



**OFFICE OF THE  
CHIEF FINANCIAL OFFICER**

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March 31, 2024

The Honorable Detroit City Council  
Coleman A. Young Municipal Center  
2 Woodward Avenue  
Detroit, MI 48226

Re: FY 2024-2033 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Dear Honorable City Council Members:

The Office of the Chief Financial Officer (OCFO) respectfully submits its annual Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations. The OCFO also publishes this report on the City's website.

This report is provided in accordance with the requirements included in Detroit Financial Review Commission (FRC) Resolution 2023-02, which granted the City its waiver of active FRC oversight through June 30, 2024. It includes long-term forecasts for the City's legacy pension plans, debt obligations, revenues and expenditures, and the assumptions used for the analysis.

Best regards,

Jay B. Rising  
CFO

Att: FY 2024 – 2033 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Cc: Mayor Michael E. Duggan, City of Detroit  
Brad Dick, Chief Operating Officer  
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director  
John Naglick, Jr., Chief Deputy CFO/Finance Director /Controller  
Steve Watson, Deputy CFO/Budget Director  
Malik Washington, City Council Liaison

# Long-Term Forecast Report

Fiscal Years 2024 – 2033

March 31, 2024

Office of Budget  
Office of the CFO



**TAKE PART**  
Opportunity Rising



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# Executive Summary

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## Prudent budgeting, growing tax base, and building reserves have provided fiscal resilience, but risks remain.

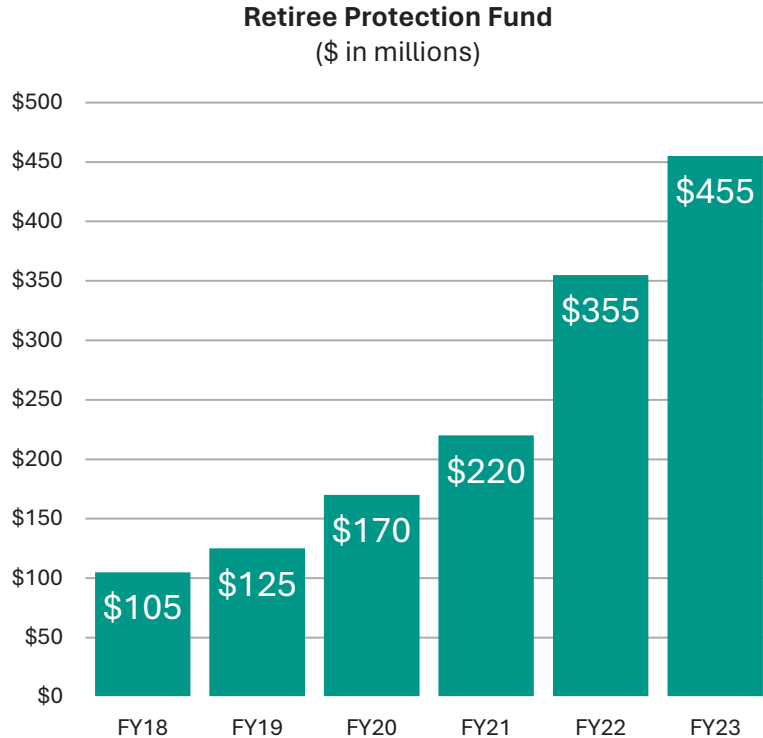
- This annual Long-Term Forecast Report provides information on the City’s legacy pension obligations, debt obligations, and forecast scenarios over a ten-year period.
- The City’s revenue outlook is improving, following our continued efforts driving economic opportunity and growth for Detroiters. Recurring revenue expectations have increased based on growing income tax, wagering tax, and property tax base. Our Retire Protection Fund strategy has allowed us to gradually phase-in the budget impact of legacy pension contributions that resumed in FY24.
- Under the baseline scenario, current services expenditure growth remains in line with revenue growth. Assumes February 2024 Revenue Estimating Conference results and FY25-28 Four-Year Financial Plan trends continue, along with any modest fiscal adjustments needed future budgets in FY29 and beyond to maintain fiscal balance.
- Potential upside may buffer further inflationary pressures, but we must also protect against downside risks. Prudent budgeting, implementing new efficiencies, growing the tax base, and building up reserves continue to be key strategies.
- The upside and downside scenarios presented are not intended to serve as an exhaustive set of possible scenarios or as the likeliest of scenarios. However, they illustrate how continued tax base growth can protect and enhance our budget but also how even moderate risks can necessitate additional action to maintain fiscal balance.

