



REVENUE ESTIMATING CONFERENCE

SEPTEMBER 2017



JOHN W. HILL
Chief Financial Officer
City of Detroit

GEORGE A. FULTON, Ph.D.
Director Emeritus
Research Professor Emeritus
Research Seminar
in Quantitative Economics (RSQE)
Department of Economics
University of Michigan

ERIC BUSSIS
Chief Economist
Director,
Office of Revenue
and Tax Analysis
Michigan Department
of Treasury

SEPTEMBER 21, 2017



City of Detroit
REVENUE ESTIMATING CONFERENCE
September 21, 2017

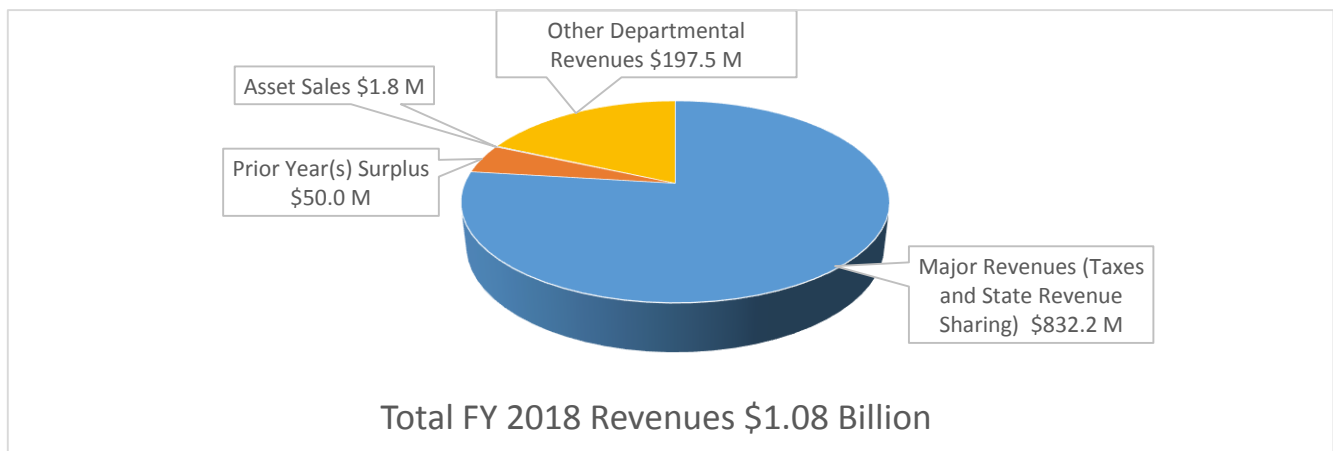
The Directors of the City of Detroit Office of the Chief Financial Officer-Office of Budget, Office of the Auditor General and City Council Legislative Policy Division met during the months of August and September 2017 to discuss the City’s revenue collections for the Fiscal Year ending June 2017, current Fiscal Year 2018 and projected collections for the next four fiscal years. The participants reviewed and recommended Fiscal Year 2018 revenue estimates and projections for Fiscal Year 2019 through Fiscal Year 2022. Discussions included a forecast of economic conditions that may impact the City of Detroit revenues presented by Mr. Robert Kleine, Interim Director of Michigan State University Extension Center for Local Government Finance and Policy.

OVERVIEW OF CONFERENCE RESULTS

Participants reviewed preliminary estimates for FY 2017 as a basis to project revenues for the forecast period. Preliminary year-end results for General Fund revenues are \$1.2 billion which consist of \$1.04 billion from recurring revenues and \$117.9 million from one time and reinvestment initiatives. The \$117.9 million included \$50 million in General Fund unassigned fund balance to increase reserves set-aside for the City’s Retiree Protection Fund; a separate trust account to

pre-fund the city’s legacy pension obligations. It also included \$67.9 million from prior year(s) surpluses to fund capital projects, blight remediation and technology initiatives.

The September 2017 estimate for General Fund revenues for FY 2018 is \$1.08 billion. The vast majority of the General Fund revenues, 77%, are from the Major Revenues: Taxes and State Revenue Sharing.



The FY 2018 General Fund Adopted Budget is \$1.07 billion. The primary difference between the February 2017 estimate of \$1.02 billion and the September 2017 estimate of \$1.08 billion for FY 2018 is the use of \$50 million in budget surplus funding for capital, blight remediation and technology. February 2017 estimates were prepared prior to the determination of the

budget surplus funds. The remaining variance of \$7.6 million, between the September and February estimates, is the result of an increase in the major revenues of \$16.0 million, offset by a decrease in the General Fund other revenues (departmental revenues, asset sales and reinvestment initiatives) of \$8.4 million.

FY 2018 BUDGET General Fund <i>(in millions)</i>							
	FY 2018 Baseline Budget	One Time/ Reinvestment Initiatives	FY 2018 Total Budget	2017 February Estimate	2017 September Estimate	Variance (September Estimate to Budget)	Variance (September Estimate to February)
<i>Major Revenues (Taxes and State Revenue Sharing)</i>	\$ 816.2		\$ 816.2	\$ 816.2	832.2	\$ 16.0	\$ 16.0
<i>Reinvestment Initiatives</i>	13.2		13.2	13.2	7.9	(5.3)	(5.3)
<i>Use of surplus funds</i>		50.0	50.0	0	50.0	0.0	50.0
<i>Asset Sales (real and equipment)</i>	5.1		5.1	5.1	1.8	(3.3)	(3.3)
<i>Other departmental revenues (less asset sales)</i>	189.4		189.4	189.4	189.6	.2	.2
Total	\$ 1,023.9	\$ 50.0	\$ 1,073.9	\$ 1,023.9	\$ 1,081.5	\$ 7.6	\$57.6

SEPTEMBER 2017 REVENUE ESTIMATES RESULTS

The September 2017 conference includes estimates for FY 2018 and revenue projections for FY 2019 and 2020. The conference developed a trend line forecast of General Fund Revenues for FY 2021 and 2022.

