



City of Detroit Revenue Estimating Conference

February 13, 2019



Conference Principals

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Acting Chief Financial Officer, City of Detroit

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Presentation of Proposed Revenue Estimates

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- Major Revenues
- Departmental and Other Revenues
- Other City Funds



Proposed Revenue Estimates

General Fund Revenue Estimates

(in millions)

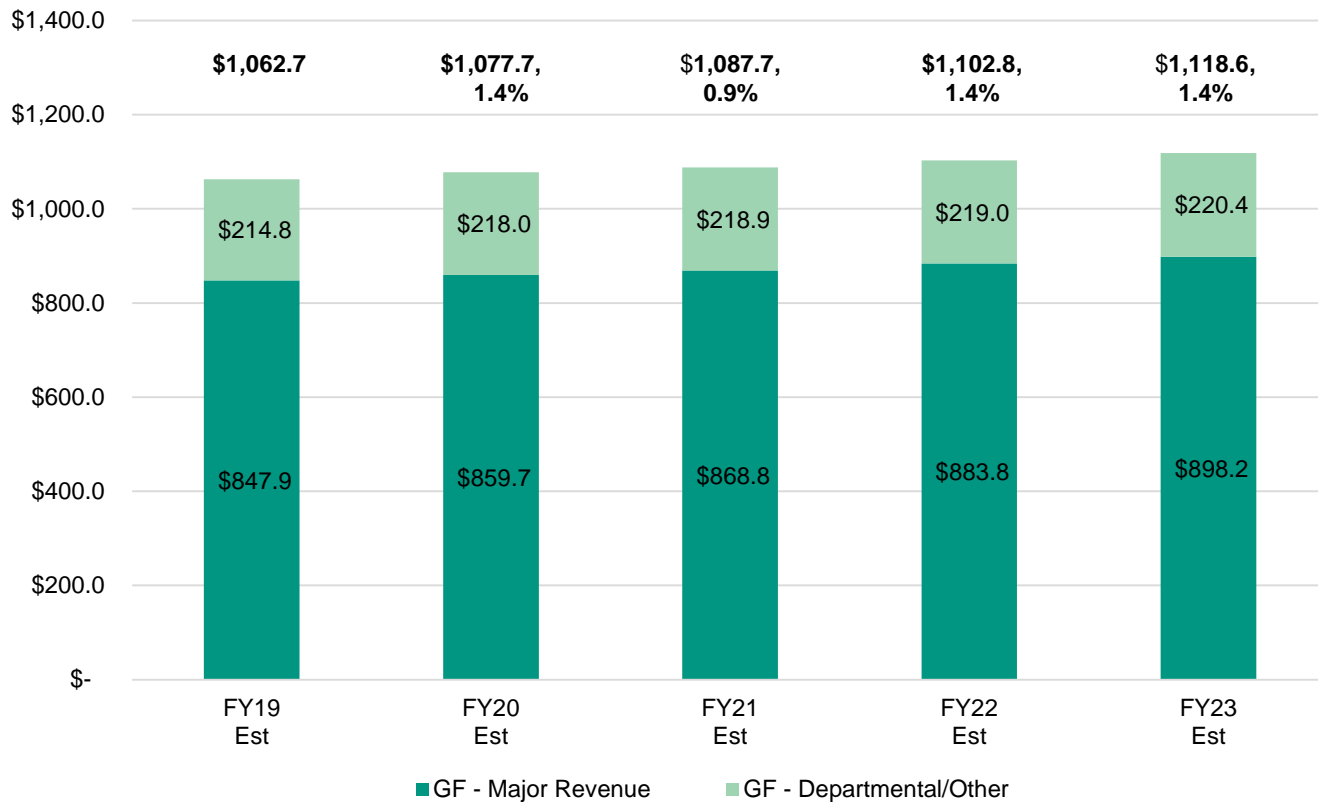
	FY18 Actual ¹	FY19 Budget	February 2019 Estimates					
			FY19 Est	FY20 Est	FY21 Est	FY22 Est	FY23 Est	
Major Taxes								
Income Tax	\$ 310.2	\$ 299.4	\$ 317.5	\$ 324.3	\$ 332.7	\$ 343.0	\$ 352.2	
State Revenue Sharing	199.9	200.7	203.2	204.5	202.2	204.0	205.9	
Wagering Tax	179.0	180.8	182.5	184.3	186.2	188.0	189.9	
Property Tax	128.7	133.8	125.8	126.5	127.6	128.6	129.6	
Tax Increment Financing Capture	(12.2)	(9.2)	(11.0)	(11.2)	(11.5)	(11.8)	(12.1)	
Net Property Tax	116.5	124.6	114.8	115.3	116.1	116.8	117.5	
Utility Users Tax	41.2	40.0	42.4	43.8	44.1	44.5	45.2	
To Public Lighting Authority	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	
Net Utility Users Tax	28.7	27.5	29.9	31.3	31.6	32.0	32.7	
Subtotal, Major Taxes	\$ 834.3	\$ 833.0	\$ 847.9	\$ 859.7	\$ 868.8	\$ 883.8	\$ 898.2	
Other Revenues	\$ 210.5	\$ 216.4	\$ 214.8	\$ 218.0	\$ 218.9	\$ 219.0	\$ 220.4	
Grand Total, General Fund	\$ 1,044.8	\$ 1,049.4	\$ 1,062.7	\$ 1,077.7	\$ 1,087.7	\$ 1,102.8	\$ 1,118.6	

(1) FY 2018 Actuals have been adjusted vs. CAFR to align with budget presentation.



