

CITY OF DETROIT

**Overview of the Four Year Financial Plan (FY 2016 – FY 2019)  
Presentation to the Financial Review Commission**

March 23, 2015



# Financial Plan Requirements

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- PA 182 of 2014 amends PA 279, the Home Rule City Act
  - Adopt a financial plan covering FY16 and the next 3 fiscal years (FY 17, 18, and 19).
  - The first year of the financial plan is the second year of the former EM's 2-year budget.
- PA 181 of 2014 (“Michigan Financial Review Commission Act”) requires the City to submit the Four Year Financial Plan at least 100 days prior to the commencement of the fiscal year.
- This provision required us to begin our budget process much sooner than in the past. I would like to acknowledge the Office of Budget, Auditor General, City Council, and Mayor’s Office for their flexibility and hard work to meet this deadline.



# Financial Plan Requirements

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- The Uniform Budgeting and Accounting Act and Home Rule City Act require our budget and financial plan to be in compliance with specific requirements and include certain schedules.
- We have listed the Home Rule City Act requirements starting on page A-5 of the financial plan and state how we are in compliance with these requirements.
- Some examples of these requirements:
  - Balanced budget for all 4 years;
  - Cash flow statement for all 4 years;
  - Include all debt service payments;
  - Include all pension payments; and
  - Incorporate required budget and cash reserves.
- PA 182 of 2014 requires the CFO to certify that the City's annual budget complies with the Uniform Budgeting and Accounting Act.
- This certification is at the front of the Four Year Financial Plan.



# Revenue Estimating Conference

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- We held our first revenue estimating conference pursuant to PA 182 on February 20th.
- Participants included the CFO of Detroit, the State Treasurer or his or her designee, that being, Mr. Wortley; and a third person affiliated with another public entity with experience in economic forecasting and revenue projection. Mr. Wortley and I selected Mr. George Fulton as this person.
  - Established an official economic forecast of major variables of the national, state, and local economies.
  - Established a forecast of anticipated revenues.
- This process set the revenues used in the Four Year Financial Plan



# Overview of Revenues

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- The revenues included in the Four Year Financial Plan are those approved from that conference, with the exception of FY 2016. Financial Plan revenues are less than revenue estimating conference since the former EM's FY 2016 Budget reflects lower revenues.
- Income Tax
  - FY 2015 revised consensus estimate incorporates no growth of FY 2014 year-end results and 1% growth for FY 2016 and FY 2017.
  - FY 2015 revised consensus does not include reinvestment initiatives to increase income tax collection (external collection efforts; increased staffing; internal process changes).
- Property Tax
  - FY 2015 revised consensus estimate of \$114.3 million reflects a continuation of a trend in increased collections from FY 2014. No growth is projected for FY 2016 and FY 2017. A small 0.5% long-term growth trend is projected for FY 2018 through FY 2019.
- State Revenue Sharing
  - FY 2015 estimate based on current State Revenue Sharing payments.
  - Amounts were not updated from the State's January 2015 Consensus Revenue Estimates which resulted in an increase in Detroit FY 2015 Revenue Sharing amount by \$500K.



# Overview of Revenues

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- Wagering Taxes
  - Current tax rate in effect is 10.9% for the three casinos operating in Detroit.
  - Anticipate continued downward pressure on revenues in FY 2015 and beyond, with a projected increase of less than 1% for FY 2016 through FY 2017. Long term trend is slightly more optimistic at 1% growth for FY 2018 and FY 2019.
- Utility Users Tax
  - FY 2015 Revised Consensus estimate reflect an increase of \$8.0 million or 27.1% from the previous consensus estimated based on current run rates and previous year-end results.
  - Conservatively estimated similar collections for FY 2015 through FY 2019 with no growth rate for the period.
  - Estimated/projections were determined exclusive of the \$12.5 million annual transfer to the Public Lighting Authority.



