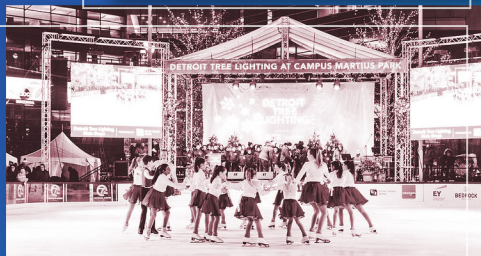




CITY OF DETROIT Four-Year Financial Plan

FY 2021 - FY 2024



Michael E. Duggan, Mayor



Mayor's Office

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March 6, 2020

Detroit City Council
2 Woodward Avenue
Detroit, Michigan 48226

To the Honorable Detroit City Council:

I am pleased to transmit my Proposed Fiscal Year 2021 and 2022 Two -Year Budget and Four-Year Financial Plan for your review and approval. Prepared in accordance with the Home Rule City Act (Public Act 279 of 1909, as amended), the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended), and the City Charter, the Fiscal Year 2021 Budget totals \$1.1 billion for General Fund operations and \$2.4 billion across all City funds.

This Financial Plan is balanced over four years and builds on our work together to build a vibrant and equitable Detroit.

Sincerely,

Michael E. Duggan
Mayor, City of Detroit



Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
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March 6, 2020

Detroit City Council
2 Woodward Avenue
Detroit, Michigan 48226

To the Honorable Detroit City Council:

The Proposed Fiscal Year 2021 and 2022 Two-Year Budget and Four-Year Financial Plan builds on the Mayor and the City Council's collaboration to set a fiscally sustainable course for Detroit. Last year, Moody's Investors Service recognized our work together to adopt a budget built on strong financial planning practices. Last month, Moody's revised the City's credit outlook from stable to positive, again signaling our continued progress together toward financial stability.

We must continue this trajectory through the budget. Detroit's economy is growing, and property values are rising. Income Taxes are showing growth, but other revenues are more restrained. The conservative revenue estimates approved by the independent Revenue Estimating Conference require the City to focus on controlling costs to keep the four-year plan balanced and fund legacy pension contributions that resume in Fiscal Year 2024.

This budget protects city services from an economic downturn by adding \$30 million to the Rainy Day Fund, and it safeguards our commitment to retirees by contributing \$70 million to the Retiree Protection Fund next year. In Fiscal Year 2024, we must be prepared to make our first legacy pension payment of \$166 million. Thanks to the commitment of the Mayor and the City Council, \$87 million of that contribution will come from the Retiree Protection Fund.

The General Fund Budget will grow by \$27 million in Fiscal Year 2021. However, most of that will be needed for growing pension, debt, and labor costs. New investments can only be funded and sustained with new savings. Thanks to our departments that found ways to operate more efficiently, this budget makes targeted investments expanding opportunities for Detroiters, improving public safety, and beautifying our neighborhoods.

We have a four-year financial plan, which allows us to shape a sustainable and balanced budget, but it is still one year of appropriations plus three forecasted years. As other cities have done, we are proposing an outcome-based Two-Year Budget process, where the Mayor and City Council adopt the budget every two years and review and approve a comprehensive budget amendment during the off-year. The budget process will focus on strategies, services, and results rather than traditional baseline budgeting. The budget would still be balanced at the end of each fiscal year, but a two-year process will help departments achieve cost savings and gain greater certainty by:

- Planning more strategically
- Contracting more efficiently

- Executing program goals more effectively beyond a narrow one-year focus

Mayor Duggan has worked hand in hand with the City Council over the last five years to get where we are today. With our shared commitment to Detroit and its long-term financial health, we look forward to reviewing the Mayor's Proposed Budget and Four-Year Financial Plan with the City Council.

Sincerely,



David P. Massaron
Chief Financial Officer
City of Detroit



Tanya Stoudemire
Deputy CFO/Budget Director
City of Detroit



CITY OF DETROIT
FY 2021-2024
FOUR-YEAR FINANCIAL PLAN
TABLE OF CONTENTS



EXECUTIVE SUMMARY

Biennial Budget Process	A1
Outcome Budgeting	A2
Overview	A4
Budget Development Calendar	A7
Financial Plan Requirements.....	A8
City of Detroit Revenue Estimating Conference	A11
Tax Statement.....	A33
Budget Reserve Schedule	A36
General Fund 5-Year Cash Flow Forecast.....	A37
City of Detroit 2021-2024 Financial Plan	
Expenditures and Revenues by Agency	A38
Expenditures and Revenues by Major Classifications – All Funds	A39
Expenditures and Revenues by Major Classifications – General Fund	A40
Budgeted Positions	A41
Debt Service	A42
Retiree Protection Fund	A45
Capital Financial Plan	A49

DEPARTMENTAL BUDGET INFORMATION

Dept. No.	Department Name	
(10)	Airport	B10-1
(13)	Buildings, Safety Engineering and Environmental Department.....	B13-1
(16)	Demolition Department	B16-1
(18)	Sinking Interest and Redemption	B18-1
(19)	Department of Public Works	B19-1
(20)	Department of Transportation	B20-1
(23)	Office of the Chief Financial Officer.....	B23-1
(24)	Fire Department.....	B24-1
(25)	Health Department.....	B25-1
(28)	Human Resources Department.....	B28-1
(29)	Civil Rights, Inclusion and Opportunity Department	B29-1
(31)	Department of Innovation and Technology.....	B31-1
(32)	Law Department	B32-1
(33)	Mayor’s Office.....	B33-1
(34)	Municipal Parking Department	B34-1
(35)	Non-Departmental (<i>Board of Ethics, Board of Police Commissioners, Detroit Building Authority, Detroit Land Bank Authority, Media Services and Communications, Pension</i>)	B35-1
(36)	Housing and Revitalization Department	B36-1
(37)	Police Department	B37-1
(38)	Public Lighting Department	B38-1
(43)	Planning Department	B43-1
(45)	Department of Appeals and Hearings	B45-1
(47)	General Services Department.....	B47-1
(48)	Water Retail	B48-1
(49)	Sewerage Retail	B49-1
(50)	Auditor General.....	B50-1
(51)	Zoning Appeals Board	B51-1
(52)	City Council.....	B52-1
(53)	Ombudsperson	B53-1
(54)	Office of Inspector General	B54-1
(60)	36 th District Court	B60-1
(70)	City Clerk	B70-1
(71)	Department of Elections.....	B71-1
(72)	Detroit Public Library.....	B72-1

LEGAL BUDGET C1

CITY OF DETROIT BIENNIAL BUDGET PROCESS

The City continues to build systems and policies that assure long-term financial solvency, and this budget proposes that the City of Detroit convert to a biennial budget process starting with FY21. The budget proposes that the City Council adopt FY21 and endorse FY22 of the Four-Year Financial Plan as presented.

Concept and Proposed Process

The proposed process for the City is a “rolling” biennial budget, where the Council passes a biennial financial plan but continues to legally appropriate the funds one year at a time. This ensures the process remains consistent with the requirements of existing law.

The City’s proposed rolling biennial budget process is as follows:

BENCHMARKING

- 12 states and 9 large counties currently enact rolling biennial budgets.
- In 9 states and 2 major counties, budgets are appropriated for two years with off-year review for changes.
- Cincinnati, Oakland, Seattle, Orange County, Cuyahoga County use it. Oakland County has a triennial budget.

1. In preparation for the first year of the biennium, the Budget Director conducts multi-year analysis of accounts.
2. The Mayor then proposes a four-year plan; the first two years are proposed for adoption and the two out-years continue to serve as forecasts.
3. City Council formally adopts and appropriates the first year and endorses the second.
4. After the February Revenue Conference of the first year, Budget prepares a long-term expenditure forecast.
5. In the 3rd quarter of the first fiscal year, the Mayor submits the second year budget package, consisting of the previously endorsed second year plan with amendments to formalize operational changes and appropriate and program any additional revenues.
6. The focus of the budget development process would be on the amendments and the specific programs they address, while remaining accounts would be assumed approved.
7. Finally, City Council appropriates the second year with approved amendments.

This process would update the second year budget using new information about revenues, expenses, and city service needs. Budget processes would emphasize long-term planning: strategic priorities for services and outcomes under the new outcome budgeting system; staff planning; procurement plans; asset plans; and financial forecasts. New public engagement tools would assure ongoing visibility of the use of resources and measure opinion.

Expected Advantages for the City of Detroit

Long range planning - Biennial budgeting supports other City initiatives to improve long-range and strategic planning, which will leverage agency accountability. It will provide longer time horizons to department heads and policymakers allocating resources across programs and anticipating future needs. Budgeting can also be more strongly coordinated with capital plans and asset management.

Policy emphasis - moving from a line-item focus to a program-driven approach is consistent with our shift to outcome budgeting.

Department and contractor flexibility - While appropriations will be a single year, departments and their partners will have more certainty in funding over the longer two-year period, will not face fiscal year-end inefficiencies, and could better adjust spending.

INTRODUCTION OF OUTCOME BUDGETING SYSTEM

The FY21 budget introduces a new method of resource planning: outcome budgeting. The General Services Department budget recommendation for FY21 reflects an outcome-based analysis of fleet, facilities and parks operations, and the Fire Department and Department of Innovation and Technology budget narratives have been formatted to show their respective catalogs of services to foster outcome-based analyses of them.

Outcome budgets connect appropriations to the results that matter to the public. The system makes department service delivery models transparent so that resources can be managed toward strategic results. Strategic outcomes are linked to services, where costs are centered; units of service can then be costed out. The administration creates an annual “guidance document” shifting budget decisions from the traditional incremental changes to line items to broader results that can be anchored in national standards and best practices.

Outcome budgeting was developed by the City of Baltimore in 2010. Other jurisdictions have followed, with strategic outcomes and measures; operating budget tied to capital asset plans and other resource planning processes; “business line” services with results.

Strategies. Five broad strategies guide the budget, and the City will engage a fuller dialogue around what results are most desired in order to clarify priorities.

- *Improved public safety:* existing infrastructure is shored up while investing in new programs, such as blight removal, and new approaches. We will identify support needed to sustain the perception of safety as well as to realize reductions in crime.
- *Vibrant and beautiful City:* a core tenet is to remake the city’s physical appearance by recreating parks and building modern streetscapes. Property value impacts will be sustained through total lifecycle management of assets such as parks and greenways.
- *Increased economic opportunity and reduced poverty:* aggressively marketing competitive advantages is in tandem with helping residents to benefit from investment. Detroiters’ employment and wages are key metrics.
- *Strengthened city service operations:* a core tenet of improving all city services to be efficient and effective will be addressed through better understanding of our service delivery models (i.e., what resources lead to what results).
- *Effective governance:* internal services constituting the overhead of city government, such as facilities, fleet, IT, and human resources will be managed to industry standards. This includes strengthening management and messaging to our stakeholders and partners.

Services. Services are the products, or results, expected of public funds. People concerned with public safety want dangerous conditions abated quickly; they want the City to figure out the administrative arrangement and processes necessary to do this efficiently. Homeowners and neighborhood businesses want a vibrant City and are acutely aware of the state of repair of parks, streets, and other public facilities accessible to them.

Metrics. To be effective, the outcome budgeting system requires measurements of conditions in the community and of city government service efforts. The system will have measures for the demand for services, and the efforts at policy, budget, and departmental levels. The chart below illustrates a cascade of metrics included in the pilot GSD, DoIT, and DFD narratives.

4-Year Strategy	Services	Key Target Outcomes (budget metrics)	Management Metrics (sample)
Effective governance	<ul style="list-style-type: none"> • Industry standard occupancy cost for 100+ municipal facilities • Target vehicle count available daily for city services • IT systems and enterprise infrastructure supporting City operations at national standards • Security of enterprise technology assets 	<ul style="list-style-type: none"> • Occupancy \$ per sq ft of municipal space • Daily vehicle needs met within industry average \$ per vehicle • Uptime within % of operating budgets • # breaches per year 	<ul style="list-style-type: none"> • Energy costs per sq ft • Facilities Condition Index • % compliance with preventive maintenance schedules • Service request turnaround time

Guidance Document Analysis. The outcome budgeting system drives results by addressing challenges and guiding cost savings or service improvements. Budget development under outcome budgeting moves from line item focus to broad service impacts. This is accomplished using “guidance documents” (City of Baltimore) or “challenge statements” (City of Austin) to catalyze solutions for issues in the way of desired outcomes. Guidance documents integrate data-driven analysis into robust discussions of improvements that reflect public priorities with limited resources.

System. Outcome budgeting is a system that brings together existing initiatives:

- Service delivery tracking and departmental project planning
- Long-term planning of resources:
 - Four-Year Financial Plan, which will be more fully realized against desired outcomes
 - Annual Agency Procurement Plans, to clarify expected expenditures for expected goods and services
 - Biennial Capital Plan, which relies on operational impacts and requirements
 - Ten-Year Vehicle Reinvestment Plan, which identifies types of vehicles approved for specific use and associates total lifecycle costs
- Public input on service delivery and priorities:
 - Annual Public Budget Meetings to communicate service priorities
 - Legislative Community Budget Priorities Survey and Meeting feedback on priorities
 - Other city planning initiatives gathering input using the same strategic framework
- Chart of accounts:
 - Agency appropriations will be linked to the overall strategic outcome it serves
 - Cost centers within the appropriation will clearly distinguish each service performed

The impacts of outcome budgeting are beneficial for the public, for policymakers, and for agency leaders. City expenditures will be transparent, and the results focus will facilitate priority setting that can chart a long-term, sustainable course for the City of Detroit.

OVERVIEW

The City of Detroit is located in southeastern Michigan in Wayne County with a land area of approximately 139 square miles. The City is the center of the nation's 14th largest metropolitan statistical area and is the 23rd largest city with an estimated population of 672,662 as of 2018, according to the U.S. Census Bureau. Detroit is the commercial capital of Michigan and a major economic and industrial center of the nation. Although Detroit is known internationally for automobile manufacturing and trade, the City also has major companies in the financial and technology sectors, educational and health care institutions, and entertainment venues with four major sports teams and three casinos located within the City limits. There are eight diverse industrial parks, and four Fortune 500 companies have world headquarters within the City.

Detroit is a home rule city with significant independent powers, pursuant to the provisions of the Constitution of the State of Michigan (the "State"). In accordance with the City Charter (the "Charter"), the governance of the City is organized in two branches: the Executive Branch, which is headed by the Mayor, and the Legislative Branch, which is composed of the City Council and its agencies. The Mayor and the members of the City Council are elected every four years unless a special election is required, as provided for in the Charter.

The Mayor is the chief executive of the City and has control of and is accountable for the Executive Branch of City government. The Charter grants the Mayor broad managerial powers, including the authority to appoint all department directors and deputy directors. The Charter also delegates the responsibility for the implementation of most programs, services, and activities solely to the Executive Branch. The City Council, composed of seven members elected by district and two members elected at large for four-year terms, is the City's legislative body.

In addition to the Executive and Legislative Branches, the City also includes the 36th District Court, which is responsible for adjudicating certain legal matters that arise within the City, including state felony arraignments and preliminary examinations, state misdemeanor and City ordinance violations, civil litigation for claims of \$25,000 or less, and landlord/tenant disputes. The City is responsible for all funding of the 36th District Court in excess of fines collected by the Court, except for judicial salaries, which are funded by the State.

Michigan Public Act 181 of 2014 established the Financial Review Commission (the “FRC”) to monitor the City’s compliance with the Plan of Adjustment, as confirmed by the Bankruptcy Court on November 12, 2014, and to provide State oversight of the City’s financial activities. The FRC’s oversight of the City lasts no less than 13 years. However, once the City meets certain criteria, the nature of the oversight is scaled back. On April 30, 2018, the FRC granted the City its first waiver of active oversight. The FRC continues to monitor the City and reviews the waiver annually and, by July 1 of each year, makes a determination as to whether to renew the waiver for the subsequent year.

In 2014, the Home Rule City Act (Michigan Public Act 219 of 1909) was amended and established the Chief Financial Officer (the “CFO”) position in the City. The CFO is vested with authority over all financial and budget activities of the City. As a result, all finance, budget, procurement, property assessment, and grants management functions were restructured under a new centralized financial management organization called the Office of the Chief Financial Officer (the “OCFO”). All departmental financial functions are under the authority of the OCFO, which increases control over all City financial activities.

The City’s budget process is informed by a comprehensive planning process that includes departmental, procurement, grant, staffing, technology, capital, and long-term financial planning. The City adopts a budget annually for the next fiscal year, in accordance with the Uniform Budgeting and Accounting Act (Michigan Public Act 2 of 1968). Pursuant to Section 4t of the Home Rule City Act, the budget process also includes independent biannual revenue estimating conferences that establish the revenue estimates for the budget and an annually balanced four-year financial plan that includes the City’s adopted budget plus an additional three forecasted years. The total of expenditures cannot exceed the total of estimated revenue, so that the budget as adopted is a balanced budget. Through its four-year financial plan, the City ensures ongoing expenditures are supported by ongoing revenue.

On or before March 7, the Mayor submits to the City Council a proposed budget and four-year financial plan for the fiscal year beginning July 1. After public hearings, the City Council adopts the budget and four-year financial plan, with or without amendment, no later than April 7. The mayor can veto amendments made by the City Council, and the City Council can then override the veto with a two-thirds majority vote.

The City’s budget and four-year financial plan cannot exceed revenue certified by the independent Revenue Estimating Conference. The CFO must certify the budget is balanced and

complies with the Uniform Budgeting and Accounting Act. The City must transmit the adopted budget and four-year financial plan to the FRC by April 30. However, it is not subject to FRC approval while the City is under a waiver of active oversight.

The City's budget has been prepared in accordance with U.S. generally accepted accounting principles, except that transfers to/from other funds have been included in revenue and expenditures. Budgetary appropriations are made at the function level, the legal level of budgetary control. Expenditures for a specific function cannot exceed its appropriation.

In accordance with the requirements of the Home Rule City Act, this Four-Year Financial Plan includes Mayor Duggan's proposed budget for FY 2021 plus three forecasted years (FY 2022, FY 2023, and FY 2024).

