

MAYOR'S PROPOSED BUDGET

Fiscal Year 2024-2025 Budget and FY25-28 Four-Year Financial Plan

March 7, 2024

Budget Details at detroitmi.gov/budget



TAKE PART
Opportunity Rising



A More Vibrant, Safe, and Sustainable City

Through this budget, we keep our promise to our retirees and support our highest priorities for Detroiters.

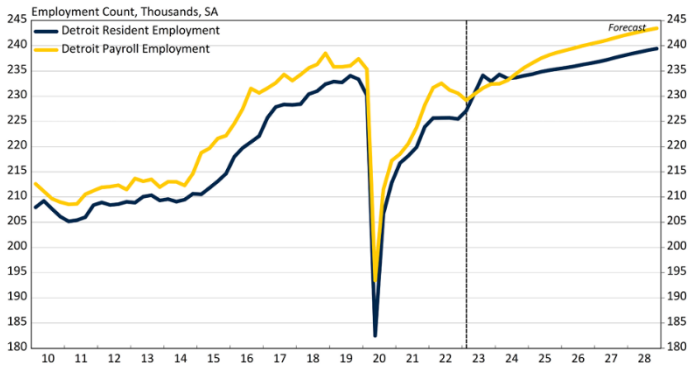
- The proposed FY25 budget totals \$1.46 billion for General Fund activities and \$2.76 billion across all City funds for the coming fiscal year beginning July 1, 2024.
- Our strategies continue to grow the economy and tax base, delivering good-paying jobs, economic opportunity, and quality of life improvements for Detroiters.
- We have built up financial reserves, including \$455 million deposited into the Retiree Protection Fund and \$150 million into the Rainy Day Fund, ensuring that neither our retirees nor our budget will be at risk.
- With the revenue rebound from the pandemic behind us, we have returned to a normal budget process with steady and stable growth and prudent spending decisions to make, like other flourishing cities in America.
- The proposed FY25 budget is balanced, despite pressure from current services and competitive wages. It prioritizes public safety, public transit, retirees, elections, and homelessness services.
- This budget supports our highest priorities, keeping our promise to our retirees and providing a more Vibrant, Safe, and Sustainable City for Detroiters.

Detroit Economic Outlook

Forecast predicts steady but moderating growth led by blue-collar jobs. Slower national economy poses risks.

- The [Detroit Economic Outlook for 2023-2028](#) predicts that Detroit's economy will continue to grow at a steady pace, marked by job and wage gains for Detroiters.
- Economic growth is expected to moderate to a steady state starting in 2025 as major infrastructure and development projects already underway come online. Blue-collar jobs in manufacturing, construction, and transportation continue to be key drivers for economic growth through 2028. Risks remain, such as high interest rates lasting longer than expected.

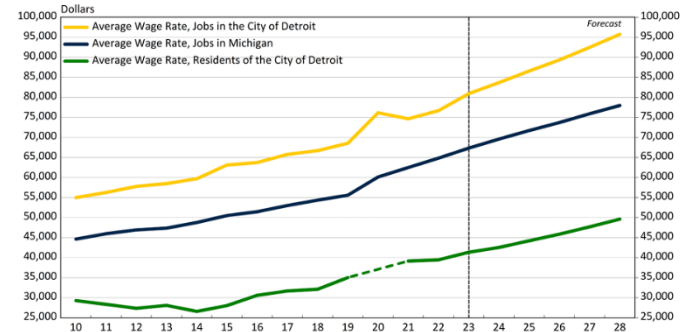
Quarterly Average Payroll and Resident Employment, City of Detroit



