



*City of Detroit*

**FY 2016**  
**CONSENSUS REVENUE**  
**ESTIMATING CONFERENCE**

*February 18, 2016*

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## CONSENSUS REVENUE ESTIMATING CONFERENCE

February 18, 2016

*(Draft Report)*

The Directors of the City of Detroit Office of Budget, Office of the Auditor General and City Council Legislative Policy Division met in January and February 2016 to discuss the City's revenue collections for the current fiscal year and estimate collections for the next four fiscal years. The participants reviewed and recommended revenue estimates for the current Fiscal Year 2016 and projected revenues for FY 2017 through FY 2020. Discussions included a forecast of economic conditions that impact the City of Detroit revenues presented by Dr. Eric Scorsone, of Michigan State University.

The following economic report was provided by Dr. Carol O'Cleireacain, City of Detroit Deputy Mayor for Economic Policy, Planning and Strategy.

### **The Economic Environment for City Revenues**

#### **National Context**

The volatile manner in which asset markets have begun this year should cause any forecaster to include a large dose of humility—and a wide range of forecast errors – into her work for 2016 and 2017. On the other hand, recent data show that the housing market is [continuing to improve](#), layoffs [remain low](#) and [consumer confidence rose in January](#).

The relative strong state of the national economy is one output expanding at a solid, if not spectacular pace; the longest stretch of private sector job growth in history – employers added an average of 200,000 jobs per month over the past five years. Unemployment has fallen to 4.9 percent and home prices have rebounded up 25 percent since late 2011.

If we measure the strength of the economy by the job market – and after the Great Recession many do – the past two years are tough to follow. Almost 6 million new jobs in 24 months represent the strongest job gains since the boom of the late 1990s. This has driven the unemployment rate down to 4.9 percent, from 6.7 percent at the end of 2013. The ratio of the population working is 60 percent, the highest since May 2009. And, labor force participation increased by almost half a million people in December 2015.<sup>1</sup> With the labor market tightening, wage growth has finally picked up and the January 2016 BLS data registered wage growth of 2.5 for the past year.<sup>2</sup>

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<sup>1</sup> Neil Irwin, "In Terms of the Creation of Jobs, 2016 Has a Tough Act to Follow," *NY Times* Jan. 9, 2016.

<sup>2</sup> <http://www.bls.gov/news.release/empsit.nr0.htm> accessed Feb. 8, 2016

According to the NBER Business Cycle Dating Committee, the US economy has been growing since June 2009--an expansion approaching its sixth year and already exceeding the 58 month average of postwar expansions. GDP growth in 2015, at 2.4%, matched the 2014 growth rate. As NY Federal Reserve President William Dudley noted recently, "Even so, recession risk did not play a major factor in my thinking. Economic expansions don't simply die of old age. They primarily end either because monetary policy is kept too loose for too long, thereby necessitating a subsequent sharp tightening in monetary policy to prevent a significant inflation overshoot, or because some large adverse shock hits the economy that the central bank cannot easily offset."<sup>3</sup> Yes, expansions inevitably end and, just as inevitably, the turning point is only recognized after the fact.

There is broad agreement among major forecasters on the outlook for 2016 and 2017, although 2016 growth forecasts continue to be revised downwards as more data become available.

- The February 2016 Blue Chip Indicators consensus forecast puts *real* economic growth in 2016 at 2.1% and 2.4% in 2017, with almost all forecasters *shaving their 2016 y/y estimates sharply to the downside in recent months*. However, the consensus saw a less than 20% probability of a 2016 recession.
- In January, the Congressional Budget Office economic forecasts expected the US economy to grow more rapidly in the next two years, compared with the 2% *real* GDP growth rate of 2015, forecasting 2016 and 2017 *real* GDP growth of 2.7% and 2.5% (*slight revisions downwards* from the August 2015 projections). CBO projects unemployment rates of 4.5% in each year.<sup>4</sup>
- These estimates are not materially different from those of the participants in the Federal Reserve's Open Market Committee meeting of December 2015 in which the median estimate of GDP growth for 2016 was 2.4%, a slight upward revision of their September 2015 estimate partly attributed to the fiscal stimulus contained in the Bipartisan Budget Act of October 2015.<sup>5</sup>
- Meanwhile, the IMF's updated January 2016 World Economic Outlook sees "risks to the global outlook tilted to the downside" and forecasts global *real* growth of 3.4% and 3.6% in 2016 and 2017, with US *real* growth of 2.6% each year (*downward revision* of 0.2% since its October 2015 projections).<sup>6</sup>
- Also tilting slightly to the downside is the latest Financial Times survey of 51 economists which raised the probability of a U.S. recession in the next two years to 20% from the December 2015 estimate of 10%.<sup>7</sup>

## State and Local

The U-M forecast extends Michigan's economic growth through at least 2017 with 61,100 jobs in 2016 and 64,800 in 2017 in what is characterized as a "fairly stable economic environment." By 2018, Michigan will recover about 73 percent of the jobs lost during the last decade. The auto industry has been running at close to capacity for a while now, so there has been little new firing associated with the record-breaking output. Looking ahead, manufacturing contributes only about 1 in 12 new jobs in the next two years and auto-related manufacturing jobs ultimately decline by about 2,000 from 2017 to 2018. Business and professional services are expected to account for a quarter of the new jobs, with nearly 60 percent of them in the professional, scientific and technical classification. Local inflation – the Detroit CPI – is forecast to be 1.6 percent in 2016 and rise to 2.4 percent in 2017, after a negative 1.4 percent in 2015. Personal income growth rises from 4.1 percent in 2015 to 4.4 percent in 2016 and ticks down to 4.3 percent in 2017.

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<sup>3</sup> <https://www.newyorkfed.org/newsevents/speeches/2016/dud160115> accessed Jan. 19, 2016

<sup>4</sup> [https://www.cbo.gov/publication/51129?utm\\_source=feedblitz&utm\\_medium=FeedBlitzEmail&utm\\_content=812526&utm\\_campaign=Express\\_2016-01-19\\_11%3a30](https://www.cbo.gov/publication/51129?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=Express_2016-01-19_11%3a30) accessed Jan. 19, 2016

<sup>5</sup> Federal Reserve Board, "Minutes of the Federal Open Market Committee December 15-16, 2015.

<sup>6</sup> <http://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf> accessed Jan. 19, 2016

<sup>7</sup> Eric Platt, "Experts less upbeat on US outlook" Financial Times Feb. 1 2016.

