CITY OF DETROIT

FY 2015
Consensus Revenue Estimating Conference

February 2015

City of Detroit Consensus Revenue Estimating Conference - Draft Report
February 2015

The Directors of the City of Detroit Budget Department, Office of the Auditor General and City Council Legislative Policy Division (formerly Fiscal Analysis) met in January/February 2015 to discuss the City's revenue collections for the current fiscal year and estimate collections for the next four fiscal years. Participants reviewed and approved revenue estimates for the current Fiscal Year 2015 and projected revenues for FY 2016 through 2019.

The conference began with a discussion of economic conditions that impact the City of Detroit revenues presented by Dr. Eric Scorsone, of Michigan State University. The following economic discussion was provided by Dr. Carol O'Cleireacain, City of Detroit Deputy Mayor for Economic Policy Planning and Strategy.

The Detroit Area Economy[1]

Detroit is the central city of a larger regional economy, where goods, services and people cross jurisdictional boundaries daily. Most data are reported for the economic activity at this six-county metro level –Detroit-Warren-Livonia MSA.[2] For some purposes the MSA is further divided into two smaller divisions, one of which includes Detroit; this is Detroit-Livonia-Dearborn.

Detroit is tied more closely than many other American cities to the global economy. The region's concentration of transportation-related manufacturing places it among the nation's top metro areas for exports. Metro Detroit's ranking for 2012 in production for export (8th) exceeded its output rank (16th), reflecting specialization in highly-traded advanced industries.[3] The high tech component of this manufacturing now constitutes 15 percent of the Detroit region's employment, making it 4th among metro areas, with implications for the science, technology, engineering and math (STEM) labor market.[4]

In the near term, export performance will be hampered by the strong dollar and any downward revisions in projections of global economic growth.[5] The metro region is already closely linked to the economies of Canada and Mexico through the 1994 NAFTA. Currently, the U.S. is involved in two sets of major trade negotiations where the automobile and related industries figure prominently.[6] While these negotiations are controversial and lengthy, an agreement in either would have a significant impact on economic activity in the Detroit region. Some effects are likely to occur even in advance of an agreement, if entrepreneurs anticipate a successful conclusion.

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1 This discussion draws heavily on the most recent regional reports by Moody's Analytics [October 2014]; PNC Financial Services Group [1st Quarter 2015 *Detroit Market Outlook]*; Comerica [Dec. 17, 2014 Regional Economic Update] and insights from meetings with regional and industry economists around Detroit and at the Federal Reserve.

2 The six-county Detroit MSA covers Lapeer, Livingston, Macomb, Oakland, St. Clair, and *Wayne. The City of Detroit is entirely within Wayne County.*

3 For Detroit and Seattle this is transportation equipment; for San Jose it is computer and electronics. See *Export Nation 2013: Us Growth Post-Recession*, pp. 6-7. Brookings. Sept. 2013. http://www.brookings.edu/~/media/research/files/reports/2013/09/17%20export%20nation/exportnation2013survey.pdf

4 See *America's Advanced Industries: What they are, Where they are, and Why they matter.* Brookings. Feb. 2015. http://www.brookings.edu/research/reports2/2015/02/03-advanced-industries#/M10420

5 In January 2015 the IMF lowered its projections of global growth in 2015 and 2016 slightly to 3.5% and 3.7% respectively. See http://www.imf.org/external/pubs/ft/weo/2015/update/01/

6 The proposed Transpacific Partnership encompassing NAFTA and nine Asia-Pacific countries (including Japan but not China) and the Transatlantic Trade and Investment Partnership with the 28 country European Union.

The region's economy is in a slow recovery. While employment growth has increased slightly, forecasters expect improvements in 2015, with a faster pickup later in the year. ***Moody's Analytics sees a growth in real Gross Metro Product of 5.7 percent in 2015 after zero in 2014.*** PNC notes that "The market area is coming off a virtually flat labor market performance and income growth has slowed – but not stalled – as a result. ... The market area's ties to the national economy via manufacturing operations should, however, see improving conditions throughout 2015...."

