

CITY OF DETROIT, MAYOR DAVE BING 2013-2014 BUDGET ADDRESS

Good morning, Honorable Body.

The Recommended Budget that I am presenting today represents the best use of existing revenues to meet the operational needs of the City in the upcoming Fiscal Year.

This is a Budget built upon reliable revenue estimates and a thorough consideration of the savings that can be realized through reduction and restructuring.

The agreed upon estimated budget for Fiscal Year 2014 General Fund revenue is a little over \$1 Billion. This number is \$36 Million lower than the original estimate for the current Fiscal Year.

For the past two years in this budget address, my Administration has talked of the probability of the State appointing an emergency manager. Well, as we all know, that day has come.

Yet, as Emergency Manager Kevyn Orr conducts his review of the City's finances in his efforts to stabilize our fiscal situation, I and my Administration remain committed to recommending a viable budget for the coming fiscal year.

Even though we are in the midst of a fiscal challenge of historic proportions, we must concentrate on maintaining the quality of life for our citizens. This means placing an emphasis on those areas that have the most impact on our residents, because they are the ones who are most affected by the City's financial situation.

Without a doubt, the OVERALL PRIORITY of this Administration has been to provide — and improve — essential city services, while reducing administrative costs. To accomplish that, we are focusing on FIVE key initiatives: Public Safety, Public Transportation, the Elimination of Blight, Public Lighting, and Parks and Recreation.

Therefore, our first priority in this budget is to keep these essential services as close to current levels as is possible and affordable. Currently, City Departments are accomplishing their tasks with limited resources. Any additional permanent staff cuts at this time would be more devastating to operations than cost-effective.

Secondly, getting the most out of City operations with sharply-reduced funding means that we CANNOT reduce the City's \$327 million accumulated operating deficit during Fiscal Year 2014. In fact, that number will likely increase to more than \$380 million by June, despite major cuts in non-essential expenditures.

Another priority in this budget is employee health care costs. One of the most difficult realities is that current City employees will face increases in health care costs after having their salaries reduced over the last three years.

However, the alternative is even less attractive. Severe reductions in public safety and public transit services are simply not options, for both economic and practical reasons.

This budget does include uniform salary reductions in the Police and Fire Departments, but in accordance with the City Employment Terms implemented last July.

For other City employees who have been subject to furlough this year, we will continue the furlough days for another seven months in Fiscal Year 2014.

I want to make it clear to all of our employees that I fully realize and understand the sacrifices they are making.

In addition, our budget includes several key RECOMMENDATIONS. Among them:

- The Public Lighting Department's retail sales function will continue throughout Fiscal Year 2014;

- A portion of the utility users tax will be redirected to the Public Lighting Authority;
- Per state law, income tax proceeds will be shifted to cover Police administration adequately;
- The primary responsibility for prisoner detention shifts to the State, as a result of a Partnership Agreement recently reached with the Michigan Department of Corrections;
- City Council's legislative support staff will be reduced, while sufficient funding is provided for legislative oversight agencies;
- We will continue our attempts to fill more than 40 EMS vacancies;
- We will continue to shift more Uniform Police officers to patrol duty;
- User fees in several City agencies will increase by 15 to 50 percent;
- And, we will assign more resources to assist in the collection of revenue owed to the City.

Despite all of these recommendations, we still cannot eliminate the City's operating deficit completely.

Therefore, we have removed from the budget the salaries associated with approximately 100 currently unfilled positions. These positions are primarily in the Finance, Fire, General Services, Police and Transportation Departments. They include 28 police civilian positions, 20 firefighters, and the Deputy Mayor position.

However, we will maintain these positions in hopes that our revenue generation efforts will exceed our projections, and funding can be restored for those jobs.

Here are some of the other major HIGHLIGHTS in our proposed budget for Fiscal Year 2014:

- The number of employees on the City's payroll will be approximately 9,800. At the start of the last fiscal year, we had 10,437 budgeted positions.
- Uniform Police positions will be maintained at the same level as last fiscal year. However, we recommend restoring the FULL police budget if additional revenue becomes available, so that we can put even more officers on the street.
- Funded Uniform Fire positions will be maintained at the number needed to meet the requirements of the FEMA SAFER grants.
- We recommend a reduction of \$4 million from City Council's approximately \$11 million budget. Our proposal includes downsizing Council's support staff to one person each, and cutting back on personal service contracts.
- General Fund salary and wage costs will remain close to last year's levels, as will General Fund support for the Recreation Department.
- The Department of Transportation subsidy from the General Fund will be approximately \$65 million.
- We have set aside \$15 million for restructuring activities, down from the \$28 million budgeted last fiscal year.
- And, our Revenue Enhancement Initiatives will receive the necessary funding to enable City agencies to collect more taxes, penalties and fees.

It is important to remember, however, that there are many critical items we are unable to fund with our current revenues. They include:

- DDOT's request for contract staff and more funding for janitorial services;

- Hiring managerial, customer service and entry-level collection staff for the Finance Department;
- Restoring the budget for 20 firefighters and the purchase of small equipment needs for the Fire Department;
- The maintenance and upgrade of software and architecture for IT Services;
- Upgrading the case management software used by the Law Department to improve operations;
- Restoring 28 police civilian positions in the Police Department;
- Enhancing the janitorial service in City-owned and operated facilities;
- Hiring more employees at 36th District Court and restoring successful programs such as Drug Court and Project Fresh Start;
- And, paying for Charter-required ordinance codification in the City Clerk's office.

Finally, the bottom line is WE MUST MANAGE OUR EXPENSES TO ALIGN WITH OUR REVENUE. We CANNOT allow expenses to exceed revenue.

In preparing this budget, we were confronted with making difficult and challenging decisions on cuts and reductions.

And we were confronted with having to manage our City's finances like never before in Detroit's history.

Thank you.

My team and I will now take your questions.