FY 2021-2024 FOUR-YEAR FINANCIAL PLAN BUDGET DEVELOPMENT CALENDAR	
JULY/AUGUST ₂₀₁₉	<ul style="list-style-type: none"> • Departmental Financial Planning with Agency CFOs
SEPTEMBER ₂₀₁₉	<ul style="list-style-type: none"> • September Revenue Estimating Conference
OCTOBER ₂₀₁₉	<ul style="list-style-type: none"> • Budget Instructions Sent to Departments and Agency CFOs • Training on Planning & Budgeting Cloud Service Module • Public Budget Meeting
NOVEMBER ₂₀₁₉	<ul style="list-style-type: none"> • Departmental Budget Submissions Due
DECEMBER ₂₀₁₉	<ul style="list-style-type: none"> • Office of Budget Begins Review of Budget Submissions
JANUARY ₂₀₂₀	<ul style="list-style-type: none"> • Budget Director’s Hearings on Budget
FEBRUARY ₂₀₂₀	<ul style="list-style-type: none"> • February Revenue Estimating Conference • Office of Budget Finalizes Mayor’s Proposed Budget
MARCH ₂₀₂₀	<ul style="list-style-type: none"> • Mayor's Budget Address • City Council Begins Budget Hearings • Public Hearing on Budget
APRIL ₂₀₂₀	<ul style="list-style-type: none"> • City Council Votes on Budget • City Clerk Transmits Budget to Mayor • Mayor Approves or Vetoes Budget • City Council Votes on Veto Override (if applicable) • City Council Approves Tax and Bond Statement • City Transmits Four-Year Financial Plan to FRC
MAY ₂₀₂₀	<ul style="list-style-type: none"> • OCFO-Office of Budget Loads Budget

FINANCIAL PLAN REQUIREMENTS

Pursuant to Section 4t(1)(b) of the Home Rule City Act (Public Act 219 of 1909, as amended), the financial plan shall include, but not be limited to, all of the following information for each of the 4 fiscal years covered by the financial plan:

REQUIREMENT		RESPONSE
(1)(b)(i)	Projection of all revenues and expenditures of the city for each fiscal year, including debt service	The Financial Plan includes budget projections for each fiscal year, including debt service. Debt service is reflected in Sinking Interest and Redemption (18), Public Works (19), Non-Departmental (35), and Housing and Revitalization (36) Departments.
(1)(b)(ii)	Projection of cash flow for each fiscal year	The Financial Plan includes cash flows for each fiscal year.
(1)(b)(iii)	A schedule of projected capital commitments for each fiscal year	A schedule of projected capital commitments is included in the Financial Plan.
(1)(b)(iv)	Measures to assure that projected employment levels, collective bargaining agreements, and other employee costs are consistent with projected expenditures and available revenue	The budget for each fiscal year includes funding for each budgeted position and other employee costs consistent with the collective bargaining agreements and are based on current cost levels. These costs were allocated based on available revenues.
(1)(b)(v)	Measures to assure compliance with mandates under state and federal law consistent with projected expenditures and available revenue	The City continually reviews state and federal requirements to ensure compliance. The Financial Plan includes these requirements in the projections of revenues and expenditures.
(1)(b)(vi)	Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both	Budget Reserve Schedule is included in the Financial Plan.
(1)(b)(vii)	A statement of significant assumptions and methods of estimation used for projections included in the financial plan	The Financial Plan includes statement of assumptions for revenues and expenditures.

REQUIREMENT		RESPONSE
(1)(b)(viii)	Any other information the mayor, governing body, or chief financial officer of the city considers appropriate	The Financial Plan includes summaries on the February Revenue Estimating Conference results, current debt service, and the Retiree Protection Fund.
(1)(c)(i)	Projected revenues and expenditures for each fiscal year covered by the financial plan shall result in a balanced budget according to generally accepted accounting principles, including compliance with uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a	The Financial Plan reflects a balanced budget using generally accepted accounting principles and is in compliance with Uniform Budgeting and Accounting Act.
(1)(c)(ii)	Include contributions necessary to assure that pension systems for employees and retirees of the city are adequately funded	Funding for the pension system is reflected in Financial Plan for each year in accordance with the Plan of Adjustment. The Financial Plan includes additional funding for the pension system to be deposited in the Retiree Protection Fund and held in trust for future pension system contributions. The Financial Plan reflects the resumption of legacy pension contributions in FY 2024.
(1)(c)(iii)	Provide for the issuance of or incurring of debt by the city only in compliance with the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, and the Michigan financial review commission act, if applicable	As new debt is issued, the proceeds are appropriated in accordance with the authorizing resolution and in compliance with applicable law. The Financial Plan includes this information in the Capital section.
(1)(c)(iv)	Provide for the payment in full of debt service on all debt issued or incurred by or on behalf of the city	The Financial Plan includes funding for all current and anticipated debt service.
(1)(c)(v)	Provide for operations of the city to be conducted with projected cash resources based upon projected cash flow for each fiscal year	Cash flow is monitored and reviewed daily. Monthly reports are submitted to the CFO, Mayor, and the City Council for review.

REQUIREMENT		RESPONSE
(l)(c)(vi)	Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for the fiscal year	The City is maintaining a budget reserve in excess of the 5% minimum requirement to provide for mandated and essential programs to cover potential reductions in projected revenues and increases in projected expenditures.
(l)(c)(vii)	For each fiscal year, provide for the elimination of any deficit incurred in the prior fiscal year according to generally accepted accounting principles	The Financial Plan does not include a deficit in any fiscal year.
(l)(c)(viii)	Rely upon revenue and expenditure projections based upon reasonable and appropriate assumptions and methods of estimation	<p>The revenues included in the Financial Plan are the estimates approved at the Revenue Estimating Conference held February 19, 2020. In approving the estimates, the conference principals determined the revenues were reasonable and conservative.</p> <p>Expenditure projections are based on review of historical trends, contractual obligations, and the comprehensive planning activities undertaken by the OCFO and City departments.</p>
(l)(c)(ix)	Rely upon cash flow projections based upon reasonable and appropriate assumptions as to sources and uses of cash, including timing	The City relies on cash flow projections prepared by the Office of the Treasury based on historical trends, payments schedules, and the changes proposed in this Financial Plan.

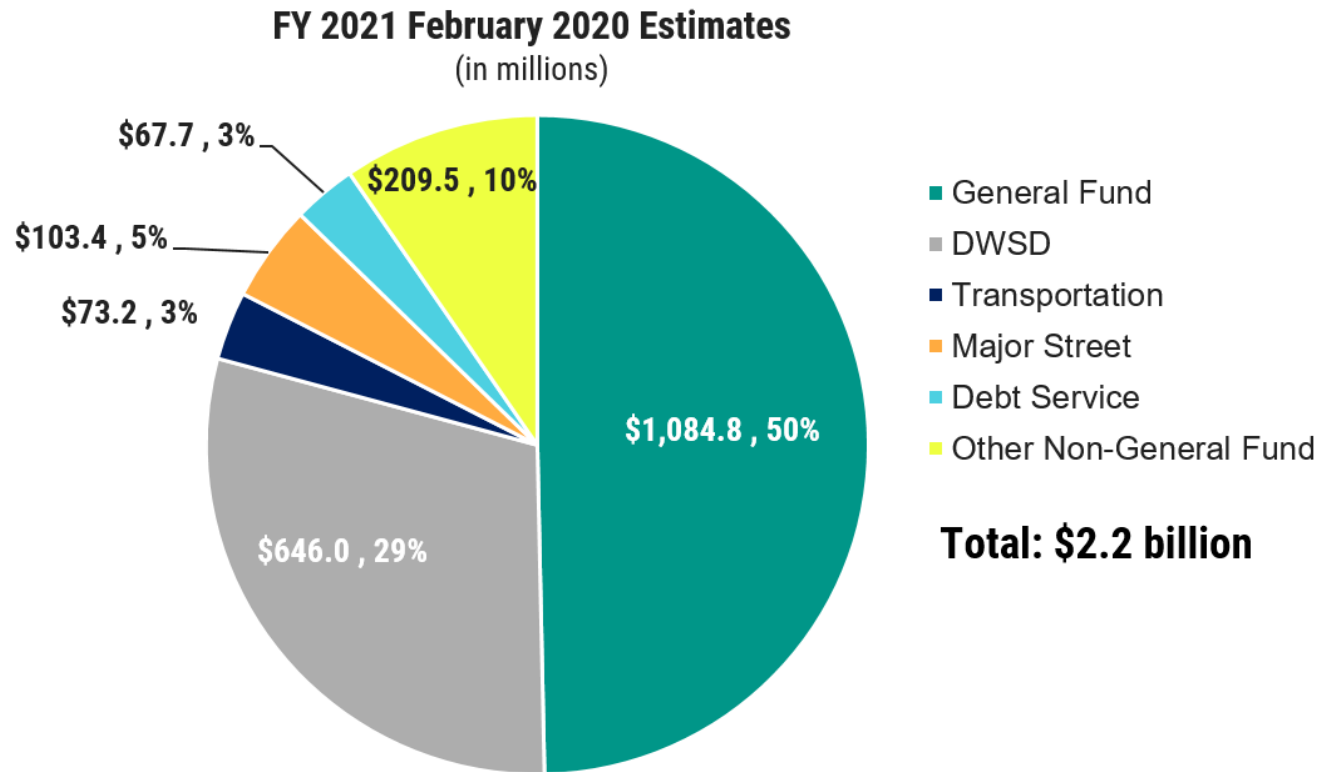
REVENUES

February 2020 Revenue Estimating Conference

- 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:
 - David P. Massaron: Chief Financial Officer, City of Detroit
 - Eric Bussis: Chief Economist and Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury
 - George 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 (FY 2020) and the next four years (FY 2021 - FY 2024).
- They set the revenues for the City's FY 2021 budget and FY 2021 - FY 2024 Four-Year Financial Plan.



FY 2021 Revenue Summary, All Funds



Revenue Summary, General Fund

General Fund Revenue Estimates - Summary, FY 2020 - FY 2024

\$ in millions

	Actual	Adopted	February 2020 Estimates and Year-Over-Year Change									
	FY 2019	FY 2020	FY20	Change	FY21	Change	FY22	Change	FY23	Change	FY24	Change
Major Taxes												
Income Tax	\$ 361.0	\$ 324.3	\$ 329.8	-8.6%	\$ 340.4	3.2%	\$ 347.6	2.1%	\$ 357.0	2.7%	\$ 366.1	2.5%
Recurring	329.1	324.3	333.3	1.3%	340.4	2.1%	347.6	2.1%	357.0	2.7%	366.1	2.5%
Non-recurring	31.9	-	(3.5)	-111.0%	-	-100.0%	-	-	-	-	-	-
State Revenue Sharing	202.6	204.5	208.4	2.9%	205.0	-1.6%	206.6	0.8%	208.3	0.8%	210.0	0.8%
Wagering Tax	183.8	184.3	186.0	1.2%	187.8	1.0%	189.7	1.0%	191.6	1.0%	193.5	1.0%
Property Tax	119.5	117.7	118.4	-0.9%	118.9	0.4%	118.8	-0.1%	118.1	-0.6%	118.2	0.1%
Utility Users Tax	28.4	31.3	28.3	-0.4%	28.5	0.7%	28.7	0.7%	28.9	0.7%	29.1	0.7%
Subtotal, Major Taxes	<u>\$ 895.3</u>	<u>\$ 862.1</u>	<u>\$ 870.9</u>	-2.7%	<u>\$ 880.6</u>	1.1%	<u>\$ 891.4</u>	1.2%	<u>\$ 903.9</u>	1.4%	<u>\$ 916.9</u>	1.4%
Major Taxes (Recurring Only)	<u>\$ 863.4</u>	<u>\$ 862.1</u>	<u>\$ 874.4</u>	1.3%	<u>\$ 880.6</u>	0.7%	<u>\$ 891.4</u>	1.2%	<u>\$ 903.9</u>	1.4%	<u>\$ 916.9</u>	1.4%
Other Revenues	\$ 403.3	\$ 197.4	\$ 206.0	-48.9%	\$ 204.2	-0.9%	\$ 204.5	0.1%	\$ 205.5	0.5%	\$ 206.6	0.5%
Recurring	179.4	195.8	198.3	10.5%	204.2	3.0%	204.5	0.1%	205.5	0.5%	206.6	0.5%
Non-recurring	223.9	1.6	7.7	-96.6%	-	-100.0%	-	-	-	-	-	-
Grand Total, General Fund	<u>\$ 1,298.6</u>	<u>\$ 1,059.5</u>	<u>\$ 1,076.9</u>	-17.1%	<u>\$ 1,084.8</u>	0.7%	<u>\$ 1,095.9</u>	1.0%	<u>\$ 1,109.4</u>	1.2%	<u>\$ 1,123.5</u>	1.3%
General Fund, Recurring Only	<u>\$ 1,042.8</u>	<u>\$ 1,057.9</u>	<u>\$ 1,072.7</u>	2.9%	<u>\$ 1,084.8</u>	1.1%	<u>\$ 1,095.9</u>	1.0%	<u>\$ 1,109.4</u>	1.2%	<u>\$ 1,123.5</u>	1.3%

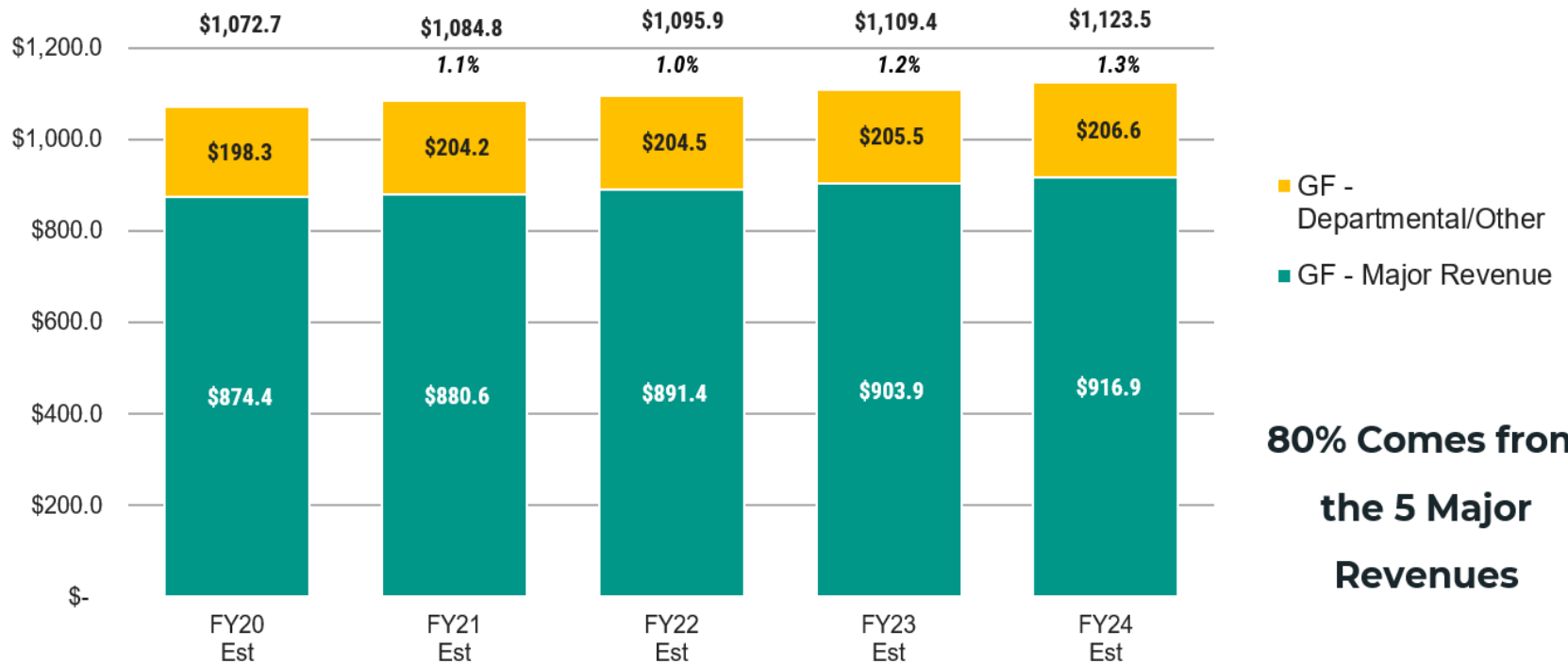
* All years have been adjusted to exclude \$27M of interfund reimbursements and pass-through contributions that will no longer be categorized as revenue but were previously.



General Fund Revenues

Total Recurring General Fund Revenue: FY 2020 - FY 2024

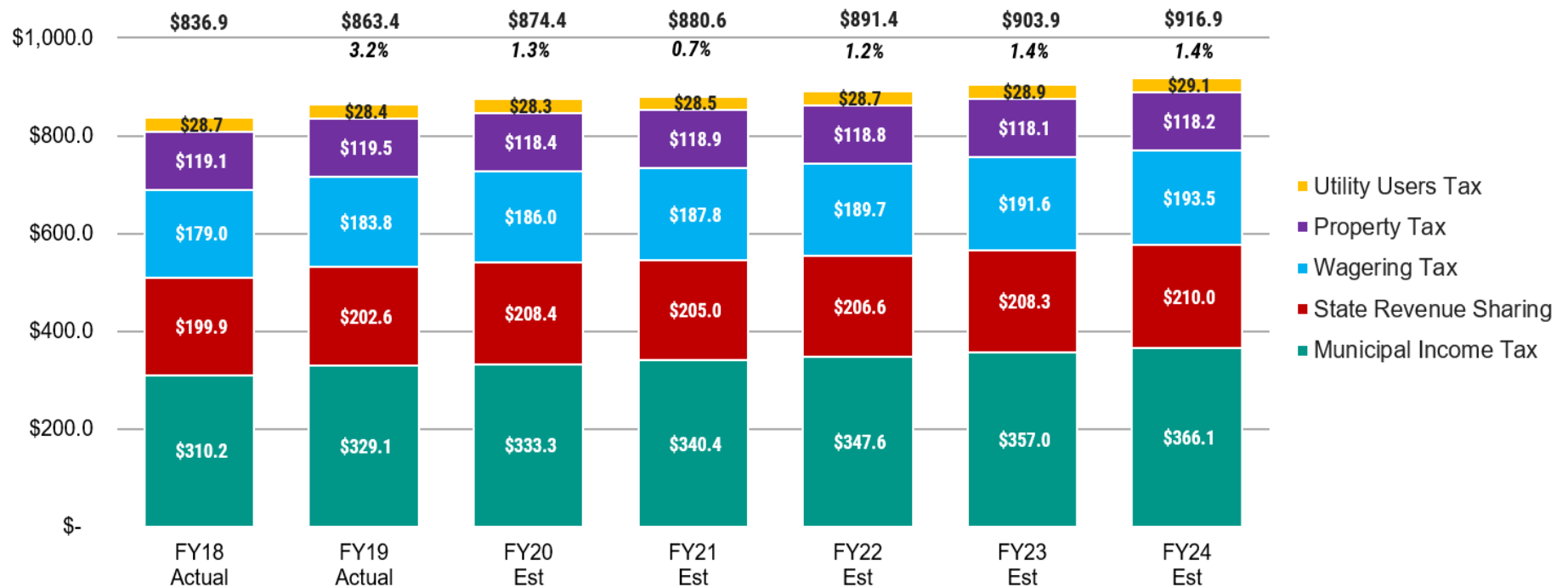
(in millions)