Overall, Detroit's employment base remains 8 percent below its pre-recession peak. Despite the auto industry's rebound, employment stalled in 2014, with a decline in manufacturing and in services. All forecasters recognize that, as Comerica notes, "manufacturing remains a high productivity growth industry, so strong output gains may have smaller impact on job growth in some industries." Indeed, the auto industry is running at close to capacity. But, auto sales are not transferring into hiring. Employment growth is forecast in the 1 percent range for 2015. Further, manufacturing jobs are lower paying than in the past, putting a bite on income growth. Recently announced auto bonuses for blue collar workers may boost some optimism and spending and the 2015 UAW contract negotiations may address the two-tier wage structure.

For the region, median household income has caught up to the national average; but, the pre-recession median was nearly 4 percent above the nation's, indicating that further gains are needed. ***PNC Financial forecasts a steady growth in regional median household income for 2015.***

Moody's Analytics sees 5.5 percent growth in personal income in the Detroit-Livonia-Dearborn area in 2015, compared to an estimated 3.2 percent growth in 2014. Comerica forecasts 4.7 percent personal income growth in the MSA in 2015.

PNC sees a ***continued recovery for metro area housing, especially in the longer term.*** Home prices in the region are about 15 percent below their pre-recession peaks, compared to 10 percent below nationally. Price growth is on par with the nation. Residential permitting has been up every year since the recession ended. Affordability and the efforts to combat blight in and around Detroit are cited as evidence of strength.

The rate of local inflation, as measured by the Detroit metro Consumer Price Index (CPI) has been declining for the past three years from 2 percent in 2012 to 1.2 percent in 2014. The University of Michigan's RSQE forecasts an inflation rate of (-0.1) percent in 2015 and 1.6 percent in 2016, which it sees as stet three-tenths of a percentage point below that of the nation.

Unemployment has been falling. The State of Michigan ended 2014 with an unemployment rate of 5.6 percent, down from a peak of 13.5 percent in 2009. The MSA (Detroit-Warren-Livonia) ended 2014 with an unemployment rate of 6.7 percent, down from a peak of 16.2 percent in 2009. Detroit-Livonia-Dearborn ended 2014 with an unemployment rate of 7.4 percent, down from a peak of 18.2 percent in 2009. The City of Detroit ended 2014 with an unemployment rate of 12.2 percent, down from a peak of 27.8 percent in 2009.

Though still incomplete, the five-year recovery has scored significant gains. Analysts see the speedy exit of the City of Detroit from formal bankruptcy as a boost of confidence for the local economy. There is a reservoir of good will towards the City of Detroit throughout the region as it works to improve City services, attack blight and foster economic development. There is a long way to go to stabilize the population and revitalize the urban core.

CONFERENCE RESULTS

The Consensus estimate for General Fund revenues from ongoing sources for FY 2015 is $986.7 million, a $32.6 million or 3.2% decrease from FY 2014 collections. This variance was primarily due to a decline in departmental revenues.

Conference Participants

John Hill, Chief Financial Officer

Carol O'Cleireacain, PhD, Deputy Mayor for Economic Policy Planning and Strategy

Debra Pospiech, Esq., Assistant to Deputy Mayor for Economic Policy Planning and Strategy

John Hageman, Assistant to the Chief Financial Officer

Mark Lockridge, Auditor General

Jeffrey Vedua, Office of the Auditor General, Audit Manager

Tony Smith, Office of the Auditor General, Sr. Auditor

Laura Goodspeed, Office of the Auditor General, Sr. Auditor

Pamela Scales, Budget Director

Floyd Stanley, Deputy Budget Director

Renee Short, Budget Department, General Manager

Nancy Byrd, Budget Department

Irvin Corley, Jr., City Council Legislative Policy Division, Executive Policy Manager (formerly Fiscal Analyst)

Jerry Pokorski, City Council Legislative Policy Division, Fiscal Analyst

Anne Marie Langan, City Council Legislative Policy Division, Fiscal Analyst

Mike Jamison, Deputy Finance Director

Tanya Stoudemire, Finance Department, Income Tax Manager

Alvin Horhn, Finance Department, Assessment- Assessor

Dr. Eric Scorsone, Faculty Member and Workgroup Leader
Department of Agricultural, Food and Resource Economics and MSU Extension, Michigan State University

Shavi Sarna, Ernst & Young

Juan Santambrogio, Ernst & Young

Kevin Hand, Conway MacKenzie, Inc.