Proposed Revenue Estimates

Total General Fund Revenue Estimates: FY 2019 - FY 2023
(in millions)

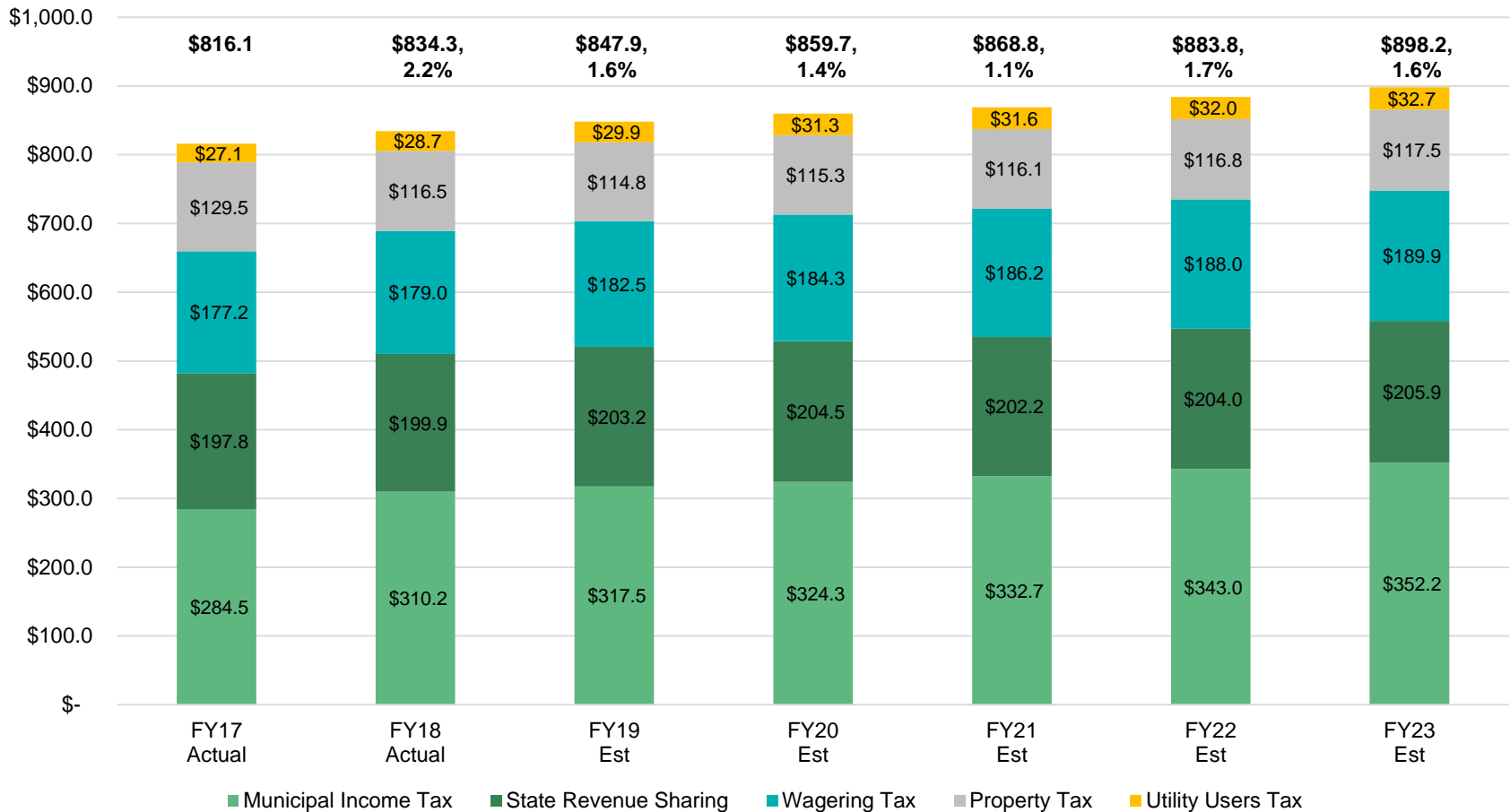


The 5 major revenues comprise 80% of total General Fund revenue.



