



## DETROIT CITY GOVERNMENT ORGANIZATION: DEPARTMENTS, FUNDS, AND DEFICITS

On April 5, 2012, the State of Michigan, the state-appointed Review Team, and the City of Detroit entered into a “Financial Stability Agreement” that established a Financial Advisory Board for the city and obligated both the state and municipal governments to specified actions. Key goals of this state intervention include the adjustment of city revenues and expenses to ensure that the General Fund operating and accumulated deficits are eliminated and ensuring the restructuring of the municipal government so that it is fiscally sustainable in the future.

A number of strategies may be employed to achieve these goals. It is, however, necessary to understand the municipal government’s funding structure in order to assess the effects of state intervention and of changes in departmental organization, privatization, sale of assets, transfer of functions to other governmental or nongovernmental entities, and other changes that may be proposed to reduce the General Fund deficit and restructure the municipal government. This report will describe the structure of the city government; later reports will address the city’s economic base and the city government’s budgeting process, revenues, expenses,

debt and credit ratings, alternative service delivery structures, and related topics.

The City of Detroit is a multi-billion dollar operation that is responsible for the provision of a wide range of services. Revenues to fund the provision of those services are received from a variety of sources, with a great deal of the revenues dedicated to the provision of specific services. If those services are eliminated or transferred to a different entity, the funding received for the provision of those services will cease or be transferred as well. The cost of certain services that are supported by dedicated funding does not contribute to the General Fund deficits that warranted state intervention. General Fund activities constitute only about two-fifths of the entire cost of operating the city government as it is presented in the adopted budget.

The city government is organized into departments for management and budgeting purposes; citizens are familiar with this organizational structure. But some knowledge of the fund structure is necessary in order to understand the changes that must occur to ensure the future viability of Detroit municipal government.

### Municipal Fund Structures

In an effort to create greater accountability in the accounting and financial reporting practices for governments, a method of fund accounting has developed over many years to ensure that monies are spent only for approved and legitimate purposes. To achieve this purpose, governments use separate cash accounts to manage funds dedicated for different purposes. Thus for accounting purposes, governments may be viewed as a collection of smaller, separate accounting entities known as funds.

For the purpose of accounting for the revenues that flow into a government’s coffers and those that flow from the government, government operations are broken down into three broad fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for governmental-type activities. These are all financial resources of the local government except those accounted for in another (proprietary or fiduciary) fund. Governmental funds include the General Fund, special revenue funds, debt service funds, and capital projects funds, and include most of the city’s basic services such as public protection and public works. Local taxes and intergovernmental revenues primarily support the General Fund. Special revenue funds are used to track revenues received for specific purposes that are legally restricted to expenditure for specified purposes.

Enterprise (proprietary) funds are used to track a government’s business-type activities, including activities



for which a fee is charged to external users for goods or services. The largest Detroit enterprise funds are Water, Sewerage and Transportation.

The city government acts as a fiduciary for its employee pension plans and for certain other assets that can only be used for the trust beneficiaries.

The description of the City of Detroit's financial structure that follows looks at the organization of governmental funds and enterprise funds. These funds are further broken down into departments to show how resources are appropriated to different activities and functions. Activities performed by the different departments can be supported from general and special revenues, or from general and enterprise funds.

## Financial Structure of Detroit City Government

While funds are the basis of accounting for city government operations, the budget and operational management of the city are based on departments. It is the departmental structure that is most familiar to citizens and to most city officials. City departments have a range of funding structures, and can be very generally categorized as tax funded, grant funded, or enterprise agencies, although, as will be explained, there is significant leakage between categories.

There are two primary documents that describe city government financial operations—the annual fiscal year budget and the comprehensive annual financial report (CAFR). The budget is a planning document that is adopted before the start of the fiscal year; it is based on the departmental structure and includes projections of revenues and expenditures for each department. The CAFR is a financial report of actual revenues and expenses that is required by state law to be published within six months of the end of the fiscal year; it is based on the fund structure of the city government. Because the planning document is based on departments and the report of actual revenues and expenses is based on funds, and because some departments have divisions in different funds and some funds are composed of numerous departments, it can be difficult to reconcile one document with the other.