# Legacy Pension Obligations

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# Retiree Protection Fund (“RPF”)

In 2017, the City created the RPF to prepare for the coming “pension cliff” and provide a smooth budget transition.

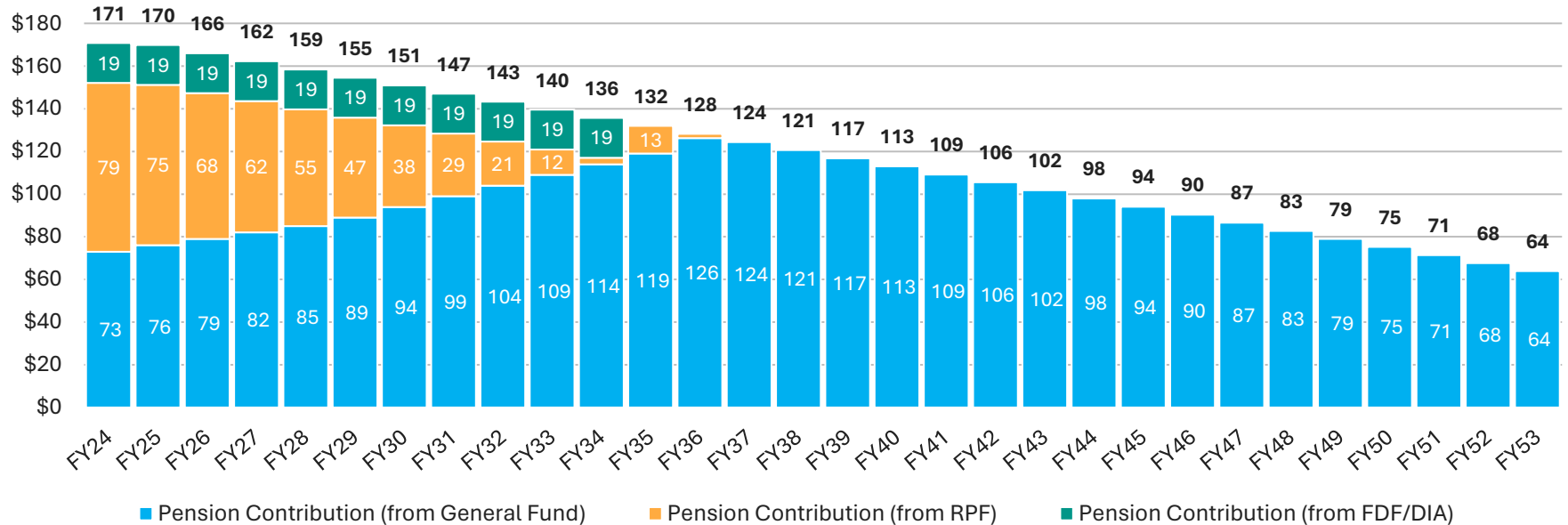


- Plan of Adjustment 10-year pause on legacy pension contributions let us reinvest the surplus to improve City services
- To protect retirees, the Mayor and City Council deposited \$455 million in the RPF, an irrevocable trust fund exclusively for future pension payments
- The RPF strategy has always been two-fold:
  1. Build a pension funding resource to gradually draw down every year beginning in FY24
  2. Gradually build room in the recurring City budget for annual pension contributions before FY24 begins

# Legacy Pensions - Accelerated Payment Schedule

Our budget includes the steady ramp up of the General Fund share of the annual pension contribution (blue bars).

