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MEMORANDUM

To: Council Member Latisha Johnson
Thru: Council President Mary Sheffield
From: John Naglick, Jr., Chief Deputy CFO/Finance Director and Steven Watson, Deputy CFO/Budget Director
Date: April 5, 2023
Re: Response to Non-Departmental/Capital Budget/Debt Service FY24 Budget Questions

Please find below responses to your questions sent on March 27, 2023, regarding the proposed Fiscal Year 2024 Proposed Budget for Non-Departmental/Capital Budget/Debt Service.

1. Please explain why Project Clean Slate and its employees were transferred from the Law Dept?

Project Clean Slate was transferred to the Non-Departmental budget to more accurately align with the existing program administration structure. Although Project Clean Slate was budgeted in the Law Department, it was not being actively managed by the Law Department.

2. How does the department plan to appropriate the increase in revenue from state revenue sharing in FY 2024?

While the Governor has proposed increases in State Revenue Sharing for FY24, they have not been enacted by the Legislature yet. There are many competing State budget priorities, so there is no guarantee these increases will happen. If and when they do, the Administration will incorporate them into next year's budget process, including our biannual revenue estimating conferences.

3. Contributions and Transfers decreased by \$85.6M in FY 2024, please explain why and how City operations will be impacted by this decrease.

This will not impact City operations. It represents the use of prior year surplus in the FY23 budget for one-time expenditures that rolls off in FY24.

4. Please discuss the City's Risk Measurement Fund, particularly in the context of high exposure DPD litigations and potential settlements.

The Risk Management Fund has seen a substantial increase in claims expenses in recent years. That is why we recommended the \$60 million supplemental deposit in FY23 that Council approved in February 2023. This additional funding replenishes reserve funds spent over the past 5 years.

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That said, we will need to continue to evaluate the recurring spend rate for claims versus extraordinary ones to ensure our recurring risk management budget can continue to meet the need. Conversely, we will continue to deploy risk mitigation strategies at DPD, DDOT, and other high-risk exposure areas.

cc: Honorable Detroit City Council
City Clerk
Jay B. Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
Malik Washington, City Council Liaison
David Whitaker, Director-Legislative Policy Division