The city's fiscal year starts on July 1 and ends on June 30. The current budget for the year that ends June 30, 2012 (FY2012) totals \$3.1 billion, of which \$1.6 billion is appropriated for "General City Agencies." (The term "*Gen-*

*eral City Agencies*" is easily confused with, but is different from, the "*General Fund*.") "General City Agencies" include those city departments that are not classified as "Enterprise Agencies." These General City agencies are supported by \$1.2 billion of the "General Fund" and \$371.4 million of grants and other dedicated revenues that are not part of the General Fund. Among the special revenue funds that support General City Agencies are following:

**Community Development Block Grant Fund:** To account for activities financed by federal government grants under Title I of the Housing and Community Development Act of 1974.

**Detroit Workforce Development Fund:** To account for employment and training program grants received from federal government sources.

**Drug Law Enforcement Fund:** To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement.

**Human Services Fund:** To account for federal and state grant revenues that are to be used to finance designated social service programs.

**Solid Waste Management Fund:** To account for local revenues collected for curbside rubbish pick-up and disposal.

**Street Fund:** To account for Michigan state gas and vehicle registration tax revenues and other related grants used for the construction and maintenance of major and local streets.

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## Definitions: City Of Detroit Accounting and Budgeting Terms

**Annual Required Contribution (ARC):** The amount that the employer should pay into a fund, such as a pension fund, to ensure that the liability will be funded and payments from the fund can be made when due.

**Appropriation:** The legal authority to spend money. When the City Council approves the budget, it creates appropriations for specific purposes. Budget amendments may also create appropriations.

**Assets:** The land, buildings, equipment, furniture, vehicles, cash, and other things the city owns.

**Bankruptcy:** A process in federal law that provides protection from creditors and allows debt to be restructured (interest rates reduced, terms of a loan extended, etc.)

**Bonds and Notes:** A written promise to repay a loan. An investor buys a note or bond, and the city promises to pay that amount with interest at a specified future date. The city borrows money by issuing long-term bonds and short-term notes that are purchased by investors.

**Comprehensive Annual Financial Report (CAFR):** The official audited annual financial report of actual revenues and expenditures, reported on a fund basis.

**Certificates of Participation (COPs):** The debt certificates (finance structures used in lieu of bonds and notes) issued in 2005 and 2006 when Detroit borrowed \$1.6 billion to partially fund the two retirement systems. The city promised to pay the amount borrowed plus interest, over a period of years.

**Consent Agreement:** A legal contract developed under PA 4 that defines the actions that local elected officials will take to will eliminate a deficit. If local officials do not implement the plan in the consent agreement, an emergency manager must be appointed.

**Credit Rating:** A grade assigned by a credit rating agency that reflects how likely it is that a government or business can repay its debt. Ratings are used to assign interest rates when borrowing, so borrowers with lower credit ratings pay higher interest rates. Moody's, Fitch Ratings, and Standard and Poors are credit rating agencies.

**Cumulative Deficit:** The sum of deficits created over more than one year. Detroit's General Fund cumulative deficit was \$197 million at the end of the 2011 fiscal year.

**Default:** What happens when a scheduled debt payment is missed, or some other condition specified in a contract is not met.

**Deficit:** What happens when more money is spent than is received.

**Direct Services:** Services that benefit residents, visitors, and businesses directly, such as police, fire, garbage collection, street lights, etc.

**Economic Vitality Incentive Program (EVIP):** The current form of statutory state revenue sharing, in which local governments are eligible to receive one-third of their maximum amount for meeting the requirements of each of three categories: accountability and transparency; consolidation of services; and employee compensation.

**Emergency Manager (EM):** An official who can be appointed to lead a unit of government that is found to have a financial emergency, if no consent agreement is reached. Under PA 4, an EM has extraordinary powers.

**Enterprise Agencies:** Certain government-operated business-type activities that charge a fee for the goods or services they produce. In Detroit, the Airport; Building Inspections, Safety Engineering and Environmental; Library; Municipal Parking; Transportation; and Water and Sewerage departments are considered enterprise agencies.

**Expense:** Money paid out for any reason, including salaries, pensions, employee benefits, and purchases of goods and services.

**Full-time equivalent (FTE):** This measure of the size of the workforce converts the total number of hours worked into full-time (40 hours per week) jobs. Two part-time jobs, both at 20 hours per week for a full year, would equal one FTE.

**Financial Stability Agreement:** The consent agreement for Detroit under PA 4 and other state laws.

**Fiscal Advisory Board:** The oversight board created under the Financial Stability Agreement (consent agreement) for Detroit.

