



Mayor's Proposed Budget

**FY 2022 Annual Budget and
FY 2022-2025 Four-Year Financial Plan**

March 5, 2021

Presenters

- Mayor Mike Duggan
- Jay Rising, Acting Chief Financial Officer
- Tanya Stoudemire, Chief Deputy CFO / Policy & Administration Director
- Steven Watson, Deputy CFO / Budget Director

FY 2022 Budget Overview

Key Budget Drivers

1. COVID-19 Impact and Response
2. Economic Recovery and Opportunity
3. Fiscal Stability

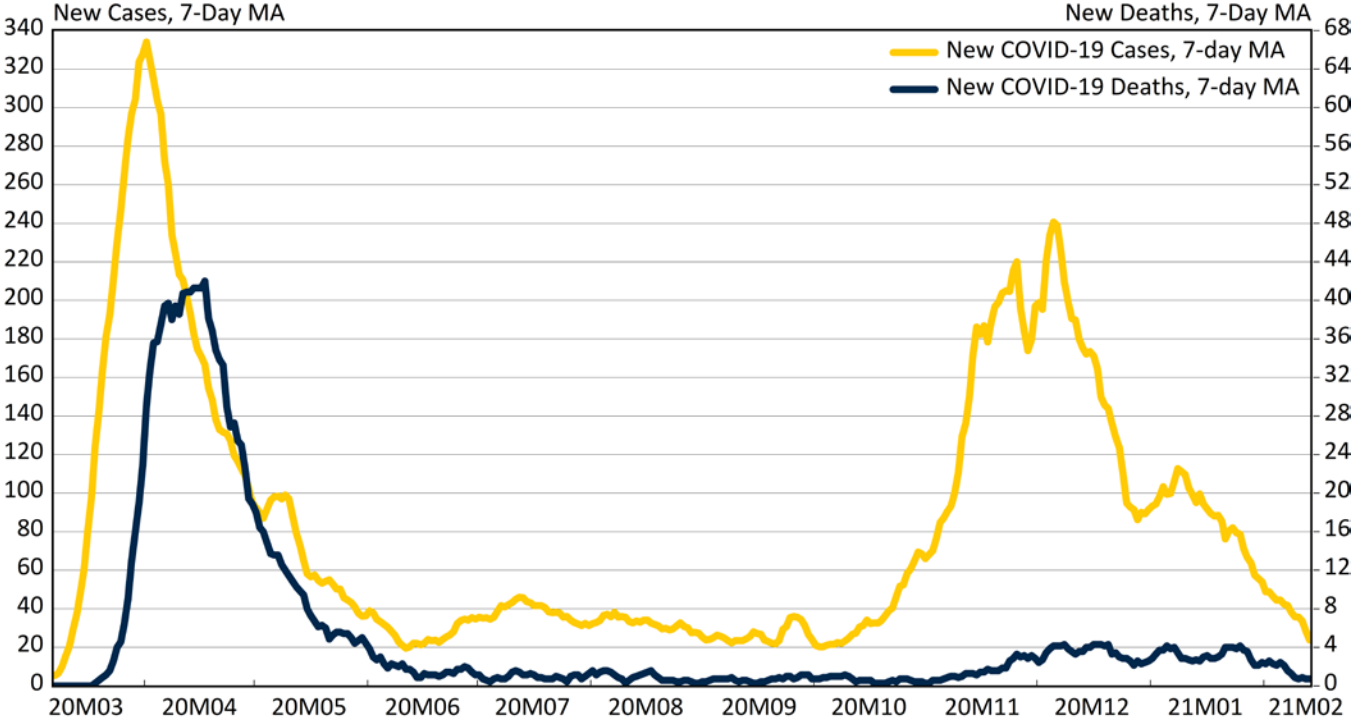
FY 2022 Budget Totals

- All Funds Budget totals \$2.3 billion
- General Fund Budget totals \$1.1 billion
- All Funds support 10,320 full-time equivalent positions

