



DETROIT REVENUE ESTIMATING CONFERENCE

SEPTEMBER 2018



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Chief Financial Officer
City of Detroit

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SEPTEMBER 13, 2018

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CFO MEMORANDUM
No. 2018-103-001

TO: City of Detroit Revenue Estimating Conference Principals
FROM: Tanya Stoudemire, J.D., Deputy CFO / Budget Director, City of Detroit *Tanya Stoudemire*
SUBJECT: Proposed FY 2019 – FY 2023 Revenue Estimates Pursuant to State of Michigan Public Act 279 of 1909, Section 4t(1)(d)
ISSUANCE DATE: September 13, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909 (PA 279), Section 4t(1)(d), as amended by Public Act 182 of 2014, states the City shall hold a revenue estimating conference in the second week of September and in the third week of February of each year, subject to the following:
 - 1.1.1. A conference shall establish an official economic forecast of major variables of the national, state, and local economies. A conference also shall establish a forecast of anticipated revenues of the city as the conference determines.
 - 1.1.2. The principals of a conference shall be the chief financial officer of the city, the state treasurer or his or her designee from within the department of treasury, and a person affiliated with another public entity, including a state institution of higher education, with experience in economic forecasting and revenue projection selected by the chief financial officer of the city and the state treasurer.
 - 1.1.3. The official forecast of economic and revenue variables of the conference shall be determined by consensus among the conference principals and shall be for the fiscal year in which the conference is being held and the succeeding 2 fiscal years. The conference also shall forecast general fund revenue trendline projections for the city for an additional 2 fiscal years. Conference forecasts of revenues and expenditures shall be based upon the assumption that current law and administrative procedures will remain in effect for the forecast period.
 - 1.1.4. The conference may request and shall receive from officers, departments, agencies, and authorities of the city the assistance and data needed to enable the conference to fulfill its duties.

2. OBJECTIVES

- 2.1. To provide the City of Detroit Revenue Estimating Conference principals the assistance and data needed to fulfill their duties in establishing the City's official economic and revenue forecast.
- 2.2. To satisfy the Office of Budget's ongoing revenue estimation and economic forecasting responsibilities in accordance with CFO Directive No. 2018-101-002 Comprehensive Financial Planning.

3. PURPOSE

3.1. To submit proposed revenue estimates to the Revenue Estimating Conference principals for their consideration.

4. SCOPE

4.1. This Memorandum and the attached report are intended solely to assist the Revenue Estimating Conference principals fulfill their duties pursuant to Section 4t(1)(d) of PA 279.

5. STATEMENT

5.1. In accordance with Section 4t(1)(d) of PA 279 and CFO Directive No. 2018-101-002, the Office of Budget prepared the attached revenue estimates for FY 2019 through FY 2023 for consideration by the principals of the City of Detroit September 2018 Revenue Estimating Conference.

5.2. Revenue estimates were prepared on a conservative basis to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the fiscal year.

5.3. Revenue estimates were prepared in consultation with the other OCFO divisions responsible for administering their respective revenues, as well as the City Council's Legislative Policy Division and the Auditor General's Office.

City of Detroit
September 2018 Revenue Estimating Conference Report

September 13, 2018

Overview of Revenue Estimating Conference:

State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014, states the City of Detroit shall hold biannual revenue estimating conferences, which shall establish the official economic forecast and forecast of anticipated revenues of the City. The City holds its Revenue Estimating Conferences in September and February of each fiscal year. The voting principals are the City's Chief Financial Officer (CFO), the State Treasurer (or designee), and a person affiliated with another public entity, including a state institution of higher education, with experience in economic forecasting and revenue projection selected by the CFO and State Treasurer. The voting principals for the September 2018 Revenue Estimating Conference are:

- John W. Hill, Chief Financial Officer, City of Detroit
- Eric Bussis, Chief Economist and Director, Office of Revenue and Tax Analysis, State of Michigan, Department of Treasury (on behalf of State Treasurer Nick A. Khouri)
- George Fulton, PhD, Director Emeritus, Research Seminar in Quantitative Economics (RSQE), Department of Economics, University of Michigan

The Office of Budget, within the Office of the Chief Financial Officer (OCFO), prepared revenue estimates for consideration by the conference principals, which they approved at the public meeting held on September 13, 2018. In preparing the proposed revenue estimates, the Office of Budget consulted with the OCFO's Offices of the Assessor, Departmental Financial Services, and the Treasury, as well as the City Council's Legislative Policy Division and the Auditor General's Office. In addition, Dr. Eric Scorsone, Director of the Michigan State University Extension Center for Local Government Finance and Policy, delivered an economic outlook presentation to further inform the forecast. The Office of Budget thanks its colleagues for their continued support and assistance throughout the revenue estimation process.

The approach to the proposed September 2018 revenue estimates represents a significant change compared to the past. In June 2018, the City established the Forecasting and Economic Analysis (FEA) division within the Office of Budget. The purpose of the new division is to provide information and tools to support planning and decision-making across City government, with a focus on revenue and economic analysis and fiscal sustainability. The division's approach includes:

- Consolidating and modeling relevant internal and external data for analysis
- Establishing baseline forecasting assumptions
- Identifying the behavioral and economic drivers of revenues
- Evaluating long-term trends and emerging issues

The FEA division worked with its colleagues in the OCFO and other City agencies to take initial steps incorporating economic drivers into the major revenue estimates, while also tracking

departmental revenues on a more systematic basis. Moving forward, the FEA division will monitor revenues and new initiatives, further refine and build models of City revenues, identify new data available for forecasting and evaluation, and partner with one or more universities on economic analysis and forecasting activities.

The proposed estimates that follow below include the current fiscal year (FY 2019) and the four succeeding fiscal years (FY 2020 – FY 2023), which serve as a starting point for developing the City’s next four-year financial plan. While there is a greater focus on the General Fund, the proposed estimates also cover the City’s grant, enterprise, and special revenue funds. The forecast assumes that current law and administrative procedures will remain in effect for the forecast period. The City’s next Revenue Estimating Conference will be held in February 2019, which will establish the revenue estimates used in the City’s adopted FY 2020 budget and FY 2020 – FY 2023 Four-Year Financial Plan.

Summary of Proposed Revenue Estimates:

September 2018 Revenue Estimates, General Fund									
<i>(in millions)</i>									
	FY19	FY20		FY21		FY22		FY23	
	Est	Est	% Change	Est	% Change	Est	% Change	Est	% Change
Major Taxes									
Income Tax	\$ 310.3	\$ 321.9	3.7%	\$ 334.0	3.8%	\$ 347.7	4.1%	\$ 362.0	4.1%
State Revenue Sharing	201.5	202.6	0.5%	200.3	-1.1%	201.7	0.7%	203.2	0.7%
Wagering Tax	180.9	182.7	1.0%	184.6	1.0%	186.4	1.0%	188.3	1.0%
Property Tax	118.9	119.8	0.8%	120.8	0.8%	121.9	0.9%	123.0	0.9%
Utility Users Tax ¹	30.5	31.9	4.6%	32.0	0.3%	32.3	0.9%	32.9	1.9%
Subtotal, Major Taxes	\$ 842.1	\$ 858.9	2.0%	\$ 871.7	1.5%	\$ 890.0	2.1%	\$ 909.4	2.2%
Other Revenues	\$ 210.2	\$ 214.1	1.9%	\$ 216.7	1.2%	\$ 216.7	0.0%	\$ 217.7	0.5%
Grand Total, General Fund	\$ 1,052.3	\$ 1,073.0	2.0%	\$ 1,088.4	1.4%	\$ 1,106.7	1.7%	\$ 1,127.1	1.8%

(1) Utility Users Tax is net of \$12.5 million designated to Public Lighting Authority.

