



Revenue Estimating Conference

September 15, 2021

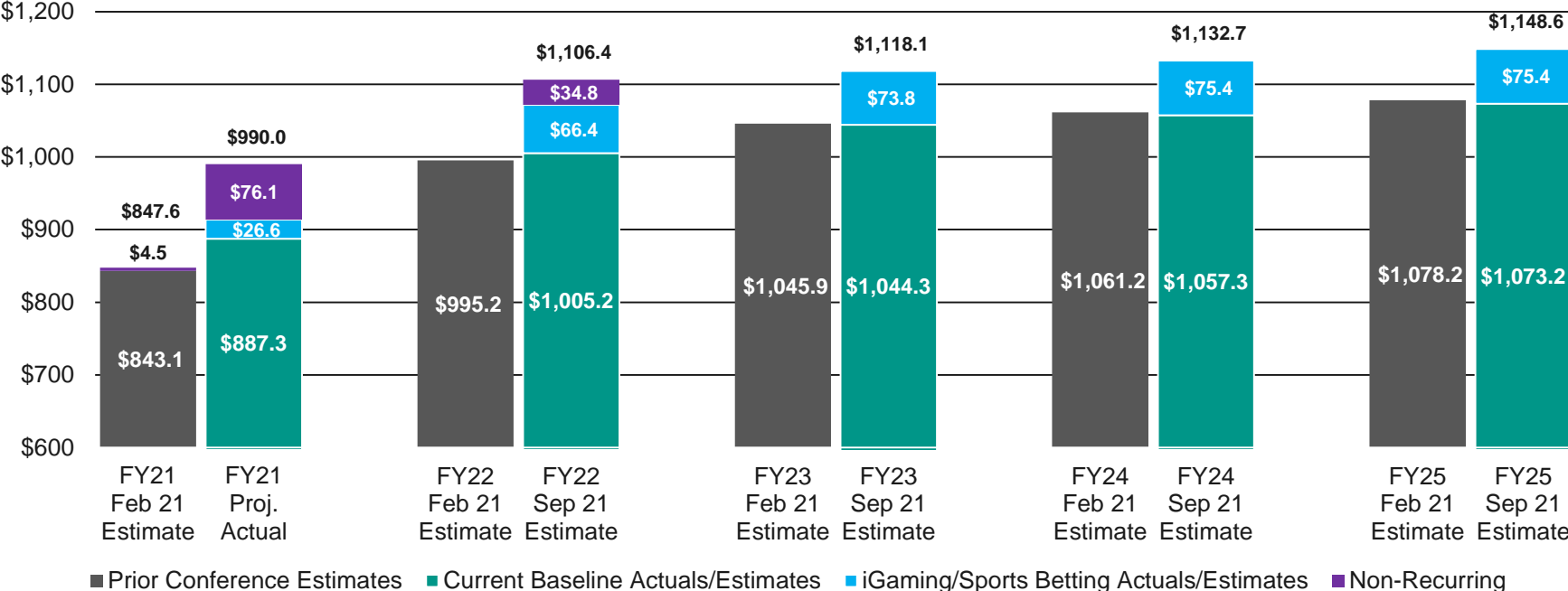
**Office of the Chief Financial Officer
Office of Budget**

Overview

- Michigan PA 279 of 1909, Section 117.4t(1)(d), as amended by PA 182 of 2014, states the City of Detroit shall hold independent biannual revenue estimating conferences (in September and February) that establish the official economic forecast and forecast of anticipated City revenues
- Revenue estimates must be approved by the voting principals:
 - **Jay B. Rising:** Chief Financial Officer, City of Detroit
 - **Eric Bussis:** Chief Economist and Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury
 - **George A. Fulton, PhD:** Director Emeritus, Research Professor Emeritus, Research Seminar In Quantitative Economics (RSQE), Department of Economics, University of Michigan
- The estimates include the current fiscal year (FY2022) and the next four years (FY2023–FY2026).
- They set the revenues the City uses to begin developing the FY 2023 budget and FY 2023–FY 2026 Four-Year Financial Plan