Economic Outlook



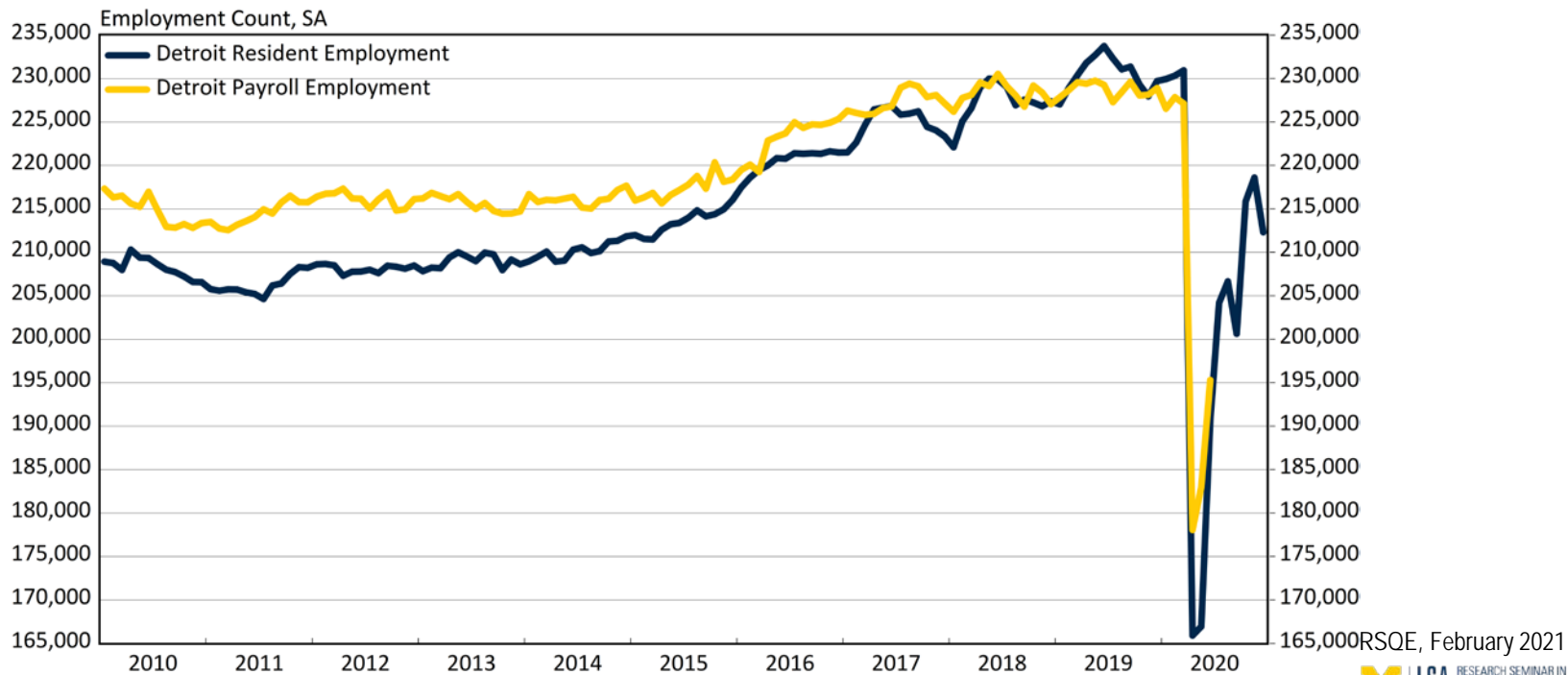
COVID-19 Cases and Deaths in Detroit



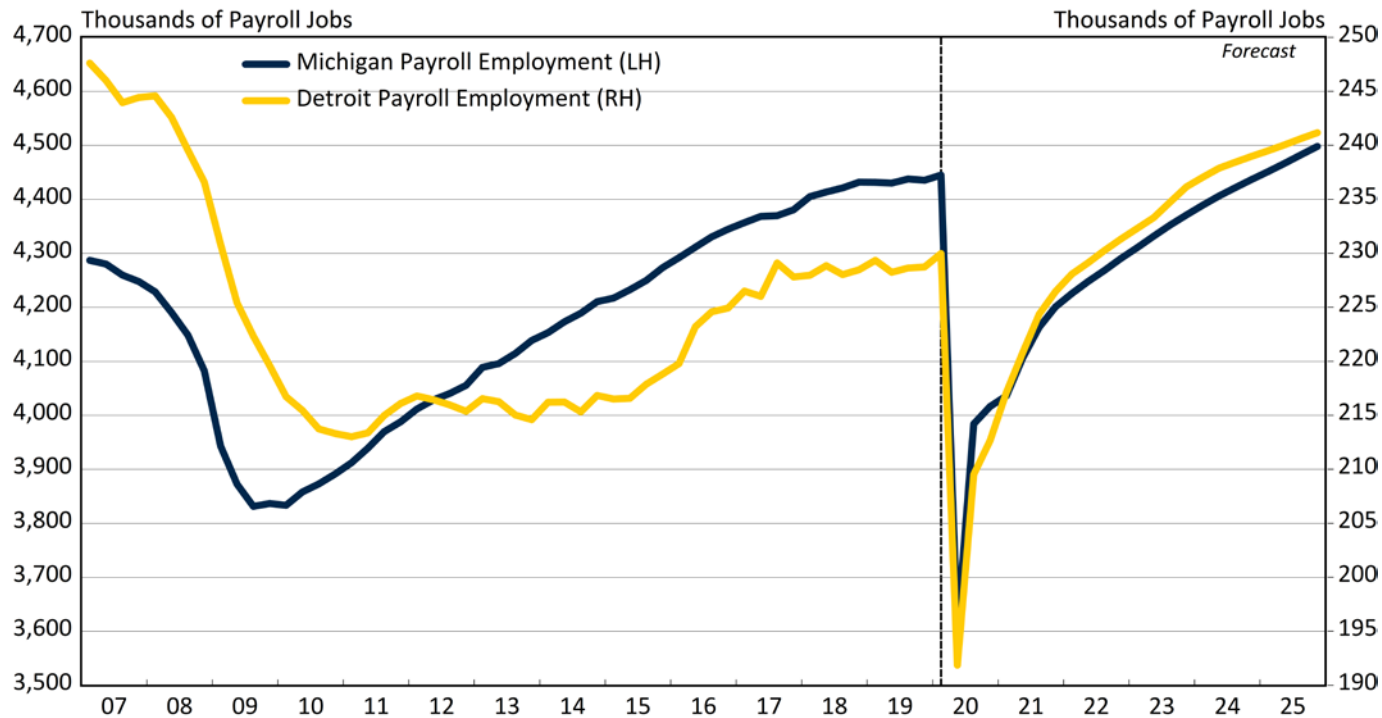
RSQE, February 2021



Seasonally Adjusted Monthly Employment



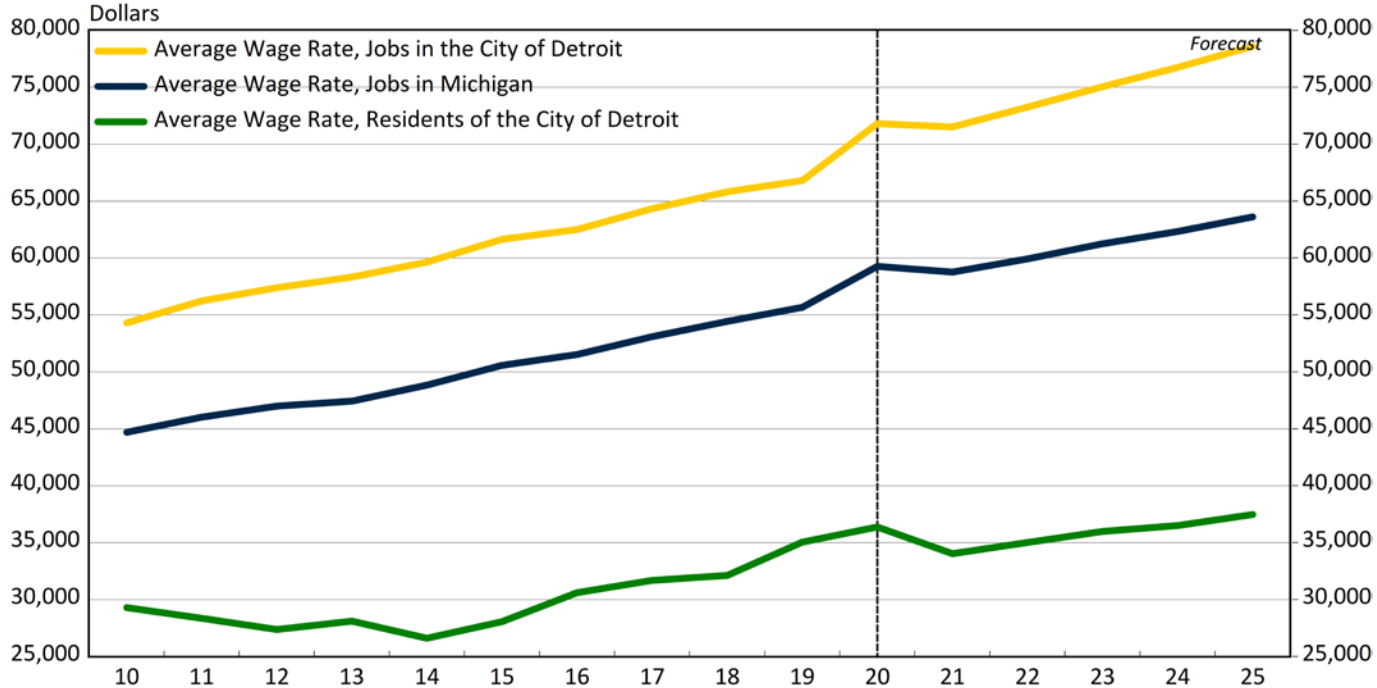
