

## INTRODUCTION

One year ago this week, the City of Detroit entered into a financial stability agreement with the State of Michigan, which enabled continued governing autonomy for the Mayor and City Council while subjecting the City to more serious fiscal controls in order to rein in an accumulating operating deficit. Since last April, dedicated City staff have worked closely with the new Financial Advisory Board, management experts, a new chief financial officer and a new program management director to diagnose and remediate numerous structural financial deficiencies.

We can say honestly after twelve months that City government is realizing significant progress in establishing strong foundations of fiscal accountability. Regrettably, we must also say that the fundamental challenges in the next three years are so intractable that the intervention of an emergency manager is necessary to make a legitimate recovery probable. These challenges result primarily from unexpected budget destabilization during FY 2013, further decreases in aggregate revenue and sharp increases in legacy costs.

The adopted FY 2013 budget reserved more than \$78 million in an effort to reduce the City's far larger accumulated operating deficit of \$327 million. However, the delayed implementation of anticipated cost savings and a sharp upward revision in the required set-aside for pension liabilities caused most of this reserve to be expended in October 2012. The remainder likely will be used to authorize essential service provision through June 2013, particularly with respect to fuel and vehicle parts inventories. In December 2012, the City suffered another multi-million dollar reduction in cash reserves due to the required payment of unfunded FY 2012 pension costs. And in January 2013, anticipated General Fund revenue decreased by another \$22 million from original estimates, as unexpected declines in fees received for departmental goods and services exceeded increases in tax revenue. To address this series of financial setbacks, the City has engaged in additional reductions in force, a new round of staff furlough days, and restrictions on non-essential contractual services in a broad cash conservation effort.

The consensus estimate for FY 2014 General Fund revenue is \$1.008 billion, a \$36 million or 3.5 percent decline from that originally estimated for the current fiscal year. This change reflects expected increases in income tax collections and state revenue sharing that is more than offset by projected decreases in property taxes and departmental fees for goods and services. Though aggregate revenue appears stable over the next three years, significant increases are unexpected.

Most significantly, to ensure sufficient funding of the City's two retirement systems, large increases in pension and unfunded actuarial liability payment rates are required. General government agencies thus require 116 percent of full-time salary to cover all pension and benefit costs in FY 2014, up from 99 percent in the current year, and similar coverage for uniform police and fire personnel requires 108 percent of full-time salary, up from 89 percent. These trends played a large role in the City requesting and receiving a waiver from the State Treasurer and the Financial Advisory Board that postponed for one year the preparation of a triennial budget as required under the financial stability agreement.

**Because of these factors and ongoing debt service requirements, only 60 percent of FY 2014 General Fund dollars will be spent on salaries, wages and operational expenses, a decline of more than \$96 million – or nearly 14 percent – from the similar General Fund allocation for FY 2013. Nearly four General Fund dollars of every ten will be directed to benefits, legacy costs and debt service.**

### OVERALL PRIORITIES

Essential service functions in the City require significant restructuring to reduce administrative cost, particularly in utilizing information technology to enable improved service provision in less time for less money. In the meantime, however, unduly labor-intensive functions of public safety, mass transit, blight remediation and other areas must continue with minimal interruption. Thus the first priority of this budget was to keep essential services as close to current levels as was affordable, and this required minimal changes to overall staffing levels. Agencies are purposefully trying to accomplish their missions with diminished resources, and in most cases additional permanent staff cuts would devastate operations beyond what the savings would merit. Maximizing operations in a transition period with sharply reduced funding also means no reduction in the City's \$327 million accumulated operating deficit during FY 2014, which will likely increase by June 2013 despite ongoing restrictions on non-essential expenditures. A restructuring reserve of \$14 million is included to continue system modernization efforts.

Maximum practical increases in employee cost share for health insurance proved necessary to protect services as best as possible. The budget anticipates \$2,000 deductibles and \$6,000 maximum annual out-of-pocket expenses for all insured employees and many retirees. The most difficult consequence of this budget is that current employees will bear large increases in health care costs on top of salary reductions nearing 20 percent over the last three years, making retention of experienced talent difficult and the appeal of City employment less desirable for potential new employees. The alternative path of severe reductions in public safety and transit services is untenable for both economic and social reasons, but the human capital risks of this proposal are significant. Unlike this year, however, this budget will enable more immediate refilling of vacancies in the event of staff attrition.

