City. The casinos additionally pay the City a supplemental 1% tax if their adjusted gross receipts exceed \$400 million in a calendar year. The City also assesses a municipal service fee from each casino of 1.25% of total adjusted gross receipts or \$4 million, whichever is greater (included separately in the “Other Revenues” category).

In late 2019, the State enacted the Lawful Internet Gaming Act (Public Act 152 of 2019), the Lawful Internet Sports Betting Act (Public Act 149 of 2019), and amendments to the Michigan Gaming Control and Revenue Act. Only internet gaming and sports betting conducted within Michigan’s borders is authorized. Only the current Detroit and tribal casinos are eligible licensees. On-site sports betting at casinos began in March 2020. The State launched internet gaming and sports betting in late January 2021.

Internet gaming conducted by the Detroit casinos is taxed at a graduated rate on their adjusted gross receipts received each month as outlined below. The City receives 30% of this tax revenue.

- a) For adjusted gross receipts less than \$4,000,000, a tax of 20%.
- b) For adjusted gross receipts of \$4,000,000 or more but less than \$8,000,000, a tax of 22%.

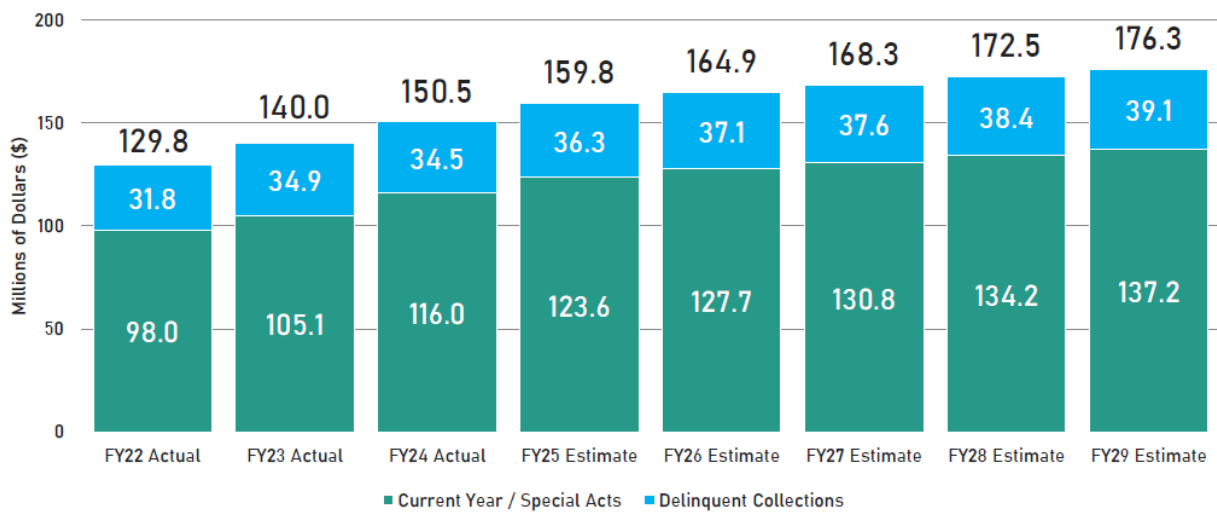
- c) For adjusted gross receipts of \$8,000,000 or more but less than \$10,000,000, a tax of 24%.
- d) For adjusted gross receipts of \$10,000,000 or more but less than \$12,000,000, a tax of 26%.
- e) For adjusted gross receipts of \$12,000,000 or more, 28%.

Internet sports betting conducted by the Detroit casinos is taxed at a rate of 8.4% on their adjusted gross sports betting receipts. The City receives 30% of this tax revenue. Retail sports betting conducted on-site at the Detroit casinos is taxed at a rate of 8.4% on their qualified adjusted gross receipts. The City receives 55% of this tax revenue. In addition to the taxes outlined above, internet gaming and sports betting conducted by the Detroit casinos are also subject to the existing development agreement taxes (up to 2% of AGR) and municipal service fees (1.25% of AGR) that apply to on-site gaming.

