



Draft Revised Charter Proposed by the 2018 Detroit Charter Revision Commission

Office of the Chief Financial Officer
Fiscal Impact Analysis

April 26, 2021

Draft Revised Charter Background

- The current City Charter was approved in Nov 2011 and took effect Jan 2012
- The 9-member Charter Revision Commission was elected in Nov 2018
 - The charter commission is charged with reviewing and proposing revisions within a 3-year timeframe
- The commission submitted its draft revised charter to the Governor on Mar 5, 2021
 - Per State law, the Governor must approve a proposed city charter before it can be placed on the local ballot
 - The commission seeks to place the revised charter on the Aug 3, 2021 ballot
 - The commission dissolves on Aug 6, 2021

What's in the Draft Revised Charter?

1. Authorizes 47 new elected positions
2. Creates 79 new appointed commissioners on 11 new public boards
3. Requires taxpayers provide free Wi-Fi, sidewalks, water, bus service, and many other unfunded mandates
4. Creates huge additional burdens on the procurement process, driving up costs and driving out prospective vendors
5. Creates the most restrictive impediments in Michigan for new business location, driving out investment and development
6. Creates independent police and fire departments, outside the authority of the Mayor, requiring massive expenditures to establish and operate literally one-half of City government outside of the City administration

Regarding these proposals, the Charter Commission said it “is under no statutory obligation to put a price tag on the cost of social justice and government reform”

City Budget Impact

Per State law, the City must submit a balanced four-year plan to the FRC and request a waiver every year

- We submitted the FY21-FY24 Four-Year Financial Plan to the FRC on May 29, 2020
- The FRC granted the City its 3rd annual waiver of active oversight on June 29, 2020

- We will submit the FY22-FY25 Four-Year Financial Plan by April 30, 2021
- The FRC will consider whether to grant the City a 4th annual waiver by June 30, 2021

- The Draft Revised Charter would **cost \$2 billion** over 4 years by imposing 65 provisions with new mandates that increase expenses or reduce revenues
 - There are no provisions that would reduce expenses or grow revenues

- If the Draft Revised Charter is approved in August, the FY22-25 Four-Year Financial Plan will no longer be balanced

An Imminent Fiscal Crisis

- The \$2B impact over four years would consume almost **half the City's annual budget**
 - We would need to cut police, fire, parks, and all other city services in half
 - We would return to service insolvency and a downward spiral of the tax base
 - The FRC would need to rescind its waiver and resume active oversight,
 - We would be on the road to a second bankruptcy

\$ in millions	FY22	FY23	FY24	FY25
Recurring General Fund Revenue	\$995.2	\$1,045.9	\$1,061.2	\$1,078.2
Proposed Charter Fiscal Impact	\$488.4	\$485.0	\$497.5	\$510.2
Impact % of Revenue	49.1%	46.4%	46.9%	47.3%

Appendix – Fiscal Impact Details



Four-Year Fiscal Impact

New Costs and Revenues Losses for Existing Programs	DRC Sec.	\$M
Changes in City Contracting and Process Requirements which would add an estimated 10% to all contractual costs (compliance with EO 2016-1, documentation of training and residency of workforce, licensing requirements, pre-qualification, insurance)	4-122 9-1001	\$247
Special Counsels for independent elected officials' departments	2-105 4-121	\$19
Language Access Plans (duplicates and expands existing CRIO services for Limited English Proficient populations within every City department and agency)	2-114	\$6
Voter Participation Among City Employees (paid time off)	3-112	\$15
Elections Department (additional voter education, outreach, staffing, and training required)	3-113 et seq.	\$41
Public Authority Annual Review (review of all public authorities conducted by Mayor at the direction of Council, assumes \$100K per authority every year)	4-123	\$7
Cultural Neighborhoods (requires additional capital and grounds maintenance spending)	4-124	\$6
BZA notification requirements, per diem, staffing (community organizations who service the area must be notified)	4-202	\$4
Public funded broadband services (cost of deploying and operating free citywide Wi-Fi network)	4-401 et seq.	\$57
Mayor Community Meetings doubled, additional requirements (2 meetings in each district, specific requirements for the agenda mandated by the charter)	5-110	\$3
Contractor Employee Reporting (contractors must provide name, address, wage, union name for each employee, gathering personal information about people who do not work for the City)	6-306	\$3

