

OVERVIEW

This section describes the City of Detroit governmental structure, financial procedures, budget development process, and long-term operational and financial policies, and it highlights recommended items in the 2005-06 budget.

GOVERNMENTAL STRUCTURE

Pursuant to the provisions of the State Constitution, Detroit is a home rule city with significant independent powers. In accordance with 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 Charter also provides for an independent City Clerk who serves as Clerk to the Council and Chairperson to the Elections Commission. The Mayor, City Council members and the Clerk are elected every four years. The next regular election for these positions will be in November 2005. There is no limit to the number of terms that may be served by elected officials.

The Charter provides that the voters of the City reserve the power to enact City ordinances by initiative, and to nullify ordinances enacted by the City by referendum. However, these powers do not extend to the budget or any ordinance for the appropriation of money, and the referendum power does not extend to any emergency ordinance. A Charter Revision Commission established by the City electorate in the November 1993 general election, issued recommendations which the City electorate approved in the August 1996 State primary election, to take effect January 1, 1997. Most provisions of the 1974 Charter were carried forward into the new charter. Some

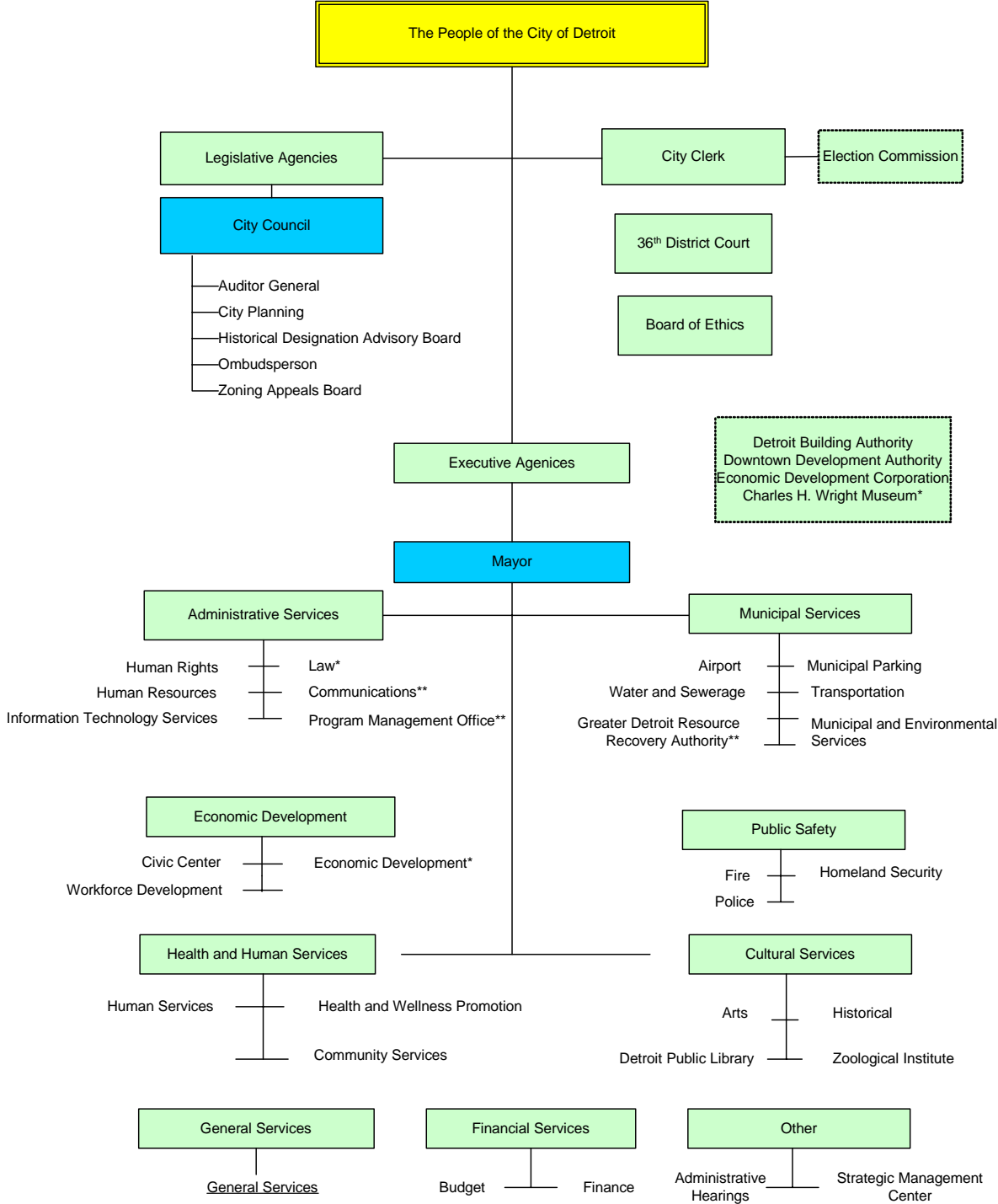
significant changes included establishing a process by which traditional City-provided services may be contracted to non-public entities; a requirement to hold public hearings on budgetary matters prior to the initiation of the Budget process; changes to the appointment process of certain managerial positions; and designation of the Environmental Affairs Department (proposed to become the Municipal & Environmental Services Department) as a Charter-mandated staff department.

The Mayor as chief executive of the City has control of and is accountable for the executive branch of City government. The Charter grants the Mayor broad managerial powers, including appointment of most department directors and deputy directors. The Mayor has an office of staff.