Major Revenues

Recurring Major Tax Revenue History and Projection: FY 2018 - FY 2024

(in millions)



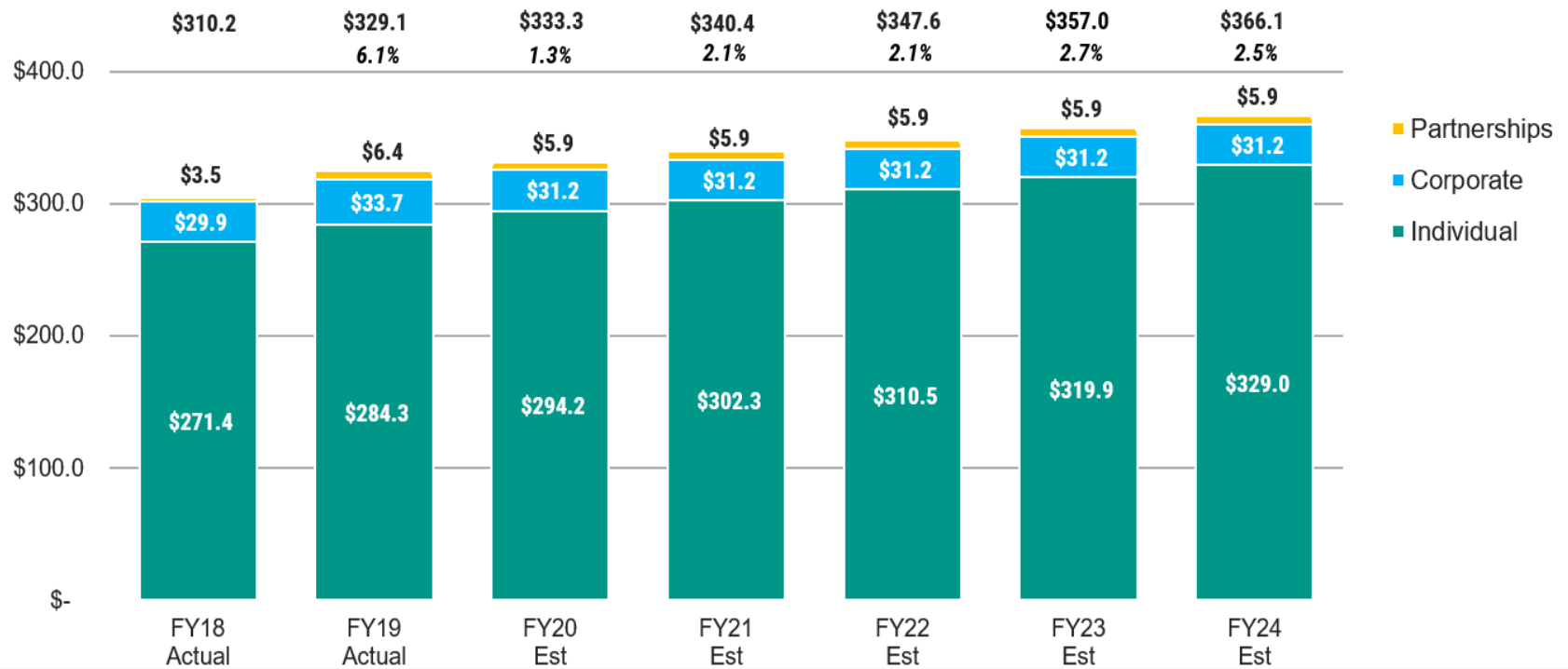
February 2020 Revenue Estimating Conference



OCFO - Office of Budget

Income Tax

Recurring Municipal Income Tax
(in millions)



February 2020 Revenue Estimating Conference



OCFO - Office of Budget

Income Tax Highlights

Tax Structure

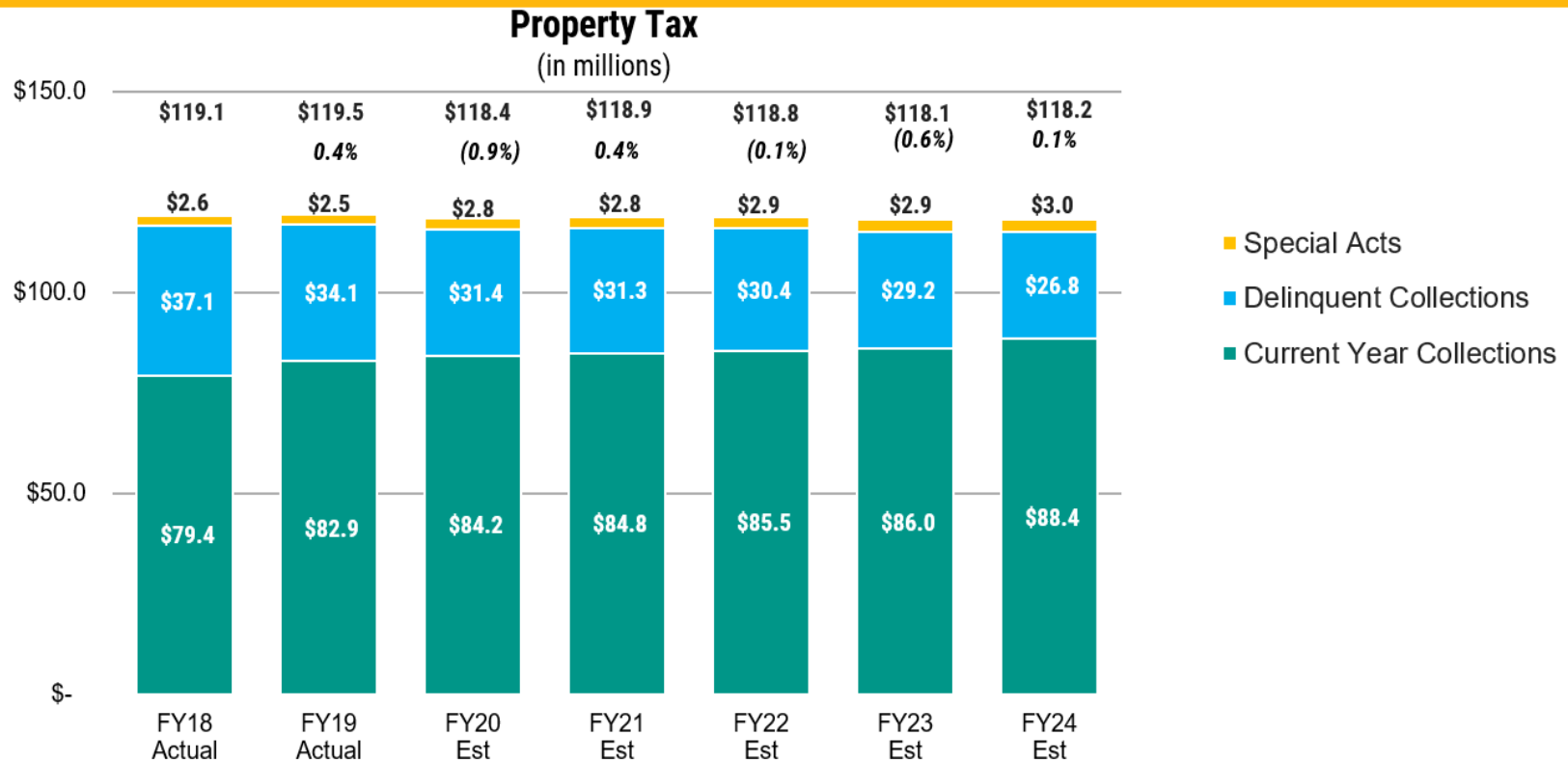
- 2.4% Resident individuals working in and outside the city
- 1.2% Non-resident individuals working in the city
- 2.0% Corporate and Partnerships

Forecast Assumptions

- Growth is driven by movements in employment and wages.
- Incorporates US GDP growth slowdown (1.7% in FY 2021 and FY 2022).
- Expected decrease in corporate tax collections in FY2020, no growth expectations in the out years.
- Does not include potential upside from new development projects.
- Does not include potential upside from improved compliance efforts.
- Activity identified as non-recurring in corporate, partnership, and assessment tax collections are removed from the forecasted base.



Property Tax



Income Tax Highlights

Tax Structure

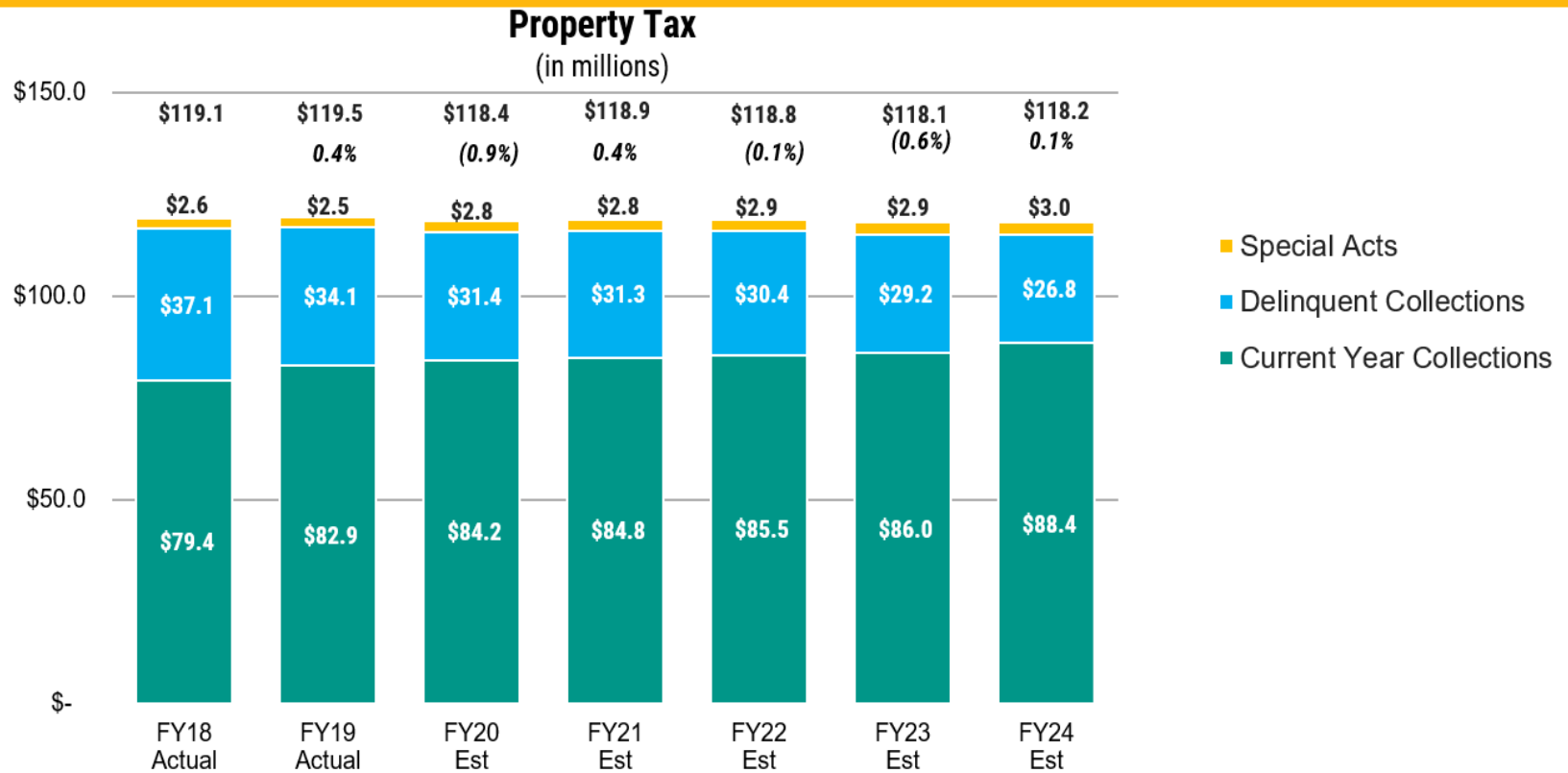
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Property Tax



Property Tax Highlights

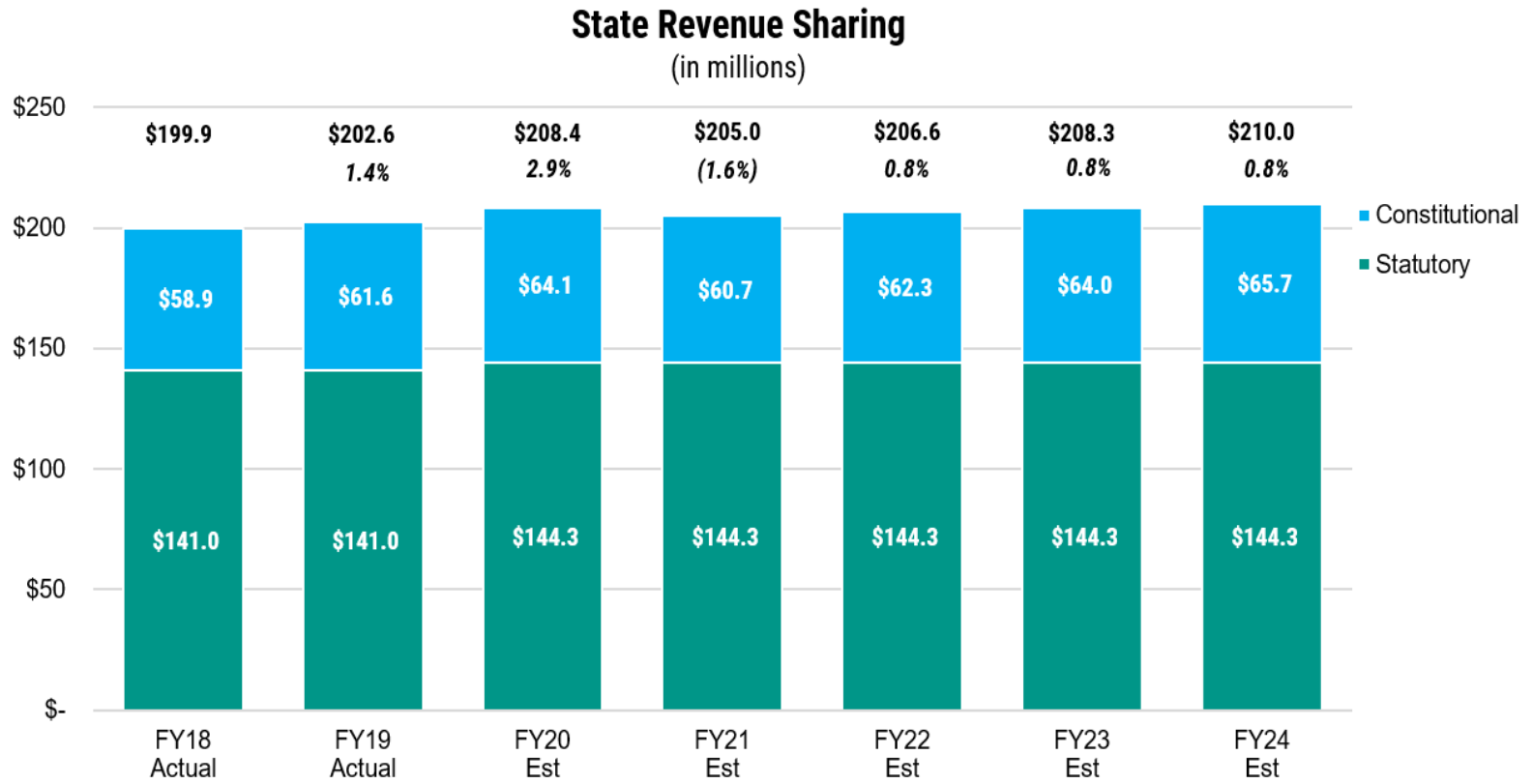
Tax Structure

- Ad valorem taxes on real and personal property at 19.952 mills
- Comprised of current year and prior-year delinquent taxes less tax increment capture distributions.

Forecast Assumptions

- Taxable value growth is based on tax year 2019 values, U.S. CPI inflation (Proposal A tax limitation), and industrial personal property phase-out per State law.
- Does not include potential upside from tentative increase in tax year 2020 values.
- FY 2019 collection rate (83.6%) is held constant throughout the forecast.
- Forecast does not include additions to the tax base or uncapping of taxable value.
- Delinquent tax revenue comes from Wayne County Delinquent Tax Revolving Fund and monthly payment plans, less exclusions and chargebacks

State Revenue Sharing



February 2020 Revenue Estimating Conference



OCFO - Office of Budget

State Revenue Sharing Highlights

Tax Structure

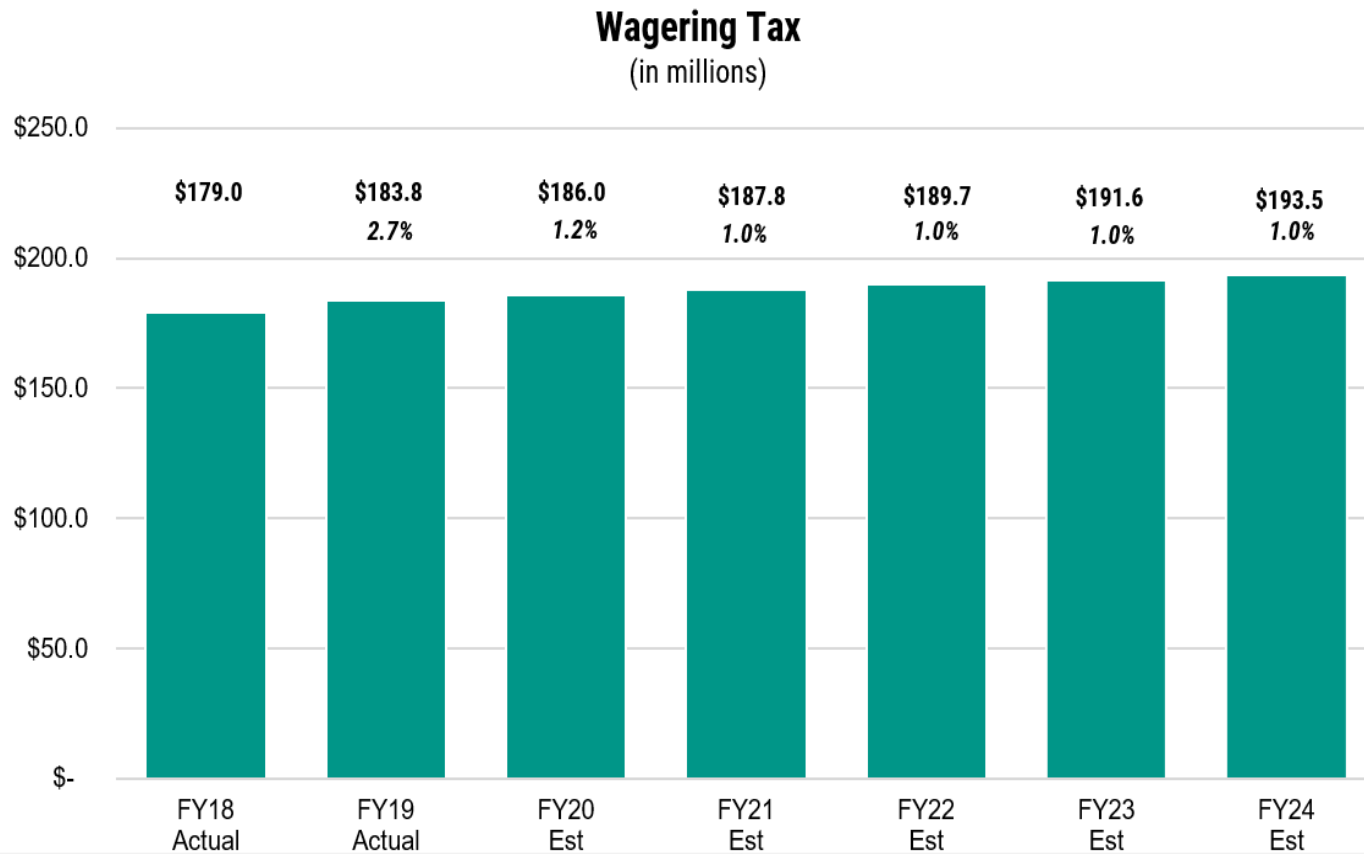
- Constitutional share (30%): State sales tax collections (15% of 4% portion)
- Statutory share (70%): Set annually via State budget.