General Fund Legacy Pension Contributions  
(\$ in millions)



- Projections of annual legacy pension contributions based on FY23 Actuarial Valuations.
- DWSD and Library liabilities and contributions are separate.



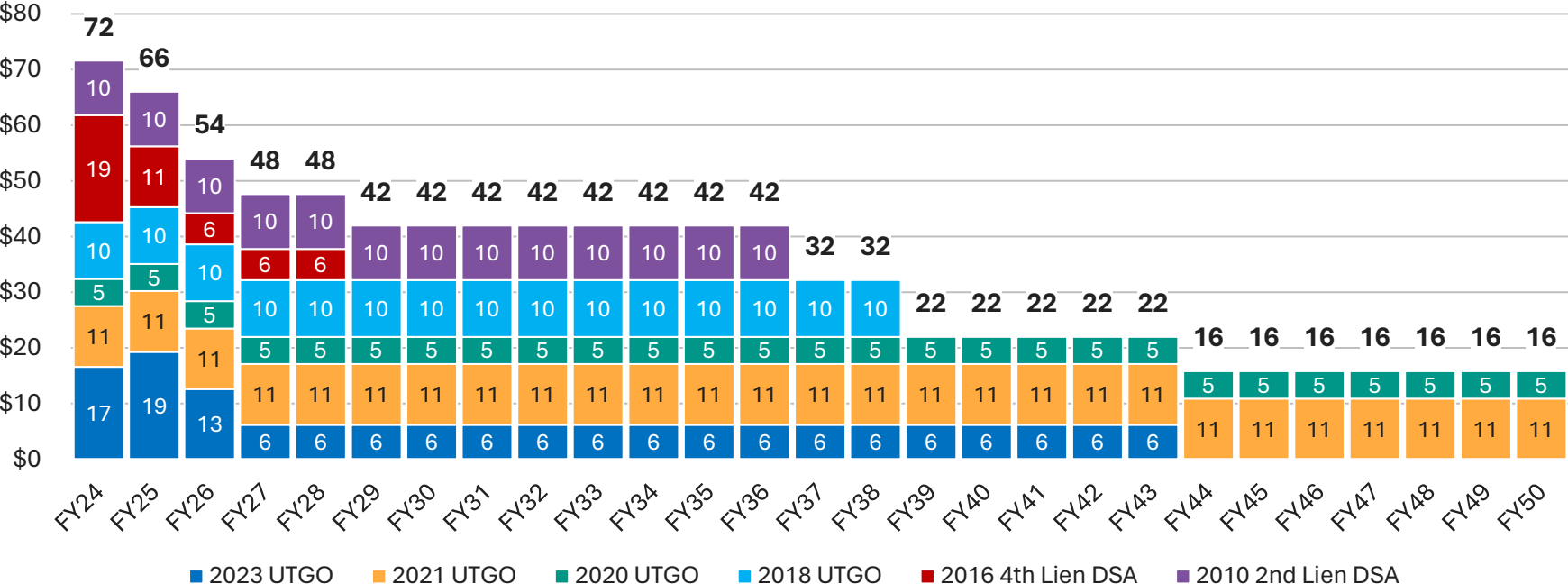
# Debt Obligations

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# Unlimited Tax General Obligation Debt Service

Debt Service Fund (\$ in millions)