Major Revenues

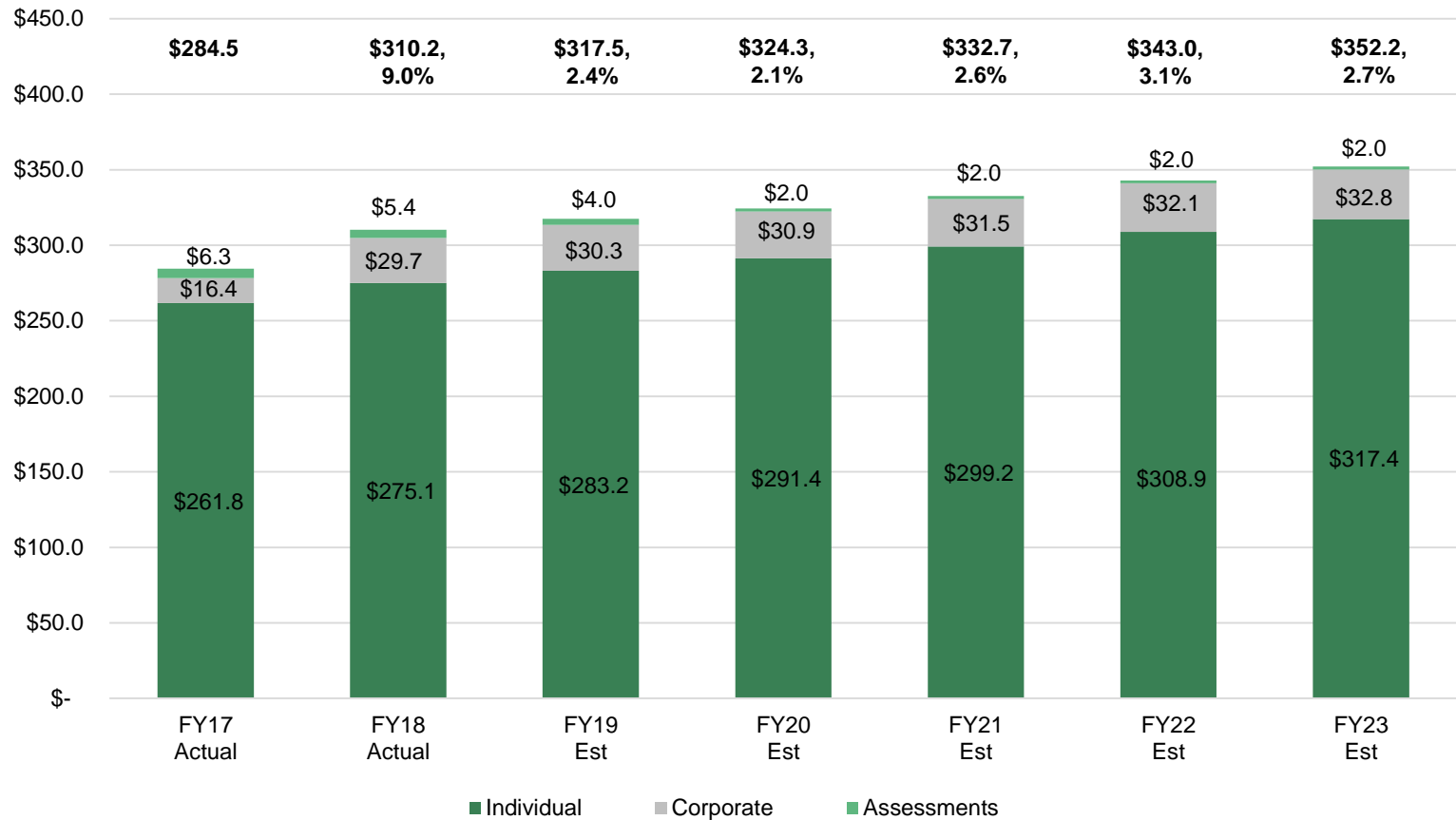
Major Tax Revenue History and Projection: FY 2016 - FY 2023
(in millions)





Income Tax

Municipal Income Tax (in millions)





Income Tax Highlights

Tax Structure

- 2.4% Resident individuals working in and outside the city
- 1.2% Non-resident individuals working in the city
- 2.0% Corporate