**Fixed Costs:** Costs for debt, retiree costs, infrastructure, utilities, and other payments that are due regardless of service levels.

**Fund:** An accounting structure that governments use to manage money. Money in a fund other than the General Fund can only be used for specific purposes. Accounting is used to track the amount of revenues flowing in and the expenses paid out of each fund.

**General City Departments:** In Detroit, all of the city departments that are not classified as enterprise departments.

**General Fund:** The accounting structure that tracks governmental-type activities that are not grant funded or enterprise functions. In Detroit the General Fund includes Police, Fire, Public Works, Lighting, Recreation, staff services, elected officials' offices, and legislative agencies, but the General Fund does not include grant funded activities in those departments.

**General Obligation Bonds:** Bonds backed by the full faith and credit of the government.

**Definitions: City of Detroit Accounting and Budgeting Terms (continued)**

**Insolvency:**

- **Balance Sheet Insolvency:** A situation where liabilities exceed assets.
- **Cash Flow Insolvency:** Not having enough money to pay bills when they are due.

**Judgment Levy:** A court imposed property tax that may result from a lawsuit against a local government.

**Legacy Costs:** Costs associated with paying retirees' pensions, health insurance, dental insurance, and other payments made for retirees.

**Liabilities:** The bills and other debts the city owes.

**Limited Tax Bonds:** Debt that is not voter approved and that is repaid from general operating revenues of the city.

**Other post employment benefits (OPEB):** Health insurance, dental insurance, eye care, life insurance and other non-pension benefits provided to retirees.

**Public Act 4 of 2011 (PA 4):** The Michigan law that, under certain circumstances, allows for the adoption of a consent agreement between the state and a local government or state appointment of an emergency manager who has more powers than the local elected officials.

**Public Act 72 of 1990 (PA 72):** PA 72 was replaced by PA 4. PA 72 established a similar process and allowed the appointment of an emergency financial manager, but that EFM had more restricted powers than an emergency manager appointed under PA 4.

**Revenue:** Money flowing into the government from taxes, fees, fines, charges for service, sale of assets, state payments, grants, and other sources.

**Revenue Capacity:** The city's ability to raise tax and other revenues. Tax capacity is measured by the rate of tax that can be imposed and the value of the tax base (property, income, etc.) upon which the tax will be applied.

**Staff Services:** Support services that are required to enable direct services. Staff services include tax collection, personnel, accounting, purchasing, building maintenance, budgeting, etc.

**State Revenue Sharing:**

- **Constitutional State Revenue Sharing:** The Michigan Constitution requires that a certain percentage of the revenue the state gets from the sales tax must be shared with local governments; shares are calculated on a per capita basis. Detroit gets 7.2 percent of this distribution, based on its 2010 population.
- **Statutory State Revenue Sharing:** State law provides for a second distribution of an additional part of state sales tax revenues; this can be changed by the state legislature and governor. Statutory revenue sharing is now called the Economic Vitality Incentive Program. This distribution is based on a formula, and Detroit gets about 60 percent of the total.

**Structural Deficit:** A deficit that happens when the costs of maintaining programs and policies increases faster than revenues even when the economy is performing well.

**Surplus:** What happens when more money is received than is spent. A surplus is the opposite of a deficit.

**Swap Agreement:** A complicated financial agreement that can be used to reduce risk and that can obligate both parties to specified payments under specified conditions. Detroit entered swap agreements to convert variable rate COPs to a fixed rate.

**Unlimited Tax Bonds:** Voter approved general obligation debt that is repaid from a property tax that is outside the normal operating rate, and is set at the millage rate required to pay the principal and interest due that year.

