



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

Coleman A. Young Municipal Center
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Detroit, Michigan 48226

Phone 313•224•6260
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October 21, 2022

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

Re: Fiscal Year 2022-2023 Budget Amendment for Police Department

Honorable Detroit City Council Members:

The Administration is requesting a Fiscal Year 2022-2023 budget amendment to provide supplemental appropriations to the Police Department totaling \$22.6 million.

Under State of Michigan Public Act 2 of 1968 (the "Uniform Budgeting and Accounting Act") and the 2012 Detroit City Charter, the City cannot incur expenditures in an appropriation account in excess of the amount appropriated by the Detroit City Council. Under Section 8-210 of the 2012 Detroit City Charter, if the Administration advises the City Council that there are available for appropriation revenues in excess of those estimates in the budget, the Administration may request supplemental appropriations for the current fiscal year up to the amount of the excess.

The attached resolution, if approved by this honorable body, will appropriate increased revenues approved at the September 2022 Revenue Estimating Conference to increase the Police Department's expenditure budget by \$22.6 million to support the anticipated incremental cost of the proposed labor contracts for the City's uniform police unions in excess of budgeted resources and other offsets (see attached "CFO Fiscal Impact Statement No. 2022-110-011" for additional detail).

We respectfully request your approval of the attached resolution, with a waiver of reconsideration.

Best regards,

Steven Watson
Deputy CFO / Budget Director

Att: Fiscal Year 2022-2023 Budget Amendment Resolution – Police Department
CFO Fiscal Impact Statement No. 2022-110-011

Cc: Jay B. Rising, Chief Financial Officer
John Naglick, Jr., Chief Deputy CFO/Finance Director
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
Regina Greear, Deputy CFO/Office of Departmental Financial Services
Janani Ramachandran Yates, Deputy Budget Director
Gail Fulton, City Council Liaison

RESOLUTION

BY COUNCIL MEMBER _____

WHEREAS, Section 17(1) of State of Michigan Public Act 2 of 1968 (the “Uniform Budgeting and Accounting Act”) states that a deviation from the original general appropriations act shall not be made without amending the general appropriations act; and

WHEREAS, under the Uniform Budgeting and Accounting Act and the Home Rule City Act, the Mayor and Chief Financial Officer are charged with the responsibility and power to maintain a balanced budget with anticipated and supplemental expenditures that do not exceed available revenues; and

WHEREAS, Section 8-210 of the 2012 Detroit City Charter authorizes that if during the fiscal year the Mayor advises the City Council that there are available for appropriation revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess; and

WHEREAS, the anticipated incremental cost of the proposed labor contracts for the City’s uniform police unions exceed budgeted resources and other offsets, thus requiring Fiscal Year 2022-2023 supplemental appropriations of \$22,600,000 to the Police Department; and

WHEREAS, the Revenue Estimating Conference principals approved a sufficient increase in estimated General Fund revenues, compared to the Fiscal Year 2022-2023 Adopted Budget, at the conference held on September 12, 2022.

NOW, THEREFORE, BE IT RESOLVED, that the Detroit City Council hereby approves amending the Fiscal Year 2022-2023 Budget by increasing the Non-Departmental Revenue Appropriation No. 29352 - Major Taxes and Other Revenues by \$22,600,000; **AND BE IT FURTHER**

RESOLVED, that the Detroit City Council hereby approves amending the Fiscal Year 2022-2023 Budget by increasing Police Department Expenditure Appropriations by a total of \$22,600,000 as follows:

- Appropriation No. 25370 - Criminal Code Enforcement by \$5,400,000;
 - Appropriation No. 25372 - Police Emergency Response by \$14,300,000;
 - Appropriation No. 25373 - Public Services by \$300,000;
 - Appropriation No. 28370 - Community Engagement – Police by \$300,000;
 - Appropriation No. 28371 - Executive Protection Unit by \$200,000;
 - Appropriation No. 29370 - Police Department Administration by \$1,400,000;
 - Appropriation No. 29371 - Policing Services Infrastructure by \$700,000;
- AND BE IT FINALLY**

RESOLVED, that the Deputy CFO/Budget Director is hereby authorized and shall take all appropriate actions necessary to implement the foregoing provisions and actions authorized by this resolution.



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Honorable Detroit City Council
Coleman A. Young Municipal Center
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Detroit, MI 48226

Re: Fiscal Impact of Proposed Contract Between the City of Detroit and the Detroit Police Officers Association and Detroit Police Lieutenants and Sergeants Association

Dear Honorable Council Members:

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. 2022-110-011

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



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CFO FISCAL IMPACT STATEMENT NO. 2022-110-011

SUBJECT: Fiscal Impact of Proposed Contract between the City of Detroit and the Detroit Police Officers Association and Detroit Police Lieutenants and Sergeants Association

PREPARED BY: Office of the CFO – Office of Budget

DATE ISSUED: October 21, 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 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 the effect of proposed labor contracts between the City of Detroit (the "City") and the Detroit Police Officers Association ("DPOA") and the Detroit Police Lieutenants and Sergeants Association ("DPLSA").

