



Fiscal Management During COVID-19

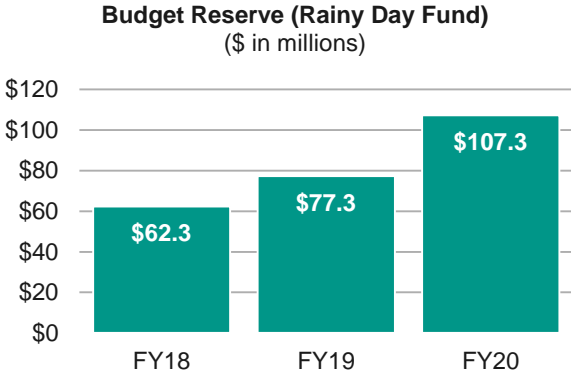
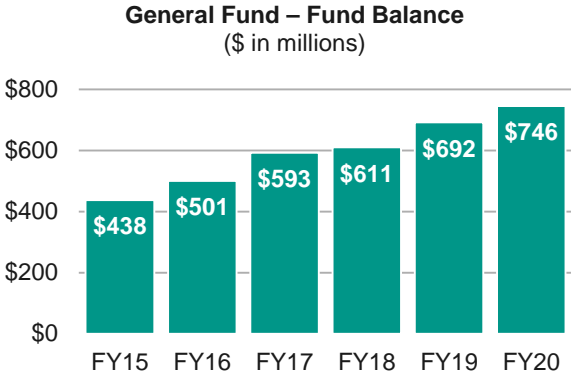
**Government Fiscal Sustainability Workgroup
Winter 2021 Virtual Meeting**

February 24, 2021

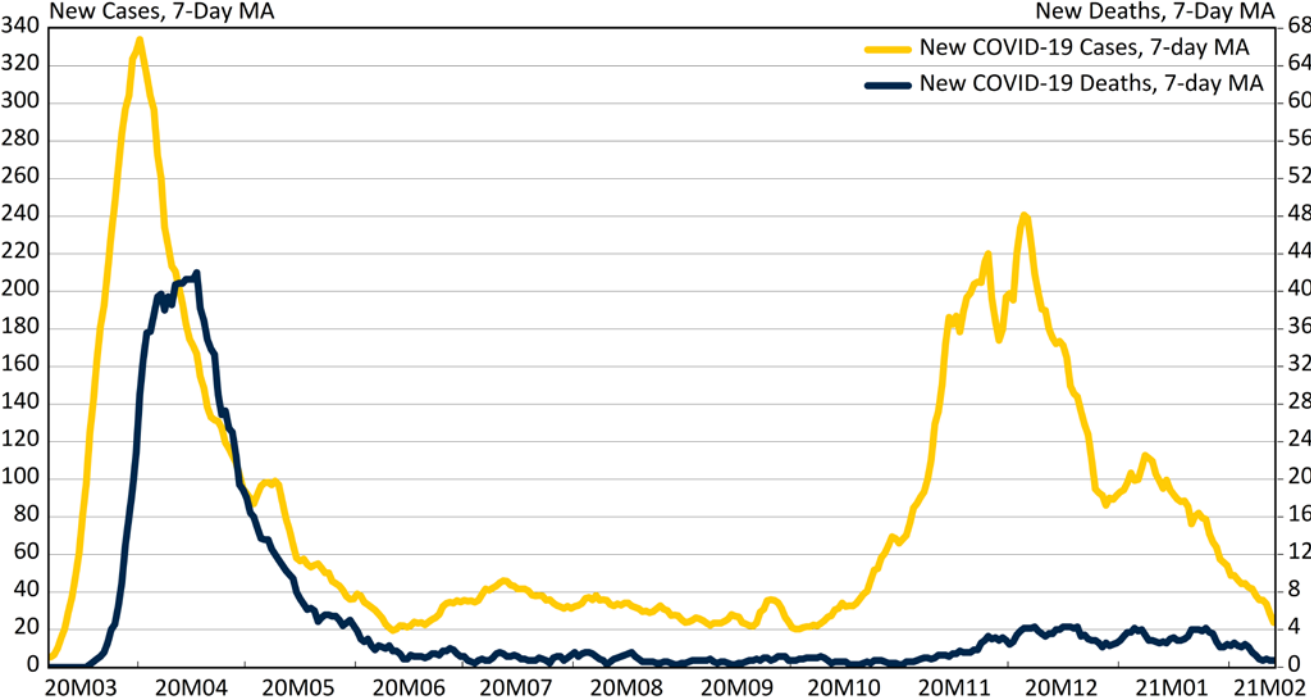
**Office of the Chief Financial Officer
Office of Budget**