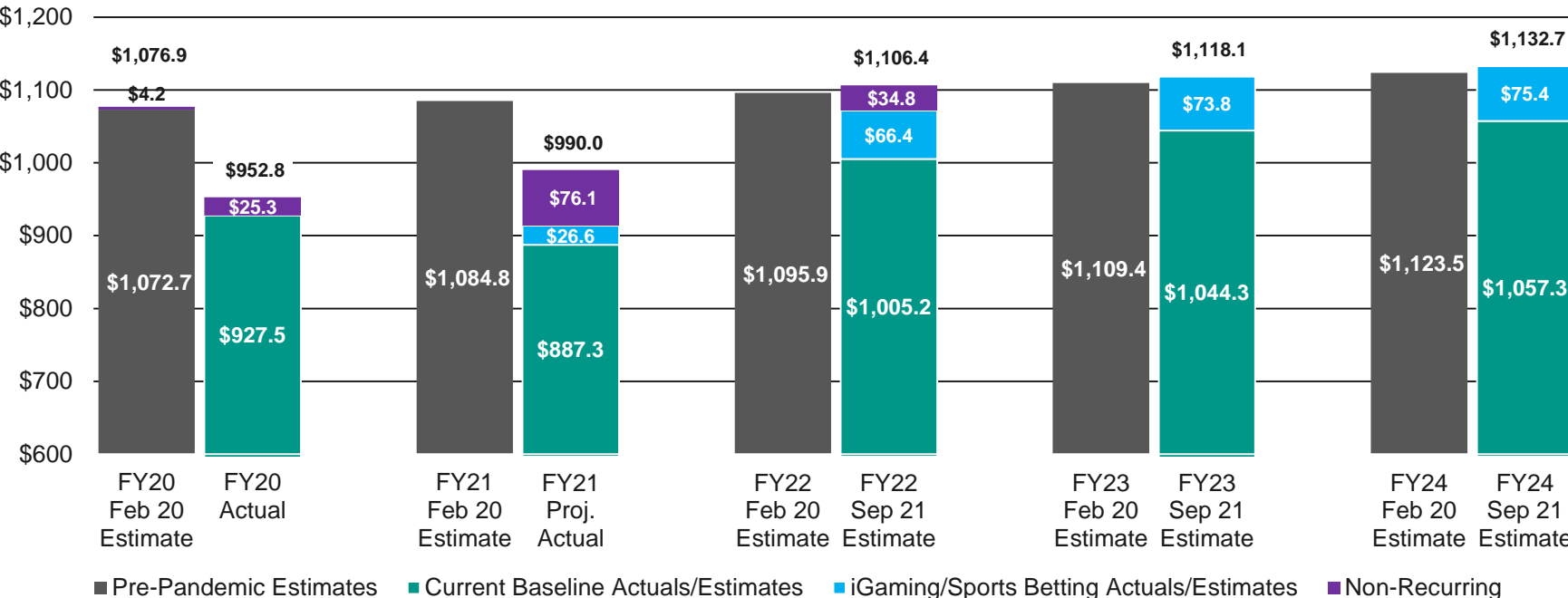
General Fund Revenue Comparison to Feb 2021 Conference

(\$ in millions)

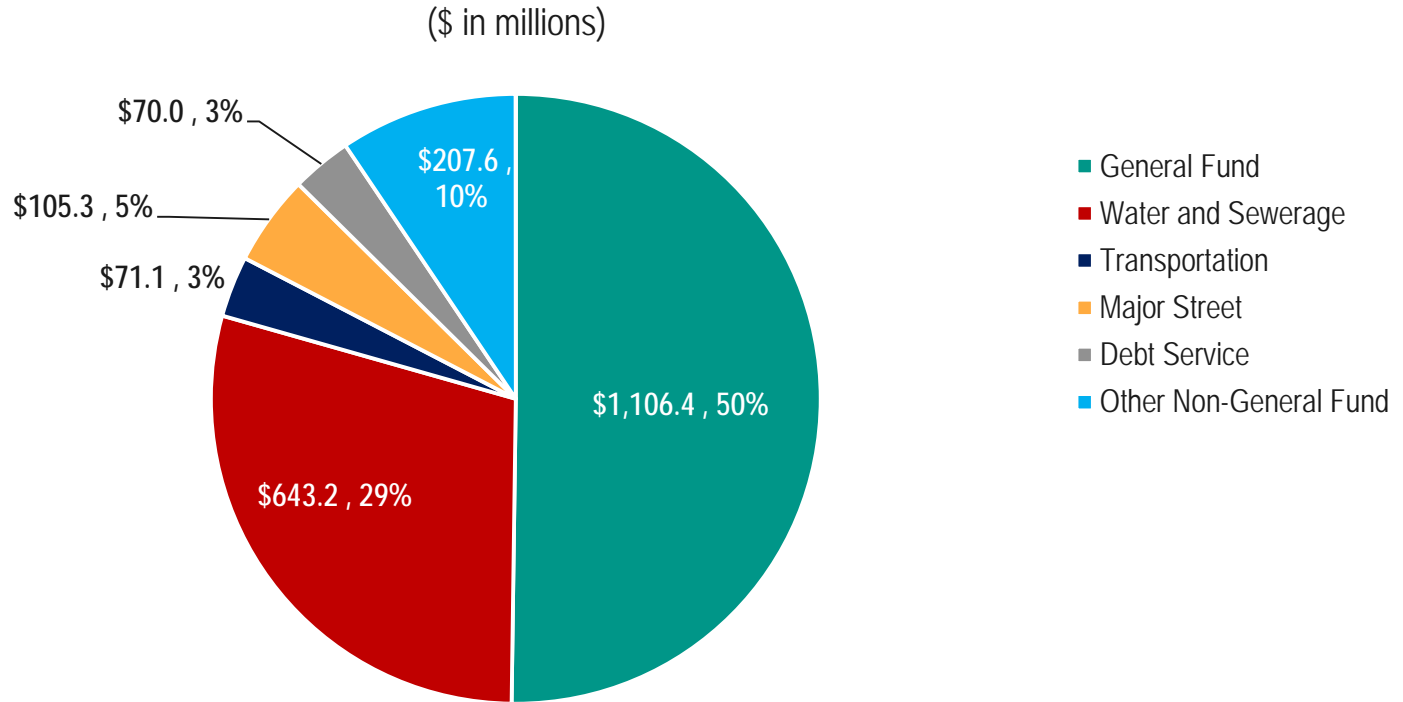


General Fund Revenue Comparison to Feb 2020 Pre-Pandemic

(\$ in millions)