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the proposed contracts on 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 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 proposed contract would have an annualized incremental cost of nearly \$40 million in the first year and growing to \$87 million in the fifth year. There is **no net**

impact on the City budget, as resources and offsets have been budgeted and identified to cover the incremental cost of the contracts.

5.2. Background: The Detroit Police Department’s labor contracts with its three uniform police officer unions expired on June 30, 2022. The previous master agreements, executed in 2014, were amended in 2015 and in 2018 to provide additional pay increases and extend the contract term. Prior to 2014, the starting salary for police officers was approximately \$29,000. On July 1, 2015, it was increased to \$31,700. Today, it is \$42,795. The proposed new labor contracts for DPOA and DPLSA run through June 30, 2027 and provide new pay raises and other changes detailed below to make the department more competitive with neighboring communities and help improve recruitment and retention.

5.2.1. DPOA

The proposed contract’s financial provisions would impact the budget for the Police Department, providing an immediate market increase for Police Officers in FY 2023, and annual increases of 4% effective July 1 each year for FY 2024 through FY 2027. The Police Officer market adjustment is the equivalent of a 23.8% increase for new graduating officers, and a 14.1% increase for those currently at the max. Additionally, the step progression schedule for Police Officers has been condensed from five years to four years, thus allowing members to reach the max scale in a shorter timeframe. Below is a summary of the Police Officer market adjustment:

Police Officer	Current FY23 Step	Revised FY23 Step	FY23 Market Adjustment Change
Start	\$ 42,795	\$ 45,000	5.2%
Graduate	\$ 42,795	\$ 53,000	23.8%
Year 1	\$ 47,032	\$ 58,000	23.3%
Year 2	\$ 51,269	\$ 63,000	22.9%
Year 3	\$ 55,506	\$ 68,000	22.5%
Year 4	\$ 59,743	\$ 73,000	22.2%
Year 5	\$ 63,975	\$ 73,000	14.1%

Because the Police Officer pay range is increasing, this in turn increases the salaries for the existing differential ranks. Police Officers with an education achievement continue to receive a 2% pay increase above a Police Officer salary, while corporals and neighborhood officer rankings receive a 2.5% and 3.5% increase, respectively. These differential percentages have not changed from the previous contract. Police Assistants receive a 4% market rate adjustment in FY 2023.

The proposed contract restores annual longevity payments based on years of active service. Those with 5-9 years of experience receive a lump sum bonus equivalent to 1% of their base salary, those with 10-14 years receive a 2% bonus, those with 15-19 years receive a 3% bonus, and those with 20 or more years of experience receive a 4% bonus.

The DPOA proposal reforms some of the existing subclassifications. The 2.5% Special Pay Adjustment for senior patrol assignments are eliminated, and new job classifications are created for Police Field Training Officers and Police Academy Instructors. Field Training

Officers receive a 5% pay increase above a Police Officer, while Academy Instructors receive a 2.5% increase.

The DPOA proposal increases the shift premium. For all employees whose regular tour of duty begins between 11:00am and 6:59pm, the shift premium increases to \$1.00 per hour. If the tour of duty begins between 7:00pm and 3:59am, the shift premium is \$1.20 per hour.

The proposed contract introduces a scholarship for the Detroit Police Academy. Detroit has historically paid the costs of the 6-month police training academy for new hires, only to see other departments recruit from the city after graduation. The new contract allows the city to recoup the costs of the training academy from officers who leave the city for other departments shortly after graduation.

The contract also permits lateral transfers into DPD. While police departments in other cities recruited DPD officers and gave them credit for their years at DPD, the DPD was required by contract to start experienced officers at the bottom of the pay scale. As a result, Detroit was unable to recruit experienced officers from other communities. Under the lateral transfer provision in the new contract, Detroit can bring experienced officers in at the pay scale based on their experience.

5.2.2. DPLSA

The DPLSA's proposed contract provides a wage market adjustment that results in a 12.8% wage increase for Police Lieutenants and Police Sergeants. Police Detectives will receive a 16.2% wage increase, which is equivalent to a 6% pay increase above the new Police Officer max salary. Police Investigators receive a market adjustment that is equivalent to a 22% increase for those at the minimum, and a 12.8% increase for those at the maximum. In addition, all positions receive an annual wage increase of 4% from FY 2024 – FY 2027. The contract also includes the Master Sergeant classification with a 2.5% pay increase from the Sergeant classification.

The DPLSA proposal increases the shift premium. For all employees whose regular tour of duty begins between 11:00am and 6:59pm, the shift premium increases to \$1.00 per hour. If the tour of duty begins between 7:00pm and 3:59am, the shift premium is \$1.50 per hour.