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**



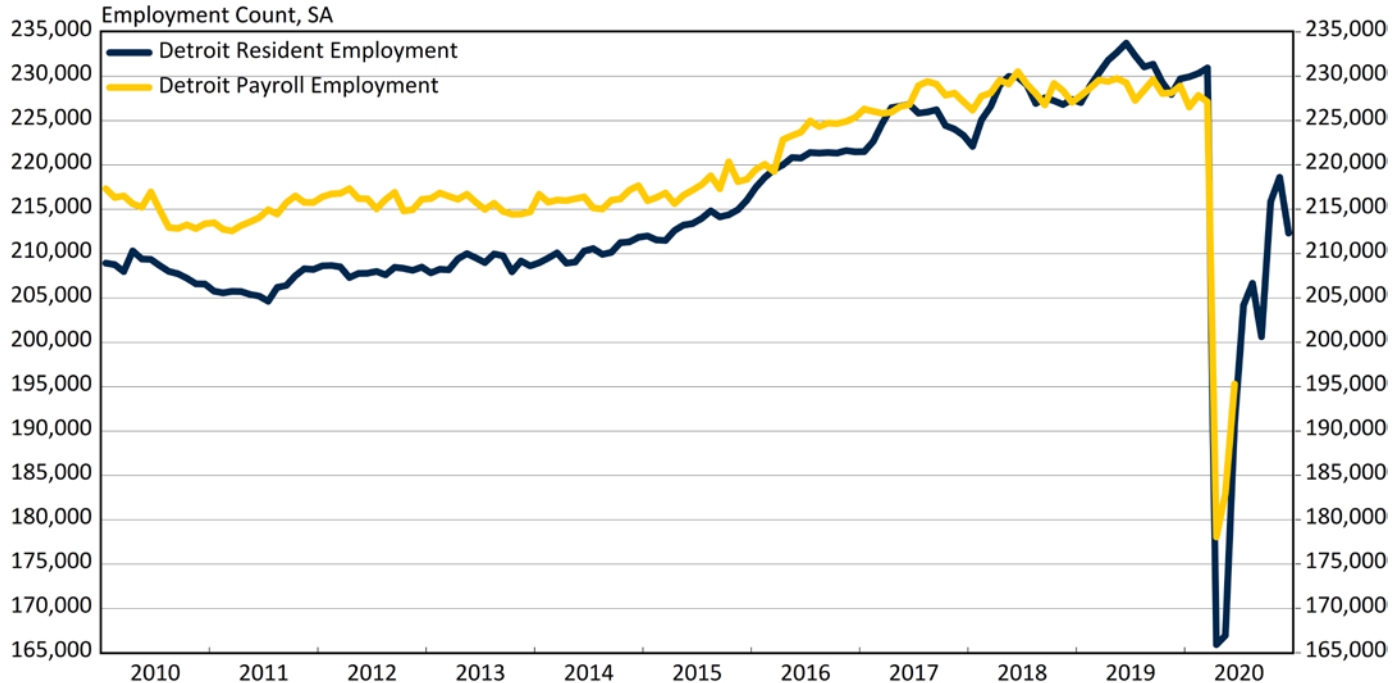
New Confirmed Cases of COVID-19, Detroit



Source: RSQE, February 2021




Seasonally Adj. Monthly Employment, Detroit



Source: RSQE, February 2021




















Current Gathering Guidelines, State of Michigan






COVID-19

FEB. 8: GATHERING GUIDELINES

Open

 Two-household gathering (high precautions)*	 Manufacturing, construction, other work that is impossible to do remotely, including technical education	 Restaurants and bars*	 Theaters, movie theaters, stadiums, arenas
 Small outdoor gatherings (25 people)	 Public transit	 Professional sports**	 Bowling centers
 Retail	 Hair salons, barber shops, other personal services	 Parks and outdoor recreation	 Bingo halls, casinos, arcades
 Preschool through 12th grade (local district choice)	 Funerals (25 people)	 Health care	 Contact/Non-contact sports
 Childcare	 Gyms, pools, roller and ice rinks	 Indoor group fitness classes	<p><small>*See DHHS guidance for safety practices. **Includes a limited number of NCAA sports.</small></p>