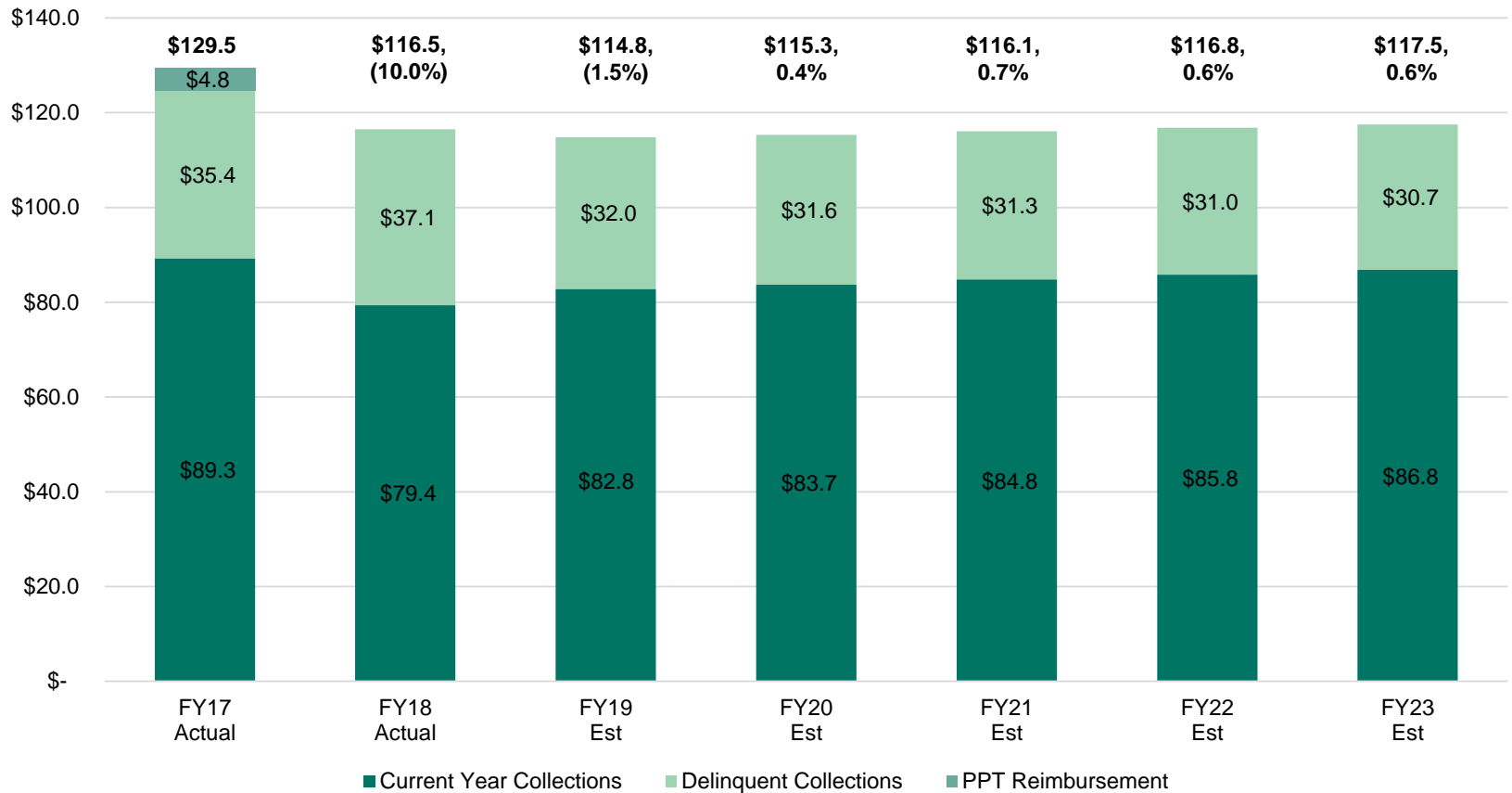
Forecast Assumptions

- Growth is driven by movements in employment and wages.
- Incorporates US GDP growth slowdown (1.7% in FY 2020 and 1.4% in FY 2021).
- Significant corporate tax growth observed in past 2 years.
- Does not include potential upside from new development projects.
- Does not include potential upside from improved compliance efforts.



Property Tax

Property Tax
(in millions)





Property Tax Highlights

Tax Structure

- Ad valorem taxes on real and personal property at 19.952 mills
- Comprised of current year and delinquent taxes