The proposed contract includes annual longevity payments based on years of active service. Those with 5-10 years of experience receive a lump sum bonus equivalent to 1% of their base salary, those with 11-15 years receive a 2% bonus, those with 16-20 years receive a 3% bonus, and those with 21 or more years of experience receive a 4% bonus.

5.3. Fiscal Impact: The proposed contract would have an annualized incremental cost of nearly \$40 million in the first year and growing to \$87 million in the fifth year. There is **no net impact** on the City budget, as resources and offsets have been budgeted and identified to cover the incremental cost of the contracts.

The cost of the contract will be covered through multiple sources. The following table represents the financial offsets that will cover the cost of the contract:

**City of Detroit
DPOA & DPLSA Costing Summary
Labor Contract Agreement**

	Fiscal Year				
	2023	2024	2025	2026	2027
Total incremental cost of package	\$ 39,838,821	\$ 52,870,925	\$ 64,294,093	\$ 75,749,470	\$ 86,987,631
Offsets					
Budgeted wage pattern	\$ 6,779,919	\$ 16,091,002	\$ 23,353,648	\$ 30,834,172	\$ 38,539,114
September 2022 Revenue Conference Increase	22,133,068	35,440,225	38,100,000	36,600,000	36,600,000
Overtime Savings	-	-	1,447,159	6,866,281	10,341,539
Eliminate 2.5% special pay senior patrol	824,917	1,143,885	1,189,641	1,237,226	1,286,715
Eliminate 2.5% special pay sergeant senior patrol	141,211	195,813	203,645	211,791	220,263
Assumes 10/1/2022 start	9,959,705	-	-	-	-
Net impact on Four-Year Financial Plan	\$ -	\$ -	\$ -	\$ -	\$ -

The FY 2023 Budget included an assumed 3% annual wage increase pattern for all DPOA and DPLSA positions, and these resources will go toward supporting the increased salaries in this contract. Another funding source to support the incremental contract costs is the increase in City revenue approved at the September 2022 Revenue Estimating Conference. Revenue estimates increased by \$35 million to \$40 million annually, driven by income tax growth.

Other contract provisions will also result in cost savings. The DPOA and DPLSA proposed contracts will eliminate special pay adjustments for senior patrol assignments, which will result in cost savings in FY 2023 and subsequent years. Finally, wage increases are effective as of the ratification date (approx. October 1, 2022), so FY 2023 costs will see a one-time 3-month savings compared to the annualized incremental cost. The remaining net cost in FY 2025 and forward will be offset by overtime savings due to anticipated improvements in recruitment and retention.

The following tables show the detailed fiscal impacts for each of the respective police unions:

**City of Detroit
Detroit Police Officers Association (DPOA)
Labor Contract Agreement**

	2023	2024	2025	2026	2027
Current wages					
Current annual base wages	\$ 115,199,007	\$ 115,199,007	\$ 115,199,007	\$ 115,199,007	\$ 115,199,007
Annual wage increase	0.0%	0.0%	0.0%	0.0%	0.0%
Budgeted Positions	1,947	1,947	1,947	1,947	1,947
Average Base Pay	\$ 59,167	\$ 59,167	\$ 59,167	\$ 59,167	\$ 59,167
Proposed wages					
Proposed annual base wages	\$ 133,310,699	\$ 138,643,127	\$ 144,188,852	\$ 149,956,407	\$ 155,954,663
Annual wage increase	0.0%	4.0%	4.0%	4.0%	4.0%
Market rate adjustment ¹	15.7%	0.0%	0.0%	0.0%	0.0%
Average Base Pay	\$ 68,470	\$ 71,209	\$ 74,057	\$ 77,019	\$ 80,100
Incremental wages	\$ 18,111,693	\$ 23,444,121	\$ 28,989,846	\$ 34,757,400	\$ 40,755,656
Incremental overtime	3,622,339	4,688,824	5,797,969	6,951,480	8,151,131
Incremental other fringes	2,519,337	3,261,078	4,032,488	4,834,754	5,669,112
Total incremental cost of wage increase	\$ 24,253,369	\$ 31,394,023	\$ 38,820,303	\$ 46,543,634	\$ 54,575,899
Shorten progression from 5 to 4 years	\$ -	\$ 1,844,960	\$ 2,172,934	\$ 2,196,859	\$ 1,717,352
Incremental overtime	-	368,992	434,587	439,372	343,470
Incremental other fringes	-	256,633	302,255	305,584	238,884
Incremental cost Shorten progression	\$ -	\$ 2,470,585	\$ 2,909,776	\$ 2,941,815	\$ 2,299,706
New Field Training Officer classification	\$ 69,225	\$ 71,994	\$ 74,874	\$ 77,869	\$ 80,983
Incremental overtime	13,845	14,399	14,975	15,574	16,197
Incremental other fringes	9,629	10,014	10,415	10,832	11,265
Incremental cost Field Training Officer	\$ 92,699	\$ 96,407	\$ 100,264	\$ 104,275	\$ 108,445
Longevity Bonus	\$ 1,863,068	\$ 1,937,591	\$ 2,015,094	\$ 2,095,698	\$ 2,179,526
Incremental other fringes	10,247	10,657	11,083	11,526	11,987
Incremental cost Longevity Bonus	\$ 1,873,315	\$ 1,948,248	\$ 2,026,177	\$ 2,107,224	\$ 2,191,513
Shift Premium increase (\$1.00/\$1.20)	\$ 1,119,136	\$ 1,119,136	\$ 1,119,136	\$ 1,119,136	\$ 1,119,136
Incremental other fringes	6,155	6,155	6,155	6,155	6,155
Incremental cost Shift Premium increase	\$ 1,125,291	\$ 1,125,291	\$ 1,125,291	\$ 1,125,291	\$ 1,125,291
Total incremental cost of package	\$ 27,344,674	\$ 37,034,553	\$ 44,981,811	\$ 52,822,239	\$ 60,300,855
Offsets					
Budgeted wage pattern	\$ 4,627,892	\$ 10,983,527	\$ 15,940,922	\$ 21,047,037	\$ 26,306,339
September 2022 Revenue Conference Increase	15,055,696	24,907,141	26,670,000	25,620,000	25,620,000
Overtime Savings	-	-	1,181,249	4,917,976	7,087,800
Eliminate 2.5% special pay senior patrol	824,917	1,143,885	1,189,641	1,237,226	1,286,715
Assumes 10/1/2022 start	6,836,168	-	-	-	-
Net impact on Four-Year Financial Plan	\$ -	\$ -	\$ -	\$ -	\$ -