Jobs in Detroit Recover Faster than State Overall



RSQE, February 2021



Average Wages for Jobs in Michigan and Detroit, and for Detroit Residents



RSQE, February 2021

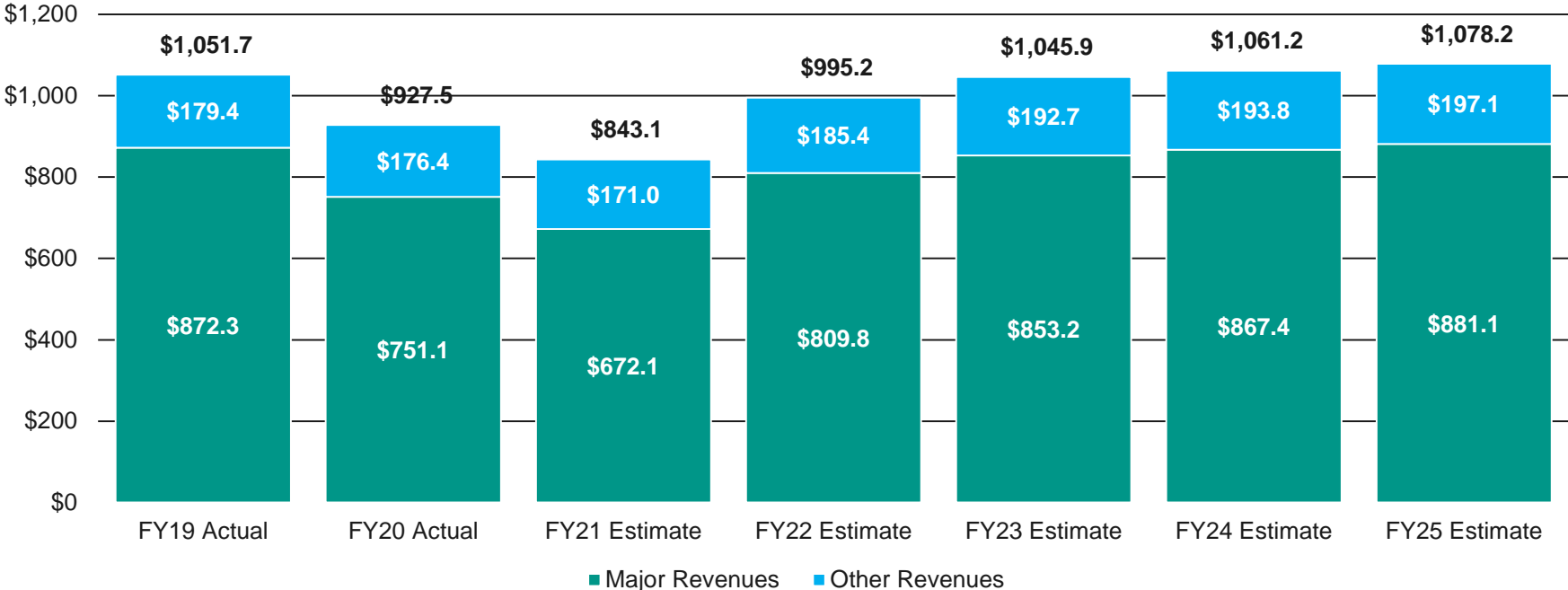


Revenue Forecast



Recurring General Fund Revenue

(\$ in millions)