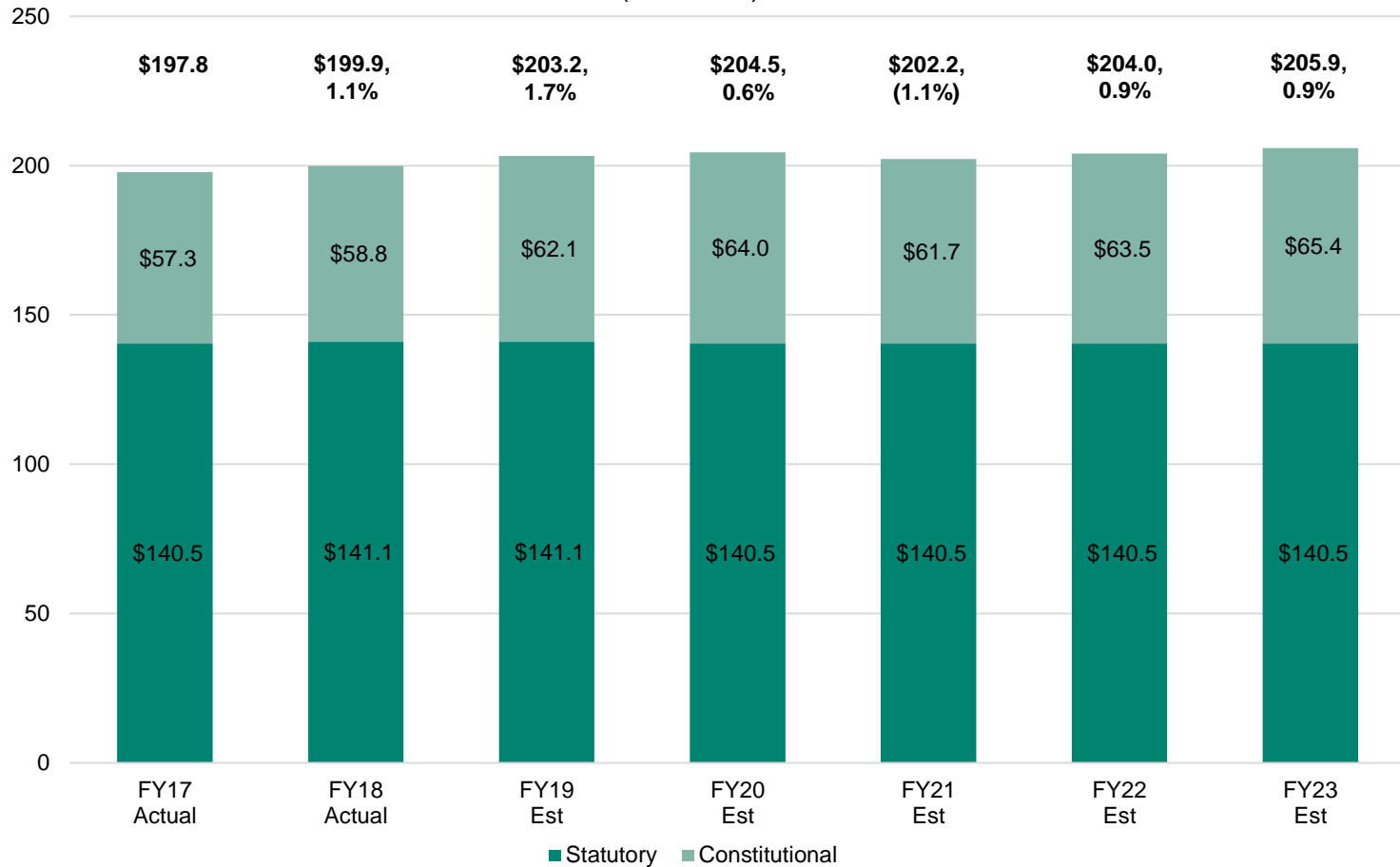
Forecast Assumptions

- Recent years' declines due to reductions in tax roll (residential reappraisal, industrial personal property phase-out).
- Taxable value growth is driven by U.S. CPI inflation (Proposal A tax limitation). Industrial personal property phases out per State law.
- FY 2018 collection rate (82%) is held constant throughout the forecast.
- Forecast does not include additions to the tax base, uncapping of taxable value, or expiring abatements.
- Does not include tentative 2019 taxable values released in Jan 2019, pending March Board of Review and determination of DDA tax capture.



State Revenue Sharing

State Revenue Sharing
(in millions)





State Revenue Sharing Highlights

Tax Structure

- Constitutional share (30%): State sales tax collections (15% of 4% portion) allocated based on population as of the latest Census.
- Statutory share (70%): Set annually via the State budget.