General Fund (in millions)	Income Tax	Property Tax	Utility Users	Wagering Tax	State Rev Sharing	Other Revenues	Total General Fund Revenues
FY 2018 *							
Sept 2017 Estimate	\$ 292.1	\$ 124.0	\$ 38.9	\$ 179.0	\$ 198.2	\$ 199.3	\$ 1,031.5
Feb 2017 Estimate	283.3	124.0	35.0	177.8	196.1	207.7	1,023.9
Variance Feb over Sept	3.1%	0.0%	11.1%	.7%	1.1%	-4.0%	.7%
* (Total excludes budget surplus of \$50.0 million)							
FY 2019							
Sept 2017 Projection	\$ 299.4	\$ 124.0	\$ 39.1	\$ 180.8	\$ 199.2	\$ 200.6	\$ 1,043.0
Feb 2017 Projection	291.7	124.0	35.0	179.6	196.5	208.3	1,035.1
Variance Feb over Sept	2.6%	0.0%	11.7%	0.7%	1.4%	-3.7%	0.8%
FY 2020							
Sept 2017 Projection	\$ 306.9	\$ 125.9	\$ 39.3	\$ 182.6	\$ 200.2	\$ 201.6	\$ 1,056.4
Feb 2017 Projection	300.5	124.0	35.0	181.4	196.9	208.5	1,046.3
Variance Feb over Sept	2.1%	1.5%	12.3%	.7%	1.7%	-3.3%	1.0%
Long Term Trend							
FY 2021	\$ 313.1	\$ 127.7	\$ 39.5	\$ 184.4	\$ 201.2	\$ 202.8	\$ 1,068.6
	2.0%	1.4%	0.5%	1.0%	0.5%	0.6%	1.2%
FY 2022	\$ 319.3	\$ 129.7	\$ 39.7	\$ 186.3	\$ 202.2	\$ 202.8	\$ 1,079.9
	2.0%	1.6%	0.5%	1.0%	0.5%	0.0%	1.1%

MAJOR REVENUES DISCUSSION

The City of Detroit has five major revenues: Income Tax, Property Tax, Utility Users' Tax, Wagering Tax (Casinos) and State Revenue Sharing, that represent 79% of the estimated General Fund year-end FY 2017 results of \$1.04 billion (excluding one-time activity).

This year, the City's internal participants began the process with an in-depth review of department revenues followed by a discussion of the City's major revenues and current economic climate. The task was to determine General Fund major revenues and department revenues

final year-end results for FY 2017, estimate current fiscal year-end activity for 2018, and project revenues for the FY 2019 through FY 2022. Using financial system reports, department sub-ledger reports, current operational analysis and local economic data, the participants individually determined their forecasts. Department- "Other revenues" of the General Fund were discussed in terms ongoing/recurring revenues, one-time activity/and reinvestment initiatives. Revenues from all City funds were also considered as required by Public Act 182 of 2014.

MUNICIPAL INCOME TAX

Income Tax revenue includes withholding, annual and quarterly payments. More than 85% of income tax actual collections are derived from withholdings. The current Municipal Income tax rate is 2.4% for residents, 1.2% for non-residents and 2.0% for corporations. Public Act 394 of 2012 designated income tax revenues of .2% of resident individual tax collections and .1% of non-resident individual tax collections for Police operations. This public act also fixed income tax rates at 2.4% (residents, 1.2% for non-residents) until the repayment of any debt issued by the Public Lighting Authority.

As authorized under Public Act 284 of 1964, as amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an Income Tax on income from all sources with minimum exemptions.

In January 2016, the State of Michigan began phasing in the processing of the City’s income taxes.

	Calendar Year 2016	Calendar Year 2017 and 2018
Individual returns: resident and non- resident	MI Processing Start 1/1/2016; estimated 100,000 new returns filed, 304,000 returns in total. Total refunds processed \$17.2 million	Refunds approximately \$25 million for FY 2017; in the range of \$23 million for FY 2018
Corporate returns		MI Processing Start 1/1/2017
Withholdings	725 new entities are now withholding: 80% voluntary registered, 20% city compliance efforts	MI Processing Start 1/1/2017
Electronic Filing, Pay and Refunds	Start 1/1/2016 for e-filing; 77% e-filed in 2016	MI Processing Start 1/1/2017 for e-pay MI Processing Start 1/1/2018 for e-refunds

Income Tax Collections Five Year History					
(In millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (unaudited)
Actuals (per CAFR)	\$248.0	\$253.8	\$263.4	\$263.2	\$285.0
% change	2.3%	2.3%	3%	0%	8.3%

Municipal Income Tax unaudited results for FY 2017 is \$285 million up from FY 2016 actual collections of \$263.2 million. Anticipated increased refund activity from the State tempered net collections in FY 2016. Municipal Income Taxes continue to trend upward for the forecast period reflecting modest increases in salary and wages.

Income tax collections for FY 2018 continue its upward trend with growth estimated at 2.5%. Projections for FY 2018 through FY 2020 maintain a growth rate of 2.5%; which is lowered to 2% in FY 2021 and FY 2022.

The September 2017 estimate includes reinvestment initiatives to increase delinquent income tax collections: outside collection agency; staff to perform field audits; enhanced taxpayer outreach and communications.

The September 2017 conference considered improved local economic conditions based upon blue chip economic forecasts as presented by Mr. Robert Kleine, Michigan State University.

Article IX of the State Constitution, Sections 3 and 6 (General Property Tax) authorize the levy of taxes on real and personal property not otherwise exempt. The City currently levies the maximum tax permitted by law.