The Charter delegates solely to the executive branch the responsibility for implementation of most programs, services and activities. An Executive Organization Plan (EOP) must be on file setting forth all agencies of the executive branch and assigning authorized programs, services and activities to each, including the six staff departments (in Article 6), six operating departments and a variety of other specified functions (in Article 7). The Mayor initiates changes to the EOP through an amendment process.

The proposed FY 2005-06 EOP calls for 26 operating and staff departments, including: Police, Fire (including emergency medical service), Municipal and Environmental Services (formerly Environmental Affairs, Public Lighting and Public Works Departments), Health and Wellness Promotion, Community Services (formerly

Organizational Chart of the City of Detroit, proposed for FY 2005-06



* Charter-mandated staff department
 ** Does not have departmental status

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Recreation and Senior Citizens Departments), Transportation, and Water and Sewerage. Water and Sewerage Department policies are set by a Board of Commissioners. Early in 2000, a judge appointed the Mayor Special Administrator of the Wastewater Treatment Plant to prevent recurrent environmental noncompliance, and this oversight is in place indefinitely.

The City administers a number of social assistance programs through its Human Services, Workforce Development and Community Services Departments. Generally, these programs are funded from the Federal or State of Michigan grants or from funds received from the private sector.

There are also five independent agencies with service delivery responsibilities in the EOP and four local authorities with a direct financial relationship to the City.

Financial operations of the City are carried out through the appointed positions of Finance Director and Budget Director. The Finance Director is the Chief Financial Officer of the City overseeing most financial functions of the City, including coordinating financial activities, collecting and disbursing funds, directing accounting procedures, purchasing goods and services and the assessing of property in the City. The Budget Director is responsible for the development of program and service objectives, controlling and supervising the expenditure of funds, long term financial planning, and for assisting the Mayor in the preparation of the City's annual budget and long-term capital agenda.

The City Council, composed of nine members elected at large for 4-year terms, is the City's legislative body. The City Council has the power to override the Mayor's veto

with a two-thirds majority of its members. Agencies that aid the City Council in its duties are described below.

The Auditor General is appointed for a term of 10 years by a majority of City Council members serving and may be removed for cause by a two-thirds majority. Any person who has held the position of Auditor General is not eligible for reappointment. By Charter, the major duty of the Auditor General is to audit the financial transactions of all City agencies; however since 1980 the City has retained independent accounting firms to perform that function. State law requires annual audits, although by Charter, internal audits are required only every 2 years. The Auditor General may investigate the administration and operation of any City agency and prepares various reports including an annual analysis for the City Council of the Mayor's proposed budget.

The Ombudsperson is appointed for a term of 10 years by a two-thirds majority of City Council members for the purpose of investigating any official act of any agency (except elected officers) which aggrieves any person.

The City Planning Commission, consisting of nine members appointed by the City Council for 3-year terms, advises the City Council on such matters as the annual capital budget, certain development or renewal projects and proposals for the demolition, disposition or relinquishment of, or encroachment upon, public real property or public interests in real property.

The City is responsible for the financial and administrative affairs relating to the 36th District Court, Michigan's largest limited jurisdiction court, handling over 400,000 criminal, traffic, civil and parking cases filed

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in the City each year.

Local School Boards are separate local jurisdictions in Michigan. In 1999, State legislation gave the Mayor of Detroit the responsibility of appointing six of the seven members of the Detroit School Board (the “Reform Board”). The Mayor had the authority to appoint the seventh member starting in 2004, until residents voted to remove the Reform Board in November 2004. The district will again be governed by an elected school board and new elections will be held.

In 2001, the City Administration notified City Council of its intention that the Detroit Housing Commission would begin acting as a public body pursuant to State law, effective September 21, 2001.

FINANCIAL PROCEDURES

The City’s accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City conform to generally accepted accounting principals (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Boards (GASB). Each department and agency receives financial information along appropriation, organization, program and project lines, but in an integrated environment. This information is used to allocate financial resources and to control actual expenditures in relation to the amended budget. In addition, historical information from these reports can be used for analysis and preparation of the annual financial report.

The City utilizes the Detroit Resource Management System (DRMS) to record and process financial information. For example,

DRMS is now being used to conduct business for all of the City’s “core” financials (purchasing, accounts payable, accounts receivable and general ledger), as well as to track applicants for employment and for budget processes.

Basis of Accounting

The City’s financial statements are prepared in conformity with generally accepted accounting principles. “Basis of accounting” refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Except for the City’s Enterprise Funds and Pension Funds (which are accounted for on the accrual basis), the City’s funds and accounts are maintained and reported on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property

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taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The city also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Basis of Budgeting

The Budget is prepared on essentially the same principles as the accounting system. The General Fund is budgeted on a modified accrual basis and enterprise funds on the accrual basis. The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis); 2) compensated absences (accrued but unused leave) are not reflected in the budget; 3) depreciation expense is not included in the budget basis. The Charter requires that the Budget is based on Programs, and budget appropriations for the most part reflect programs except that overhead costs of activities are not apportioned in allocations.

