Detroit prepared for a recession

- Six years of balanced budgets, surpluses, and **fund balance growing to $746M by FY2020**
- Implemented policies to budget conservatively and to only use non-recurring resources for one-time purposes
- Increased **Rainy Day Fund to almost 10% of expenditures by FY2020**
- Built up budgetary and position control, revenue estimation, fiscal analysis, and long-term planning capabilities
- Established ongoing partnership with Michigan universities for **Detroit economic forecasting and analysis**
New Confirmed Cases of COVID-19, Detroit

Source: RSQE, February 2021
Seasonally Adj. Monthly Employment, Detroit

Source: RSQE, February 2021
Current Gathering Guidelines, State of Michigan
FY 2020 Revenue Shortfall
General Fund and Funds with GF-Impact

In April 2020, we projected a $154M shortfall vs. our pre-pandemic Feb 2020 estimates.

In Sept 2020, preliminary year-end results showed a shortfall of $157.4M; our original estimate was very close.

Final results improved by $12M for a total shortfall of $145.5M, driven by:
- Stronger income tax than expected after final accruals from tax filing extension
- Various one-time revenues

Note: GF-Impact Funds include funds that may require General Fund contributions to offset revenue shortfalls (Construction Code, Transportation, and Airport).
FY 2021 Revenue Shortfall
General Fund and Funds with GF-Impact

In April 2020, we projected a $194M shortfall vs. our pre-pandemic Feb 2020 estimates.

In Sept 2020, we projected the shortfall to increase $62M to a total of $256M, driven by slower casino reopening and at reduced capacity.

We now project the shortfall to improve by $3.5M to a total of $253M, driven by the net effect of:

- Gains from stronger than expected casino performance when open under restrictions
- Losses from longer period of nonresident remote work (income tax)

Note: GF-Impact Funds include funds that may require General Fund contributions to offset revenue shortfalls (Construction Code, Transportation, and Airport).
Recurring General Fund Revenue does not recover until FY2024

($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY19 Actual</th>
<th>FY20 Actual</th>
<th>FY21 Estimate</th>
<th>FY22 Estimate</th>
<th>FY23 Estimate</th>
<th>FY24 Estimate</th>
<th>FY25 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Revenues</td>
<td>$872.3</td>
<td>$751.1</td>
<td>$672.1</td>
<td>$809.8</td>
<td>$853.2</td>
<td>$867.4</td>
<td>$881.1</td>
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<tr>
<td>Other Revenues</td>
<td>$179.4</td>
<td>$176.4</td>
<td>$171.0</td>
<td>$185.8</td>
<td>$193.1</td>
<td>$194.2</td>
<td>$197.5</td>
</tr>
</tbody>
</table>

Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments.
Recurring Income Tax
2.4% Resident, 1.2% Nonresident, 2% Corporate

Note: FY19 Actual excludes $23M one-time corporate collections. FY20 Actual excludes ($3.5M) in one-time corporate refunds.
OCFO – Office of Budget Fiscal Management During COVID-19

Note: FY19 Actual excludes $23m one-time corporate collections. FY20 Actual excludes ($3.5m) in one-time corporate refunds.

Recurring Income Tax with Remote Work Loss

<table>
<thead>
<tr>
<th></th>
<th>FY19 Actual</th>
<th>FY20 Actual</th>
<th>FY21 Estimate</th>
<th>FY22 Estimate</th>
<th>FY23 Estimate</th>
<th>FY24 Estimate</th>
<th>FY25 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Assessments</td>
<td>$295.9</td>
<td>$261.0</td>
<td>$30.8</td>
<td>$263.7</td>
<td>$284.5</td>
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<tr>
<td>Corporate / Partnerships</td>
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<td>$32.5</td>
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<td>$31.9</td>
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<td>$16.8</td>
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<tr>
<td>Remote Work Loss (Est.)</td>
<td>$0</td>
<td>$23.5</td>
<td>$192.2</td>
<td>$31.9</td>
<td>$23.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: FY19 Actual excludes $23m one-time corporate collections. FY20 Actual excludes ($3.5m) in one-time corporate refunds.
Wagering Tax
Gross Receipts Tax on Detroit’s 3 Casinos

Note: FY20-FY22 impacted by casino closures and capacity restrictions due to COVID-19 pandemic. Does not include new revenues from internet gaming and sports betting.

Fiscal Management During COVID-19
Budget Management Strategies

Detroit acted early in April 2020 and has proactively managed the budget throughout the pandemic:

- Froze hiring and discretionary spending, implemented additional budget controls
- Canceled all non-life safety PAYGO capital projects and demolitions
- Implemented workforce savings, including laying off 200 temporary employees and reducing hours for over 2,000 regular employees (supplemental unemployment benefits reduced employee impact)
- Renegotiated supplier contracts and received cost savings from City-funded independent authorities
- Eliminated proposed new spending initiatives
- Maximized federal CARES Act and other grants for COVID-19 response
  - $116.9M Coronavirus Relief Fund direct allocation
  - $64.3M CARES Act Transit Grant
  - $37.4M Coronavirus Relief Fund allocation from State (to backfill State Revenue Sharing cut)
  - Testing Grants and FEMA Public Assistance Reimbursements
- Utilized Rainy Day Fund and other fund balance reserves
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