Forecast Assumptions

- Statutory share increases in FY 2020 per enacted FY 2020 State budget. No further changes assumed.
- FY 2021 constitutional share declines assuming 2020 Census population decreases vs. 2010 Census.
- Forecast is based on State's January 2020 Consensus Revenue Estimating Conference
- Does not include potential upside from statutory share increase in the Governor's proposed FY 2021 budget.



Wagering Tax



February 2020 Revenue Estimating Conference



OCFO - Office of Budget

Wagering Tax Highlights

Tax Structure

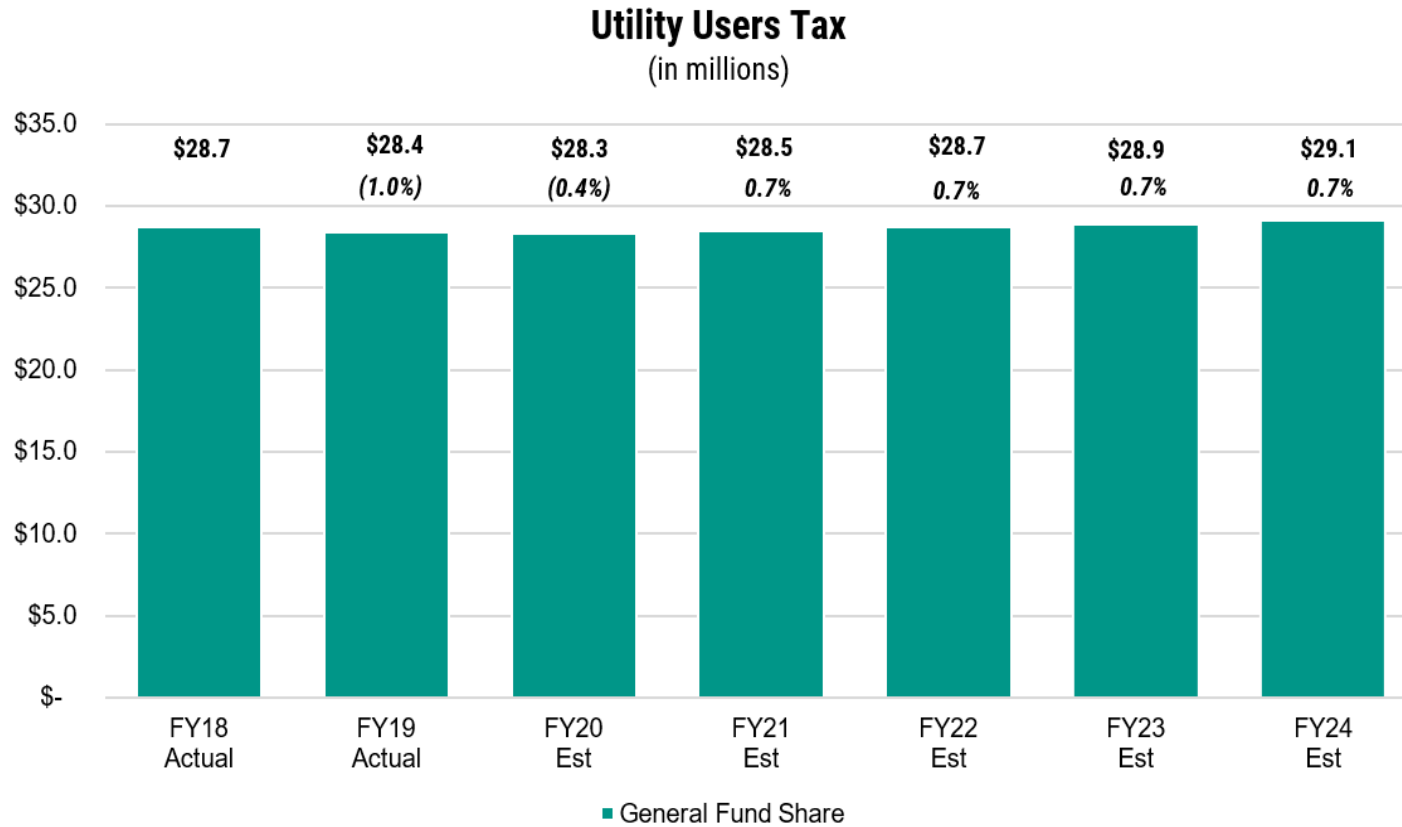
- Tax on adjusted growth receipts applied to the three casinos operating in Detroit.
- 11.9% tax rate (10.9% State law, 1% per casinos development agreements).
- Supplemental 1% tax if a casino's gross receipts exceed \$400 million.
- Municipal service fee 1.25% of gross receipts or \$4 million, whichever is greater (included separately in "Other Revenues")

Forecast Assumptions

- Expected annual growth rate from FY 2019 to FY 2020 is 1.2% based on year to date activity
- 1% annual growth rate from FY 2021 - FY 2024
- Does not include potential upside from recently enacted legislation authorizing internet gaming and sports betting.



Utility Users Tax



Utility Users Tax Highlights

Tax Structure

- 5% tax on consumption of electricity, gas, steam, and telephone services.

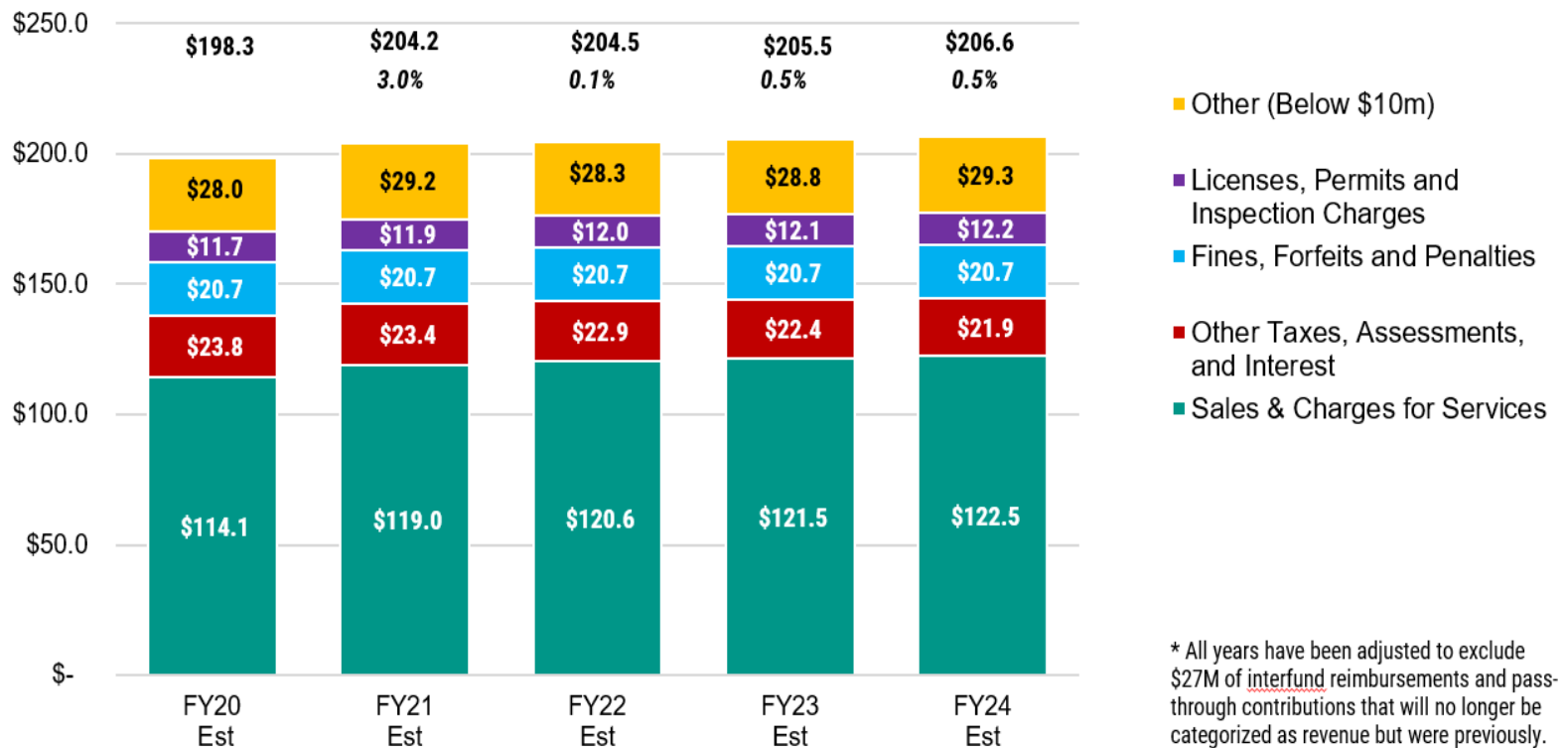
Forecast Assumptions

- Revenue in FY 2020 is expected to shrink due to lower natural gas consumption and lower natural gas prices.
- Growth rate in FY 2021 - FY 2024 held constant at 0.5% household growth rate to mitigate impact of future volatility.

Departmental & Other Revenues

Recurring Departmental/Other General Fund Revenues

(in millions)



* All years have been adjusted to exclude \$27M of interfund reimbursements and pass-through contributions that will no longer be categorized as revenue but were previously.



Departmental & Other Revenue Highlights

Significant Departmental Revenues

- **License, Permits and Inspection Charges:** BSEED (Business Licenses), Public Works (Street Use Permits and Construction Inspection Charges), Fire Department (Safety Inspection Charges)
- **Fines, Forfeits and Penalties:** Parking fines and 36th District Court
- **Sales & Charges for Services:** Fire (EMS Service Fee), Parking fees, Health (Inspection Charges), BSEED and Administrative Hearing (Blight Tickets), Court fees, casino municipal service fees

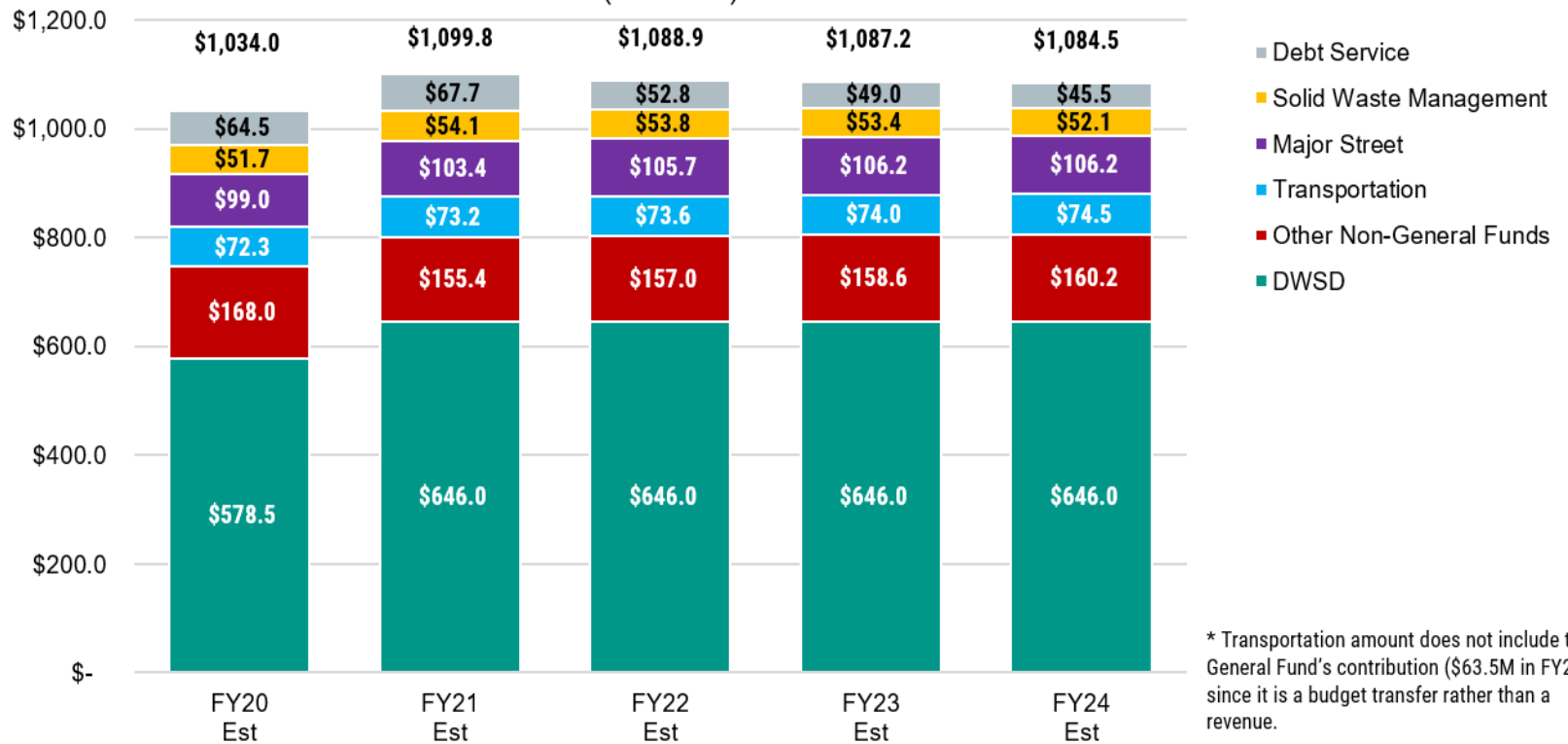
Does not include potential upside from initiatives recently underway or in development, such as EMS billing improvements, new parking initiatives, and other revenue optimization efforts.



Non-General Fund Revenues

Non-General Fund Revenue Estimates: FY 2020 - FY 2024

(in millions)



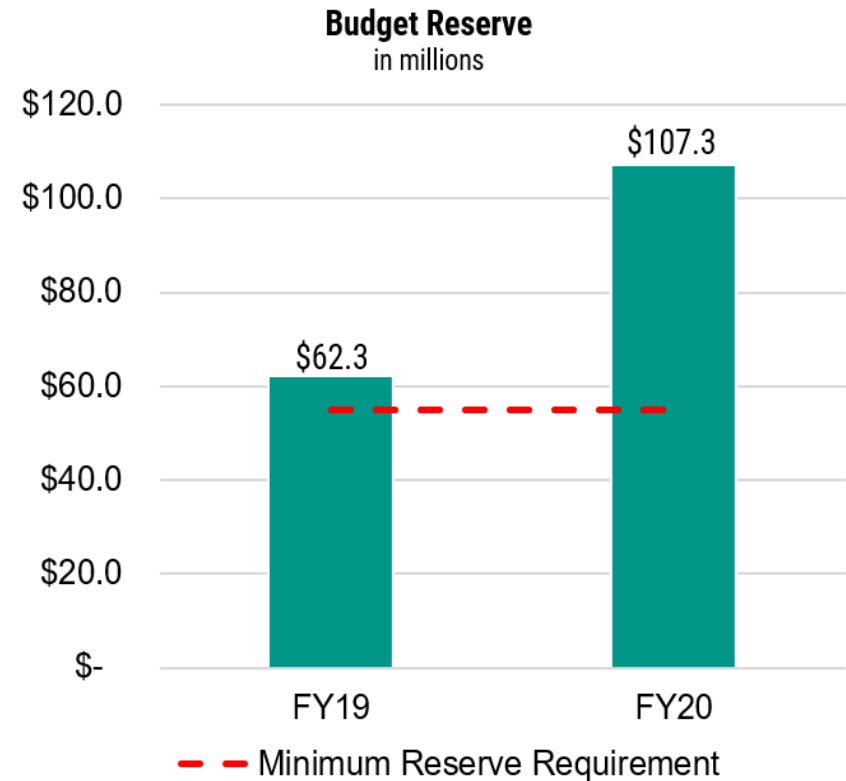
February 2020 Revenue Estimating Conference



OCFO - Office of Budget

Budget Reserve (Rainy Day Fund)

- State law requires the City of Detroit to maintain a General Fund reserve of no less than 5% of the projected expenditures for the fiscal year.
- The FY 2020 Adopted Budget provides for an ending reserve balance of \$107.3M, or nearly 10% of projected expenditures.
- Additional budget reserves allow the City to better manage economic and revenue risks.
- Goal is to reach 15% of projected expenditures within the next 2 years.