RSQE: February 2024



Annual Wage and Salary Income per Worker, City of Detroit and Michigan



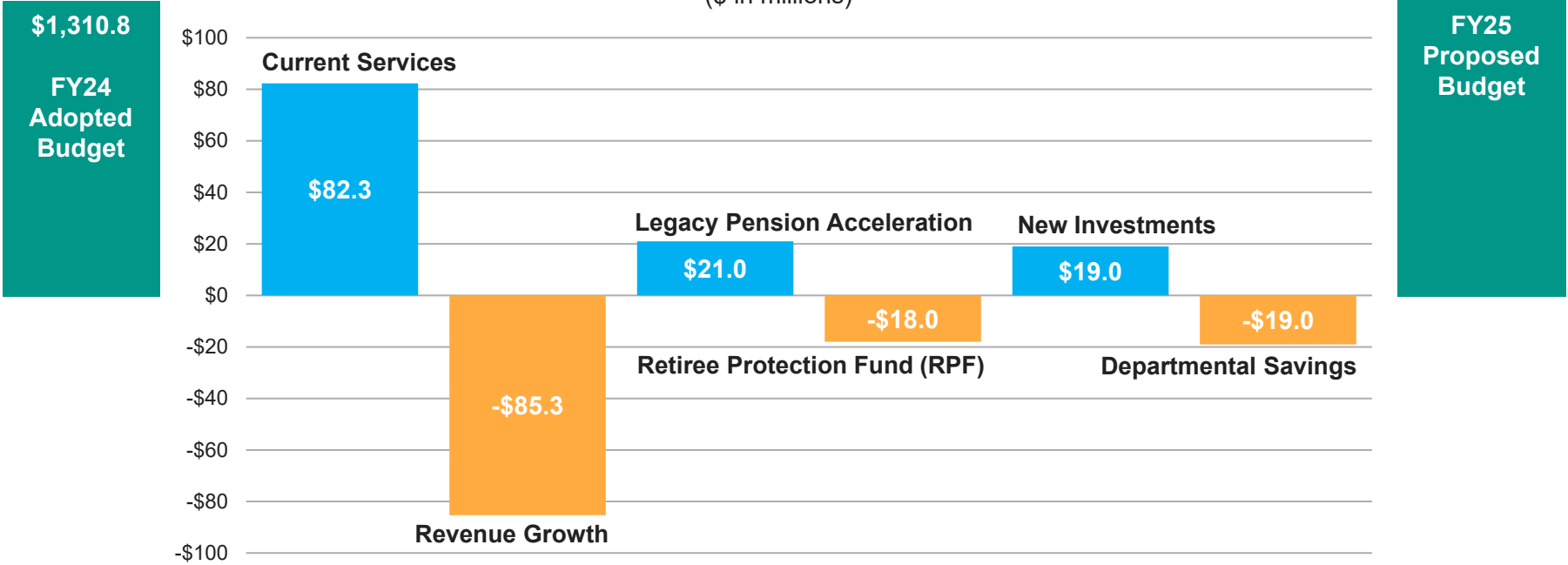
RSQE: February 2024



FY25 General Fund Recurring Budget Crosswalk

New recurring spending is offset by additional revenues, planned use of RPF, and departmental savings.

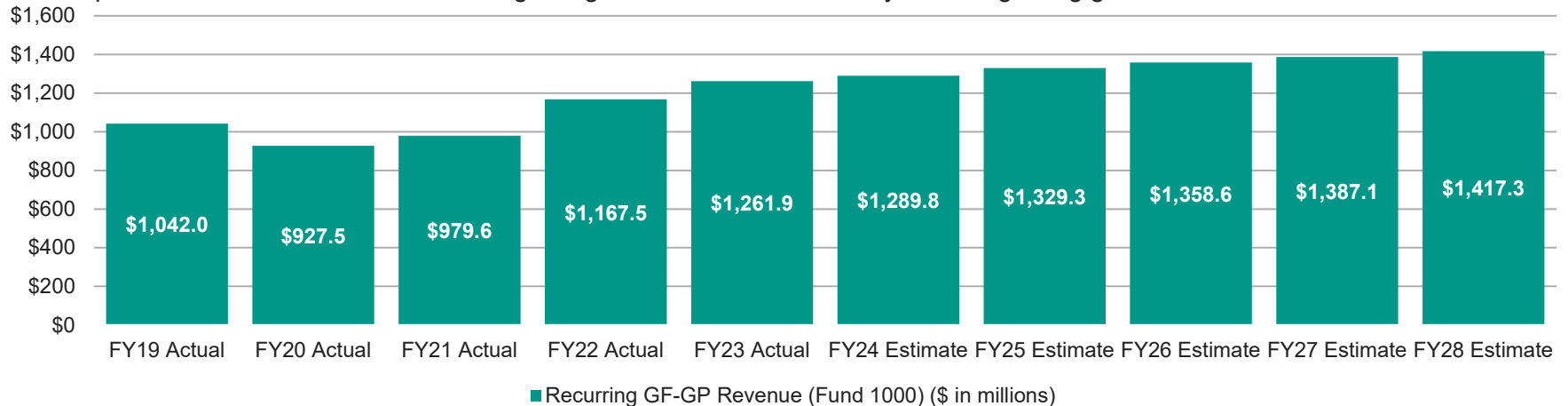
FY25 Proposed General Fund Recurring Budget
(\$ in millions)



Detroit Revenue Estimating Conference

Detroit's revenue outlook is improving, with steady but moderating growth led by income taxes.