The proposed estimates include updates for FY 2019 through FY 2022, as well as new estimates for FY 2023. Total General Fund revenues from FY 2019 to FY 2020 increase by 2%, with a similar trend projected throughout the forecast period.

Economic Conditions and Outlook:

Nationally, the gross domestic product continues to steadily increase,¹ unemployment remains low,² consumer confidence is elevated,³ and employees are quitting their jobs at a rate near equal to that of the last expansion.² All of these data points indicate that we are well into a mature expansion phase. Economic data for Michigan tell a similar story. The most recent unemployment rate for the state, reported by the Bureau of Labor Statistics in July 2018, was 4.2%, the lowest since December 2000. The Bureau of Economic Analysis has also reported a steadily increasing

¹ Source: U.S. Bureau of Economic Analysis

² Source: U.S. Bureau of Labor Statistics

³ Source: The Conference Board, Consumer Confidence Survey

Michigan personal income per capita, reaching \$45,000 in 2017. Narrowing the focus to Detroit and Wayne County, the trends are similar, but not as strong as seen in state and national data.

Employment and wage data specific to Detroit remains limited, but through the Local Area Unemployment Statistics program estimates, we are able to take a closer look at employment and unemployment trends for city residents. Similar to Wayne County, the number of employed residents has grown modestly, nearly 2% per year on average since fiscal year 2014 and the unemployment rate has fallen precipitously from levels seen during and immediately after the recession. The most recent unemployment rate, reported for July 2018, was 10.9% with an average unemployment rate of 9.3% in 2017. The number of people in the city's labor force still remains below pre-recession levels, but the recent increase seen in July 2018 confirms the positive growth trend we expect to continue in the forecast period.

Wage data for Wayne County remains the most local data available and works as a reasonable proxy for observing historical income effects on residents that work inside and outside of the city as well as non-residents who work in the city. Average annual wages in Wayne County were slow to accelerate immediately after the recession and remain volatile.⁴ While difficult to define a clear accelerating or decelerating trend and difficult to describe the magnitude of Detroit's influence on the county's wage movements, it is safe to say that average rate of change observed during the current expansion will continue pending policy changes or unforeseen labor market shocks. It is important to note that once adjusted for inflation, using either national or Metro Detroit Consumer Price Index figures, the average change for annual real wages is effectively flat.

The 2017 population estimate for Detroit from the U.S. Census Bureau was approximately 673,000 people,⁵ down 5.7% from the approximately 714,000 counted in the 2010 decennial Census. It is important to note that since 2014, the population decline has been estimated to be decelerating to where the percent change year over year has been consistently getting closer to zero. Southeastern Michigan Council of Governments (SEMCOG) estimates are generally more pessimistic, estimating the city's 2017 population slightly above 645,000.⁶ Looking at their long-term forecast, population will continue to decrease until an inversion sometime between 2025 and 2030 where the population is expected to grow faster than it decreased between 2020 and 2025.⁷ Ultimately, there is no clear forecast of what year a turning point will occur and where Detroit's population count will land after the 2020 Census, particularly in relation to Michigan's population for the purpose of revenue sharing calculation. Alternatively, household units have seen a recent uptick between the 2015 and 2016 1-year American Community Surveys of 1.4%.⁸ While too premature to suggest that the generally flat trend in household unit growth will not continue during the forecast period, the recent observation is a step in the right direction and may be further confirmed in future surveys.

⁴ Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

⁵ Source: U.S. Census Bureau 2017 Population Estimates

⁶ Source: SEMCOG Dec. 2017 Population and Household Estimates for Southeast Michigan

⁷ Source: SEMCOG 2045 Population Forecast

⁸ Source: U.S. Census Bureau 1-Year 2016 American Community Survey

Risks to the Economic Outlook:

Analysts, pundits, and investors may believe that we are “due” for a recession due to this economic recovery and expansion being the second longest in history, behind the expansion from March 1991 to March 2001 per the National Bureau of Economic Research. However, we must remember that expansions do not have an expiration date. Instead economic shocks stemming from aggregate consumer and investor behavior, market inefficiencies, geopolitical conditions, and policy errors are what commonly trigger recessions. While we cannot predict when we will experience a shock or how it will manifest, we can certainly explore what developing conditions could lead toward a negative, material impact to the Detroit economy.

Slow population growth and low labor force participation remain a challenge and an ongoing risk for the city in the pursuit of a higher tax base. Although recent labor statistics suggest a growing labor force, the Census Bureau estimates that the city’s population is still shrinking, albeit at a decreasing rate. We may not have a firm grasp on the population of the city until after the 2020 Census, so a sharp change in population in either direction revealed after the Census could present budgetary risks directly through impacted federal or state funds or implicitly through revenues driven by population.

Developments in trade and geopolitical policy remain an area risk as the Metro Detroit region is the sixth largest metropolitan statistical area by value of exports shipped in the first quarter of 2018. Although export activity is less than 17% of the region’s gross domestic product, we have relatively high exposure as compared to other large exporting Metropolitan Statistical Areas and may see a larger adverse effect to GDP and employment from tariffs and uncertainty around trade policy within the forecast period as compared to other regions. Additional risks stemming from uncertainty around federal and state policy impacting local revenues and economic conditions, remain an area of concern.

Lastly, increasing interest rates driven by monetary policy and rising inflation as the labor market tightens nationwide, may present future budget challenges in the forecast period. Higher consumer debt balances and a slight uptick in credit card delinquency rates as reported by the Federal Reserve Bank requires further monitoring. Increasing cost of debt may also slow business investment and development.

Current Year Revenue Estimates Update:

FY 2019 Revenue Estimates				
(in millions)				
	FY19		Change Since Adopted Budget	
	Feb 2018/ Adopted Budget	Sept 2018 Estimate	\$	%
Major Taxes				
Income Tax	\$ 299.4	\$ 310.3	\$ 10.9	3.6%
State Revenue Sharing	200.7	201.5	0.8	0.4%
Wagering Tax	180.8	180.9	0.1	0.1%
Property Tax ¹	124.6	118.9	(5.7)	-4.6%
Utility Users Tax ²	27.5	30.5	3.0	10.9%
Subtotal, Major Taxes	\$ 833.0	\$ 842.1	\$ 9.1	1.1%
Other Revenues³	\$ 216.4	\$ 210.2	\$ (6.2)	-2.9%
Grand Total, General Fund	\$ 1,049.4	\$ 1,052.3	\$ 2.9	0.3%

