

# Coronavirus Budget Address

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**April 14, 2020**

**City of Detroit  
Mayor Mike Duggan**

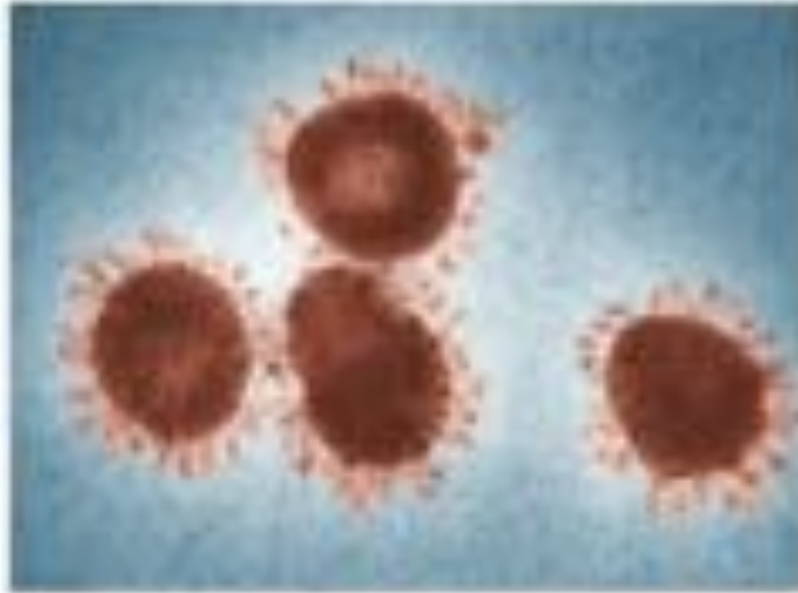


**America has never seen anything like the Coronavirus**



Only 1 month ago, on March 13, Detroit had its first case

## First coronavirus case reported in Detroit; Michigan total up to 16



**AP/WIDEWORLD** - Aerial view of a coronavirus particle, showing its characteristic spike-like structure.

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# **In the month since, the pain suffered by our community has been enormous**

**We have lost 424 Detroiters to this disease.**

**We have lost 8 of our fellow city employees:**

**3 from Police Department**

**3 from BSEED**

**1 from Fire Department**

**1 DDOT**

**We have lost 26 Detroiters living in nursing homes.**

**At first, Detroit got hit as hard and  
as fast as any city in the country**

**And we quickly learned the average Detroiter couldn't get tested.**



**Some thought we would be overwhelmed.**



# **In March, there were only 125 Coronavirus lab tests being done each day in the entire State of Michigan**

**When they said there was no lab capacity in Michigan, Jamie Dimon and JP Morgan Chase helped us strike a deal Bioreference Labs of New Jersey.**

**When they said there were no medical staff to take the tests, we partnered with Henry Ford Hospital, DMC, Trinity Health (St. Joe's and St. Mary's), and WSU Medical School**

**When they told us we couldn't start because there were no lab kits for us, Dr. Roberto Romero and the NIH made up special testing kits for us in the prenatal care labs.**

**When they said there were no doctors to write prescriptions for the uninsured, we recruited 30 Detroit offices to take new patients.**

**When they said there was no way to test those without cars, we got Gary Torgow and TCF to provide \$2 rides to the test site.**