- On Feb 12, the [Revenue Estimating Conference](#) approved General Fund recurring revenues at \$1.329 billion for FY25, up \$75.7 million (6%) over the FY24 Adopted Budget and \$39.5 million (3.1%) over revised FY24 estimates.
- Our revenue outlook is improving, with steady growth led by income taxes, which follow our continuing efforts driving economic opportunity and growth for Detroiters. Risks remain, such as high interest rates lasting longer than expected, State budget pressures, and slack in retail casino gaming to the extent not offset by internet gaming growth.



* Difference in budgeted revenues vs. revenue estimating conference due to inter-fund transfers, inter-agency billings, and use of prior year surplus.

Budget Calendar

Budget development is a year-long planning process with multiple points of community engagement.

Sept	Budget Kickoff
Sept	Sept. Revenue Estimating Conference
Oct	Annual Public Budget Meetings
Oct	District Priorities Forums
Nov – Feb	Budget Preparation
Feb	Feb. Revenue Estimating Conference
Mar	Mayor Proposes Budget
Mar – Apr	City Council Budget Hearings
Apr	City Council Adopts Budget
Jul 1	Fiscal Year Begins

The City's fiscal year (FY) runs from July 1 to June 30

FY 2024-2025:

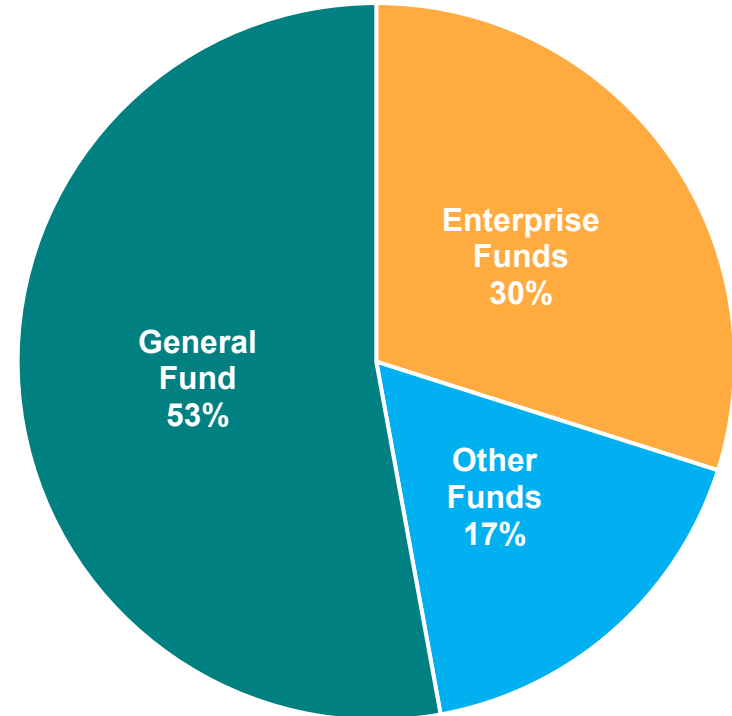
July 1, 2024 to June 30, 2025

 = opportunities for public input

FY25 Proposed Budget – All Funds

Over half the budget is supported by general purpose taxes and other revenues, the rest is for restricted purposes.

