

City of Detroit
BUDGET

Fiscal Year ending June 30, 2013

Prepared by
Budget Department

Preface

The City of Detroit is located in Southeastern Michigan and is the nation's 18th-largest city based on the 2010 census. It is the central city of a metropolitan area with a population of 4.4 million. Detroit is the largest city in Michigan and comprises 39% of Wayne County's population. Settled in 1701 and incorporated in 1815, Detroit today encompasses 139.6 square miles.

Pursuant to the provisions of the State Constitution, Detroit is a home rule city with significant independent powers. The city electorate voted on November 8, 2011, to approve revisions to the city's home rule Charter recommended by a Charter Revision Commission. These revisions preserved existing Charter strengths and protections while establishing enhanced government accountability through the creation of an Inspector General and the increased independence of the City's Corporation Counsel. On April 10, 2012, pursuant to Public Act 4 of 2011, Michigan Compiled Laws, the City of Detroit entered into a Financial Stability Agreement with the State of Michigan that maintained the City's autonomous Charter governance structure and provided supplemental resources to enable greater effectiveness in the management of the City's finances and operations.

In accordance with the current Charter, the governance of the City is organized in two branches: the executive branch, which is headed by the Mayor, and the legislative branch, which is composed of the City Council and its agencies. In addition, the City finances and administers the 36th District Court, Michigan's largest limited jurisdiction court. The Mayor as chief executive of the City has control of and is accountable for the executive branch of City government. The Charter grants the Mayor broad managerial powers, including appointment of most department directors and deputy directors. The City Council, composed of nine members elected at large (by district in the 2011 revised City Charter) for 4-year terms, is the City's legislative body. The City Council has the power to override the Mayor's veto with a two-thirds majority of its members.

The Charter provides that the voters of the City reserve the power to enact City ordinances by initiative, and to nullify ordinances enacted by the City by referendum. However, these powers do not extend to the budget or any ordinance for the appropriation of money, and the referendum power does not extend to any emergency ordinance.

Financial operations of the City are carried out through the appointed positions of Finance Director and Budget Director, over whom a new Chief Financial Officer exercises authority with respect to all revenue and expenditure activities as provided in the Financial Stability Agreement. The Finance Director of the City oversees most financial functions, including collecting and disbursing funds, directing accounting procedures, purchase goods and services and the assessing of property in the City. The Budget Director is responsible for developing and monitoring of program and service objectives, controlling and supervising the expenditure of funds, long term financial planning, and for assisting the Mayor in the preparation of the City's annual budget and biennial long-term Capital Agenda. Additionally, the Financial Stability Agreement empowers a nine-member Financial Advisory Board to counsel the City on administrative best practices; importantly, the Board must approve revenue estimates by which the City will develop and approve subsequent balanced budgets.

The City's fiscal year is July 1 through June 30. The City utilizes a computer-based central accounting and financial reporting system referred to as DRMS (Detroit Resource Management System). Under DRMS, each department and agency receives financial information along appropriation, organization, program and project lines. This information is used to allocate financial resources and to control actual expenditures in relation to the amended budget. In addition, historical information from these reports may be used for analysis and preparation of the annual financial report.

ANNUAL BUDGET

The City Charter prescribes the general content and process of developing the City's annual budget. The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth all estimated revenues and all appropriations. Proposed capital appropriations are included. Any deficit

during the preceding year is entered into the budget for the next fiscal year as an appropriation. One-half of any surplus is credited to the Budget Stabilization Fund with the remainder being included as a revenue in the following year. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is a "balanced" budget.

The initial budget, which includes all department estimates of revenues and expenditures for the fiscal year beginning July 1, is submitted to the Mayor by the Budget Department on or before the preceding February 22. The Budget Department holds public budget meetings every October, receives budget requests from departments by December 8, then holds hearings with each before submitting the recommendations to the Mayor. The Mayor may revise the budget prior to submitting it to the City Council on or before April 12, the date established by City ordinance.

Prior to approval of the budget, the City Council holds hearings with various departments and agency heads and also holds a public hearing. In addition, the Fiscal Analysis and Auditor General each prepare an analysis of the proposed budget for the City Council. The City Council may amend the budget as presented by the Mayor on or before May 24. The Council may override any Mayoral veto of these amendments by a two-thirds vote of the members within 3 business days following the Mayoral veto. Per City ordinance, the City Council's reconsideration of the budget must be completed within the longer of three calendar days or two business days following the maximum return date of the budget by the Mayor and any Mayoral veto.