The record auto/light vehicle sales registered in 2015 occurred during a period when the slow economic growth was combined with exceptionally low interest rates, a need to replace aging vehicles and a lengthening of auto loan maturities. Forecasts are for the record breaking sales to stabilize up at around 18 million units annually during 2016-2018. The Detroit Three's share approaches 45 percent or 8 million units.<sup>8</sup>

Detroit is tied more closely than many other American cities to the global economy. The region's concentration of transportation-related manufacturing places it among the nation's top metro areas for exports with a strong specialization in highly-traded advanced industries and tech-based employment. Many of the risks to the economy in the near future appear to emanate from abroad with slowing Chinese growth, poor performance in many emerging markets and resource-based economies suffering from falls in commodity prices. At least the drag that fiscal policy has been in recent years has been abated; monetary policy is becoming regularized. But, uncertainties abound, including domestic and international political events, which might dampen growth and foster volatility.

The national unemployment rate, at 4.9 percent, is at its lowest level in seven years (since April 2008). Michigan's seasonally adjusted December 2015 unemployment rate, at 5.1%, represents a drop of 1.3 percentage points from December 2014 and included job gains of just under 80,000 or almost 2%.<sup>9</sup>

In the Detroit area, the decline in unemployment has been slightly more pronounced than the national decline. Detroit is part of the six-county metro statistical area –Detroit-Warren-Dearborn MSA (DWD) – and also of the smaller, Wayne County metro division of Detroit-Dearborn-Livonia area (DDL). DWD had a *seasonally adjusted* unemployment rate of 6.2% in December 2015, down from 7.7% a year earlier.<sup>10</sup> The *provisional unadjusted* December 2015 rates for both the DWD and DDL areas also show considerable improvement from a year earlier. The DWD unemployment rate, at 5.4%, was down from 6.5% in December 2014, while DDL's rate of 6.4% improved on the 7.6% rate of a year earlier.<sup>11</sup> Regional unemployment is still above the U.S. average. And, on these *provisional unadjusted* December 2015 numbers, DWD's unemployment rate ranks close to the highest for metros greater than 1 million people (45<sup>th</sup> out of 51).<sup>12</sup>

These declines in unemployment have been accompanied by job growth. The (unadjusted) data for employees on non-farm payrolls grew 2.1% in DWD but only 1.2% in DDL from December 2014 to December 2015.<sup>13</sup>

The national recovery has been slow and uneven across metro and city economies. As the most recent Metro Monitor notes, while “most metropolitan areas achieved robust growth during the economic recovery, [it] was not enough to assure better outcomes for all groups...”<sup>14</sup> Brookings provides broad performance measures aimed at three aspects of economic well-being: growth; prosperity; inclusion. *Economic performance* is measured by levels and growth of production and employment. *Prosperity* is meant to assess the quality of the economic growth from the standpoint of workers or residents, measured by changes in income and wealth produced on a per-capita or per-worker basis. *Inclusion by race/ethnicity* attempts to measure distributional concerns through changes in the median wage; the relative income poverty rate and the employment rate between groups.

From 2009 – 2014, among the 100 largest metros, the DWD area's economic *growth* performance has been solidly in the second quartile. It ranks 22<sup>nd</sup>, with employment growth of 9.1% (rank 26), gross real product

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<sup>8</sup> RSQE Outlook for 2016-2018, presented at the Consensus Revenue estimating Conference, Lansing. January 14, 2016.

<sup>9</sup> [http://www.bls.gov/news.release/archives/laus\\_01262016.pdf](http://www.bls.gov/news.release/archives/laus_01262016.pdf) accessed Jan 29, 2016

<sup>10</sup> [http://www.bls.gov/news.release/archives/laus\\_01262016.pdf](http://www.bls.gov/news.release/archives/laus_01262016.pdf) accessed Jan 29, 2016.

<sup>11</sup> Table 2, BLS press release Feb. 3, 2016. <http://www.bls.gov/news.release/pdf/metro.pdf> accessed Feb 3, 2016

<sup>12</sup> <http://www.bls.gov/web/metro/laulrgma.htm> accessed Feb. 3, 2016.

<sup>13</sup> Table 4, BLS press release Feb. 3, 2016. <http://www.bls.gov/news.release/pdf/metro.pdf> accessed Feb 3, 2016

<sup>14</sup> The “recovery” is 2009 – 2014. See MetroMonitor 2016. Brookings. <http://www.brookings.edu/~media/research/files/interactives/2016/metro-monitor/metromonitor.pdf>

growth of 18.1% (rank 9) – reflecting the large manufacturing sector, and aggregate employment growth of 11% (rank 32).

As to *prosperity*, DWD metro performance ranks 4<sup>th</sup> among the 100 metros: productivity growth of 8.3% (rank 8); average annual wage growth of 1.7% (rank 57); 18.5% improvement in the standard of living (gross product per capita) (rank 2). Unfortunately, DWD *inclusion* measures are ambiguous. Like other Great Lake regional metros, DWD experienced divergent outcomes between whites and people of color; the increase in the median wages for whites was statistically significant but the decrease for people of color was not statistically significant.<sup>15</sup>

Yet, worsening income inequality is a metro and city problem.<sup>16</sup> In general, in 2014 (the latest year) both large metro areas and their big cities were more unequal places than the nation as a whole. The difference between household incomes near the top and those closer to the bottom of the distribution – the 95/20 ratio – was 9.3 for the nation, 9.7 for the 100 largest metros, and 11.8 for the big cities in those metros.<sup>17</sup> In general, cities with higher income inequality are in metros with higher inequality, and that is the case of Detroit, too. The City of Detroit ranked 33<sup>rd</sup> out of the 100 largest metro cities; the 95/20 ratio was 10.9 (20<sup>th</sup> percentile household income was \$9,519; the 95<sup>th</sup> percentile was \$103,597). The DWD metro area ranked 24<sup>th</sup> out of 100 metros on this inequality measure; the 95/20 ratio was 9.1 (20<sup>th</sup> percentile household income was \$21,132; the 95<sup>th</sup> percentile was \$192,634).

As is well known, the City’s resident population exhibits significant labor market problems. Black unemployment rates -- regardless of age, education/skill, and gender – are higher and more volatile than whites everywhere; even in the best of times there was a 4.1 percentage point gap.<sup>18</sup> The national unemployment rate of 5 percent breaks down (Dec. 2015, SA):<sup>19</sup>

	<b>White</b>	<b>Black</b>
Total	4.5%	8.3%
Men	4.2%	8.7%
Women	3.9%	6.9%
Youth (16-19 yrs.)	14.9%	23.7%

Black unemployment in Detroit-Warren-Livonia averaged 15.1 percent in 2014.<sup>20</sup>

	<b>All</b>	<b>White</b>	<b>Black</b>
Total	8.3%	6.6%	15.1%
Men	8.5%	7.0%	16.2%
Women	8.2%	6.0%	14.2%
Youth (16-19 yrs.)	23.0%	20.8%	≈ 25+% (inferred)

<sup>15</sup> See note 28 *supra*.