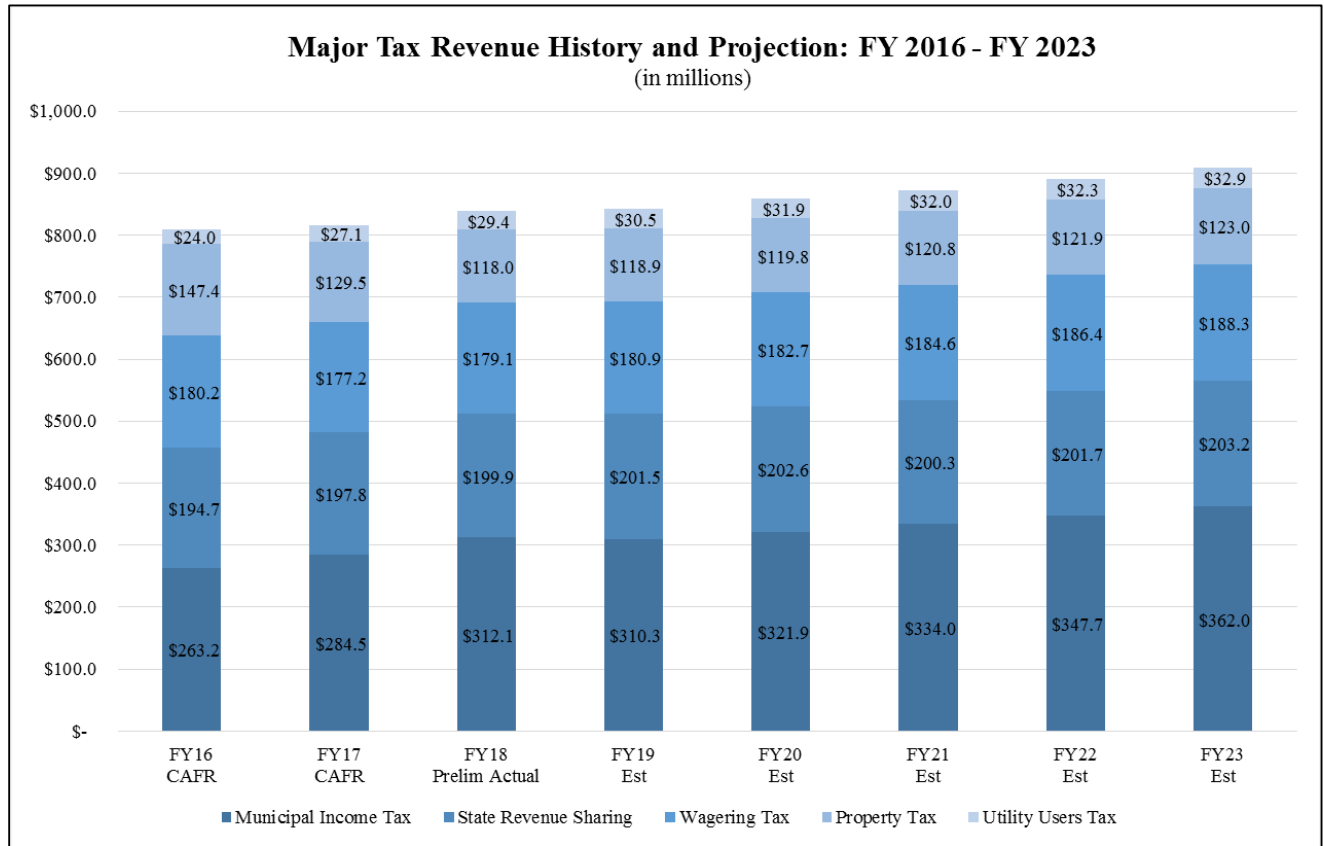
(1) The Adopted Budget is adjusted to exclude \$9.2m in Tax Increment Financing revenue capture, consistent with CAFR presentation.

(2) Excludes \$12.5m in revenues designated to Public Lighting Authority, consistent with CAFR presentation.

(3) Adopted Budget is adjusted to exclude \$2.6m in prior-year fund balance resources appropriated for one-time expenditures.

The FY 2019 General Fund revenue estimates approved at the February 2018 Revenue Estimating Conference and used for the Adopted Budget total \$1.05 billion (after adjustments noted in the table above). The September 2018 revenue estimates have been increased by \$2.9 million, representing a 0.3% change from the Adopted Budget. The September 2018 estimates reflect upward adjustments to income tax and utility users tax revenues based on both FY 2018 actual collections and revised economic assumptions. Property tax revenue estimates have been adjusted downward due to FY 2018 actual collections and updated taxable value assumptions. Other revenues have also been adjusted downward compared to the Adopted Budget. The September 2018 estimate removes \$2 million in estimated revenues from non-recurring asset sales, which will not be relied upon until any potential proceeds are collected. Departmental revenues for Fire and Municipal Parking have also been reduced based on FY 2018 actual collections.

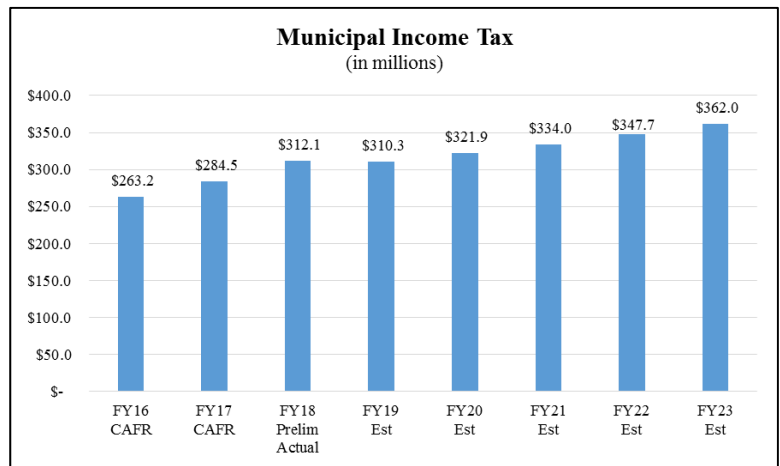
Summary of Major Taxes:



The FY 2019 and four-year forecast assumes a total growth trend consistent with prior-year actuals. FY 2018 actuals are still being finalized and are subject to change. In total, major tax revenues have increased annually from FY 2016 – FY 2018, and this trend is expected to continue from FY 2019 – FY 2023.

Municipal Income Tax:

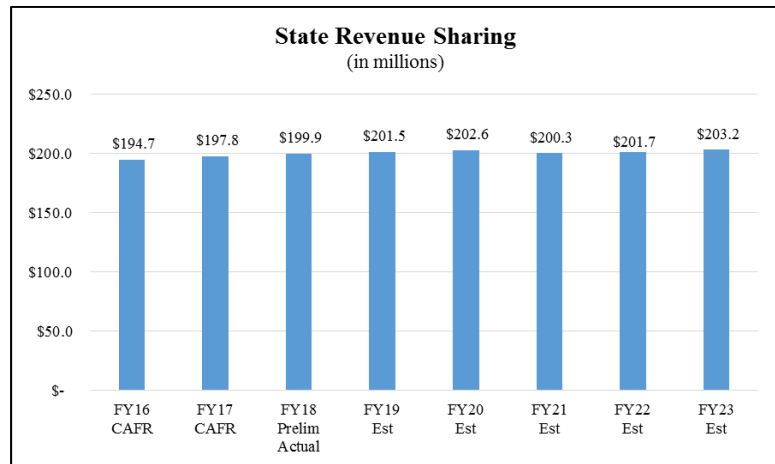
In accordance with the City Income Tax Act (Public Act 284 of 1964, as amended), the City levies a municipal income tax on income from all sources with few exemptions. The current tax rates are 2.4% for residents, 1.2% for non-residents, and 2.0% for corporations, which are set by State law. The FY 2019 estimate represents a slight decline compared to total FY 2018 preliminary actuals; however, roughly \$13.3 million in FY 2018



collections are assumed to comprise prior-year corporation taxes that are not anticipated to continue moving forward. By excluding this one-time resource and annual assessments that do not follow the baseline trend, the projected trend growth rate from FY 2018 to FY 2019 is 4.1%, based on projected wage inflation and employment growth. This annual growth rate is also applied to the forecast years, and is consistent with the 4.3% average growth rate between FY 2016 and FY 2018.