**Utility Users' Excise Tax:** A 5% tax on telephone, electric, steam, and gas use in the city of Detroit.

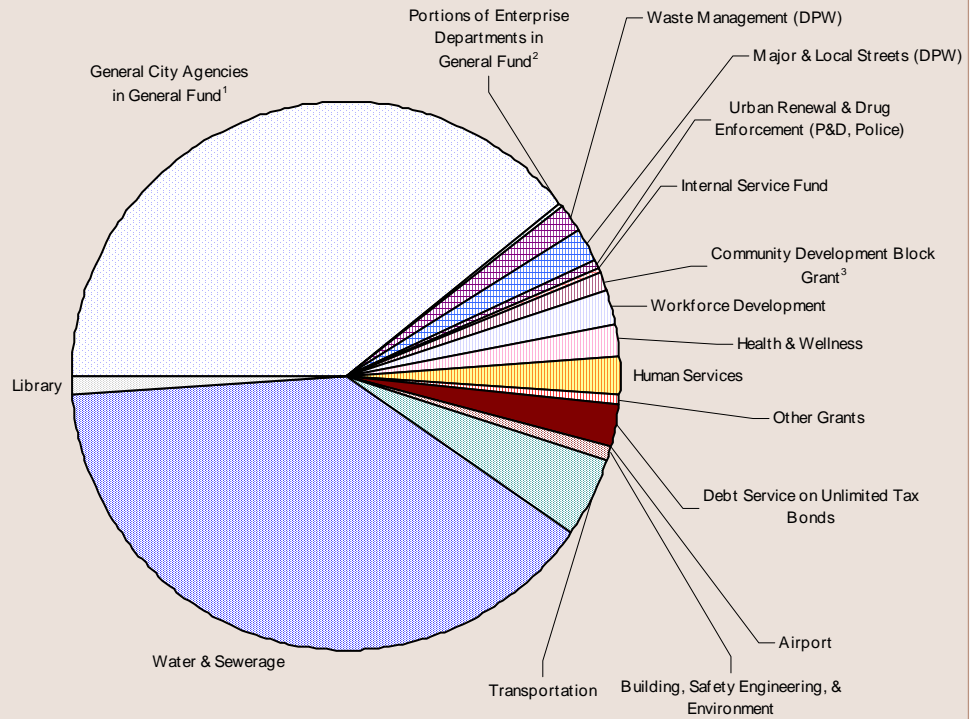
Departments in the General City include tax supported departments, some departments that have dedicated revenues, and several departments that are wholly or primarily grant supported. Nearly the entire \$1.2 billion General Fund supports General City Agencies, but portions of two Enterprise Agencies (the Buildings, Safety Engineering and Environment Department and the Municipal Parking Department) are actually part of the General Fund, and appropriations from the General Fund subsidize two other Enterprise Agencies (the Airport and Transportation Department). (See **Chart 1**.)

**General Fund Activities**

City tax revenues, other discretionary use revenues (primarily state revenue sharing), and a variety of general city revenues from fees, fines, charges for service and sale of assets support the General Fund. Slightly more than half of the money from the General Fund (50.5 percent) pays for public safety (police, fire, homeland security, and 36th district court). The Police Department is credited with the proceeds of the Utility Users' Excise Tax (\$42.0 million) which by state law may only be used to hire or retain police officers and is credited to the General Fund. Another 11.6 percent of the General Fund supports staff departments including General Services, Finance, Budget, Information Technology, Human Resources, and Law. The General Fund also pays for the offices of elected officials (Mayor's Office, City Clerk, and City Council) and legislative agencies (Auditor General,

Board of Zoning Appeals, Ombudsperson, Elections). The Recreation Department is also primarily funded by local taxes and discretionary use revenue from the General Fund. (See **Chart 2**.)

**Chart 1  
City of Detroit, FY2012 Appropriations**



**Total Appropriations = \$3,108,301,412**

<sup>1</sup> Includes General Fund subsidies to two enterprise departments, Transportation and Airport

<sup>2</sup> Portions of two enterprise departments, the Buildings, Safety Engineering and Environment Department and the Municipal Parking Department, are in the General Fund

<sup>3</sup> A portion of this federal grant goes to the Buildings, Safety Engineering and Environment Department, which the city classifies as an enterprise agency.