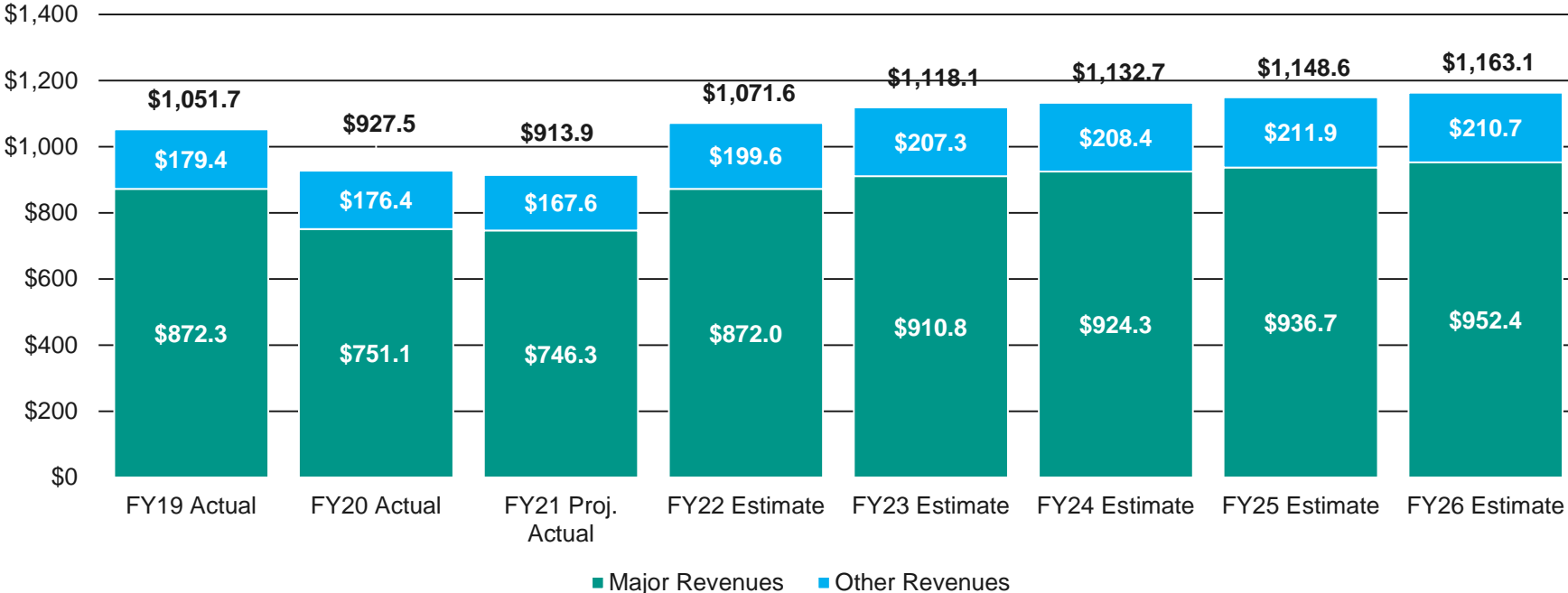


FY 2022 Revenue Summary, All Funds



Recurring General Fund Revenue

(\$ in millions)

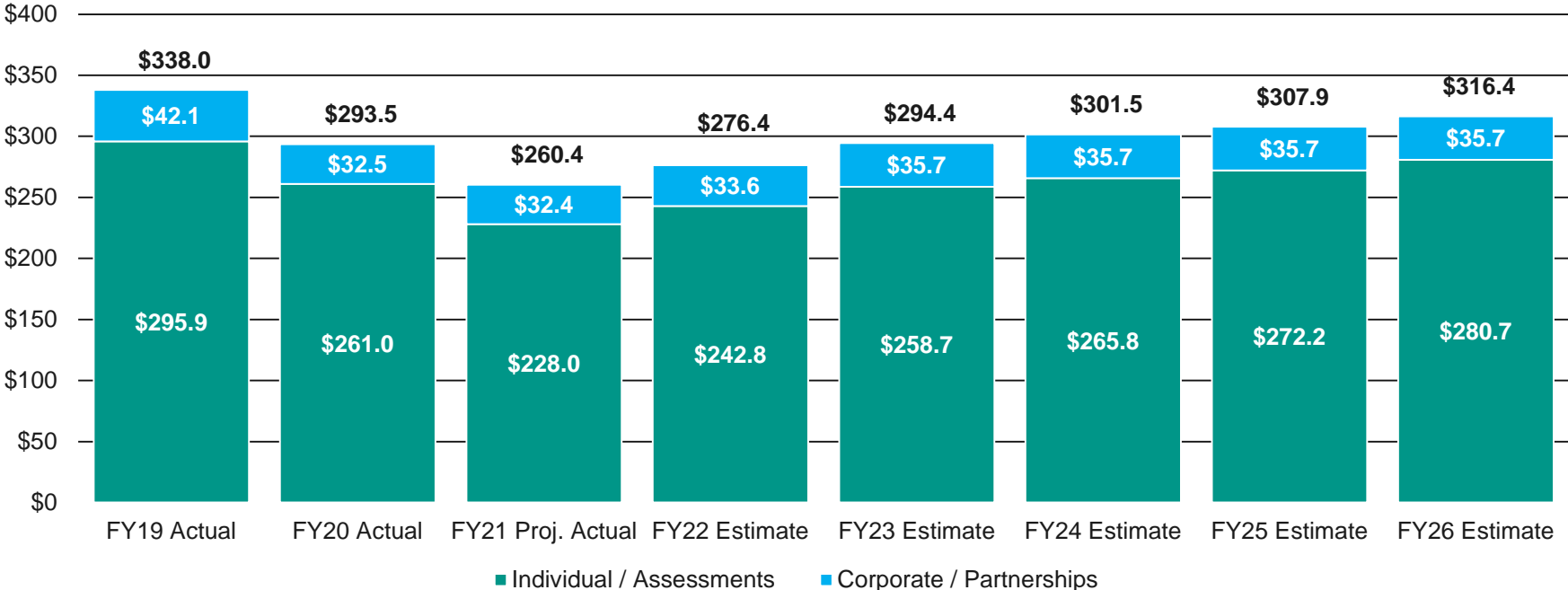


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments.