Fund Balance

The fund balances of the General, Special Revenue and Capital Projects Funds have been classified to reflect certain limitations and restrictions. Reserves for Inventories are equal to the amount of the inventories and

signify that such assets are not presently available for appropriation and expenditure. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside, within each respective fund balance, an amount equal to the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the budget is increased by an amount sufficient to cover the unliquidated encumbrances and these encumbrances are reinstated. Unliquidated appropriations represent amounts appropriated for liquidation of encumbrances and for other commitments not liquidated by year-end and carried forward to the succeeding year's budget. Any remaining balance constitutes an unappropriated surplus. In accordance with a City ordinance, one-half of any unappropriated surplus is transferred to a Budget Stabilization Fund with the balance being available for other appropriations in the following fiscal year. Any unappropriated deficit is funded in the succeeding fiscal year.

The Budget reflects half of this General Fund balance as a prior year surplus (revenue in the Non-Departmental budget) or deficit (appropriation in the Non-Departmental budget). All other Funds do not include a Prior Year Fund Balance.

Budget Stabilization Fund - In 1978, the State Legislature authorized municipalities to establish budget stabilization funds for the purpose of providing a method to stabilize financial operations, especially during cyclical economic periods. In 1979, the City, by ordinance, established the Budget Stabilization Fund to cover General Fund deficits, to restore reduction in the number of employees and to cover expenses arising because of a natural disaster. One-half of the General Fund surplus is to be appropriated to

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this fund in the fiscal year following the year that a surplus is experienced, up to the lesser of either 15% of the City's most recent General Fund budget or 15% of the average of the City's five most recent General Fund Budgets. As of June 30, 2004, the Budget Stabilization Fund had a balance of \$0.

This fund is not reflected in the Budget.

GASB 34 Activities

Government Accounting Standards Board Statement #34 establishes new requirements for the annual financial reports of state and local governments. The City has taken steps to improve the descriptiveness and usefulness of its base financial information, and prepared the June 30, 2004 CAFR using the new financial reporting requirements as prescribed by GASB statement 34.

BUDGET PROCESS AND CONTENT

The general content and the process of developing the City's annual budget are prescribed by the City Charter. The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included. The City estimates a prior year surplus or deficit for the General Fund, which reflects the ending financial position for the prior year (the "fund balance"). Any deficit during the preceding year is entered into the budget for the next fiscal year as an appropriation in accordance with the City Charter. One-half of any surplus is credited to the Budget Stabilization Fund with the remainder being included as a revenue in the following year. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is "balanced".

Budget Development Calendar

The City Charter, since its 1997 revision, requires before November 1 of each year and prior to submitting a proposed annual budget (by December 8), that the departments of Police, Fire, Public Works, Water and Sewerage, Recreation, Health and Wellness Promotion, and Public Lighting conduct a public meeting to review programs, services and activities to be included in the budget and to receive public comment. A general summary of these departments' programs, services and activities funded in the current fiscal year, along with the date, time and place of the meeting, must be published in a daily newspaper of general circulation at least ten days before the meeting.

Budget staff organizes the meetings every October with different community partners as hosts (for all departments except Water and Sewerage, which holds its own public meetings). Budget staff also meets with high school classes, and administers an annual *Survey of Citizen City Service Priorities* from September 1–November 1. The survey is distributed to block clubs and community organizations and throughout city facilities, and can be completed on the city website.

[See the "Community Profile" in the Appendix for findings from this process.]

The initial budget, which includes all department estimates of revenues and expenditures required for the fiscal year beginning July 1, is submitted to the Mayor by the Budget Department on or before the preceding February 22. The Mayor may revise the budget prior to submitting it to the City Council on or before April 12, the date established by City ordinance.

Prior to approval of the budget, the Auditor

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General prepares an analysis of the proposed budget, and City Council holds hearings with various agency heads and a public hearing. The City Council may amend the budget as presented by the Mayor, on or before May 24. Any Mayoral veto of City Council amendments may be overridden by a two-thirds vote of the City Council members. The City Council's reconsideration of the budget must be completed within the longer 3 calendar days or 2 business days following the maximum return date of the budget by the Mayor and any Mayoral veto.

Budget Adoption

The adoption of the budget provides for: 1) appropriations of specified amounts from funds indicated, 2) a specified levy of the property tax, and 3) provision for the issuance of bonds specified in the capital program. The budget document as adopted becomes the basis for establishing revenues and expenditures for the fiscal year following the fiscal year of passage.

Appropriations - The Charter requires that appropriations be made in lump sums to the agencies for specific programs, services or activities or to additional classifications as the Mayor may recommend. Within an appropriation, the Mayor is given the

responsibility of allocating financial resources to labor, equipment, supplies and materials in a manner which appears most suitable and economical in a given situation. However, the accounts of each agency are maintained in such detail as required by generally accepted standards of financial reporting.

Budget Revisions

The appropriation for every function of each City department is a fixed expenditure and may not exceed the original appropriated level without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available for appropriation revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. The Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services or activities within an agency or from one agency to another.