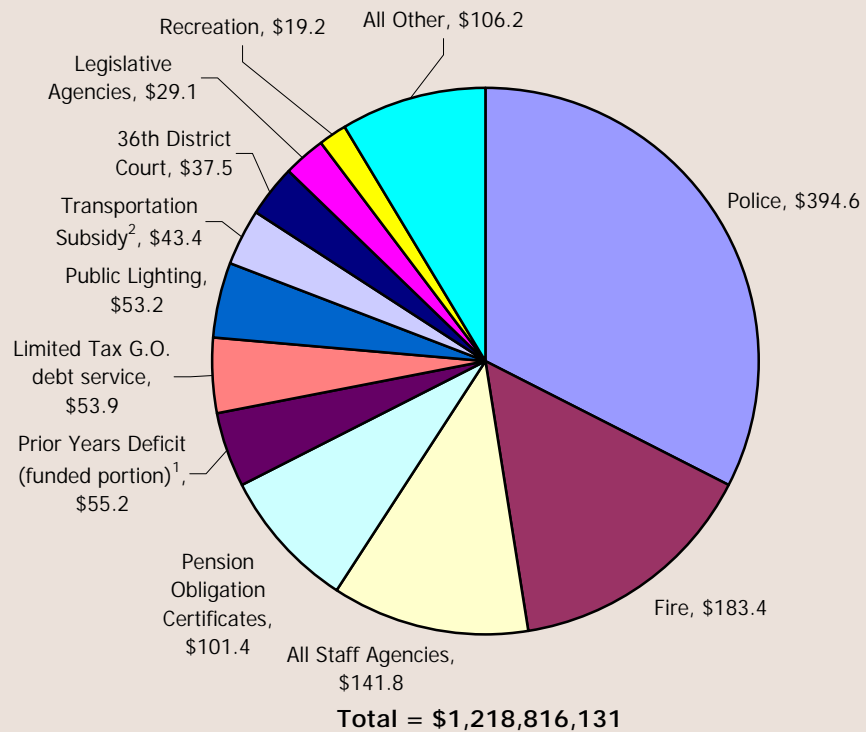
Source: FY2012 Adopted Budget



Both the Department of Public Works (DPW) and the Public Lighting Department (PLD) are considered General City Agencies in the budget and are included in the CAFR's general governmental activities. The DPW receives revenues restricted to specific uses such as shared state fuel and vehicle registration taxes for street maintenance (\$59.7 million) and a solid waste refuse fee assessed per household for garbage collection (\$50.3 million); only \$4.4 million of DPW's \$114.4 million budget comes from the city's General Fund. The Public Lighting Department generates revenues from the sale of electricity and steam (the FY2012 budget estimates departmental revenues of \$62.7 million), but \$53.2 million of its \$53.9 million departmental appropriation is in the General Fund (PLD also receives \$628,000 in grants).

Cultural departments (Institute of Arts, Historical, Zoological) included in the city charter are listed as departments in the city budget, but instead receive lump sum General Fund appropriations. The city owns the land, buildings, and collections of these institutions, but all are managed by private, nonprofit organizations. The Charles H. Wright Museum of African American History, built with city bond proceeds and privately managed, also receives a General Fund appropriation in the Non-Departmental budget.

**Chart 2  
Fiscal Year 2012 City of Detroit Budgeted General Fund Appropriations**



<sup>1</sup> A June 30, 2011 budget amendment reduced this appropriation by \$25 million, to \$30,197,612.

<sup>2</sup> A June 30, 2011 budget amendment increased this subsidy by \$9 million, to \$52,445,928.

Source: FY2012 Adopted Budget

Appropriations to cultural departments are part of the \$319.1 million "Non-Departmental" budget, which also includes the General Fund appropriations that subsidize the Transportation Department and Airport, as well as appropriations for limited tax general obligation debt service including some payments related to pension obligation certificates, for part of the prior year's deficit, for insurance and claims, for vehicle purchases, and for a variety of other purposes that do not belong in another staff or operating department.

**FY2012 Appropriation**

Detroit Institute of Arts	\$375,000
Detroit Historical Museum	337,500
Detroit Zoological Institute	573,750
Charles H. Wright Museum	1,462,500

## Primarily Grant Funded Activities

Several General City agencies are primarily funded by grants that can only be used for designated purposes. Human services (Workforce Development, Health and Wellness Promotion, Human Services Departments) and economic development (Planning and Development Department) are primarily funded by grants from the state and federal governments, as is the Department of Homeland Security. They are part of General City operations, but are entirely or mostly funded by grants, not by the General Fund.

## Debt Service Fund

Voter-approved general obligation bonds are repaid from a special property tax that is calculated to generate the amount needed to pay the principal and interest due on all outstanding unlimited tax bonds in that fiscal year. The proceeds from this tax cannot be used for any other purpose. In FY2012, the debt service levy was 9.5558 mills and the appropriation from the debt service fund was \$77,692,026.

## Enterprise Activities

The following departments are enterprise agencies:

Water and Sewerage;  
 Transportation;  
 Airport;  
 Municipal Parking;  
 Buildings, Safety Engineering and Environment; and  
 Library.