- Revenue initiatives in the Plan of Adjustment but not included in the Consensus estimates/projections may result in additional revenues if timely and successfully implemented.

- Sales tax on internet purchases (Main Street Fairness Act) may increase local share distributions to city/villages/townships.

The Directors of the City of Detroit Finance Department, Budget Department, Office of the Auditor General and City Council Legislative Policy Division held a Revenue Estimating Conference on March 2014 and unanimously approved revenue estimates for FY 2014 through and FY 2016. Conference results were submitted to and subsequently approved by the Financial Advisory Board on March 18, 2014. The Consensus Revenue Estimates for the City of Detroit General Fund and the Solid Waste revenues are summarized below. This table was updated to compare June 30, 2014 year-end results to Consensus amounts.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT

FY 2014 CONSENSUS REVENUE ESTIMATING CONFERENCE

		Results			
	FY 2014	FY 2014	FY 2014	Variance	%
$ in millions	Amended Budget	Revised Consensus	Actuals- Unaudited	FY 14 Actuals over Consensus	Change
Income Tax	$ 257.2	$ 250.0	$ 253.8	$ 3.8	1.5%
Property Tax	116.6	110.2	132.0	21.8	19.8%
Utility Users' Tax	34.2	32.1	42.4	10.3	32.1%
Wagering Tax	170.0	170.0	168.3	(1.7)	-1.0%
State Rev. Sharing	183.7	190.2	189.8	(0.4)	-0.2%
Other Revenues	$ 234.6	206.0	233.0	27.0	13.1%
Total General Fund	**$ 996.3**	**$ 958.5**	**$ 1,019.3**	**$ 60.8**	6.3%

Note: General Fund Totals exclude Pension Obligation Certificates (POC's) revenues of $112,361,241 for FY 2014- amount included in revenues due to debt covenants. Wagering Tax revenues include revenues per the casino operating agreements. For FY 2014 Sale of Real Property totals are included in Other Revenues totals for FY 2014- FY 2016.

Set asides

The FY 2015 Budget includes a reserve of $111.3 million, which satisfies the State's budget reserve requirement of 5% of expenditures. In FY 2016, $49 million of the Budget Reserve is designated for use in General Fund Operations leaving a remaining balance of $62.3 million in reserves for FY 2016. This represents 5.8% of estimated General Fund appropriations for FY 2016.

Risks to Forecast

These estimates take into account the expected real revenue to the City subject to certain inherent risks outlined below:

- Local economy contraction, increase in unemployment resulting in layoffs in major industries.
- Rising interest rates.
- Rising inflationary pressures (from fuel, utilities, food, housing etc.).
- Lower consumer confidence
- Long term forecast risks
- Michigan Sales Tax revenue declines impacting local government share.
- Risks to estimated Property Tax collections due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment.
- Continued property valuation declines; increased foreclosure activity in the near term.
- Possible negative impact in reductions to Personal Property Tax collections due to state legislation.
- Decline in property tax collections due to cleansing of the tax rolls.
- Declines in Sales and Charges for Services due to economic factors.
- Implementation risks due to deferred-delayed results from restructuring efforts.
- Reinvestment initiatives result in less than expected revenue growth.
- Internal problems with timely posting of revenues to the financial system.

Potential Upward Adjustments to Forecast

- Ongoing improvements to collection efforts in FY 2014-15 may net additional income tax revenues not currently reflected in the consensus estimates.