CURRENT PROPERTY TAXES

Property Tax Collections Five Year History					
(In millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (unaudited)
Actuals (per CAFR)	\$132.8	\$129.4	\$126.4	\$147.4	\$124.0
% change	(10.1%)	(2.6%)	(2.3%)	16.6%	(15.9%)

Property Tax Collections consist of assessments for the current tax year; delinquent real and personal property remittance from the Wayne County Delinquent Tax Revolving Fund; auction proceeds from the County and Personal Property Tax reimbursements from the State.

Final FY 2016 year-end result for property tax collection was \$147.4 million; a 16.6% increase over FY 2015's actual collections, which included a one-time audit adjustment of \$13 million.

The FY 2017 Adopted Budget of \$117 million assumed a smaller decline in collections than previous budgets due to higher than estimated taxable valuations. Previous estimates were based on continued declines in the City's property taxable values due to required citywide reassessments and foreclosure activity. Actual taxable value declines were lower than originally anticipated. Improvement in the City's collection rate from 50% to over 70% also factored into increased collections for FY 2016.

The City received \$9.1 million from the State in personal property tax reimbursements, authorized under the Local Community Stabilization Authority (LCSA) Public Act 86 of 2014. The General Fund received approximately \$4 million of this reimbursement for FY 2017. Lower reimbursement levels are expected for the forecast period.

Personal property tax valuations for FY 2018 were reduced by 13% (Industrial Facilities Personal Property taxes declined by 55%).

Projections remain flat for property tax revenues for FY 2018 over estimated FY 2017 year-end results and includes no growth for FY 2019. A growth rate of 1.5% is projected for FY 2020 through FY 2022 based on a gradual uptick in taxable valuations and local economic conditions.

The City Assessor's outlook on the Ad Valorem valuations for FY 2018 indicates a much lower decline in assessed values than previously estimated. Of note, the City is experiencing growth in property values in certain areas of the city which will eventually lead to increased taxable valuation for the city. Completion of the citywide reassessment of residential properties in 2016 did not significantly impact the FY 2018 Budget. Industrial property reassessments are scheduled to be completed in calendar year 2017 impacting collections for the FY 2019 Budget. Commercial reassessments are expected to be completed in the following year, which will impact the FY 2020 Budget.

The City of Detroit has partnered with Wayne County and DTE in providing for payment of current and delinquent city of Detroit property taxes, DWSD bills, and DTE bills at Kiosks conveniently located throughout the city (located in participating Rite-Aid stores, DTE Payment Centers, supermarkets /other retail establishments and in various City of Detroit buildings).

UTILITY USERS TAX

The City of Detroit levies a Utility Users' Tax as permitted under Public Act 100 of 1990 and as amended in 2012. The tax is based on consumption of electricity, gas, steam and telephone (land lines) in the city of Detroit. The City currently levies the maximum tax rate of 5%. Revenues are budgeted in the Police Department per the public act and have a restricted purpose to retain or hire police officers. In 2012, the law was amended to provide \$12.5 million annually for the Public Lighting Authority for the repayment of debt proceeds used for street lighting infrastructure improvements in the city. To offset the loss of Utility Users' tax revenue to the Police Department, state law (Public Act 394 of 2012) authorized the payment of income tax revenues for police officers (to hire/retain).

Utility Users' Tax Collections Five Year History					
(In millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (unaudited)
Actuals (per CAFR)	\$35.3	\$42.4	\$37.9	\$36.5	\$38.2
% change	(10.8%)	20.1%	(10.6%)	(3.7%)	4.7%

The September 2017 estimate for FY 2018 reflects a 4.7% increase over previous fiscal year-end collections. Utility Users Tax collections continue to move within a small range of \$35 to \$42 million, down significantly from historical highs of \$60 million.

FY 2018 through FY 2022 forecast continues a conservative approach in projecting this revenue source. Projections for the forecast period include a growth rate of one-half percent. Factors considered were lower natural gas prices; a gradual rise in utility consumption; and prior year's actual collections.

Estimates/projections were determined on a gross basis, inclusive of the \$12.5 million Public Lighting Authority payment. Beginning with the June 30, 2016 Comprehensive Annual Financial Report (CAFR), Utility Users Tax revenues are presented net of the Public Lighting Authority (PLA) payment, as the PLA is considered a blended component unit of the city.

WAGERING TAXES

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under Initiated Law 1 of 1996, as Amended by Public Act 306 of 2004. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements that increases the total percentage to 11.9%. The city is also permitted to assess a municipal service fee of 1.25% of adjusted gross receipts for public safety services provided to the casinos.

Wagering-Casino Tax Collections Five Year History					
(In millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (unaudited)
Actuals (per CAFR)	\$174.6	\$167.9	\$172.5	\$180.2	\$177.2
% change	(3.7%)	(3.8%)	2.7%	4.5%	(1.7%)

The February and September 2017 estimates increased the previous estimate due to higher actual collections in FY 2016. Preliminary FY 2017 year-end results indicate a 1.7% decline in this revenue source over the previous fiscal year, after posting two years of growth following declining revenues due to the opening of casinos in Ohio.

The forecast for FY 2018 through 2020 includes a growth factor of 1.0%. The long-term forecast for FY 2021 through 2022 continues a growth factor of 1.0%.

Detroit casinos have rebounded from declining revenues which occurred with the opening of casinos in Ohio. At risk to this forecast is new casinos/gaming operations located within a 50 to 150 mile radius of the city that will exert negative pressure on Detroit casino revenues, as shown with the opening of the Ohio casinos. It is not known what the impact of major renovations to competing casino establishments will have on Detroit casino revenues.