Risks & Potential Upside

Risks

- National economic trends and international economic issues
- Federal and state budget pressures and adverse policy actions
- Potential for current gaming activity trends to change

Potential Upside

- Development projects and economic growth throughout the city
- Internet gaming and sports betting
- State-shared taxes on recreational marijuana sales
- Tentative increase in tax year 2020 taxable property values (pending March Board of Review)
- Revenue collection improvements





CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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**CFO MEMORANDUM
NO. 2020-103-002**

TO: Honorable Michael E. Duggan, Mayor; Honorable Detroit City Council

FROM: Tanya Stoudemire, J.D., Deputy CFO / Budget Director

SUBJECT: Fiscal Year 2020-2021 Tax Statement

DATE: March 6, 2020

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city’s activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. CFO Directive No. 2018-101-016 Budget Development, Execution & Monitoring states that the Deputy CFO / Budget Director shall be responsible for the City’s budget processes.
- 1.3. The 2012 Charter of the City of Detroit, Article 8, Chapter 2, provides requirements for annual budget adoption. Specifically, Section 8-209 states adoption of the budget shall constitute a levy of the property tax specified therein.
- 1.4. The 2012 Charter of the City of Detroit, Article 8, Chapter 4, provides requirements for property taxation. Specifically, Section 8-401 authorizes the City to levy property taxes up to the rate of 2% (20 mills) of taxable value of all real and personal property in the city for General City purposes, consistent with State of Michigan Public Act 279 of 1909, Section 117.3(g). Pursuant to State of Michigan Public Acts 34 of 2001 and 164 of 1877, the City’s levies for Debt Service purposes are not subject to the 2% limitation.
- 1.5. The 2019 Detroit City Code, Chapter 17, Article II, provides procedures for annual budget adoption. Specifically, Section 17-2-10 states after the budget is approved, the budget director shall make an itemized statement of amounts to be raised by taxation (the “Tax Statement”). The City Council shall cause to be levied and collected by general tax the amount of the Tax Statement so approved.

2. OBJECTIVE

- 2.1. To set forth the total number of mills of ad valorem property taxes to be levied and the purposes for which that millage is to be levied, as authorized by the adopted budget for Fiscal Year 2020-2021.

3. PURPOSE

- 3.1. To submit the annual Tax Statement to the Mayor and the City Council for consideration and approval.

4. SCOPE

4.1. This Memorandum and the attached report are intended solely to fulfill the requirements for the annual Tax Statement.

5. STATEMENT

5.1. The Office of Budget is submitting the attached Tax Statement of the amounts to be raised by taxation in Fiscal Year 2020-2021 and requesting its approval.

5.2. The Tax Statement represents amounts included in the proposed budget for Fiscal Year 2020-2021.

5.3. The Tax Statement was developed in coordination with the Offices of the Assessor and the Treasury.

5.4. The Tax Statement is based on the forecast of anticipated revenues approved by the Revenue Estimating Conference principals on February 19, 2020, in accordance with State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014.

**City of Detroit
Fiscal Year 2020-2021
Tax Statement**

Taxable Value:

Ad Valorem Roll less Renaissance Zones

Real Property	\$ 4,498,204,342
Personal Property	1,454,546,258
Total	\$ 5,952,750,600

Renaissance Zones (RZ)⁽¹⁾

RZ - Real Property	\$ 220,864,568
RZ - Real Property (75%)	3,738,202
RZ - Real Property (50%)	1,234,870
RZ - Real Property (25%)	-
RZ - Personal Property	48,941,804
RZ - Personal Property (75%)	685,991
RZ - Personal Property (50%)	1,530,531
RZ - Personal Property (25%)	-
RZ - Tool & Die - Real Property	-
RZ - Tool & Die - Personal Property	-
Total	\$ 276,995,965

Total Ad Valorem Roll

Real Property	\$ 4,724,041,982
Personal Property	1,505,704,583
Total	\$ 6,229,746,565

Tax Rates:

General City	19.9520
Debt Service	9.0000
Total	28.9520

Tax Levies:

General City	\$ 118,863,071
Debt Service	56,067,719
Total Amount to be Raised by Taxation	\$ 174,930,790

Notes:

(1) Renaissance Zones are exempt from General City and Library millages, except for designated percentage phase-out for applicable property.

BUDGET RESERVE SCHEDULE

City of Detroit Budget Reserve Schedule				
	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
Beginning Balance	\$ 107,280,192	\$ 137,280,192	\$ 137,280,192	\$ 137,280,192
Transfer In / (Out)	\$ 30,000,000	\$ -	\$ -	\$ -
Ending Balance	\$ 137,280,192	\$ 137,280,192	\$ 137,280,192	\$ 137,280,192
% of recurring expenditures	12.7%	12.5%	12.4%	11.3%
Minimum Balance (5% of recurring expenditures)	\$ 54,241,341	\$ 54,796,193	\$ 55,468,060	\$ 60,524,945
PA 182 Sec 4t (1) (c) (vi) - Four-Year Financial Plan Requirement:				
Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of projected expenditures for the fiscal year				

GENERAL FUND FIVE-YEAR CASH FLOW

City of Detroit							
General Fund 5 Year Cash Flow Forecast - FY 2020 to FY 2024							
<i>\$ in millions</i>							
		<u>Actual</u>	<u>Forecast</u>				
		<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Cash Receipts							
Property Tax	(1)	\$ 133.0	\$ 116.5	\$ 118.9	\$ 118.8	\$ 118.1	\$ 118.2
Income Tax		352.7 (2)	324.7	340.4	347.6	357.0	366.1
Utility Users Tax	(3)	27.0	25.4	28.5	28.7	28.9	29.1
Wagering Tax		183.7	190.3	187.8	189.7	191.6	193.5
State Revenue Sharing		202.2	205.8	205.0	206.6	208.3	210.0
Other Revenues		205.8	261.3	261.5	261.8	261.8	261.8
Exit Financing proceeds	(4)	23.1	12.1	-	-	-	-
Total Cash Receipts		\$ 1,127.5	\$ 1,136.1	\$ 1,142.1	\$ 1,153.2	\$ 1,165.7	\$ 1,178.7
Cash Disbursements							
Payroll, Taxes & Deductions		\$ (466.4)	\$ (495.2)	\$ (482.7)	\$ (486.1)	\$ (495.6)	\$ (505.2)
Benefits		(151.1)	(162.2)	(223.7) (5)	(208.7) (5)	(214.8) (5)	(321.8) (6)
A/P Vendors & Other		(422.5)	(471.5) (7)	(410.8) (7)	(328.1)	(324.8)	(322.2)
Debt Service		(84.4)	(85.0)	(85.0)	(85.0)	(85.9)	(73.3)
Total Cash Disbursements		\$ (1,124.4)	\$ (1,213.9)	\$ (1,202.2)	\$ (1,107.9)	\$ (1,121.0)	\$ (1,222.5)
Net Cash Flow		\$ 3.1	\$ (77.8) (8)	\$ (60.1) (8)	\$ 45.3	\$ 44.7	\$ (43.8)
Beginning Cash Balance		\$ 311.9	\$ 315.0	\$ 237.2	\$ 177.0	\$ 222.3	\$ 267.0
Net Cash Flow		3.1	(77.8)	(60.1)	45.3	44.7	(43.8)
Ending Cash Balance		315.0	237.2	177.0	222.3	267.0	223.2
Budget Reserve		62.3	107.3	137.3	137.3	137.3	137.3
Total Cash Balance		\$ 377.3	\$ 344.5	\$ 314.3	\$ 359.6	\$ 404.3	\$ 360.5
Memo:							
Exit Financing proceeds in Escrow		\$ 39.6	\$ 27.5	\$ 27.5	\$ 27.5	\$ 27.5	\$ 27.5
<p>Note: Cash flows and balances above contain activity of other funds: Risk Management, General Grants, Gordie Howe Bridge, Capital, Blight, Solid Waste, and Disability Income Protection Plan.</p> <p>(1) The amount reflects City of Detroit revenue net of distributions to other entities.</p> <p>(2) In April 2019, the City received a one-time, non-recurring corporate tax receipt of approximately \$23 million.</p> <p>(3) The amount is net of PLA debt portion of Utility Users Tax.</p> <p>(4) Represents use of unspent Quality of Life bond proceeds.</p> <p>(5) Benefits includes additional contribution to Retiree Protection Fund of \$70m in FY21, \$55m in FY22, and \$60m in FY23.</p> <p>(6) Benefits increases in FY24 when City resumes making actuarial contributions to its legacy pension plans, a portion of which will be funded from the Retiree Protection Fund.</p> <p>(7) Cash Disbursements include Budget Reserve deposits of \$45m in FY20 and \$30m in FY21.</p> <p>(8) Negative Net Cash Flow in FY20 and FY21 is attributed to budgeted spending of prior year's surplus on blight, capital, and other one-time needs.</p>							

FY2021 - FY2024 EXPENDITURES & REVENUES BY AGENCY TABLE

City of Detroit
 FY2021 - FY2024 Financial Plan
 Expenditures & Revenues by Agency (in millions)

Category	Department	FY2021 Recommended			FY2022 Forecast			FY2023 Forecast			FY2024 Forecast		
		Exp	Rev	NTC	Exp	Rev	NTC	Exp	Rev	NTC	Exp	Rev	NTC
Executive Agencies	16 Demolition	45.0	-	45.0	-	-	-	-	-	-	-	-	-
	19 Public Works	146.0	163.6	(17.6)	152.1	169.7	(17.7)	153.2	170.9	(17.8)	153.7	171.5	(17.8)
	23 Chief Financial Officer	58.1	4.9	53.1	57.8	5.1	52.8	58.3	5.2	53.1	59.0	5.3	53.7
	24 Fire	124.3	20.1	104.2	125.8	20.4	105.4	127.2	20.7	106.5	129.0	21.0	108.0
	25 Health	41.7	30.7	11.1	42.7	31.6	11.2	43.7	32.4	11.3	44.8	33.4	11.4
	28 Human Resources	14.0	1.3	12.6	14.0	1.4	12.6	14.2	1.4	12.8	14.3	1.4	12.9
	29 Civil Rights, Inclusion, & Opportunity	3.6	2.4	1.2	2.9	2.4	0.5	2.9	2.4	0.5	2.9	2.4	0.5
	31 Innovation & Technology	25.1	-	25.1	25.4	-	25.4	25.3	-	25.3	25.6	-	25.6
	32 Law	18.1	2.0	16.0	18.3	2.1	16.2	18.5	2.1	16.4	18.7	2.2	16.6
	33 Mayor's Office	11.5	1.1	10.4	11.7	1.1	10.6	11.8	1.1	10.7	12.0	1.1	10.9
	34 Municipal Parking	11.1	21.6	(10.4)	10.7	21.6	(10.9)	10.8	21.6	(10.8)	10.8	21.6	(10.7)
	36 Housing & Revitalization	67.9	51.6	16.4	63.0	46.2	16.8	63.1	46.2	16.9	63.2	46.2	17.0
	37 Police	338.2	73.5	264.7	343.2	74.4	268.9	346.9	75.4	271.6	351.2	76.3	274.9
	38 Public Lighting	17.6	1.9	15.7	17.6	1.7	15.9	17.6	1.5	16.1	17.6	1.3	16.3
43 Planning & Development	6.0	2.0	3.9	5.5	2.0	3.5	5.5	2.0	3.5	5.6	2.0	3.6	
45 Appeals & Hearings	1.2	2.6	(1.3)	1.0	2.6	(1.5)	1.1	2.6	(1.5)	1.1	2.6	(1.5)	
47 General Services	124.4	20.9	103.5	114.4	18.9	95.5	115.1	18.9	96.2	115.9	18.9	97.0	
Legislative Agencies	50 Auditor General	4.1	-	4.1	4.1	-	4.1	4.2	-	4.2	4.2	-	4.2
	51 Zoning Appeals	0.6	0.1	0.5	0.6	0.1	0.5	0.6	0.1	0.5	0.6	0.1	0.6
	52 City Council	11.3	0.1	11.3	11.5	0.1	11.4	11.6	0.1	11.5	11.7	0.1	11.7
	53 Ombudsman	1.1	-	1.1	1.1	-	1.1	1.1	-	1.1	1.2	-	1.2
	54 Inspector General	1.3	-	1.3	1.2	-	1.2	1.2	-	1.2	1.2	-	1.2
	70 City Clerk	2.6	0.0	2.6	2.4	0.0	2.4	2.4	0.0	2.4	2.5	0.0	2.5
71 Elections	10.8	1.3	9.5	9.8	0.0	9.8	9.9	0.0	9.9	10.0	0.0	10.0	
Judicial Agency	60 36th District Court	32.0	18.2	13.8	32.4	18.2	14.2	32.8	18.2	14.6	33.3	18.2	15.1
Non-Departmental	35 Non-Departmental	339.2	1,038.5	(699.3)	293.2	944.7	(651.5)	299.0	956.8	(657.8)	390.5	1,056.6	(666.1)
Debt Service – UTGO	18 Debt Service	67.7	67.7	-	52.8	52.8	-	49.0	49.0	-	45.5	45.5	-
Enterprise Agencies	10 Airport	2.4	2.4	-	2.4	2.4	-	2.4	2.4	-	2.4	2.4	-
	13 BSE&ED	32.4	30.9	1.5	28.7	27.4	1.3	28.7	27.4	1.3	28.8	27.4	1.4
	20 Transportation	137.7	137.7	-	138.2	138.2	-	138.6	138.6	-	139.0	139.0	-
	48 Water – Retail	206.7	206.7	-	206.7	206.7	-	206.7	206.7	-	206.7	206.7	-
	49 Sewerage – Retail	439.4	439.4	-	439.4	439.4	-	439.4	439.4	-	439.4	439.4	-
72 Public Library	35.5	35.5	-	35.5	35.5	-	35.5	35.5	-	34.6	34.6	-	
Total General City Agencies (Exec/Leg/Jud/Non-Dept)		1,456.8	1,458.3	(1.5)	1,362.8	1,364.0	(1.3)	1,378.2	1,379.5	(1.3)	1,480.8	1,482.2	(1.4)
Total Debt Service		67.7	67.7	-	52.8	52.8	-	49.0	49.0	-	45.5	45.5	-
Total Enterprise Agencies		854.1	852.6	1.5	850.8	849.5	1.3	851.2	849.9	1.3	850.8	849.5	1.4
Grand Total		2,378.5	2,378.5	0.0	2,266.4	2,266.4	0.0	2,278.5	2,278.5	(0.0)	2,377.2	2,377.2	0.0

EXPENDITURES & REVENUES BY MAJOR CLASSIFICATIONS

City of Detroit
Budget Development
All Funds

Expenditures	FY2019 Actual	FY2020 Adopted	FY2021 Recommended	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Salaries & Wages	583,027,510	623,738,433	636,298,787	646,701,886	657,139,987	667,806,996
Employee Benefits	168,556,785	264,814,833	284,407,496	290,638,866	296,756,753	402,996,140
Professional & Contractual Services	268,319,620	246,307,068	329,165,329	321,197,208	320,814,510	320,648,559
Operating Supplies	119,592,123	107,370,613	96,687,687	96,372,397	96,372,397	96,372,397
Operating Services	150,154,372	165,258,440	161,191,205	162,600,856	163,241,009	163,277,966
Equipment Acquisition	97,703,511	15,872,668	44,454,179	49,244,170	49,249,861	49,247,663
Capital Outlays	71,245,378	25,670,735	26,658,167	27,488,224	27,488,224	27,488,224
Fixed Charges	328,357,011	156,550,875	183,203,337	167,536,475	164,558,906	148,482,859
Other Expenses	575,069,059	561,728,964	506,103,071	504,580,507	502,843,482	500,848,888
Total Expenditures - Recurring	2,362,025,369	2,167,312,629	2,268,169,258	2,266,360,589	2,278,465,129	2,377,169,692
Expenditures - Non-Recurring						
Blight Remediation	-	73,000,000	50,000,000	-	-	-
Capital Improvements	-	32,500,000	5,000,000	-	-	-
Reserves	-	57,100,000	30,000,000	-	-	-
One-Time Expenditures	-	-	25,361,388	-	-	-
Total Expenditures - Non-Recurring	-	162,600,000	110,361,388	-	-	-
Grand Total Expenditures	2,362,025,369	2,329,912,629	2,378,530,646	2,266,360,589	2,278,465,129	2,377,169,692

Revenues	FY2019 Actual	FY2020 Adopted	FY2021 Recommended	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Grants, Shared Taxes, & Revenues	351,237,266	297,484,745	301,336,589	303,802,016	306,302,622	308,871,162
Revenues from Use of Assets	75,340,843	119,580,297	159,768,862	159,087,534	158,410,525	157,691,649
Sales of Assets & Compensation for Losses	4,501,395	2,342,000	62,000	62,000	62,000	62,000
Sales & Charges for Services	594,216,073	658,155,646	682,884,383	685,321,254	687,484,306	689,325,868
Fines, Forfeits, & Penalties	39,172,931	31,137,857	31,188,911	31,206,548	31,225,242	31,243,992
Licenses, Permits, & Inspection Charges	36,470,560	36,645,000	37,126,000	37,242,000	37,359,000	37,478,000
Taxes, Assessments, & Interest	876,976,455	843,878,405	879,218,122	876,683,242	884,989,935	893,817,876
Contributions & Transfers	132,306,452	96,369,379	102,381,091	98,247,695	97,384,199	95,855,845
Miscellaneous	421,611,339	81,719,300	74,203,300	74,708,300	75,247,300	75,823,300
Total Revenues - Recurring	2,531,833,313	2,167,312,629	2,268,169,258	2,266,360,589	2,278,465,129	2,290,169,692
Revenues - Non-Recurring						
Contributions and Transfers	-	162,600,000	110,361,388	-	-	87,000,000
Total Revenues - Non-Recurring	-	162,600,000	110,361,388	-	-	87,000,000
Grand Total Revenues	2,531,833,313	2,329,912,629	2,378,530,646	2,266,360,589	2,278,465,129	2,377,169,692

*FY2021-FY2024 excludes \$27 million of pass-through revenues and expenditures previously counted as General Fund in FY2020 Adopted Budget.