Recurring Income Tax

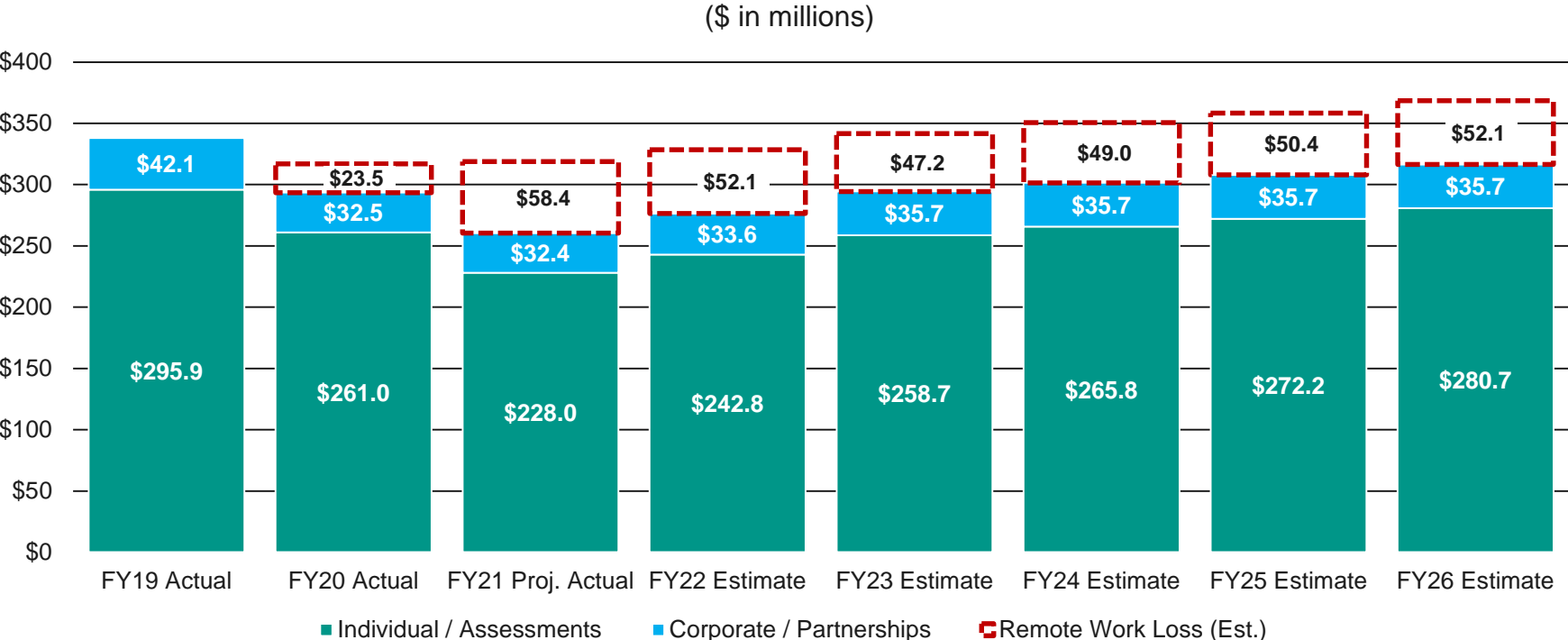
(\$ in millions)



Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds. FY21 Projected Actuals exclude \$41.8m in Individual prior-year receipts.