Building & Safety

The Building & Safety Engineering and Environmental Department (BSEED) is an Enterprise Agency of the City of Detroit as mandated by state law. BSEED's mission is to safeguard public health, safety and welfare by enforcing construction, property maintenance, environmental compliance and zoning codes. Revenues from the Construction Code Fund include civil infraction fines, safety inspection charges, construction inspections and other licenses, permits and inspection charges. Revenues generated in support of the General Fund operations are from the business licensing activity. General Fund revenues are expected to remain at their current levels ($1.8 to $2.0 million) for FY 2015 through FY 2017.

Transportation

The Detroit Department of Transportation (DDOT) is an Enterprise Agency that provides transit services to the City of Detroit. Revenues are generated from fare box, State operating assistance, State and Federal grants, subsidy from the General Fund and other miscellaneous revenues. The general fund subsidy for DDOT for FY 2014 was $61.7 million. The consensus for FY 2015 through FY 2017 projects the General Fund subsidy to remain in the range of $60.2 million to $63.3 million. Without additional restructuring efforts, this level of General Fund support will continue for the foreseeable future. Revenue from the State operating assistance declined in FY 2014 due to a shift in the distribution formula. This shift resulted in a $7 million decline in grant revenues in FY 2014. This shift may continue into the future.

Municipal Parking

The Municipal Parking Department is divided into two operations- the Parking Violation Bureau and the Automobile Parking and Area System. The Parking Violations Bureau is a General Fund operation responsible for enforcing on-street and off-street ordinances in the City of Detroit and the processing and collection of parking violation notices. The Auto Parking and Area System revenues are currently assigned to pay debt service for post bankruptcy loans. The future of the revenue stream for this division is uncertain as additional bankruptcy settlement items may further dilute revenues.

Solid Waste Fund

The Solid Waste Management Fund is a Special Revenue Fund. The City of Detroit uses the Solid Waste Management Fund to account for local revenue collected for curbside rubbish pick-up and discard. The majority of the Solid Waste Management Fund revenue comes from the residential Solid Waste Fee that is assessed to every home whether or not currently occupied. The solid waste service fee replaced the 3-mill tax for solid waste collection that was eliminated in 2006. The solid waste fee is assessed annually at $240 for single family homes and an additional $100 for multi-family dwellings. Commercial fees are $1,000.

- First-half collections compared to recent history indicate increased collections over the revised consensus estimates. Projections assume continued collections rates for FY 2015 through FY 2017.

- The City privatized the Solid Waste activity in FY 2014. Contracts were awarded to two companies to service the East and West side of the City on February 21, 2014. The outsourcing of this activity is expected to be revenue/cost neutral. However service is anticipated to greatly improve under this arrangement.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY 2015 CONSENSUS REVENUE ESTIMATING CONFERENCE
OTHER FUNDS (Non-General Fund)

(in millions)	FY2014 Actuals Unaudited	FY 2015 EM 2-Year Budget	FY 2016 EM 2-Year Budget	FY 2015 Revised Consensus Estimate	FY 2016 Revised Consensus Projection	FY 2017 Consensus Projection
Community Development Block Grant Fund	$ 36.9	$ 35.9	$ 35.1	$ 47.7	$ 47.7	$ 47.7
Construction Code Fund (Building & Safety)	20.0	19.1	19.5	20.2	20.2	20.5
Drug Law Enforcement Fund	2.1	1.0	1.1	2.1	2.1	2.1
Library Fund	35.5	30.1	30.5	30.1	30.5	30.5
Quality of Life (loan funds)	—	200.0	—	—	—	—
Major and Local Streets Fund	109.8	65.0	59.1	91.0	91.0	91.0
Solid Waste Management Fund	53.4	40.9	40.6	40.0	40.0	40.0
General Grants Fund	78.9	32.3	31.2	64.9	64.9	64.9
Sinking & Interest (Debt Service) Fund	71.1	66.7	61.8	66.7	68.0	68.7
Urban Renewal Fund	13.0	6.6	6.1	6.3	6.3	6.3
Airport Fund *	2.9	1.6	1.5	1.5	1.5	1.5
Municipal Parking Fund	31.8	17.4	17.5	10.5	10.5	6.0
Transportation Fund *	155.9	138.2	141.8	138.2	141.0	139.3
Sewage Fund	519.5	649.8	718.4	649.8	718.4	553.9
Water Fund	362.4	399.6	570.6	399.6	570.6	561.2