STATE REVENUE SHARING

Revenue Sharing payments from the State are derived from two components: constitutional and statutory. Constitutional payments are guaranteed under the State Constitution and are calculated as 15% of 4% of the State Sales Tax gross collections. Statutory payments are based upon municipalities meeting the requirements of the City, Village and Township Revenue Sharing (CVTRS) program.

For FY 2016 and FY 2017, the maximum amount available is 78.51044% of the FY 2010 total statutory payment (if a municipality complies with all requirements).

State Revenue Sharing Collections Five Year History					
(In millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (unaudited)
Actuals (per CAFR)	\$182.4	\$189.8	\$194.8	\$194.7	\$197.5
% change	5.9%	4.1%	2.6%	0%	1.4%

Estimates are based on the current State Revenue Sharing payments projected by the Michigan Department of Treasury and revised Sales Tax revenue projections. Treasury payments are based on the State of Michigan May 2017 Revenue Estimates and FY 2018 appropriation.

The September 2017 estimate for FY 2018 is \$198.2; \$2.1 million higher than the FY 2018 Adopted Budget of \$196.1 million and .3% higher than FY 2017 actuals.

FY 2018 through FY 2021 includes .5% growth in Constitutional payments from MI Sales Tax revenues and assumes statutory payments to remain flat.

Potential risks to this forecast include economic risks from changes in federal fiscal policies that negatively impacts state/local finances; lower sales tax revenues; and challenges to the state budget due to crises in local finances.

OTHER GENERAL FUND DEPARTMENTAL REVENUES

The estimate for Other General Fund department revenues was developed after discussions between the city's internal participants and the OCFO-Office of Departmental Financial Services on the individual department revenues including departments with General Fund operations or departments receiving General Fund assistance. Our departmental analysis began with discussions on prior fiscal year-end results for each department; a review of budget to actual activity for each department for the current fiscal year. Revenue initiatives are included in the numbers if deemed achievable within the period under review.

Internal participants convened and discussed individual calculations by the City Council Legislative Policy Division, Auditor General and OCFO-Office of Budget. Upon review, the total revenue estimate differed among the three estimators mainly due to expectations of future growth rates and difference in assumptions on the timing and impact of reinvestment initiatives.

The varying methodologies were utilized by the participants, which included analysis of historical collection patterns, trend line fitting, moving averages, major revenue category analysis, individual agency revenue account analyses, and the utilization of run rates. All participants considered and accounted for other known items that impact collections. Participants used a conservative approach in projecting future revenues; speculative revenues were not considered in the numbers, but outlined as potential upward adjustments to revenues discussed later in this report.

- Other Departmental Revenues actual collections for FY 2017 total \$337.1 million, which included \$219.2 million from on-going/recurring sources and \$117.9 million from one-time sources. Revenues from one-time sources included \$67.9 million of prior years' surplus used to fund capital projects

and blight remediation. It also included \$50 million in General Fund unassigned balances allocated to fund the Retiree Protection Fund. Reinvestment initiatives of \$5.9 million previously noted in the February conference are included in revenues from on-going sources.

The FY 2018 estimate for departmental revenues of \$199.3 million is \$8.4 million less than the February estimate based on a \$5.3 million reduction in reinvestment initiatives; a \$3.3 million reduction in asset sales, offset by a \$.2 million increase in baseline revenues.

Projections for recurring revenues, including reinvestment initiatives grow by less than 1% for FY 2019 through FY 2021. Revenues projections for FY 2022 remain flat.

Reinvestment initiatives for the forecast period increase from \$8.7 million in FY 2019 to \$9.9 million by FY 2022.

Noteworthy changes to Departmental Revenues:

1. Estimates for real property sales and sales of equipment were reduced based on prior years' actual collections and lower than expected revenues estimated for FY 2018. Reduced estimates for this activity were included in the forecast for FY 2019 through 2022.
2. Interagency billings for services to other Non-General Fund City departments were reduced as a result of lower volume of reimbursable activity.
3. Fire Department EMS and cost recovery revenues are expected to increase as result of project activity.
4. For revenues generated by the Civil Rights Inclusion and Opportunity Agency (formerly known as Human

Rights) non-compliance fines will be recorded in a separate Special Revenue Fund as the use of these funds are restricted for workforce employment training activity.

5. State of Michigan reimbursement for

the 2016 Presidential Primary Election was received in October 2016 by the Elections Department. The September 2017 estimate also includes this revenue in the FY 2021 projections for the next election cycle.

GENERAL FUND REVENUES BY MAJOR CATEGORIES

The following is a brief description of the types and sources of revenue that are included in each category shown in departmental budgets:

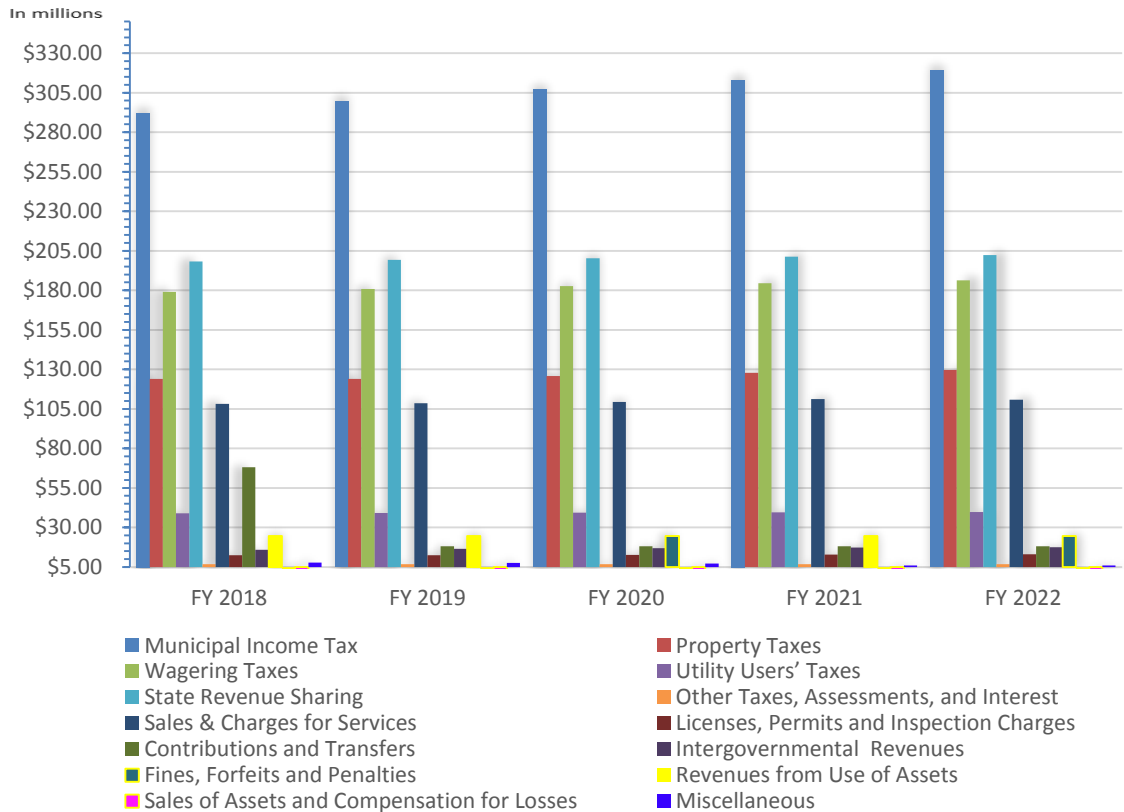
1. **Other Taxes, Assessments, and Interest** - Special assessments, Industrial Facilities Taxes, other miscellaneous property taxes and interest paid on delinquent property taxes.
2. **Sales and Charges for Services** – Inter-fund revenue generated from maintenance and construction, Casino Municipal Service fees, Cable Franchise fees, recreation fees, property tax administrative fees, inter-fund reimbursements including personal services reimbursements, , and other minor sales and service fees.
3. **Licenses, Permits and Inspection Charges** - Various permits and licenses, safety inspection charges, and business licenses charges.
4. **Contributions, Transfers, and Miscellaneous** – Various revenues and contributions due to/or due from one fund resulting in revenues to one fund and an expenditure for another, and other miscellaneous revenues and receipts.
5. **Intergovernmental Revenues- Reimbursements** from other governmental entities (Federal/State/County) for services provided by the city; includes revenues from Emergency Medical Services billings, 36 District Court reimbursements from the State, Health grants from the State.
6. **Fines, Forfeits, and Penalties** - Ordinance, court and parking fines, property tax penalties, and various fines, forfeits, and penalties.
7. **Revenue from Use of Assets** - Earnings on investments, various interest earnings, building rentals, marina rentals, concessions, equipment rentals and sales of real property.
8. **Sale of Assets and Compensation for Losses** – Sale of real property, equipment, tools, and other city assets. Compensation for losses include reimbursement for damages or loss.

SEPTEMBER 2017 ESTIMATES & PROJECTIONS

GENERAL FUND REVENUES BY MAJOR CATEGORY

(in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Municipal Income Tax	\$292.13	\$299.43	\$306.91	\$313.05	\$319.31
Property Taxes	124.00	124.00	125.86	127.75	129.66
Wagering Taxes	178.99	180.78	182.59	184.41	186.26
Utility Users' Taxes	38.87	39.07	39.26	39.46	39.65
State Revenue Sharing	198.18	199.17	200.18	201.18	202.20
Other Taxes, Assessments, and Interest	6.75	6.75	6.75	6.75	6.75
Sales & Charges for Services	108.10	108.62	109.34	111.26	110.70
Licenses, Permits and Inspection Charges	12.36	12.51	12.65	12.84	13.02
Contributions and Transfers	68.15	18.15	18.15	18.15	18.15
Intergovernmental Revenues	15.80	16.49	16.95	17.18	17.42
Fines, Forfeits and Penalties	24.48	24.56	24.57	24.58	24.59
Revenues from Use of Assets	3.37	3.29	3.31	3.31	3.31
Sales of Assets and Compensation for Losses	2.59	2.69	2.74	2.78	2.86
Miscellaneous	7.69	7.51	7.12	5.94	5.96
Total	\$ 1,081.47	\$ 1,043.01	\$ 1,056.38	\$ 1,068.65	\$ 1,079.86

GENERAL FUND REVENUES BY MAJOR CATEGORY



OTHER GENERAL FUND ACTIVITY

Risk Management Fund

The City is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; loss due to errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. The City is self-insured against certain third-party claims.

The City currently reports the risk management activities (excluding health and dental) of non-Enterprise Funds and the Transportation Fund (an Enterprise Fund) in its General Fund. The General

Fund and DDOT pay insurance premiums into the Risk Management Fund based on past claim activities. Because the Transportation Fund is included in the General Fund's risk management activities, it does not record a liability in its financial statements. Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. Contributions to the Risk Management Fund in the form of insurance payments total \$24.2 to \$50.9 million for fiscal year-end 2017 through FY 2022.

Budget Reserve Fund and PLD Decommissioning Fund

The City also has a Budget Reserve Fund and a Public Lighting Department (PLD) Decommissioning Fund recorded in the General Fund Class. The Budget Reserve Fund per statutory requirements must maintain a balance

of 5% of budgeted expenditures. Currently, the fund has a balance of \$62.3 million, which exceeds the minimum balance requirement. The PLD Decommissioning Fund record the proceeds from scrap material sales, which will be used for decommissioning purposes.