EXPENDITURES & REVENUES BY MAJOR CLASSIFICATIONS

City of Detroit
Budget Development
Fund 1000 - General Fund

Expenditures	FY2019 Actual	FY2020 Adopted	FY2021 Recommended	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Salaries & Wages	444,386,455	473,476,107	476,654,466	486,097,484	495,555,604	505,223,512
Employee Benefits	150,697,074	202,512,409	202,728,081	208,896,754	214,950,689	322,025,689
Professional & Contractual Services	77,172,109	83,221,412	82,620,755	78,908,461	77,722,710	76,728,959
Operating Supplies	44,787,325	38,964,735	42,025,235	42,175,082	42,175,082	42,175,082
Operating Services	80,003,409	102,181,376	84,606,237	85,172,601	85,172,601	85,172,601
Equipment Acquisition	27,604,348	188,109	37,950	37,950	37,950	37,950
Capital Outlays	2,609,061	175,000	250,000	250,000	250,000	250,000
Fixed Charges	225,439,320	79,763,090	85,046,628	85,050,620	85,898,676	73,281,815
Other Expenses	140,225,819	105,701,743	110,857,474	109,334,910	107,597,885	105,603,291
Total Expenditures - Recurring	1,192,924,920	1,086,183,981	1,084,826,826	1,095,923,862	1,109,361,197	1,210,498,899
Expenditures - Non-Recurring						
Reserves	-	57,100,000	30,000,000	-	-	-
One-Time Expenditures	-	-	25,361,388	-	-	-
Total Expenditures - Non-Recurring	-	57,100,000	55,361,388	-	-	-
Grand Total Expenditures	1,192,924,920	1,143,283,981	1,140,188,214	1,095,923,862	1,109,361,197	1,210,498,899

Revenues	FY2019 Actual	FY2020 Adopted	FY2021 Recommended	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Grants, Shared Taxes, & Revenues	208,747,124	206,114,000	206,652,000	208,274,000	209,906,000	211,580,000
Revenues from Use of Assets	27,942,298	34,625,100	36,857,199	36,173,012	35,493,116	34,771,324
Sales of Assets & Compensation for Losses	4,159,308	1,742,000	62,000	62,000	62,000	62,000
Sales & Charges for Services	104,701,656	116,792,881	108,792,627	109,089,850	110,067,081	111,064,575
Fines, Forfeits, & Penalties	22,689,235	23,284,000	23,180,000	23,192,000	23,205,000	23,218,000
Licenses, Permits, & Inspection Charges	12,236,096	12,685,000	13,075,000	13,191,000	13,308,000	13,427,000
Taxes, Assessments, & Interest	698,013,799	664,965,000	683,541,000	692,770,000	703,609,000	715,089,000
Contributions & Transfers	15,014,307	17,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Miscellaneous	216,458,297	8,876,000	7,567,000	8,072,000	8,611,000	9,187,000
Total Revenues - Recurring	1,309,962,119	1,086,183,981	1,084,826,826	1,095,923,862	1,109,361,197	1,123,498,899
Revenues - Non-Recurring						
Contributions and Transfers	-	57,100,000	55,361,388	-	-	87,000,000
Total Revenues - Non-Recurring	-	57,100,000	55,361,388	-	-	87,000,000
Grand Total Revenues	1,309,962,119	1,143,283,981	1,140,188,214	1,095,923,862	1,109,361,197	1,210,498,899

*FY2021-FY2024 excludes \$27 million of pass-through revenues and expenditures previously counted as General Fund in FY2020 Adopted Budget.

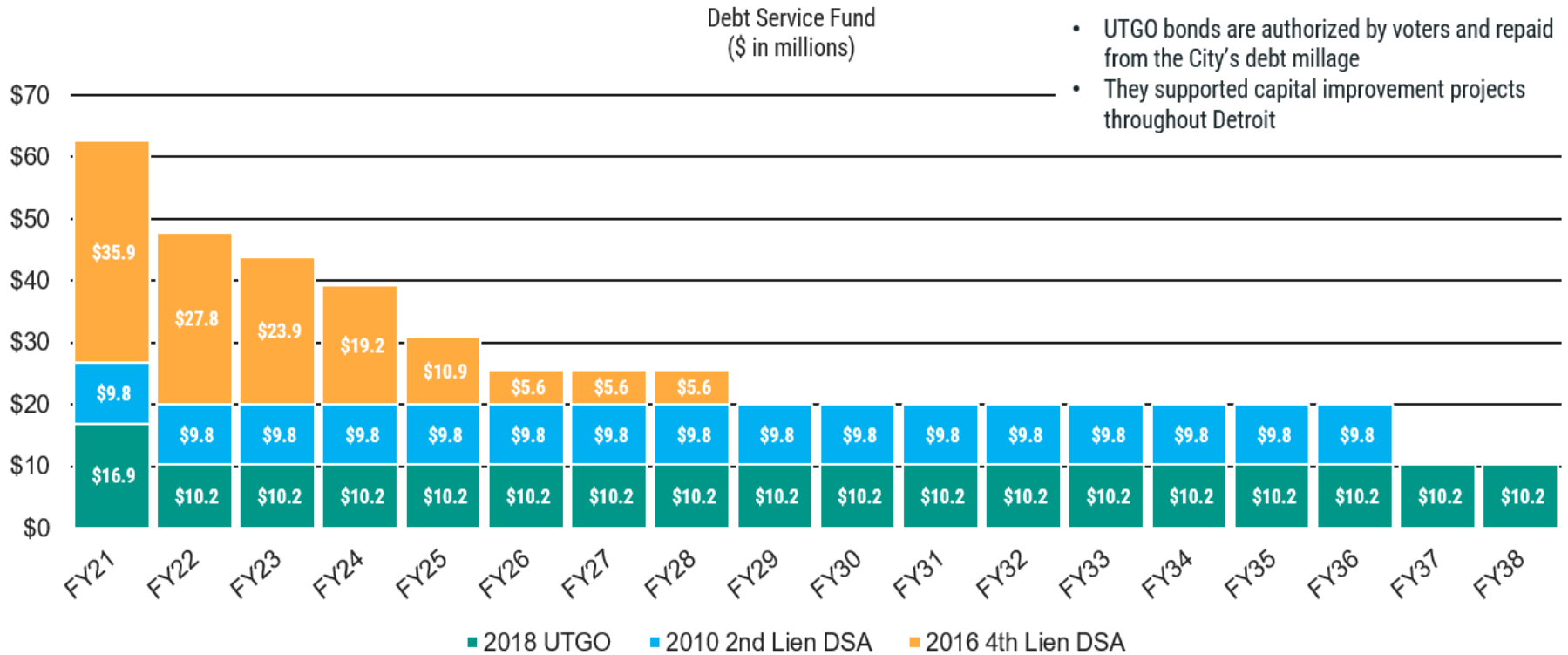
FY2020 - FY2024 BUDGETED POSITIONS BY DEPARTMENT

City of Detroit
 FY2020 - FY2024 Financial Plan
 Total Positions by FTE – All Funds

Category	Department	FY2020 Adopted	FY2021 Recommended	Variance FY20 vs FY21	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Executive Agencies	16 Demolition	-	35	35	-	-	-
	19 Public Works	481	494	13	494	494	494
	23 Chief Financial Officer	525	459	(66)	450	450	450
	24 Fire – Uniform	923	939	16	939	939	939
		Fire – Civilian	352	332	(20)	332	332
	25 Health	115	138	23	138	138	138
	28 Human Resources Dept	104	111	7	111	111	111
	29 Civil Rights, Inclusion, & Opportunity	12	11	(1)	11	11	11
	31 Innovation & Technology	140	144	4	144	144	144
	32 Law	120	127	7	127	127	127
	33 Mayor's Office	77	83	6	83	83	83
	34 Municipal Parking	95	92	(3)	92	92	92
	36 Housing & Revitalization	86	97	11	99	99	99
	37 Police – Uniform	2,671	2,671	-	2,671	2,671	2,671
		Police – Civilian	666	742	76	742	742
	38 Public Lighting	4	4	-	4	4	4
	43 Planning & Development	40	42	2	42	42	42
45 Appeals & Hearings	9	9	-	9	9	9	
47 General Services	850	873	23	826	826	826	
Legislative Agencies	50 Auditor General	14	14	-	14	14	14
	51 Zoning Appeals	4	4	-	4	4	4
	52 City Council	76	70	(6)	70	70	70
	53 Ombudsman	8	8	-	8	8	8
	54 Inspector General	8	8	-	8	8	8
	70 City Clerk	20	20	-	20	20	20
	71 Elections	97	110	13	110	110	110
Judicial Agency	60 36th District Court	325	325	-	325	325	325
Non-Departmental	35 Non-Departmental	164	128	(36)	128	128	128
Total General City Agencies		7,986	8,090	104	8,001	8,001	8,001
Enterprise Agencies	10 Airport	4	4	-	4	4	4
	13 BSE&ED	317	305	(12)	305	305	305
	20 Transportation	977	978	1	978	978	978
	48 Water – Retail	633	633	-	633	633	633
	49 Sewerage – Retail	17	17	-	17	17	17
	72 Public Library	326	327	2	327	327	327
Total Enterprise Agencies		2,274	2,264	(10)	2,264	2,264	2,264
Grand Total		10,259	10,354	95	10,265	10,265	10,265

DEBT SERVICE

Unlimited Tax General Obligation Debt Service



- UTGO bonds are authorized by voters and repaid from the City's debt millage
- They supported capital improvement projects throughout Detroit

* Does not include budgeted debt service for next series of previously authorized UTGO bonds.

Source: OCFO – Office of the Treasury

FY 2021 Debt Service

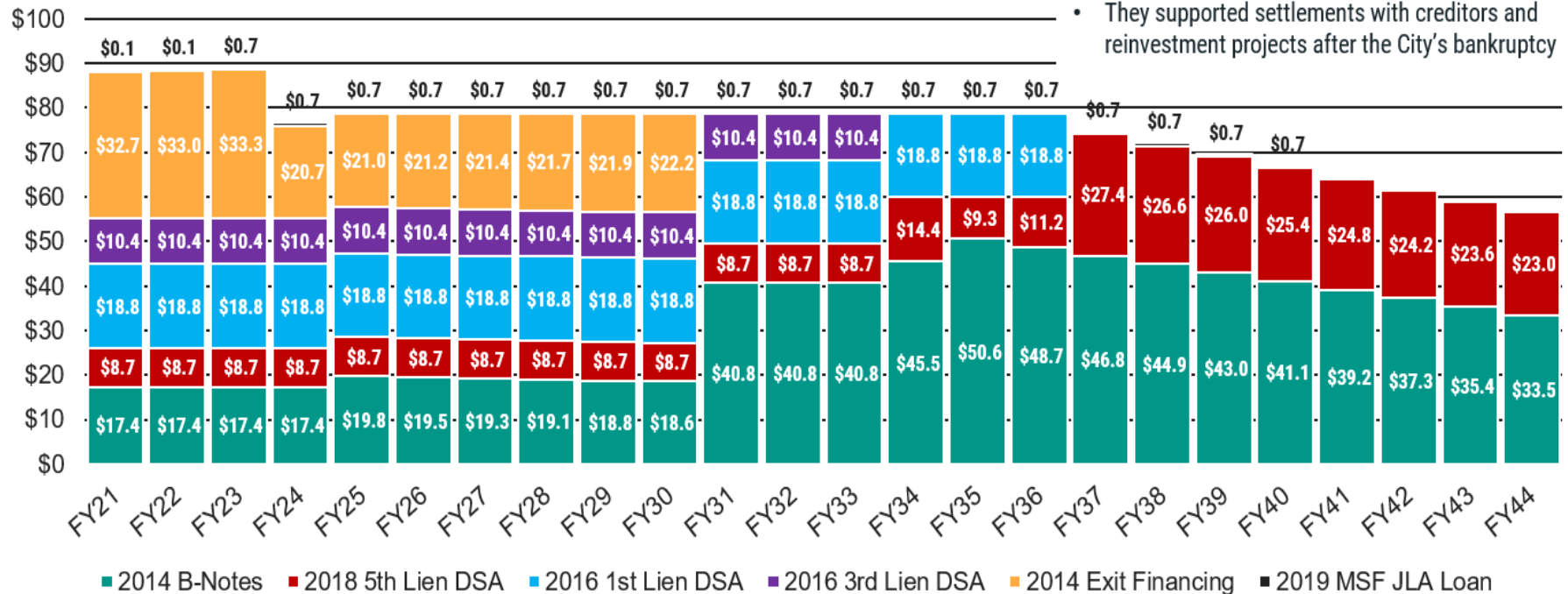


OCFO – Office of Budget

Limited Tax General Obligation Debt Service

General Fund and Enterprise Funds*
(\$ in millions)

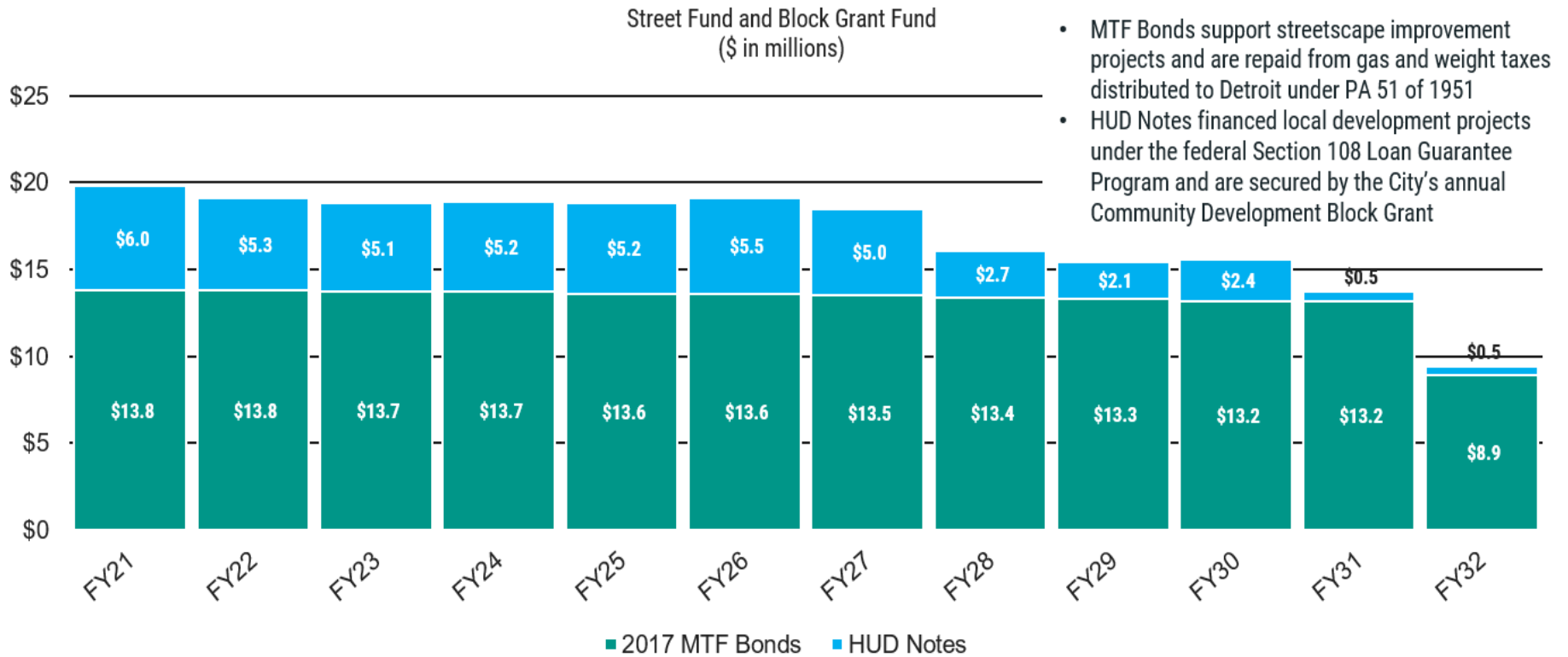
- LTGO bonds are primarily repaid from the City's General Fund revenues
- They supported settlements with creditors and reinvestment projects after the City's bankruptcy



* 2014 B-Notes are split approximately 80% General Fund and 20% Enterprise Funds. Michigan Strategic Fund Joe Louis Arena Demolition Loan debt service assumes scheduled drawdowns occur.
Source: OCFO - Office of the Treasury



Michigan Transportation Fund Bonds and HUD Notes Debt Service



- MTF Bonds support streetscape improvement projects and are repaid from gas and weight taxes distributed to Detroit under PA 51 of 1951
- HUD Notes financed local development projects under the federal Section 108 Loan Guarantee Program and are secured by the City's annual Community Development Block Grant

* MTF Bonds debt service assumes scheduled drawdowns occur.

Source: OCFO – Office of the Treasury

FY 2021 Debt Service



OCFO – Office of Budget

RETIREE PROTECTION FUND

Retiree Protection Fund Background

Plan of Adjustment (POA) Pension Cliff

- POA provided a 10-year “pension holiday” for City to invest in service improvements, capital, and blight removal
- POA assumed annual legacy pension contributions increase from \$0 to \$111M in FY 2024 (the “pension cliff”)
- In 2015 valuations, updated mortality tables increased unfunded pension liabilities over \$490M (34%)

Retiree Protection Fund (RPF)

In 2017, the Mayor and City Council created the Retiree Protection Fund by ordinance as a long-term strategy for legacy pension funding:

- Provide extra funding for deposit into the RPF, an irrevocable trust for legacy pension obligations
- Use RPF deposits, plus investment earnings, to partially offset annual pension contributions starting FY 2024
- Gradually build up budget capacity for future annual required contributions (the cliff becomes a ramp)
- Review annually and recommend changes if needed during the annual budget process

FY 2021 Retiree Protection Fund Review

FY 2021 Review Results

- Reviewed latest actuarial valuation, pension plan returns, and RPF returns
- No change to funding policy assumptions
- FY 2024 net contribution from General Fund increases \$3.5M vs. last year’s review
- Increase driven by pension plan returns below 6.75% target
- FY21 Budget recommendation adds \$20M more in one-time funds to RPF to help meet future contribution increases

Category	Data Inputs
Actuarial Valuation ⁽¹⁾	FY 2018
Latest Pension Plan Returns	FY 2019 (3.4% GRS, 5.1% PFRS)
Future Pension Plan Returns	6.75%
Amortization / Funding Policy ⁽²⁾	30-year level dollar
FY 2024 Contribution	\$192M gross (\$26M) FDF/DIA/DWSD/DPL ⁽³⁾ \$166M net from General Fund
Latest RPF Returns	FY 2019 (4.4%)
Future RPF Returns	3%

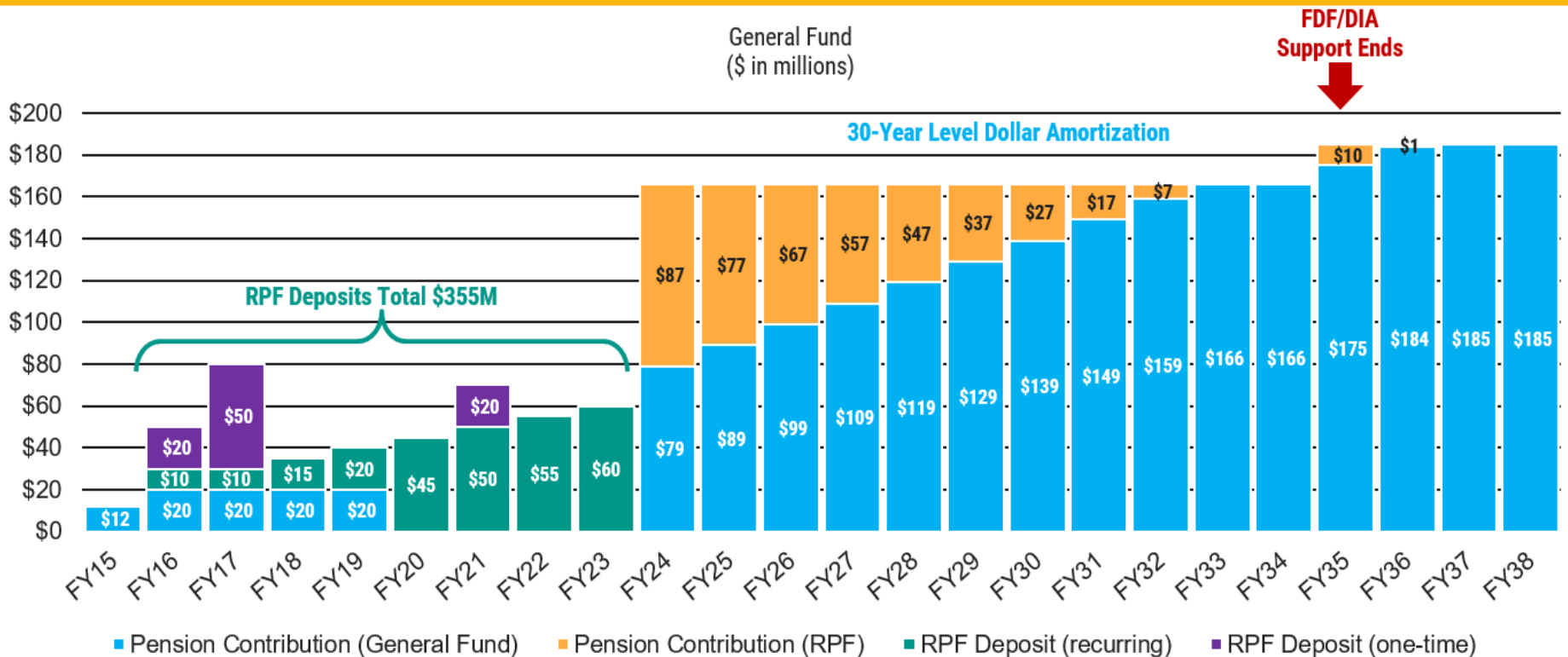
(1) Actuarial valuations for FY 2019 may be completed by spring 2020.