Not open

 Workplaces, when work can be done from home	 Night clubs
 Water parks	

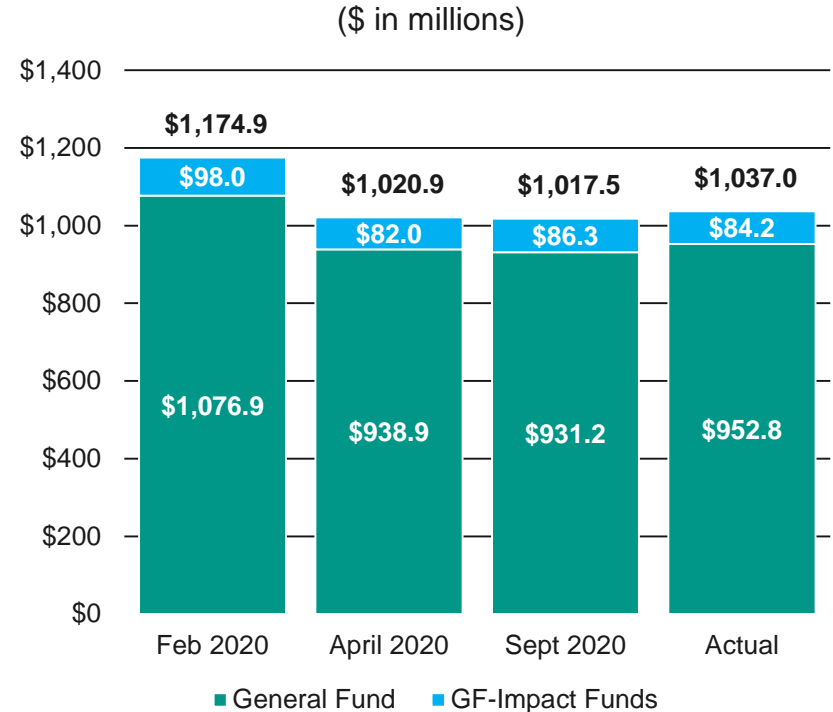
FY 2020 Revenue Shortfall General Fund and Funds with GF-Impact

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

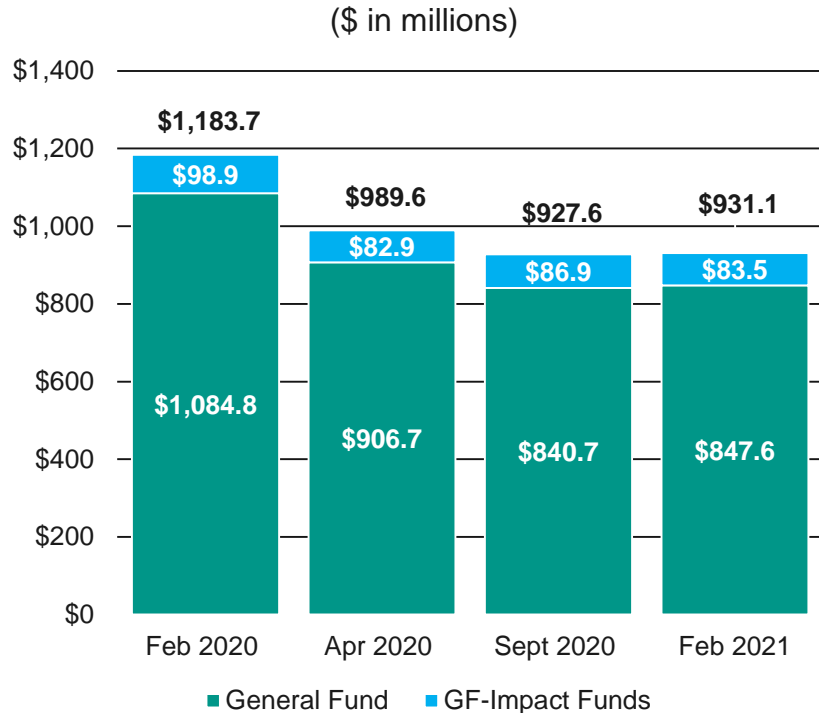
Final results improved by \$12M for a **total shortfall of \$145.5M**, driven by:

- 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

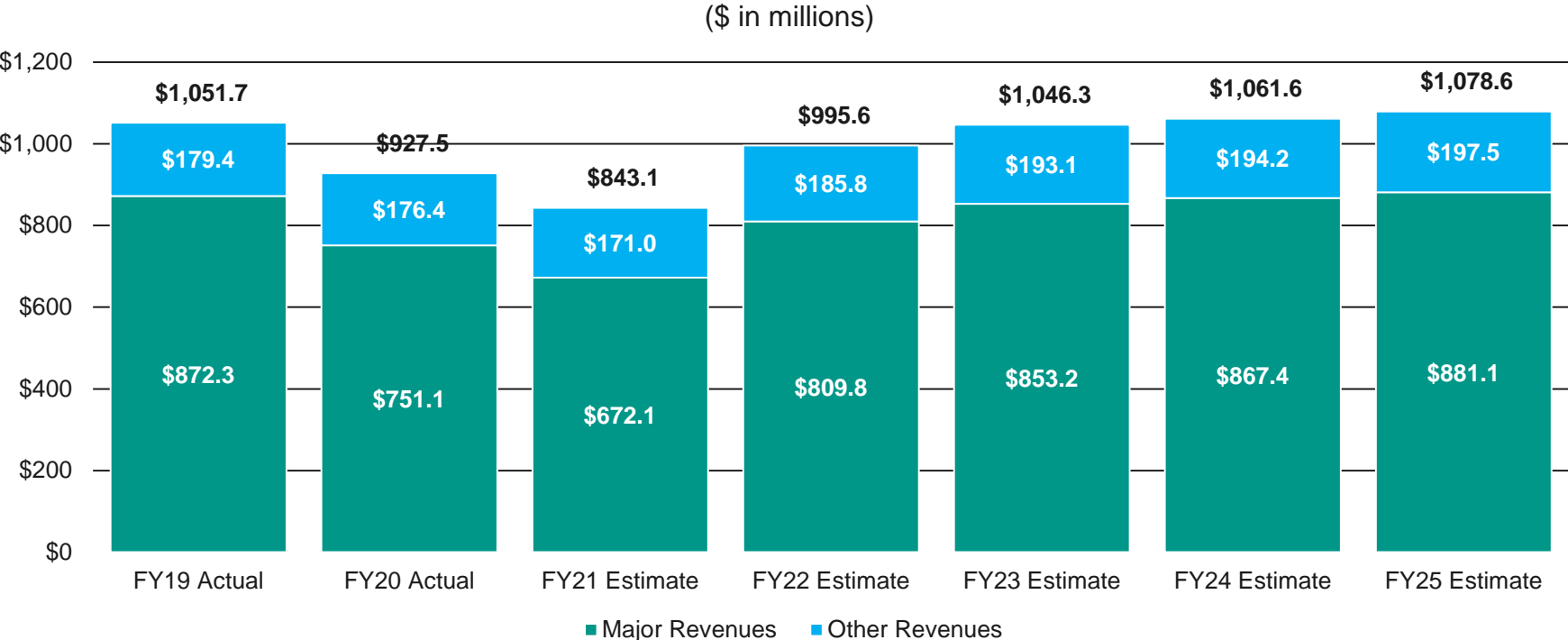
In Sept 2020, we projected the shortfall to increase \$62M to a total of \$256M, driven by slower casino reopening and at reduced capacity