**And we've been operating one of the most successful drive-thru test sites in America.**

**We Did Our 8,000<sup>th</sup> Drive Thru Test Today**





**When our police force was hit hard by the virus and had more than 600 officers quarantined**

**Detroit became the first city in the U.S. to get instant tests**



**Detroit has now done 2,000 instant tests in 2 weeks**

**We have been able to return nearly 1,000 police officers, firefighters, EMT's and bus drivers to work**

**We have also found nearly 200 who tested positive and were able to get them proper medical care**

**Detroit has stepped up as a leader for the entire region**

**We've tested Wayne County Sheriffs Deputies to make it safer for them to work in the jail**

**We've done testing for Michigan corrections officers**

**We've actively cared for those at homeless shelters and nursing homes.**

**We've tested nearly 4,000 of our neighbors in Wayne, Oakland, and Macomb Counties.**



# The City has been backed by 100 partners

## FUNDERS

AAA  
Ajax Paving  
Ally Financial  
Big Sean  
BN Bahadur  
Boji Group  
Camelot Venture Group  
Community Foundation for Southeastern Michigan  
Detroit Medical Center Foundation  
Detroit Pistons  
Detroit Public Safety Foundation  
Detroit Red Wings  
Detroit vs Everybody  
Diversified Members Credit Union  
DTE Energy  
Facebook  
Faircourt Dental  
Fiat Chrysler Automobiles

Gary Torgow  
General Motors  
Google  
Gretchen Valade  
Humanity Forward  
Huntington Bank  
Hyundai  
ITC Transportation Company  
Knight Foundation  
Lear Corporation  
McGregor Foundation  
Mercedes Benz Financial Services  
MGM Grand Detroit  
Mitch Albom  
New Economy Initiative  
North American Chinese Coalition  
and the Asian Chinese Coalition of  
Detroit

Quicken Loans  
Quicken Loans Community Foundation  
The Kresge Foundation  
The Rockefeller Foundation  
Tony Michaels and the Parade Company  
United Auto Workers (UAW)  
United Way for Southeastern Michigan  
WSP



# Who have been with us every step

## PARTNERS

Accenture  
Accounting Aid Academy  
Angel Share  
BioReference Laboratories  
Black Theatre Network  
Central City Integrated Health (CCIH)  
Community & Home Supports Detroit  
Corporation of Supportive Housing (CSH)  
Detroit Area Agency on Aging  
Detroit Economic Growth Corporation  
Detroit Food Policy Council  
Detroit Medical Center  
Detroit Rescue Mission Ministries  
DTE Foundation  
Flash Delivery  
Forgotten Harvest  
Henry Ford Health Systems  
Henry Ford Hospital  
Hilton Garden Inn Detroit  
Homeless Action Network Detroit (HAND)

InvestDetroit  
JP Morgan Chase  
Metro Solutions  
Michigan Health Information Network  
National Black MBA Association - Detroit  
Ramada by Wyndham Southfield  
Salvation Army  
SEMHA (Southeastern Michigan Health Association)  
Shopify  
Southwest Housing Solutions CAM  
TechTown  
Trinity Health  
Wayne State Medical School  
Wayne State University Physicians Group  
Dr. Roberto Romero and the Wayne State University Perinatal Research Branch  
Wayne, Oakland, and Macomb Counties

**The people of Detroit have strongly supported our social distancing message.**



**The 1,000 bed emergency field hospital opened last Friday at the TCF Center, expecting 250 patients this week.**

**As of this afternoon, they have 8 patients.**



**But while we are starting to succeed right now, we cannot let up and return to old habits.**

### Emergency Declared In Japanese Prefecture Hit By 2nd Wave Of Coronavirus Infections

Japan's Hokkaido prefecture, which announced the first case of COVID-19 in late January, has now declared an emergency as the prefecture is hit by a second wave of coronavirus infections.



The government of Hokkaido, the northernmost island prefecture, has declared an emergency as the prefecture is hit by a second wave of coronavirus infections.

The prefecture, which has been hit by a second wave of coronavirus infections, has declared an emergency as the prefecture is hit by a second wave of coronavirus infections.

### Hong Kong appeared to have the coronavirus under control, then it let its guard down

Hong Kong appeared to have the coronavirus under control, then it let its guard down



Hong Kong (CNN) — It's a little over a year since Hong Kong was hit by a second wave of coronavirus infections, and it's clear that the city has let its guard down.

The city government has been criticized for not doing enough to prevent a second wave of coronavirus infections.