# Overview of Revenues

<i>\$ in million</i>	FY 2014- Actuals, Unaudited	FY 2015- EM 2-Yr Budget	FY 2016- EM 2-Yr 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	\$ 25.0	\$ 37.5
Wagering Tax	\$ 168.3	\$ 168.2	\$ 169.0	\$ 168.2	\$ 169.0	\$ 169.9
State Revenue Sharing	\$ 189.8	\$ 195.3	\$ 198.0	\$ 195.3	\$ 197.4	\$ 199.0
Other Revenues	\$ 233.0	\$ 609.0	\$ 316.8	\$ 622.0	\$ 309.0	\$ 260.0
<b>Total General Fund</b>	<b>\$ 1,019.3</b>	<b>\$ 1,356.9</b>	<b>\$ 1,068.7</b>	<b>\$ 1,391.3</b>	<b>\$ 1,071.2</b>	<b>\$ 1,039.8</b>

- Utility Users' Tax for FY 2016- Revised Consensus Estimate is shown as net of \$12.5 million transfer to Public Lighting Authority.
- Total General Fund revenues for FY 2018 is \$1,040.4 million and \$1,033.0 million for FY 2019.



# Overview of Financial Plan

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- Our overall approach to projected revenue is conservative. We have used this approach in the budget process, and thus the results of the Four Year Financial Plan will reflect conservative estimates.
- We have included the following in the financial plan:
  - \$10M contingency included in each fiscal year.
  - 5% cash reserve.
  - 5% budget reserve maintained for each fiscal year.
    - Minimum requirement is \$53 million, our balance is \$62.3M.
- Deferrals of restructuring and reinvestment initiatives in the Four Year Financial Plan include:
  - FY16-- \$4.2M
  - FY17-- \$14.3M
  - FY18-- \$18.6M
  - FY19-- \$23.8M





# Budget Reserve

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	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Beginning Balance	\$ -	\$ 111,264,397	\$ 62,280,192	\$ 62,280,192	\$ 62,280,192
Transfers In / (Out)	111,264,397	(48,984,205)	-	-	-
Ending Balance	\$ 111,264,397	\$ 62,280,192	\$ 62,280,192	\$ 62,280,192	\$ 62,280,192
Minimum Balance (5% of appropriations)	\$ 62,280,192	\$ 53,392,402	\$ 52,795,621	\$ 52,795,621	\$ 52,430,621
Cushion above 5%	\$ 48,984,205	\$ 8,887,790	\$ 9,484,571	\$ 9,484,571	\$ 9,849,571

## PA 182 Sec 4t (1) (c) (vi)

Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of projected expenditures for the fiscal year



# General Fund

- Summary of Appropriations
- Appropriations by Object

	2014-2015	2015-2016	Percent Change	2016-2017	Percent Change	2017-2018	Percent Change	2018-2019	Percent Change
Salary & Wages	321,521,882	331,154,980	3%	338,681,726	2.8%	346,876,168	2.4%	353,139,069	1.8%
Employee Benefits	155,689,482	146,033,680	(6.2%)	149,974,402	2.6%	153,404,319	2.3%	156,955,033	2.3%
Professional/Contractual Services	180,354,740	50,987,038	(71.7%)	53,462,208	4.9%	56,498,017	5.6%	56,875,611	0.7%
Operating Supplies	20,879,352	21,305,617	2.0%	22,680,485	6.5%	22,800,956	0.5%	22,978,866	0.8%
Operating Services	134,714,912	153,861,352	14.2%	159,222,224	3.5%	158,405,581	(0.5%)	158,059,875	(0.2%)
Capital Equipment	3,067,592	3,133,504	2.1%	3,318,427	5.9%	2,983,326	(10.1%)	2,714,459	(9.0%)
Capital Outlays	301,047	301,047	0%	404,047	34.2%	404,047	0%	404,047	0%
Fixed Charges	182,606,648	83,515,224	(54.3%)	81,032,700	(3.0%)	101,416,160	25.2%	101,416,046	(0.0%)
Other Expenses	357,723,376	281,123,868	(21.5%)	246,636,208	(12.3%)	213,123,852	(13.6%)	196,069,419	(8.7%)
<b>Total</b>	<b>\$1,356,868,231</b>	<b>\$1,071,466,214</b>	<b>(21.0%)</b>	<b>\$1,055,412,427</b>	<b>(1.5%)</b>	<b>\$1,055,912,427</b>	<b>(0.0%)</b>	<b>\$1,048,612,427</b>	<b>(0.7%)</b>