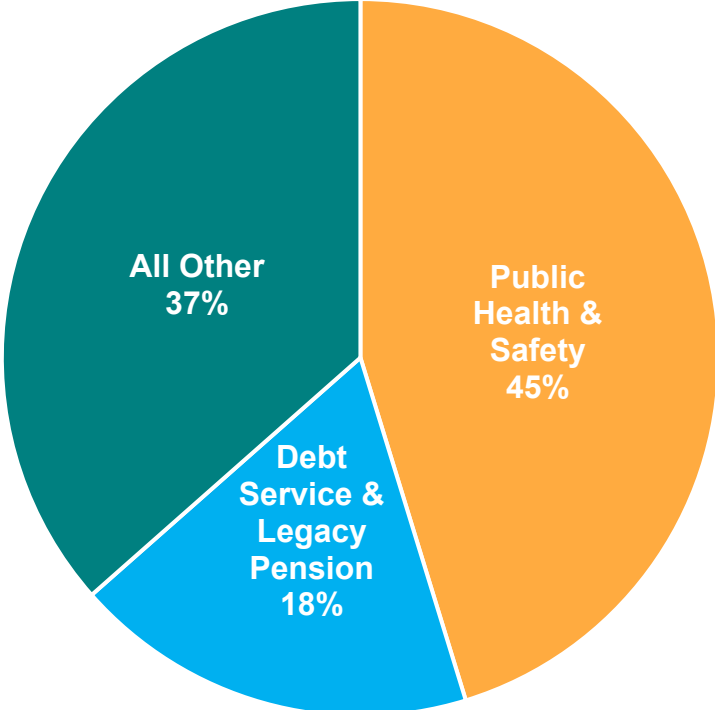
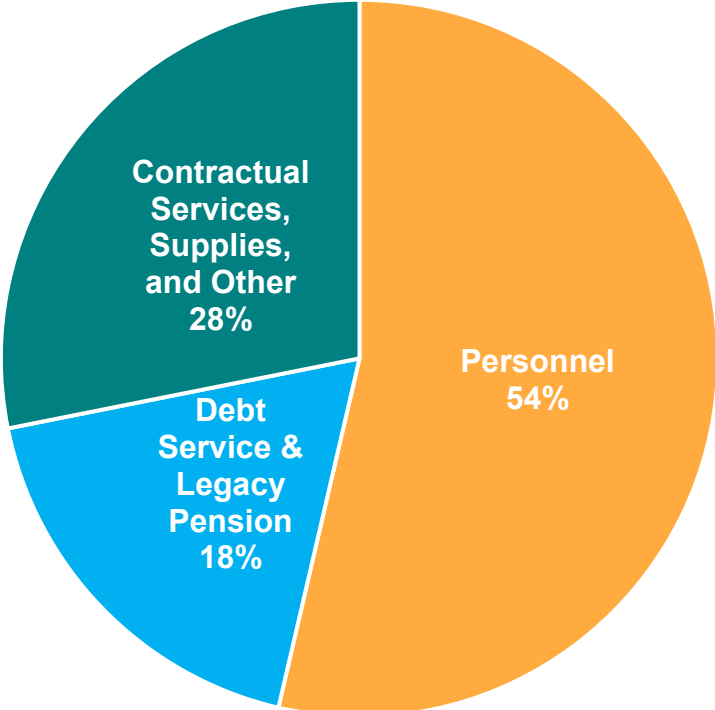
\$ in millions	<u>FY24 Adopted</u>	<u>FY25 Proposed</u>	<u>Change (\$)</u>	<u>Change (%)</u>
General Fund				
Recurring Budget	\$ 1,310.8	\$ 1,414.1	\$ 103.3	7.9%
One-Time Budget	8.7	46.6	37.9	435.6%
Total	\$ 1,319.5	\$ 1,460.7	\$ 141.2	10.7%
Other Funds				
Recurring Budget	\$ 1,252.0	\$ 1,247.5	\$ (4.5)	-0.4%
One-Time Budget	57.1	54.5	(2.6)	-4.6%
Total	\$ 1,309.1	\$ 1,302.0	\$ (7.1)	-0.5%
All Funds				
Recurring Budget	\$ 2,562.8	\$ 2,661.6	\$ 98.8	3.9%
One-Time Budget	65.8	101.1	35.3	53.6%
Total	\$ 2,628.6	\$ 2,762.7	\$ 134.1	5.1%
Total FTE	10,802	11,135	333	3.1%
General Fund	7,233	7,446	213	2.9%
Other Funds	3,569	3,689	120	3.4%



* Difference in budget vs. revenue estimating conference includes inter-fund transfers, inter-agency billings, and use of prior year surplus and Retiree Protection Fund.

FY25 Proposed Budget – General Fund

Over half the General Fund budget supports personnel, and nearly half supports public health and safety.