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BUDGET CALENDAR FOR FISCAL YEAR 2005-2006 BUDGET

The *VARIOUS OFFICERS, DEPARTMENTS, COMMISSIONS AND BOARDS* shall complete their estimates of requirements for each activity during the ensuing fiscal year. On or before Wednesday, December 8, 2004

The *BUDGET DIRECTOR* shall make up and transmit to the Mayor a tabulation of such estimates. On or before Tuesday, February 22, 2005

The *MAYOR* shall consider the budget and may revise or alter same, to be completed and returned by him to the Budget Director for tabulation. On or before Tuesday, March 29, 2005

The *BUDGET DIRECTOR* shall retabulate the revision and the *MAYOR* shall transmit the revised budget to the City Council. On or before Tuesday, April 12, 2005

The *CITY COUNCIL* shall consider the budget transmitted by the Mayor and may revise, alter, increase or decrease, to be completed. On or before *Tuesday, May 24, 2005

The *CITY CLERK* shall retabulate the budget as revised by the Council and transmit it to the Mayor for his approval or rejection. On or before Friday, May 27, 2005

The *MAYOR* shall return the budget to the City Council with his approval, or if he shall disapprove the whole or any items therein, with a statement of his reasons therefore. On or before Thursday, June 2, 2005

The *CITY COUNCIL* shall act upon any item or items that shall have been disapproved by the Mayor. On or before *Monday, June 6, 2005

After the *MAYOR* shall have approved the budget, or the *CITY COUNCIL* shall have acted upon any part or item thereof which shall have been disapproved, the *FINANCE DIRECTOR* shall make an itemized statement of the amount to be raised by taxation, and a similar statement for the issue of bonds. On or before *Monday, June 13, 2005

Begin City operations under the control of the 2005-06 Budget Friday, July 1, 2005

*Calendar dates that require scheduling of a formal session of CITY COUNCIL.

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Fiscal Year 2005-06 Budget Goals and Budget Guidelines

The 2005-06 Recommended Budget is based on realistic revenue and expenditure assumptions. When the Budget process began, a major budget gap had to be addressed due to additional costs and revenue shortfalls including:

- ❖ Continuing decline in income tax collections.
- ❖ Decreasing State Revenue Sharing funds.
- ❖ Increased pension and medical costs.

To deal with this situation, constraints were imposed on departments, including:

- ❖ Departmental requests for 2005-06 lower than the 2004-05 "Net Tax Total". Essentially, covering inflation by reducing operations and increasing efficiencies. Departments that typically receive subsidies from the General Fund were to have a reduction in that amount.
- ❖ No 2005-06 requests which increase the number of positions over the number approved for 2004-05.
- ❖ Limited requests for travel and training, only if grant funding is available.

Departments were given a number of standardized assumptions for use in preparing their requests, such as:

- ❖ Utility costs same as in 2004-05 budget, except for water (107.8%) and sewerage (116.2%)
- ❖ Supply costs to reflect a general 2% inflation rate, unless other specific information was available.
- ❖ High priority on new and increased revenues, particularly fees and user charges. Special emphasis was given to reviewing fee schedules to insure that fees and charges for service reflect the value of the service and the City cost of providing the service.

- ❖ Salary and Wages based on current negotiated rates listed in Labor Relations' Gold Book, and special pay rate requests per separate considerations by Labor Relations.
- ❖ Fringe and pension costs per a schedule.
- ❖ Automotive Equipment per a prescribed replacement schedule, requested in a five-year horizon through the Vehicle Management Steering Committee unless grant or enterprise funded.
- ❖ Coleman A. Young Municipal Center rental rate
- ❖ Technology costs per a schedule

The budget was prepared using the BRASS software. The Budget Department held a series of training workshops in September and October 2004 for each department to electronically submit their budget requests. The Budget Department also held the annual Budget Request Seminar for departments on October 12, 2004 to explain the budget development process and to provide special technical assistance to Departments.

Recommended 2005-2006 Budget Items

The following are major items and programs included in the 2005-2006 Mayor's Recommended Budget.

INFRASTRUCTURE

- ❖ **People Mover (DTC)** – \$10 million for Mid-Life overhaul of 12 vehicles and for station escalators and elevators.
- ❖ **DIA Bonds** – \$4.8 million for expansion-related improvements.
- ❖ **Homeland Security** – \$2.6 million for an Emergency Operations Center.
- ❖ **Municipal and Environmental Services** – \$2 million in bonds for the Intelligent Transportation System project.
- ❖ **Economic Development** – \$1 million for Brush Park Redevelopment project.

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- ❖ **Historical** – \$281,000 in capital reinvestment for acquisitions.
- ❖ **C.H. Wright Museum of African American History** – \$200,000 in capital reinvestment for facility improvements
- ❖ **Fire** – \$109,000 in capital reinvestment for electrical generators

FISCAL RESPONSIBILITY ITEMS

- ❖ **10% Salary Reductions** – for all staff; union employees will have 26 days off without pay.
- ❖ **754 Layoffs** –12% of all Manager-level positions cut vs. 10.5% of all positions cut citywide since 2004-05 budget.
- ❖ **Take Home Vehicles** – Elimination of 62 General Assigned Vehicles that had take-home privileges associated; these vehicles, 43 Executive vehicles, and 100 Police General Assigned vehicles will be sold at auction (\$1.3 million) and replaced by stipends (\$500,000).
- ❖ No appropriations in the Internal Service Fund for General Fund vehicle fleet replacement.
- ❖ **Renegotiation of employee health care benefit** – \$47 million anticipated savings.
- ❖ **Buildings and Safety Engineering Department** economies – No General fund subsidy again in 2005-06; assumes lead in fire safety inspections from the Fire Marshal Division of Fire Department, where 9 inspector positions are reduced.
- ❖ **Demolition program** – \$9 million in block grant funds recommended for the Demolition Program, down from \$10.5 million in 2004-05.