# General Fund Budget

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FY 15	FY 16	Var	FY 17	Var	FY 18	Var	FY 19	Var
\$1,356 M	\$1,071 M	(21%)	\$1,055 M	(1.5%)	\$1,055 M	0%	\$1,048 M	(0.7%)

- FY16 variance due to the reduction of bankruptcy costs, settlements and transfer to the budget reserve.
- Restructuring projects are included in each agency beginning in FY16.
- Other expenses decline because of the reduction of restructuring projects.
- Fixed charges increases in FY18 and FY19 due to principal payments for the exit financing.
- Wage increases are included based on agreements which is offset by labor cost savings initiatives. These include:
  - Civilianization
  - Police assistants
  - Departmental efficiencies



# Total City Budget

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FY 15	FY 16	Var	FY 17	Var	FY 18	Var	FY 19	Var
\$3,061 M	\$2,805 M	(8%)	\$2,621M	(6.5%)	\$2,547 M	(2.8%)	\$2,536 M	(0.4%)

- FY16 decline reflects reduction of bankruptcy costs, settlements and budget reserve deposit. Offset by increases in Water and Sewer.
- FY18 and FY19 do not include grants because of the limited ability to forecast that far ahead.



# Total City Positions

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FY 15	FY 16	Var	FY 17	Var	FY 18	Var	FY 19	Var
9,141	9,141	0	9,746	605	9,746	0	9,746	0

- Positions increased in Fire by 248.
- Positions increased in Police by 379.



# Departmental Restructuring

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- FY 2016 budget includes:
  - Homeland Security restructuring (moving from Police to Mayor's Office).
  - Planning & Development restructuring (splitting PDD into Housing and Revitalization and Planning Department).
- FY 2016 budget does not include:
  - Creation of Great Lakes Water Authority and DWSD-R.
  - Office of the Chief Financial Officer restructuring.
  - Department of Innovation and Technology restructuring.
  - Human Resources restructuring.
- There will be another look at revenues in May.
- Restructurings are budget neutral and will be included as a budget amendment.



**CITY OF DETROIT CONTRACT SUBMISSION TO FINANCIAL REVIEW COMMISSION**

**THE FOLLOWING CONTRACTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO  
SECTION 6, SUBSECTION 6 OF THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT  
For March 23, 2015 Meeting**