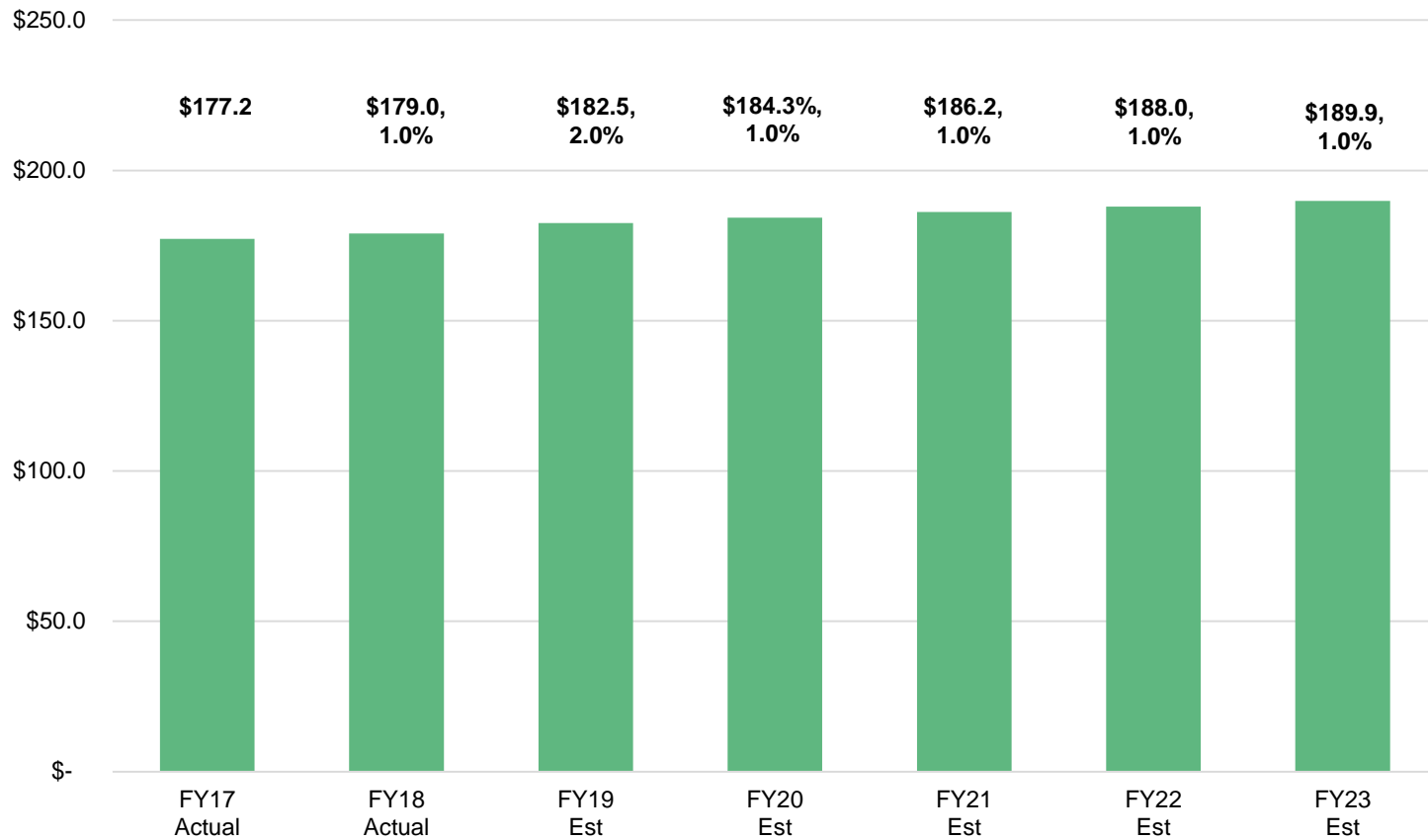
Forecast Assumptions

- Statutory share is held flat, assuming no annual changes to State budget allocation. FY 2018 and FY 2019 include \$600k supplemental appropriation.
- FY 2021 Constitutional share decline based on assumed 2020 Census population reduction compared to 2010 Census.
- State sales tax growth rates consistent with State forecast, includes increases from online sales tax enforcement (Wayfair decision).



Wagering Tax

Wagering Tax
(in millions)





Wagering Tax Highlights

Tax Structure

- Tax on adjusted growth receipts applied to the three casinos operating in Detroit.
- 11.9% tax rate (10.9% State law, 1% per casinos development agreements).
- Supplemental 1% tax if a casino's gross receipts exceed \$400 million.
- Municipal service fee 1.25% of gross receipts or \$4 million, whichever is greater (included separately in "Other Revenues")

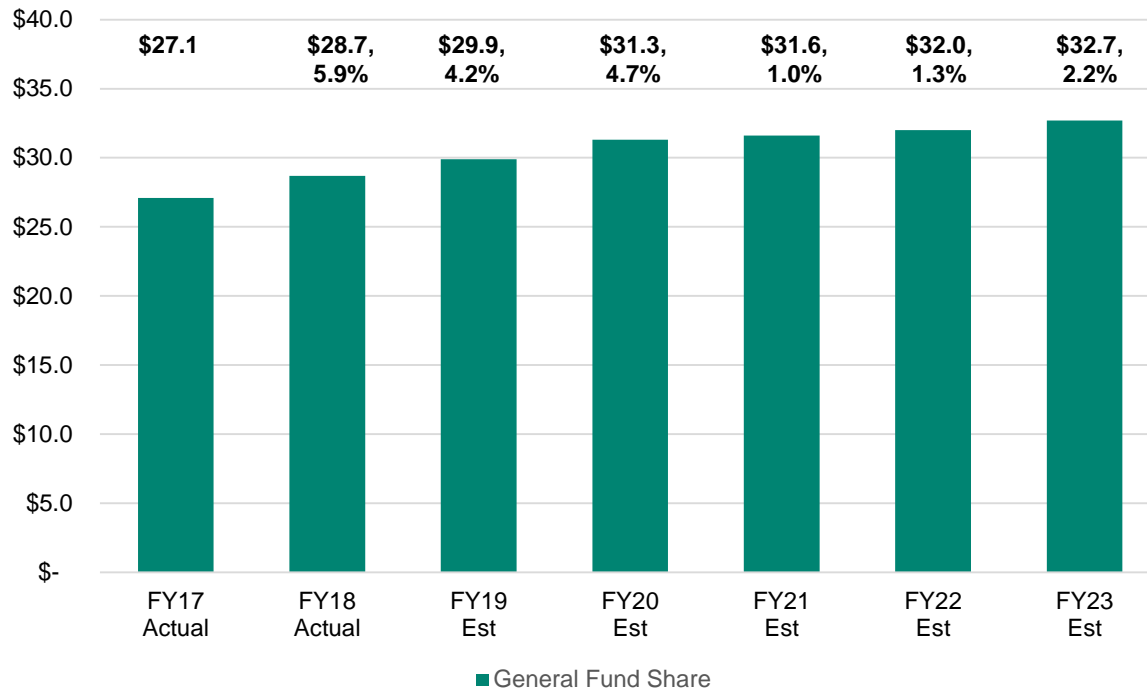
Forecast Assumptions

- FY 2019 2% growth rate based on strong YTD collection activity.
- 1% annual growth rate from FY 2020 – 2023.
- Forecast years do not include impact of proposed legislation for online gaming or sports betting.