<sup>16</sup> <http://www.brookings.edu/research/papers/2016/01/14-income-inequality-cities-update-berube-holmes>

<sup>17</sup> The 95/20 ratio is the difference between those making more than 95 percent of all households and those earning more than only 20 percent of all other households (bottom).

<sup>18</sup> <http://www.epi.org/files/2015/the-impact-of-full-employment-on-african-american-employment-and-wages.pdf> accessed Jan. 20, 2016

<sup>19</sup> <http://www.bls.gov/news.release/empsit.t02.htm> accessed Jan, 20, 2016

<sup>20</sup> [http://www.bls.gov/opub/gp/pdf/gp14\\_27.pdf](http://www.bls.gov/opub/gp/pdf/gp14_27.pdf). Annual average 2015 expected to be available July 1, 2016.

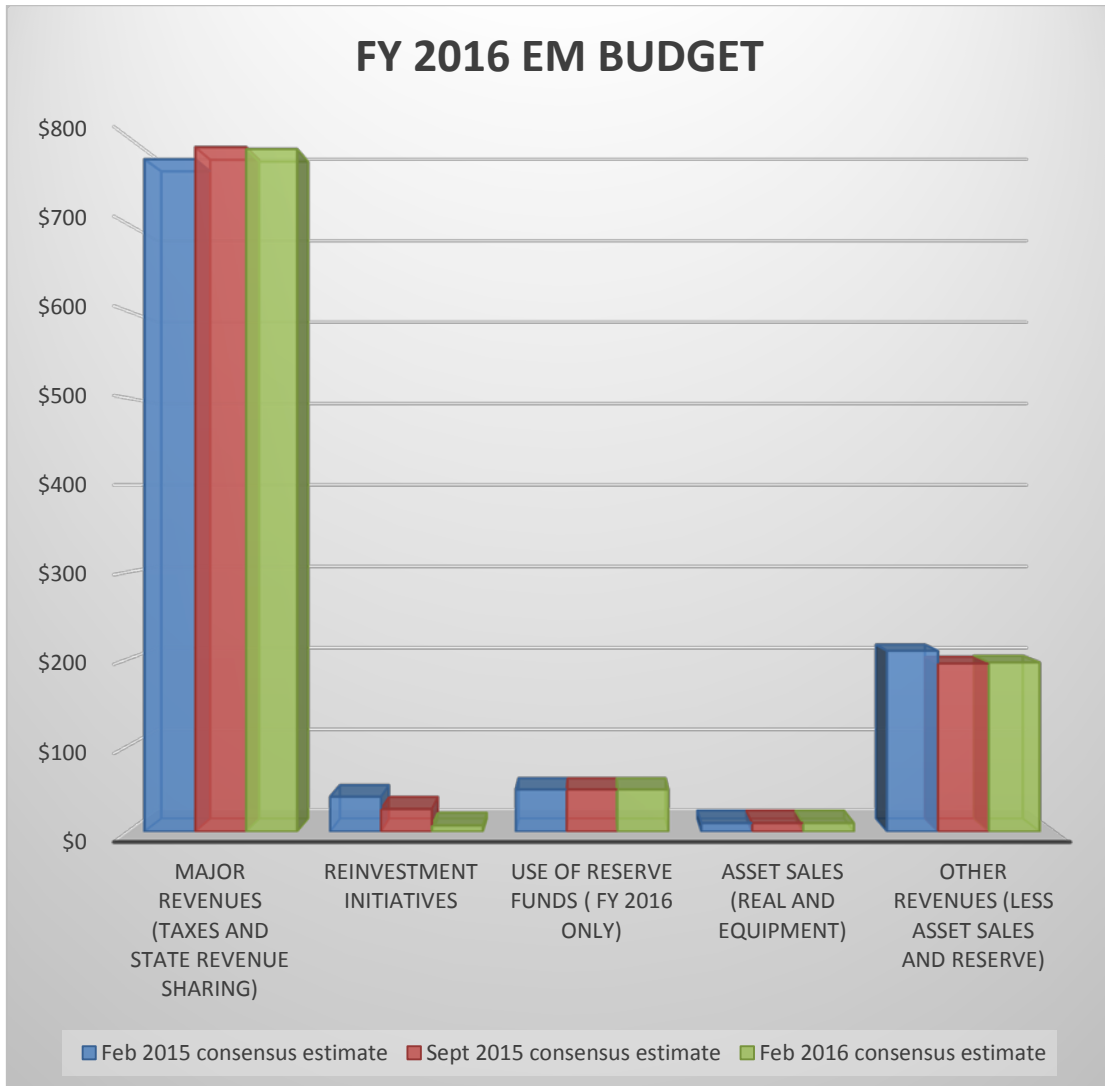
## OVERVIEW OF CONFERENCE RESULTS

The February consensus estimate for General Fund revenues for FY 2016 is \$1,048.5 million, a \$23 million decrease from the adopted budget of \$1,071.5 million. Revenues are estimated to increase 2.7% over unaudited FY 2015 collections after adjustments for one-time activity (excludes the budget reserve of \$49 million in FY 2016 and bond sales in both FY 2015 and 2016 of \$154.9 million and \$245.0 million, respectively).

### *FY 2016 EM BUDGET*

<i>General Fund (in millions)</i>	<b>FY 2016 Baseline Budget</b>	<b>One Time/ Reinvestment Initiatives</b>	<b>FY 2016 Total Budget</b>	<b>2015 February Consensus Estimate</b>	<b>2015 September Consensus Estimate</b>	<b>2016 February Consensus Estimate</b>
<b><i>Major Revenues (Taxes and State Revenue Sharing)</i></b>	<b>\$ 751.5</b>		<b>\$ 751.5</b>	<b>\$ 774.7</b>	<b>\$ 788.5</b>	<b>\$ 786.4</b>
<i>Reinvestment Initiatives</i>		40.7	40.7	40.7	26.3	7.2
<i>Use of reserve funds (2016 only)</i>		49.0	49.0	49.0	49.0	49.0
<i>Asset Sales (real and equipment)</i>	9.9		9.9	9.9	9.9	9.9
<i>Other revenues (less asset sales and reserve)</i>	220.4		220.4	209.4	194.8	196.0
<b><i>Total (adjusted for bond sales)</i></b>	<b>\$ 981.8</b>	<b>\$ 89.7</b>	<b>\$ 1,071.5</b>	<b>\$ 1,083.7</b>	<b>\$ 1,068.5</b>	<b>\$ 1,048.5</b>

The FY 2016 Adopted Budget to February 2016 estimate variance of \$23 million is due to an increase in the major revenues (\$34.9 million), offset by a decrease in the reinvestment initiatives of \$33.5 million with a decline in the city's core revenues of \$24.4 million.