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

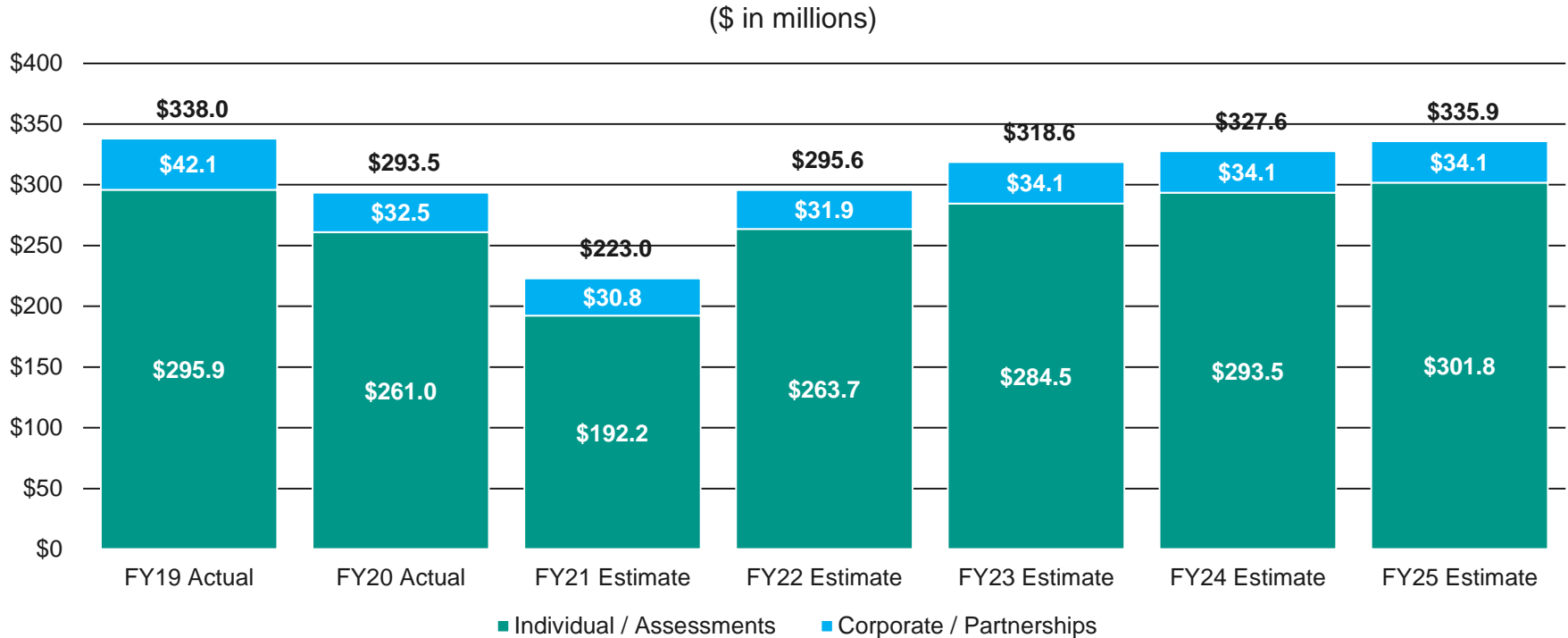


Note: Excludes non-recurring revenues, such as bond proceeds, asset sales, and one-time tax payments.



