



**OFFICE OF THE
CHIEF FINANCIAL OFFICER
OFFICE OF BUDGET**

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July 5, 2024

Honorable Mary Sheffield, Council President
Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Fiscal Impact of Proposed Proportional Funding Ordinance

Dear Council President Sheffield:

Please see attached Fiscal Impact Statement prepared by the Office of Budget for the above referenced item, pursuant to CFO Directive 2018-101-029: Fiscal Impact Statements. Upon review, please do not hesitate to contact me to discuss further.

Best regards,

Steven Watson
Deputy CFO / Budget Director

Att: CFO Fiscal Impact Statement No. 202-110-008

cc: Honorable Detroit City Council
Jay B. Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
John Naglick, Jr., Chief Deputy CFO/Finance Director
Janani Ramachandran Yates, Deputy Budget Director
Malik Washington, City Council Liaison
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CFO FISCAL IMPACT STATEMENT NO. 2024-110-008

SUBJECT: Fiscal impact of the Proportional Funding Ordinance
PREPARED BY: Office of the CFO – Office of Budget
DATE ISSUED: July 5, 2024

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the Chief Financial Officer shall submit in writing to the Mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the Mayor or the governing body of the City will have on the City's annual budget and its four-year financial plan.
- 1.2. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements ("FIS") for pending or enacted decision items with a significant fiscal impact on the City, as determined by the CFO, to provide financial information to the Mayor and the City Council as they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

- 2.1. To provide financial information to the Mayor and the Detroit City Council as they consider action on the Proportional Funding Ordinance.

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the Proportional Funding Ordinance in relation to the City's annual budget for FY 2025 and four-year financial plan for FY 2025 – FY 2028 (the "City budget").

4. SCOPE

- 4.1. This FIS is not intended to convey any statements nor opinions on the advisability of the proposal, except for those components that have or may have a fiscal impact on the City budget.
- 4.2. This fiscal impact analysis is based on the proposal as described below in Section 5 of this FIS. Should the proposal change prior to final approval, an updated FIS may be issued.

5. STATEMENT

- 5.1. Conclusion: The Proportional Funding Ordinance would have an **indeterminate fiscal impact** on the City budget.

Background: The proposed ordinance would establish a process for a proportional method of funding for City oversight agencies (i.e., Board of Ethics, Office of the Auditor General, Office of the Ombudsperson, and Office of the Inspector General), as required by the 2012 Detroit City Charter. It does not specify a funding formula or how equitable funding amounts for each oversight agency would be determined. It requires City Council

to subsequently establish that formula by resolution by February 10, 2025, presumably for use in the Fiscal Year 2025-2026 Budget.

It is unclear if the proportional funding formula would require prescribed funding levels for each oversight agency or if it would require that total oversight agency funding, along with any future increases or decreases, be spread in specified proportions among all oversight agencies. The ordinance would also allow for a proposed alternate formula that establishes a minimum funding threshold for each oversight agency, should City Council determine that full funding is outweighed by other critical needs of the City.

City Council would be responsible for ensuring the annual adopted budget provides funding for each oversight agency in accordance with the proposed ordinance. However, notwithstanding the provisions of the proposed ordinance, it further clarifies that any future appropriations shall be determined annually by City Council through the budget process, as is the case with all appropriations. The proposed ordinance would not require the Administration to set forth or agree to any specific appropriation amounts in the City budget.

The proposed ordinance also requires City Council to review this method of funding at least once every four years, and that all oversight agencies submit a report, annually at the end of every calendar year, outlining their prior year funding level, its sufficiency, operations impact, and any proposed changes to the funding formula.

5.2. Fiscal Impact: The Proportional Funding Ordinance would have an **indeterminate fiscal impact** on the City budget.

Given that the ordinance as proposed does not specify the exact funding levels or methods, the fiscal impact cannot be determined. However, if funding levels later set by resolution and in the City budget exceed current appropriations plus annual current services growth (e.g., scheduled wage increases), there would be a negative fiscal impact on the City budget.

APPROVED



Steven Watson, Deputy CFO / Budget Director