The adoption of the budget provides for: 1) appropriations of specified amounts from funds indicated, 2) a specified levy of the property tax, and 3) provision for the issuance of bonds specified in the capital program. The budget document as adopted becomes the basis for establishing revenues and expenditures for the fiscal year ahead. The Charter requires that appropriations be made in lump sums to the agencies' specific programs, services or activities, or to additional classifications as the Mayor may recommend. Within an appropriation, the Mayor is given the responsibility of allocating financial resources to labor, equipment, supplies and materials in a manner which appears most suitable and economical in a given situation. However, the accounts of each agency are maintained in such detail as required by generally accepted standards of financial reporting.

If during the fiscal year the Mayor advises the City Council that revenues are available for appropriation in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. The Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services or activities within an agency or from one agency to another.

Pursuant to the Financial Stability Agreement, the City will begin a triennial budgeting process effective with the FY 2013-14 Budget.

2012-2013 Budget Highlights

FISCAL RESPONSIBILITY ITEMS

- ❖ **FSA** – The city entered into a Financial Stability Agreement (FSA) on April 10, 2012. The agreement provides for the appointment of a Chief Financial Officer and a Program Management Director as well as the creation of a Financial Advisory Board. The FSA also establishes new budget reporting requirements, including preparation of a Triennial Budget with a plan for deficit elimination. New budget approval and adoption procedures are also included in the FSA.
- ❖ **Salary, Wages and Employee Benefits** – The 2012-13 Adopted Budget includes a reduction of \$90.1 million in salary and wages and a net decrease of 2,227 positions from the 2011-2012 Budget. A ten percent (10%) wage reduction is included in this budget for all employees. A net reduction of \$79.1 million in Employee Benefits is included in this budget representing increased premium cost sharing for all medical plans; an increase in employee co-pays and deductibles; consolidation of medical plans; changes to prescription plan structure; and modification to pension plan cost drivers. Work rule changes including overtime management are also included in this budget.
- ❖ **Airport Subsidy** – The adopted budget includes \$275,000 representing six months of General Fund subsidy as the department transitions to an independent authority.
- ❖ **Cultural Institutions** – The adopted budget includes \$199,246 to Detroit Historical Society for operation of the Main Historical Museum and Dossin Museum. A subsidy of \$475,018 is included for insurance and security costs for the Zoological Society. Charles H. Wright Museum of African American History will receive a \$992,399 subsidy for operations. Eastern Market will receive a subsidy of \$100,000 for utility costs. The budget does not include an allocation for operating support for the Detroit Institute of Arts.
- ❖ **Demolition** – The Recommended Budget includes \$2.9 million in block grant allocation for the Demolition Program in Buildings and Safety Engineering and Environmental.
- ❖ **DPW** – The 2012-13 Adopted Budget includes reductions totaling \$11.18 million in the Solid Waste Fund. The Solid Waste Fee remains at \$240 for residential customers. Senior rate is \$120.
- ❖ **Elections** – Will administer two elections during FY 2012-13: Presidential Primary Election August 7, 2012, and Presidential General Election November 6, 2012.

MAYORAL INITIATIVES

- ❖ **Community Access Centers** will be housed in recreation centers to serve as a community organization liaison

2012-2013 Budget Highlights

hub and to increase community involvement.

- ❖ **Fire** has applied for a SAFER grant from the federal government which will provide funding to retain 108 firefighters.
- ❖ **Human Services** – The 2012-13 Adopted Budget includes a net decrease of \$62.8 million in federal grant appropriations. Funding for Head Start and Weatherization are not included in this budget. The remaining Community Service Block Grant (CSBG) programs will transition to an independent Community Action agency.
- ❖ **The Community Development Block Grant** – Adopted budget is \$30.3 million, a decrease of \$4 million from the FY 2011-12 budget. Funding is allocated for PDD Staff, Section 108 Loan Payments and categories such as Economic Development, Homeless, Housing Services, Lead-Based Paint Home Repair, Minor Home Repair, Public Services, Public Facility Rehabilitation and Senior Home Repair.
- ❖ **Curbside Pilot-Recycling Program** – This program was implemented in 2009 and continues as the Department of Public Works continues to compile data to develop a plan for the most cost-effective citywide system.
- ❖ **DDOT** – Changes included in this budget for DDOT include route rationalizations, improved management of overtime, improvement in risk management

policies and use of a third party operator.

- ❖ **Department of Health and Wellness Promotion** – The Adopted Budget includes appropriations of \$2 million net tax cost to the City. Core public health services will be transferred to the Institute for Population Health. The transition will take three months to complete.
- ❖ **Detroit Workforce Development** – The Detroit Workforce Board will assume the role of fiscal agent and grant recipient
- ❖ **The Office of the Inspector General** – In accordance with the revised City Charter, the Office of the Inspector General is created as an independent office to ensure honesty and integrity in city government.
- ❖ **Public Lighting Department** – The department is transitioning street lights to an independent authority, transitioning the City's electricity customers to a third party and beginning of the replacement of the electricity grid.

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