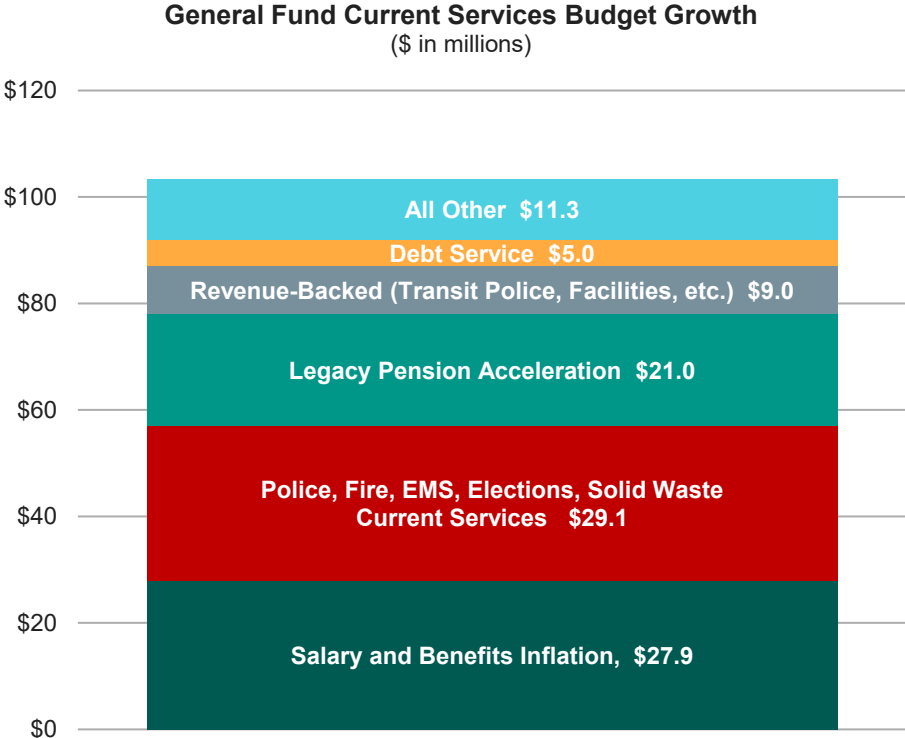


* Public Health & Safety includes Police, Fire/EMS, Court, Public Lighting, Animal Control, and BSEED.



Building the FY25 General Fund Recurring Budget

Our budget follows through on past promises and sustains the growing cost of current City services.



FY25 General Fund Recurring Budget (Fund 1000)
(\$ in millions)

Recurring Revenues	\$ 1,338.9
Retiree Protection Fund Use	75.2
Budget Resources	\$ 1,414.1
FY24 Adopted Budget (recurring)	\$ 1,310.8
Salary and Benefits Inflation	27.9
Legacy Pension Acceleration	21.0
Police Current Service Hiring Trend	11.4
Fire/EMS Current Service Trend	8.0
Solid Waste Fund Support	5.2
Debt Service	5.0
Police Transit Division (revenue backed)	4.8
Facilities Management Consolidation (revenue backed)	4.2
Additional Neighborhood Police Officers/CIT Members	2.4
Elections Prop 2 Implementation	2.1
All Other Current Services Growth	11.3
Current Services Spending	\$ 1,414.1
% growth over prior year base	7.9%
Departmental Savings	(19.0)
Remainder for New Spending	\$ 19.0
% growth over prior year base	1.4%



FY25 Budget Highlights

After funding current services and past promises, the budget prioritizes the following new investments.



DDOT Increase

- \$21.6 million budget increase, including 117 more bus drivers



General Fund recurring budget increases totaling \$19 million (1.4% growth)

- \$10 million for more competitive active employee retirement benefits
- \$5 million for homelessness services to provide safe and stable support for the most vulnerable
- \$2 million increase, for a total of \$7.5 million, for the workforce investments fund to support competitive wages in hard-to-fill City jobs
- \$1 million for Public Lighting Authority repair and response to street light outages
- \$1 million to enhance the City's cybersecurity preparedness and response



FY25 Budget Highlights

One-time surplus allows us to make additional targeted investments without permanent pressure on the budget.



- \$20 million for capital improvements to City facilities, parks, and neighborhood assets
- \$17.5 million for cleanup on freeways, alleys, commercial corridors, and land bank properties
- \$15.1 million for blighted properties ordered demolished
- \$14.1 million for Police overtime to support extra patrol and surge coverage
- \$10 million for a one-time supplemental benefit for legacy retirees
- \$4.5 million for Motor City Match and Grow Detroit's Young Talent
- \$4 million for Elections expanded presidential cycle turnout and Proposal 2 implementation
- \$3.1 million for Fire/EMS overtime to support new recruit transition
- \$2.8 million for the Affordable Housing Development and Preservation Fund, on top of \$350,000 in recurring budget
- \$8 million for various other one-time expenditures



FY25 Proposed Budget – General Fund

Revenues are keeping up with recurring operations, Retiree Protection Fund allows us to phase in legacy pensions.