The most recent wagering tax revenue forecast shown above includes the updated activity through December 2024, which represents the most accurate picture of the gaming trends so far. The three casinos in Detroit have been observing different growth patterns across the different types of AGR. Overall, revenue from wagering tax is expected to grow at an average of 1.6% between FY 2025 and FY 2029. It is estimated that the City will collect \$292.4 million in recurring wagering tax revenue in FY 2026. Revenue jumps by a large amount (about 10%) from FY 2024 to FY 2025 due to strikes that slowed retail activity in November 2023 (FY 2024).

Property Tax:

Recurring Property Tax



Note: Includes ad valorem taxes and special act taxes (e.g., Neighborhood Enterprise Zone, Industrial Facilities Exemption, and Obsolete Property Rehabilitation Act). Current Year taxes are net of tax increment financing (TIF) distributions.

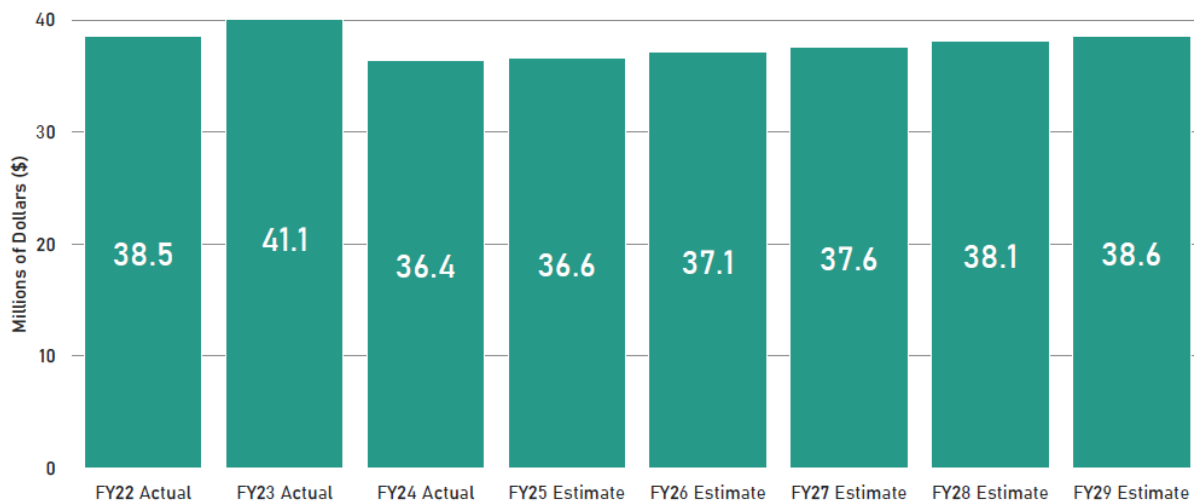
In accordance with the General Property Tax Act (Public Act 206 of 1893, as amended), the City levies taxes on real and personal property. Collections consist of current year taxes, delinquent taxes, and related auction proceeds. The City currently levies 19.812 mills for general operating purposes. 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 include ad valorem property tax revenue and Special Act property tax revenues from Neighborhood Enterprise Zones, Industrial Facilities Tax, and Obsolete Property Rehabilitation Act parcels.

The primary driver for growth during the forecast period is a lagged inflation rate determined by the State Tax Commission (US Consumer Price Index for Urban Consumers lagged by one year) applied to the reported tax year 2025 base, which is defined as the cap for growth in taxable value under the State constitution (Proposal A). The FY 2024 collection rate of 85% is 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. Updated taxable values applicable to FY 2024 were higher than expected, leading to an upward revision of the forecast. The calculated inflation cap has remained elevated for FY 2025, that inflation rate slowing to 3.1% in FY 2026, and projected to stabilize at 2.4% in fiscal years 2027-2029 as inflationary pressures wane.

