



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

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1106
Detroit, Michigan 48226

Phone 313•224•6260
www.detroitmi.gov

July 15, 2022

Honorable Scott Benson, Council Member
Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Fiscal Impact of Proposed Ordinance Amendment to Chapter 17 of the 2019 Detroit City Code, *Finance and Taxation*, Article V, *Purchases and Supplies*, Division 1, *Goods and Services*, Subdivision B, *Purchasing of City Goods and Services*, by amending Section 17-5-14, *Policy encouraging purchase of environmentally preferable goods and services; preference for bidders offering environmentally-preferable goods and services*

Dear Council Member Benson:

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. 2022-110-010

cc: Honorable Detroit City Council
Jay B. Rising, CFO
John Naglick, Jr., Chief Deputy CFO/Finance Director
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
Gail Y. Fulton, City Council Liaison
David Whitaker, Director-Legislative Policy Division



Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

CFO FISCAL IMPACT STATEMENT NO. 2022-110-010

SUBJECT: Fiscal Impact of Proposed Ordinance Amendment to Chapter 17 of the 2019 Detroit City Code, *Finance and Taxation*, Article V, *Purchases and Supplies*, Division 1, *Goods and Services*, Subdivision B, *Purchasing of City Goods and Services*, by amending Section 17-5-14, *Policy encouraging purchase of environmentally preferable goods and services; preference for bidders offering environmentally-preferable goods and services*

PREPARED BY: Office of the CFO – Office of Budget

DATE ISSUED: July 15, 2022

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 (“CFO”) 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 (“City Council”) 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 City Council as they consider action on the Green Purchasing Ordinance.

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the Green Purchasing Ordinance in relation to the City’s annual budget for FY 2023 and four-year financial plan for FY 2023 – FY 2026 (the “City budget”).

4. SCOPE

- 4.1. This FIS is not intended to convey any statements nor opinions on the advisability of the Green Purchasing Ordinance, except for those components of the proposed ordinance that have or may have a fiscal impact on the City budget.
- 4.2. This fiscal impact analysis is based on the Green Purchasing Ordinance 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 Green Purchasing Ordinance has an **indeterminate fiscal impact** on the City budget.
- 5.2. Background: The proposed ordinance amends an existing policy encouraging the purchase of environmentally preferable (“green”) goods and services when the price is less than or equal to a non-environmentally preferable alternative. The proposed ordinance amendment extends this directive to maintain a procurement preference for green bid purchases when their price is within 12% of a competing non-green bid purchase price. Determination of environmentally preferable goods and services proposed by bidders is overseen by the Office of Contracting and Procurement (OCP) under the Office of the Chief Financial Officer (OCFO) and relies in part on bidders self-certifying the extent to which their offerings are environmentally preferable.
- 5.3. Fiscal Impact: The Green Purchasing Ordinance would have an **indeterminate fiscal impact** on the City budget.

With limited historic procurement information on the number and average cost of environmentally preferable bids competing with non-environmentally preferable bids, there is insufficient knowledge of the scope and magnitude this ordinance would have if approved. It is possible this ordinance could increase the number of environmentally preferable bids received and awarded moving forward, thus creating a potential cost burden for City departments who will carry out contracts with environmentally friendly provisions. This may also place a greater administrative burden on the OCP, which is responsible for implementing the directives outlined in this ordinance, although this may be tempered by the apparent flexibility within the language of the ordinance for the City to design documentation processes suitable to its needs.

Additionally, increasing the number of investments in environmentally preferable goods and services may result in long-term savings and indirect benefits that outweigh potential short-term cost increases. For example, energy-saving light fixtures or landscaping designed to protect against flooding could require higher up-front costs but prevent greater future expenses. However, these types of potential long-term impacts cannot be accurately determined at this time without historic data or sufficient cost estimates.

APPROVED



Steven Watson, Deputy CFO / Budget Director