Uniform salary reductions in the Police and Fire departments are included in accordance with the City Employment Terms imposed in July 2012, and no supplement based on the March 2013 DPOA arbitration ruling is provided as the City is expected to appeal the decision. For other employees subject to furloughs imposed early in 2013, an additional seven months of furlough are factored into FY 2014 salary costs. Additionally, this budget recommendation:

- Assumes continuation of the Public Lighting Department's retail sales function for all of FY 2014;
- Redirects a portion of utility users tax to the Public Lighting Authority and shifts income tax proceeds to cover Police administration adequately per state law;
- Moves prisoner detention responsibility to the State;
- Reduces the number of legislative support staff while providing ample funds for legislative oversight agencies;
- Enables immediate filling of more than 40 vacancies in Emergency Medical Services;
- Continues the policy of shifting more Uniform Police staff to patrol duty;
- Increases user fees in several agencies by 15 to 50 percent to reflect more realistic cost burdens; and
- Devotes a greater share of resources toward collection of revenue owed to the City.

Even these steps could not eliminate the operating deficit completely, however. Therefore, salaries were removed from approximately 100 currently unfilled positions primarily in the Finance, Fire, General Services, Police and Transportation departments. Within this total are 28 police civilian positions, 20 fire fighters, and the vacant Deputy Mayor position. These positions are maintained in expectation that funding will be restored if revenue generation exceeds projections.

**The Mayor's Recommended Budget best addresses the operational needs of general City agencies for the upcoming fiscal year within existing revenues. This budget is built on reliable revenue estimates and thorough consideration of likely savings from redundancy removal and structural reform. The proposed budget also spreads the burden of reduced revenues widely in order that current service provision, while well below that envisioned for the current year, may continue with minimal interruption. Absent significant and immediate cuts in non-operational costs, Detroit cannot subsequently provide this level of service.**

### KEY BUDGET ASSUMPTIONS

Because the adopted FY 2013 budget optimistically assumed a significant reserve for deficit reduction, the operational funding totals between that plan and this Mayor's Recommended Budget differ only marginally. The practical differences are far greater, due to the drawing down of this reserve for necessary public safety, transit and benefits expenditures. The intended trimming of the FY 2013 budget will therefore become the City's reality in FY 2014, and this time no deficit reserve can be drawn upon for flexibility. However, the austere estimation process for both revenues and expenditures significantly reduces the likelihood of a budget emergency during FY 2014.

#### *Key Revenue Assumptions*

While departmental revenues have declined, General Fund revenues from the top five sources as incorporated into the Mayor's FY 2014 Recommended Budget are estimated at \$751.2 million, an increase from \$736.0 million in the adopted FY 2013 budget. The following comparisons of these major revenue sources are detailed below.

- ❖ Property taxes: \$113.7 million based on a total budgeted taxable value of \$7.3 billion, down from \$123.2 million based on a total taxable value of \$7.8 billion in FY 2013.
- ❖ Income taxes: \$239.7 million by assuming tax rates of 2.4% for residents, 1.2% for non-residents and 2.0% for corporations, up from \$228.0 million in FY 2013.
- ❖ Utility user taxes: \$40.5 million, down from \$42.0 million in FY 2013.
- ❖ Gaming taxes: \$173.0 million as levied at 10.9%, up from \$171.0 million in FY 2013.
- ❖ Distributable state aid: \$184.3 million based on data provided by the Treasury Department of the State of Michigan, up from \$171.8 million in FY 2013.