In FY 2026, recurring property tax is estimated to be \$164.9 million, including \$37.1 million for delinquent collections. Recurring property tax grows at an average rate of 2.5% in forecast years. The forecast does not include prospective gains from additions to the tax base or the “uncapping” of taxable value.

Utility Users Tax:

Recurring Utility Users Tax

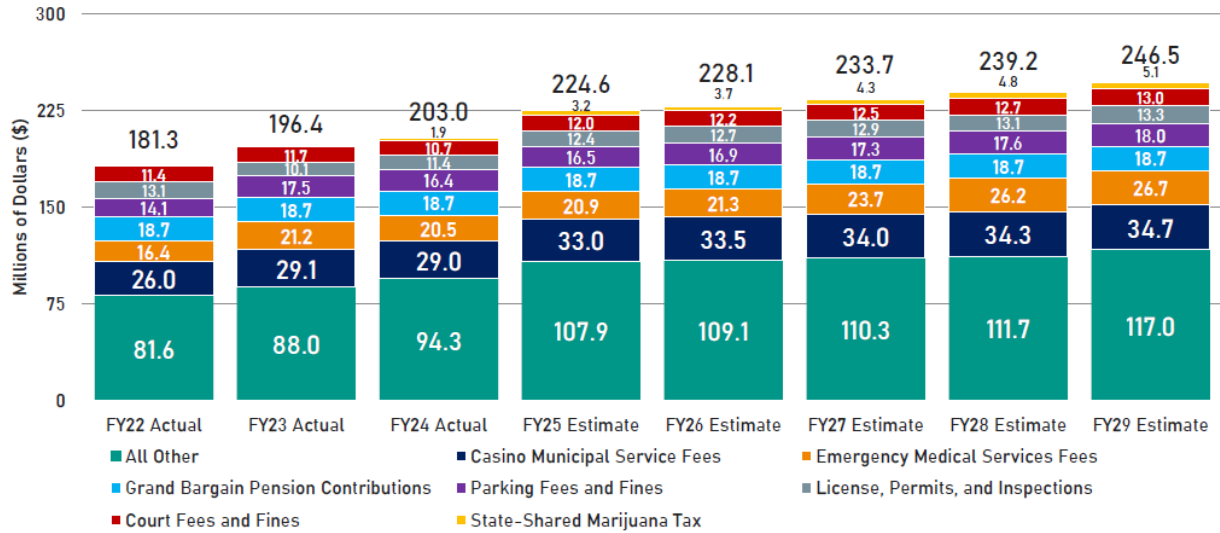


Note: Utility Users Tax for the General Fund is net of annual \$12.5M dedicated to Public Lighting Authority debt service.

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. The estimated revenues shown in the graph are net of \$12.5 million disbursed annually to the Public Lighting Authority (PLA). Weather conditions have a large effect on how much revenue is received from this tax since it affects demand of utilities. Since the weather in 2024 was milder than expected, revenues forecasted in FY 2025 are lower than expected back in September 2024. Recurring net utility users’ tax revenues are estimated to be \$36.6m by the end of FY 2025, growing 1.3% to be about \$37.1m by the end of FY 2026. There is upside potential for this revenue since the City has experienced extreme weather this winter. There also is upside in the possibility that prices of electricity and gas may increase. The forecasted revenue continues its growth by 1.3% annually through FY 2029.

Other Departmental General Fund Revenue:

Recurring Other Revenues (General Fund)



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

The Other Revenue category includes various non-major revenues mostly administered by individual departments related to their operations and services. The graph above shows the largest categories of these revenues. The FY 2025 estimate grows by 10.6% over the FY 2024 actuals, driven by a \$4.0 million increase in casino municipal service fee revenue. The aggregate estimates grow between 1.6% and 3.1% annually through FY 2029. The forecast excludes non-recurring items, such as asset sales. The full breakdown of other revenues in the General Fund is shown below.