General Fund-General Purpose Budget (Fund 1000) (\$ in millions)

	FY24 Adopted	FY25 Proposed	Change (\$)	Change (%)
Sources				
Income Tax	\$ 392.8	\$ 433.9	\$ 41.1	10.5%
State Revenue Sharing	224.4	236.7	12.3	5.5%
Wagering Tax	258.1	256.6	(1.5)	-0.6%
Property Tax	137.4	152.9	15.5	11.3%
Utility Users Tax	46.3	43.1	(3.2)	-6.9%
Other Revenues (recurring)	194.6	215.7	21.1	10.8%
Retiree Protection Fund (RPF) Use	57.2	75.2	18.0	31.5%
Other Revenues (one-time)	-	25.2	25.2	-
Budgeted Use of Surplus	8.7	21.4	12.7	1.5
Total Sources	\$ 1,319.5	\$ 1,460.7	\$ 141.2	10.7%
Uses				
Personnel	\$ 721.5	\$ 764.9	\$ 43.4	6.0%
Non-Personnel	226.7	244.6	17.9	7.9%
Legacy Pension Contributions	148.9	169.9	21.0	14.1%
Debt Service	81.5	86.5	5.0	6.1%
Other Expenses	132.2	148.2	16.0	12.1%
One-Time Expenditures	8.7	46.6	37.9	435.6%
Total Uses	\$ 1,319.5	\$ 1,460.7	\$ 141.2	10.7%
Sources Less Uses	-	-	-	-

Use of Prior Year Surplus and One-Time Resources (\$ in millions)

FY23 Prior Year Surplus	\$ 146.0
FY24 and FY25 One-Time Revenue	61.7
FY24 One-Time Lapse	8.3
Total	\$ 216.0
FY24 Proposed Supplemental	
Risk Management	\$ 60.0
Blight and Beautification	20.8
Capital Improvements	34.2
Total	\$ 115.0
FY25 Proposed Budget	
Blight and Beautification	\$ 34.5
Capital Improvements	20.0
Police OT - Extra Patrol and Surge Coverage	14.1
Legacy Retiree Supplemental Benefit	10.0
HRD - Motor City Match and Grow Detroit's Young Talent	4.5
Elections - Presidential Turnout and Prop 2 Transition	4.0
Fire/EMS OT - New Recruit Transition	3.1
HRD - Affordable Housing Development and Preservation Fund	2.8
Other One-Time Expenditures	8.0
Total	\$ 101.0
Combined Total	\$ 216.0



FY25 Four-Year Financial Plan – General Fund

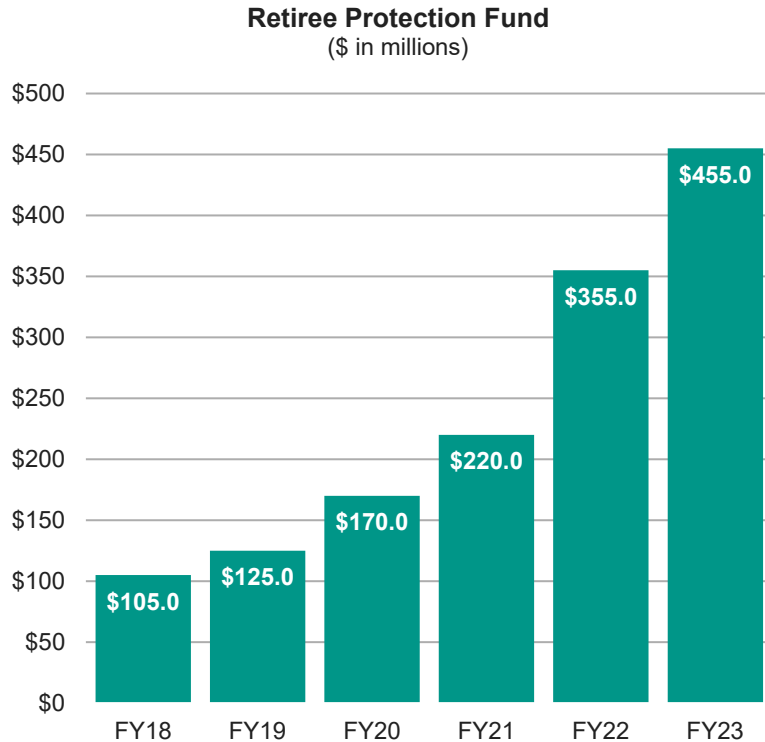
Recurring Spending must be balanced with recurring revenues. Legacy Pension phases in with declining RPF use.

