City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION

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TO: Honorable City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: May 17, 2022

RE: A One-page Financial Fact Sheet for the Detroit Public Library

As requested by Council Member Scott Benson, attached is a one-page financial fact sheet for the Detroit Public Library prepared by the Legislative Policy Division that can be shared with the public at City Council's Evening Community meeting in District 3 on Tuesday, May 17, 2022.

Please let us know if we can provide anymore assistance.

Attachment

Financial Fact Sheet on the Detroit Public Library

Prepared by the Detroit City Council Legislative Policy Division

How the Detroit Public Library is funded

- For FY 2023 (starting July 1, 2022, and ending June 30, 2023), approximately 83% of the Detroit Public Library (DPL)'s $33.6 million budget will be funded by $27.8 million in property tax revenue.
  - DPL's property taxes are based on 4.63 mills ($4.63 on each $1,000 of taxable value).
  - Of that 4.63 mills, 3.9943 mills were approved by City of Detroit voters in 2014 until 2025.
  - **The 3.9943 mills will be up for renewal in 2025!**
  - Of that 4.63 mills, 0.64 mills are collected by the Detroit school district and paid to the DPL in perpetuity per State law.
- For FY 2023, the remaining 17% of DPL's $33.6 million budget, or approximately $5.8 million, will be funded by **$3.1 million from DPL's fund balance to provide a balanced budget in FY 2023**, State-Aid provided by the State of Michigan, and Library fees such as printing and guess passes.

How DPL's funding sources will be spent

- For FY 2023, $33.6 million in DPL's funding sources will be spent on the following:
  - $21.5 million for employee salaries and benefits.
  - $12.1 million on DPL's operations, including contractual services, operating supplies, operating services (includes property insurance costs for the Library system), equipment acquisition, fixed charges (debt service payments on pension debt related to the City's bankruptcy; note: DPL's employees belong to the City's General Retirement System), and Other Expenses.

DPL's financial challenges

- In the beginning of COVID-19, all 21 DPL branches closed for public service on March 14, 2020. Six of the DPL's branches and the Mobile Library reopened in September 2020 for limited service.
- DPL's mission is to enlighten and empower people by providing diverse and dynamic pathways to literacy and learning. To help better achieve this mission moving forward, for FY 2023, beginning July 1, 2022, the DPL plans to reopen 11 Library branches that were temporarily closed during the pandemic. The reopening of the 11 Library branches is admirable but will be costly to the DPL because the following will be needed:
  - Facility repairs including roof replacements and replacing HVAC systems at some of the reopened 11 Library branches, and replacing an elevator at Main Library.
  - The return of 27 furloughed employees to previous positions and the filling of 95 positions to operate the reopened branches.

- Increased spending on other DPL operational services such as more cleaning and security services, office supplies and equipment purchases to operate the reopened branches.
- **As mentioned earlier, the need to spend $3.1 million from DPL's fund balance to provide a balanced budget in FY 2023 because of the reopened branches.**
- **In addition, with the reopening of the 11 Library branches, DPL's administration anticipates funding shortfalls of $3.1 million in FY 2024, $3.0 million in FY 2025, and $2.8 million in FY 2026. If future funding shortfalls at this rate are covered by DPL's fund balance to maintain balanced budgets, its fund balance (i.e., rainy-day fund) of $25.8 million as of June 30, 2021, will be depleted in almost nine years!**
- **It is quite clear that the DPL needs an additional dedicated funding source to sustain operations in the future, or face cutting services to do so.**
- Although, the City of Detroit has given the DPL general fund surplus dollars for capital improvements in past (for example, the City provided the DPL $4 million in FY 2022 to repair the Main Library's HVAC system), the DPL cannot rely on receiving City general fund dollars in the future given the City's own financial challenges.

- Meanwhile, since 2015, DPL primarily has faced declining property tax revenue (its main source of revenue) annually due to Detroit's population losses, lower taxable values due to reassessments and blight, and the impact of the pandemic on collections.
  - Since FY 2015, DPL's property tax revenue was $27.5 million in FY 2015; $31.1 million in FY 2016; $31.1 million in FY 2017; $29.1 million in FY 2018; $27.5 million in FY 2019; $26.6 million in FY 2020; $27.8 million in FY 2021; $26.2 million in FY 2022 (estimated); and $27.8 million in FY 2023 (estimated).
  - DPL's property tax revenue has been impacted by the approval of projects that use Tax increment Financing (TIF) administered by the Downtown Development Authority (DDA) and the Detroit Brownfield Redevelopment Authority (DBRA) and various State authorized tax abatements.
  - City Council takes great pain to ensure economic development projects cannot occur but for the use these tax incentives.
  - **It's also important to understand that it requires a change in various State laws to stop projects from receiving tax incentives. In addition, the DPL cannot opt out DBRA TIFs by State law and cannot opt out of DDA TIFs if there are outstanding DDA bonds, which are secured by TIF property tax revenue.**
  - Unfortunately, DPL related tax captures have grown since FY 2016: $1.13 million in FY 2016; $1.91 million in FY 2017; $2.5 million in FY 2018; $2.7 million in FY 2019; $3.1 million in FY 2020; $3.5 million in FY 2021; $3.3 million in FY 2022 (estimated), and $3.4 million in FY 2023 (estimated).
  - Fortunately, DPL property tax revenue can increase when tax incentives expire, and when taxable values increase in areas located outside of areas where projects are receiving tax incentives due to these projects.