Recurring Income Tax with Remote Work Loss

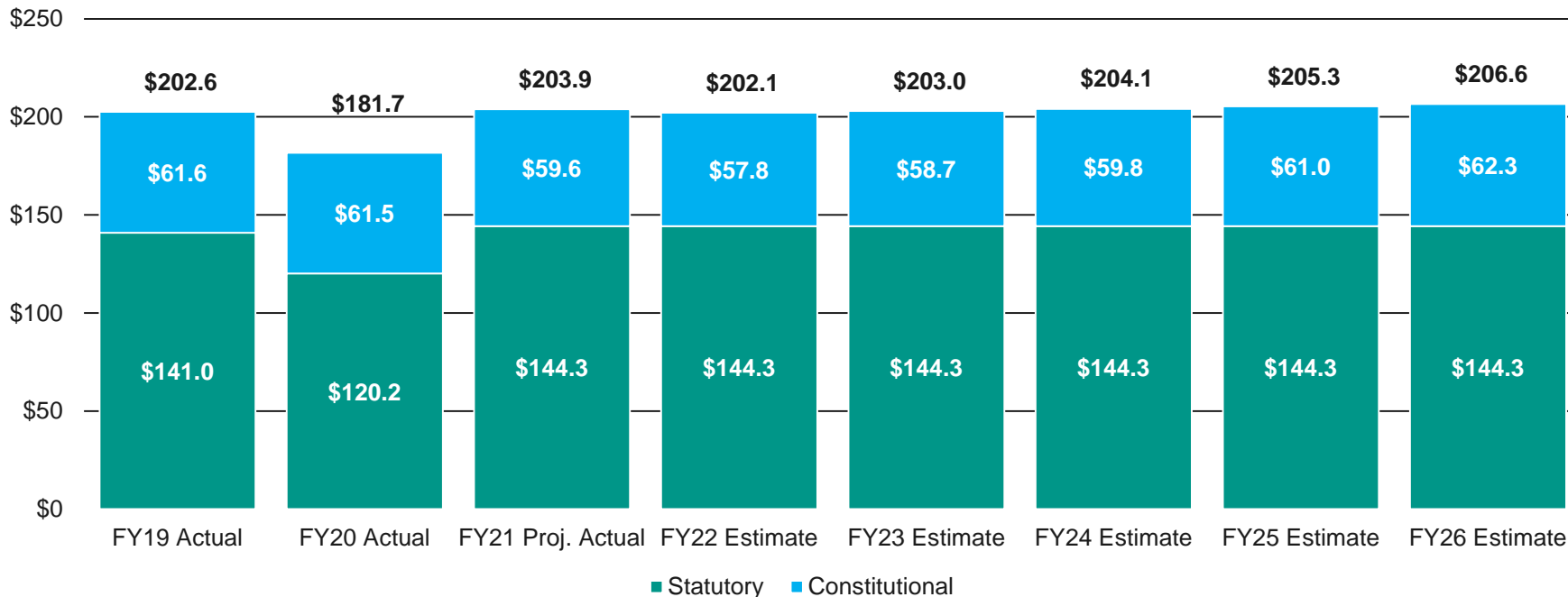


Note: FY19 Actual excludes \$23m one-time corporate collections. FY20 Actual excludes (\$3.5m) in one-time corporate refunds. FY21 Projected Actuals exclude \$41.8m in Individual prior-year receipts.



Recurring State Revenue Sharing

(\$ in millions)

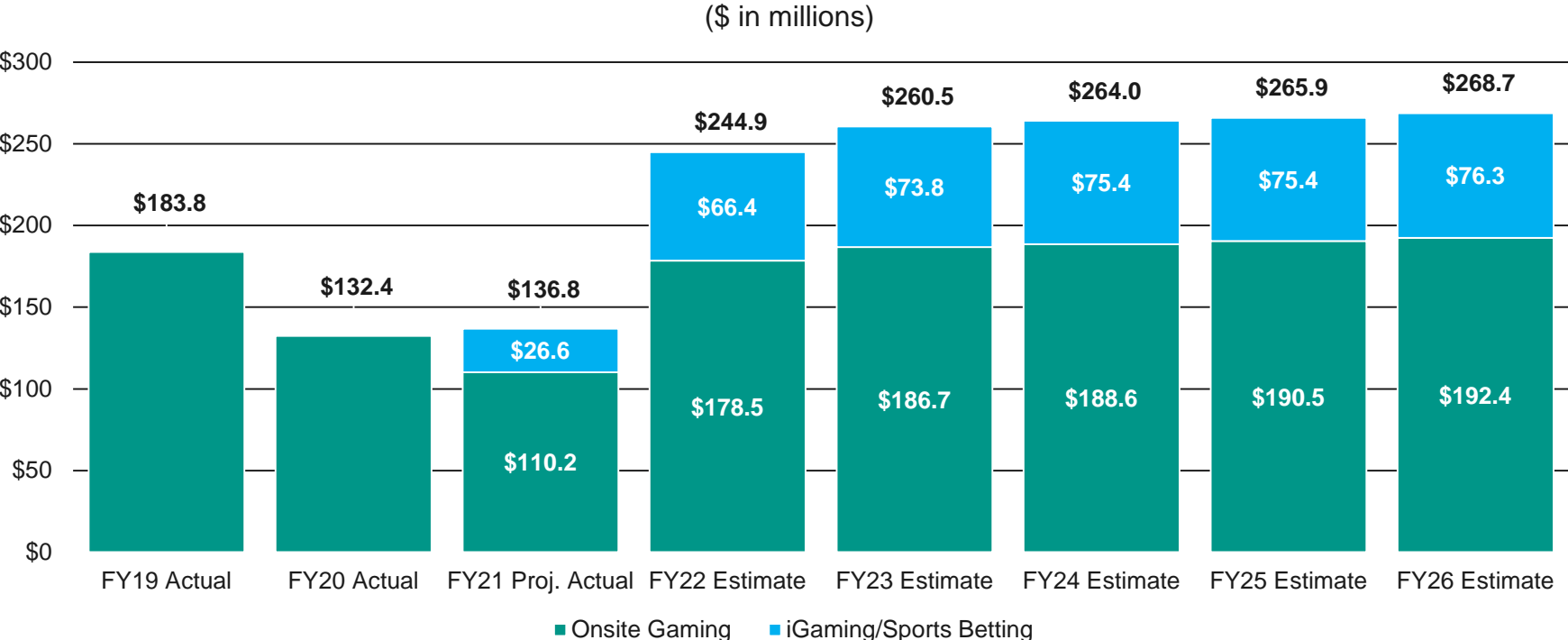


■ Statutory ■ Constitutional

Note: FY20 Actual includes one-time \$24M reduction in statutory revenue sharing that the State replaced with a one-time Coronavirus Relief Fund grant outside the General Fund. FY21 excludes \$8.4M and FY22 excludes (\$8.4M) State payment adjustment due to anticipated delay in applying 2020 US Census population decline into FY22. No net change for two-year total for FY21 and FY22.