OTHER CITY FUNDS (NON-GENERAL FUND)

Public Act 279 of 1909, as amended in 2014 (The Home Rule City Act), requires the City to forecast anticipated revenues of the City for the current fiscal year and the succeeding two fiscal years. The chart shown below lists all of the City's

Special Revenue Funds and Enterprise Funds. The revenue projections presented for these funds were based on historical data, trend lines and/or current department estimates.

CITY OF DETROIT FUNDS (EXCLUDES GENERAL FUND CLASS)					
(in millions)	FY 2018				
FUND NAME	Adopted Budget	FY 2017 February Projection	FY 2017 September Projection	FY 2019 Projection	FY 2020 Projection
Community Development Block Grant	\$ 32.60	\$ 32.60	\$ 32.60	\$ 32.00	\$ 32.00
Emergency Solution Grants	2.70	3.30	2.70	2.70	2.70
Bridging Neighborhoods Fund	0.00	0.00	32.6	0.00	0.00
Department Grant Funds (Note 1):					
- Fire SAFER -Other Fire Grants	2.00	2.00	2.00	2.00	14.00
- Health Grants (Note 2)	21.70	21.70	28.10	26.40	27.20
- Homeland Security Grants	0.80	0.80	0.80	0.80	0.80
- Mayor's Office Grants	0.11	0.09	0.09	0.09	0.09
- Police Grants	4.80	4.81	4.81	4.81	4.81
- Dept. of Public Works (General) Grants	0.05	0.05	0.05	0.05	0.05
- Recreation	0.40	0.40	0.40	0.40	0.40
- Elections Grants (Voter Ed) (\$2,500 annually)	0.00	0.00	0.00	0.00	0.00
Construction Code Fund	25.00	21.00	25.00	25.00	25.00
Civil Rights, Inclusion & Opportunity Revolving Fund (Note 2)	0.45	0.90	4.50	3.00	3.00
Drug Law Enforcement Fund	2.00	2.00	2.01	2.01	2.01
Library Funds	33.00	33.00	33.00	33.00	33.00
Major and Local Streets Fund	77.20	68.00	77.21	82.21	87.95
PA 48 2002 Fund	2.90	2.50	2.90	2.90	2.90
Solid Waste Management	44.00	47.00	44.00	44.00	44.00
Sinking Interest & Redemption (Debt Service)	59.70	63.00	53.65	51.20	50.50
Special Housing Rehab programs (HRD Dept)	4.00	4.22	4.01	4.01	4.01
Airport Funds	1.70	1.67	1.90	1.90	1.90
Municipal Parking Funds	8.10	11.30	10.50	8.50	8.50
Transportation Funds (DDOT)	133.00	126.90	133.00	133.00	133.00
Detroit Water & Sewerage Department- Retail		398.48			
Detroit Water & Sewerage Department-Water Retail	119.85		119.85	119.85	119.85
Detroit Water & Sewerage Department-Sewerage Retail	278.63		278.63	278.63	278.63
TOTAL	\$854.69	\$845.72	\$894.31	\$858.46	\$876.30

Note 1: City Department's Grant Funds represent the reorganization of grants previously consolidated under one fund. Not all departments receive annual grant awards; the budget will be amended to reflect any additional grant awards received during the fiscal year. The projections for FY 2019 and FY 2020 years assumes receipt of recurring departmental grants.

Note 2: In conjunction with the Gordie Howe International Bridge Project, the city will receive funds from the State of Michigan, the Windsor Detroit Bridge Authority and from the sale of land. These funds have been restricted for specific purposes, such as health, job training, and neighborhood development.

FUNDS WITH GENERAL FUND IMPACT

Airport

The [Coleman A. Young International Airport](#) is an Enterprise Agency of the City of Detroit. Revenues from landing fees, rentals, fuel concessions and Federal/State grants maintain the operations of the Airport. In addition, the Airport FY 2018 Budget includes a General Fund contribution of \$885,000 which is expected to be

paid. Projections for FY 2019 and FY 2020 increases this contribution to \$1.2 million in recognition of higher utility costs (lighting and drainage fees). Enterprise revenues of \$1.9 million are expected for FY 2018 through FY 2020.

Buildings & Safety- Construction Code Fund

The [Buildings & Safety Engineering & Environmental Department \(BSEED\)](#) is an Enterprise Agency of the City of Detroit as mandated by State law. BSEED's mission is to safeguard public health, safety and welfare by enforcing construction, property maintenance, environmental compliance and zoning codes. Revenues from the Construction Code Fund include civil infraction fines, safety inspection charges, construction inspections and other licenses, permits and inspection charges.

Revenues generated in support of the General Fund operations are from the business licensing activity.

Revenues from the enterprise activity are projected to increase to \$25 million in FY 2018 over the previous fiscal year-end total of \$24.4 million. Revenues remain flat for the forecast period. The implementation of new electronic ticketing is expected to contribute to revenue growth for the forecast period.

Transportation

The [Detroit Department of Transportation \(DDOT\)](#) is an Enterprise Agency that provides transit services to the city of Detroit. Revenues are generated from fare boxes, State operating assistance, State and Federal grants, contribution from the General Fund and other miscellaneous revenues. The General Fund contribution for DDOT for FY 2017 was \$61.5 million; this amount remains unchanged for the forecast period. Additional restructuring efforts, including the expansion of routes, should allow this level of General Fund support to continue for the

foreseeable future. FY 2017 actual revenues increased by \$3 million due to unanticipated revenues. Increased Transportation funding is included in the road funding bills passed by the State Legislature in 2014- 2015. This legislation provides additional funding for DDOT, at the discretion of the City's Administration, by authorizing a city that meets specific criteria to allocate some of its Michigan Transportation Fund (MTF) revenues for public transit purposes. Enterprise revenues continues at \$133 million for the forecast period.