**General Fund-General Purpose Budget
(Fund 1000)
(\$ in millions)**

	<u>FY24 Adopted</u>	<u>FY24 Projected</u>	<u>FY25 Proposed</u>	<u>FY26 Forecast</u>	<u>FY27 Forecast</u>	<u>FY28 Forecast</u>
Sources						
Income Tax	\$ 392.8	\$ 420.1	\$ 433.9	\$ 448.1	\$ 462.7	\$ 478.9
State Revenue Sharing	224.4	232.7	236.7	241.2	245.9	250.7
Wagering Tax	258.1	248.7	256.6	258.7	260.8	262.9
Property Tax	137.4	147.1	152.9	156.7	160.5	164.2
Utility Users Tax	46.3	42.6	43.1	43.7	44.2	44.8
Other Revenues (recurring)	194.6	198.6	215.7	220.9	224.0	227.1
Other Revenues (one-time)	-	36.6	25.2	-	-	-
Retiree Protection Fund (RPF) Use	57.2	79.1	75.2	68.3	61.6	54.8
Budgeted Use of Surplus	8.7	10.1	21.4	-	-	-
Total Sources	\$ 1,319.5	\$ 1,415.6	\$ 1,460.7	\$ 1,437.6	\$ 1,459.7	\$ 1,483.4
Uses						
Personnel	\$ 721.5	\$ 749.5	\$ 764.9	\$ 781.0	\$ 797.3	\$ 817.6
Non-Personnel	226.7	234.5	244.6	247.3	250.7	254.0
Legacy Pension Contributions	148.9	170.8	169.9	166.0	162.3	158.5
Debt Service	81.5	73.3	86.5	88.9	89.0	89.0
Other Expenses	132.2	132.2	148.2	154.4	160.4	164.3
One-Time Expenditures	8.7	10.1	46.6	-	-	-
Total Uses	\$ 1,319.5	\$ 1,370.4	\$ 1,460.7	\$ 1,437.6	\$ 1,459.7	\$ 1,483.4
Sources Less Uses	-	45.2	-	-	-	-
Use for FY24 One-Time Supplemental	-	(44.8)	-	-	-	-
Remaining Projected Surplus	-	0.4	-	-	-	-

Retiree Protection Fund (“RPF”)

In 2017, the City created the RPF to prepare for the coming “pension cliff” and provide a smooth budget transition.

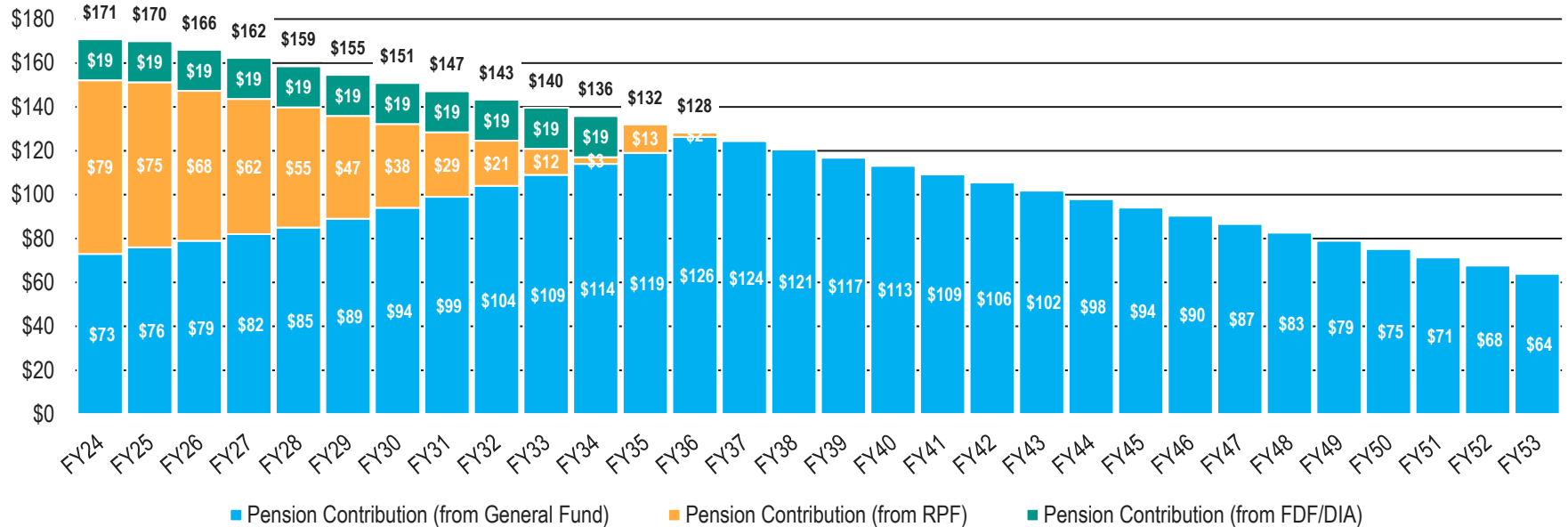


- Plan of Adjustment 10-year pause on legacy pension contributions let us reinvest the surplus to improve City services
- To protect retirees, the Mayor and City Council deposited \$455 million in the RPF, an irrevocable trust fund exclusively for future pension payments
- The RPF strategy has always been two-fold:
 1. Build a pension funding resource to gradually draw down every year beginning in FY24
 2. Gradually build room in the recurring City budget for annual pension contributions before FY24 begins

Legacy Pensions - Accelerated Payment Schedule

Our budget includes the steady ramp up of the General Fund share of the annual pension contribution (blue bars).