The February 2016 consensus estimate for FY 2016 reflects anticipated increased collections in Income Taxes, State Revenue Sharing and Wagering Taxes over 2015 fiscal year-end results. Property Taxes and Utility Users Taxes estimates decline. Other General Fund revenues, after adjustments, are expected to increase from FY 2015 year-end actual collections. Other General Fund revenues are generated from city departments and miscellaneous sources. 2015 Year-end results for revenues are subject to further adjustments until the city's audit is completed.

## FEBRUARY 2016 REVENUE CONSENSUS ESTIMATES COMPARISON

\$ in millions	FY 2015				FY 2016			
	EM2-Year Budget	Actuals-Unaudited	Variance	February 2015 Revised Consensus Estimate	EM2-Year Budget	September 2015 Revised Consensus Estimate	February 2016 Consensus Estimate	February 2016 to September 2015 Consensus Variance
Income Tax	\$ 264.8	\$ 263.4	\$ (1.4)	\$ 254.0	\$ 268.4	\$ 264.0	\$ 264.0	\$ -
Property Tax	102.6	124.7	22.1	114.3	100.8	117.0	117.0	-
Utility Users' Tax*	17.0	37.9	20.9	37.5	15.9	40.0	37.0	(3.0)
Wagering Tax	168.2	172.8	4.6	168.2	169.0	172.3	173.5	1.2
State Rev. Sharing*	195.3	194.8	(0.5)	195.3	197.4	195.2	194.9	(0.3)
Other Revenues*	609.0	334.7	(274.3)	622.0	320.0	280.0	262.1	(17.9)
<b>Total General Fund</b>	<b>\$ 1,356.9</b>	<b>\$ 1,228.4</b>	<b>\$ (228.5)</b>	<b>\$ 1,391.3</b>	<b>\$ 1,071.5</b>	<b>\$ 1,068.5</b>	<b>\$ 1,048.5</b>	<b>\$ (20.0)</b>

	Income Tax	Property Tax	Utility Users	Wagering Tax	State Rev Sharing	Other Revenues	Total General Fund Revenues
<b>FY 2017</b>							
Sept 2015 Consensus	\$ 266.6	\$ 117.0	\$ 40.2	\$ 173.2	\$ 197.1	\$ 235.0	\$ 1,029.1
Feb 2016 Consensus	266.6	117.0	37.0	175.2	195.9	218.1	1,009.8
Variance (Feb over Sept)	\$ -	\$ -	\$ (3.2)	\$ 2.0	\$ (1.2)	\$ (16.9)	\$ (19.3)
<b>Long Term Trend</b>							
FY 2018	\$ 269.3	\$ 117.6	\$ 37.0	\$ 177.0	\$ 196.9	\$ 220.9	\$ 1,018.7
	1.0%	0.5%	0.0%	1.0%	0.5%	1.3%	0.9%
FY 2019	\$ 272.0	\$ 118.2	\$ 37.0	\$ 178.8	\$ 197.9	\$ 222.6	\$ 1,026.4
	1.0%	0.5%	0.0%	1.0%	0.5%	0.8%	0.8%
FY 2020	\$ 274.7	\$ 118.8	\$ 37.0	\$ 180.5	\$ 198.9	\$ 224.4	\$ 1,034.3
	1.0%	0.5%	0.0%	1.0%	0.5%	0.8%	0.8%

- **Utility Users Tax Budget\*** is shown net of \$12.5 million due to Public Lighting Authority in the EM Two Year Budget- FY 2015 and FY 2016. FY 2015 Actuals-unaudited are shown at gross amount.
- The FY 2016 and FY 2017 Consensus estimates for **State Revenue Sharing\*** were revised downward by the Revenue Conference Principals after receiving new information from the MI Department of Treasury.
- **Other Revenues FY 2015 Un-audited Actuals\*** do not include Prior Years Surplus amount of \$151.3 million (CAFR adjustment). Additional year-end adjustments include: Federal Grant- Hardest Hit Funds (\$43.3 million) was paid directly to the Detroit Land Bank; and Fire Escrow funds allocated to Blight remediation will not post to the General Fund, but pass directly to the Detroit Land Bank. Public Lighting revenues of \$29 million will not be realized by the General Fund; reimbursements by DTE are made directly to the contractor.



## **REVENUES FOR CONSIDERATION**

The City of Detroit has five major revenues that represent over 75% of General Fund revenues per the February 2016 consensus estimate: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax (Casinos) and Utility Users' Tax. This year, the city's internal participants began the process with an in-depth review of department revenues followed by a discussion of the city's major revenues and current economic climate. The task was to estimate General Fund major revenues and department revenues for the current fiscal year 2016, and project revenues for fiscal years 2017 through 2020. Using financial system reports (DRMS), department sub-ledger reports, current operational analysis and local economic data, the participants individually determined their forecasts. Department- "Other revenues" of the General Fund were discussed in terms of baseline- ongoing revenues, one-time activity and reinvestment initiatives. Revenues from all city funds were also considered as required by state law.

### **Municipal Income Tax**

As authorized under Public Act 284 of 1964, as amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an Income Tax on income from all sources with minimum exemptions. Income Tax revenue includes withholding- annual and quarterly payments. More than 85% of income tax actual collections are derived from withholdings. The current Municipal Income tax rate is 2.4% for residents, 1.2% for non-residents and 2.0% for corporations.

Public Act 394 of 2012 designated income tax revenues of .2% of resident individual tax collections and .1% of non-resident individual tax collections for Police operations. This public act also fixed income tax rates at 2.4% (residents, 1/2 – non-residents) until the repayment of any debt issued by the Public Lighting Authority.

Beginning January 2016, the State of Michigan started processing the City's resident and non-resident individual income tax returns. Taxpayers will have an opportunity to e-file their city tax returns for the first time. The city will continue to process withholding activity, corporate and partnership returns for this first year of the transition to the state of Michigan. Processing of this activity will subsequently transfer to the state January 1, 2017. Under this arrangement, the city is expected to pre-fund refunds in year 1.

- Income Tax FY 2015 actual collections grew at a rate of 3.7% over the February/May 2015 revised consensus estimate for FY 2015 of \$254.0 million. Unaudited fiscal year 2015 year-end results of \$263.4 million were \$9.4 million over the FY 2015 consensus estimate.
- The February 2016 revised consensus estimate includes some reinvestment initiatives to increase delinquent income tax collections; however, implementation of certain initiatives is still in process. Reinvestment initiatives include external collection efforts, increased staffing and internal process changes.

- The September 2015 and February 2016 revised consensus estimate for FY 2016 holds steady at \$264.0 million with no growth. Anticipated increased refund activity tempers overall collections in FY 2016. Projections for FY2017 through FY 2020 included growth of 1%.
- The February 2016 revised consensus estimate considered improved local economic conditions based upon blue chip economic forecasts as presented by Dr. Eric Scorsone, Michigan State University.

