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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: April 8, 2025

RE: **RESOLUTION ESTABLISHING A PROPORTIONAL FUNDING FORMULA FOR
OVERSIGHT AGENCIES**

City Council President Mary Sheffield has requested the Legislative Policy Division (LPD) to produce a resolution establishing a proportional funding formula for oversight agencies as required by the Detroit City Charter.

A Resolution by Council President Mary Sheffield

RESOLUTION ESTABLISHING A PROPORTIONAL FUNDING FORMULA FOR OVERSIGHT AGENCIES

- WHEREAS** Section 8-214 of the 2012 Detroit City Charter requires the City Council to establish a proportional method to fund the City’s oversight agencies, which are the Office of Inspector General, Auditor General, Ombudsperson and Board of Ethics, to ensure proper oversight of the executive and legislative branches of government; and
- WHEREAS** Under the Charter, the City Council was required to adopt an equitable proportional method to fund oversight agencies within 90 days of the effective date of the Charter, and enact the proportional funding system by ordinance; and
- WHEREAS** The City Council passed a resolution establishing a working group to assist the Council in drafting a proportional funding ordinance in February of 2022, and the group has been meeting regularly to develop a proportional funding formula that satisfies the Charter mandate; and
- WHEREAS** Although the former City Council did not adopt a proportional funding system within the 90 day limit following the enactment of the Charter, the current City Council passed a proportional funding ordinance on July 30, 2024, which provided the procedures for the establishment of a proportional funding formula by City Council resolution; and
- WHEREAS** The “Target Proportional and Equitable Funding” (TEF) percentage is calculated by dividing an agency’s target equitable funding amount, based on a projection of their proposed organizational structure and non-personnel operational costs, by the prior year general fund adopted budget; and
- WHEREAS** To reduce the strain on the City’s budget, the TEF percentage will be phased in by subtracting the current funding percentage from the TEF funding percentage and dividing it by 3, and thereafter the budget allocation for FY26, FY27, and FY28 will increase each year in an equal amount for each oversight agency until the full TEF percentage is reached; and
- WHEREAS** During City Council’s deliberations at Executive Session for the FY26 budget, the Council agreed to fund the first year of the phased in TEF percentage for FY26 based on the projections provided by the oversight agencies;¹ and
- WHEREAS** After the 3-year phase-in period, the TEF percentage for the oversight agencies will be 0.09% for the Board of Ethics, 0.46% for the Office of the Auditor General, 0.20% for the Office of Inspector General, and 0.18% for the Office of the Ombudsman; and
- WHEREAS** The proportional funding ordinance also requires the creation of a minimum funding threshold for each oversight agency, should the City Council determine that full funding is outweighed by other critical needs of the City; and
- WHEREAS** The alternative minimum funding formula will calculate the minimum funding amount by subtracting 10% of non-personnel costs for each department from the TEF prior to dividing the resulting amount by the prior year general fund adopted budget; and

¹ See the chart attached below illustrating how the TEF will be calculated from FY26 through FY28.

- WHEREAS** By basing the proportional funding formula on a percentage of the City's total general fund budget, the intention is to create an objective and equitable method to ensure that the City's oversight agencies are able to effectively carry out their vital Charter-mandated duties while free of uncertainty regarding their annual budget appropriation; and
- WHEREAS** This proportional funding formula is necessary, as the City's oversight agencies have never been adequately funded, and their funding levels are well below those of comparable cities;² and
- WHEREAS** The work of the City's oversight agencies is essential to promote accountability and trust in City government, and the nature of their work must be inherently unbiased and not subject to the whims of any particular executive or legislative administration; and
- WHEREAS** According to the proportional funding ordinance, the City Council must conduct a review of the proportional funding method at least every 4 years in order to determine whether the method requires alteration; **NOW, THEREFORE BE IT,**
- RESOLVED** The Detroit City Council hereby adopts a proportional funding formula for oversight agencies that calculates the Target Proportional and Equitable Funding percentage by dividing the agencies' target equitable funding amount by the prior year general fund adopted budget; **NOW BE IT FURTHER**
- RESOLVED** The Detroit City Council will incrementally reach the TEF percentage by increasing the budget allocation for each oversight agency by an equally divided percentage over a period of 3 years starting in FY26; **NOW BE IT FURTHER**
- RESOLVED** The Detroit City Council hereby adopts an alternative minimum funding formula for oversight agencies that subtracts 10% of non-personnel costs for each department from the TEF prior to dividing the resulting amount by the prior year general fund adopted budget; **NOW BE IT FINALLY**
- RESOLVED** That the Detroit City Clerk provide a copy of this resolution to the Mayor, the Office of the Chief Financial Officer, the Ombudsman, the Board of Ethics, and the offices of the Auditor General and Inspector General.

² See the attached comparison charts showing the discrepancy between Detroit and other comparable cities.

**City of Detroit
Oversight Agencies
Targeted Equitable Funding Request
Over 3-Year Ramp Up**

	Description	Board of Ethics		Office of the Auditor General		Office of Inspector General		Office of The Ombudsman		TOTAL OVERSIGHT AGENCIES	
		Adoptive & Target Equitable Funding Amounts (Dollars)	Proportional and Equitable Funding Percentage	Adoptive & Target Equitable Funding Amounts (Dollars)	Proportional and Equitable Funding Percentage	Adoptive & Target Equitable Funding Amounts (Dollars)	Proportional and Equitable Funding Percentage	Adoptive & Target Equitable Funding Amounts (Dollars)	Proportional and Equitable Funding Percentage	Adoptive & Target Equitable Funding Amounts (Dollars)	Proportional and Equitable Funding Percentage
FY24	FY24 Adopted Budget	\$ 545,278	0.04%	\$ 4,892,882	0.33%	\$ 1,614,911	0.12%	\$ 1,467,595	0.11%	\$ 8,510,471	0.66%
FY25	FY25 Adopted Budget (Current)	\$ 682,960	0.05%	\$ 5,275,280	0.36%	\$ 1,873,634	0.13%	\$ 1,686,595	0.11%	\$ 9,486,469	0.66%
FY25	Mayor's FY26 Proposed Budget	\$ 591,195	0.04%	\$ 5,384,629	0.37%	\$ 1,926,150	0.13%	\$ 1,718,477	0.12%	\$ 9,620,451	0.65%
FY25	Target Equitable Funding (TEF)	\$ 1,383,664	0.09%	\$ 6,785,845	0.46%	\$ 2,903,500	0.20%	\$ 2,662,733	0.19%	\$ 13,735,742	0.83%