*Key Appropriations Provisions*

- **The City will fully budget more than 9,800 positions across all agencies, down from 10,437 at the beginning of FY 2013.** While this total exceeds current City headcount due to recent retirements and reductions in force, the emphasis is that essential work can be carried out with 6 percent fewer staff than was intended for FY 2013. An additional 100 unfunded vacancies and new positions will be filled during FY 2014 if revenues exceed expectations.
- **Uniform Police positions are maintained at the same personnel level budgeted for FY 2013.** However, the salary removal from 28 civilian positions will impair efforts to move more uniform staff onto patrol duty.
- **Uniform Fire positions for which funding is attached are maintained at the threshold amount necessary to continue full receipt of the Federal Emergency Management Agency SAFER grants.** This total actually exceeds the current firefighting headcount but contains 20 positions fewer than what the Fire Department requested (and that are currently unfunded within the budget). With more than one-quarter of current fire fighters on injury leave or long-term disability, this decrease is especially challenging to ongoing operations.
- **City Council's budget is decreased by more than one-third to approximately \$7 million,** primarily by reducing personal service contracts and with the intent of providing each member with one support staff.
- **General Fund salary and wage costs remain close to FY 2013 levels.** This budget preserves and enhances resources that will be utilized to generate additional revenue, but labor-intensive service provision will remain predominant in the City for at least another year as technology upgrades are developed.
- **Significant shifting of health care cost-sharing to employees is included to enable maximum provision of essential services within available revenues.** All insured employees of General City Agencies and the Department of Transportation will be subject to \$2,000 plan deductibles and \$6,000 maximum out-of-pocket costs, with six months of implementation savings assumed. These provisions will be extended to retirees outside of the Weiler Class as well.
- **The Department of Transportation subsidy from the General Fund will be approximately \$62 million.** Although a continuation of full subsidy to cover the department's risk management costs is recommended, the overall amount is due primarily to a large increase in pension and benefit obligations that is mitigated by significant reductions in department operational costs.
- **General Fund support for the Recreation Department will remain near FY 2013 levels.** Significant private support therefore will be necessary to restore full utilization of City parks and enhance availability of recreation opportunities.
- **\$14 million is set aside for restructuring activities, down from \$28 million in FY 2013.** This supplement may barely suffice to fund ongoing restructuring activities, and a far greater amount is likely necessary to achieve transformative change in a timely manner. However, necessary increases in restructuring costs should be mitigated significantly by the reduction of redundant functions currently included in the proposed budget as well as increased revenue from enhanced collection activities.

- **Revenue enhancement initiatives will be amply funded in the Finance Department and in other agency operations** where increased collections of taxes, blight violation penalties, and permitting and licensure fees are probable. Expected return on these initiatives has been included in base revenue only where reliably supported, and not at all with respect to taxes.
- **Enterprise activities are fully funded by revenues from operations and do not affect the General Fund.**

### **CRITICAL ITEMS NOT FUNDED**

Agencies have deemed necessary the following items that cannot be funded within the current Recommended Budget. These shortfalls are due primarily to increased pension, benefit and central staff services costs.

#### ***Public Works:***

- Sufficient fleet repair services in Solid Waste Fund.
- Sufficient resurfacing and other district maintenance operations in Street Fund.

#### ***DDOT:***

- 5 contract staff in Management Information Services.
- Janitorial services are not funded to full request.
- Paratransit administrative costs for 23 FTE need to be shifted to City funds.
- Cost of additional management to be procured under contract with an outside party.

#### ***Finance:***

- 9 unfunded positions including managerial and entry-level collection staff.
- 6 additional customer service call center activity staff.

#### ***Fire:***

- Unfunded budget for 20 firefighters.
- Accident and collision repair coverage on heavy-duty vehicles.
- Hoists for new ambulances, transmission flush machine and other small apparatus needs.
- Public Safety Headquarters relocation costs.

#### ***Information Technology Services:***

- Restore telecommunication amounts related to AT&T cost from previous periods.
- Restore necessary software maintenance and modernize software and architecture at a total cost exceeding \$7.5 million.
- Public Safety Headquarters relocation costs.

#### ***Law:***

- Upgraded case management software to improve operational efficiency.
- Restore administrative support staff.

#### ***Municipal Parking:***

- Batteries for Parking Pay Stations.
- Restore Sub-Foreman position.
- Restore funds for telecommunications costs of remaining periods.

***Police:***

- 28 civilian support positions that should enable greater patrol utilization for uniform staff.
- Public Safety Headquarters relocation costs.
- Jail management system software as part of a more integrated recordkeeping system.

***General Services:***

- Phase 2 of space consolidation costs for moving, cleaning and relocation.
- Janitorial service enhancements in facilities owned and operated by the City.

***36th District Court:***

- 148 additional FTE with an approximate \$9 million operating cost.
- Restoration of Drug Court, Project Fresh Start and improved court administration.
- Information technology needs in the area of data storage and retrieval.

***City Clerk:***

- Costs for Charter-required ordinance codification.