Source: OCFO – Office of the Treasury

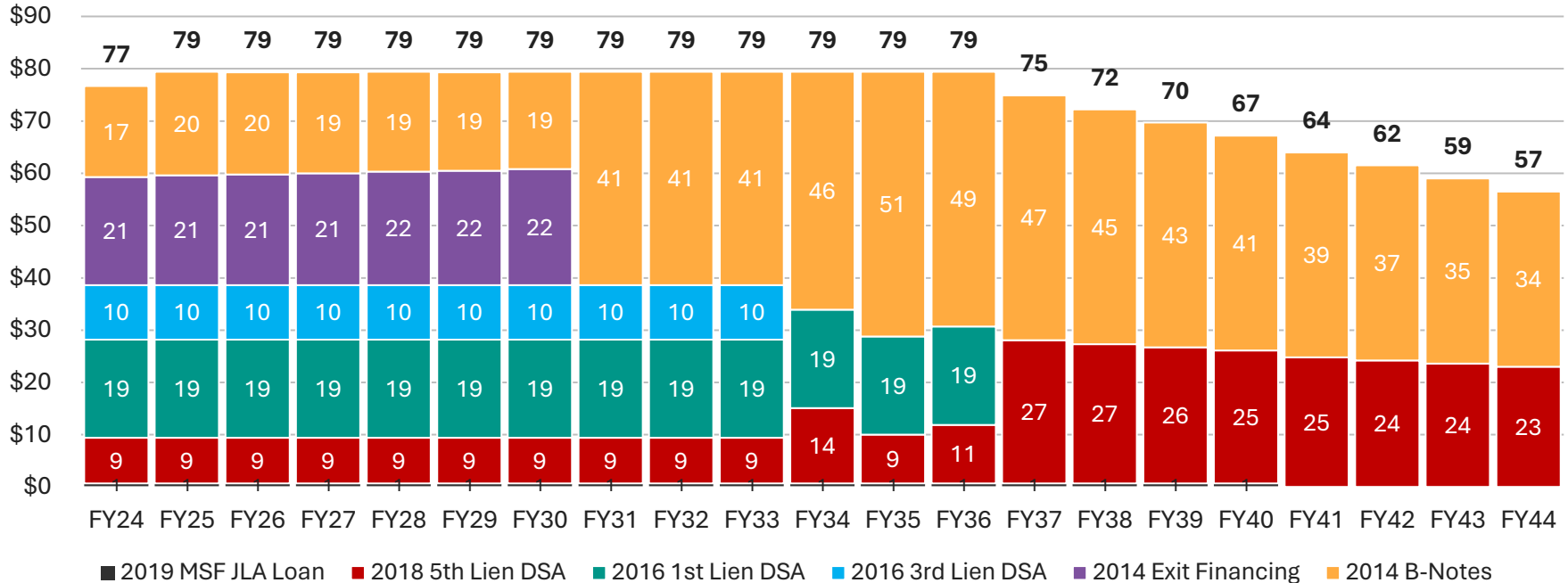
Amounts above are rounded for display.

Only includes issued debt. Does not include authorized or proposed but unissued debt.



# Limited Tax General Obligation Debt Service

General Fund and Enterprise Funds (\$ in millions)



Source: OCFO – Office of the Treasury

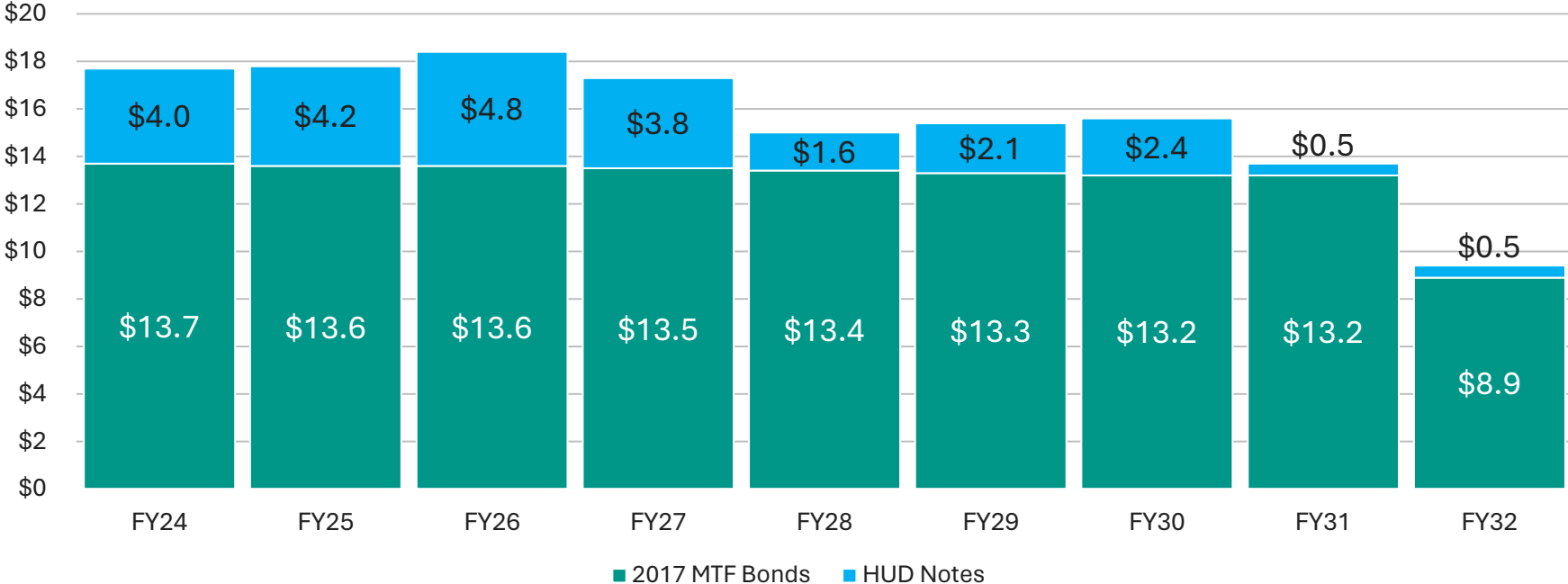
Amounts above are rounded for display.