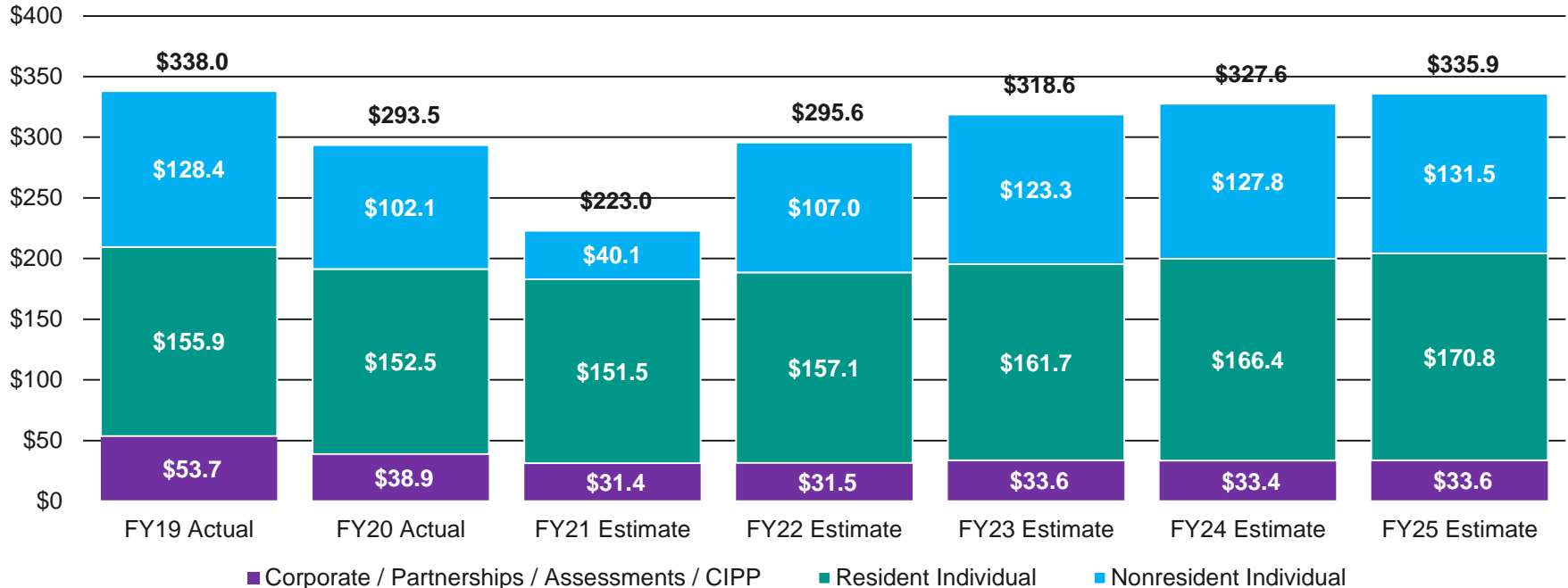


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments. Adjusted from Revenue Conference to reflect shift of \$0.4M from General Fund to special revenue.



Recurring Income Tax Revenue Estimated Components

(\$ in millions)