Recurring Wagering Tax

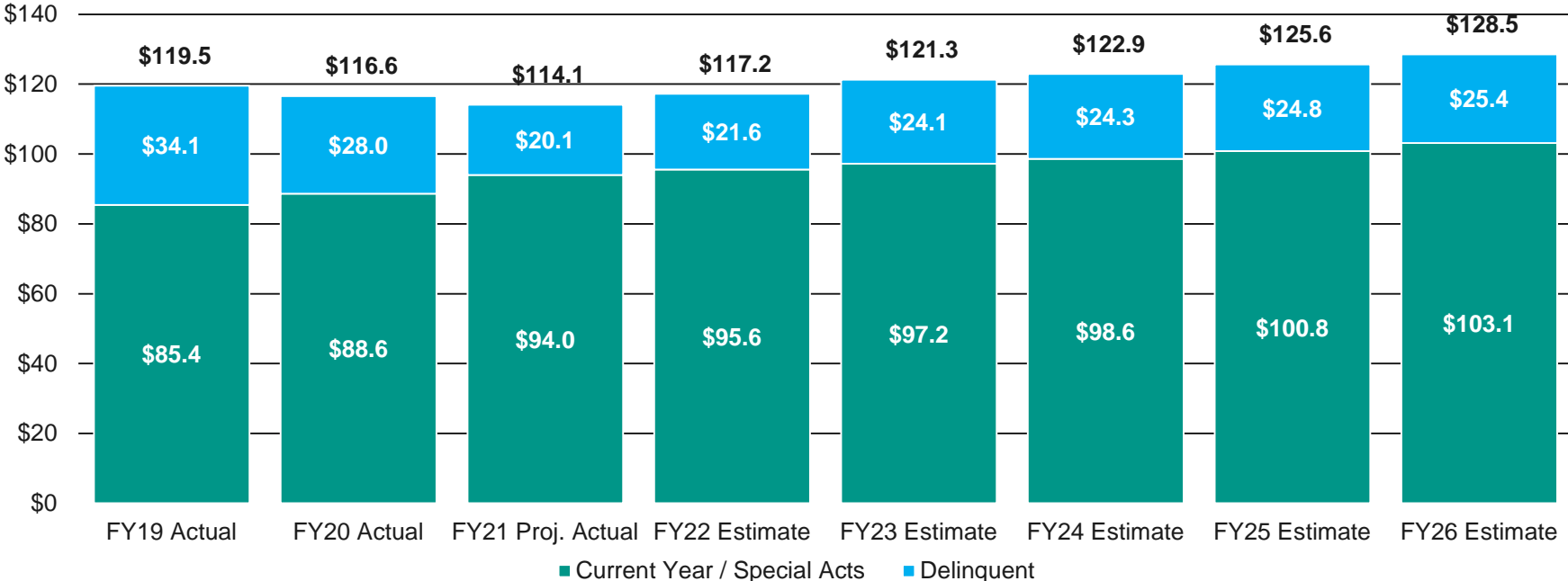


Note: FY22 excludes \$38.7M in one-time FY21 hold harmless collections that accrue in FY22.



Recurring Property Tax

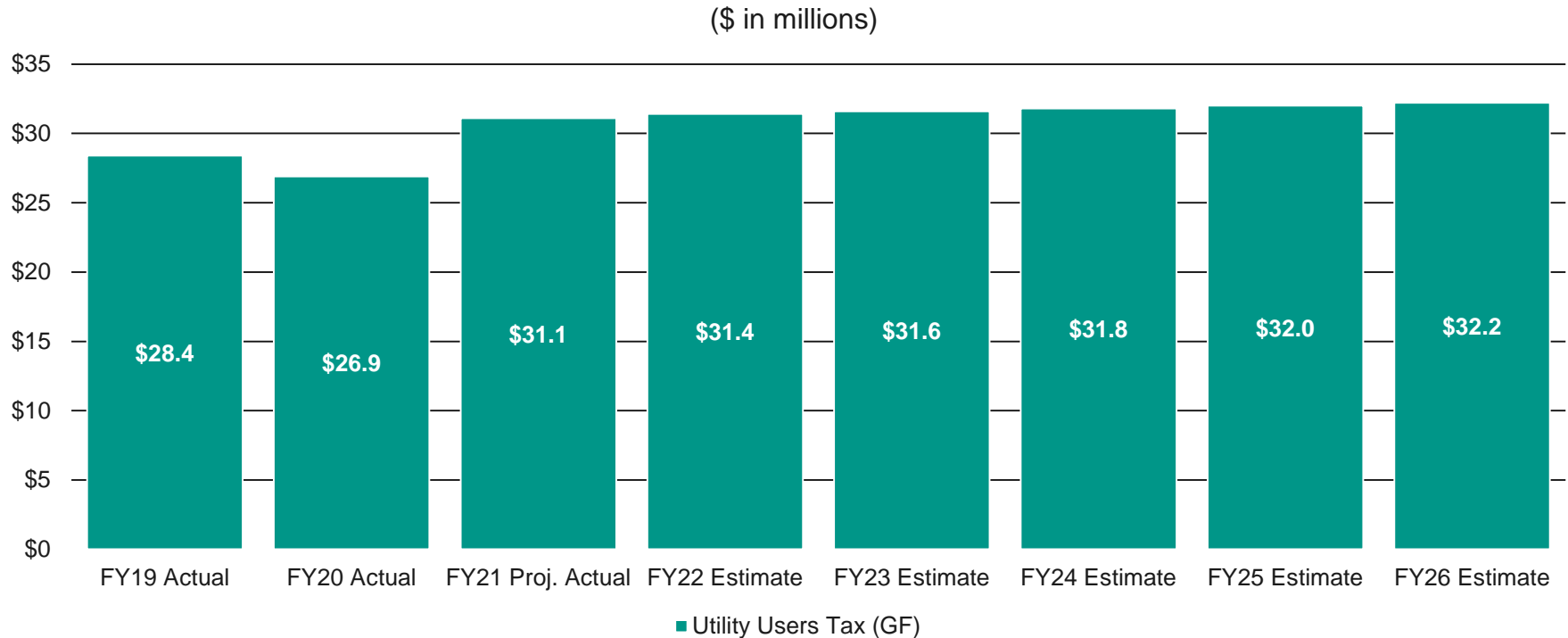
(\$ in millions)