*** Note: Totals include subsidies from the General Fund: Airport FY 2015- $665,064; FY 2016-$666,053 and FY 2017- $675,433**
Totals include subsidies from the General Fund: Transportation (DDOT): FY 2015- $63.3 million; FY 2016-$60.2 million and FY 2017- $61.8 million

FUNDS WITH GENERAL FUND IMPACT

Airport

The Coleman A. Young International Airport is an Enterprise Agency of the City of Detroit. Revenues from landing fees, rentals, fuel concessions and Federal/State grants maintain the operations of the airport. The Airport 2015 Budget includes a General Fund subsidy of $665,064 which is expected to be paid. Consensus projections for FY 2016 and FY 2017 increases the subsidy to $666,053 and $675,433, respectively which recognizes the most likely level of support from the General Fund based on historical trends.

The varying methodologies were utilized by the participants, which included analysis of historical collection patterns, trend line fitting, moving averages, major revenue category analysis, and individual agency revenue account analyses, and the utilization of run rates. All participants considered and accounted for other known items that impact collections. The most challenging aspect to the current set of projections for Other General Fund Revenues relates to the posting of entries to the financial reporting system. Participants added this issue to the risk assumptions and took a more conservative approach in projecting future revenues.

- The revised FY 2014 consensus estimates range between $198.1 million and $208.6 million. We agreed on $206.0 million. FY 2014 year-end results were $233 million.

- The FY 2015 previous consensus estimate ranged between $195.0 million and $213.6 million with agreement on $208.0 million. For this Consensus Conference: the **FY 2015** estimate ranged from $601 million to $622 million. This conference revised the previous estimate to $ 622.0 million. This amount includes one-time budget items and reinvestment initiatives as shown on page 1. The FY 2015 baseline Other Revenue estimate is $205.9 million for a decrease of $2.1 million or 1%.

- The FY 2016 initial consensus estimate was $210.1 million. This conference revised the previous projection upward. For this Consensus Conference: the **FY 2016** estimate ranged from $274.6 million and $322.5 million. This conference revised the FY 2016 estimate to $309.0 million based on the Plan of Adjustment, which represent a more conservative estimate.

- For this Consensus Conference: the initial **FY 2017** projection ranged from $260.0 million and $278.1 million. This conference recommends $240 million based on the Plan of Adjustment, which represent a more conservative estimate.

- Long term trend rates for Other General Fund Revenues are projected at a -2.3% decrease for FY 2018 and a negative -5.5% for FY 2019. Again, the recommendation presented is based on a more conservative view.

OTHER CITY FUNDS (NON- GENERAL FUND)

Public Act 279 of 1909 (The Home Rule City Act) requires the city to forecast anticipated revenues of the city for the current fiscal year and the succeeding 2 fiscal years. In the chart shown below, is listed all of the city's Special Revenue Funds and Enterprise Funds; not shown are Trustee and Fiduciary Funds.

The revenues projections presented for these funds were based on historical data, trend lines and/or current department estimates. Budget figures are presented for the Detroit Water and Sewerage Department in its original organization structure; however they are expected to complete a major restructuring within the near future.

- Estimates/projections were determined exclusive of the $12.5 million annual transfer to the Public Lighting Authority as mandated by state law, which represent proceeds used for street light infrastructure improvements in the City.