State Revenue Sharing:

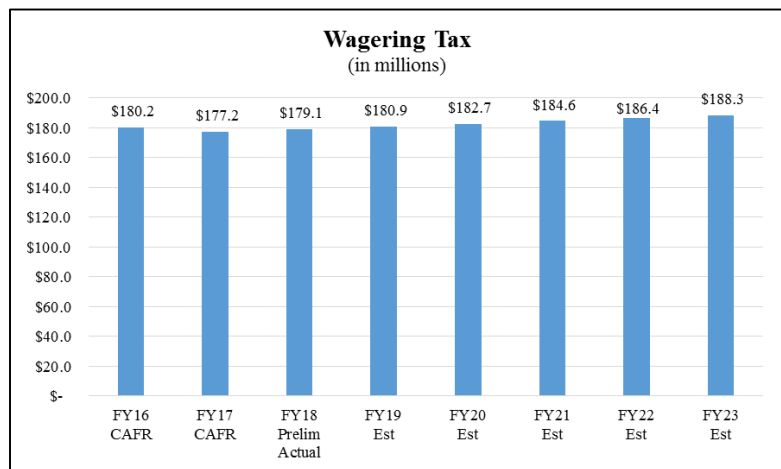
Revenue sharing payments from the State are derived from two components: constitutional and statutory. In accordance with the State Constitution of 1963, Article IX, Section 10, as amended, constitutional revenue sharing payments are based on 15% of the 4% portion of Michigan’s 6% sales tax collections. The State allocates amounts to municipalities based on population as of the last decennial Census. Statutory revenue sharing



payment levels are set annually in the State budget. The forecast assumes growth in the constitutional share based on forecasted State sales tax growth, along with a \$2.3 million reduction in FY 2021 due to anticipated population declines from the upcoming 2020 Census compared to 2010. The forecast does not assume changes to the annual statutory allocation of \$140.5 million, nor does it include any potential additional supplemental appropriations, which occurred in FY 2018 and FY 2019.

Wagering Taxes:

In accordance with the Michigan Gaming Control and Revenue Act (Initiated Law 1 of 1996, as amended), a tax on adjusted gross receipts is applied to the three casinos operating in Detroit. The current City wagering tax rate is 11.9% (10.9% in State law, plus 1% pursuant to the casinos’ development agreements with the City). The casinos also pay the City a supplemental 1% tax if their gross receipts exceed \$400 million

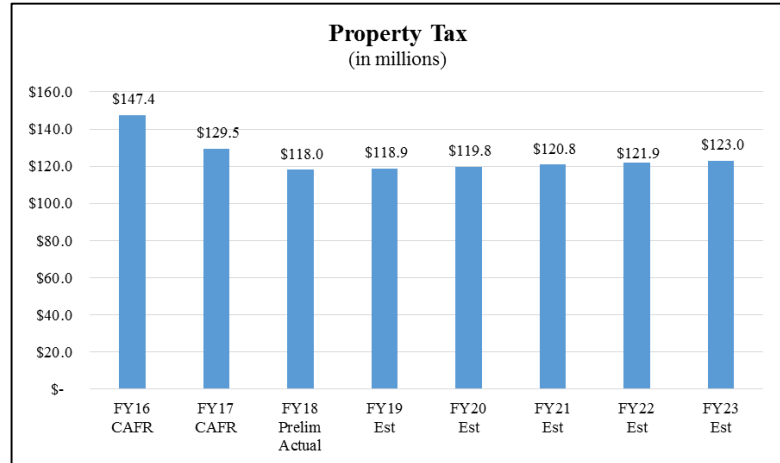


in a calendar year. The City also assesses a municipal service fee from each casino of 1.25% of adjusted gross receipts or \$4 million, whichever is greater (included separately in the “Other Revenues” category). The FY 2019 estimate and four-year forecast assumes the annual growth for

adjusted gross receipts to be constant at 1%. The forecast does not reflect potential changes to casino tax rates and state regulations, including any future revenues associated with pending legislation to authorize and tax online gaming and sports betting.

Property Tax:

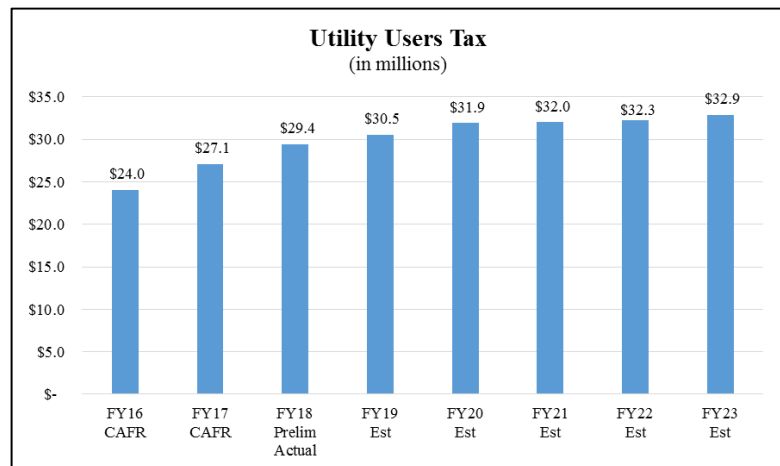
In accordance with the General Property Tax Act (Public Act 206 of 1893, as amended), the City levies taxes on real and personal property. Collections consist of current year taxes, delinquent taxes, and related auction proceeds. The City currently levies 19.952 mills for general operating purposes. However, the millage rate and taxable values are subject to various abatements and exemptions.



The primary driver for growth during the forecast period is inflation applied to the reported FY 2019 base (2.5% forecasted for the US Consumer Price Index for Urban Consumers), which is defined as the cap for growth in taxable value under the State constitution. Other components, such as payments from Wayne County for delinquent real property tax collections and revenue capture by tax incremental financing authorities, are also factored into the forecast based on current and historical observations. It should be noted that the recent history in property tax revenue was significantly impacted by declines in the tax roll due to the citywide reappraisal of residential property and various one-time positive audit adjustments. The City expects to complete its reappraisal of commercial property by December 2018, which will impact FY 2020 and be factored into the updated forecast in February 2019.

Utility Users Tax:

In accordance with the City Utility Users Tax Act (Public Act 100 of 1990, as amended), the City levies a 5% tax on consumption of electricity, gas, steam, and telephone services. Annual changes in the revenue forecast are largely based on inflation adjustments for natural gas and electricity prices, while assuming an average growth rate in household units that is consistent with prior-year trends. The actual



collections and revenue estimates are net of \$12.5 million that are designated to the Public Lighting Authority.

Other Departmental Revenue Changes:

September 2018 Revenue Estimates, Other Revenue - General Fund									
(in thousands)									
	FY19	FY20		FY21		FY22		FY23	
	Est	Est	% Change	Est	% Change	Est	% Change	Est	% Change
Department									
Buildings, Safety Engineering and Environmental	\$ 3,632	\$ 3,709	2.1%	\$ 3,758	1.3%	\$ 3,758	0.0%	\$ 3,758	0.0%
Public Works	4,032	4,032	0.0%	4,032	0.0%	4,032	0.0%	4,032	0.0%
Office of the Chief Financial Officer	6,400	6,559	2.5%	6,720	2.5%	6,886	2.5%	6,902	0.2%
Fire	19,168	19,532	1.9%	19,836	1.6%	20,147	1.6%	20,461	1.6%
Health	2,453	2,476	0.9%	2,499	0.9%	2,523	1.0%	2,547	1.0%
Human Resources	1,133	1,161	2.5%	1,190	2.5%	1,220	2.5%	1,244	2.0%
Civil Rights, Inclusion and Opportunity	402	402	0.0%	402	0.0%	402	0.0%	402	0.0%
Law	1,938	1,977	2.0%	2,016	2.0%	2,056	2.0%	2,096	1.9%
Mayor's Office	125	125	0.0%	125	0.0%	125	0.0%	125	0.0%
Municipal Parking	12,700	13,500	6.3%	13,500	0.0%	13,500	0.0%	13,500	0.0%
Non-Departmental	106,477	109,146	2.5%	109,827	0.6%	110,521	0.6%	111,163	0.6%
Housing & Revitalization	2,353	2,353	0.0%	2,353	0.0%	2,353	0.0%	2,353	0.0%
Police	7,360	7,360	0.0%	7,360	0.0%	7,360	0.0%	7,360	0.0%
Public Lighting	1,600	1,200	-25.0%	1,000	-16.7%	800	-20.0%	600	-25.0%
Planning and Development	46	46	0.0%	46	0.0%	46	0.0%	46	0.0%
Appeals and Hearings	1,800	1,800	0.0%	1,800	0.0%	1,800	0.0%	1,800	0.0%
General Services	20,417	20,603	0.9%	20,784	0.9%	21,011	1.1%	21,173	0.8%
Board of Zoning Appeals	125	125	0.0%	125	0.0%	125	0.0%	125	0.0%
City Council	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
36th District Court	18,000	18,000	0.0%	18,000	0.0%	18,000	0.0%	18,000	0.0%
City Clerk	6	6	0.0%	6	0.0%	6	0.0%	6	0.0%
Elections	8	8	0.0%	1,300	16150%	8	-99.4%	8	0.0%
Total, Other Revenue - General Fund	\$210,194	\$ 214,139	1.9%	\$216,698	1.2%	\$216,698	0.0%	\$ 217,720	0.5%