## GOVERNMENTAL STRUCTURE

*NOTE: The appointment of an emergency manager for the City of Detroit in March 2013 will profoundly affect the normal course of executive and legislative decision making during FY 2014. This section explains the City's standard governmental structure, but the following allocation of powers and responsibilities may be altered during the term of the emergency manager.*

Pursuant to the provisions of the State Constitution, Detroit is a home rule city with significant independent powers. In accordance with the Charter, the governance of the City is organized in two branches: the executive branch, which is headed by the Mayor, and the legislative branch, which is composed of the City Council and its agencies. The Charter also provides for an independent City Clerk who serves as Clerk to the Council and Chairperson to the Elections Commission. The Mayor, City Council members and the Clerk are elected every four years, with the most recent regular election for these positions in November 2009. There is no limit to the number of terms that may be served by elected officials.

The City Charter provides that the voters of the City reserve the power to enact City ordinances by initiative, and to nullify ordinances enacted by the City by referendum. However, these powers do not extend to the budget or any ordinance for the appropriation of money, and the referendum power does not extend to any emergency ordinance. The City is operating under a Charter created in 1918 with amendments made in 1974, 1997 and 2011. The most recent changes to the Charter primarily revolved around ethics and corruption, future growth, and government efficiency.

The Mayor as chief executive of the City has control of and is accountable for the executive branch of City government. The Charter grants the Mayor broad managerial powers, including appointment of most department directors and deputy directors.

The Charter delegates to the executive branch the responsibility for implementation of most programs, services and activities. An Executive Organization Plan (EOP) must be on file setting forth all agencies of the executive branch and assigning authorized programs, services and activities to each, including the six staff departments (in Article 6), six operating departments and a variety of other specified functions (in Article 7). The Mayor initiates changes to the EOP through an amendment process.

The EOP calls for operating and staff departments in the executive branch. The staff departments are: Budget, Human Resources, Finance, Law, and Planning and Development. Operating departments include: Human Rights, Police, Fire, General Services, Health and Wellness Promotion, Public Lighting, Public Works, Recreation, Transportation, and Water and Sewerage.

The City's three cultural departments are administered through operating agreements with non-profit organizations. The Detroit Institute of Arts is administered by the Founders' Society. The Detroit Zoological Institute is administered by The Detroit Zoological Society, and the Detroit Historical Museum and Dossin Museum are administered by the Detroit Historical Society. Historic Eastern Market was formerly operated by the Recreation Department and is now also administered by a non-profit, the Eastern Market Corporation, under a management and promotion agreement. The Charles Wright Museum of African American History continues to receive significant tax support, as does the Anna Scripps Whitcomb Conservatory (on Belle

Isle), which is operated by the General Services and Recreation Departments. In 2010, the operation of Cobo Center was transferred to a regional authority, the Detroit Regional Convention Facility Authority.

Financial operations of the City have historically been carried out through the appointed positions of Finance Director and Budget Director. The Finance Director oversees most financial functions of the City, including coordinating financial activities, collecting and disbursing funds, directing accounting procedures, purchasing goods and services and the assessing of property in the City. The Budget Director is responsible for the development of program and service objectives, controlling and supervising the expenditure of funds, long-term financial planning, and assisting the Mayor in the preparation of the City's annual budget and five-year capital improvement agenda.

The 2012 Financial Stability Agreement with the State of Michigan established a Chief Financial Officer, Project Management Director and Financial Advisory Board to oversee the City's financial and budget operations. These positions remain in place as of the submission of this Mayor's Recommended Budget to the City Council. The Chief Financial Officer reports directly to the Mayor and is responsible for supervising all finance and budget activities of the City, with the Finance Director and Budget Director reporting to this office. The Program Management Director is responsible for implementation of the Reform Program initiatives detailed in Annex B of the agreement.

The Financial Advisory Board is a public body politic that administers and executes the agreement. Its responsibilities include monitoring and reporting of the City's ongoing financial performance; making certain findings and recommendations to the City; and assisting the City with preparation, implementation and execution of an annual Triennial Budget and General Appropriations Act, which shall include the annual Budget and assisting the City in achieving financial stability. The Board is comprised of nine members with three appointed by the Governor, two appointed by the Mayor, two appointed by City Council, one appointed by the State Treasurer, and one jointly appointed by the Governor and Mayor (approved by City Council).

The City Council, composed of nine members elected for 4-year terms, is the City's legislative body. The City Council has the power to override the Mayor's veto with a two-thirds majority vote of its members.

