



Mayor's Budget Address

FY 2010 - 2011

Dave Bing, Mayor

Thank you Council President Pugh, President Pro Tem Brown and all City Council members. I am here today to deliver my first budget and begin a process that will take uncompromised cooperation and careful evaluation between my office and this honorable body.

I believe this Council deserves the first opportunity to review this information and ask questions. I will not negotiate this budget in the media and it is my hope that you will follow the same path, directing any further requests for information or clarification to my office.

We will be responsive to your questions and you will have an opportunity to direct any department specific questions to the appropriate director over the coming weeks.

The financial crisis inherited by this administration is by now familiar to all of you. An accumulated deficit of \$330 million with no plan to reduce it.

But perhaps as troubling as the numbers, is the pattern of a city that time and again has acted with little thought to the taxpayers, whose money they were spending and whose interest they were elected to represent.

Financial decisions were too often driven by politics, not sound fiscal policy. Budgets were developed using smoke and mirrors, rather than data. And difficult but necessary structural changes were ignored instead of fought for, even as we fell deeper into financial crisis.

When I was elected last May, it became clear very quickly that we were in a cash crisis. The budget forecast for revenue was off by more than \$100 million dollars and we were facing the threat of payless paydays by October. Chrysler had filed for bankruptcy days before and GM declared its bankruptcy one month later.

We took immediate steps; completing the Cobo and Greektown Casino deals, saving more than \$7 million and \$8 million respectively, collecting nearly \$6 million in delinquent receivables, and saving more than \$11 million between layoffs and budget required furlough days. We also completed the long-overdue 08-09 CAFR, which released \$23 million we were owed from state revenue sharing.

The successful sale of our fiscal stabilization bonds was one of the first signs that we are beginning to repair our image and I would like to thank this Council for its support. The response by investors was overwhelming. They placed \$500 million in orders for \$250 million in bonds, helping us lower the interest rate to save the city \$1.1 million on its annual debt service. In a city as cash strapped as we are, that vote of confidence from Wall Street is significant.

We were also able to obtain ratings of A1 and AA from the rating agencies by backing the bonds with our state revenue sharing. As you all know, for the last several years our revenue sharing payments have been delayed by the state due to late submissions of the CAFR. That practice will end with this budget. We can't afford to let our bills pile up while we're leaving money on the table in Lansing. The numbers will be real and the report will be filed on time.

Had we failed to act, today we'd be facing a deficit of \$440 million and this conversation likely would include a state appointed financial manager. Today the deficit sits at \$85 million and we maintain control of our own finances, but our sense of urgency remains the same.

Close to 30% of Detroiters are still out of work and 50,000 families are in home foreclosure. We can only begin to change the perception of our city by changing the reality. It will require leadership from all of us and buy-in from our citizens. Without that support, we will not survive.

The budget I am presenting to you today, my first since being elected Mayor, will put an abrupt end to that era. When I say we have a budget that will finally keep us from spending more than we take in, I have the strategy and the data to back it up. When I say we are cutting the waste and making the city run more like a business, I have the dollar figures and staffing reductions that prove it. When I say we will make structural changes to eliminate our deficit over the long-term, I have the will and the thick-skin necessary to implement them.

This budget is balanced. We've reduced general fund spending by \$101 million to balance projections with all sources of revenue; property tax, income tax, wagering tax, utility user tax and state revenue sharing, all of which are going south again, down from \$1.32 billion in the 2009-10 budget to \$1.20 billion in this budget.

We realized these savings by focusing first on what we as a city government could do better, cutting out millions in waste and putting controls in place to increase accountability. The City had 13,000 positions on the payroll when I took office in May. Today, we have 11,900. By July, we'll reduce that number to approximately 11,600.

This budget ends the practice of using past budgets instead of actual cash needed to determine funding for our operations. For example, our Planning and Development Department was budgeted for \$6.3 million in operating costs last year. They spent \$800,000 less than that so we took that money and cut it out of this year's budget. That's something that hasn't been done in years and it will save us more than \$10 million next year.

This administration promised fiscal responsibility and that's exactly what we're going to provide. Whether it's \$10 million or one dollar, if we could afford to get the job done without it last year, we won't spend another cent doing it this year and in many cases, we will be spending significantly less.

This administration also promised to put an end to politics as usual and tell the truth, even when it wasn't popular. We've cut out all the unfunded vacant positions from this budget. The 2009-10 budget included more than 500 positions without a dollar to actually fill them. This is something past administrations used for political reasons, most notably in the police department to create the perception that there were more officers on the street than the City actually had on the force.

Our citizens deserve to know the real numbers, without the phantom positions or the fuzzy math. As a businessman, I expect a real budget with real numbers and a plan that delivers real results.

As you are all aware, we've been engaged in difficult negotiations with some of the City's unions. This budget includes anticipated savings from all unions based on the proposal on the table. Every month AFSCME continues delaying, the city loses another half a million. Failing to come to the table will leave us with little choice but to look at further layoffs and service reductions.