MAYORAL INITIATIVES

- ❖ **New revenues (\$15 million)** – 2% tax on fast food and a new property transfer tax applying \$500 to each sale of property in the city.
- ❖ **Consolidation of DPW and PLD into Environmental Affairs as the Municipal and Environmental Services Department** – will increase efficiencies in future years as administrative and support functions are streamlined.
- ❖ **Consolidation of all agency security services** under Office of Homeland Security, as a \$3.1 million operation with a more strategic and standardized approach to all municipal facilities and the city borders.
- ❖ **Transfer of Consumer Affairs functions** – proposed for the 3rd consecutive year: Consumer Advocacy with Senior Citizens Advocacy to the proposed Community Services Department; Business License Center to Building and Safety Engineering Department; Weights and Measures regulation to the Police Department Traffic Engineering Section.
- ❖ **Transfer of the functions of the Department of Culture, Arts & Tourism** – Eastern Market and arts grants management, to the Community Services Department; the Film Office, to the Communication Department.
- ❖ **Recreation and Senior Citizens Departments, Human Services' Youth Advocacy grant program all merge into Community Services Department** – will improve the focus on core programs and outreach; parks and equipment maintenance will be transferred to new General Services Department.

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- ❖ **Consolidation of CCSD and Cable Commission into the new Communications Department** – Enhanced and coordinated communication function by combining publicist film office with cable functions.
- ❖ **New General Services Department** – centralizes facilities and grounds management functions from various city agencies, park maintenance from Recreation, and fleet management and the 311 Call Center from DPW, in order to achieve efficiencies and allow agencies to focus on their core businesses.
- ❖ **Business process redesign** – creation of a new central mail room in ITS to achieve savings in postage costs across the city; centralization of document production crew from CCSD to ITS to increase efficiency for agencies; elimination of DPW's bulk pickup during slow months (November, December, February, March), based on a best practices study.
- ❖ **Reduction of subsidies to agencies that will be spun-off to others' control** – assumes that increased support from nonprofit support Societies will help eliminate the need for General Fund subsidies to Historical Department (\$1.6 million) and the Zoological Institute (\$1.5 million); assumes that a new regional authority will assume costs of Cobo convention center (\$6 million reduction in appropriations) and that DARTA will assume costs of operating the Department of Transportation bus system (saving \$10 million in appropriations).
- ❖ **Department of Health and Wellness Promotion partnerships to carry out environmental health services** – creation of an intergovernmental agreement with Wayne County to enforce food sanitation standards, including

issuing violations and approving restaurant licenses (net savings of \$1.8 million); creation of a memorandum of agreement with the Michigan Humane Society for the collection of stray animals (net savings of \$640,000).

- ❖ **Transformation of Airport operations under a leasing agent** – \$2.6 million subsidy eliminated due to incentives for agent who will manage operations.
- ❖ **Human Rights Department** – refocused on its core mission of investigating human rights complaints; contract compliance function transferred to Program Management Office which will be merged with DRMS staffing.
- ❖ **The Head Start/Early Head Start Program** is expected to increase \$1 million in federal grants, to \$54.8 million.
- ❖ **Detroit Workforce Development Department** – recommendation increases \$15.5 million over the 2004-05 budget, to \$59 million, based upon the state and federal government allocation.
- ❖ **The Community Development Block Grant** – recommendation of \$48.3 million, including \$16.1 million for the public service category.

LONG-TERM OPERATIONAL POLICY OF THE CITY

In 1995 the City began a shift to results-oriented program management. A citywide vision, mission and cornerstone goals were stated, to direct agency-level operational goal and objective setting. Agency operating goals are linked to citywide functions, as expressed in 8 program categories.

A number of self-study techniques were subsequently introduced as tools to clarify and prioritize agency service objectives. The Kilpatrick Administration has continued this

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effort, embracing long-term operational and financial policies that were developed, and developing a new vision for the Administrative arrangement of the Executive Branch.

Operational Planning and Goals

In 1995, the City began using a “Continuous Improvement Process” to optimize resources based on customer demand. In 1999, city services were benchmarked in a Detroit Renaissance assessment, and Labor-Management Quality Teams in six departments studied core processes. The Detroit Renaissance study identified major areas of opportunity in eleven agencies, as well as ten activities currently performed well by the City. Labor-Management Quality Teams convened employees from all levels: Finance (purchasing and accounts payable), Fire (emergency medical service response time), Transportation (coach maintenance), Recreation (park maintenance), Buildings and Safety Engineering (code enforcement procedures and residential permitting); and the Detroit Zoological Institute.

In 2002, Mayor Kilpatrick convened the Committee on Operational and Financial Re-engineering, a broad-based group charged with reducing costs, eliminating redundant processes, and streamlining city operations. This group made several recommendations that were implemented in 2003-04.

Operational planning has occurred in each department, using these studies and the participation of all levels of employees to build departmental goals, measures, and targets. Performance indicators have been attached to major measurable service components for tracking. The resulting plans were updated as part of the CitiTrak system of performance management rolled out in

January of 2003.

In 2004, these measures were sorted by type, in the interests of developing more complete performance management tools. The types of performance measures are:

- ◆ Inputs – resources allocated or service demands made of a program
- ◆ Outputs – units of activity directed toward program goals
- ◆ Outcomes – results or impacts of program activities
- ◆ Efficiencies – program costs related to units of activity

The Executive Budget presents these performance measures along with narrative descriptions of agency activities, initiatives and plans. The “Planning for the Future” section for each agency describes its 3 - 5 year outlook. This section, developed under the strategic directions initiative in 1999, anticipates changes in agency operating environments (accounting for governmental mandates, trends and program initiatives). The agency assessment produced staff, equipment and other proposals.

