



Mayor's Budget Address

FY 2012 - 2013

Dave Bing, Mayor

CITY OF DETROIT

2012-2013 BUDGET ADDRESS

Dave Bing, Mayor

Good morning, Honorable City Council.

I'm here today representing Mayor Dave Bing, who could not be here as he continues to recuperate from surgery.

A year ago, Mayor Bing presented the 2011-2012 Budget and discussed, at length, that the specter of Public Act 4, allowing the State to appoint an emergency manager to run the City, was a considerable probability facing the City.

Today's 2012-2013 Budget Address reflects the new reality for the City of Detroit. A week ago today Mayor Bing and I signed the Financial Stability Agreement the Administration helped develop with members of the City Council and the State. In that process, Mayor Bing preserved the governance structure of the City's elected officials as mandated by the City Charter.

Most critically, the agreement represents a unified approach to help eliminate the structural deficits that have existed in city operations for decades, as past attempts to fix the City's financial problems have been offset by its growing debt obligations. The City's accumulated deficit is now \$265 million, despite several hundred million in new financing raised in recent years. The administration knows this is not sustainable. So we have continued to work to execute the Financial and Operational Restructuring Plan Mayor Bing developed last fall when he initially alerted the City Council, State officials and Detroiters to the City's cash flow crisis.

To that end, the Administration set out to resolve the crisis by working with the City's unions to achieve labor concessions and by acquiring \$137 million in financing with Council approval to avoid the City's liquidity crisis in fiscal years 2012 and 2013. While this financing was necessary to address liquidity issues, the Administration is fully aware that the practice of covering deficits with more debt is not an acceptable solution. We are prepared to make the necessary changes to ensure financial sustainability.

Looking forward, the Financial Stability Agreement requires the complete elimination of the accumulated deficit, which, unfortunately, requires deep cuts to align expenses with our declining revenues. This budget provides for an approximate \$100 million surplus, but it comes with the consolidation and reduction of departments, as well as continued workforce reductions. In order for City government to be efficient, we are in the process of evaluating every service the City provides, focusing on maintaining services that are core and most important to the citizens of Detroit.

The total general fund budget presented today is \$160 million lower than the FY 2011-2012 Budget. This reduction will be achieved through:

- Department eliminations, workforce reductions, and include a 25% cut to the budget of the Mayor's Office where a 10% pay reduction through furlough days became permanent cuts earlier this year;
- Concessions from suppliers, changes to medical benefits, pension related concessions;
- Work rule changes and wage related concessions mandated by the agreement; and
- A \$15 million increase in income tax revenue.

The City's population loss continues to adversely impact our main sources of revenues, including state aid and income and property taxes. Projected revenue for the 2013 fiscal year is expected to be \$23 million lower than in the previous year. Competition from new casinos in neighboring states could reduce the City's gaming tax revenues.

No one wants these cuts – especially not the citizens who have already suffered as a result of declining budgets – but they are essential to ensure the City's long-term financial sustainability. The Administration's efforts will focus, however, on structural changes, because, as Mayor Bing has consistently said, we can't cut our way out of the problem. But while we cannot guarantee that services to citizens will not be affected, we can assure you that we will continue to work hard to focus on providing essential services at adequate levels. The difference will be reflected in how the City provides services from public safety and lighting to recreation and transportation.

The budget before you today will be modified as we work to reconcile it with the Financial Stability Agreement. The implementation of a rolling, three-year budget, required by the agreement, directly impacts the process. Revenue targets set by the Mayor's office and the newly created Financial Advisory Board will require further accountability. The City will no longer be able to spend money it does not have.

The sacrifice we must all make to restore the City's financial stability will serve as the basis for Detroit's recovery. Mayor Bing's vision for this new Detroit is to provide quality services within a sustainable cost structure. This is the first step to improve services to make Detroit stable, safer and more attractive for new investments, for job creation and for Detroiters.

Thank you.