Departmental revenues are estimated to be \$210.2 million in FY 2019, and are expected to increase by a modest 1.9% in FY 2020 to \$214.1 million. The estimate is weighed down by a 25% decrease in the Public Lighting Department – related to the decommissioning of the City’s former public lighting electrical grid. Those revenues are expected to continually decrease between FY 2019 and FY 2023. The loss in those departmental revenues is overcome by noted increases in other areas. For example, revenues from the Municipal Parking Department are estimated to increase by 6.3%. Revenues in Non-Departmental are expected to increase by 2.5%, largely due to adjustments in various cost reimbursements across City funds. From FY 2020 – FY 2023, the majority of departmental revenues are based on modest trend growth or flat annual collections, with the exception of the Public Lighting Department item noted above and the Department of Elections for anticipated presidential primary reimbursements in FY 2021.

Changes from the February Revenue Conference, FY 2019 – FY 2022:

September 2018 Revenue Estimates vs. February 2018 Revenue Estimates												
(in millions)												
	<u>FY19</u>			<u>FY20</u>			<u>FY21</u>			<u>FY22</u>		
	<u>Feb</u>	<u>Sept</u>	<u>% Change</u>	<u>Feb</u>	<u>Sept</u>	<u>% Change</u>	<u>Feb</u>	<u>Sept</u>	<u>% Change</u>	<u>Feb</u>	<u>Sept</u>	<u>% Change</u>
Major Taxes												
Income Tax	\$ 299.4	\$ 310.3	3.6%	\$ 306.9	\$ 321.9	4.9%	\$ 314.6	\$ 334.0	6.2%	\$ 322.5	\$ 347.7	7.8%
State Revenue Sharing	200.7	201.5	0.4%	201.7	202.6	0.4%	202.7	200.3	-1.2%	203.7	201.7	-1.0%
Wagering Tax	180.8	180.9	0.1%	182.6	182.7	0.1%	184.4	184.6	0.1%	186.3	186.4	0.1%
Property Tax ¹	124.6	118.9	-4.6%	126.6	119.8	-5.4%	128.6	120.8	-6.1%	130.7	121.9	-6.7%
Utility Users Tax ²	27.5	30.5	10.9%	27.5	31.9	16.0%	27.5	32.0	16.4%	27.5	32.3	17.5%
Subtotal, Major Taxes	\$ 833.0	\$ 842.1	1.1%	\$ 845.3	\$ 858.9	1.6%	\$ 857.8	\$ 871.7	1.6%	\$ 870.7	\$ 890.0	2.2%
Other Revenues³	\$ 216.4	\$ 210.2	-2.9%	\$ 218.1	\$ 214.1	-1.8%	\$ 220.4	\$ 216.7	-1.7%	\$ 220.9	\$ 216.7	-1.9%
Grand Total, General Fund	\$ 1,049.4	\$ 1,052.3	0.3%	\$1,063.4	\$1,073.0	0.9%	\$ 1,078.2	\$ 1,088.4	0.9%	\$ 1,091.6	\$ 1,106.7	1.4%

(1) The February 2018 estimates are adjusted to exclude \$9.2m in Tax Increment Financing Authority (TIFA) expenses.
(2) The February 2018 estimates are adjusted to exclude \$12.5 million designated to Public Lighting Authority.
(3) The FY19 February 2018 estimate excludes \$2.6m in prior-year surplus resources.

In total, General Fund revenues from FY 2019 – FY 2022 did not change substantially from the February Revenue Estimating Conference. Excluding FY 2022, each year’s change was less than 1% in total from February to September. The main changes are the increased forecasts and growth rates for income tax and utility users tax, offset by declines anticipated in property taxes and other departmental revenues.

Non-General Fund Revenues:

September 2018 Revenue Estimates, Non-General Fund									
(in thousands)									
Fund	FY19	FY20		FY21		FY22		FY23	
	Est	Est	% Change	Est	% Change	Est	% Change	Est	% Change
Risk Management Fund	\$ 24,100	\$ 24,100	0.0%	\$ 39,500	63.9%	\$ 49,000	24.1%	\$ 49,000	0.0%
Public Lighting Decommissioning Reserve Fund	312	312	0.0%	312	0.0%	312	0.0%	312	0.0%
Fire Grants Fund	1,084	84	-92.3%	84	0.0%	60	-28.6%	60	0.0%
Health Grants Fund	26,358	27,149	3.0%	27,963	3.0%	28,802	3.0%	28,802	0.0%
Homeland Security Grants Fund	800	800	0.0%	800	0.0%	800	0.0%	800	0.0%
Mayor's Office Grants Fund	85	40	-52.9%	40	0.0%	40	0.0%	40	0.0%
Office of Grants Management Grants Fund	100	100	0.0%	100	0.0%	100	0.0%	100	0.0%
Police Grants Fund	6,533	6,533	0.0%	6,533	0.0%	6,533	0.0%	6,533	0.0%
Public Works Grants Fund	50	50	0.0%	50	0.0%	50	0.0%	50	0.0%
Recreation/General Services Grants Fund	1,105	5	-99.5%	5	0.0%	5	0.0%	5	0.0%
Planning Department Grants	250	250	0.0%	250	0.0%	250	0.0%	250	0.0%
Elections Voter's Education Donations	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
Construction Code Fund	24,480	24,480	0.0%	24,480	0.0%	24,480	0.0%	24,480	0.0%
Civil Rights, Inclusion and Opportunity Fund	3,000	3,000	0.0%	3,000	0.0%	3,000	0.0%	3,000	0.0%
Major Street	85,124	88,625	4.1%	97,564	10.1%	101,199	3.7%	101,199	0.0%
Public Act 48 of 2002 Fund	3,000	3,000	0.0%	3,000	0.0%	3,000	0.0%	3,000	0.0%
Solid Waste Management	45,426	44,105	-2.9%	44,494	0.9%	44,891	0.9%	44,891	0.0%
Airport Operation and Maintenance	2,168	2,168	0.0%	2,168	0.0%	2,168	0.0%	2,168	0.0%
Municipal Parking	8,238	8,238	0.0%	8,238	0.0%	8,238	0.0%	8,238	0.0%
Transportation Operation	122,073	123,104	0.8%	124,187	0.9%	125,325	0.9%	125,325	0.0%
Transportation Grants Fund	16,100	16,100	0.0%	16,100	0.0%	16,100	0.0%	16,100	0.0%
Community Development Block Grant	29,727	29,727	0.0%	29,727	0.0%	29,727	0.0%	29,727	0.0%
Urban Development Action and Discretionary Grants	2,683	2,683	0.0%	2,683	0.0%	2,683	0.0%	2,683	0.0%
Drug Law Enforcement Fund	2,010	2,010	0.0%	2,010	0.0%	2,010	0.0%	2,010	0.0%
Library	31,846	32,338	1.5%	33,036	2.2%	33,655	1.9%	34,228	1.7%
Sinking Interest & Redemption	51,200	50,500	-1.4%	49,750	-1.5%	41,600	-16.4%	41,600	0.0%
Special Housing Rehab Programs	4,013	4,013	0.0%	4,013	0.0%	4,013	0.0%	4,013	0.0%
Detroit Water and Sewerage Department	443,225	443,225	0.0%	443,225	0.0%	443,225	0.0%	443,225	0.0%
Total, Non-General Fund Revenue	\$935,093	\$ 936,742	0.2%	\$963,315	2.8%	\$971,269	0.8%	\$971,842	0.1%

Non-General Fund revenues include grant, enterprise, and special revenue funds. Major examples include water and sewer bills, bus fares, solid waste fees, intergovernmental aid for roads and transit, library taxes, and other dedicated revenues. The most significant change shown above represents budgeted increases in General Fund contributions to the Risk Management Fund. Other funds receiving General Fund contributions to supplement their revenue include the Detroit Department of Transportation and the Coleman A. Young Municipal Airport. These funds will be further scrutinized for the February 2019 Revenue Estimating Conference and as part of the budget development process.