Agencies that aid the City Council in its duties include the Auditor General, the Ombudsperson, the Research and Analysis Division, the Fiscal Analysis Division and the City Planning Commission. The Auditor General is appointed for a term of 10 years by a majority of City Council members serving and may be removed for cause by a two-thirds majority vote. The Auditor General may investigate the administration and operation of any City agency and prepares various reports, including an annual analysis for the City Council of the Mayor's proposed budget.

The Ombudsperson is appointed for a term of 10 years by a two-thirds majority of City Council members for the purpose of investigating any official act of any agency (except elected officers) that aggrieves any person, and may only be removed for cause by a two-thirds majority vote of Council. The Research and Analysis Division is charged with the duty to investigate, research and analyze any matter referred by the City Council. The Fiscal Analysis Division studies and reviews all financial information necessary to advise the City Council on budgetary and financial



matters to promote the economic welfare of Detroit's citizens. The City Planning Commission, consisting of nine members appointed by the City Council for 3-year terms, advises the City Council on such matters as the annual capital budget, certain development or renewal projects and proposals for the demolition, disposition or relinquishment of, or encroachment upon, public real property or public interests in real property.

The 2011 Revised City Charter authorized the Office of Inspector General. The purpose of the office is to ensure honesty and integrity in City government by rooting out waste, abuse, fraud, and corruption. Lastly, the Board of Ethics investigates and resolves complaints regarding alleged violations of the Ethics Ordinance by public servants, issuing advisory opinions regarding the meaning and application of provisions of the Charter, City Ordinances, other laws, or regulations establishing standards of conduct for public servants.

The City of Detroit is also responsible for the financial and administrative affairs relating to the 36<sup>th</sup> District Court, Michigan's largest limited jurisdiction court, handling over 450,000 criminal, traffic, civil and parking cases filed in the City each year.

## FINANCIAL PROCEDURES

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City conform to generally accepted accounting principles (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Boards (GASB). Each department and agency receives financial information along appropriation, organization, program and project lines, but in an integrated environment. This information is used to allocate financial resources and to control actual expenditures in relation to the budget. In addition, historical information from these reports can be used for analysis and preparation of the annual financial report.

The City utilizes the Detroit Resource Management System (DRMS) to record and process financial information. DRMS is now used to conduct business for all City core financials (purchasing, accounts payable, accounts receivable and general ledger), as well as to track applicants for employment and for budget processes.

### **Basis of Accounting**

The City's financial statements are prepared in conformity with generally accepted accounting principles. "Basis of accounting" refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Except for the City's Enterprise Funds and Pension Funds (which are accounted for on the accrual basis), the City's funds and accounts are maintained and reported on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the City considers revenues to be available if they are collected within 60 days from the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources susceptible to accrual include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **Basis of Budgeting**

The Budget is prepared on essentially the same principles as the accounting system. The General Fund is budgeted on a modified accrual basis and enterprise funds on the accrual basis. The major differences between the budgeting and accounting basis are:

- 1) Encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis).
- 2) Compensated absences (accrued but unused leave) are not reflected in the budget.
- 3) Depreciation expense is not included in the budget basis.

The Charter requires that the Budget is based on Programs, and budget appropriations for the most part reflect programs, except that overhead costs of activities are not apportioned in allocations.

### **Fund Balance**

The fund balances of the General, Special Revenue and Capital Projects Funds have been classified to reflect certain limitations and restrictions. Reserves for Inventories are equal to the amount of the inventories and signify that such assets are not presently available for appropriation and expenditure. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside within each respective fund balance an amount equal to the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the Budget is increased by an amount sufficient to cover the unliquidated encumbrances and these encumbrances are reinstated. Unliquidated appropriations represent amounts appropriated for liquidation of encumbrances and for other commitments not liquidated by year-end and carried forward to the succeeding year's budget. Any remaining balance constitutes an unappropriated surplus. In accordance with a City ordinance, one-half of any unappropriated surplus is transferred to a Budget Stabilization Fund with the balance being available for other appropriations in the following fiscal year. Any unappropriated deficit is funded in the succeeding fiscal year.

The Budget reflects half of this General Fund balance as a prior year surplus (revenue in the Non-Departmental budget) or deficit (appropriation in the Non-Departmental budget). All other Funds do not include a Prior Year Fund Balance.