**As we battle the Coronavirus itself, we also have to  
battle a major budget deficit**

## **City of Detroit Budget Process**

**Detroit Fiscal Year runs from July 1 – June 30.**

**For Fiscal Year 2019-20, we are in the 4<sup>th</sup> quarter of the year.**

**For Fiscal Year 2020-21, Detroit City Council is currently considering next year's budget which must be adopted next month.**

# **The State Financial Review Commission**

**The State Financial Review Commission was set up by state law in 2014 and had power to approve all city budgets, labor agreements, major contracts, debt issuance, and city policies.**

**The law allowed Detroit to get out of active oversight if we met requirements for 3 straight years for balanced budgets, prompt bill payment, proper accounting, compliance with State laws, and balanced four year plan.**

**In April, 2018, Detroit met those conditions and active state oversight was ended.**

**However, if we run a deficit in a single year, active state oversight goes back into effect for 3 year minimum**

## **Detroit Financial Review Commission votes to end state financial oversight**



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The Detroit Financial Review Commission voted to end state financial oversight during a special meeting on Monday afternoon.

# Annual City Budget FY 19-20

**Total General Fund Budget: \$1,086 Billion**

**Total Employees: 8,000 Employees**

**(not including DWSD, 36th District Court and Library)**

## Budgeted Sources of General Fund Revenue

<b>Income Tax</b>	<b>\$ 324 Million</b>	<b>30%</b>
<b>Revenue Sharing</b>	<b>\$ 204 Million</b>	<b>19%</b>
<b>Casino Taxes</b>	<b>\$ 184 Million</b>	<b>17%</b>
<b>Property Taxes</b>	<b>\$ 115 Million</b>	<b>10%</b>
<b>Fees, Other Rev.</b>	<b>\$ <u>259 Million</u></b>	<b>24%</b>
<b>Total</b>	<b>\$1,086 Billion</b>	

**Other Funds \$ 55 Million DDOT Bus fares, BSEED construction fund revenue  
(shortfalls backed by General Fund)**

# What's happening to those revenues?

## Budgeted Sources of General Fund Revenue

Income Tax	\$ 324 Million	Projected to drop 13%
Revenue Sharing	\$ 204 Million	Sales tax share projected to drop 11%
Casino Taxes	\$ 184 Million	100% Loss Since March 17
Property Taxes	\$ 115 Million	Expected to drop
Fees, Other Rev.	\$ <u>259 Million</u>	Lost revenue from parking, courts, licenses
Total	\$1,086 Billion	
Other Funds	\$ 55 Million	Bus fares suspended, construction activity stop

# With the Casinos closing, Detroit is getting hit harder with revenue loss than nearly any city in America

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## Revenue Losses Impacting General Fund

	<u>FY 2020</u>	<u>FY 2021</u>	<u>16 Month Total</u>
Income Tax	-\$ 49 Million	-\$101 Million	-\$150 Million
Revenue Sharing	-\$ 7 Million	-\$ 14 Million	-\$ 21 Million
Casino Taxes	-\$ 52 Million	-\$ 60 Million	-\$112 Million
Property Taxes	-\$ 1 Million	-\$ 7 Million	-\$ 8 Million
Fees, Grants, Fares	<u>-\$ 45 Million</u>	<u>-\$ 12 Million</u>	<u>-\$ 57 Million</u>
Total	-\$154 Million	-\$194 Million	<b>-\$348 Million</b>