Note: Includes ad valorem taxes and special act taxes (e.g., Neighborhood Enterprise Zone, Industrial Facilities Exemption, and Obsolete Property Rehabilitation Act). FY21 Proj. Actual excludes \$8.7m in one-time monthly settlements.



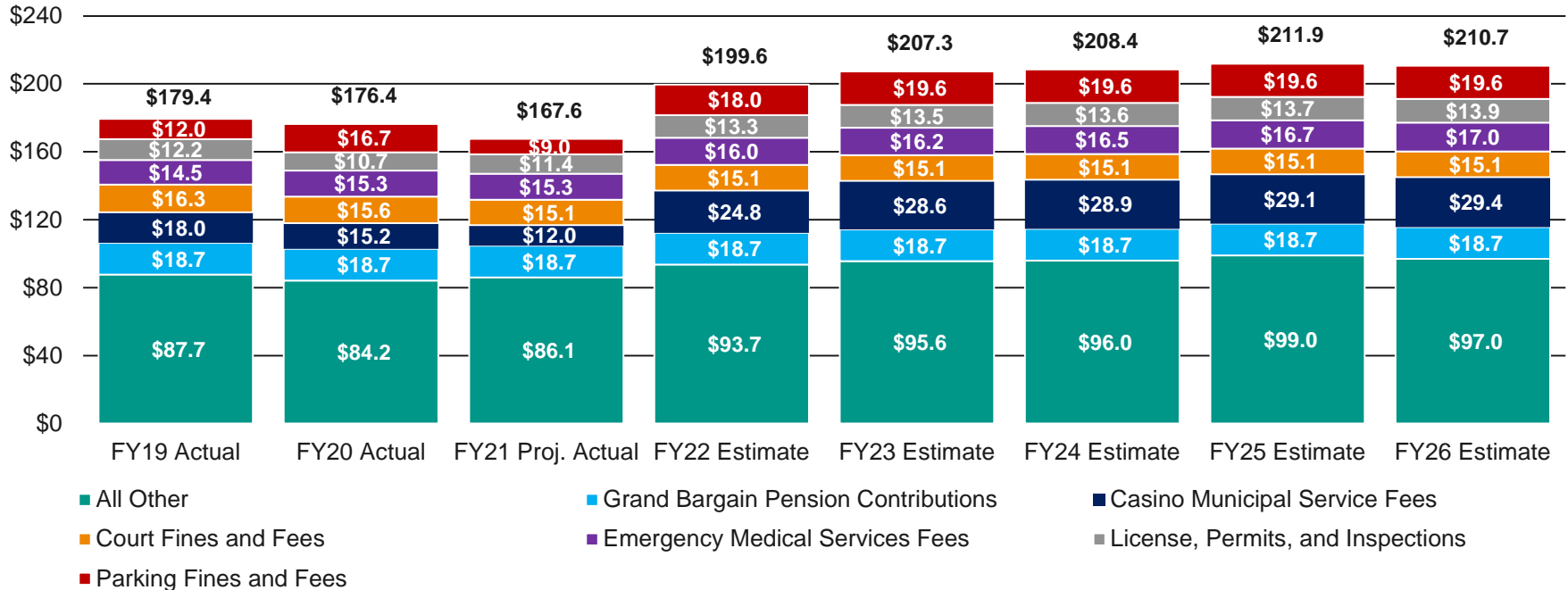
Utility Users Tax



Note: Utility Users Tax for the General Fund is net of annual \$12.5M dedicated to Public Lighting Authority debt service.

Recurring Other Revenues (General Fund)