### **Budget Stabilization Fund**

In 1978, the State Legislature authorized municipalities to establish budget stabilization funds for the purpose of providing a method to stabilize financial operations, especially during cyclical economic periods. In 1979, the City by ordinance established the Budget Stabilization Fund to cover General Fund deficits, to restore reduction in the number of employees and to cover expenses arising because of a natural disaster. One-half of the General Fund surplus is to be appropriated to this fund in the fiscal year following the year that a surplus is experienced, up to the lesser of either 15% of the City's most recent General Fund budget or 15% of the average of the City's five most recent General Fund Budgets. The Budget Stabilization Fund has a balance of \$0, and this fund is not reflected in the Budget.

### **GASB 34 Activities**

Government Accounting Standards Board Statement #34 establishes new requirements for the annual financial reports of state and local governments. The City has taken steps to improve the descriptiveness and usefulness of its base financial information, starting with the June 30, 2004 CAFR using the newly prescribed financial reporting requirements.

## BUDGET PROCESS AND CONTENT

The general content and the process of developing the City's annual budget are prescribed by the City Charter. The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included. The City estimates a prior year surplus or deficit for the General Fund, which reflects the ending financial position for the prior year (the "fund balance"). Any deficit during the preceding year is entered into the budget for the next fiscal year as an appropriation in accordance with the City Charter. One-half of any surplus is credited to the Budget Stabilization Fund with the remainder being included as a revenue in the following year. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is "balanced".

### **Budget Development Calendar**

The City Charter requires before November 1 of each year and prior to submitting a proposed annual budget that the departments of Police, Fire, Public Works, Water and Sewerage, Recreation, Health and Wellness Promotion, and Public Lighting conduct a public meeting to review programs, services and activities to be included in the budget and to receive public comment. A general summary of these departments' programs, services and activities funded in the current fiscal year, along with the date, time and place of the meeting, must be published in a daily newspaper of general circulation at least ten days before the meeting.

Budget staff organizes the meetings every October with different community partners as hosts (for all departments except Water and Sewerage, which holds its own public meetings). In some years, Budget staff also meets with high school classes, and administers a *Survey of Citizen City Service Priorities* through community organizations, City facilities, and the City's website.

The initial budget, which includes all department estimates of revenues and expenditures required for the fiscal year beginning July 1, is submitted to the Mayor by the Budget Department in February. The Mayor may revise the budget prior to submitting it to the City Council on or before April 12, the date established by City ordinance.

Prior to approval of the budget, the Auditor General prepares an analysis of the proposed budget, and City Council holds hearings with various agency heads and a public hearing. The City Council may amend the budget as presented by the Mayor, on or before May 24. Any Mayoral veto of City Council amendments may be overridden by a two-thirds vote of the City Council members. The City Council's reconsideration of the budget must be completed within the longer 3 calendar days or 2 business days following the maximum return date of the budget by the Mayor and any Mayoral veto.

The FY2013 Budget requirements provided for by the Financial Stability Agreement are more limited than in future years. Beginning with the FY2013 Budget, the agreement requires the City to have its revenue estimation reviewed and approved by the State Treasurer and to ensure that expenditures do not exceed approved revenues. Additionally, the City is required to prepare a Triennial Budget that will be submitted to the State Treasurer and the Financial Advisory Board.

In future years, the City will be required to hold semi-annual revenue conferences and receive approval on revenue estimates from the Financial Advisory Board as well as receive input from

the Financial Advisory Board on the budget and its merits (see the revenue estimation and budget calendar). Based on the City's current financial condition and the new requirements provided for in the Financial Stability Agreement, FY2014 Recommended Budget includes appropriation reductions to most departments, the consolidation of select City services and implementation of operational reforms. Additionally, the Recommended Budget focuses on delivering core services to citizens that match the current level of revenues while allowing for a reduction and elimination of the accumulated deficit.

### **Budget Adoption**

The adoption of the budget provides for: 1) appropriations of specified amounts from funds indicated, 2) a specified levy of the property tax, and 3) provision for the issuance of bonds specified in the capital program. The budget document as adopted becomes the basis for establishing revenues and expenditures for the fiscal year following the fiscal year of passage.