Citizen input is also factored into operational planning. Since 1997, the City has administered a *Survey of Citizen City Service Priorities* in conjunction with the annual public budget meetings. The findings advise the proposals of major General Fund departments (Police, Fire, PLD, Health, DPW and Recreation), and are available every Fall on the City of Detroit website. [See “Community Profile” in the Appendix.]

In January 2005, the Mayor convened the Detroit Economic Forum at Wayne State University. Nationally recognized economists and policy experts engaged in discussion

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with local officials and leaders, focusing on the City's historic, current and projected fiscal situation and how other major cities in the country are addressing fiscal challenges. A report of findings and policy options resulted.

In February 2005, the City convened additional meetings to explain the City's fiscal crisis to the public.

The guiding principles used by the City for operational policy decisions are:

- ❖ Standard of efficiency and effectiveness in service delivery
 - A committee of business and labor leaders recommended ways to reduce expenses, eliminate redundant processes and streamline operations.
 - A capital committee reviewed substantial city contracts for cost effectiveness and some citywide contract consolidations have resulted.
 - CitiTrak system for major field departments to promote management accountability by monitoring performance measurement.
- ❖ Practice of priority-setting to guide resource allocations

- The Kilpatrick Administration priorities are "Kids, Cops and Clean."
- Ten community areas defined in a community planning process have begun to guide field services by better targeting neighborhood needs and coordinating city services

❖ Commitment to city service

- laying out process for vehicles, facilities, technology, and other resource planning
- Strategic Management Center conceptualization of City's organizational chart

City of Detroit Vision Statement

Because of the continued commitment to "Kids, Cops and Clean," Detroit is a vibrant, clean city where families have access to new opportunities, technological innovation, and dwell within safe, strong and smart communities. The core values of City government are: courage, integrity and accountability.

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OPERATIONAL POLICY AND GOALS:

Current City functions will continue to determine agency operating goals in FY 2005-06.

1. PROTECT INDIVIDUALS AND PROPERTY IN DETROIT
PREVENT AND CONTROL CRIME through Police Department precinct operations, specialized investigative and narcotics services, and the science and technology bureau
ENFORCE TRAFFIC LAWS AND ORDINANCES The Business License Center provides consumer safety protections The Weights and Measures operation enforces truck safety The 36 th District Court handles small claims, misdemeanor crimes and preliminary felony exams in Detroit
PREVENT AND CONTROL FIRE through response to fire calls, and public education and investigation
PREPARE FOR WIDE-SCALE, HAZARDOUS COMMUNITY EMERGENCIES The Fire Department operates ambulance services and emergency management response capability The Office of Homeland Security coordinates resources around securing Detroit's and Municipal facilities borders
2. MAINTAIN AND IMPROVE THE HEALTH OF DETROITERS
DELIVER PREVENTIVE HEALTH SERVICES Health programs include nutrition; prenatal care; vision, hearing and lead testing; and substance abuse coordination The Human Service Department's Head Start, Early Head Start and youth programs are preventive by design
DELIVER SERVICES THAT SUPPORT FAMILY AND NEIGHBORHOOD WELL-BEING 4 family Health Centers and inspection and licensing of pools, and environmental health hazards Human Services programs include weatherization, energy aid, drug treatment, homeless and other emergency needs
SUPPORT THE HEALTH CARE SYSTEM with Health Department leadership and clinical technical services
3. PROVIDE RECREATIONAL AND CULTURAL OPPORTUNITIES IN DETROIT
PROVIDE RECREATIONAL FACILITIES AND ACTIVITIES THROUGHOUT DETROIT Recreation Centers, athletic leagues and other special events are available throughout Detroit.
PROMOTE CULTURAL EVENTS AND FACILITIES IN DETROIT The City owns the Detroit Institute of Arts and subsidizes its capital improvements. The Community Services Department manages Eastern Market The Detroit Historical Museum, Dossin Museum, and Fort Wayne are cultural attractions The Zoological Institute operates the main Zoo and the planned Belle Isle Nature Zoo
CONTRIBUTE TO THE EDUCATION OF DETROITERS Communication Department offers public affairs programming and regulates the cable franchise The Detroit Public Library operates a branch library system and special central collections
4. DEVELOP ECONOMIC CAPACITY IN DETROIT
SUPPORT AN ATTRACTIVE CIVIC CENTER through the operation of the Cobo Hall and related facilities
PROVIDE INDUSTRIAL AND COMMERCIAL ASSISTANCE The Detroit Building Authority (DBA) oversees capital improvements for city facilities Economic Department works with developers and offers targeted infrastructure support
PROVIDE JOB OPPORTUNITIES FOR DETROITERS The Human Rights Department monitors discriminatory barriers to employment and entrepreneurial development
PROVIDE PROFESSIONAL ENRICHMENT OPPORTUNITIES FOR DETROITERS The Detroit Workforce Development Department administers targeted federal job training programs
5. FACILITATE TRANSPORTATION IN DETROIT
MAINTAIN PASSABILITY OF STREETS through design, street improvements, and snow and ice removal
OFFER MASS TRANSIT through the Department of Transportation bus system and services to special populations
OFFER AN AIR TRANSPORTATION OPTION at Detroit City Airport
MAINTAIN AND MONITOR PARKING FACILITIES through the Municipal Parking Department