The phrase doing more with less is probably all too familiar to our taxpayers. They have become accustomed to receiving less. The problem is city government never tried to more. It's been operating exactly the same way for generations. We will not continue down that road. That's why nearly every department will see staff and spending reductions in this budget. My staff alone is shrinking by 20% and my office budget will go down almost \$1 million. I encourage this honorable body to follow suit.

By tightening our own belt and reducing staff expenses citywide, we are able to keep the number of boots on the street unaffected. In fact, the budget provides funding to cover retirements and attrition in our public safety departments. It includes funding for a class of 50 police officers to start each quarter beginning in July and funding to hire a total of 91 firefighters throughout the year. Thanks to leadership changes in DPD and DFD, we've seen positive results in everything from a 20% reduction in homicides to a 12% decrease in Angel's Night fires and better response times across the board. We are confident that this budget provides our public safety departments the resources to continue making progress.

And instead of cutting other services like trash collection or bus service, we identified more than \$45 million in potential additional revenues and cost savings citywide through

better business practices, consolidations and ending wasteful spending. I have provided a one-page summary of the projects I will briefly mention today for your information and review.

Providing city vehicles to directors and elected officials is a luxury that should have ended long ago. None of my executive staff has a city vehicle and going forward all city officials and city departments outside public safety will be asked to turn in their vehicles. Fifty vehicles have already been turned in, saving the city the cost of insurance, fuel and maintenance. We estimate another 100 will be turned in from our public safety departments.

This initiative is part of our risk management savings project that we believe will save \$3.75 million dollars this year. We are also targeting a 5% reduction in hospital spending by negotiating lower administrative fees for our plan and reviewing dependent coverage and claims. Those who have taken advantage of lax oversight by the City in years past will not continue to get a free ride. We estimate savings of at least \$12 million through this audit.

I said in my campaign that we would run the city more like a business. We are making tremendous progress but there is still much more that can be done, should be done and will be done.

The City has also done a poor job of going after money it is owed. One of my new Department Directors recently informed me that in reviewing the books, she found a 2-year old \$486,000 default judgment that the city had never attempted to collect. In a City facing financial crisis, that kind of oversight is appalling.

My administration has already set a more aggressive tone, collecting nearly double what was budgeted for in delinquent collections and we anticipate another \$6 million in this budget. We also plan to work with the state to improve income tax collections, specifically focusing on those who take city tax deductions without filing city tax returns. Whether intentional or not, we will aggressively go after every dollar. And beginning this year, we will make electronic filing available for personal property tax payments. Together, these initiatives are expected to bring in an additional \$15.5 million.

From my first day in this office, I've talked about the need for restructuring city government to secure our long-term financial future. I pleased to announce today that two more measures proposed by my Crisis Turnaround Team will be completed and result in savings in this budget. We are expected to turn over management of City Airport by June, saving half a million dollars. And Mistersky Power Plant will be mothballed very shortly, saving the City another \$5 million.

Additional consolidations and eliminations are occurring and planned in a number of other areas. Consolidation of office space city wide is underway. The Department of Administrative Hearings is moving into available space in the Coleman Young building saving a minimum of \$150,000. Cable is doing the same, saving another \$500,000. We are also consolidating administrative functions for the workmen's compensation for the Police and Fire Departments saving \$870,000.

We have reduced the number of city bank accounts from 320 to 150 and cut contract services in the finance department by \$1 million, with the goal to complete more work in-house. Budget required furlough days for personal service contracts will save at least \$9 million. And with the appointment of a Chief Procurement Officer, we have set a goal to negotiate 5 citywide contracts with the potential to save the city another \$5 million.

The pay-to-play scandals of the past have done incredible damage to Detroit's reputation. And two of our own financial practices contributed directly to that perception and reality, the use of emergency contracts and quick checks. Both raise transparency concerns and ethical questions. We have taken steps to eliminate both practices. Zero quick checks have been issued over the last eight months and we have stepped up enforcement of the City's Purchasing Ordinance to prevent emergency contracts.

Nothing is more important to the fiscal future of our city than restoring integrity to City Hall and making Detroit attractive for jobs and investment.

Like any good business, we will move to multi-year strategic planning and we will hold all of our directors accountable to the numbers submitted in this budget. We are close to hiring a COO who will oversee monthly revenue and spending reports to make sure we're on track with things like payroll and overtime. These reports will also allow us to adjust as any new financial circumstances may dictate.

I know that you are deeply concerned as I am, about the City's financial future. The recent report by the Citizens Research Council of Michigan paints a grim picture. However, I would like to draw your attention to the first option mentioned as a potential solution to this crisis. It reads:

“The elected mayor and city council can develop and implement required changes.”

That is exactly what we must do. And adoption of this budget is another critical step in that direction. It's the only way out without state intervention or bankruptcy and as I have said before, it is indeed now or never.

We can take the easy way out and ask others to make the tough decisions and necessary changes. Or we can rebuild our financial foundation and begin reinventing Detroit. I believe it can be done, but only with your cooperation.

I look forward to answering your questions once you've had adequate time to review this information and more importantly, I look forward to working with you to make Detroit a financially stable city.