	FY 2022	FY 2023	FY 2024	February 2025 Estimates				
	Audited Actual	Audited Actual	Audited Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Other Revenue (Recurring)								
Casino Municipal Service Fees	26.0	29.1	29.0	33.0	33.5	34.0	34.3	34.7
State-Shared Marijuana Excise Tax	-	-	1.9	3.2	3.7	4.3	4.8	5.1
Emergency Medical Services Fees	16.4	21.2	20.5	20.9	21.3	23.7	26.2	26.7
Direct and Indirect Cost Recoveries for Inter-Agency Billings	25.5	27.2	27.3	36.6	37.2	37.8	38.5	39.2
DIA/Foundation Grand Bargain Contributions	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7
Parking Fees and Fines	14.1	17.5	16.4	16.5	16.9	17.3	17.6	18.0
Licenses, Permits, & Inspection Charges	13.1	10.1	11.4	12.4	12.7	12.9	13.1	13.3
Court Fees and Fines	11.4	11.7	10.7	12.0	12.2	12.5	12.7	13.0
Earnings on Investments	3.5	10.9	18.0	16.0	16.0	16.0	16.0	16.0
Operational Fees	34.0	33.1	33.3	35.6	36.2	36.7	37.3	41.8
Non-Major Taxes, Assessments & Interest	6.3	6.9	6.5	6.8	7.0	7.2	7.5	7.7
Other Fines, Forfeits, & Penalties	3.7	3.8	3.2	4.3	4.3	4.3	4.4	4.5
Other Revenue	8.5	6.1	5.9	8.7	8.5	8.2	8.0	7.9
Subtotal, Other Revenue (Recurring)	\$ 181.3	\$ 196.4	\$ 203.0	\$ 224.6	\$ 228.1	\$ 233.7	\$ 239.2	\$ 246.5
Other Revenue (Non-Recurring)								
Sale of Assets	5.6	7.5	3.3	0.9	0.9	0.9	0.9	0.9
Casino Municipal Service Fees	(4.0)	-	-	-	-	-	-	-
Direct and Indirect Cost Recoveries for Inter-Agency Billings	-	3.0	-	0.6	-	-	-	-
Operational Fees	-	0.8	2.2	0.8	-	-	-	-
Other Fines, Forfeits, & Penalties	-	1.8	-	-	-	-	-	-
Licenses, Permits, & Inspection Charges	-	3.0	-	-	-	-	-	-
Presidential Primary Reimbursement	-	-	-	3.6	-	-	-	-
Earnings on Investments	-	14.0	37.3	21.5	6.5	-	-	-
Other Revenue	3.0	4.8	6.4	4.8	0.7	-	-	-
Subtotal, Other Revenue (Non-Recurring)	\$ 4.6	\$ 34.8	\$ 49.2	\$ 32.1	\$ 8.1	\$ 0.9	\$ 0.9	\$ 0.9
Total, Other Revenue	\$ 186.0	\$ 231.2	\$ 252.2	\$ 256.7	\$ 236.2	\$ 234.5	\$ 240.0	\$ 247.4

Non-General Fund Revenues:

City of Detroit - Non-General Fund Revenue Estimates								
\$ in millions								
	FY 2022	FY 2023	FY 2024	February 2025 Estimates				
	Audited Actual	Audited Actual	Audited Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Special Revenue and Other Restricted Funds								
BSEED Construction Code Fund	26.7	26.7	31.2	31.1	31.7	32.4	33.0	33.7
Community Development Block Grant	53.3	48.7	34.1	32.3	31.9	31.9	31.9	31.9
CRIO Workforce Development Fund	3.4	2.9	1.9	3.1	3.1	3.2	3.2	3.3
Detroit Public Library	34.1	36.9	36.9	39.1	43.5	43.0	43.8	44.3
DPD Drug Law Enforcement and Forfeiture Fund	1.4	0.9	0.1	1.2	1.2	1.2	1.3	1.3
DPW METRO Fund	3.1	3.3	3.2	3.2	3.2	3.2	3.2	3.2
DPW Solid Waste Management Fund	52.4	54.2	50.5	52.6	54.7	56.8	56.8	56.9
DPW Street Funds	104.0	104.8	108.0	105.3	108.2	110.4	112.6	114.8
Grant Funds	61.8	59.3	46.5	49.8	55.2	56.0	56.9	57.9
PLD Decommissioning Reserve Fund	1.3	2.7	3.1	2.4	2.2	2.1	1.9	1.8
Special Revenue Fund	6.3	11.3	14.1	16.3	16.6	16.1	16.4	17.7
Special Revenue and Restricted Funds	-	-	-	0.1	0.1	0.1	0.1	0.1
UTGO Debt Service Fund	73.0	74.6	75.6	78.8	55.5	53.4	51.5	47.2
Enterprise Funds (Operating and Grants)								
Coleman A. Young International Airport	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Detroit Department of Transportation	69.2	60.6	72.1	71.0	71.2	71.7	72.3	73.0
Detroit Water and Sewerage Department	538.3	517.1	576.1	694.1	708.0	722.2	736.6	751.4
Total, Recurring Non-General Fund Revenue	\$ 1,028.9	\$ 1,004.3	\$ 1,053.7	\$ 1,180.8	\$ 1,186.6	\$ 1,204.0	\$ 1,221.9	\$ 1,238.7
Non-Recurring Non-General Fund Revenue								
BSEED Construction Code Fund	-	-	-	6.5	3.0	-	-	-
Detroit Department of Transportation	40.0	40.9	3.2	8.1	-	-	-	-
Detroit Public Library	-	-	1.4	1.3	-	-	-	-
DPW Solid Waste Management Fund	-	-	-	3.4	-	-	-	-
Grant Funds	-	-	2.0	6.0	-	-	-	-
Special Revenue Fund	2.9	4.7	6.2	0.8	-	0.8	-	-
Special Revenue and Restricted Funds	2.9	4.6	0.9	1.7	-	-	-	-
UTGO Debt Service Fund	-	2.8	-	-	-	-	-	-
Total, Non-Recurring Non-General Fund Revenue	\$ 45.8	\$ 53.0	\$ 13.7	\$ 27.8	\$ 3.0	\$ 0.8	\$ -	\$ -
Total Non-General Fund Revenue	\$ 1,074.6	\$ 1,057.2	\$ 1,067.4	\$ 1,208.7	\$ 1,189.6	\$ 1,204.9	\$ 1,221.9	\$ 1,238.7

Notes:

- * Amounts exclude inter-fund transfers. Actuals include various grant reimbursements and other one-time items not included in forecasts.
- * DWSD estimates include use of bonds and other fund balances not reported in revenue actuals.
- * Solid Waste Fund includes \$10 per year residential fee increase for the next three years, approved by City Council on 2/6/24.
- * BSEED Construction Code Fund has been updated since February 2025 Conference to reflect revenues minus prior year surplus