**The following plan applies to roughly 8,000 employees under the executive branch.**

**Does not apply to:**

**Detroit Land Bank**

**Detroit Water and Sewer Department**

**Detroit Public Libraries**

**Detroit Public Lighting Authority**

**The Legislative and Independent branches and agencies will also have to make their own decisions:**

**City Council**

**Detroit Auditor General**

**City Clerk**

**Detroit Inspector General**



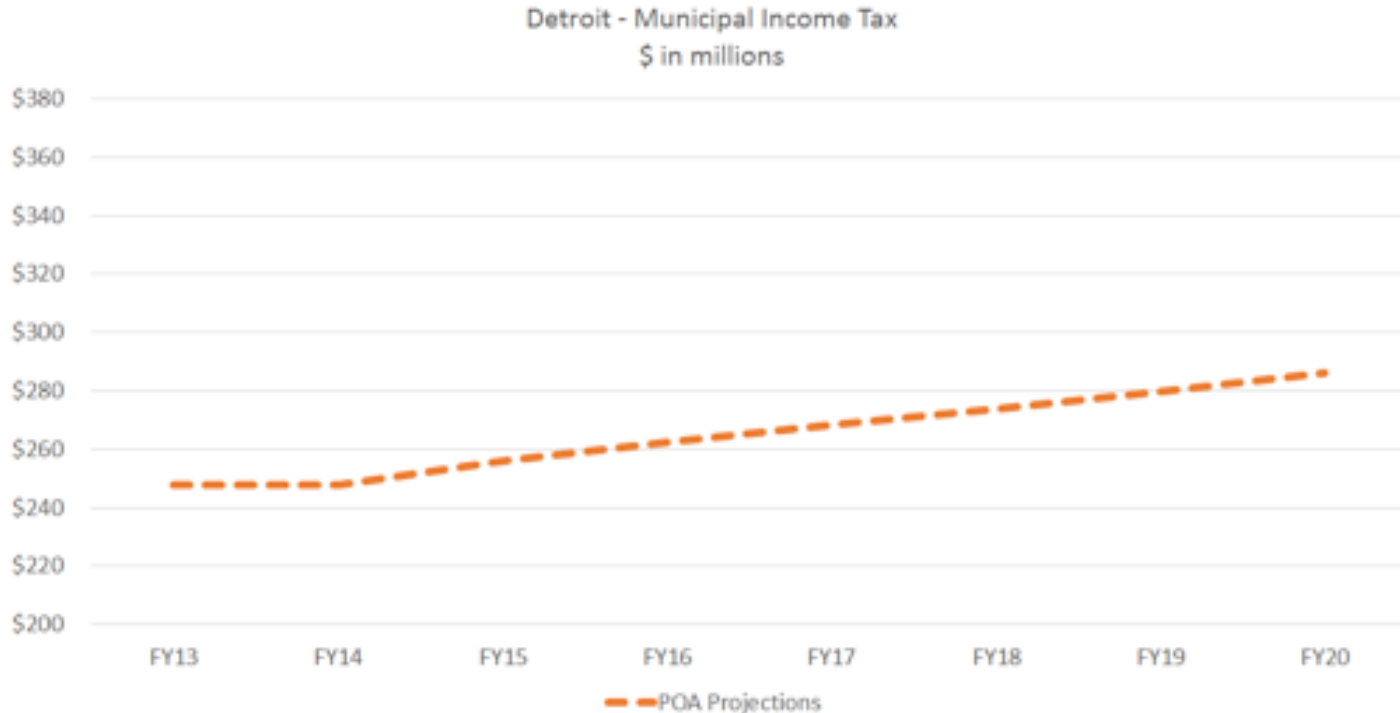
# **How Do We Eliminate a \$348 Million Revenue Shortfall in 16 Months?**