Potential Risks to the Revenue Forecast:

In addition to the economic outlook risks discussed earlier in this report, the following represent additional fiscal risks to the proposed revenue forecast:

- Potential decreases in statutory State Revenue Sharing due to State budget pressures.
- Potential legislation placing additional limitations on local revenues.

- Uncertainty over the Wayne County property tax foreclosure process and its impact on City revenue.
- Potential federal aid reductions due to projected federal budget deficits.
- Potential losses in casino revenue if new or expanded casinos or other gaming substitutes open nearby.
- Potential departmental revenue losses from revised fee schedules if any user fee studies completed over the next year show current fees exceed allowable service delivery costs.

Potential Revenue Enhancement Opportunities:

The September 2018 revenue estimates do not take into consideration potential changes to existing tax law or proposed State and local policies that have an impact on City revenues. The following potential statewide policy initiatives could yield additional revenue opportunities for the City.

- Increased State-shared revenues from the medical marijuana excise tax.
- Increased wagering tax revenue from potential State legislation authorizing and taxing online gaming and sports betting.
- Increased State-shared revenues from potential passage of the 2018 ballot initiative to legalize, regulate, and tax recreational marijuana in Michigan.
- Potential increases in the constitutional share of State Revenue Sharing due to taxing and enforcement for online sales.
- Potential increases in the statutory share of State Revenue sharing

Additionally, the following City initiatives could provide further improve revenues:

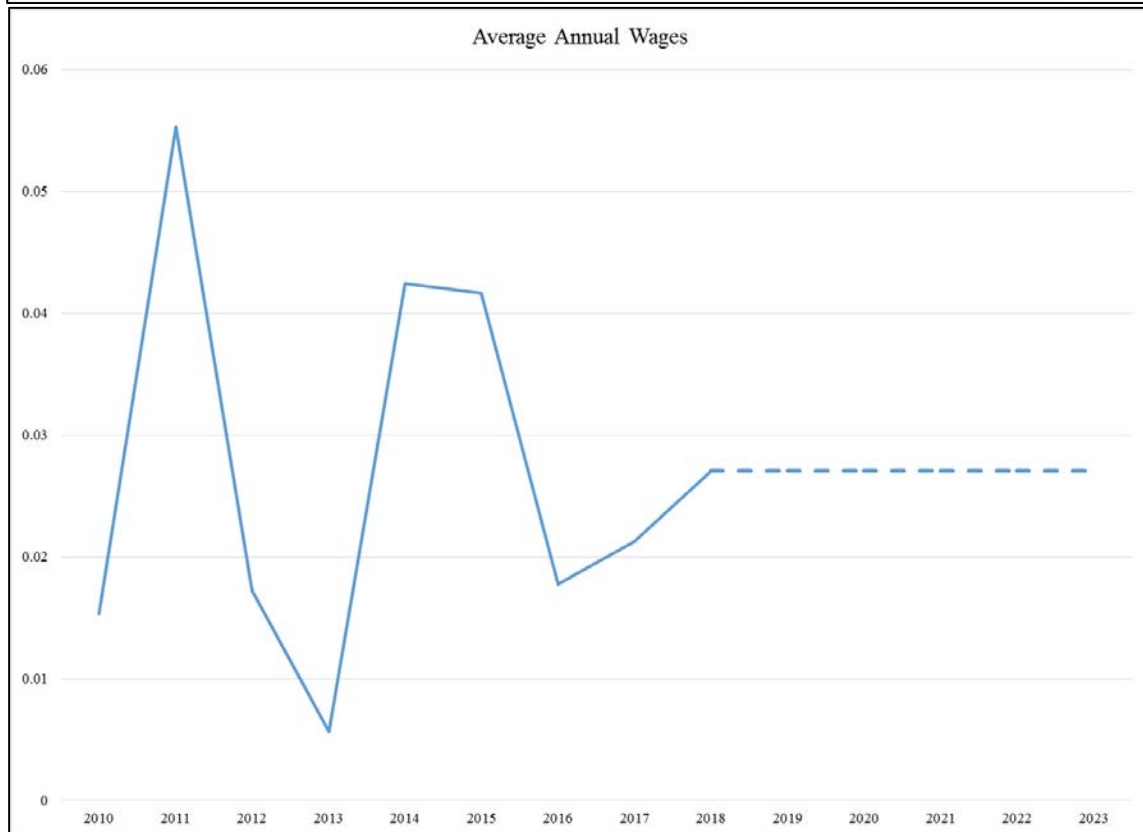
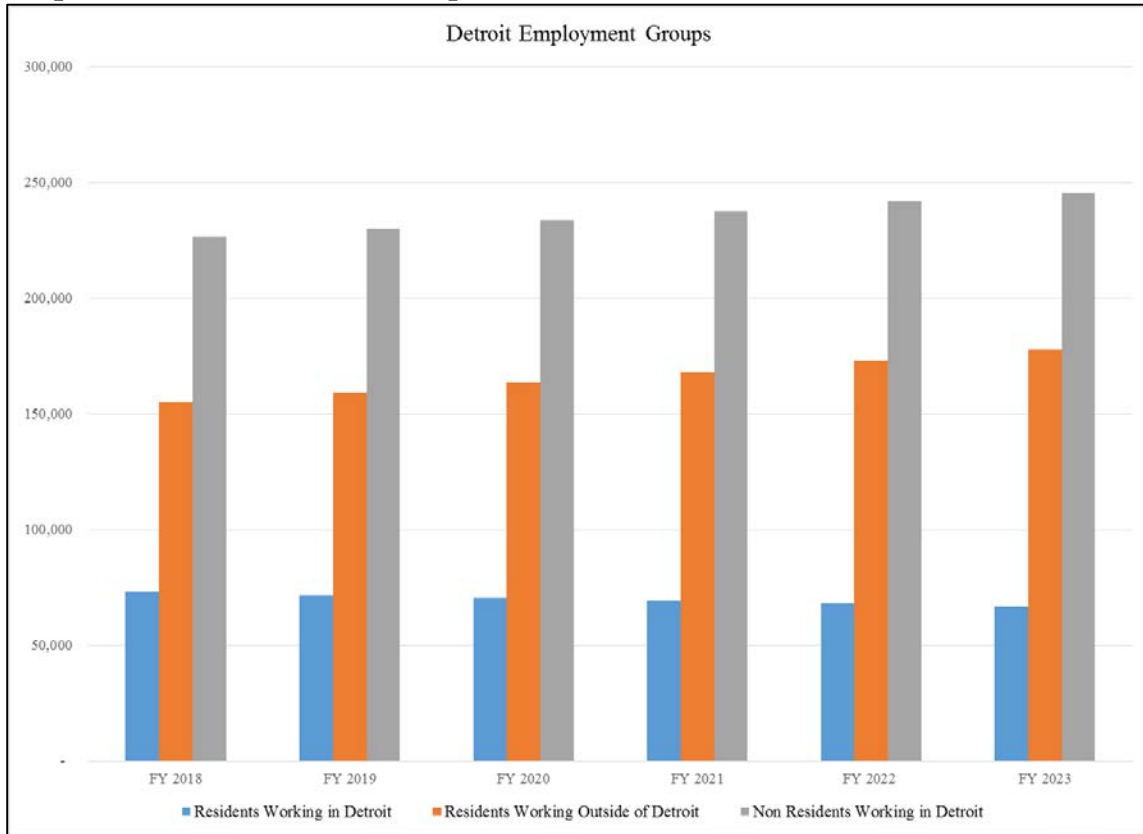
- Property tax collection rate improvements from the City’s implementation of monthly payment plans.
- Potential increases in property tax revenue from additional increases in taxable value from uncapping as property sales occur and as abatements expire.
- Income tax collection improvements from voluntary withholding campaigns with employers outside the city.
- Revenue gains from continued economic development projects throughout the city.
- Departmental revenue gains from revised fee schedules and operational improvements as citywide user fee studies are completed over the next year.
- Revenues collected from one-time sales of City-owned real property and other non-recurring revenues that are not anticipated in these estimates.