Total Required Additional Funding to Reach TEF	\$ 792,469	\$ 1,401,216	\$ 977,350	\$ 944,256	\$ 4,115,291	Amount Per OCFO Fiscal Impact Study
Proposed FY26 TEF Funding	\$ 308,593	\$ 467,072	\$ 326,244	\$ 314,752	\$ 1,416,661	FY26 TEF Recurring Funding Need
Proposed FY27 TEF Funding	200,000	467,072	325,553	314,752	1,307,377	FY27 TEF Recurring Funding Need
Proposed FY28 TEF Funding	283,876	467,072	325,553	314,752	1,391,253	FY27 TEF Recurring Funding Need
Total Required Additional Funding to Reach TEF	\$ 792,469	\$ 1,401,216	\$ 977,350	\$ 944,256	\$ 4,115,291	

CITY COMPARISON CHARTS

Office of the Auditor General Benchmark Audit Organizations						
City	Population	FY24 Budget Audit Organization	Total General Fund Budget	% of General Fund Budget	# of FTE's	# of City Employees
Atlanta	510,823	\$ 2,035,401	\$ 790,064,707	0.26%	18	9,926
Cleveland	362,656	\$ 1,220,000	\$ 779,212,735	0.16%	5	4,600
Dallas	1,303,000	\$ 3,214,170	\$ 1,903,410,750	0.17%	20	15,314
Denver ^(A)	716,577	\$ 14,728,918	\$ 1,751,669,153	0.84%	99	11,000
Detroit	633,218	\$ 5,275,280	\$ 1,319,487,321	0.40%	21	9,000
Jacksonville	985,843	\$ 3,392,520	\$ 2,106,823,393	0.16%	16	6,813
Miami-Dade	455,924	\$ 2,106,000	\$ 1,166,801,000	0.18%	9	4,710
Minneapolis	425,115	\$ 3,122,749	\$ 685,393,685	0.46%	17	4,194
Philadelphia ^(A)	1,551,000	\$ 11,148,245	\$ 6,100,000,000	0.18%	135	25,000
Phoenix ^(B)	1,650,000	\$ 3,892,000	\$ 2,039,935,000	0.19%	25	14,000
Portland ^(A)	630,498	\$ 13,185,740	\$ 1,071,558,091	1.23%	48	7,500
Seattle	755,078	\$ 2,304,507	\$ 1,865,705,000	0.12%	10	14,000
Tampa	403,364	\$ 929,989	\$ 612,241,311	0.15%	6	2,000
Buffalo	274,678	\$ 1,693,394	\$ 509,948,247	0.33%	22	8,074
Washington DC	678,972	\$ 7,348,000	\$ 11,379,362,000	0.06%	41	36,700

A. Denver, Philadelphia, and Portland audit organizations include audit activities, management and administrative services, other investigative services and in Portland, the Ombudsman Office. Denver's population is comparable with the City of Detroit, and their budget relating specifically to audit services is \$7.9 million, or 0.45% of the total General Fund Budget, with a staff of 49 FTE's.

B. Phoenix's Internal Audit Department staff size is comparable to the OAG. Its FY 24-25 budgeted dollars of \$3.8 million is comparable to Detroit's "Target Equitable Funding" of \$4.4 million excluding the cost of the City's external audit.

Ethics Boards Comparison Chart

City	Website	Population (2023)	FY24 Budget	# of Ethics Staff	# of City Employees
Detroit	detroitethics.org	633,218	\$545,278	4	10,500
Atlanta	atlantaethics.org	510,823	\$1,420,558	8.40	8,932
Washington D.C.	bega.dc.gov	678,972	\$4,207,607	25	36,700
Jacksonville	https://www.jacksonville.gov/departments/ethics-commission	985,843	\$819,189	3	2,787
Honolulu	www8.honolulu.gov/ethics/	989,489 (City and County)	\$962,345	11	10,500
Philadelphia	www.phila.gov/departments/board-of-ethics/	1,551,000	\$1,382,433	11	25,000
Chicago	https://www.chicago.gov/city/en/depts/ethics.html	2,664,000	\$1,019,825	8	40,000 ¹⁵

Benchmarking Office of Inspector General

City	Population (2023)	FY 24 Budget	Total General Fund Budget	# of OIG Staff	# of City Employees	% of General Fund
Detroit	633,218	\$1,614,911	\$ 1,329,300,000	10	10,500	0.12%
Baltimore	565,239	2,295,109	2,169,922,725	18	14,180	0.11%
Atlanta	510,823	1,456,132	790,064,707	8.95	9,558.42	0.18%
Washington DC	678,972	24,729,000	12,131,477,000	112.8	35,265.4	0.20%
Chicago	2,664,452	10,467,496	57,092,000,000	90	36,807	0.02%
Miami Dade	455,924	8,772,000	7,345,736,000	42	30,050	0.12%
New Orleans	364,136	4,184,728	814,423,211	28.91	3,909	0.51%