Four-Year Fiscal Impact

New Costs and Revenues Losses for Existing Programs	DRC Sec.	\$M
BSEED Citizen Complaints (90 day turnaround, additional staff required)	6-508	\$29
Auditor General funding (additional responsibilities require additional staff)	7.5-107	\$4
Enforcement of Charter (Corporation Counsel must enforce compliance requiring additional staff)	7.5-209	\$3
Law Dept - New Duties (mandatory public meetings on ballot proposals, tax subsidies, sale of city assets – additional and duplicative analysis required)	7.5-211	\$7
Inspector General (additional responsibilities require additional staff)	7.5-305	\$2
Ombudsman (10 full time employee requirement)	7.5-405	\$1
Bus Fares assuming a free fare system is created	7-1105	\$82
Transportation Standards (implementation of 11 standards including a fare structure to increase access to transit, more accessible communications, an expeditious complaint resolution process, public input on transportation policy)	7-1106	\$57
DWSD affordability rate system (water and sewer rates combined not to exceed 3% of income, if legally necessary the City must submit this to voters in a referendum). This would legally function as a tax by requiring some customers to pay for service they aren't using to offset costs for others, which would require approval by voters. Failing that, the General Fund would have to subsidize the revenue loss.	7-1203 7-1206 7-1207	\$97
Implementation of water affordability system (estimated cost staff and administration for implementing and maintaining the rate system)	7-1205	\$29
Environmental Justice Health Fund (0.02% of City budget, for activities promoting public health and wellness)	7-1605	\$1

Four-Year Fiscal Impact

New Costs and Revenues Losses for Existing Programs	DRC Sec.	\$M
Health Dept new Duties/Health Impact Statements/Studies (mandated funding to collect and evaluate data and information to ensure health and welfare of citizens)	7-204 et seq.	\$8
Health - Therapist, Psychologist and Psychiatrist required (new hires)	7-209	\$6
Sidewalk Maintenance responsibility shifted to the City, 160,000 slabs replaced each year at \$300 each	7-402	\$198
Independent Fire Dept will need its own 9-1-1/Dispatch	7-502 et seq.	\$62
CRIO New Duties (addition of new staff and expert assistance in preparing new reports and research on human rights and employment matters)	7-708	\$8
Permanent Storage of Body, Dash and other Camera Footage (to be available unedited on demand by BOPC)	7-806	\$6
Police Officer Annual Psychological and Physical Examinations (estimated \$7,500 per officer, to cover mandated exam caseload with limited providers and administrative cost to manage records and scheduling)	7-821	\$82
Police Training (new training methods to be required)	7-823	\$14
Proportional Funding for Oversight Agencies (mandates a proportional funding system based on yet to be drafted ordinance)	8-214	\$2
Divert Budget Reserve Interest to Capital (requires that all interest on budget reserve be spent on capital improvements instead of General Fund revenue)	8-217	\$2
Community Benefits Changes - Operating Impact (staff and admin costs for various Neighborhood Advisory Councils)	9-1201	\$4

Four-Year Fiscal Impact

New Costs and Revenues Losses for Existing Programs	DRC Sec.	\$M
Funding for the Arts (appropriation of funds to public and private entities for the arts)	9-202	\$6
Charles H Wright Museum of African American History (mandatory annual funding to support the museum in excess of current funding level)	9-203	\$9
Youth Employment at \$1,500 each for 42,000 teens each year	9-404	\$260
Foregone Revenue from projects that will not happen due to tax abatement limitations (based on 28 projects and 2,000 jobs per year)	8-404	\$29
Elected Officials	DRC Sec.	\$M
	2-105	
	3-102	
	7-502	
Additional Elected Officials - duplication of central administration (e.g., finance, HR, IT, legal)	7-802	\$367
Elected Community Advisory Councils (funding for CAC member compensation, at least 24 public meetings per year for each of 7 CACs)	9-901 et seq.	\$29
Election Commission (hiring of temporary election employees for 6 months rather than 30 days. Mandatory assessments and public hearings)	3-102 et seq.	\$23
Board of Fire Commissioners (administration and professional staff for the Board of Fire Commissioners and additional staff “as necessary” including Supt. and Asst. Supt. of EMS and their staff, and industry experts to support policymaking)	7-502 et seq.	\$21
Board of Police Commissioners (new meeting requirements add overtime costs and technical staffing costs)	7-802 et seq.	\$8