\* 2014 B-Notes approx. 80% General Fund and 20% Enterprise Funds. Does not include proposed Vehicle IPA.



# Michigan Transportation Fund Bonds and HUD Notes Debt Service

Street Fund and Block Grant Fund (\$ in millions)

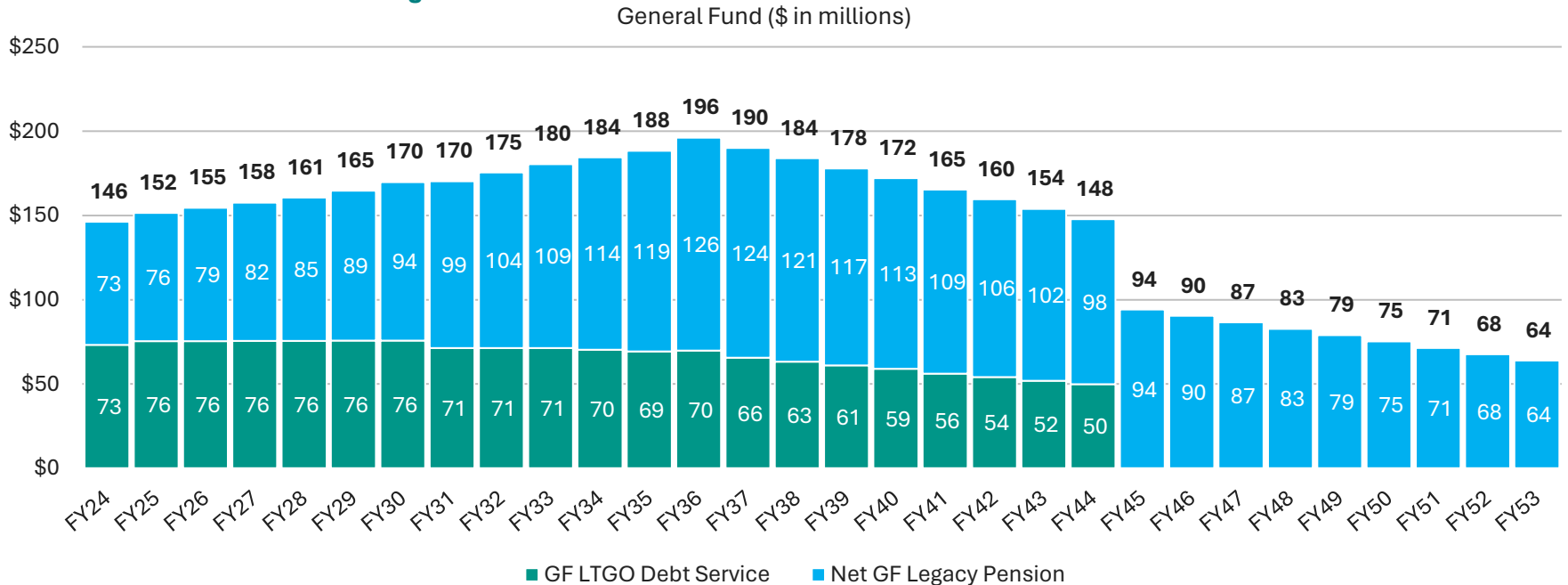


Source: OCFO – Office of the Treasury      Amounts above are rounded for display.



# General Fund Debt Service and Legacy Pension

The graph below combines the General Fund shares of LTGO debt service and legacy pension contributions based on current debt service and the RPF funding plan ramp up. After peaking in FY36, these long-term debt obligations will be a declining burden on the General Fund budget.