## **Current Property Taxes**

Article IX of the State Constitution, Sections 3 and 6 (General Property Tax) authorize the levy of taxes on real and personal property not otherwise exempt. The City currently levies the maximum tax permitted by law.

- The June 30, 2015 actual collections is \$124.7 million, a 9.9% increase over 2014 collections. The FY 2015 Budget assumed a 10% decline in collections that did not materialize. FY 2015 actual collections benefited from an internal process change to checks received by mail. This activity was previously handled through a lockbox arrangement, but now checks are processed in-house eliminating a 6- 8 week lag in cash receipts. In addition, the city received unanticipated proceeds of \$6 million from the Wayne County auction of foreclosed property. Again, actual collections were enhanced by an internal change in processing that included the summer tax levy in the auction bids.
- The FY 2016 budget assumed a 10% decline in collections that the prior year's actual collections did not support. The February/May 2015 consensus estimate was increased to reflect actual collections activity. The original estimates were based on continued decline in property taxable values due to required citywide reassessments and foreclosure activity. Current collection activity is higher than anticipated due to, among other items, the citywide reappraisal.
- FY 2016 revised consensus estimate of \$117.0 million reflects an upward revision of 2.4% over the February/May consensus estimate due to increased collection results from the previous two fiscal years. Improvement in the city's collection rate from 50% to over 70% is a factor in the increased collections. The September 2015 and the February 2016 consensus estimate holds steady Current Property Tax collections for FY 2016 at \$117.0 million. This represents a 6.2% decline over FY 2015 actual collections. Consensus projections remain flat for property tax revenues for FY 2017 and includes .5% growth for FY 2018 through FY 2020.
- The City Assessor's outlook on the Ad Valorem valuations for fiscal years 2017 indicate a continued decline in assessed values, but at a slower rate than previously estimated. Of note, the city is experiencing growth in property values in certain areas of the city that may eventually lead to increased taxable valuation for the city. The citywide reassessment of residential properties is expected to be completed by December 2016 impacting the FY 2018 Budget.

## **Utility Users' Tax**

The City of Detroit levies a Utility Users' Tax as permitted under Public Act 100 of 1990 and as amended in 2012. The tax is based on consumption of electricity, gas, steam and telephone (land lines) in the City of Detroit. The City currently levies the maximum tax rate of 5%. These revenues are budgeted in the Police Department per the public act and have a restricted purpose to retain or hire police officers. In 2012, the law was amended to provide \$12.5 million annually for the Public Lighting Authority for the repayment of debt proceeds used for street lighting infrastructure improvements in the City. To offset the loss of Utility Users' tax revenue to the Police Department, state law (Public Act 394 of 2012) authorized the payment of income tax revenues for police officers (to hire/retain).

- FY 2015 unaudited actual collections is \$37.9 million- gross; this resulted in a \$.4 million increase over the February/May revised consensus estimate.
- The consensus estimate for FY 2016 was revised upward to \$40 million in the September 2015 conference; this was an increase of \$2.5 million over the previous consensus estimate based on current run rates and previous year-end results.
- The February 2016 consensus was revised downward to \$37 million from our previous FY 2016 estimate for Utility Users' Taxes. This downward revision was based on lower natural gas prices and lower utility consumption due to a warmer than expected winter.
- We estimate similar collections for FY 2017 through FY 2020 with no growth for this period.
- Estimates/projections were determined on a gross basis.

## **Wagering Taxes (Casino Revenues)**

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under Initiated Law 1 of 1996, as Amended by Public Act 306 of 2004. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements.

- Original Wagering Tax estimates recognized downward pressure on revenues resulting from the opening of casinos in Ohio. Although Detroit's casino revenues did not decline to levels previously speculated by some, the city's budget anticipated continued downward pressure on revenues for fiscal year 2015.
- The June 30, 2015 unaudited actual collections is \$172.8 million, a 2.7% increase over the fiscal year 2015 Budget and the February/May revised consensus estimate of \$168.2 million.
- September 2015 consensus estimate revised previous consensus estimates upward due to increased actual collections. The February 2016 consensus estimate further increased the FY 2016 estimate by

\$1 million to \$173.5 million, a \$4.5 million or 2.6% increase over the adopted budget. The consensus estimate increased the trend line for fiscal years 2017 through 2020 to include a growth factor of 1%, up from .5% growth factor included in the previous consensus.

## **State Revenue Sharing**

Revenue Sharing payments from the State are based upon two elements. Constitutional payments are guaranteed under the State Constitution and are calculated as 15% of 4% of the State Sales Tax gross collections. Statutory payments are based upon municipalities meeting the requirements of the City, Village and Township Revenue Sharing (CVTRS). For FY 2016, the maximum amount available is 78.51044% of the FY 2010 total statutory payment (if a municipality complies with all requirements).

- Year-end Revenue Sharing payments for fiscal year 2015 of \$194.8 million was \$.5 million less than the FY 2015 Budget and the February 2015 revised consensus estimate of \$195.3 million.
- For FY 2016, the February 2016 consensus estimate of \$194.9 million is based on the current State Revenue Sharing payments projected by the Michigan Department of Treasury and revised Sales Tax revenue projections. Treasury payments are based on the State of Michigan January 2016 Consensus Revenue Estimates and FY 2016 appropriation. This estimate is .1 million more than the FY 2015 actual payment, but 1.3% less than the Adopted Budget amount of \$197.4 million.
- The February 2016 consensus estimate for FY 2017 through FY 2020 includes a growth rate of .5% based on growth in Constitutional payments from Sales Tax revenues.
- Risks from economic trends forecasting lower National/Local Sales Tax Revenues, in addition to challenges to the state budget due to several crises in local finances may exert downward pressure on this revenue source.

## **All Other General Fund Revenues**

The following is a brief description of the types and sources of revenue that are included in each category shown in departmental budgets:

1. *Sales and Charges for Services* – Intra-fund revenue generated from maintenance and construction, Casino Municipal Service fees, Cable Franchise fees, solid waste, recreation, utilities, intra-fund reimbursements, Emergency Medical Services billings, and other minor sales and service fees.
2. *Revenue From Use of Assets* - Earnings on investments, various interest earnings, building rentals, marina rentals, concessions, equipment rentals and sales of real property.
3. *Other Taxes, Assessments, and Interest* - Special assessments, Industrial Facilities Taxes, other miscellaneous property taxes and interest paid on delinquent property taxes.
4. *Fines, Forfeits, and Penalties* - Ordinance, court and parking fines, property tax penalties, and various fines, forfeits, and penalties.

5. *Licenses, Permits and Inspection Charges* - Various permits and licenses, safety inspection charges, and business licenses charges.
6. *Contributions, Transfers, and Miscellaneous* – Various revenues and contributions due to/or due from one fund resulting in revenues to one fund and an expenditure for another; other miscellaneous revenues and receipts, and sales of equipment.