(2) The Retirement Systems have not yet established funding policies

(3) Foundation for Detroit’s Future and Detroit Institute of Arts are the “Grand Bargain” outside sources through FY 2034. Detroit Water and Sewerage Department and Detroit Public Library pension liabilities do not impact the General Fund.



FY 2021 Retiree Protection Fund Recommendation



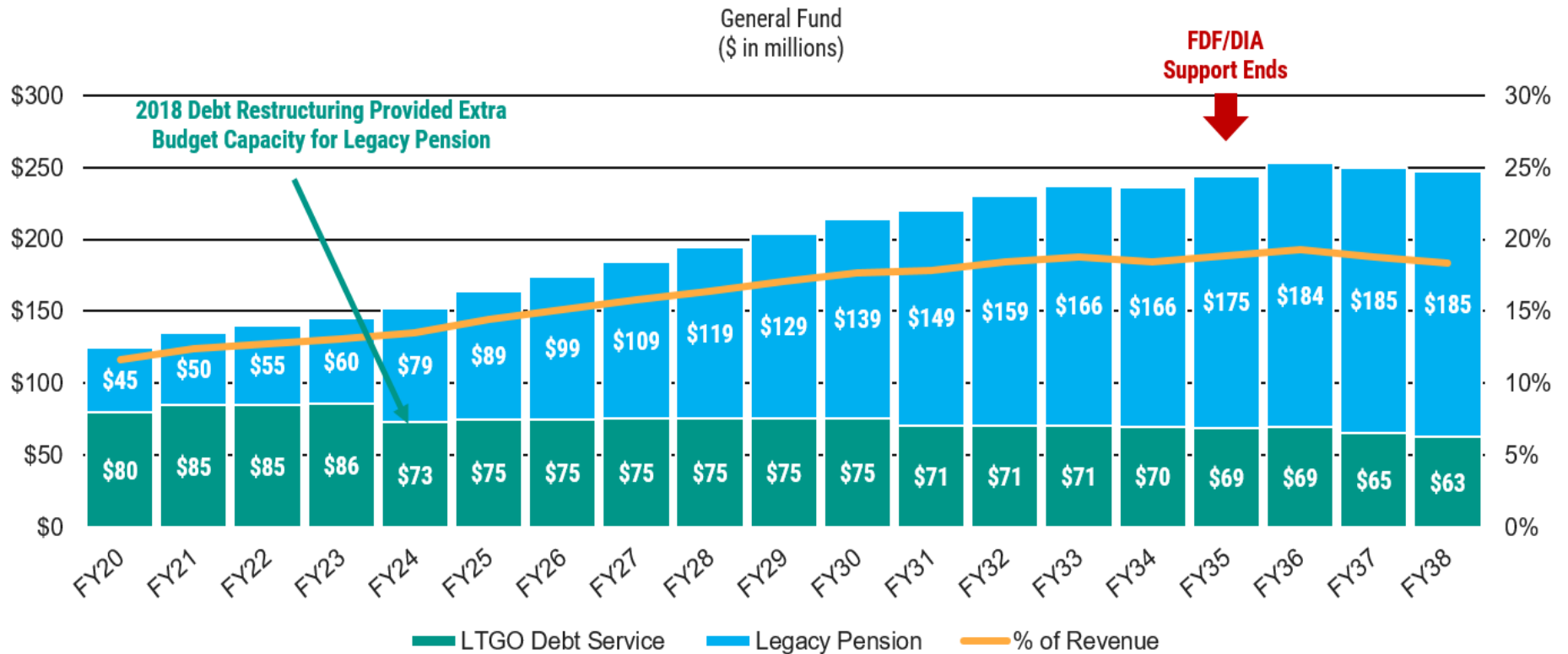
* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit Institute of Arts (DIA). DWSD and Library liabilities and contributions are separate.

FY 2021 Retiree Protection Fund



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Recurring Debt Service and Legacy Pension Costs



Excludes RPF Deposits from one-time surplus in FY16 (\$20M), FY17 (\$50M), and FY21 (\$20M). Excludes "Grand Bargain" contributions, which end in FY35. LTGO Debt Service excludes B-Note debt service allocated to enterprise funds.

FY 2021 Retiree Protection Fund



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CITY OF DETROIT CAPITAL PLAN

INTRODUCTION

Over the past five years, the City has made major capital investments to return City services to levels Detroiters expect and deserve. During this time, we have installed 65,000 new LED streetlights, demolished 15,000 dangerous vacant houses, added 120 buses to improve transportation service, replaced public safety vehicles to reduce Police and EMS response times, and renovated over 60 parks.

Over the last year, thanks to the City's return to the bond market on its own credit in late 2018, we have been able to make ambitious capital investments. During Fiscal Years 2021-2024, this plan demonstrates continued investments to improve the City's critical infrastructure, expand economic growth and opportunity, and continue to revitalize our neighborhoods. Our strong public-private partnerships will continue to create unprecedented financial impact, with programs like the Strategic Neighborhood Fund and the Affordable Housing Leverage Fund creating over \$1 billion dollars in investments in our neighborhoods.

FY21-FY24 EXPENDITURES

The City of Detroit is responsible for maintaining a large inventory of capital assets, including roads, parks, public safety facilities and municipal buildings, libraries, water and sewerage infrastructure, and a fleet of over 2,000 vehicles. Capital investments by the City enhance our neighborhoods, strengthen public safety, improve citizen mobility, and elevate the quality of life in our city.

These investments are aligned with both the five-year Capital Agenda's specific goals and with its broad strategy of rebuilding population density in Detroit by increasing support for the existing population while also attracting new residents and businesses into thriving neighborhoods. This Capital Plan also reflects an additional \$80 million anticipated in the spring of 2020 from the issuance of the City's second bond series.

In addition to the projects outlined in this plan, a large number of projects begun with the first series of UTGO bonds issued in FY19 will be completed over the course of FY21. In keeping with our capital budgeting policies, the funds for these projects will be balanced forward and spent down.

The City's capital plan has been restructured to align capital investments with the City Strategic Priorities that guide our new method of outcome budgeting. These priorities are:

- Increased Economic Opportunity and Reduced Poverty
- Improved Public Safety
- A More Vibrant and Beautiful City
- Strengthened City Services
- Effective Governance

Many of the City's capital investments will fall into multiple Strategic Priorities. For example, while a new greenway undoubtedly makes the City more vibrant and beautiful, it also creates new mobility options and increases economic opportunity for residents who do not drive and who can now more safely and efficiently bike, scooter, or walk to work.

Housing & Economic Opportunity

Housing and increased economic opportunity are the most exciting parts of our Capital Plan. Although the funding discussed in this section does not appear directly in the City's budget or the table at the end of this section, it is held by fiduciary organizations for the exclusive use by the City to implement the Strategic Neighborhood Fund (SNF) and the Affordable Housing Leverage Fund (AHLF). These funds are a critical component of the Capital Plan.

SNF and AHLF neighborhoods will be marked by design excellence and a variety of choice—in housing, in recreational assets, and in amenities. The Housing & Revitalization Department, in partnership with the Michigan Local Initiatives Support Corporation and Invest Detroit are revitalizing neighborhoods through the restoration of existing properties and with newly built single- and multi-family homes. The City is committed to preserving all regulated affordable housing units and to ensure that wherever growth occurs it increases inclusion and reduces segregation. There will be mixed income and affordable housing throughout the City, ensuring that those who have remained in Detroit benefit from its resurgence.

SNF Phase 1 funding commitments totaled \$42 million (\$26 million in public subsidy) for three Detroit neighborhoods: Islandview/Greater Villages, Vernor/Southwest and Livernois/McNichols. SNF Phase 2 remains on track to raise \$130 million for projects across seven neighborhoods: Grand River/Northwest, Warrendale/Cody Rouge, Russell Woods/Nardin Park, Campau/Banglatown, Gratiot/Seven Mile, East Warren/Cadieux, and Jefferson Chalmers. These philanthropic commitments will allow the Funds to leverage \$628 million in private capital, \$150 million in low-cost capital, and \$124 million in federal and state grants, for a total of \$1.1 billion dollars in neighborhood investments.

The AHLF is a tool established to achieve the goals of the City's multifamily housing strategy to preserve 10,000 existing affordable housing units and create 2,000 new affordable housing units.

The total affordable housing investment identified in the plan is projected at \$765 million in private equity, conventional debt, low-income housing tax credits/Michigan State Housing Department Authority equity, and \$250 million from the AHLF itself.

The City's successful partnerships with private entities will continue to be a critical component of our neighborhood-focused economic development effort through the four-year capital plan period. Our most notable accomplishments in this area are of course the redevelopment of the Michigan Central Station and its surrounding area by the Ford Motor Company for use as its tech innovation campus and the expansion of FCA's Mack Avenue Engine Complex and Jefferson North Assembly Plant. The total investment in the Michigan Central development will be approximately \$740 million, as well as an additional \$10 million invested in the Corktown neighborhood through a Community Benefits Agreement. The project will create 2,500 direct, permanent jobs, 2,500 indirect jobs in Ford facilities, and 2,000 construction jobs. The total investment in the FCA plants will be approximately \$2.5 billion, including \$35 million in community benefit investments. The FCA expansion will result in not just 4,000 new jobs, but 4,000 new jobs for which Detroiters are given priority.

A More Vibrant & Beautiful City

The Capital Plan reflects the need to focus public infrastructure investment where it will create the greatest return: supporting the existing population and attracting new residents and businesses into revitalized neighborhoods. The City plans to continue developing and implementing projects that foster vibrant, inclusive neighborhoods across the City of Detroit.

In the most recent Capital Agenda, the City laid out a plan to make transformative investments into recreational assets. Parks across the city will continue to receive substantial investments, and in some cases expansions, with modern play equipment, safe walking paths, ample lighting, and inviting landscaping. Many parks have been designated as soccer hubs and will be upgraded to provide plenty of field space for Detroiters of all ages to master the skills of one of our most popular sports. Parks improvements will continue to be made with extensive consultation with the residents impacted by that park and its amenities. The City's commitment to open, inclusive, and accessible spaces that meet the diverse needs of residents of all ages remains strong.

Our recreation centers will continue to be modernized and improved to allow for the ongoing expansion of programs, including the addition of mini-libraries. Recreation centers are the heart of many of our communities and provide not only recreational programming but also educational and skill development programs. They serve as a safe space either before or after school for many young Detroiters. So whether a resident seeks to use the internet to apply for a job, take a dance class, join a book club, or do all three, our recreation centers will continue to deliver.

Through extensive community engagement, the City has identified areas that can be transformed into greenways to connect the City's neighborhoods to each other and to downtown and riverfront amenities. The first three mile segment of the Joe Louis Greenway will break ground on the autumn of 2020 and, when complete, will form a 32 mile loop connecting City neighborhoods, four neighboring cities, and even provide an international path to Canada. By providing many methods of mobility, especially non-motorized methods via greenways, trails, and protected bike lanes, barriers to access to City amenities and employment opportunities will be substantially lowered.

The Capital Plan anticipates investments at two of our cultural treasures: the Charles H. Wright Museum of African American History and the Detroit Historical Museum. These capital improvements will allow the museums to continue their ongoing campaigns to modernize their facilities and create welcoming, inclusive, accessible spaces to tell the stories of Detroit and its residents.

One of the strongest drivers of success is the availability of inclusive, exciting, and safe parks, recreation centers, and cultural assets. This Capital Plan continues to implement investments that will shape Detroit's recreational and cultural landscape for generations to come.

Improved Public Safety & Health

To continue promoting positive health outcomes in our community, the Capital Plan continues improvements to our health clinics and mobile health clinics to create modern health provision centers with even more services. The mobile clinic fleet will visit our neighborhoods and provide critical services like immunizations, STI testing and prevention, unintended pregnancy prevention, WIC enrollment, blood lead testing, needs assessments, and many other services in conjunction with community partners who work to help reduce infant mortality, drug abuse, and chronic disease.

Our Police and Fire Departments will continue to receive substantial capital investments in vehicles, information technology, and facility improvements. The completion of the City's fleet replacement plan in the four-year period of this plan will see the entire Police and Fire fleets within an industry standard lifecycle. A modernized and optimized public safety fleet will ensure that police officers and firefighters are able to swiftly and reliably protect the public. The replacement of the City's fire fighting fleet will ensure that we maintain our top-tier ISO certification and keep property insurance rates lower.

Public safety information technology will continue to undergo the massive modernization and replacement campaign begun during FY20. Everything from body cameras to servers, in-vehicle laptops to secured fiber optic cable between public safety facilities is targeted for investment. New atmospheric monitoring devices will allow our firefighters to work safely inside burning

structures with reduced risk of exposure to noxious and harmful gases. Our Police Department will receive drones that will allow them to look around and inside structures during low visibility or high risk situations without putting themselves in unnecessary danger.

The City's firehouse improvement campaign will be completed during this four-year plan period, ensuring that all of our firehouses are at a state of good repair. These improvements allow our firefighters to operate effectively and safely within the buildings that often serve as their homes for many long shifts. Police precincts will continue to undergo the repairs and improvements that began at the start of FY19; the anticipated second bond series in the first half of 2020 will allow this investment campaign to ramp up. Additionally, the Police Department will complete the lease consolidation initiative started in FY 2019 that will see the department move out of two leased buildings into a single city-owned facility. This will allow the City to save funds on lease costs while simultaneously providing the Police Department sufficient new space to fully operate a number of policing units.

Finally, improvements will continue at the City's Animal Care & Control building, allowing for the care of more animals in clean and humane conditions. The City remains committed to ensuring that all animals that come into its care receive quality, respectful attention.

Strengthened City Services

Investment in roads, transit, and sidewalks is critical, especially in a city as large as Detroit. This Capital Plan provides for the City's continuing transformational investment into our roads and transportation infrastructure. We seek to create a reliable transportation system that connects our residents and neighborhoods, improves public safety, creates economic opportunity, and contributes to the reduction of poverty.

Roads, sidewalks, bridges, and streetscapes will receive nearly \$200 million in improvements over the course of this plan. Road quality reports and accident data will drive the investment into our road resurfacing and replacement program, along with investments into traffic control and calming efforts. City sidewalks will be replaced where needed and efforts to make our sidewalks and roadways fully ADA compliant will continue with the ongoing installation of ramps and curb cuts. The rollout of more protected bike lanes citywide will ensure sufficient access to safe, non-motorized forms of transportation.

Our public transit system is a critical component of our local economy, enabling thousands of people to move about the city every day. This four-year plan envisions an investment of nearly \$177 million into our public transit infrastructure. The biggest and most impactful project is the complete rebuild of the Department of Transportation's Coolidge facility which will serve as the new central repair and maintenance center for the City's fleet of buses. This will ensure that our

buses are maintained in top condition and are running reliably around the clock.

The bus fleet will also continue to be modernized and expanded over the plan period, allowing for the continued establishment of more 24-hour routes and increased bus frequency. Technology improvements in the transit system will allow riders to enjoy Wi-Fi on our buses, check the status of the next bus, and easily engage with an online customer service portal. Finally, continued improvements to our bus shelters will provide lighting and phone charging plugs and will give riders a safe and comfortable place to wait for their bus.

Effective Governance

Technological advancement waits for no one and the City of Detroit plans to stay at the forefront of technological innovations that will bring the most effective services to our residents and improve the efficiency of government.

Investments in technology will include fundamentals like new computers and server hardware, faster network switches, and advanced cloud solutions. The City's Department of Innovation and Technology will continue rolling out new enterprise software solutions such as an Enterprise Asset Management system, which will track all City-owned assets, their conditions, and the amount of investment made into them; an Enterprise Document Management system, which will convert many of the City's currently paper-based functions into an instantaneous digital system; an Enterprise Records Management system, to properly retain records subject to numerous retention schedules and make the retrieval of records smooth and quick; and an enterprise solution for tracking and managing the City's utility expenses.

Bringing assets critical to city government operations into a state of good repair continues to be a high priority in the City's capital strategy. Along with the public safety fleet, the general city fleet will be replaced and rightsized over the course of this capital plan period. City vehicles will be put into a standard operational life of five years with the goal of replacement at that time and not later. Revenues from the sale of these relatively newer vehicles will be used to continue the replacement cycle.

The Detroit Water and Sewerage Department (DWSD) will continue implementing its \$552 million capital improvement plan over the next four years. The investments into the City's water and sewerage infrastructure will continue the City's goal of delivering safe and cost effective water and sewerage services. In furtherance of our mission to put health and safety in water delivery first, the water main replacement projects will also involve the replacement of lead service lines. Additional DWSD capital investments include water meter replacements citywide, replacement of fire hydrants, the rehabilitation of the sewerage and stormwater infrastructure, and flood control measures along the riverfront.