### **Appropriations**

The City Charter requires that appropriations be made in lump sums to the agencies for specific programs, services or activities or to additional classifications as the Mayor may recommend. Within an appropriation, the Mayor is given the responsibility of allocating financial resources to labor, equipment, supplies and materials in a manner which appears most suitable and economical in a given situation. However, the accounts of each agency are maintained in such detail as required by generally accepted standards of financial reporting.

### **Budget Revisions**

The appropriation is a fixed expenditure and may not exceed the original appropriated level without City Council approval. If during the fiscal year the Mayor advises the City Council that there are revenues available for appropriation in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. The Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services or activities within an agency or from one agency to another.

**REVENUE ESTIMATION AND BUDGET CALENDAR**

The <i>VARIOUS OFFICERS, DEPARTMENTS, COMMISSIONS AND BOARDS</i> shall complete their estimates of requirements for activity during the ensuing fiscal year	On or before each December 7, 2012
The <i>DIRECTORS of FINANCE, BUDGET, AUDITOR GENERAL and CITY COUNCIL'S FISCAL DIVISION</i> shall hold a revenue estimation conference, with the <i>FINANCIAL ADVISORY BOARD</i> approving the conference report	**Between January 25 and February 11, 2013
The <i>BUDGET DIRECTOR</i> shall make up and transmit to the Mayor a tabulation of such estimates	On or before February 22, 2013
The <i>MAYOR</i> shall consider the budget and may revise or alter the same, to be completed and returned by him to the Budget Director for tabulation	On or before March 29, 2013
The <i>BUDGET DIRECTOR</i> shall re-tabulate the revision and the <i>MAYOR</i> shall transmit the revised budget to the City Council and the Michigan State Treasurer	On April 12, 2013
The <i>CITY COUNCIL</i> shall consider the budget transmitted by the Mayor and may revise, alter, increase or decrease, the amounts therein	On or before May 24, 2013
The <i>MAYOR</i> shall return the budget to the City Council with his approval, or if he shall disapprove the whole or any items therein, with a statement of his reasons therefore	On or before May 30, 2013
The <i>CITY COUNCIL</i> shall act upon any item or items that shall have been disapproved by the Mayor	***On or before June 3, 2013
After the <i>MAYOR</i> shall have approved the budget, or the <i>CITY COUNCIL</i> shall have acted upon any part or item thereof which shall have been disapproved, the <i>FINANCE DIRECTOR</i> shall make an itemized statement of the amount to be raised by taxation, and a similar statement for the issue of bonds	*On or before June 10, 2013
City operations begin under the FY 2014 adopted Budget	On July 1, 2013

\*Calendar dates that require scheduling of a formal session of CITY COUNCIL.  
 \*\*Because of the timing of the execution of the Financial Stability Agreement, some of the requirements may be waived by the State Treasurer.  
 \*\*\*Later of 3 calendar days or 2 business days following maximum return date of the Budget by the Mayor.  
**Note:** Whenever deadline dates fall on Saturday, Sunday or Holiday, the applicable deadline shall be the next business day.

**OPERATIONAL POLICY AND GOALS:**

**Current City functions continue to determine agency operating goals in FY 2014.**

<b>1. PROTECT INDIVIDUALS AND PROPERTY IN DETROIT</b>
PREVENT AND CONTROL CRIME through Police Department precinct operations, specialized investigative and narcotics services, and the science and technology bureau.
ENFORCE TRAFFIC LAWS AND ORDINANCES The Weights and Measures operation enforces truck safety. The 36 <sup>th</sup> District Court handles small claims, misdemeanor crimes and preliminary felony exams in Detroit.
PREVENT AND CONTROL FIRE through response to fire calls, code enforcement, education and investigation.
PREPARE FOR WIDE-SCALE, HAZARDOUS COMMUNITY EMERGENCIES The Fire Department operates ambulance services and emergency management response capability. Homeland Security staff within the Police Department coordinate resources around securing Detroit's borders and municipal facilities.
<b>2. FACILITATE TRANSPORTATION IN DETROIT</b>
MAINTAIN PASSABILITY OF STREETS through design, street improvements, and snow and ice removal.
OFFER MASS TRANSIT through the Department of Transportation bus system and services to special populations.
MAINTAIN AND MONITOR PARKING FACILITIES through the Municipal Parking Department.
<b>3. IMPROVE THE PHYSICAL ENVIRONMENT OF DETROIT</b>
HANDLE SOLID WASTE EFFECTIVELY Solid Waste collection occurs through refuse collection operations. The Greater Detroit Resource Recovery Authority operates the incinerator with the City as its largest customer.
REGULATE THE ENVIRONMENTAL ASPECTS OF LAND USE The Environmental Affairs Department enforces environmental compliance and promotes brownfield cleanup. The Department of Administrative Hearings adjudicates blight violations. The Zoning Appeals Board rules on citizen appeals of land use determinations.
OFFER STREET LIGHTING through the Public Lighting Department or a third party.
ENVIRONMENTAL PROTECTION General Services Department staff clean up vacant lots through grass cutting and debris removal.
PROVIDE HEALTHY WATER SUPPLY AND SEWAGE DISPOSAL through the Water & Sewerage Department.
DEMOLISH DANGEROUS BUILDINGS through the Buildings & Safety Engineering & Environmental Department.