## Departmental Revenue Analysis

The consensus for Other General Fund department revenues was developed with a discussion of the individual department revenues including departments with General Fund operations or departments receiving General Fund assistance. Our departmental analysis began with discussions on baseline assumptions for each department as presented in the Four Year Financial Plan and any adjustments to the baseline. Revenue initiatives are included in the consensus numbers presented in this conference if deemed achievable within the period under review.

Due to the inclusion of revenue initiatives in the Other General Fund Revenue estimates, lengthy discussions occurred regarding the determination of baseline revenues and reinvestment initiatives. Internal participants convened and discussed alternative calculations by staff of the City Council, Auditor General and Office of Budget. Upon review, the total revenue estimate differed among the three estimators due to a difference in assumptions of reinvestment initiatives and non-recurring budget items.

The varying methodologies were utilized by the participants, which included analysis of historical collection patterns, trend line fitting, moving averages, major revenue category analysis, individual agency revenue account analyses, and the utilization of run rates. All participants considered and accounted for other known items that impact collections. Participants took a more conservative approach in projecting future revenues.

FEBRUARY 2016 CONSENSUS FORECAST					
Other- Departmental General Fund Revenues (in millions)					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Baseline (on-going) revenues	\$ 205.9	\$ 205.5	\$ 205.5	\$ 205.4	\$ 207.0
One Time Activity	294.0	-	-	-	-
Reinvestment Initiatives	7.2	12.6	15.4	17.2	17.3
<b>Total</b>	<b>\$ 507.1</b>	<b>\$ 218.1</b>	<b>\$ 220.9</b>	<b>\$ 222.6</b>	<b>\$ 224.3</b>

- Other Revenues forecast for FY 2016 include \$205.9 million from on-going sources, \$49 million for use of budget reserve funds, reinvestment initiatives of \$7.2 million and bond sale proceeds of \$245 million (a one-time activity involving the sale of exit financing debt). This represents an increase of \$1.9 million in on-going, baseline revenues and a decrease in reinvestment initiatives of \$20 million from the September 2015 consensus estimate.

- Other Revenues projections for FY 2017 include a slight decrease in on-going, baseline revenues to \$205.5 less than a .2% decrease (\$.4 million). Reinvestment initiatives increase to \$12.6 million. No one-time activity is included in the 2017 projection.
- Projections for on-going, baseline revenues remain flat for FY 2018 and FY 2019, with reinvestment initiatives ranging from \$15.4 to 17.2 million. FY 2020 forecast a .8% increase in baseline revenues.

- Noteworthy changes to Departmental Revenues:
  1. Public Lighting revenues were reduced in the February/May 2015 consensus estimate for fiscal years 2015 through 2017 due to the city's decision to exit the power distribution business beginning March 2014 and the subsequent transfer of the customer base to DTE Energy. The September 2015 consensus estimates further eliminated all but the \$12.5 million pass through revenues to the Public Lighting Authority as it was subsequently determined that no funds would flow through the city's General Fund. The February 2016 consensus adds back reimbursements of certain operating expenses totaling \$2.1 million. In addition, scrap metal revenues are included in FY 2017 through 2020 estimates in Fund 1011 PLD Decommissioning.
  2. From the Non-Departmental agency: Deleted the Hardest Hit Funds (February/May 2015 consensus estimate) and the Fire Escrow Funds (September 2015 consensus) purposed for demolition activity administered by the Detroit Land Bank; funds were paid directly to the Land Bank. The 36 District Court reinvestment initiatives of \$8.2 million were deleted (February 2016 consensus). A Parking Advance revenue and related expense of \$6.6 million recorded in the Non-departmental agency was deleted, required under bond covenant that has subsequently been satisfied. A similar transaction in the Municipal Parking Department fund was also deleted.
  3. Restructuring initiatives were deleted or reduced for the following agencies:
    - Building & Safety- revenues reclassified, generated from the enterprise operations.
    - Fire Department- initiatives related to grants transferred to special revenue funds, certain initiatives reduced, in early stage of implementation.
    - Municipal Parking - certain revenue initiatives still under implementation- reduced by half.
    - Office of the Chief Financial Officer - initiatives still in early implementation stage.
    - Law- initiative deleted, not expected to be realized.
    - Police- certain initiatives reclassified to grant funds; other initiatives in early implementation stage, expect to realize one-half of budgeted amount.
    - General Services restructuring initiatives reduced in FY 2016 and FY 2017, not expected to be realized.

## **Other General Fund Activity**

### **Risk Management Fund**

The City is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. The City is self-insured against certain third party claims. The City currently reports the risk management activities (excluding health and dental) of non-Enterprise Funds and the Transportation Fund (an Enterprise Fund) in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Because the Transportation Fund is included in the General Fund's risk management activities, it does not record a liability in its financial statements. Risk management activities for the other

Enterprise Funds are recorded and reported separately in those funds. Contributions to the Risk Management Fund in the form of insurance payments total \$49.5 to \$50.9 million for fiscal years 2016 through FY 2020.

This City also has a Budget Reserve Fund and a Public Lighting Department (PLD) Decommissioning Fund recorded in the General Fund Class.

### Other City Funds (Non-General Fund)

Public Act 279 of 1909 (The Home Rule City Act) requires the city to forecast anticipated revenues of the city for the current fiscal year and the succeeding two fiscal years. The chart shown below lists all of the city's Special Revenue Funds and Enterprise Funds; funds shown but not forecasted are the Trustee and Fiduciary (Retirement System) Funds. The revenue projections presented for these funds were based on historical data, trend lines and/or current department estimates. Amounts presented for the Detroit Water & Sewerage

Department are based on the FY 2016 Financial Review Commission approved budget.

**Note 1:** NSP I and III Federal funding closed; no allocations expected. The city has permission to expend existing allocation.

**Note 2:** Department Grant Funds represent the reorganization of grants previously recorded in the General Grants Fund 3601; not all departments will receive annual grant awards. Grants are budgeted upon receipt of award.

**Note 3:** Quality of Life Fund records the proceeds of a one-time sale of bond for reinvestment initiatives in FY 2015.