Utility Users Tax

Utility Users Tax
(in millions)



Tax Structure

5% tax on consumption of electricity, gas, steam, and telephone services.

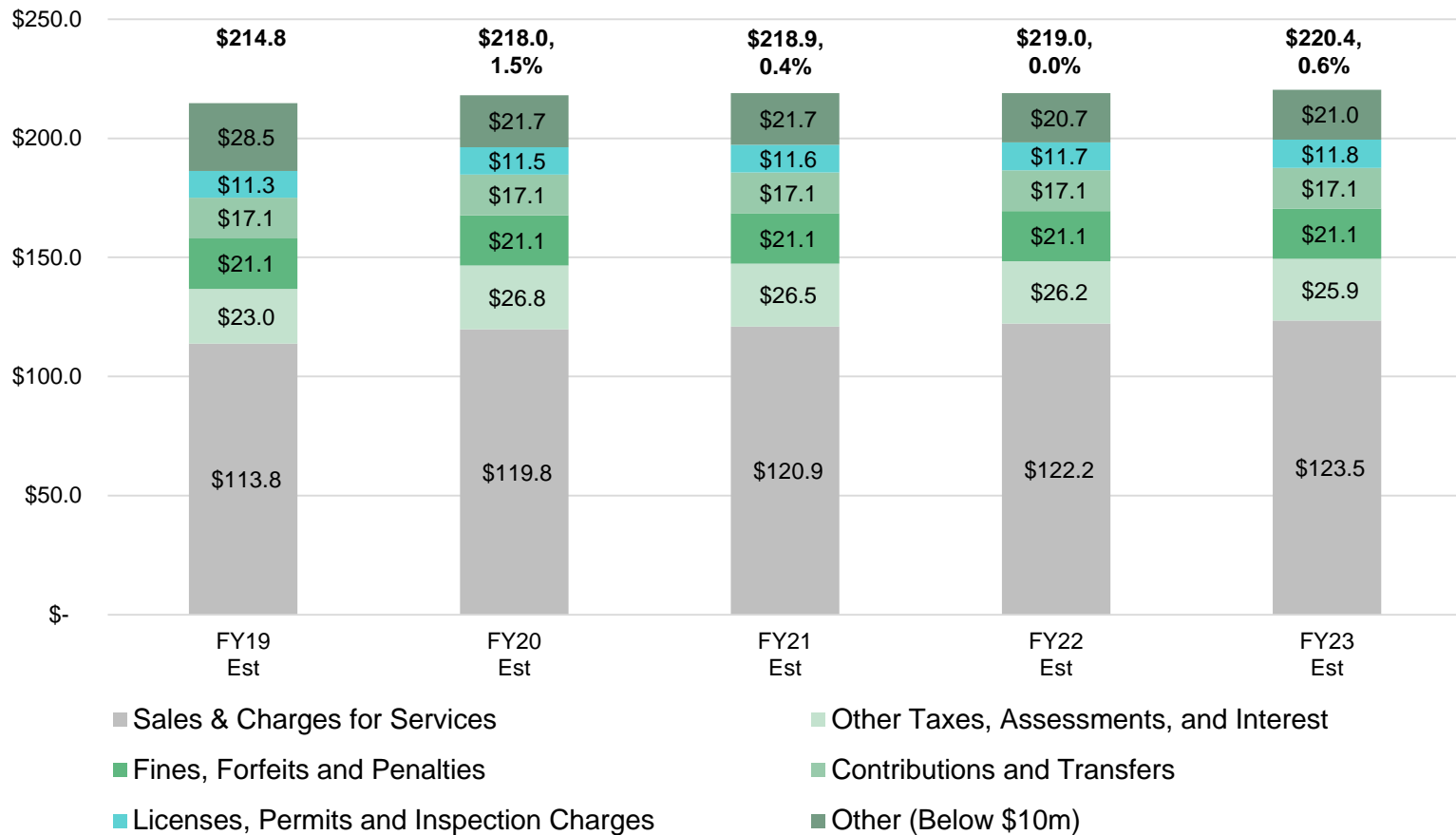
Forecast Assumptions

General Fund growth is driven by household unit growth and projected gas and electricity prices.



Departmental and Other GF Revenues

Departmental/Other General Fund Revenues
(in millions)





Departmental and Other GF Revenues Highlights

Significant Departmental Revenues

- **License, Permits and Inspection Charges:** BSEED (Business Licenses), Public Works (Street Use Permits and Construction Inspection Charges), Fire Department (Safety Inspection Charges)
- **Fines, Forfeits and Penalties:** Parking fines and 36th District Court
- **Sales & Charges for Services:** Fire (EMS Service Fee), Health (Inspection Charges), BSEED and Administrative Hearing (Blight Tickets), Court fees
- Also includes departmental salary reimbursements, and enterprise fund contributions, and earnings on investments.