Enterprise departments are generally self supporting, non-General Fund activities, although there are a number of exceptions to that definition. Although classified as an enterprise agency, the Transportation Department receives significant General Fund subsidies (\$43.4 million, or 3.6 percent of the General Fund's resources appropriated in the originally adopted FY2012 budget) to supplement fare revenues, and state and federal grants. The \$43.4 million General Fund subsidy constituted 29.0 percent of the Department of Transportation's \$149.4 million cost of operations. A June 30, 2011 amendment to the budget increased the General Fund subsidy by \$9 million, to \$52,445,928, or 35.1 percent of the originally budgeted cost of operations.

The FY2012 budget also includes a \$515,871 appropriation from the General Fund to the airport, which is 33.5 percent of that agency's expected cost of operations.

The Municipal Parking Department is an enterprise department, but includes both the General Fund Parking Violations Bureau (expected to cost \$6.7 million to operate and to generate \$19.8 million in parking fines, providing a net contribution to the General Fund of \$13.1 million) and the enterprise function Auto Parking and Arena Systems, which manages seven parking lots and various surface lots, and maintains city parking meters. Costs of operation and revenues in the Auto Parking and Arena Systems component are expected to be \$24.6 million.

Similarly, the Buildings and Safety Engineering and Environmental Department includes a General Fund Business License and Environmental Affairs component that contributes \$1.0 million to the General Fund, an enterprise licensing and inspection component, and the Block Grant funded building demolition program.

The Detroit Public Library has its own voter-approved, 4.63 mill, dedicated property tax and does not now receive a subsidy from the General Fund.

## Other Parts of City Government

For financial reporting purposes, the CAFR recognizes component parts of the city government that are categorized as general government activities (tax and grant supported activities generally aligned with the General Fund), business-type activities (Water and Sewer, Transportation, and Automobile Parking System), and component units, which are legally separate organizations. "Blended component units" are essentially part of the city's operation and include the Detroit Building Authority, Detroit General Retirement System Service Corporation, and Detroit Police and Fire Retirement System Service Corporation. Payments to these blended component units are reflected in the Non-Departmental budget. "Discretely presented component units" are ten legally separate organizations for which elected city officials are financially accountable:

Detroit Brownfield Redevelopment Authority;  
 Detroit Public Library;  
 Detroit Transportation Corporation (which operates the People Mover);  
 Downtown Development Authority;  
 Eastern Market Corporation;  
 Economic Development Corporation;  
 Greater Detroit Resource Recovery Authority;  
 Local Development Finance Authority;  
 Charles Wright Museum of African American History;  
 Detroit Land Bank Authority; and

Tax Increment Finance Authority.

Of these legal entities, only the Library is listed in the budget as a department.

### Pension Funds

The city government includes the fiduciary pension and other employee benefit trust funds. The city maintains two retirement systems: the General Retirement System and the Police and Fire Retirement System. Pension funds for civilian employees in the General City, Water and Sewer, Transportation, and Library are accounted for separately. Pension contributions are calculated as a percent of payroll and are paid from the fund which employs that worker to the appropriate retirement system for credit to the appropriate account. Employer contribution rates for FY2012 are as follows:

Police and Fire	27.81%
General City Civilian	15.26%
Transportation	20.26%
Water and Sewer	25.82%
Library	22.15%

In addition, the city is required to pay principal, interest, and other payments related to swap agreements resulting from the sale of \$1.6 billion of pension obligation certificates in 2005 and 2006. In FY2012, this payment is budgeted at \$101,433,103. A second termination event under the swap agreements occurred in April, 2012, potentially triggering \$50 million payments each year for the next seven years; the city has indicated that it will attempt to again renegotiate the liability.

Assets of the two retirement systems, including the proceeds of the sale of pension obligation certificates, are invested by the two pension boards.