All Other General Fund Revenues

The following is a brief description of the types and sources of revenue that are included in each category shown in departmental budgets:

1. *Sales and Charges for Services* - Revenue generated from maintenance and construction, electrical, steam, solid waste, recreation, utilities, reimbursements, and other minor sales and service fees.
2. *Revenue From Use of Assets* - Earnings on investments, various interest earnings, building rentals, marina rentals, concessions, and equipment rentals.
3. *Other Taxes, Assessments, and Interest* - Special assessments, Industrial Facilities Taxes, other miscellaneous property taxes and interest paid on delinquent property taxes.
4. *Fines, Forfeits, and Penalties* - Ordinance, court and parking fines, property tax penalties, and various fines, forfeits, and penalties.
5. *Licenses, Permits and Inspection Charges* - Various permits and licenses, safety inspection charges, and business licenses charges.
6. *Contributions, Transfers, and Miscellaneous* – Various revenues and contributions due to/or due from one fund resulting in revenues to one fund and an expenditure for another.

Departmental Revenue Analysis

The consensus for Other Department Revenues was developed with a discussion of the individual department revenues including departments with General Fund operations or departments receiving General Fund assistance. Our departmental analysis involved discussions with Ernst & Young on the baseline assumptions for each department as presented in the Plan of Adjustment and any adjustments to the baseline for restructuring initiatives as determined by Conway MacKenzie. Revenue initiatives are included in the consensus numbers presented in this conference (estimates and projections for Other General Fund Revenues).

- Municipal Parking revenues for the Auto Parking System have been assigned to repay debt service under terms of the bankruptcy settlement. In addition certain parking structures have been transferred or optioned for future purchase under terms of the bankruptcy settlement.

- Public Lighting revenues were reduced in the Consensus estimate for FY 2015 through FY 2017 due to the city's decision to exit the power distribution business beginning March 2014 and the subsequent transfer of the customer base to DTE Energy. The City expects to receive some reimbursement during this transition period which is reflected in the consensus estimates.

Due to the inclusion of revenue initiatives in the Other General Fund Revenue estimates, lengthy discussions occurred regarding determination of baseline revenues and reinvestment initiatives. Participants convened and discussed alternative calculations by staff of City Council, Auditor General and Budget. Upon review, the total revenue estimate differed among the three estimators due to a difference in assumptions of reinvestment initiatives and non-recurring budget items.

- The FY 2015 estimate was based on current State Revenue Sharing payments projected by the Michigan Department of Treasury in May 2014. Final year-end payments were $.4 million less than the revised consensus estimate or 2% lower than FY 2014 collections. Treasury payments are based on the State of Michigan May 2014 Consensus Revenue Estimates and FY 2014 appropriation. This amount was not updated for the State's January 2015 Consensus Revenue Estimates which resulted in an increase in Detroit's FY 2015 Revenue Sharing amount to $195.8 million; $.5 million more than the FY 2015 consensus estimate of $195.3 million. The city's recommendation of the lower estimate for FY 2015 is in line with its more conservative approach to revenue estimating for this conference. It defers a final change to this revenue until the May Consensus Conference.

- Budget estimates for FY 2015 include a 2.9% growth rate over FY 2014 collections. Near and long term projections for FY 2016 through FY 2019 include a 1% growth rate.

Wagering Taxes (Casino Revenues)

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under Initiated Law 1 of 1996, as Amended by Public Act 306 of 2004. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements.

- Wagering Tax estimates recognize downward pressure on revenues resulting from the opening of casinos in Ohio. Although Detroit's casino revenues did not decline to levels previously speculated by some, we anticipate continued downward pressure on revenues in FY 2015 and beyond.

- FY 2015 Consensus estimate has no year over year change from FY 2014 year-end results. FY 2016 Consensus estimate remains flat with a projected increase of less than 1% for FY 2016 through FY 2017. The long term trend is slightly more optimistic at 1% growth for FY 2018 and FY 2019.

Utility Users' Tax

The City of Detroit levies a Utility Users' Tax as permitted under Public Act 100 of 1990 and as amended in 2012. The tax is based on consumption of electricity, gas, steam and telephone (land lines) in the City of Detroit. The City currently levies the maximum tax rate of 5%. These revenues are restricted to retain or hire police officers. In 2012, the law was amended to provide $12.5 million annually for the Public Lighting Authority for the repayment of future debt, which represents proceeds used for street light infrastructure improvements in the City.

