



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE
No. 2018-101-004

SUBJECT: General Fund Budget Reserve
ISSUANCE DATE: February 23, 2018
EFFECTIVE DATE: February 23, 2018

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. State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014, states the City's annual four-year financial plan shall include and comply with the following requirements:
 - 1.2.1. 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.
 - 1.2.2. Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to no less than 5% of the projected expenditures for the fiscal year.

2. OBJECTIVES

- 2.1. To ensure the City has adequate reserves for the continued delivery of mandated and essential City programs and services in the event of an actual or projected budget shortfall in the General Fund.

3. PURPOSE

- 3.1. To establish the City's General Fund Budget Reserve, in accordance with State law.
- 3.2. To provide policies and procedures for funding and utilizing the General Fund Budget Reserve.

4. SCOPE

- 4.1. This Directive applies to the City's General Fund Budget Reserve required by State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014.

5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Budget Director shall be responsible for administration and oversight of the General Fund Budget Reserve and this Directive.
- 5.2. The Deputy CFO- Treasurer shall be custodian of the cash account(s) for the General Fund Budget Reserve, which shall be invested in accordance with the City's investment management policy.

6. POLICY

- 6.1. The General Fund Budget Reserve shall be established and maintained as both a budgetary and cash reserve. Cash shall be segregated in a separate bank account.
- 6.2. Interest earnings on the General Fund Budget Reserve shall not be retained in the General Fund Budget Reserve, unless otherwise appropriated to the General Fund Budget Reserve.
- 6.3. In each year of the adopted four-year financial plan, the General Fund Budget Reserve shall be funded and maintained at no less than 5% of appropriations for ongoing expenditures (the “required reserve level”) for each fiscal year included in the four-year financial plan. Amounts above the required reserve level may be recommended by the Chief Financial Officer (CFO) for consideration during the budget approval process.
- 6.4. Utilization of the General Fund Budget Reserve shall adhere to the procedures outlined in Section 7 of this CFO Directive.
- 6.5. Should the General Fund Budget Reserve be utilized and fall below the required reserve level in any given fiscal year, it shall be replenished to the required reserve level. First from any available surplus in the current year, and thereafter, and in full, from revenues in the first fiscal year of the next adopted four-year financial plan.
- 6.6. The General Fund Budget Reserve shall not be utilized if the budget shortfall can be otherwise addressed, without harming mandated and essential City programs and services, through routine budgetary controls, another budget amendment or transfer, or the line-item veto procedure provided under Section 117.4t(f) of State of Michigan Public Act 279 of 1909, as amended by Public Act 182 of 2014.

7. PROCEDURE

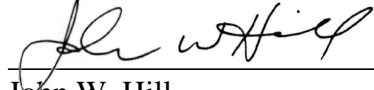
- 7.1. Upon identifying a need to utilize the General Fund Budget Reserve, the Deputy CFO- Budget Director shall submit a report to the CFO that includes the following:
 - 7.1.1. Cause of the need
 - 7.1.2. Rationale for using General Fund Budget Reserve over any other potential solution
 - 7.1.3. The plan for replenishing the reserve
 - 7.1.4. Any other information requested by the CFO
- 7.2. If the CFO agrees with and certifies the report (the “Certified Report”), the CFO shall submit it to the Mayor for consideration.
- 7.3. Upon the Mayor’s approval, the CFO shall submit the Certified Report to the City Council for consideration.
- 7.4. Upon approval by the City Council, the Deputy CFO- Budget Director and Deputy CFO- Treasurer shall take the appropriate actions to utilize the General Fund Budget Reserve and replenish it pursuant to the Certified Report.

8. DEFINITIONS

- 8.1. *Certified Report*: the report prepared by the Deputy CFO- Budget Director and certified by the CFO on why the General Fund Budget Reserve needs to be utilized and the plan for replenishing it.

8.2. *General Fund Budget Reserve*: the City's general fund budget reserve fund established by this Directive and required by State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014.

APPROVED



John W. Hill

Chief Financial Officer, City of Detroit