Prepared By: Boysie Jackson, Chief Procurement Officer - 3/12/2015

**City Council and Water Board Approvals Through March 10, 2015**

	<b>Department</b>	<b>Contract Number</b>	<b>Description</b>	<b>Competitively Bid</b>	<b>Lowest Bid</b>	<b>City Council Approval Date</b>	<b>Office of the Chief Financial Officer Approval Date</b>	<b>Comments</b>
<b>CONTRACTS GREATER THAN \$750K</b>								
1	General Services	2838910	<b>Contract Amount: \$1,257,956.00 - (Adding dollars for one year renewal option)</b> <b>Contract Period: 3/1/15 - 2/28/16 - (Time extension from 2/28/15 due to renewal option)</b> Source: 100% City Funding Purpose: To Provide various Building Maintenance Services at Madison Center, 36th District Court, Detroit, Michigan Contractor: Limbach Company, LLC Location: 926 Featherstone, Pontiac, MI 48342	Yes	Yes	02/24/15	03/23/15	Original contract value is \$4,020,876.00 and original contract period was March 1, 2011 through February 28, 2015.
2	Fire	2904514	<b>Contract Amount: \$3,597,723.96</b> <b>Contract Period: One Time Purchase</b> Source: 100% City (Quality of Life Fund) Purpose: To Provide Six (6) Rescue Tanker Trucks Contractor: R&R Fire Truck Repair, Inc. Location: 751 Doheny, Northville, MI 48167	Yes	Sole Bid	03/10/15	03/23/15	Bid issued to 6 suppliers on October 2, 2014 for Fire Department's Fleet replacement program resulting in one response.
3	Public Lighting	2904245	<b>Contract Amount: \$2,700,000.00</b> <b>Contract Period: 2/2/15 - 2/2/18</b> Source: 100% City Funding Purpose: To provide staking and flagging of Utility lines (phone, electric, gas, water, sewer and storm) for the purposes of evacuations, construction, demolition and servicing. Contractor: Utility Resource Group-URG Location: 6809 19 ½ Mile Road, Sterling Heights, MI 48314	Yes	Sole Bid	03/03/15	03/23/15	Bid issued to 4 suppliers on October 14, 2014 and extended to December 2014 due to "no response" on original due date.
4	Public Works	2901532	<b>Contract Amount: \$4,500,000.00</b> <b>Contract Period: 10/23/14 - 10/22/17</b> Source: 100% City (Street) Funding Purpose: Contract of Lease – To Provide Improvements and Renovations to the Traffic Engineering Administration Building located at 2633 Michigan Avenue and to Construct a new 16,000 sq foot Maintenance Division Building Contractor: Detroit Building Authority Location: 1301 Third Street, Suite 328, Detroit, MI 48226	Inter-Governmental Agreement	Inter-Governmental Agreement	02/17/15	03/23/15	Detroit Building Authority Board approved Contract on October 23, 2014. DBA will subsequently competitively bid and contract the scopes of work.
5	Transportation	2901750	<b>Contract Amount: \$4,614,609.70</b> <b>Contract Period: Upon FRC Approval Date through December 12, 2015</b> Source: 20% State, 80% Federal Funding Purpose: To Provide Ten (10) Diesel Transit Coaches Contractor: New Flyer, LLC Location: 711 Kernaghan Avenue, Winnipeg, Manitoba, Canada R2C 3T4	Assignment Agreement with other States	Assignment Agreement with other States	03/10/15	03/23/15	The bus purchases are procured using Assignment Agreements from other jurisdictions and the orders are being purchased in batches. This batch of 10 will be purchased against the Rochester, NY agreement.

	Department	Contract Number	Description	Competitively Bid	Lowest Bid	City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
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**CONTRACTS GREATER THAN OR EQUAL TO 2 YEARS**

6	Transportation	2903089	<b>Contract Amount: \$195,000.00</b> <b>Contract Period: 3/15/15 - 3/14/18</b> Source: 20% State, 80% Federal Funding Purpose: To Provide Repair Services for Fuel Tanks, Heat Exchangers and Re-Cores used in Transit Buses Contractor: Ajax & Auto Center Repair Location: 14447 E. Nine Mile Road, Warren, MI 48089	Yes	Yes	02/17/15	03/23/15	
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**WITH 1 ENTITY, WITHIN 1 YEAR, GREATER THAN \$750K**

7	Health and Wellness	2898252	<b>Contract Amount: \$93,861.00 (additional funding)</b> <b>Contract Period: 10/1/14 - 9/30/15</b> Source: 100% State Funding Purpose: To Demonstrate Separation of Health Services Administration Costs to allow the Fiduciary to Track by Cost Center and Increase Budget due to availability of Additional Grant Funds Contractor: Southeastern Michigan Health Association Location: 200 Fisher Building, 3011 W. Grand Blvd., Detroit, MI 48202	Company acts as Fiduciary for Dept.	Company acts as Fiduciary for Dept.	02/17/15	03/23/15	This Contract is to add money to an existing contract approved by City Council on August 7, 2014. Original amount \$4,021,327.00.
8	Fire	2903755	<b>Contract Amount: \$36,128.00</b> <b>Contract Period: One Time Purchase</b> Source: 100% City Funding Purpose: To Provide Portable Radio Replacement Parts and Batteries Contractor: Motorola Solutions, Inc. Location: 1303 E. Algonquin Road, Schaumburg, IL 60196	No	Sole Source	03/10/15	03/23/15	This is an additional Contract for this entity within a year. Contract # 2900062 - 100% City Funding for \$7,500,000, approved by the FRC on 2/23/15 – Purpose: To Provide a Service Agreement with Motorola to Maintain the 800 MHZ Radio System and to provide Hand Held and Portable Radios – Contract Period: December 1, 2014 through June 30, 2016.