- FY 2014 collections resulted in a $10.3 million increase or 32.1% over the 2014 revised consensus estimate.

- Revised Consensus estimate for FY 2015 Utility User's taxes reflect an increase of $8.0 million or 27.1% from the previous consensus estimate based on current run rates and previous year-end results.

- We conservatively estimate similar collections for FY 2015 through FY 2017 with no growth rate for the period.

- FY 2014 revised Consensus estimate of $250.0 million reflects a 1.5% growth rate over FY 2014 actual collections. Final 2014 year-end results were $3.8 million over the FY 2014 consensus estimate.

- The FY 2015 revised Consensus estimate does not include reinvestment initiatives to increase income tax collections as implementation results are uncertain at this time. Reinvestment initiatives include external collection efforts, increased staffing and internal process changes.

- FY 2015 revised Consensus estimate incorporates no growth over FY 2014 year-end results and 1% growth for FY 2016 and FY 2017.

- The FY 2015 Consensus estimate considered improved local economic conditions based upon blue chip economic forecasts as presented by Dr. Eric Scorsone, Faculty Member and Workgroup Leader, Michigan State University Department of Agricultural, Food and Resource Economics and MSU Extension. The City of Detroit Deputy Mayor for Economic Policy Planning and Strategy, Dr. Carol O'Cleireacain provided a Summary of the Detroit Area Economy. This forecast is tempered by lower than expected withholding activity and uncertainty over implementation of reinvestment initiatives.

Current Property Taxes

Article IX of the State Constitution, Sections 3 and 6 (General Property Tax) authorize the levy of taxes on real and personal property not otherwise exempt. The City currently levies the maximum tax permitted by law.

- The June 30, 2014 actual collections resulted in a 19.8% growth rate over FY 2014 revised Consensus estimate of $110.2 million. Final 2014 year-end property tax revenues resulted in better than expected collections of $132 million, $21.8 million over the FY 2014 consensus estimate.

- The FY 2015 original consensus estimate assumed a 10% decline in collections compared to FY 2014 revised estimate. FY 2015 original estimate was based on continued decline in property taxable valuations due to required city-wide reassessments and foreclosure activity. Current collection activity is higher than anticipated due to smaller loss in taxable values and changes in internal City Treasury processes. FY 2015 revised consensus estimate of $114.3 million reflects a continuation in increased collections from FY 2014. No growth is projected in property tax revenues for FY 2016 and FY 2017. A small .5% long- term growth trend is projected for FY 2018 through FY 2019

- Although FY 2014 collections ended $21.8 million higher than the Consensus estimate, this represented a -1.6% year-over-year decline in property tax collections from FY 2013 results.

- Preliminary discussions on the Ad Valorem valuations for FY 2016 and FY 2017 indicate a continuing decline in assessed values but at a slower rate than previously estimated. This chronic state of decline in assessed values is expected to continue beyond 2016.

State Revenue Sharing

Revenue Sharing payments from the State are based upon two elements. Constitutional payments are guaranteed under the State Constitution and calculated as 15% of 4% of the State Sales Tax gross collections. Statutory payments are based upon municipalities meeting the requirements of the Economic Vitality Incentive Program. For FY 2015, the maximum amount available is 78.51044% of the FY 2010 total statutory payment (if a municipality complies with all requirements).