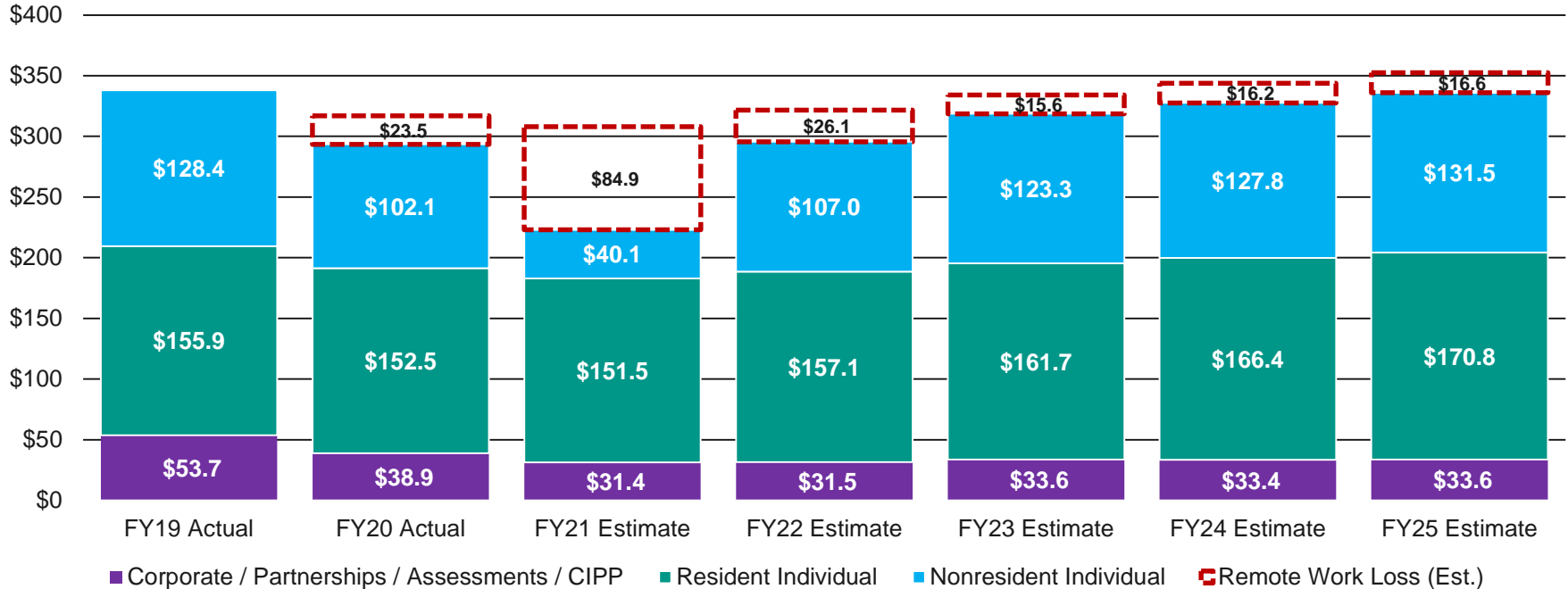


Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds.



Recurring Income Tax Revenue Estimated Components and Remote Work Loss

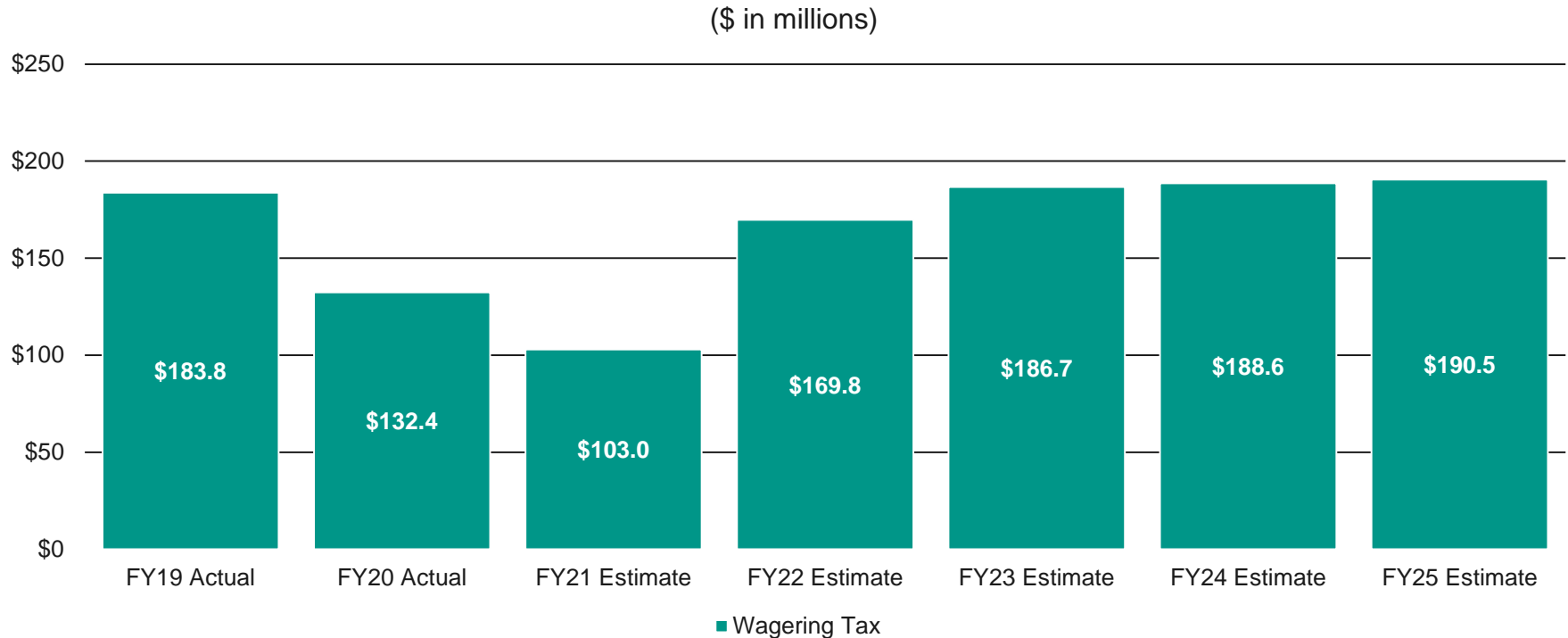
(\$ in millions)



Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds.



Wagering Taxes Impacted by COVID-19



Note: FY20-FY22 impacted by casino closures and capacity restrictions due to COVID-19 pandemic. Does not include new revenues from internet gaming and sports betting.

Revenue Risks and Potential Upside

Downside Risks

- Slower casino recovery than expected
- Slower than anticipated recovery from recession
- Larger than anticipated nonresident remote work impact
- Longer lasting changes in economic activity due to workplace and behavior changes
- Future state and federal budget pressures causing reductions in local funding

Potential Upside (not counted in current revenue estimates)

- Residential, commercial, and industrial development activity throughout the City
- Workforce development and labor force participation gains
- Internet gaming and sports betting taxes (launched Jan 2021)
- State-shared excise tax from adult-use marijuana (City authorized in Nov 2020, implementation underway)
- Additional federal fiscal relief and economic stimulus