\* GF LTGO Debt Service is General Fund share only (excludes enterprise fund share of B-Notes). Net GF Legacy Pension means the General Fund share, net of Retiree Protection Fund (RPF) use and Foundation for Detroit's Future contributions, both of which are shown on RPF slide. Does not include proposed vehicle installment purchase agreements.

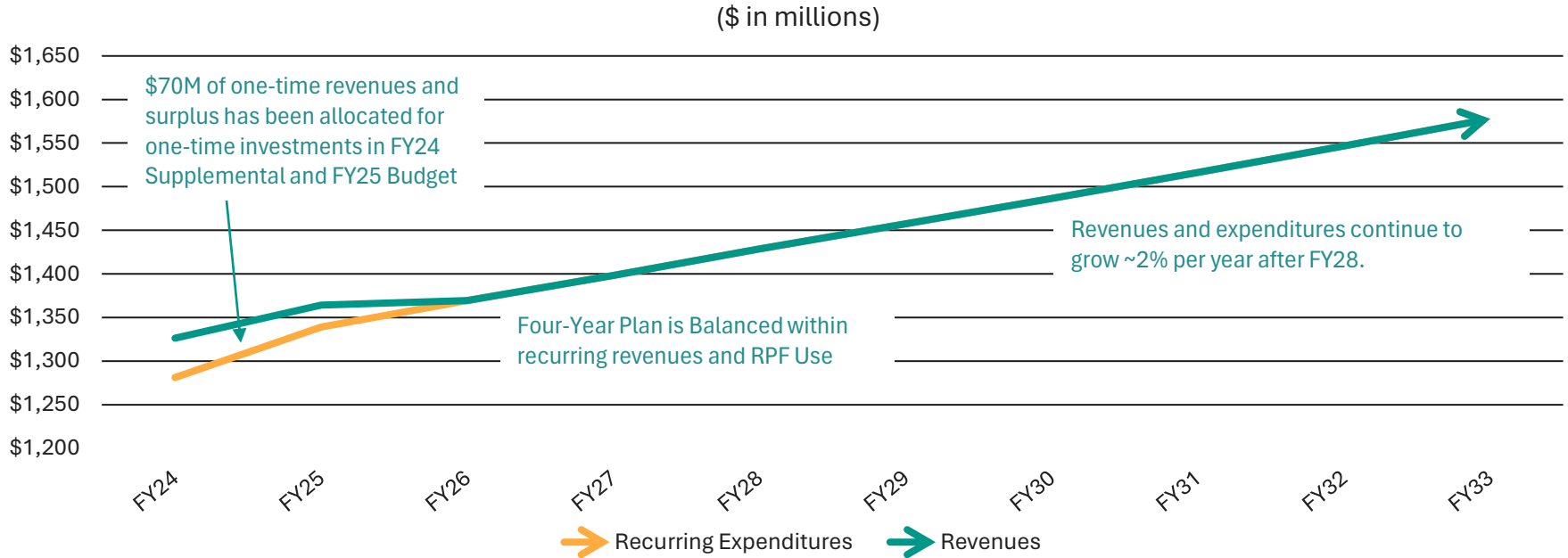


# Long-Term Forecast

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# Baseline Forecast – General Fund Budget

Under the baseline scenario, current services expenditure growth remains in line with revenue growth. Assumes February 2024 Revenue Estimating Conference results and FY25-28 Four-Year Financial Plan trends continue, along with any modest fiscal adjustments needed in future budgets in FY29 and beyond to maintain fiscal balance.