Recurring Income Tax

2.4% Resident, 1.2% Nonresident, 2% Corporate

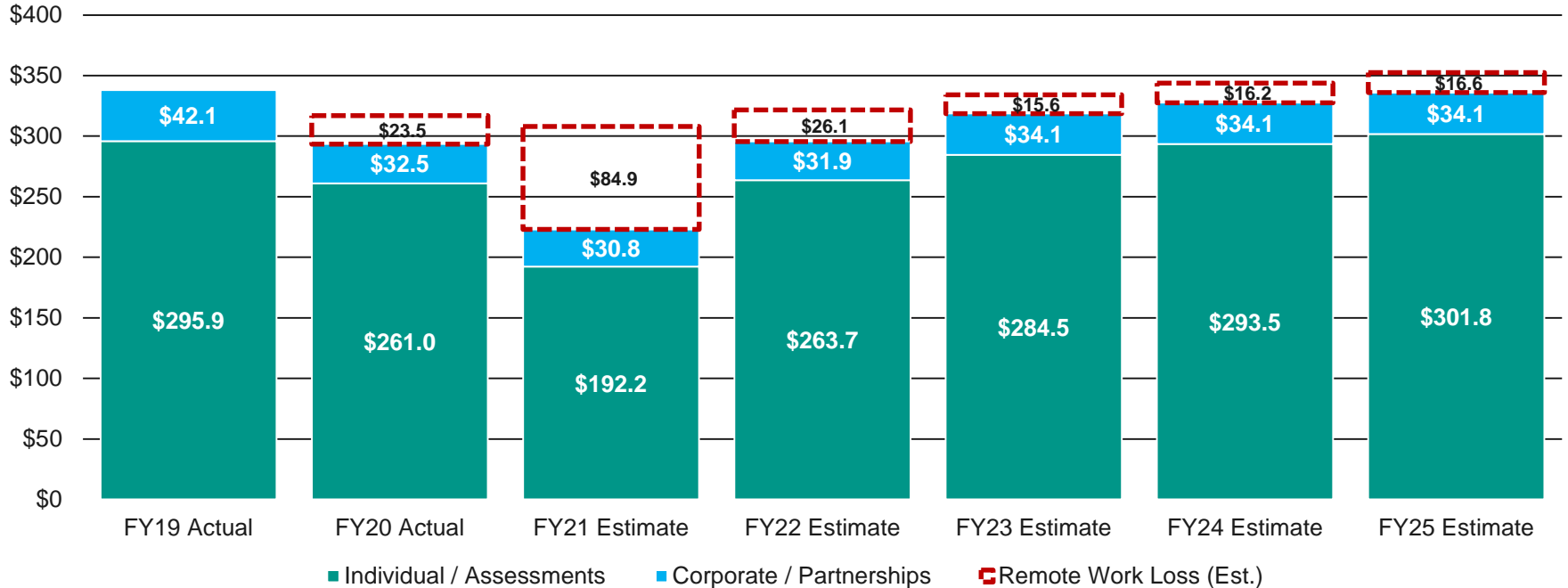


Note: FY19 Actual excludes \$23M one-time corporate collections. FY20 Actual excludes (\$3.5M) in one-time corporate refunds.



Recurring Income Tax with Remote Work Loss

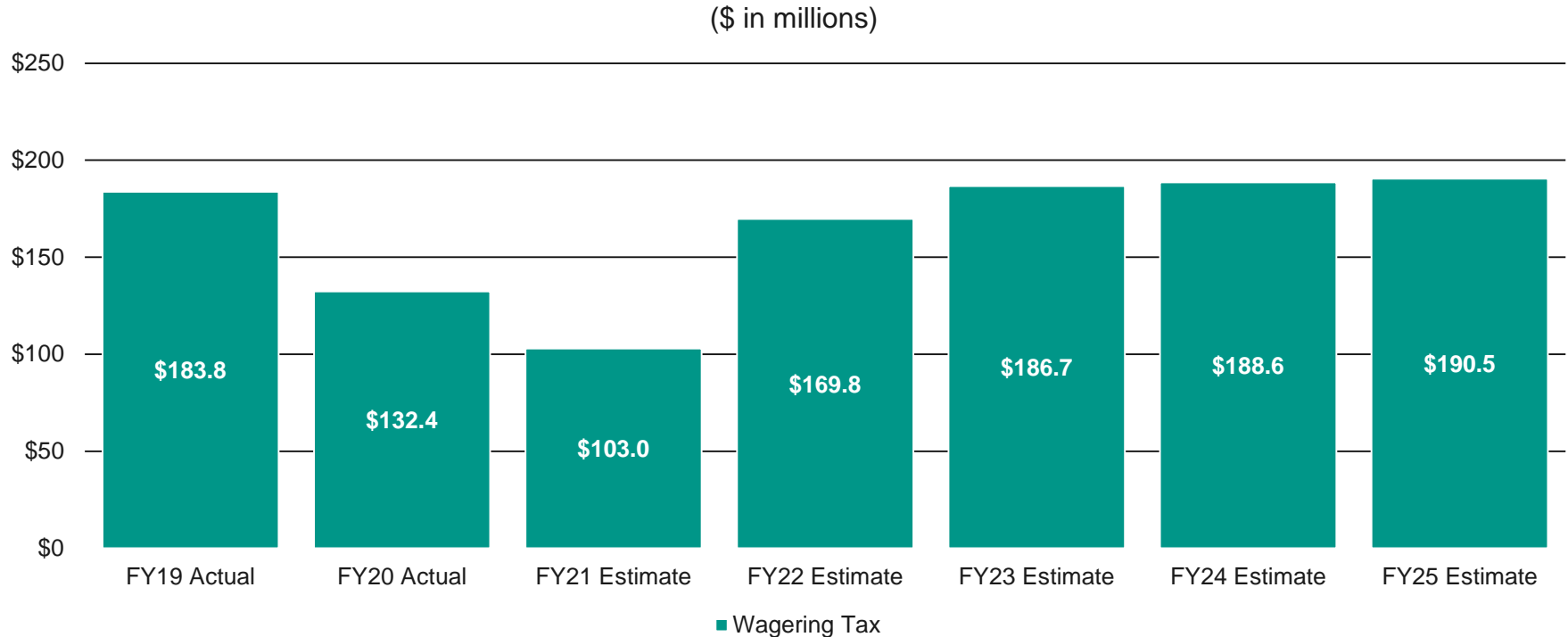
(\$ in millions)



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.

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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