**City Government is largely people delivering services.**

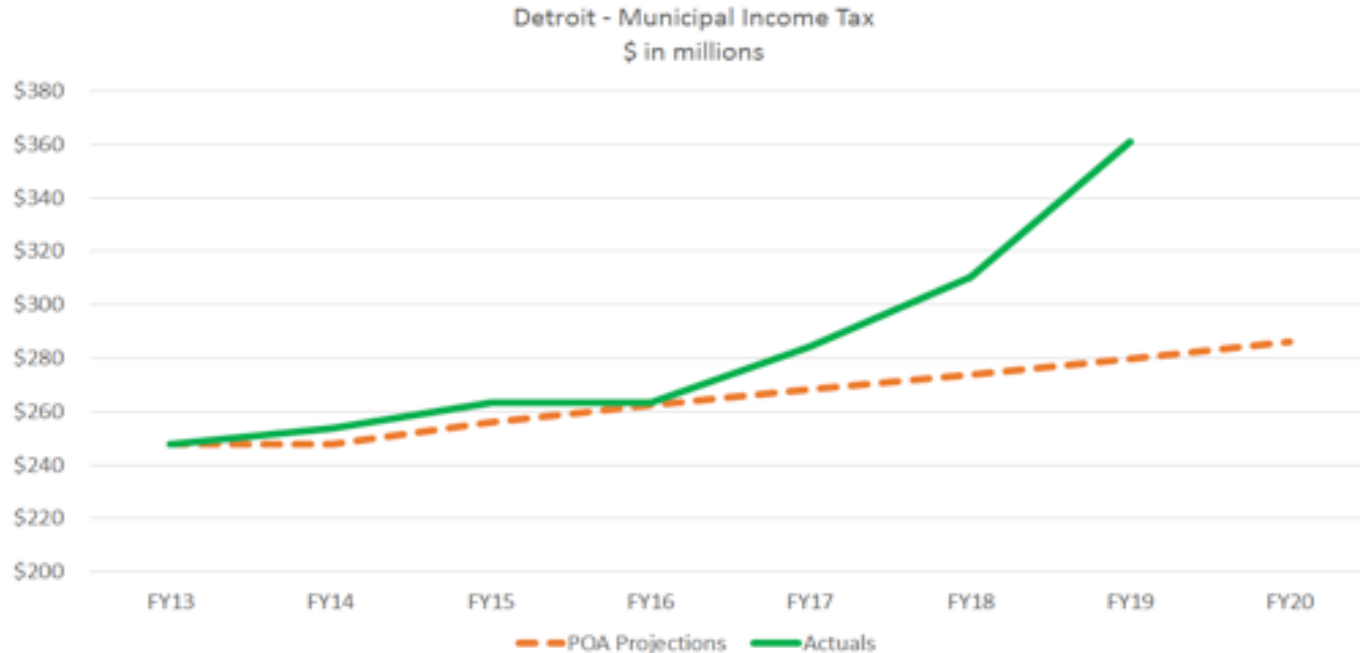
**Out of \$1 billion budget, more than \$650 million goes to salaries and benefits paid to our 8,000 employees.**

**If we took 65% of the deficit from employees, it would equal more than 20% pay/benefits cut or the layoff of more than 1,800 full time employees**