## Addressing the Deficit

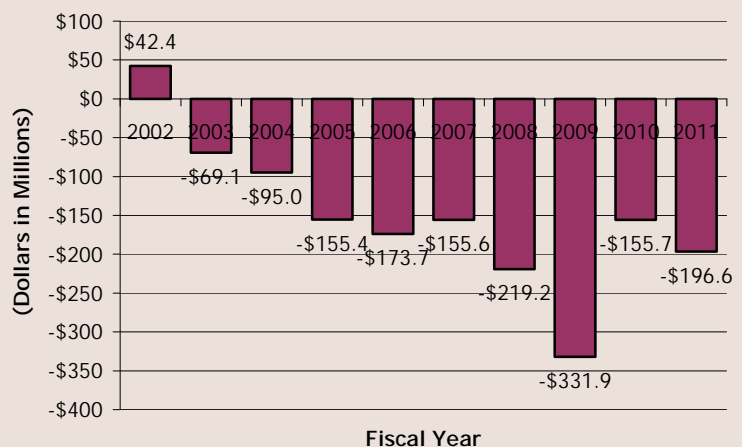
State law requires that the budgets of local governments be balanced, meaning that projected revenues are sufficient to cover appropriations (an "appropriation" is an authorization to spend money from designated funds). Detroit's budgets have been balanced when enacted based on estimates of revenues and expenditures, but in practice Detroit has been running an operating deficit (in part because revenues have consistently been overestimated). Because a budget is a plan, and not all plans work perfectly, or can be made to work perfectly, and in spite of budget amendments that may occur during the fiscal year, any fund may have a surplus or deficit at the end of the fiscal year. The CAFR reports the actual financial result of the fiscal year activities – whether there is a surplus or deficit in each fund. If there is a deficit in any fund, the state law requires that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury.

the accumulated deficit in FY2007 and in FY2010). From FY2010 to FY2011, the accumulated deficit increased by \$40.9 million.

The city has prepared a deficit elimination plan for the General Fund deficit every year since FY2003; none has

References to the City of Detroit's deficit are to the General Fund, which supports the majority of departments. Detroit had General Fund operating deficit in FY2003, and has had a General Fund accumulated deficit every year since FY2003. Cumulatively, in those departments that are part of the General Fund, the city fairly consistently has spent more money than it actually brought in (the city was able to reduce

**Chart 3**  
**General Fund Accumulated Surplus (+) or Deficit (-)**



Source: City of Detroit, June 30, 2011 CAFR



been successfully implemented.

In FY2010, the city sold \$250 million of deficit funding bonds to reduce the deficit (in governmental accounting, the amount borrowed for deficit reduction is counted as operating revenue, thereby lowering the deficit), in essence borrowing against the future to pay current operating costs. This debt has to be repaid from general operating revenues, reducing the resources available for services. The city ended FY2011 with a General Fund deficit of \$196.6 million, continued to spend more than it took in, and has reached a crisis point. Cash flow projections issued in the fall of 2011 indicated that the city was expected to exhaust General Fund cash in April of 2012. The state has intervened, a consent agreement (the Financial Stability Agreement) has been signed establishing a Financial Advisory Board and making other changes, and both the state and city officials are hopeful that the new structure will successfully resolve the financial emergency.

Reducing the General Fund deficit requires increasing General Fund revenues (primarily city taxes and state revenue sharing, but also fees, fines, charges for service, sale of assets and certain other revenues), decreasing those expenditures that are funded by city taxes or other discretionary revenues, or both.

As was noted, the majority of the General Fund revenues support the operations of public safety departments, staff departments, elected officials' departments, and legislative departments. City budgets include expected revenues and appropriations for each department; subtracting total revenues to be generated by a department's activities from total appropriation gives "net tax cost." In the FY2012 budget, the departments with net tax cost exceeding \$10 million are the following (See **Table 1**).

Any efforts to reduce appropriations sufficient to address the \$196.6 accumulated deficit from FY2011 will affect core services, including public safety. Eliminating grant funded programs does not affect the General Fund deficit, unless General Fund money is used to replace those programs (that would increase the deficit), so transferring Head Start or other grant programs to another ad-

**Table 1**  
**FY2012 City of Detroit Budgeted Net Tax Cost**  
**(Dollars in Millions)**

	<u>Net Tax Cost</u>
Police	\$332.3
Fire	160.8
Transportation	43.4
General Services	35.7
Finance	30.3
Information Technology Services	19.2
Recreation	18.1
36th District Court	18.1
Law	17.7
City Council	13.4

ministrator does not affect the General Fund deficit. In fact, the entire Human Services, Health and Wellness, Workforce Development, Planning and Development, and Homeland Security departments could be eliminated from the city government and have very little effect on the General Fund deficit.

The city government subsidizes the Airport and Department of Transportation by transferring money from the General Fund to those enterprise departments. Similarly, the city provides General Fund support to cultural institutions. Reducing or eliminating those subsidies could reduce the General Fund deficit by that amount.