Four-Year Fiscal Impact

New Boards/Commissions/Departments/Taskforces	DRC Sec.	\$M
Public Broadband and Technology Commission (staff and admin to develop policy to encourage equitable broadband access and address technology gap)	4-401 et seq.	\$4
Health In All Policies Taskforce (staff and admin cost for commission to require public health considerations in all action taken)	7-105	\$4
Advisory Transportation Commission (staff and admin cost for commission to enforce accountability and provide citizen access to transportation)	7-1102	\$4
Disability Affairs Department (staff and admin cost for new department to provide equity, access and inclusivity for disabled persons)	7-1501	\$4
Disability Justice Commission (staff and admin cost for new commission to recommend policy to Disability Affairs Dept and Mayor)	7-1506	\$4
Office of Environmental Justice and Sustainability (staff and admin cost for new department developing environmental health policy with Health Department)	7-1601	\$4
Environmental Protection Commission (staff and admin cost for new commission to make recommendations to departments, conduct annual surveys, provide data to Mayor and Council, assist in investigating public health emergencies)	7-1606	\$4
Office of Economic and Consumer Empowerment (staff and admin cost for new office to provide financial literacy, employment and consumer rights services)	7-1701	\$4
Taskforce on Reparations and African American Justice (staff and admin cost for ongoing study into the impact of Detroit on slavery)	7-702	\$4

Four-Year Fiscal Impact

New Boards/Commissions/Departments/Taskforces	DRC Sec.	\$M
Office of Veteran Affairs (staff and admin costs for new office within CRIO addressing needs of veterans)	7-703	\$4
Office of Immigrant Affairs (staff and admin costs for new office within CRIO addressing needs of immigrants)	7-704	\$4
Immigrant and Refugee Affairs Commission (staff and admin costs for new commission which connects Office of Immigrant Affairs with advocates, stakeholders and resources)	7-705	\$4
Indigenous Peoples Task Force (staff and admin costs, required under new CRIO duties)	7-708.4	\$4
Duplicate Planning Function within City Planning Commission (grows CPC budget to be in line with Planning Department)	8-101	\$18
Wage and Standards Boards (based on 11 boards at \$1 million each per year, could be more since no cap on number of boards)	13-101 et seq.	\$45
GRAND TOTAL		\$1.98 Billion



Additional Risks Not Quantified

Increased City Litigation Risk and Financial Exposure	DRC Sec.
Right to present proof of and contest a property tax over assessment within 14 years and a credit toward subsequent years' property assessments up to \$1,000 each year, which effectively extends the appeals process significantly and would negatively impact property tax revenue for future years, the amount depending on the results of the appeals	8-403
New pension-related requirements that may conflict with the Plan of Adjustment and State law, including actuarial study and proposed expansion of non-public safety duty disability pension benefits and limitations on adjustments to pension benefits	11-106 11-107
Elimination of principal of qualified immunity in police officer evaluations	7-816
	2-105
Additional special counsels and dispute resolution procedures among independent elected officials' departments	4-121 7.5-208
Impairment of Great Lakes Water Authority agreement, which could jeopardize the annual \$50M lease payment	7-1206
Residential Water Amnesty Program and Prohibition on Shut Offs may further impair revenue collection	7-1205
Various open-ended requirements, such as providing enough funding to "make every effort to have all eligible and registered voters participate"	3-114
City Charter enforcement requirements, including enforcement of Declaration of Rights	7.5-209