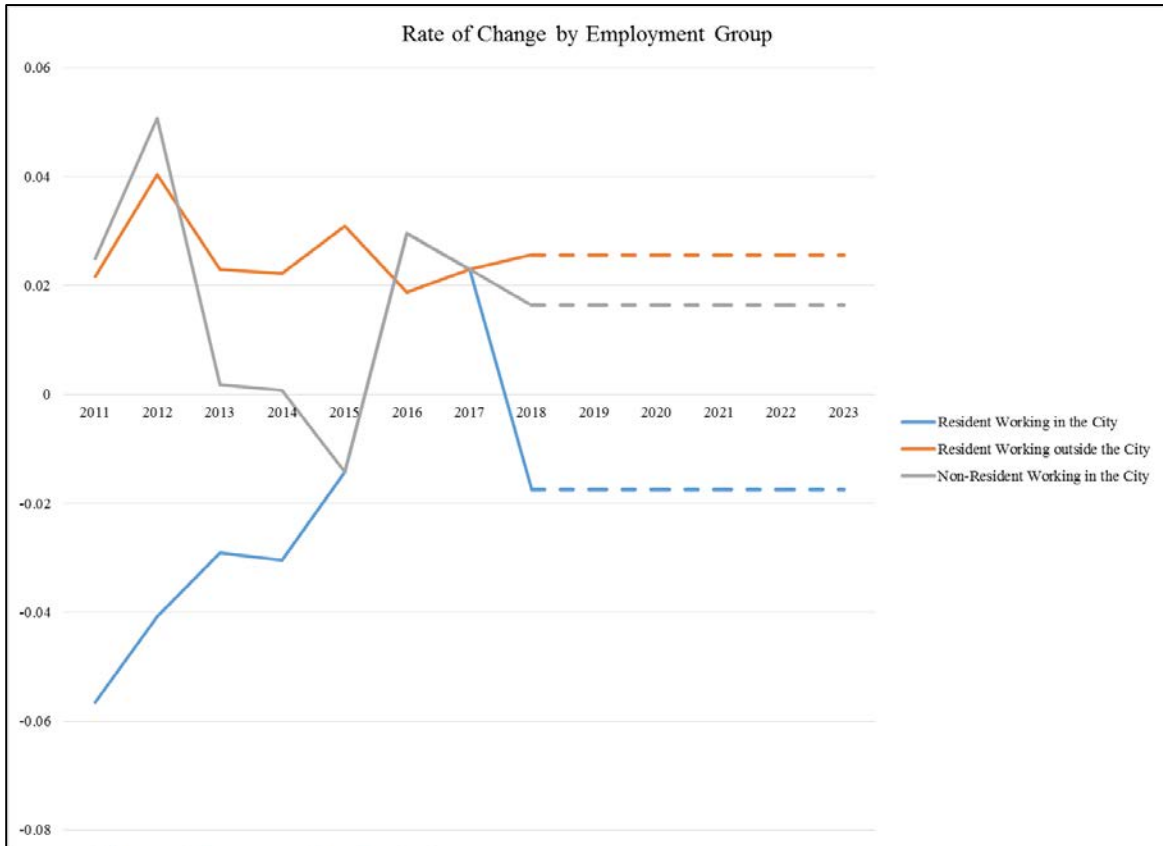
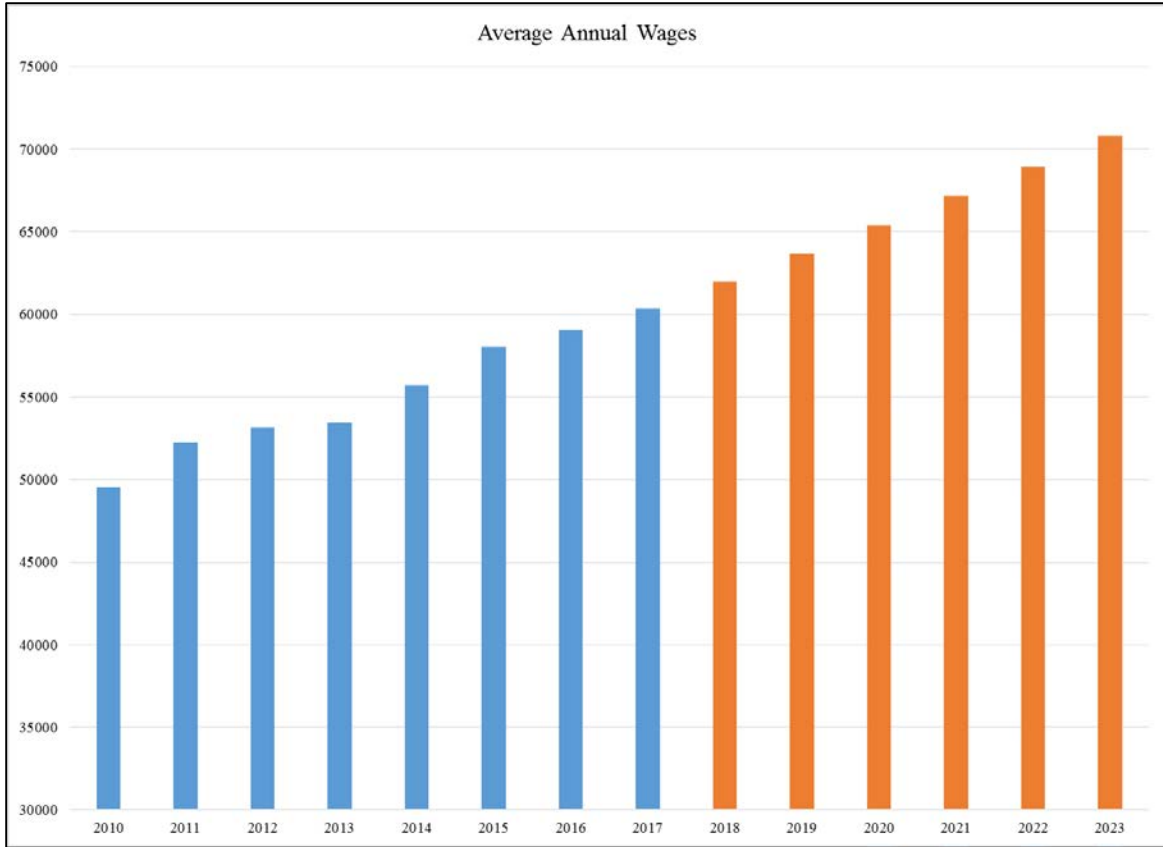
Appendix:

Baseline Revenue Changes Compared to Non-Trend Items, FY 2016 - FY 2023:

General Fund Revenues - FY16-FY23 (in millions)																
Revenue Category	FY16		FY17		FY18		FY19		FY20		September 2018 Estimates					
	CAFR	CAFR	CAFR	CAFR	Actual	Prelim	Change	%	Change	%	Change	%				
Municipal Income Tax																
Baseline Trend	\$ 269.8	\$ 278.2	3.1%	293.4	\$ 293.4	5.5%	\$ 305.3	4.1%	\$ 317.9	4.1%	\$ 331.0	4.1%	\$ 344.7	4.1%	\$ 359.0	4.1%
Prior-year Corporation Taxes (est.)	-	-	-	13.3	-	-	-	-	-	-	-	-	-	-	-	-
Prior-Year Tax Refunds (est.)	(10.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assessments	3.4	6.3	5.4	-	5.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total, Municipal Income Tax	\$ 263.2	\$ 284.5		\$ 312.1	\$ 310.3		\$ 321.9		\$ 321.9		\$ 334.0		\$ 347.7		\$ 362.0	
State Revenue Sharing																
Baseline Trend, Constitutional Share	54.2	57.3	5.7%	58.8	60.4	2.6%	60.4	2.7%	62.1	2.8%	59.8	-3.7%	61.2	2.3%	62.7	2.5%
Statutory	140.5	140.5	0.6	140.5	140.5	0.6	140.5	0.6	140.5	0.6	140.5	0.6	140.5	0.6	140.5	0.6
Supplemental	-	-	1.6%	199.9	201.5	1.1%	201.5	0.8%	202.6	0.5%	200.3	-1.1%	201.7	0.7%	203.2	0.7%
Total, State Revenue Sharing	\$ 194.7	\$ 197.8		\$ 179.1	\$ 180.9		\$ 182.7		\$ 182.7		\$ 184.6		\$ 186.4		\$ 188.3	
Wagering Tax																
Baseline Trend	174.3	177.2	1.7%	179.1	180.9	1.1%	180.9	1.0%	182.7	1.0%	184.6	1.0%	186.4	1.0%	188.3	1.0%
Audit Adjustment	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total, Wagering Tax	\$ 180.2	\$ 177.2		\$ 179.1	\$ 180.9		\$ 182.7		\$ 182.7		\$ 184.6		\$ 186.4		\$ 188.3	
Property Tax																
Baseline Trend, Ad Valorem	108.7	97.6	-10.2%	91.6	98.8	-6.1%	98.8	7.9%	99.7	0.9%	100.6	0.9%	101.8	1.2%	102.8	1.0%
Delinquent Real Property	32.7	33.7	36.2	36.2	30.7	30.8	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0
Delinquent Personal Property	1.0	1.7	1.4	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Increment Financing Capture	(8.3)	(8.3)	(11.2)	(11.2)	(11.6)	(11.2)	(11.6)	(11.7)	(11.7)	(11.8)	(11.8)	(12.0)	(12.0)	(12.1)	(12.1)	(12.1)
PPT Reimbursement (one-time GF)	-	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Audit Adjustment	13.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total, Property Tax	\$ 147.4	\$ 129.5		\$ 118.0	\$ 118.9		\$ 119.8		\$ 119.8		\$ 120.8		\$ 121.9		\$ 123.0	
Utility Users Tax																
Baseline Trend, Gross Receipts	36.5	39.6	8.5%	41.9	43.0	5.8%	43.0	2.6%	44.4	3.3%	44.5	0.2%	44.8	0.7%	45.4	1.3%
Public Lighting Authority Dedication	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)
Total, Utility Users Tax	\$ 24.0	\$ 27.1		\$ 29.4	\$ 30.5		\$ 31.9		\$ 31.9		\$ 32.0		\$ 32.3		\$ 32.9	
Other Revenue																
Baseline Trend	168.9	178.8	5.9%	179.9	191.5	6.4%	191.5	6.4%	195.4	2.0%	196.7	0.7%	198.0	0.7%	199.0	0.5%
Sale of City Real Property	2.9	2.0	2.8	2.8	-	-	-	-	-	-	-	-	-	-	-	-
DIA/Foundation Pension Payment	70.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7
CAFR vs. Fund 1000 Adjustment (est.)	13.1	(26.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Trend Items	-	-	12.0	12.0	-	-	-	-	-	-	-	-	-	-	-	-
Total, Other Revenue	\$ 255.6	\$ 172.8		\$ 213.4	\$ 210.2		\$ 214.1		\$ 214.1		\$ 216.7		\$ 216.7		\$ 217.7	
Grand Total, General Fund	\$ 1,065.1	\$ 988.9	-7.2%	\$ 1,051.9	\$ 1,052.3	6.4%	\$ 1,052.3	0.0%	\$ 1,073.0	2.0%	\$ 1,088.4	1.4%	\$ 1,106.7	1.7%	\$ 1,127.1	1.8%

Municipal Income Tax Economic Inputs:





General Fund Revenues by Major Use:

September 2018 Revenue Estimates, General Fund									
(in millions)									
	FY19	FY20		FY21		FY22		FY23	
	Est	Est	% Change	Est	% Change	Est	% Change	Est	% Change
Major Taxes									
Income Tax	\$ 310.3	\$ 321.9	3.7%	\$ 334.0	3.8%	\$ 347.7	4.1%	\$ 362.0	4.1%
State Revenue Sharing	201.5	202.6	0.5%	200.3	-1.1%	201.7	0.7%	203.2	0.7%
Wagering Tax	180.9	182.7	1.0%	184.6	1.0%	186.4	1.0%	188.3	1.0%
Property Tax	118.9	119.8	0.8%	120.8	0.8%	121.9	0.9%	123.0	0.9%
Utility Users Tax	30.5	31.9	4.6%	32.0	0.3%	32.3	0.9%	32.9	1.9%
Subtotal, Major Taxes	\$ 842.1	\$ 858.9	2.0%	\$ 871.7	1.5%	\$ 890.0	2.1%	\$ 909.4	2.2%
Other Revenue									
Contributions and Transfers	\$ 17.2	\$ 17.2	0.0%	\$ 17.2	0.0%	\$ 17.2	0.0%	\$ 17.2	0.0%
Fines, Forfeits and Penalties	21.1	21.9	3.8%	21.9	0.0%	21.9	0.0%	21.9	0.0%
Interest and Penalties on Taxes	-	0.3		0.3	0.0%	0.3	0.0%	0.3	0.0%
Intergovernmental Revenues	3.1	3.2	1.1%	3.2	1.1%	3.2	1.1%	3.3	1.1%
Licenses, Permits and Inspection Charges	11.1	11.3	1.7%	11.4	1.2%	11.5	0.8%	11.6	0.8%
Miscellaneous	6.2	6.0	-3.6%	5.8	-3.3%	5.6	-3.4%	5.4	-3.5%
Other Revenue	7.1	7.6	6.4%	9.4	23.5%	8.6	-8.2%	9.1	6.5%
Other Taxes, Assessments, and Interest	22.9	22.4	-1.9%	22.0	-2.1%	21.4	-2.3%	20.9	-2.5%
Revenues from Use of Assets	1.8	1.8	0.8%	1.9	0.3%	1.9	0.3%	1.9	0.3%
Sales & Charges for Services	119.3	122.2	2.4%	123.4	1.0%	124.7	1.0%	125.7	0.9%
Sales of Assets and Compensation for Losses	0.3	0.3	9.9%	0.4	9.9%	0.4	20.0%	0.4	0.0%
Subtotal, Other Revenue	\$ 210.2	\$ 214.1	1.9%	\$ 216.7	1.2%	\$ 216.7	0.0%	\$ 217.7	0.5%
Grand Total, General Fund	\$ 1,052.3	\$ 1,073.0	2.0%	\$ 1,088.4	1.4%	\$ 1,106.7	1.7%	\$ 1,127.1	1.8%