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT

FY 2015 CONSENSUS REVENUE ESTIMATING CONFERENCE

$ in millions	FY 2014 Actuals-Unaudited	FY 2015 EM 2- Year Budget	FY 2016 EM 2- Year Budget	FY 2015 Revised Consensus Estimate	FY 2016 Revised Consensus Estimate	FY 2017 Consensus Projection
Income Tax	$ 253.8	$ 264.8	$ 268.2	$ 254.0	$ 256.5	$ 259.1
Property Tax	132.0	102.6	100.8	114.3	114.3	114.3
Utility Users' Tax *	42.4	17.0	15.9	37.5	37.5	37.5
Wagering Tax	168.3	168.2	169.0	168.2	169.0	169.9
State Rev. Sharing	189.8	195.3	198.0	195.3	197.4	199.0
Other Revenues	233.0	609.0	416.8	622.0	309.0	260.0
Total General Fund	**$ 1,019.3**	**$ 1,356.9**	**$ 1,168.7**	**$ 1,391.3**	**$ 1,083.7**	**$ 1,039.8**

Long Term Trend	Income Tax	Property Tax	Utility Users	Wagering Tax	State Rev Sharing	Other Revenues
FY 2018	$ 261.7	$ 114.9	$ 37.5	$ 171.6	$ 200.7	$ 254.0
	1.0%	0.5%	0.0%	1.0%	0.9%	-2.3%
FY 2019	$ 264.3	$ 115.4	$ 37.5	$ 173.3	$ 202.5	$ 240.0
	1.0%	0.5%	0.0%	1.0%	0.9%	-5.5%

- Utility Users Tax shown net of $12.5 million due to Public Lighting Authority in FY 2015 and FY 2016
- Total General Fund revenues for FY 2018 is $1,040.4 million and $1,033.0 million for FY 2019

REVENUES FOR CONSIDERATION

The City of Detroit has five major revenues that represent over 60% of General Fund revenues: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax (Casinos) and Utility Users' Tax revenues. The first step of the conference participants was to estimate these revenues for the current Fiscal year 2015, project revenues for Fiscal year 2016 through 2019. Using financial system reports (DRMS), department sub-ledger reports, current operational analysis and local economic data, the participants individually determined their forecasts. All other revenues of the General Fund were discussed in conference, primarily consisting of departmental revenues resulting from Sales and Charges for Services. Revenues from all city funds were considered.

Income Tax

As authorized under Public Act 284 of 1964, as amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an Income Tax on income from all sources with minimum exemptions. Income Tax revenue includes withholding, annual and quarterly payments. More than 90% of income tax actual collections are derived from withholdings. The current tax rate is 2.4% for residents, 1.2% for non-residents and 2.0% for corporations. December 2012 State legislation established the Public Lighting Authority that provided funding of $12.5 million in Utility Users' Taxes to the Authority and fixed income tax rates at 2.4% (residents) until the repayment of any debt issued by the Authority.

General Fund (in millions)	Baseline Budget	One Time Activity	Reinvestment Initiatives	Total FY 2015
Major Revenues (Taxes and State Revenue Sharing)	$ 769.3			$ 769.3
Bankruptcy Exit Financing Proceeds (net)		$ 127.5		127.5
Reinvestment Initiatives			$ 100.8	100.8
Litigation Settlements		25.0		25.0
Prior Year Surplus		151.3		151.3
Asset Sales	11.5			11.5
Other Departmental revenues (less asset sales)	205.9			205.9
Total	**$ 986.7**	**$ 303.8**	**$ 100.8**	**$ 1,391.3**

- FY 2015 reflects anticipated increased collections in, State Revenue Sharing and Other General Fund revenues with Income Taxes and Wagering Taxes remaining flat. Property Taxes and Utility Users' Taxes reflect a decline from FY 2014 year-end actual collections.

- Other General Fund revenues are generated from city departments and other miscellaneous sources. Other revenues are expected to decrease by $27.0 million or 13.1% over FY 2014 actual collections.

The Consensus estimate for General Fund revenues from ongoing sources for FY 2016 is $1,003.1 million, a $16.4 million or 1.7% increase from the FY 2015 revised Consensus baseline estimate (from on-going sources). This estimate excludes a $48.9 million Budget reserve for FY 2016, in addition to certain transfers between funds. This increase reflects small growth in the major revenues over the projection for FY 2015. FY 2016 Other General Fund revenues include on-going reinvestment initiatives structured to increase revenues and/or produce operational efficiencies.