General Fund Legacy Pension Contributions
(\$ in millions)



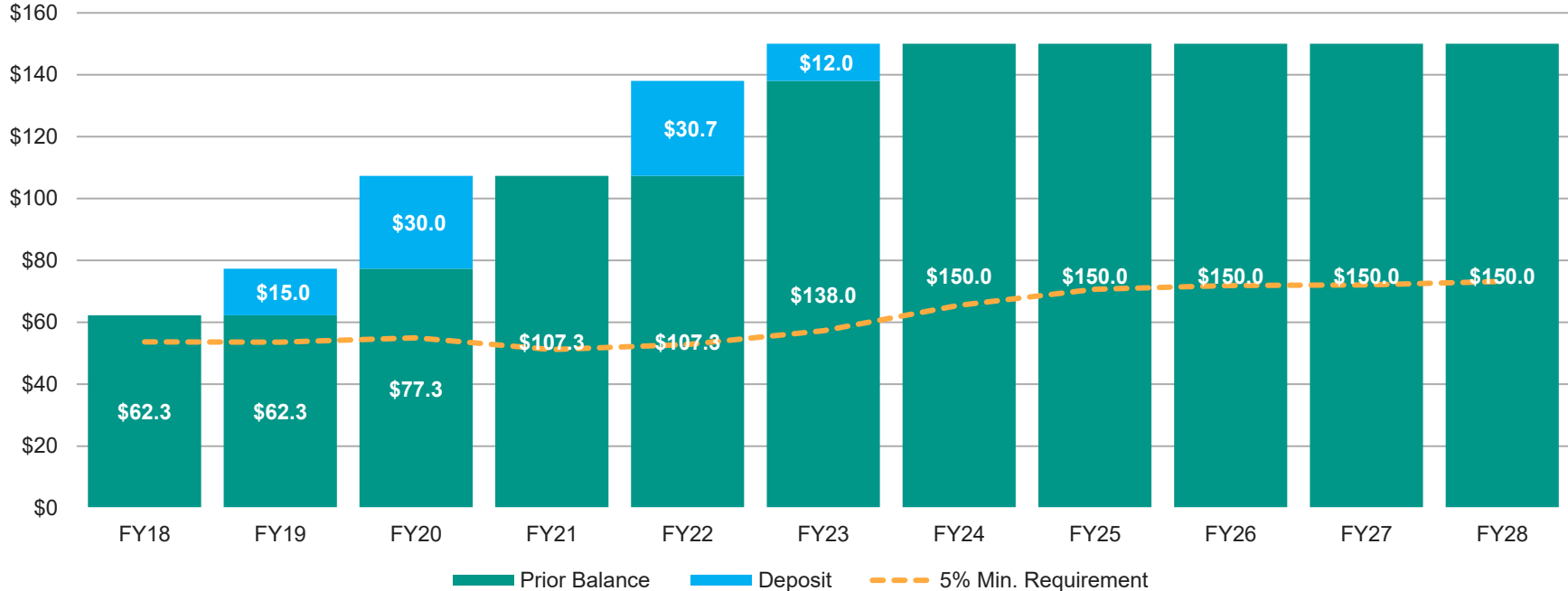
- Projections of annual legacy pension contributions based on FY23 Actuarial Valuations.
- DWSD and Library liabilities and contributions are separate.



Budget Reserve (“Rainy Day Fund”)

The budget maintains our Rainy Day Fund to protect City services and budget against downside risks.

Budget Reserve (Rainy Day Fund)
(\$ in millions)



Proposed FY24 Supplemental and Bond Resolutions

Alongside the FY25 Budget, we are also proposing supplemental funding from surplus and financing.

FY24 Budget

- \$60 million from prior surplus for risk management
- \$55 million from prior year surplus for blight and capital improvements
- \$35.8 million from surplus revenue for current services for Police, Fire/EMS, Facilities, and Law
- \$22 million for legacy pension payment schedule acceleration backed by Retiree Protection Fund

Financing

- \$55 million for vehicle installment purchase agreement to provide ongoing financing for City vehicles
- \$22 million for public lighting bonds previously approved by voters
- \$9.3 million for capital improvement bonds previously approved by voters