The Water and Sewerage Department is composed of the Water Fund and the Sewerage Fund; together, the Water and Sewerage funds are about the same size as the General Fund. Revenues from Water and Sewerage funds cannot legally be transferred to the General Fund. Library tax and other revenues that support the Library, the tax levy used to retire unlimited tax general obligation debt, grant revenues, and certain other revenues cannot legally be used to balance the General Fund budget or to retire the General Fund deficit.

## Conclusion

Recent events have made it very clear that Detroit's deficit must be addressed, either by elected city officials with the help of the Financial Advisory Board, by a state-appointed Emergency Manager, or under federal bankruptcy provisions. While many changes can be made to the \$3.1 billion budget, and many changes have been pro-

posed, not all changes will reduce the General Fund deficit. It is important that policymakers and citizens understand the structure of city government in order to understand the effect that proposed changes in departments, taxes, and services will have on the fiscal condition of the state's largest city.

# CRC MEMORANDUM

## Appendix City of Detroit Fiscal Year 2012 Budget Appropriations

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Appropriations</u>
<b>GENERAL CITY AGENCIES</b>			
<b>EXECUTIVE AGENCIES</b>			
Budget	\$2,424,84	\$0	\$2,424,842
Department of Public Works	4,390,115	110,020,109	114,410,224
Workforce Development Dept	1,700	53,892,432	53,894,132
Finance	38,970,757	0	38,970,757
Fire	183,423,392	0	183,423,392
Health and Wellness Promotion	16,716,081	60,727,784	77,443,865
Human Resources	13,479,212	0	13,479,212
Human Rights	936,207	0	936,207
Human Services	0	70,327,838	70,327,838
Information Technology	20,008,949	0	20,008,949
Law	19,266,301	0	19,266,301
Mayor's Office	6,977,825	0	6,977,825
Planning and Development	2,518,262	32,542,249	46,863,149
Police	394,613,317	20,212,912	414,826,229
Public Lighting	53,230,316	628,000	53,858,316
Recreation	19,161,755	534,300	19,696,055
Dept of Administrative Hearings	1,354,379	0	1,354,379
Office of Homeland Security	355,418	2,000,000	2,355,418
General Services	47,682,428	0	47,682,428
<b>LEGISLATIVE AGENCIES</b>			
Auditor General	3,553,766	0	3,553,766
Board of Zoning Appeals	709,723	0	709,723
City Council	13,389,244	195,000	13,584,244
Ombudsperson	895,002	0	895,002
City Clerk	3,118,475	0	3,118,475
Department of Elections	7,389,139	25,491	7,414,630
<b>JUDICIAL AGENCY</b>			
36th District Court	37,464,544	0	37,464,544
<b>OTHER AGENCIES</b>			
Non-Departmental	<u>319,098,816</u>	<u>8,487,311</u>	<u>327,586,127</u>
<b>TOTAL GENERAL CITY AGENCIES</b>	<b>\$1,211,129,965</b>	<b>\$371,396,064</b>	<b>\$1,582,526,029</b>
<b>Unlimited Tax Debt Service</b>	<b>\$0</b>	<b>\$77,692,026</b>	<b>\$77,692,026</b>
<b>ENTERPRISE AGENCIES</b>			
Airport	\$0	\$1,539,871*	\$1,539,871*
Buildings, Safety Engineering & Environmental	1,052,226	25,164,604	26,216,830
Transportation	0	149,383,359**	149,383,359**
Municipal Parking	6,678,940	24,591,770	31,270,710
Water	0	685,954,940	685,954,940
Sewerage	0	518,681,049	518,681,049
Library	<u>0</u>	<u>35,036,598</u>	<u>35,036,598</u>
<b>TOTAL ENTERPRISE AGENCIES</b>	<b><u>\$7,731,166</u></b>	<b><u>\$1,440,352,191</u></b>	<b><u>\$1,448,083,357</u></b>
<b>GRAND TOTAL</b>	<b>\$1,218,861,131</b>	<b>\$1,889,440,281</b>	<b>\$3,108,301,412</b>

\*This includes a GF subsidy of \$515,871 that is appropriated in the Non-Departmental budget and transferred to the Airport.

\*\* This includes a General Fund subsidy of \$43,358,359 that is appropriated in the Non-Departmental budget and transferred to the Department of Transportation.