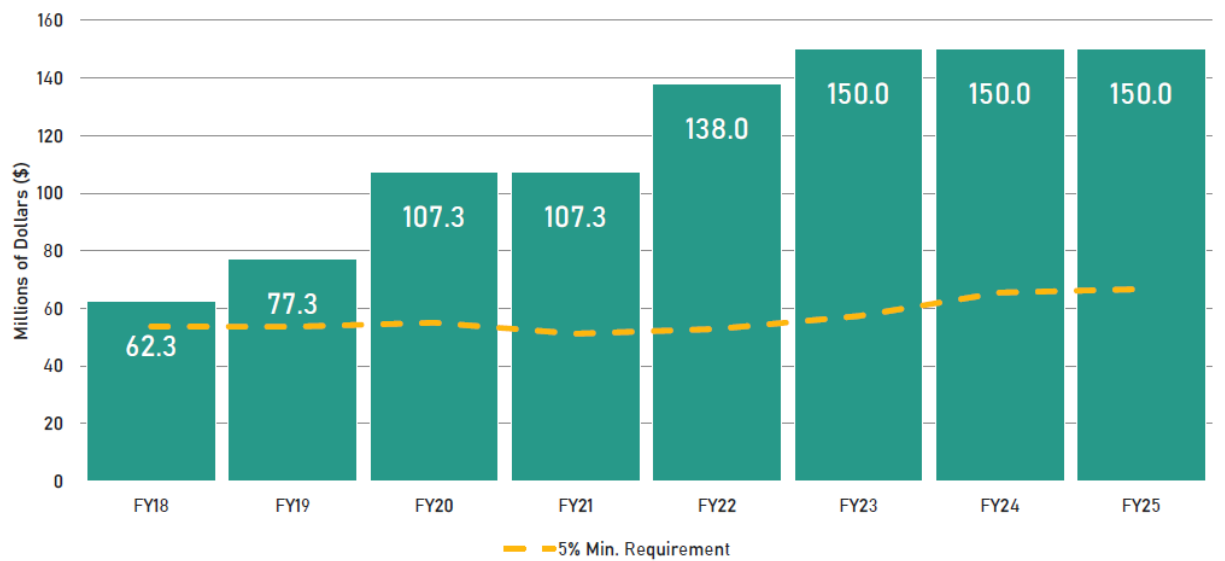
Non-General Fund revenues include enterprise, grants and special revenue funds. These include water and sewer bills, bus fares, solid waste fees, intergovernmental aid for roads and transit, and other restricted revenues. Note that the amounts above exclude General Fund contributions, interfund transfers, and the use of fund balance. The Major Street Fund receives most of its revenue from gas and weight tax distributions from the State. The UTGO Debt Service Fund represents the City's debt millage, which raises property tax revenue sufficient to pay debt service on voter-approved bonds. The Solid Waste Management Fund includes the annual solid waste fee seen on the summer property tax bill, which supports residential curbside garbage collection. This fee will increase by \$10 each year over tax years 2024-2026, totaling \$270 by tax year 2026. The Transportation enterprise fund is for the Detroit Department of Transportation (DDOT). It includes bus fares, State formula aid for bus operations, and transit capital grants. Non-general fund recurring revenues on average are projected to increase by about 1.4% annually between FY 2026 and FY 2029.

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.

Budget Reserve (“Rainy Day Fund”)



As of June 30, 2023, the City’s Budget Reserve (or “Rainy Day fund”) totaled \$150.0 million, which exceeded the minimum requirement of 5% of the projected expenditures. No additional allocation was authorized during the FY 2025 budget process leaving the total budget reserve at \$150 million, approximately 11% of expenditures.

Revenue Forecast Risk:

Downside Risks

- Uncertainty and unpredictability of employment and personal income from federal trade and fiscal policy, and corresponding uncertainty on resulting federal monetary policy
- Pace of growth in employment
- Lower state revenue sharing from reduction in state sales tax collections, driven by change in personal income and propensity to spend
- Shift in wagering behavior pattern from historically positive trend

Upside Potential

- Incremental employment from economic development initiatives (e.g., healthcare, research and development, start-up tech, entertainment and sports)
- Larger share of tax derived from income earned (hours of work) within City, driven by above-trend wage growth, more in-person work, and employment job growth
- Increased individual and corporate tax compliance
- Increase in property sales (leading to uncapping) and improvement in market value conditions of residential, commercial, and industrial properties, impact mitigated by Headlee inflation cap
- Passing of legislation authorizing allocation of public safety trust fund

Appendix, Exhibit 1 – FY 2025 General Fund Non-Recurring Detail

FY 2025 Non-Recurring Detail

\$ in millions

Major Revenues

Income tax corporate returns	5.0
Wagering Tax accounting adjustment	<u>(3.1)</u>
Major Revenues Subtotal	\$ 1.9

Other Revenue

Sale of Assets	0.9
Earnings on Investments	21.5
Presidential Primary Reimbursement	3.6
Direct and Indirect Cost Recoveries for Inter-Agency Billings	0.6
Operational Fees	0.8
Other Revenue	<u>4.8</u>
Other Revenues Subtotal	\$ 32.1

Total Non-Recurring Activity	\$ 34.0
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