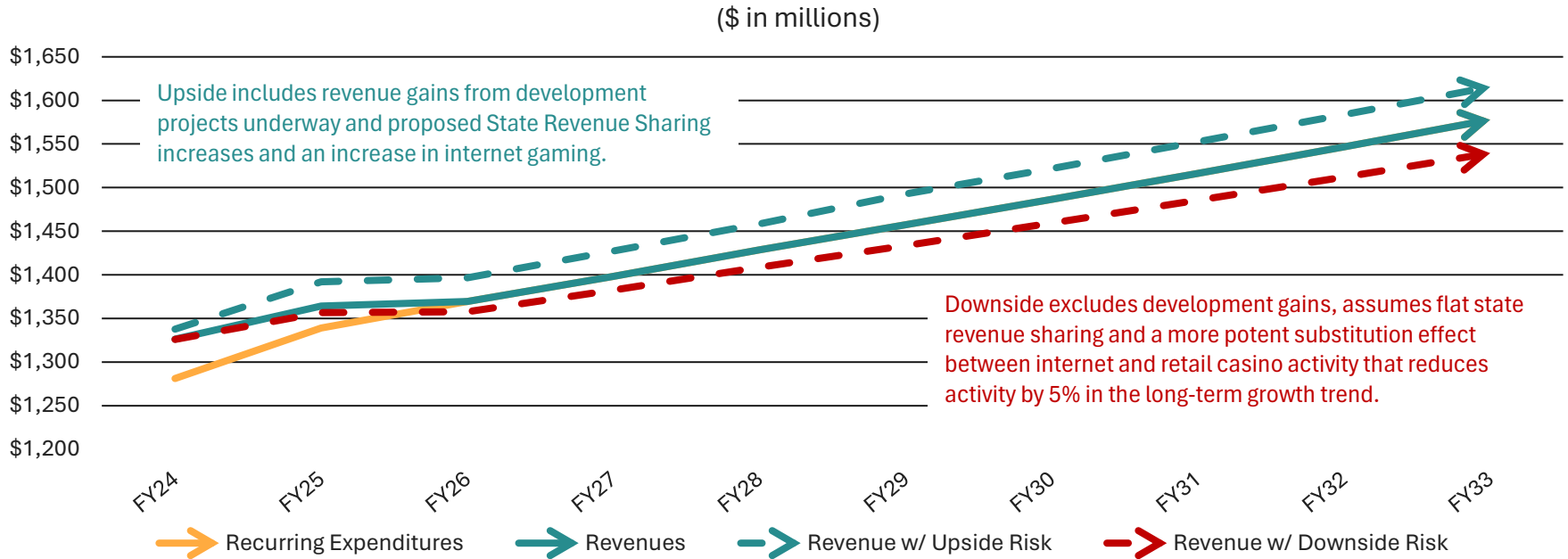


\* Expenditures presented with legacy pensions net of Retiree Protection Fund use, consistent with prior Long-Term Forecast Reports. The City budget presents it on a gross basis with RPF as a resource.



# Revenue Forecast w/ Upside and Downside Risk

Potential upside may buffer further inflationary pressures, but we must also protect against downside risks. Prudent budgeting, implementing new efficiencies, growing the tax base, and building up reserves continue to be key strategies.



\* Expenditures presented with legacy pensions net of Retiree Protection Fund use, consistent with prior Long-Term Forecast Reports. The City budget presents it on a gross basis with RPF as a resource.



# Budget Reserve (“Rainy Day Fund”)

The budget maintains our Rainy Day Fund to protect City services and budget against downside risks.