FY 2022 Proposed Budget



FY 2022 Budget Overview

General Fund (\$ in millions)	FY21	FY21	FY22	FY22 Budget
	Adopted	Revised	Proposed	vs. FY21 Revised
Beginning Fund Balance	\$ 77.3	\$ 186.4	\$ 170.6	\$ (15.8)
Rainy Day Fund Use	50.0	50.0	-	(50.0)
Revenues				
Income Tax	275.2	307.9	321.7	13.8
Income Tax Remote Work Loss	(35.8)	(84.9)	(26.1)	58.8
State Revenue Sharing	190.5	204.1	202.5	(1.6)
Wagering Tax	135.3	103.0	169.8	66.8
All Other Revenues	341.5	317.5	327.3	9.8
Deferred COVID Reimbursement	-	14.0	-	(14.0)
Total Revenues	906.7	861.6	995.2	133.6
Recurring Expenditures	(1,048.0)	(1,050.0)	(1,081.7)	(31.7)
Federal Transit Grants	24.0	60.0	26.5	(33.5)
Lapses	-	72.6	-	(72.6)
Total Recurring Expenditures (net)	(1,024.0)	(917.4)	(1,055.2)	(137.8)
Expenditures in excess of revenues	(117.3)	(55.8)	(60.0)	(4.2)
Remaining Fund Balance	10.0	180.6	110.6	(70.0)
One-Time Expenditures	(10.0)	(10.0)	(103.3)	(93.3)
Ending Fund Balance	\$ -	\$ 170.6	\$ 7.3	\$ (163.3)

- FY21 fund balance higher due to effective management of one-time federal relief funds
- FY22 revenue estimates assume gradual recovery of income and wagering taxes
- FY22 expenditures growth driven by personnel expenses, less reliance on federal transit grants, and one-time investments (next slide)
- FY22 budget spends down most of unassigned fund balance, while restoring \$50M back to Rainy Day Fund

* FY21 beginning fund balance includes FY20 amounts unassigned and assigned for subsequent year budget

FY 2022 Budget Overview - Expenditures

- FY22 salaries and benefits grow to support essential services and enhance support for our public servants
- FY22 Retiree Protection Fund includes scheduled \$5M increase, plus \$30M supplemental deposit, for a total of \$85M
- FY22 blight and capital funding includes \$8M for emergency demolitions, \$6.5M for beautification programs, and \$5.5 for fleet replacements and pre-construction costs
 - Other blight and capital activities supported by bonds

General Fund (\$ in millions)	FY21 <u>Adopted</u>	FY21 <u>Revised</u>	FY22 <u>Proposed</u>	FY22 Budget vs. FY21 <u>Revised</u>
Recurring Expenditures				
Salaries and Employee Benefits	\$ (578.8)	\$ (578.8)	\$ (597.8)	\$ (19.0)
Other Operating Expenses	(246.3)	(248.3)	(256.8)	(8.5)
Retiree Protection Fund (recurring)	(50.0)	(50.0)	(55.0)	(5.0)
Grand Bargain Pension Contributions	(18.7)	(18.7)	(18.7)	-
Debt Service	(85.0)	(85.0)	(85.0)	-
Enterprise Fund Contributions	(69.2)	(69.2)	(68.4)	0.8
Subtotal	<u>(1,048.0)</u>	<u>(1,050.0)</u>	<u>(1,081.7)</u>	<u>(31.7)</u>
Federal Transit Grants	24.0	60.0	26.5	(33.5)
Lapses	-	72.6	-	(72.6)
Total Recurring Expenditures (net)	<u>(1,024.0)</u>	<u>(917.4)</u>	<u>(1,055.2)</u>	<u>(137.8)</u>
One-Time Expenditures				
Rainy Day Fund Deposit	-	-	(50.0)	(50.0)
Retiree Protection Fund Supplemental	-	-	(30.0)	(30.0)
Blight and Capital (Fund 1003/4533)	(10.0)	(10.0)	(20.0)	(10.0)
Other One-Time	-	-	(3.3)	(3.3)
Total One-Time Expenditures	<u>\$ (10.0)</u>	<u>\$ (10.0)</u>	<u>\$ (103.3)</u>	<u>\$ (93.3)</u>

* Transit grants support DDOT and People Mover operations. Lapses include one-time federal relief and other projected savings.

Community Engagement on the Budget

- Rebooted annual public meeting with virtual teleconference
- Partnered with Council on Budget Priorities Forums held in each district
- Nearly 400 attended the 8 meetings, plus 10,800 social media views
- Produced a new public budget survey and exhibits

Outreach	Participants
Annual Public Budget Meeting (Oct 2020)	98
Budget Priorities Survey (Nov 2020)	718
Council District Forums (Jan 2021)	268
yourbudget@detroitmi.gov inbox	9
Comments Received	917

Community Engagement Findings

Over 1,000 people weighed in on budget outreach

Highest Rated Strategies: Crime Control and Household Support

Their Top 5 concerns:

- Are you distributing City resources equitably?
- Can we redirect resources to rebuilding forgotten neighborhoods?
- How do we assure our buildings and assets are fully maintained?
- Can the City improve and expand community outreach efforts?
- How will Detroit remain financially sustainable, especially post-pandemic?

Budget Highlights



Home Repair Grants

\$3.5M for Home Repair Grants

- \$1.5M from our Community Development Block Grant (CDBG)
- \$0.5M from the General Fund Home Repair appropriation
- \$0.5M from the Neighborhood Improvement Fund appropriation
- \$1.0M for Lead Hazard Home Repairs from CDBG



Affordable Housing and Homeownership



Housing and Revitalization
Department

**\$3.3M for Affordable Housing
Development and Preservation Fund**

**\$2.4M for new Single Family
Homeownership Program**

- Down payment assistance to new and returning low and moderate income buyers
- Funding for community development organizations to assist





Public Transit

Over \$3M increase for Public Transit

- \$1.7M increase for para-transit services
- \$1.5M increase for additional Transit Police Officers
- Leveraging federal transit grants to preserve and improve service



Economic Equity and Opportunity



Over \$10M for Workforce Training and Business Support

- \$3.5M for Grow Detroit's Young Talent
- \$1.3M for Homegrown Detroit business support and dedicated staff
- \$3.1M for Detroit at Work job training and support
- \$2.5M for Motor City Match