# During bankruptcy, the Court-approved Plan of Adjustment assumed City income tax revenues would grow by 2% a year

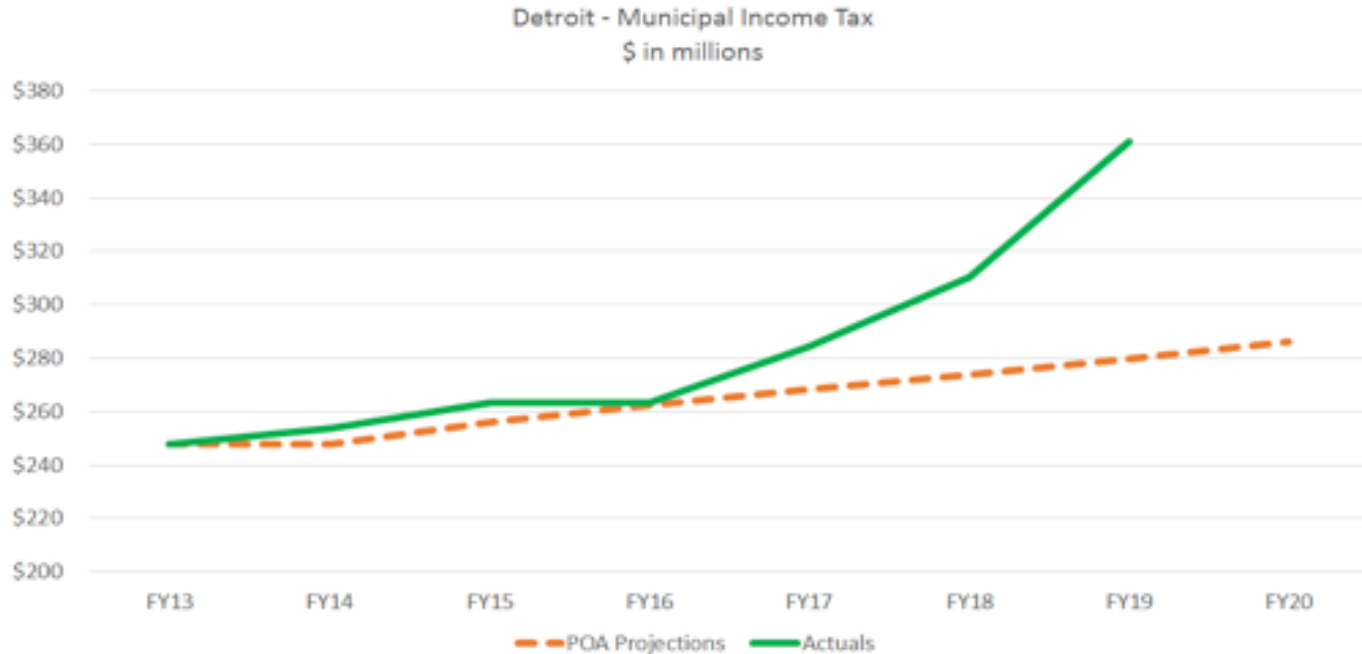


**Our success bringing new business and people back to Detroit far exceeded that projection.  
We exceeded the income tax projections by \$80 million last year alone.**



**Instead of expanding government, we put most of the growth in savings: Rainy Day Fund, Retiree Protection Fund**

**Nearly all the expansion in services from these surpluses went to the Police Department and Blight Removal**



# **To eliminate the \$348 million shortfall in 16 months, our plan is based on 6 principles:**

- 1) Maximize the use of the Rainy Day fund and other savings**
- 2) Police, Fire, EMS, and Bus services should not be cut**
- 3) Temporary and part-time workers should be reduced before cutting full-time city employees.**
- 4) This virus is temporary – we should try to reduce hours instead of laying off, so we don't lose our employees' talents for good**
- 5) Prioritize making sure our employees and their families don't lose their health care**
- 6) If it's a choice between blight funding and employees delivering city services, city services must take priority**

# How do we address \$348 million hole?

**Our strong financial management will let us cover 80% of our shortfall without cutting employees wages or benefits**

<b>Saved Surpluses from 2016-2020</b>	<b>\$101 Million</b>
<b>Available Rainy Day Fund</b>	<b>\$ 50 Million</b>
<b>Blight Funds For FY 20 and FY 21</b>	<b>\$ 72 Million</b>
<b>Delay capital projects FY 20 and 21</b>	<b>\$ 33 Million</b>
<b>CFO Cost Cutting Order of April 3</b>	<b>\$ 6 Million</b>
<b>New Federal CARES Funds for transit</b>	<b><u>\$ 36 Million</u></b>
<b>Total</b>	<b>\$298 Million</b>

# **We have to reduce employee wages/benefits expense by \$50 million**

## **Reducing part-time/temporary employees first – \$6 million**

- We will have to lay off 200 part-time, temporary and seasonal employees.**
- Mostly 20 hour a week recreation department employees like play leaders, life guards, locker room attendants.**
- Some temporary administrative special services staff**
- City HR will be filing your unemployment claims for you this Saturday.**

# We need to reduce expenses from full-time city employees by \$44 million

The 8,000 full-time city employees will fall into 4 groups:

- A: 10% workers** Work 10% hours/get 10% pay and health care  
No pay increase 7/1
- B: 80% workers** Work 80% hours/get 80% pay and health care  
No pay increase 7/1
- C: 95% workers** Work 100% hours/get 95% pay (over \$125,000)  
No pay increase 7/1
- D: 100% workers** Work 100% hours/get 100% pay  
No pay increase 7/1



## Here's what each group of savings generates:

	<u>Savings Through 6/30/21</u>
A: 10% workers 900 employees	\$17 million
B: 80% workers 1,300 employees	\$19 million
C: 95% workers 100 employees	\$ 1 million
D: 100% workers 5,500 employees	<u>\$ 7 million</u>
Total Full-Time Employee Savings:	\$44 million

# **900 Category A Workers**

**DPD Traffic Control Officers**

**DDOT Ticket sales tellers**

**DPW Drivers road repairs and other services**

**BSEED Permits/Buildings staff**

**Office Assistants**

**Draw 10% city pay every other Friday**

**Keep your city health insurance**

**Get state underemployment insurance for the reduced time**

**Get \$600 a week federal unemployment through July 31**

**We hope to call you back as economy restarts**

# **1,300 Category B Workers**

**Office Management Assistants**

**Accountants**

**Information Technology Specialists**

**Financial Analysts**

**Draw 80% city pay every other Friday**

**Keep your city health insurance**

**Get state Work Share benefits for the reduced time**

**Get \$600 a week federal unemployment through July 31**

**We hope to move you back to full-time as economy restarts**

## **85 Category C Workers**

**Elected Officials, appointees, and executives who make more than \$125,000**

**Taking immediate 5% pay cut until July 1, 2021**

**Asking that you continue to work full time**

**No pay raise July 1st**

# **5,500 Category D Workers**

**Police Officers**

**Firefighters**

**EMT's**

**DDOT Drivers**

**DDOT Mechanics**

**Others who have to cover public-facing shifts**

**Pay, benefits, work hours remain same.**

**For those who have a contractual pay increase due July 1<sup>st</sup>,  
we ask that you forego that increase.**

**For the temporary, part-time and Category A and B employees, how will state payments work?**

**On Saturday, April 18<sup>th</sup>, the City HR Department will file your unemployment claim for you. You do not have to file anything.**

**On Friday, April 24<sup>th</sup>, you will receive your last full city paycheck. That's to pay you for your work April 6-19.**

**You will receive a State Debit Card in the mail shortly. You'll get your state payment on May 8<sup>th</sup>.**

**Your current home address must be on file.**



## **If you're in Category A (10% workers)**

**On Friday, April 24<sup>th</sup>, you will receive your last full city paycheck. That's to pay you for your work April 6-19.**

**On May 8<sup>th</sup>, you will receive your city pay for 10% of your time for the period April 20-May 3.**

**On May 8<sup>th</sup>, your state debit card will be credited with underemployment pay for 90% of your time plus \$600 a week.**

**You will get both payments on payday every other Friday.**

**If you're in Category B (80% workers), works the same way except that your city check will be larger and your state payment will be smaller.**

**For City of Detroit Residents, we will protect Police, Fire, EMS, and Bus Service, but there will be many other cuts to service for awhile**

**Delayed road repairs**

**Closed recreation centers**

**CB Patrols will remain suspended**

**Blight is going to get worse in neighborhoods**

**Many city services will only be available at kiosks or online**



# **What does the future look like?**

## **How does our city and country restart?**

**It will have to happen in phases based on medical advice.**

**The DPD restart may offer some guidance:**

- 1) Extensive testing of officers and staff**
- 2) Thermometer testing at start of each shift**
- 3) Masks to prevent spread of disease**
- 4) Intense cleaning protocols of stations and vehicles**

# **The economy cannot restart all at once without being reckless with our health**

**The restart will have to look something like this:**

**Early phase: Landscaping, road/sewer repairs,  
construction**

**Middle phase: Retail, office, manufacturing**

**Later phase: Sit down restaurants, movie theaters, sports**