	Department	Contract Number	Description	Competitively Bid	Lowest Bid	City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
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**DEPARTMENT OF WATER AND SEWAGE CONTRACTS  
CONTRACTS GREATER THAN \$750,000.00**

1	Water and Sewerage	DWS-891	<b>Contract Amount Not to Exceed: \$1,849,500.00</b> <b>Contract Period: 4/1/15 - 7/1/16</b> Source: 100% Operating Funding Purpose: Replace 5 aged Pressure Reducing Valve (PRV) Stations required to reliably regulate water pressure to levels that satisfy customer requirements Contractor: Lakeshore Global Corporation Location: 7310 Woodward Avenue 5th Floor, Detroit, MI 48202	Yes	Yes	Below \$5 mil approval requirement	BOWC Approval 2/25/15	
2	Water and Sewerage	Pending	<b>Contract Amount Not to Exceed: \$1,366,855.04</b> <b>Contract Period: 4/1/15 - 4/1/17</b> Source: 100% Operating Funding Purpose: Furnish approximately 30,000 Conversion & Breakable Fire Hydrants and Catch Basins Contractor: East Jordan USA Location: 301 Spring Street PO Box 439, East Jordan, MI 49727	No	Sole Source	Below \$2 mil approval requirement	BOWC Approval 2/25/15	Sole source award due to existing product and service parts compatibility.
3	Water and Sewerage	2904951	<b>Contract Amount Not to Exceed: \$2,179,620.00 (\$726,540 annually)</b> <b>Contract Period: 4/1/15 - 4/1/18</b> Source: 100% Operating Funding Purpose: Provide Commercial Janitorial Services for Lake Huron, Northeast, Water Works Park, Southwest, Springwells Plants and East & West Customer Services Centers and West Yard Contractor: GDI Omni, Inc. Location: 24300 Southfield Road Suite 220, Southfield, MI 48075	Yes	Best Value Award	Below \$2 mil approval requirement	BOWC Approval 2/25/15	Nineteen proposals submitted to service twelve locations. A split award was made. Four locations awarded to GDI.
4	Water and Sewerage	2904952	<b>Contract Amount Not to Exceed: \$3,138,000.00 (\$1,046,000 annually)</b> <b>Contract Period: 4/1/15 - 4/1/18</b> Source: 100% Operating Funding Purpose: Provide Commercial Janitorial Services for Wastewater Treatment Plant, Livernois Center, Main Office Building and Central Services Facility Contractor: Giant Janitorial, Inc. Location: 18485 Mack Avenue, Detroit, MI 48236	Yes	Best Value Award	Below \$2 mil approval requirement	BOWC Approval 2/25/15	Nineteen proposals submitted to service twelve locations. A split award was made. Eight locations awarded.

**CONTRACTS GREATER THAN OR EQUAL TO 2 YEARS**

5	Water and Sewerage	LA-86-15	<b>Contract Amount Not to Exceed: \$38,124.00</b> <b>Contract Period: 4/1/15 - 3/31/20</b> Source: 100% Operating Funding Purpose: Amendment No. 1 to revise terms to increase rental rate from \$385/mo. (effective 1989) on month-to-month basis to \$597/mo. with annual 3% increase for next 5 years at Water Works Park (WWP) Fire Station Lessee: Pewabic Society (Non-Profit) Location: 9900 East Jefferson, Detroit, MI 48214	No	N/A	N/A	BOWC Approval 2/25/15	Revenue Lease for 5,000 sq. ft. parcel leased since 1912 to various City of Detroit agencies incl. Detroit Fire Dept and Recreation Dep. prior to reverting to DWSD in 1987 when Pewabic Society entered into lease agreement of entire facility, dedicated to production of pottery.
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