Other Budget Highlights:

- \$400K toward doubling Project Clean Slate expungements
- \$250K for Goal Line and \$210K for EITC Support



Safer Neighborhoods

Over \$1M for DPD Mental Health Co-Response Initiative

- DWIHN/DPD Crisis Intervention Team (CIT) in 6 precincts
- DWIHN behavioral health specialists partnered with trained DPD officers
- Mental health and substance use issues connected to supportive services
- 9-1-1 Integrated Response to connect frequent callers to behavioral health specialists
- HRD Homeless Outreach Team providers and mental health case managers

Other Budget Highlights:

- 2.5% pay raise for DPD Police Officers
- \$1M to resume DPD Police Cadet Program
- \$500K for Shot Spotter and Forensic Technicians



Vibrant and Beautiful City and Recreational Opportunities

Nearly \$12M for GSD Beautification Programs

- \$6.5M for Commercial Corridors, Murals, Land Bank Properties, and Graffiti Removal
- \$5.4M for Year 2 of the Alley Cleanup Program

\$1M for Summer Host Sites

- Partnering with 14 faith-based organizations to provide youth programming

Budget supports the Safe Restart to Recreation in Summer 2021

City of Detroit Alley Cleanup Program
Gratiot and Woodlawn – Before and After



Fiscal Stability



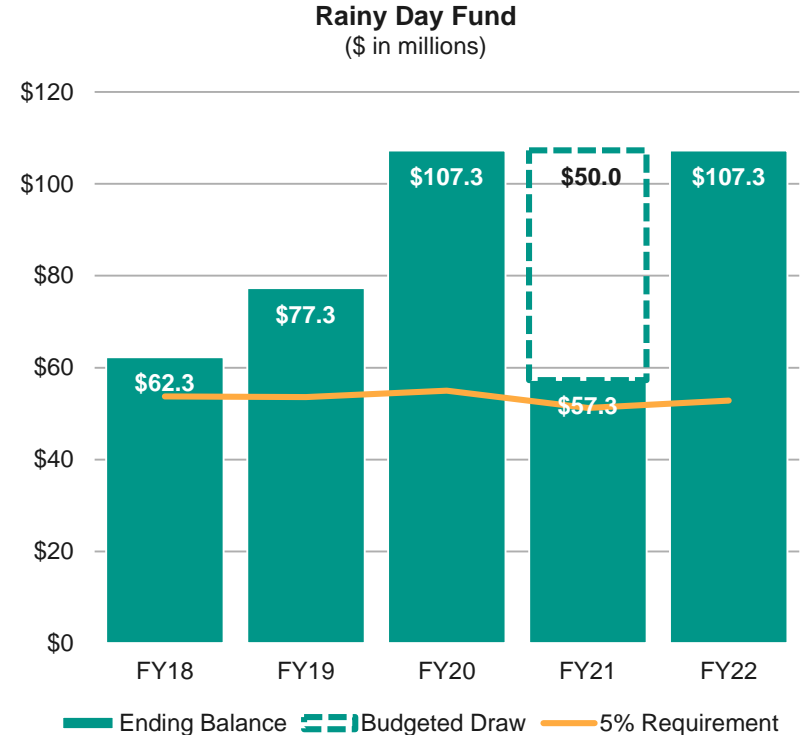
Budget Reserve (“Rainy Day Fund”)

State law requires the City to maintain a General Fund budget reserve (“Rainy Day Fund”) of no less than 5% of the projected expenditures for the fiscal year

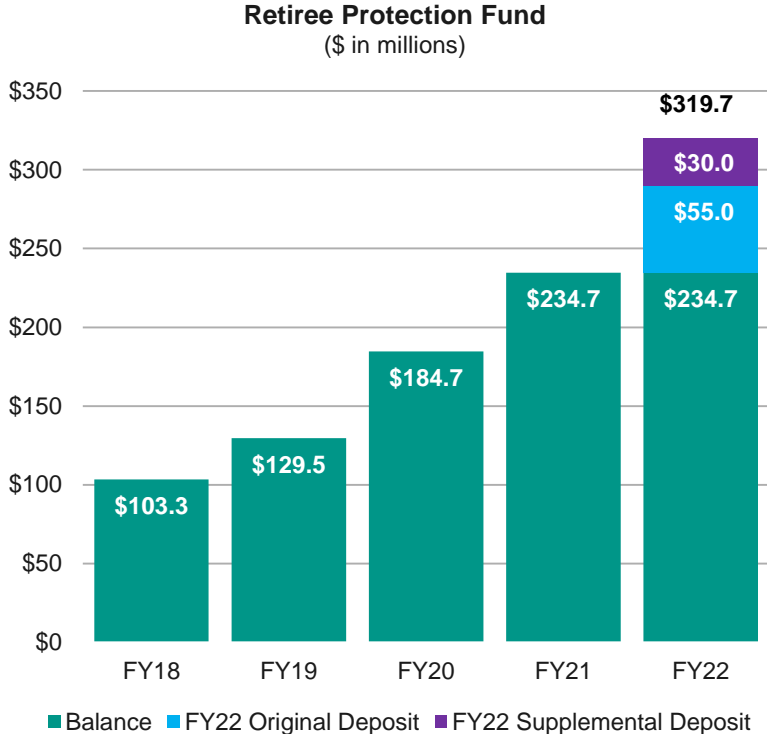
In FY2020, the City increased and maintained its Rainy Day Fund at \$107.3M (10% of projected expenditures)