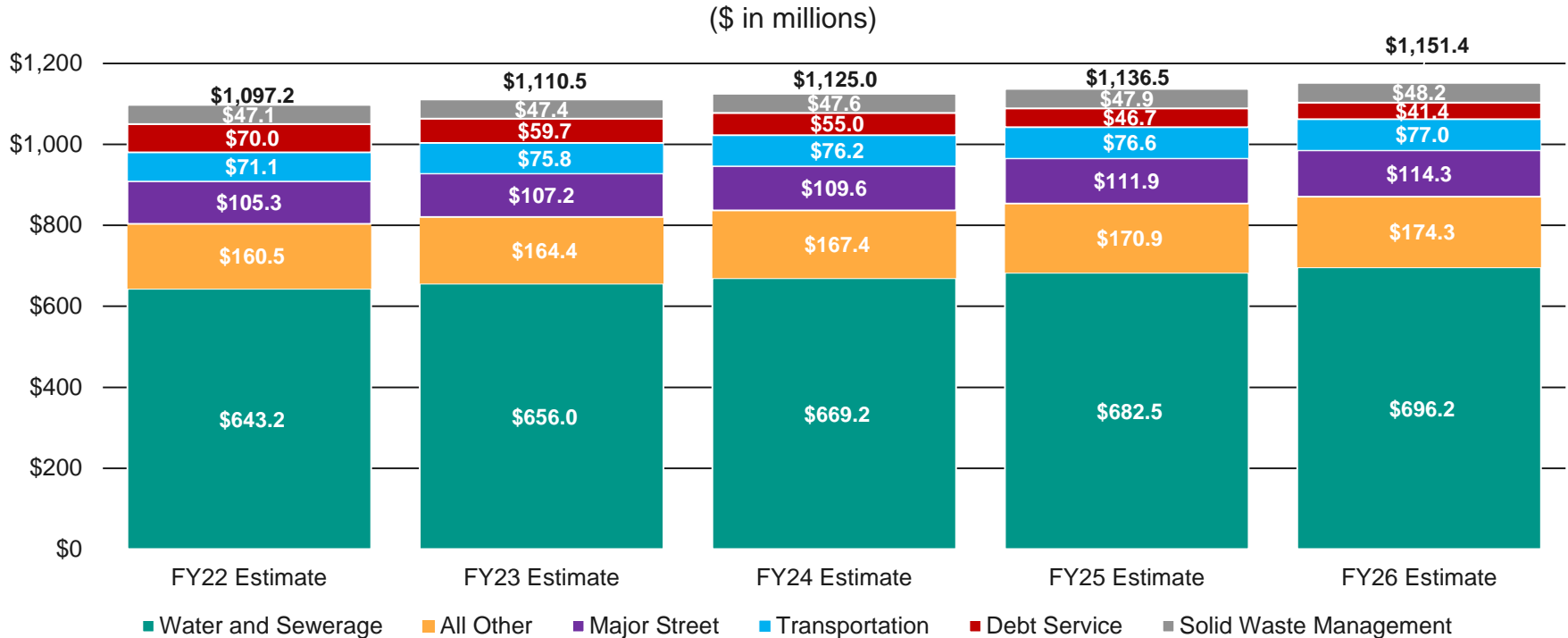
(\$ in millions)



Note: The Parking enterprise fund and its associated fees were consolidated into the General Fund in FY20. Recurring revenues exclude one-time items like asset sales and bond proceeds.



Non-General Fund Revenues



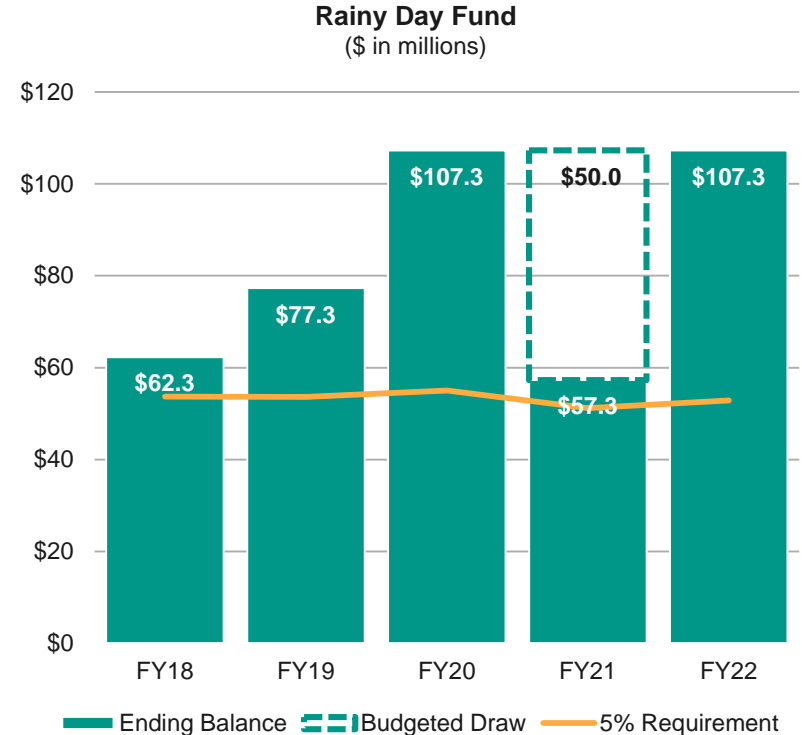
Note: Does not include contributions and transfers across funds (e.g., General Fund contribution to Transportation).



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

- Pre-pandemic, the City increased its Rainy Day Fund to \$107.3M (10% of projected expenditures)
- The FY21 Adopted Budget assumed the City would draw down \$50M to help address COVID-19 revenue shortfalls, keeping the balance above 5%
- The FY21 drawdown was ultimately not needed
- The FY22 Adopted Budget restored the \$50M, increasing the Rainy Day Fund back to \$107.3M



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
- COVID-19 Risks; economic sector and vaccination rate risks

Potential Upside (not counted in current revenue estimates)

- Residential, commercial, and industrial development activity throughout the City
- Workforce development and labor force participation gains
- Ongoing improvements in income tax audit and enforcement
- State-shared excise tax from adult-use marijuana (implementation pending)
- Additional state and federal fiscal relief, economic stimulus, and infrastructure investment