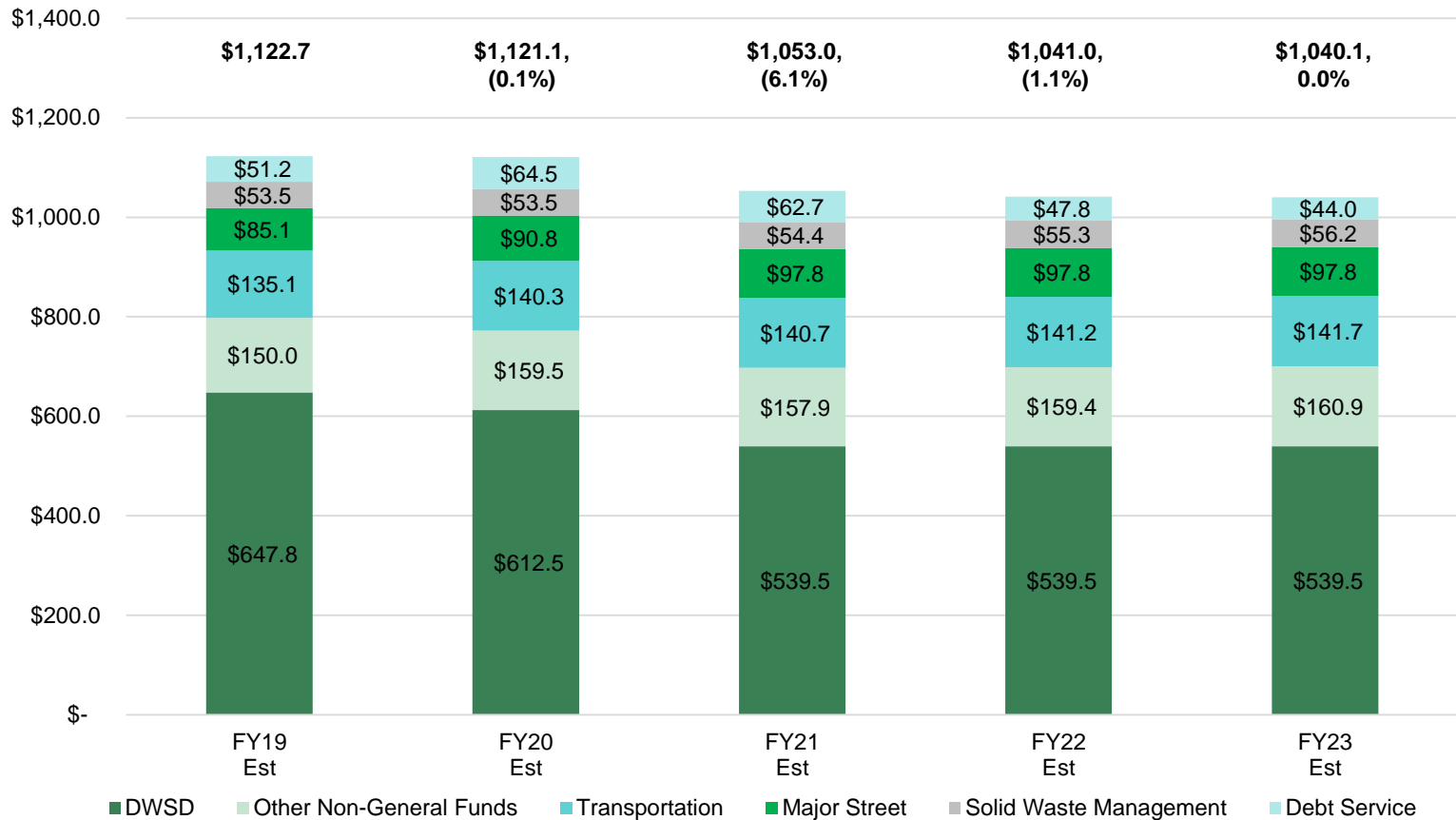
FY 2020-2023 General Fund total does not include \$6.1m in dedicated fees shifted to special revenue funds.

Does not include revenues from initiatives that have yet to be implemented



Other City Funds Revenues

Other City (Non-General Fund) Revenue Estimates: FY 2019 - FY 2023
(in millions)





Risks and Opportunities

Risks

- Adverse changes in economic / demographic trends
- Adverse federal/state policy actions (tax and budget policy, local limitations)
- Increased competition in gaming and risks of past trends not continuing
- Adverse changes in property tax foreclosure activity

Potential Opportunities

- Revenue gains from development projects throughout the city
- State-shared taxes on recreational marijuana sales
- Property Tax collection improvements from Plan Ahead Property Tax Savings Program
- Income Tax collection improvements from new withholding legislation
- Departmental revenue gains from EMS billing vendor change, parking meters, golf courses, and police towing.