The FY2021 Adopted Budget assumes the City will draw down \$50M to help address COVID-19 revenue shortfalls, **keeping the balance above 5%**

The FY2022 Proposed Budget **restores the \$50M, increasing the Rainy Day Fund back to \$107.3M**



Retiree Protection Fund (“RPF”)



Despite the pandemic’s impact on revenues, our commitment to our retirees has never wavered

FY22 Budget includes our scheduled \$55M deposit into the Retiree Protection Fund, plus another \$30M supplemental deposit, for a total of \$85M

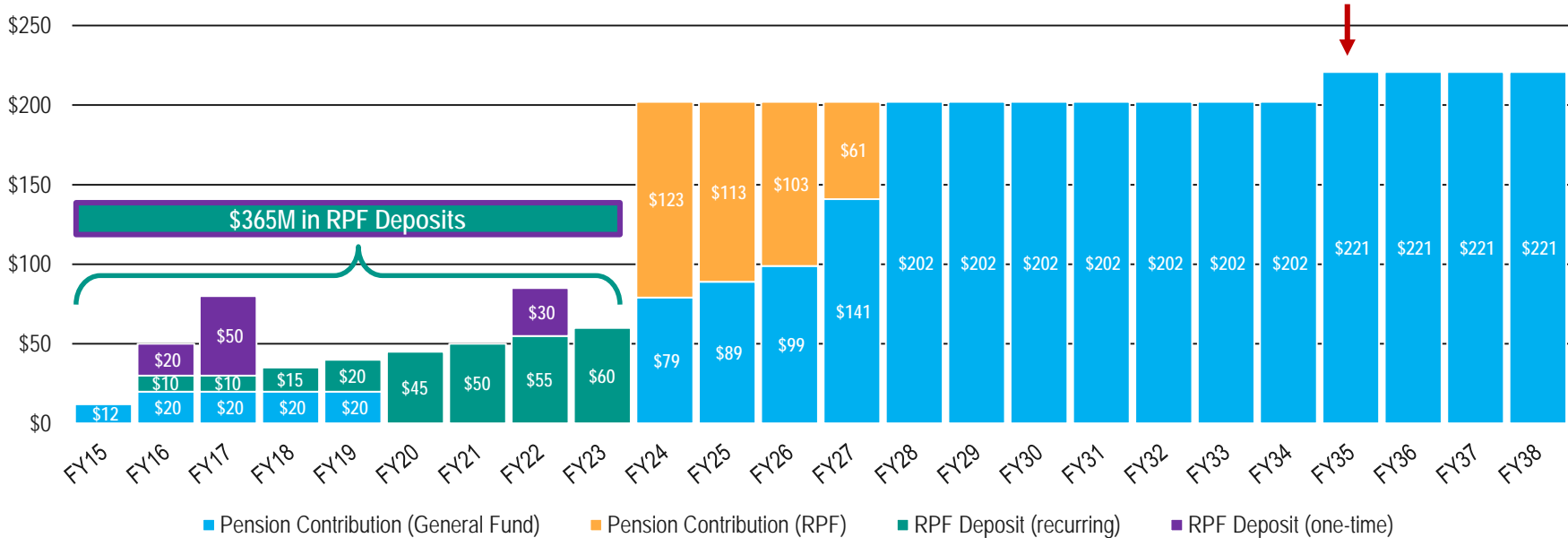
Four-Year Financial Plan includes the scheduled \$60M deposit in FY23 and \$202M in projected annual pension contributions resuming in FY24 and FY25

The RPF is critical to our pension funding strategy, and more funding will be needed to sustain annual pension contributions after FY26



Retiree Protection Fund (“RPF”)

General Fund Legacy Pension Contributions
(\$ in millions)



- Projections of annual legacy pension contributions assume a 30-year level dollar amortization.
- Excludes “Grand Bargain” contributions from State of Michigan, Foundation for Detroit’s Future (FDF), and Detroit Institute of Arts (DIA). DWSD and Library liabilities and contributions are separate.



FY 2022-2025 Four-Year Financial Plan

General Fund (\$ in millions)	FY22 Proposed	FY23 Forecast	FY24 Forecast	FY25 Forecast
Beginning Fund Balance	\$ 170.6	\$ 7.3	\$ 7.3	\$ 7.3
Revenues				
Income Tax	321.7	334.2	344.0	352.5
Income Tax Remote Work Loss	(26.1)	(15.6)	(16.2)	(16.6)
State Revenue Sharing	202.5	203.7	204.9	206.1
Wagering Tax	169.8	186.7	188.6	190.5
All Other Revenues	327.3	336.9	339.9	345.7
Total Revenues	995.2	1,045.9	1,061.2	1,078.2
Recurring Expenditures	(1,081.7)	(1,065.9)	(1,204.2)	(1,211.2)
Federal Transit Grants	26.5	-	-	-
Street Fund Use for Transit	-	20.0	20.0	20.0
Retiree Protection Fund Use	-	-	123.0	113.0
Total Recurring Expenditures (net)	(1,055.2)	(1,045.9)	(1,061.2)	(1,078.2)
Expenditures in excess of revenues	(60.0)	-	-	-
Remaining Fund Balance	110.6	7.3	7.3	7.3
One-Time Expenditures	(103.3)	-	-	-
Ending Fund Balance	\$ 7.3	\$ 7.3	\$ 7.3	\$ 7.3

- Conservative revenue forecast shows peak pandemic effects wearing off but assumes a permanent 10% remote work income tax loss
- Under Act 51, the City may use 20% of its Street Fund budget for public transit
- Legacy pension payments resume in FY24 projected at \$202M annually
- Retiree Protection Fund withdrawals begin offsetting a portion of the annual \$202M pension payment

Questions?