Municipal Parking

The **Municipal Parking Department** is organized into two operations: the Parking Violation Bureau and the Automobile Parking and Area System. The Parking Violations Bureau is a General Fund operation responsible for enforcing on-street and off-street ordinances in Detroit and the processing and collection of parking violation notices. The Auto Parking and Area System revenues are currently assigned to pay debt service for post-bankruptcy loans. In addition,

certain parking structures have been transferred or optioned for future purchase under terms of the bankruptcy settlement. Revenues from the Enterprise operations for FY 2017 resulted in a surplus of \$5.6 million due to revenues from garages, expected to be sold during the fiscal year. Revenues estimates for FY 2018 is \$10.5 million and projected to decline to \$8.5 million for FY 2019 and FY 2020 in anticipation of a reduction in city-owned garage(s).

Solid Waste Fund

The **Solid Waste Management Fund** is a Special Revenue Fund. The City of Detroit uses the Solid Waste Management Fund to account for local revenue collected for curbside rubbish pick-up and discard. The majority of Solid Waste Management Fund revenues comes from a residential Solid Waste Fee that is assessed to every home whether or not currently occupied. The solid waste service fee replaced a 3-mill tax for solid waste collection that was eliminated in 2006. The solid waste fee is assessed annually at \$240 for single family homes, and an additional \$100 for multi-family dwellings. Commercial fees are \$1,000.

The City privatized the solid waste activity in FY 2014. Contracts were awarded to two companies to service the east and west side of the City in 2014.

A change in processing of delinquent tax bills in FY 2015-16 resulted in improved collections of solid waste fees. The February 2017 estimated total revenues of \$47 million in FY 2017, which included \$3 million in delinquent collections. The September estimate consensus assumed collection levels of \$44.0 million for FY 2018 through FY 2020.

OTHER CITY FUNDS

Grants

The City receives various Federal and State Grants for various activities administered by city departments. Some of the city's largest programs are noted below.

The Fire Department received revenues from the Staffing for Adequate Fire & Emergency Response (SAFER) grant, a Federal grant sponsored by Federal Emergency Management Agency (FEMA).

The Health Department administers grants from Federal and State sources for HIV/AIDS, Housing Opportunities for Persons with Aids (HOPWA)

grants, Immunization, Women, Infants and Children (WIC) and Essential Local Public Health Services (ELPHS) grants.

The Housing and Revitalization Department administers programs and contracts funded by the Community Development Block Grant (CDBG), the Emergency Solutions Grant and HOME funds.

The Police Department receives grants from various State and Federal sources including the Department of Justice-Justice Assistance grants (JAG), Community Oriented Policing (COPS) grants, Auto Theft and Victim's Assistance grants.

Bridging Neighborhoods Fund

The City of Detroit will use \$32 million for the Bridging Neighborhoods Program. The program will provide funds and services for the optional relocation of households and optional retrofits of homes in Del Ray and parts of Southwest Detroit that are most impacted by

the Gordie Howe International Bridge Project. In addition, under this project, the city will also receive \$1.5 million for job training and \$2.4 million for health assessments and long-term emissions monitoring program.

Library

The Library Fund records the operations of the Detroit Public Library (DPL). DPL is an enterprise agency of the City of Detroit. It is Michigan's largest public library system consisting of a Main Library and 21 neighborhood branches. DPL has a collection of 6.6 million items that includes books, journals, photographs, government

documents, and DVDs. A bookmobile makes weekly visits to schools and community centers, and the Library for the Blind & Physically Handicapped serves those with various physical challenges. The February and September 2017 conferences project revenues of \$33 million for this fund for the forecast period.

Major and Local Street Funds

Activity recorded in Major and Local Street Funds provide for the construction and maintenance of streets, bridges, traffic signals and non-motorized improvements. These funds account for State Gas and Weight Tax revenue that support various projects and accounts for State and Federal grants on a project basis. The Department of Public Works staff manages the Street Fund. The following three divisions are wholly or partially funded through the Street

Fund: Street Maintenance Division, City Engineering Division and the Traffic Engineering Division. An increase in road funding was enacted with the passage of State legislation amending various public acts in 2014- 2015. The City projects receiving \$10-15 million in additional Gas & Weight Taxes for the forecast period. Revenues from this source are projected to range from \$77.2 to \$88 million for fiscal year-end 2018 through FY 2020.

Sinking and Interest Fund (Debt Service)

The Sinking (bond) and Interest Redemption Fund provides for the scheduled retirement of principal and interest on long-term City debt. This debt derives from the issuance of Un-limited Tax General Obligation Bonds. Debt service on Limited tax General Obligation Bonds are recorded in the General Fund. The debt service for enterprise funds appear in the Enterprise Agency Sections. The revenues for the Sinking

and Interest (Debt Service) Fund are generated from a separate debt service millage on real and personal property located in the city of Detroit. Budgeted debt service schedules show funding to decline from \$53.6 to \$50.5 million for the forecast period due to the August 2016 refinancing transaction that lowered principal and interest obligations for this fund.

Detroit Water & Sewerage- Retail

The Department was reorganized into two separate entities: the regional Great Lakes Water Authority (GLWA) and the Detroit Department of Water and Sewerage Disposal-Retail (DWSD-Retail), effective January 1, 2016. Projections presented for the forecast period are for DWSD-Retail only. The February 2017 conference projected consolidated revenues of \$398.5 million for FY 2017 and FY 2018. The September 2017 conference projects revenues of \$119.9 million and \$278.6 million for water and sewerage operations, respectively for each of the forecast years. The September estimate reflects the amount included in the Four Year Financial Plan.