Investments into the City service yards begun in FY19 will continue through the early years of this capital plan. These service yards are the hubs of City service provision, with fleet repair facilities, salt domes, and storage of heavy equipment like salt trucks, plows, dump trucks, and construction equipment. The City will also begin the process of consolidating a number of our service yards and garages into one centralized, more cost effective location.

FINANCING THE FY21-24 CAPITAL PLAN

The City annually implements its Capital Plan by appropriating funds for capital projects through the budget development process. The Plan is primarily financed with UTGO bond proceeds and supplemented by prior years' surplus, state and federal funds, and private grants.

During FY19, the City issued UTGO bonds in the amount of \$136.6 million on its own full faith and credit for the first time since our bankruptcy. During FY20, the City will issue a second series of UTGO bonds totaling \$80 million. These two bond series form the largest portion of the City's capital funding in the FY21-24 Capital Plan.

The City does not budget the annual surplus in the same year it is realized, but waits until it is recognized, via the annual audit, and treats it as unassigned fund balance to be allocated among the competing one-time spending needs. For FY20, the City set aside \$33.1 million in unassigned fund balance to support capital projects but will allocate only \$5 million in FY21, because the City has reentered the bond market and does not need to continue utilizing so much of our annual surplus for capital expenditures.

Debt Financing

With our reentrance into the bond markets, City capital investments will be financed primarily through long-term debt. Long-term debt related to capital investment has two main purposes:

- (1) It finances acquisition, construction, repair, and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) It finances infrastructure improvements to ensure the City's continued growth

The City adheres to a Debt Issuance and Management Policy (CFO Directive No. 2018-101-007) that established the conditions for issuing debt and the management of such debt. The City's policy is to utilize long-term debt for capital purposes. However, the policy provides that short-term debt may be used for certain types of projects, financing of equipment and vehicles, and, in rare cases, operations.

The City reentered the capital markets with a new General Obligation bond debt issuance in late 2018 for capital purposes. The City has achieved four consecutive years of balanced budgets and

operating surpluses since FY15 and has also received two credit rating upgrades. The City's credit ratings with Moody's and S&P are currently Ba3 and BB-, respectively.

The new bond issuance entailed the sale of Unlimited Tax General Obligation (UTGO) bonds issued on the full faith and credit of the City. UTGO bonds are an important method for funding our capital priorities, because they allow the City to begin funding projects that previously would have required the use of General Fund surpluses. This allows the City's surpluses to be utilized more effectively for operating needs and for important financial planning strategies like contributions to the Budget Reserve and to the Retiree Protection Fund for the City's pensions.

Authorization for these new bonds was previously obtained from the citizens of Detroit. The City originally had \$286 million in voter-approved, unissued UTGO authority. The City Council has authorized the issuance of \$255 million in UTGO bonds, though the capital plan currently envisions an immediate need of \$235 million for projects in the plan period. The City does not plan to issue short-term taxable debt at this time.

It is anticipated that the City will seek additional UTGO voter authorization during this capital plan period.

UTGO debt is repaid from a dedicated debt service millage. State law allows the City to levy a debt service millage on certain real and personal property to meet annual interest and principal obligations. The City's historical debt service millage ranged from 7.0753 mills in FY06 to 9.82 mills in FY15. The current Debt Service millage is 9.0 mills. Due to the City's extended absence from capital markets until FY18, the outstanding UTGO debt service is scheduled to decline substantially over the next several years. This afforded the City an opportunity to increase its UTGO debt and remain within its historical millage levels. The City sold \$135 million in UTGO debt in FY19 and anticipates selling an additional \$80 million in the current fiscal year. These bond sales are not expected to increase the current debt service millage.

Prior to reentering the bond market on its own credit, Detroit had access to the credit markets through the Michigan Financing Authority, as evidenced by both the exit financing and the refinancing of limited State-revenue supported bonds (a limited type of credit). On November 16, 2017, the Michigan Finance Authority issued \$124.5 million in revenue bonds on behalf of the City for major and local street improvements. The source of repayment for these bonds is the annual allocation of gas and weight tax funds to the City through Act 51. The total principal outstanding to date is \$90 million. On December 13, 2018, the City issued \$176 million in refunding bonds to purchase prior financial recovery bonds at a discount in order to reduce gross debt service in future years and achieve present value savings. In 2019, to support the demolition of the Joe Louis Arena, the City issue \$10 million in capital improvement bonds of which \$4.2 million has been drawn down to date. The due date for the final drawdown is June 30, 2020.

On March 14, 2018, the City fully redeemed its outstanding C Note Limited Tax General Obligation (LTGO) bonds. This debt was redeemed utilizing General Fund surpluses and proceeds from the sale of the Premier Garage, as required for redemption of the bonds. Redemption of this debt allows the City to fund other operating needs and additional capital projects.

Other City-related entities that have active debt issuance programs are the Public Lighting Authority (PLA) and the Detroit Water and Sewage Department (DWSD).

In June 2014, the Michigan Finance Authority issued \$185.7 million in revenue bonds for street lighting infrastructure improvements on behalf of the PLA. These bonds are secured by a first lien on certain of the City's Utility Users' Taxes (\$12.5 million annually, until repayment) as authorized under Public Act 393 of 2012.

DWSD uses debt financing, repaid by revenues from rate payers, to support its ongoing capital improvement program. The DWSD Capital Improvement Plan is subject to approval by the Board of Water Commissioners. The Great Lakes Water Authority issues bonds on behalf of DWSD to fund the DWSD capital plan projects.

External Sources

As is the case with other cities, Detroit receives revenue transfers, through grants and aid, from the Federal and State government. Often that money compensates for required investments, improvements, and regulations imposed or mandated by them. Detroit also receives a substantial amount funding each year via grant awards from private sector entities such as foundations and corporations.

Intergovernmental Grants & Aid

The City receives a number of categorical, matching and formula-driven grants; many are used for operating purposes, some are for capital projects. Federal aid can flow directly to the city of Detroit; some gets passed through various State of Michigan departments. Large capital grants coming to Detroit are for transportation, streets, roads and traffic signals, tree removal, private and public housing, safety and security equipment, and community development.

Philanthropy

The City continues to be successful in seeking grant awards from a variety of foundations and corporate sources. These grants have funded park improvements and other open space initiatives. Additionally, public-private partnerships have been utilized for neighborhood revitalization, economic development, housing, planning, transit, public safety, health, and

workforce development initiatives. In FY21, the City will continue to leveraging its UTGO bond proceeds to bring greater philanthropic investment into Detroit's neighborhoods.

CAPITAL PLANNING PROCESS

The capital planning process begins with a project submission period during which all departments have an opportunity to identify their facility, equipment, infrastructure, and planning needs in a systematic, prioritized manner, and to submit their capital investment proposals for funding consideration. Departments may utilize both internal assessments and external constituent requests to develop their capital improvement projects. Project requests must include costs estimates, a description of the proposed scope of work, and any other requested information to help City officials conduct their respective evaluations. A final evaluation of the projects will be conducted by the Office of the Mayor to ensure alignment with the City Strategic Priorities. At this time, departments may be required to submit additional information.

Project proposals must also account for any impacts on the City's operating budget. Such proposals are subject to additional review to determine the anticipated effect on personnel, maintenance, utilities, and supply costs, as well as expected changes in service demand or delivery of departmental programs. It is generally assumed that certain types of projects, such as HVAC system upgrades and window replacements, will provide operating budget savings as a result of improved energy efficiency.

Because our capital plan will require regular review and supplementation as the future unfolds, the City has established a Capital Projects Team in the Office of Budget, as well as a Facilities Steering Committee, a Vehicle Steering Committee, and an Infrastructure Coordinating Committee.

The Facilities Steering Committee will develop a Facilities Master Plan that will right-size the city's total footprint; bring the City's facility inventory into a state of good repair; avoid investments into assets that the City is likely to vacate; and set the long-term strategic direction that helps to leverage other City resources.

The Vehicle Steering Committee has developed the City Fleet Rightsizing and Replacement Plan that guides the City's acquisitions of new vehicles and the replacement of existing vehicles that have reached the end of their useful life. Through this Committee, the City will ensure that the City fleet is sized appropriately based on true departmental and service provision need, as well as standardize the fleet to reduce operating costs.

Finally, the Infrastructure Coordinating Committee brings together the major infrastructure departments of the City to ensure that investments are scheduled and implemented in ways that

are complementary to other necessary infrastructure investments. For example, when the Department of Public Works intends to replace a stretch of roadway, it will work with the Detroit Water and Sewerage Department and the Public Lighting Authority to ensure that any investments planned by these respective entities are undertaken while the road surface is already removed.

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Charles H. Wright Museum							
Capital Improvements to Museum	-	2,500,000	-	-	-	-	-
Total Charles H. Wright Museum	-	2,500,000	-	-	-	-	-
Detroit Historical Museum							
Capital Improvements to Museum	-	2,500,000	-	-	-	-	-
Total City Clerk	-	2,500,000	-	-	-	-	-
Office of the Chief Financial Officer							
Office of Budget - Laptops/Computers	5,000	-	-	-	-	-	-
Contracting & Procurement - Laptops/Computers	17,500	-	-	-	-	-	-
Financial Planning & Analysis - Laptops/Computers	5,000	-	-	-	-	-	-
Total OCFO	27,500	-	-	-	-	-	-
City Clerk							
E-Scribe Software	99,000	-	-	-	-	-	-
Total City Clerk	99,000	-	-	-	-	-	-
CRIO							
Case management software	78,000	-	-	-	-	-	-
Total CRIO	78,000	-	-	-	-	-	-
Department of Appeals & Hearings							
Document scanning/new e-filing system	150,000	-	-	-	-	-	-
Software suite for document scanning	35,539	-	-	-	-	-	-
Total DAH	185,539	-	-	-	-	-	-
Department of Innovation & Technology							
Enterprise Asset Management System	2,250,000	-	-	-	-	-	-
Enterprise Document Management System	1,500,000	-	-	-	-	-	-
Network Infrastructure & Security Improvements	2,000,000	-	-	-	-	-	-
Technology Upgrades & Additions - Public Safety	-	8,174,255	-	-	-	-	-
Technology Upgrades & Additions - PCs & Laptops	880,000	-	-	-	-	-	-
Total DoIT	6,630,000	8,174,255	-	-	-	-	-
Elections Department							
ReliaVote system for absentee voting	235,414	-	-	-	-	-	-
Konnect Poll Chief Software	145,672	-	-	-	-	-	-
Tablets	113,000	-	-	-	-	-	-
Total Elections	494,086	-	-	-	-	-	-
Fire Department							
Fire Facilities Capital Improvements	-	3,000,000	-	-	-	-	-
Fire Inventory Management System	-	500,000	-	-	-	-	-
Total Fire	-	3,500,000	-	-	-	-	-
Fleet Management							
General City Fleet Replacement	8,914,305	-	4,500,000	-	-	-	4,500,000
Health Fleet Replacement	-	220,000	-	-	-	-	-
Police Fleet Replacement	-	6,650,000	-	-	-	-	-
Fire Fleet Replacement	-	6,255,745	-	-	-	-	-
Total Fleet Management	8,914,305	13,125,745	4,500,000	-	-	-	4,500,000

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS
(Continued)**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
General Services Department							
Recreation Facilities Improvements	-	5,300,000	-	-	-	-	-
City Park Improvements	-	8,300,000	-	-	-	-	-
Joe Louis Greenway - Segment 1	-	20,000,000	-	-	-	-	-
Office of Sustainability - Utility Bill Mgmt Software	1,265,000	-	-	-	-	-	-
Total GSD	1,265,000	33,600,000	-	-	-	-	-
Health Department							
Ultrasound Machine & Clinic Furniture	9,000	-	-	-	-	-	-
Sword Solutions Software	3,000	-	-	-	-	-	-
Computers & Equipment for New Staff	8,000	-	-	-	-	-	-
Computers, Tablets, & Inspection materials	15,070	-	-	-	-	-	-
Tablets & Clinical Furniture for Health locations	260,000	-	-	-	-	-	-
Total Health	295,070	-	-	-	-	-	-
Housing & Revitalization Department							
Laptops	7,000	-	-	-	-	-	-
Total HRD	7,000	-	-	-	-	-	-
Human Resources Department							
Laptops	5,000	-	-	-	-	-	-
Total Human Resources	5,000	-	-	-	-	-	-
Law Department							
Computers & Laptops for New Staff	33,000	-	-	-	-	-	-
Total Law	33,000	-	-	-	-	-	-
Mayor's Office							
Computers & Laptops for New Staff	10,000	-	-	-	-	-	-
Total Mayor's Office	10,000	-	-	-	-	-	-
Municipal Parking Department							
Garage & Meter Maintenance & Repairs	5,000,000	-	-	-	-	-	-
Lighting Towers for JLA	54,000	-	-	-	-	-	-
Video Cameras & Equipment	2,500	-	-	-	-	-	-
Total Parking	5,056,500	-	-	-	-	-	-
Non-Departmental							
Land Acquisition for Economic Development	7,500,000	-	-	-	-	-	-
Total Non-Departmental	7,500,000	-	-	-	-	-	-
Planning & Development							
Neighborhood Studies & Implementation	2,500,000	-	500,000	-	-	-	500,000
Total Planning & Development	2,500,000	-	500,000	-	-	-	500,000

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
GENERAL CITY CAPITAL IMPROVEMENTS
(Continued)**

	FY2020 Adopted Budget	FY2020 Amended Budget ¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Police							
Police Lease Elimination Plan	-	3,200,000	-	-	-	-	-
Police Facilities Capital Improvements	-	7,700,000	-	-	-	-	-
Bulletproof Vest Replacement	-	700,000	-	-	-	-	-
Total Police	-	11,600,000	-	-	-	-	-
Department of Public Works							
Equipment	1,500,000	1,500,000	2,067,000	1,500,000	1,500,000	1,500,000	6,567,000
Highway Bridges	3,458,450	3,458,450	-	-	-	-	-
Bridge Improvements	500,000	500,000	-	-	-	-	-
Road & Bridge Repair, Resurfacing, & Reconstruction	30,369,697	30,369,697	24,250,000	24,735,000	25,229,700	25,734,294	99,948,994
Trunkline Improvements	1,962,478	1,962,478	-	-	-	-	-
Greenways, Mobility, & Sidewalks	-	-	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Traffic Control Improvements	2,050,000	2,050,000	1,181,040	2,050,000	2,091,000	2,132,820	7,454,860
Traffic Control Roadways - Federal & State Grants	14,050,000	14,050,000	14,331,000	14,331,000	14,617,000	14,909,340	58,188,340
Debt Service	3,160,973	3,160,973	13,828,912	12,998,855	12,998,855	12,998,855	52,825,477
Total DPW	57,051,598	57,051,598	57,657,952	57,614,855	58,436,555	59,275,309	232,984,671
Total General City Agencies	90,151,598	132,051,598	62,657,952	57,614,855	58,436,555	59,275,309	237,984,671

¹The only amendment included in the FY2020 Amended Capital Budget is the \$80 million anticipated in Spring 2020 from the second UTGO bond series.

Road Bond Projects					
Project	Project Budget	Projected Spend by 6/31/2020	FY21 Projected Spend	FY22 Projected Spend	FY23 Projected Spend
Streetscapes	80,000,000	62,899,200	17,100,800	-	-
Sidewalk Repair & Replacement	20,000,000	20,000,000	-	-	-
Road Improvement	23,764,555	23,764,555	-	-	-
Bond Sale Expenses	735,445	735,445	-	-	-
Total	124,500,000	107,399,200	17,100,800	-	-

**CITY OF DETROIT
FY20 BUDGET AND FY21-24 FOUR-YEAR PLAN
ENTERPRISE AGENCIES CAPITAL IMPROVEMENTS**

	FY2020 Adopted Budget	FY2020 Amended Budget¹	FY20-21 Recommend Budget	FY21-22 Forecast Budget	FY22-23 Forecast Budget	FY23-24 Forecast Budget	Four-Year Plan Total
Department of Transportation							
Coolidge Facility Rebuild - Federal/State Funding	20,000,000	5,000,000	25,000,000	27,000,000	30,000,000	8,000,000	90,000,000
Coolidge Facility Rebuild - City Funding	-	5,000,000	-	-	5,000,000	-	5,000,000
Fixed-Route Vehicle Replacement/Expansion	26,900,000	-	25,965,000	-	21,305,000	-	47,270,000
Non-Revenue Vehicle Replacement/Expansion	500,000	-	500,000	500,000	500,000	500,000	2,000,000
Mid-life Vehicle Acquisition/Overhaul	6,000,000	-	6,000,000	6,000,000	6,000,000	6,000,000	24,000,000
Facility Improvements	1,000,000	-	1,000,000	1,000,000	500,000	500,000	3,000,000
Information Technology	5,144,320	-	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Operations Equipment	491,376	-	491,376	472,946	182,903	182,903	1,330,128
Total DDoT	60,035,696	10,000,000	59,956,376	35,972,946	64,487,903	16,182,903	176,600,128
Water & Sewerage Department - Retail²							
Water							
Water Field Services	52,219,000	-	41,984,000	15,238,000	14,000,000	-	71,222,000
Metering	12,000,000	-	12,000,000	4,000,000	4,000,000	-	20,000,000
General Purpose	6,695,000	-	4,140,000	2,795,000	-	-	6,935,000
Water Central Services: Fleet	2,432,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Water Central Services: Facilities	4,602,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Water Central Services: Information Technology	5,316,000	-	3,287,000	1,788,000	1,618,000	-	6,693,000
Water Subtotal	83,264,000	-	65,411,000	27,821,000	23,618,000	-	116,850,000
Sewerage							
Sewer Field Services	35,063,000	-	25,363,000	-	-	-	25,363,000
Green Infrastructure	10,195,000	-	12,880,000	10,373,000	3,933,000	-	27,186,000
General Purpose	6,695,000	-	4,140,000	2,795,000	-	-	6,935,000
Sewer Central Services: Fleet	2,432,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Sewer Central Services: Facilities	4,602,000	-	2,000,000	2,000,000	2,000,000	-	6,000,000
Sewer Central Services: Information Technology	5,316,000	-	3,287,000	1,788,000	1,618,000	-	6,693,000
Sewerage Subtotal	64,303,000	-	49,670,000	18,956,000	9,551,000	-	78,177,000
Water & Sewerage Total	147,567,000	-	115,081,000	46,777,000	33,169,000	-	195,027,000
Total Enterprise Agencies	207,602,696	10,000,000	175,037,376	82,749,946	97,656,903	16,182,903	371,627,128
Grand Total - General City & Enterprise Agencies							
	297,754,294	142,051,598	237,695,328	140,364,801	156,093,458	75,458,212	609,611,799

¹The only amendment included in the FY2020 Amended Capital Budget is the \$80 million anticipated in Spring 2020 from the second UTGO bond series.

²DWSD capital amounts will not match placeholder used for legal budget.



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