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6. PROTECT THE SUPPLY AND CONDITIONS OF BUILDING IN DETROIT
ENFORCE BUILDING AND SAFETY CODES through the inspection activities of Buildings & Safety Engineering
REDEVELOP COMMUNITIES through Economic & Development's Neighborhood Development Division
7. IMPROVE THE PHYSICAL ENVIRONMENT OF DETROIT
HANDLE SOLID WASTE EFFECTIVELY Solid Waste collection occurs through refuse and bulk waste collection operations The Greater Detroit Resource Recovery Authority operates the incinerator with the City as its largest customer
REGULATE THE ENVIRONMENTAL ASPECTS OF LAND USE The Municipal and Environmental Services Department enforces environmental compliance and promotes brownfield cleanup The Department of Administrative Hearings will adjudicate blight violations The Zoning Appeals Board rules on citizen appeals of land use determinations
OFFER STREET LIGHTING through the Power and Lighting Division of the Municipal and Environmental Services Department
BEAUTIFY COMMUNITIES Municipal and Environmental Services Street Cleaning program maintains the appearance of all city streets The Office of Neighborhood Commercial Redevelopment works with communities according to larger city plans
ENVIRONMENTAL PROTECTION Municipal and Environmental Services Department staff clean up vacant lots through grass cutting and debris removal
PROVIDE HEALTHY WATER SUPPLY AND SEWAGE DISPOSAL through the Water & Sewerage Department
DEMOLISH DANGEROUS BUILDINGS through the Demolition Division of Buildings & Safety Engineering
8. CONTINUOUSLY IMPROVE MANAGEMENT OF PUBLIC SERVICES
PROVIDE EXECUTIVE LEADERSHIP TO CITY AGENCIES The Human Resources Department recruits, selects, develops and guides the management of personnel The Law Department is the Corporation Counsel for all municipal affairs The Mayor's Executive Office directs administration, operations, development, and fiscal affairs The Program Management Office and Strategic Management Center are independent support agencies Economic Development prepares the City's Master Plan
MANAGE THE INFRASTRUCTURE OF CITY AGENCIES The General Services Department manages building and grounds maintenance, vehicle assignment and service Information Technology Services Department supports all personal, network and specialized technology needs
MONITOR FIDUCIARY TRANSACTIONS EFFECTIVELY The Budget Department plans and monitors programs and projects in the annual operating and capital budgets The Finance Department, including Bond Interest and Redemption, processes payments, makes cash available, and accounts for City transactions The Auditor General monitors the internal controls of agencies and of city fiscal management systems
OFFER COMMUNITY EXTENSION SERVICES Consumer Advocacy includes complaint mediation and public education about business practices Ten Mayor's Neighborhood City Halls throughout the city, offer a variety of city services and information After School Programs offer youth a place for enrichment activities The Community Services Department advocates for seniors and youth The Detroit City Council is supported by the City Plan Commission, an advisory planning organization The City Ombudsperson investigates citizens complaints with city services
DEVELOP AND REPRESENT PUBLIC POLICY The City has a Legislative Liaison to the State of Michigan executive and legislature The Board of Ethics recommends improvements in employee or agency standards of conduct The Detroit City Council is charged with the Legislative function of the City The Detroit City Clerk keeps the official record for city affairs The Elections Commission conducts local elections in accordance with State law
MAKE TARGETED CONTRIBUTIONS AND SUBSIDIES for important public services

OVERVIEW

- ❖ Commitment to city service planning
 - laying out processes for vehicles, facilities, and other resource planning
 - longer-term decision making horizons
 - collaboration with citizens, community organizations, businesses, and all other segments of Detroit
 - information gathering activities that relate to city services, including creating the Program Management Office and the Strategic Management Center
- ❖ Open communication of decision making information
 - Annual Report to the Community (“Telling Our Story”) produced
 - Annual survey of citizens in conjunction with public budget meetings
 - Cycle of user-friendly reports, such as electronic versions of the Budget and an enhanced CAFR

LONG-TERM FINANCIAL POLICY OF THE CITY

These goals serve as guiding principles for fiscal policy decisions:

- ❖ Maintain balanced operations.
 - Expenditures will not exceed anticipated revenues.
 - Significant costs for major projects or initiatives will be addressed without affecting the General Fund.
 - Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.
 - Detail studies of City costs associated
- with fee based services to insure that service fees cover the related cost.
- Operating expenditures will be programmed to include current costs of fully maintaining City facilities and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term costs of any potential deferred maintenance costs. Normal maintenance will be funded through the operating budget.
- ❖ Rightsize City Government
 - Use management tools such as reorganization, reengineering, benchmarking and shared services to fit the costs of doing business to available revenues.
 - Convene key stakeholders to collaborate on ideas and establish partnerships for change.
 - Implement a new vision for Executive Branch Administration.
- ❖ Build Financial Reserves.
 - Gradual build up of funds in the Budget Stabilization Fund.
 - Maintain adequate reserves in the Insurance Reserve Fund.
 - Eliminate unfunded liabilities of the Pension Fund.
- ❖ Provide Tax Relief while maintaining essential services.
 - Continue to explore permanent funding sources especially in the areas of the Cultural Arts and Public Transportation.