\* Totals include Contributions from the General Fund: Airport

<b>CITY OF DETROIT FUNDS (EXCLUDES GENERAL FUND CLASS)</b>					
<b>FUND NAME</b>	<b>FY 2015 Actuals - Unaudited</b>	<b>FY 2016 Revised Adopted Budget</b>	<b>FY 2016 Revised Consensus Budget</b>	<b>FY 2017 Consensus Projection</b>	<b>FY 2018 Consensus Projection</b>
Community Dev Block Grant Fund	\$ 39.5	\$ 30.7	\$ 40.4	\$ 29.9	\$ 28.4
UDAG and Discretionary Grants	6.10	2.80	6.86	6.86	6.86
Sec 108 Loans - Development	20.19	-	-	-	-
Neighborhood Stabilization Program I/III (Note 1)	13.01	-	-	-	-
Department Grant Funds (Note 2):					
- Airport Grants Fund	2.92	-	-	-	-
- Fire Grants Fund	0.08	-	2.00	2.00	14.40
- General Services Dept. Grants Fund	1.24	-	-	-	-
- Health Grants Fund	10.40	-	23.70	23.70	23.70
- Homeland Security Grants Fund	1.07	-	0.80	0.80	0.80
- Mayor's Office Grants Fund	0.10	-	0.09	0.09	0.09
- Police Grants Fund	1.81	-	6.47	6.47	7.07
- Dept. of Public Works Grants Fund	6.48	-	-	-	-
- Recreation	0.81	-	0.47	0.47	0.47
- Environmental Affairs Grants	0.25	-	-	-	-
Construction Code Fund	20.68	19.50	20.60	20.60	20.60
- Fire Recovery Fund (Fire Escrow)	0.09	-	-	-	-
Drug Law Enforcement Fund	3.53	1.00	1.60	1.60	1.60
- Federal Forfeiture Funds	0.27	-	-	-	-
Library Funds	32.69	30.50	33.00	33.20	33.20
Quality of Life - Special Revenue (Note 3)	-	-	-	-	-
Major and Local Streets Fund	91.30	56.60	56.60	67.50	72.00
PA 48 2002 Fund	-	2.50	2.50	2.20	2.20
Solid Waste Management	42.40	40.60	44.00	44.00	44.00
General Grants (Phase out to Dept Grants)	4.00	31.20	0.80	-	-
Sinking Interest & Redemption	26.17	61.80	61.80	68.00	66.70
Special Hsg Rehab programs	11.50	6.63	6.07	4.20	4.20
Airport Funds *	1.20	1.50	1.50	1.50	1.50
Municipal Parking Funds	14.20	17.40	8.20	8.20	8.20
Transportation Funds (DDOT) **	173.16	141.80	140.00	135.20	135.20
Sewage Disposal Funds	508.90	716.00	-	-	-
Water Funds	348.78	570.30	-	-	-
Detroit Water & Sewerage Department- Retail			529.68	529.68	529.68
Retirement Systems	31.82	-	-	-	-
Trust Funds	93.12	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,507.8</b>	<b>\$ 1,730.8</b>	<b>\$ 987.1</b>	<b>\$ 986.2</b>	<b>\$ 1,000.9</b>

FY 2015: \$668,064; FY 2016-\$666,053; and FY 2017 and FY 2018 - \$785,731.

\*\* Totals include Contributions from the General Fund: DDOT: FY 2015- \$63.3 million; FY 2016-\$62.5 million and the same for FY 2017- FY 2018: \$62.5 million.

## **FUNDS WITH GENERAL FUND IMPACT**

### **Airport**

The [Coleman A. Young International Airport](#) is an Enterprise Agency of the City of Detroit. Revenues from landing fees, rentals, fuel concessions and Federal/State grants maintain the operations of the Airport. In addition, the Airport FY 2016 Budget includes a General Fund contribution of \$666,053 which is expected to be paid. Consensus projections for FY 2017 and FY 2018 increases the contribution to \$785,731 recognizing the most likely level of support from the General Fund based on historical trends. Enterprise revenues of \$1.5 million is forecasted for 2016 through FY 2020.

### **Buildings & Safety**

The [Buildings & Safety Engineering & Environmental Department \(BSEED\)](#) is an Enterprise Agency of the City of Detroit as mandated by state law. BSEED's mission is to safeguard public health, safety and welfare by enforcing construction, property maintenance, environmental compliance and zoning codes. Revenues from the Construction Code Fund include civil infraction fines, safety inspection charges, construction inspections and other licenses, permits and inspection charges. Revenues generated in support of the General Fund operations are from the business licensing activity. General Fund revenues are expected to remain at their current levels (\$2.2 to \$2.3 million) for FY 2016 through FY 2020. Revenues from the enterprise activity are projected at \$20 to \$21 million for the forecast period.

### **Transportation**

The [Detroit Department of Transportation \(DDOT\)](#) is an Enterprise Agency that provides transit services to the City of Detroit. Revenues are generated from fare box, State operating assistance, State and Federal grants, contribution from the General Fund and other miscellaneous revenues. The General Fund contribution for DDOT for FY 2015 was \$63.3 million. The consensus for FY 2016 through FY 2018 estimates the General Fund contribution to remain at \$62.5 million. Without additional restructuring efforts, this level of General Fund support will continue for the foreseeable future. Revenue from State operating assistance declined in FY 2014 due to a shift in the distribution formula. This shift resulted in a \$7 million decline in grant revenues in FY 2014. Increased Transportation funding is included in the road funding bills passed by the state legislature in 2014-2015. This legislation provides additional funding for DDOT, at the discretion of the city's administration, by authorizing a city that meets specific criteria to allocate some of its Michigan Transportation Fund (MTF) revenues for public transit purposes. Enterprise revenues of \$135 million is forecasted for 2016 through FY 2020.

### **Municipal Parking**

The [Municipal Parking Department](#) is organized into two operations- the Parking Violation Bureau and the Automobile Parking and Area System. The Parking Violations Bureau is a General Fund operation responsible



for enforcing on-street and off-street ordinances in the City of Detroit and the processing and collection of parking violation notices. The Auto Parking and Area System revenues are currently assigned to pay debt service for post-bankruptcy loans. The future of the revenue stream for this division is uncertain as additional bankruptcy settlement items may further dilute revenues. In addition certain parking structures have been transferred or optioned for future purchase under terms of the bankruptcy settlement. Parking Violation Revenues for FY 2016 through FY 2020 is estimated as \$11.4 million from on-going, baseline operations and one-half- \$3.4 million of its budgeted reinvestment initiatives of \$6.8 million. Total agency revenues of \$23.06 million is projected for the FY 2016 through FY 2020 forecast period.

## **Solid Waste Fund**

The [Solid Waste Management Fund](#) is a Special Revenue Fund. The City of Detroit uses the Solid Waste Management Fund to account for local revenue collected for curbside rubbish pick-up and discard. The majority of Solid Waste Management Fund revenues comes from a residential Solid Waste Fee that is assessed to every home whether or not currently occupied. The solid waste service fee replaced the 3-mill tax for solid waste collection that was eliminated in 2006. The solid waste fee is assessed annually at \$240 for single family homes, and an additional \$100 for multi-family dwellings. Commercial fees are \$1,000.

- First-half collections compared to recent history indicate small growth in collections over the revised consensus estimates. A change in processing of delinquent tax bills resulted in improved collections of solid waste fees. The February 2016 consensus projects total revenues of \$44 million and assumes similar collection rates for FY 2017 through FY 2020.
- The City privatized the Solid Waste activity in FY 2014. Contracts were awarded to two companies to service the East and West side of the City on February 21, 2014. The outsourcing of this activity is expected to be revenue/cost neutral. However, service is anticipated to greatly improve under this arrangement.