<b>4. PROVIDE RECREATIONAL AND CULTURAL OPPORTUNITIES IN DETROIT</b>
<b>PROVIDE RECREATIONAL FACILITIES AND ACTIVITIES THROUGHOUT DETROIT</b> Recreation Centers, programs and special events are available throughout Detroit.
The City owns the Detroit Institute of Arts and subsidizes its capital improvements. The Recreation Department has an operating agreement for the management of Eastern Market. The Detroit Historical Museum, Dossin Museum, and Fort Wayne are owned and subsidized by the City. The City has an operating agreement with the Zoological Institute for the main Zoo and the Belle Isle Nature Zoo.
<b>CONTRIBUTE TO THE EDUCATION OF DETROITERS</b> The Detroit Public Library operates a branch library system and special central collections.
<b>5. PROTECT THE SUPPLY AND CONDITIONS OF BUILDING IN DETROIT</b>
<b>ENFORCE BUILDING AND SAFETY CODES</b> through the inspection activities of Buildings & Safety Engineering & Environmental Department. Enforce construction codes through planning and permitting services. The Business License Center provides consumer safety protections through regulation.
<b>6. DEVELOP ECONOMIC CAPACITY IN DETROIT</b>
<b>PROVIDE INDUSTRIAL AND COMMERCIAL ASSISTANCE</b> The Detroit Building Authority oversees capital improvements for city facilities. The Planning and Development Department works with developers and offers targeted infrastructure support.
<b>PROVIDE JOB OPPORTUNITIES FOR DETROITERS</b> The Human Rights Department monitors discriminatory barriers to employment and entrepreneurial development.
<b>7. CONTINUOUSLY IMPROVE MANAGEMENT OF PUBLIC SERVICES</b>
<b>PROVIDE EXECUTIVE LEADERSHIP TO CITY AGENCIES</b> The Human Resources Department recruits, selects, develops and guides the management of personnel. The Law Department is the Corporation Counsel for all municipal affairs. The Mayor’s Executive Office directs administration, operations, development, and fiscal affairs. Planning and Development Department prepares the City’s Master Plan.
<b>MANAGE THE OVERHEAD AND INFRASTRUCTURE OF CITY AGENCIES</b> The General Services Department manages and maintains municipal buildings and grounds, major stores and vehicles. Information Technology Services Department supports all personal, network and specialized technology needs.



**MONITOR FIDUCIARY TRANSACTIONS EFFECTIVELY**

The Budget Department plans and monitors programs and projects in the annual operating and capital budgets.

The Finance Department, including Bond Interest and Redemption, processes payments, makes cash available, and accounts for City transactions.

The Auditor General monitors the internal controls of agencies and of city fiscal management systems.

**OFFER COMMUNITY EXTENSION SERVICES**

Communication Services brings city government information to the community through various media.

The Detroit City Council is supported by the City Planning Commission, an advisory planning organization.

The City Ombudsperson investigates citizens complaints with city services.

**DEVELOP AND REPRESENT PUBLIC POLICY**

The City has a Legislative Liaison to the State of Michigan executive and legislature.

The Board of Ethics recommends improvements in employee or agency standards of conduct.

The Detroit City Council is charged with the Legislative function of the City.

The Detroit City Clerk keeps the official record for city affairs.

The Elections Commission conducts local elections in accordance with State law.

**MAKE TARGETED CONTRIBUTIONS AND SUBSIDIES for important public services.**

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