Under the reorganization, Detroit maintains its own local system. Detroit keeps exclusive control of the local water and sewer system in DWSD – under authority of Mayor and City Council. The Detroit local system is made up of approximately 3,000 miles of local sewer pipe and 3,400 miles of local water mains serving the neighborhoods of Detroit. Detroit has full authority to repair and rebuild the local system.

Great Lakes Water Authority (GLWA) is an authority formed to operate the regional system. GLWA operates the regional water and sewer assets. The GLWA Board is made up of 6 members: 2 appointed by the Mayor of Detroit, 1 each by Wayne, Oakland and Macomb Counties, and 1 by the Governor from the service area outside the three counties. The Authority provides services to communities in Oakland, Wayne and Macomb counties, estimated as 4 million customers from 127 communities.

The Authority sets the rates for all water and sewerage services. Rate increases are capped at 4% annually per agreement. GLWA entered into a long-term 40-year lease of the water and sewer assets owned by the Detroit Water and Sewerage Department. Lease terms provide for the payment of \$50 million per year for the next 40 years to the City of Detroit for water and sewer infrastructure improvements. This will allow Detroit to finance up to \$500-\$800 million in bonds to rebuild the city's aged water and sewer system.

SET ASIDES

The statutory required Budget Reserve Fund has a balance of \$62.3 million. This represents 5.8% of estimated General Fund appropriations for FY 2018, which exceeds the minimum requirement. It is the city's policy to use budget surpluses for one-time spending that enhances the city's long term position, such as capital projects, technology initiatives and blight remediation.

The FY 2017 Budget included \$67.85 million from prior years' budget surplus for capital and blight spending. An additional \$50 million in unassigned General Fund Balance was appropriated for the Retiree Protection Fund. The FY 2018 Budget includes \$50 million for capital, technology and blight spending.

RISKS TO FORECAST

- Potential change to federal fiscal policy may negatively impact federal entitlement programs resulting in a loss of funds to state and local municipalities.
 - Challenges to State budget from declining local finances and other critical issues may adversely impact the Statutory State Revenue Sharing distribution to local municipalities.
 - Trigger of a Headlee roll-back in property tax millage assessed due to possible loss in the personal property tax base.
 - Risks to estimated property tax collections due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment.
 - Property valuation declines and foreclosure activity negatively impacts taxable valuations.
 - Loss to personal property tax collections not fully reimbursed by the state.
 - Decline in property tax collections due to city-wide reassessments and adjustments to the rolls.
 - Lower consumer confidence depresses spending and reduces sales tax revenues.
 - Declines in Michigan Sales Tax revenues negatively impacts local government share. Lower auto sales, lower gas prices impact MI Sales.
 - Rising interest rates resulting in lower consumer spending.
 - Rising inflation.
-

POTENTIAL UPWARD ADJUSTMENTS TO FORECAST

- The potential for increased economic development to increase the city's tax base and generate additional revenues for the city. Anticipated major development projects are not included in revenue estimates until revenue stream to the city materializes.
- Ongoing improvements to collection efforts in FY 2018 results in additional tax revenues not currently reflected in the estimates.
- State of Michigan processing of the City's income tax and subsequent withholding collections results in increased compliance and generate additional revenues for the city. E-pay payment option should improve collection activity.
- Revenue initiatives in the Four-Year Financial Plan, but not included in the estimates/projections may result in additional revenues if timely and successfully implemented.
- Sales tax on internet purchases may increase state local share distributions to city/villages/townships.
- Passage of State legislation requiring non-Detroit businesses to withhold income taxes of employees residing in Detroit should significantly increase income tax collections.

CONFERENCE PARTICIPANTS

John W. Hill, Chief Financial Officer
John Naglick, Jr., Chief Deputy Chief Financial Officer / Finance Director
Dexter Lockamy, Office of the Chief Financial Officer
Tanya Stoudemire, OCFO-Deputy CFO, Budget Director
Tina Tolliver, OCFO-Office of Budget, Deputy Budget Director
John H. Hageman, Chief of Staff to the Chief Financial Officer
Steve Watson, OCFO, Director of Special Projects
Irvin Corley, Jr., City Council Legislative Policy Division, Executive Policy Manager
Anne Marie Langan, City Council Legislative Policy Division, Fiscal Analyst
Richard Drumb, City Council Legislative Policy Division, Fiscal Analyst
Mark Lockridge, Auditor General
Jill Kilbourn, Office of the Auditor General
Walter Griggs, Office of Auditor General
Renee Short, OCFO-Office of Budget
Janice Butler, OCFO-Office of Budget
Sneha Patel, OCFO-Office of Budget
Valeria Wiggins, OCFO-Office of Budget
Pamela Scales, OCFO-Deputy CFO, Office of Departmental Services (ODFS)
Michael Jamison, OCFO-Deputy CFO, Financial Planning and Analysis
Lucy Synder, OCFO, Financial Planning and Analysis
Alvin Horhn, OCFO-Deputy CFO, Office of the Assessor
Christa McLellan, OCFO-Deputy CFO-Treasurer
Justin Bahri, OCFO-Deputy Treasurer-Tax
Rhonda McKay, OCFO-Treasury
Felix O'aku, OCFO-ODFS, Agency CFO
James George, OCFO-ODFS, Agency CFO
Lisa Jones, OCFO-ODFS, Agency CFO
Steven Morris, OCFO-ODFS, Agency CFO
Monique Claiborne, OCFO-ODFS, Agency CFO
Angela Taylor, OCFO-ODFS, Agency CFO
Eunice Williams, OCFO-ODFS, Agency CFO
John Wallace, OCFO-ODFS, Agency CFO
Andre Blair, OCFO, ODFS
Kim Williams, OCFO, ODFS
Robert Kleine, Michigan State University
Shavi Sarna, Ernst & Young