## **OTHER CITY FUNDS**

### **Grants**

The City receives various Federal and State Grants for various activities administered by city departments. Some of the city's largest programs are noted below.

- The Fire Department received revenues from the Staffing for Adequate Fire & Emergency Response (SAFER) grant, a Federal grant sponsored by Federal Emergency Management Agency (FEMA).
- The Health Department administers grants from Federal and State sources for HIV/AIDS, Housing Opportunities for Persons with Aids (HOPA) grants, Immunization, Women, Infants and Children (WIC) and Essential Local Public Health Services (ELPHS) grants.

- The Housing and Revitalization Department administers programs and contracts funded by the Community Development Block Grant (CDBG), the Emergency Solutions Grant, Hardest Hit funds for demolition and HOME funds.
- The Police Department receives grants from various State and Federal sources including the Department of Justice- Justice Assistance grants (JAG), Community Oriented Policing (COPS) grants, Auto Theft and Victim's Assistance grants.

## **Library**

The Library Fund records the operations of the Detroit Public Library (DPL). DPL is an enterprise agency of the City of Detroit. It is Michigan's largest public library system consisting of a Main Library and 21 neighborhood branches. The DPL serves people of all ages by providing access to critical information, opportunities for learning new skills and enrichment through special programs. DPL has a collection of 6.6 million items that includes books, journals, photographs, government documents, and DVDs. A bookmobile makes weekly visits to schools and community centers, and the Library for the Blind & Physically Handicapped serves those with various physical challenges. The February consensus projects revenues of \$33 million for this fund for the forecast period.

## **Major and Local Street Funds**

Activity recorded in this fund provides for the construction and maintenance of streets, bridges, traffic signals and non- motorized improvements. This fund accounts for State Gas and Weight Tax revenue that support various projects and accounts for State and Federal grants on a project basis. The Department of Public Works staff manages the Street Fund. The following three divisions are wholly or partially funded through the Street Fund: Street Maintenance Division, City Engineering Division and the Traffic Engineering Division. An increase in road funding was enacted with the passage of state legislature amending various public acts in 2014- 2015. The city projects receiving \$10-15 million in additional Gas & Weight Taxes for the forecast period. Revenues from this source are projected to range from \$56 to \$83 million for FY 2016 through FY 2020.

## **Sinking and Interest Funds**

Sinking (bond) and interest redemption provides for the scheduled retirement of principal and interest on long-term City debt. This debt derives from general obligation bond sales. The debt service on Enterprise Funds appears in the Enterprise Agency Sections. The revenues for the Sinking and Interest (Debt Service) Fund are derived from a separate debt service millage on real and personal property located in the City of Detroit. Current debt service schedules require funding totaling \$61.8 to \$68 million for the forecast period.

## **Detroit Water & Sewerage- Retail**

The Department was reorganized into two separate entities: the regional Great Lakes Water Authority (GLWA) and the Detroit Department of Water and Sewage Disposal- Retail (DWSD-Retail), effective January 1, 2016. Projections presented for the forecast period are for DWSD-Retail only.

Under the reorganization, Detroit maintains its own local system. Detroit keeps exclusive control of the local water and sewer system in DWSD – under authority of Mayor and City Council. The Detroit local system is

made up of approximately 3,000 miles of local sewer pipe and 3,400 miles of local water mains serving the neighborhoods of Detroit. Detroit has full authority to repair and rebuild the local system.

Great Lakes Water Authority (GLWA) is an authority formed to operate the regional system. GLWA operates the regional water and sewer assets. The GLWA Board is made up of 6 members: 2 appointed by the Mayor of Detroit, 1 each by Wayne, Oakland and Macomb Counties, and 1 by the Governor from the service area outside the three counties. The Authority provides services to communities in Oakland, Wayne and Macomb counties, estimated as 4 million customers from 127 communities.

The Authority sets the rates for all water and sewerage services, in which increases are capped at 4% annually per agreement. GLWA entered into a long-term 40-year lease of the water and sewer assets owned by the Detroit Water and Sewerage Department. Lease terms provide for the payment of \$50 million per year for the next 40 years to the City of Detroit for water and sewer infrastructure improvements. This will allow Detroit to finance up to \$500-800 million in bonds to rebuild the city's aged water and sewer system.

## **SET ASIDES**

The FY 2015 Budget included a reserve of \$111.3 million, which more than satisfied the State's budget reserve requirement of 5% of expenditures. In FY 2016, \$49 million of the excess Budget Reserve is designated for use in General Fund operations leaving a remaining balance of \$62.3 million in reserves for FY 2016. This represents 5.8% of estimated General Fund appropriations for FY 2016. The Plan of Adjustment allows for surplus funding to be used for reinvestment projects.

## **RISKS TO FORECAST**

These estimates take into account the expected real revenue to the City subject to certain inherent risks outlined below:

- Lower inflation rate 0% or negative inflation rate reduces growth in property taxable valuations. State law limits growth to the lower of 5% or the rate of inflation.
- Trigger of a Headlee roll-back in property tax millage assessed due to possible loss in the personal property tax base, in combination with near zero/negative inflation factor.
- Risks to estimated Property Tax collections due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment.
- Continued property valuation declines; increased foreclosure activity in the near future.
- Possible negative impact in reductions to Personal Property Tax collections due to state legislation.
- Decline in property tax collections due to cleansing of the tax rolls.
- Lower consumer confidence depresses spending and reduces sales tax revenues.
- Rising interest rates resulting in lower consumer spending.

- Further declines in Michigan Sales Tax revenues negatively impacts local government share.
- Lower gas prices impacts MI Sales Tax revenues and negatively impacts local government share.
- Declines in Sales and Charges for Services due to economic factors.
- Implementation risks due to deferred/delayed results from restructuring efforts.
- Reinvestment initiatives resulting in less than expected revenue growth.
- Proposed casino developments in Lansing and Romulus could dampen Detroit casino's long-term revenue projections.

## **POTENTIAL UPWARD ADJUSTMENTS TO FORECAST**

- Ongoing improvements to collection efforts in FY 2016 may result in additional tax revenues not currently reflected in the consensus estimates.
- State of Michigan processing of the city's income tax, and subsequent withholding collections should result in increased compliance and generate additional revenues for the city.
- Passage of state legislation requiring non-Detroit businesses to withhold income taxes of employees residing in Detroit should result in increased income tax collections.
- Revenue initiatives in the Four Year Financial Plan, but not included in the consensus estimates/projections may result in additional revenues if timely and successfully implemented.
- Sales tax on internet purchases may increase local share distributions to city/villages/townships.
- Increased economic development will generate additional revenues for the city.

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