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- Continue to explore a regional dedicated tax and/or merger with regional entities to ensure the existence of quality services at equitable costs.
 - Explore property tax rollbacks for neighborhoods currently paying the highest amounts.
- ❖ Maximize Revenue collections
- Generate additional revenues and receive new grant or foundation funding, to increase services.
 - Aggressively collect delinquent revenue owed to the City. New procedures are being developed to actively pursue the collection of all revenues and maintain an acceptable collection rate.
- ❖ Provide Stewardship of Grants and Trusts
- Manage grants to comply with the laws, regulations and guidance of the grantor; and all gifts and donations will be managed and expended according to the wishes and instructions of the donor.
 - Prior to the acceptance of proposed gifts and donations and governmental grants a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donations or grants meet the strategic goals of the City, and any potential impact of loss of funds.
 - Maximize revenue from State and Federal Governments. The new Grants Acquisition Unit will help the city focus in this area.
- ❖ Financial Reporting
- Continue to improve the DRMS financial reporting system.
 - Financial reporting will monitor expenditures, revenue and performance of all municipal problems on an out going basis.
- ❖ Enterprise Fund self-sufficiency
- Develop strategies so that all Enterprise Fund departments will generate sufficient revenues to cover the cost of their operations.
- ❖ Operate Resource Recovery and Public Lighting utility at efficient capacity
- Increase the efficiency of the Resource Recovery facility through the marketing of excess capacity to outside entities.
 - Improve reliability and safety at the lowest possible cost.
 - Continue the upgrading of residential and main street lighting.
 - Attain compliance with all applicable, Federal, State and local environmental and safety requirements.
- ❖ Maintain internal five year model
- These internal models enable the Budget Department to assess changing conditions and plan for operational adjustment.
- Debt Management Plan** - The City of Detroit has established the following debt management plan guidelines pertaining to the issuance and administration of debt:
- *Management Goals* - To establish practices which will enable the City to

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borrow funds to maintain and enhance the City's physical infrastructure, while minimizing the cost to taxpayers, ratepayers and users of publicly financed projects.

- *Purpose of Debt* - To issue debt only for capital purposes, and not to finance current operations or working capital.
- *Compliance with Laws* - To follow all applicable Charter, State and Federal laws and regulations, including those regulations governing the amount and purpose for which debt may be issued and all federal regulations relating to the maintenance of the tax exempt status of bonds. Debt issuance shall be subject to all of the regular approvals and authorizations required under federal, state and local laws.
- *Investor/Rating Agency/Credit Provider Relations* - To provide timely, accurate and pertinent information to interested investors, rating agencies, and credit providers. The City will follow the disclosure guidelines approved by the Government Finance Officers Association to the greatest extent possible in disseminating information and will adhere to the City's Continuing Disclosure Undertaking commitments.
- *Security/Repayment Characteristics* – Revenue debt which is totally self-supporting, should be issued to the greatest extent possible. Voter-approved, unlimited tax bonds or bonds which are expected to be paid from non-general fund sources are generally the preferred options to finance capital projects which are not or which may not be self-supporting. Limited tax obligations which are payable only from current general fund tax dollars will be

considered only if other options are not available.

- *Credit Support* –External credit support should be obtained when it is determined that use of such support produces present value savings; however, the importance of maintaining market access for and name recognition of the underlying credit will be considered in evaluating the benefit of credit support.
- *Repayment Terms* - To repay bonds in a period not exceeding the average life of the project, generally not exceeding 25 years for general obligation bonds and 30 years for revenue bonds. Except to achieve overall level debt service with existing bonds, the City will avoid issuing debt which provides for balloon principal payments in the final year(s) of maturity. The City will use level or declining total debt service structures (which may take into account previously issued debt), except when an increasing debt payment structure fits an overall strategy of a project. In addition, during the period of construction, the City may choose to pay interest only or may capitalize interest, if appropriate.
- *Debt Levels* - To reduce general debt ratios to levels consistent with the average of cities of similar size and responsibilities. The goal of issuing debt without increasing the property tax burden will be factored into planning the sizing and scheduling of general obligation, unlimited tax bond issues.
- *Debt Instruments* - To issue debt with fixed rates and terms, except that variable rate debt may be issued if the total amount of true variable rate debt does not exceed 20% of the aggregate amount of debt payable from a particular source.

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Variable rate debt will be counted as fixed rate debt if it is synthetically converted to a fixed rate obligation through the use of an interest rate exchange or similar agreement, or if the period of interest rate exposure does not exceed 2 years. Debt instruments utilizing imbedded swaps or having other less traditional characteristics may be issued, provided the City is not unduly exposed to third party risk and that utilization of such an instrument does not precipitate an adverse rating agency reaction.

- *Short Term Debt/Leasing* - To minimize the need for short term debt by incorporating a goal of avoiding such debt in financial and cash flow planning. Leasing or lease purchase financing may be considered on a case-by-case basis for equipment and special projects, taking into account the expected life of the equipment and/or the nature of the project.
- *Investment of Bond Proceeds and Debt Service Funds* - To invest funds in accordance with State law, bond indenture provisions and the City=s written investment policy. All funds are invested with risk avoidance being of the highest priority, but taking into account cash needs and the potential for maximizing yields. Generally, the City=s investment policy restricts the maximum term of investments in bond proceeds accounts to 3 years, in debt service accounts to the date such funds are required and in debt reserve accounts to 5 years.
- *Review of Management* - To review the debt management plan at least once every 2 years, and to include the formal debt policy as a part of or an annex to the City=s Five year Capital Agenda.

MAYOR KILPATRICK'S VISION

Administrative Arrangement of the Executive Branch of the City of Detroit