Notes

1). Represents overall average. Police Officer minimum increases 23.8% and max increases 14.1%. Police Assistants receive a 4% market adjustment.

**City of Detroit
 Detroit Police Lieutenants and Sergeants Association (DPLSA)
 Labor Contract Agreement**

	2023	2024	2025	2026	2027
Current wages					
Current annual base wages	\$ 53,568,974	\$ 53,568,974	\$ 53,568,974	\$ 53,568,974	\$ 53,568,974
Annual wage increase	0.0%	0.0%	0.0%	0.0%	0.0%
Budgeted Positions	680	680	680	680	680
Average Base Pay	\$ 78,778	\$ 78,778	\$ 78,778	\$ 78,778	\$ 78,778
Proposed wages					
Proposed annual base wages	\$ 60,888,263	\$ 63,323,794	\$ 65,856,745	\$ 68,491,015	\$ 71,230,656
Annual wage increase	0.0%	4.0%	4.0%	4.0%	4.0%
Market rate adjustment ¹	13.7%	0.0%	0.0%	0.0%	0.0%
Average Base Pay	\$ 89,542	\$ 93,123	\$ 96,848	\$ 100,722	\$ 104,751
Incremental wages	\$ 7,319,289	\$ 9,754,820	\$ 12,287,771	\$ 14,922,041	\$ 17,661,682
Incremental overtime	1,463,858	1,950,964	2,457,554	2,984,408	3,532,336
Incremental other fringes	1,018,113	1,356,895	1,709,229	2,075,656	2,456,740
Total incremental cost of wage increase	\$ 9,801,260	\$ 13,062,679	\$ 16,454,554	\$ 19,982,105	\$ 23,650,758
New Master Sergeant classification	\$ 72,416	\$ 75,313	\$ 78,325	\$ 81,458	\$ 84,716
Incremental overtime	14,483	15,063	15,665	16,292	16,943
Incremental other fringes	10,073	10,476	10,895	11,331	11,784
Incremental cost Master Sergeant	\$ 96,972	\$ 100,852	\$ 104,885	\$ 109,081	\$ 113,443
Longevity Bonus	\$ 1,912,608	\$ 1,989,112	\$ 2,068,677	\$ 2,151,424	\$ 2,237,481
Incremental other fringes	10,519	10,940	11,378	11,833	12,306
Incremental cost Longevity Bonus	\$ 1,923,127	\$ 2,000,052	\$ 2,080,055	\$ 2,163,257	\$ 2,249,787
Additional \$400 Clothing Allowance (per FTE)	\$ 272,000	\$ 272,000	\$ 272,000	\$ 272,000	\$ 272,000
Shift Premium increase (\$1.00/\$1.50)	\$ 398,596	\$ 398,596	\$ 398,596	\$ 398,596	\$ 398,596
Incremental other fringes	2,192	2,192	2,192	2,192	2,192
Incremental cost Shift Premium increase	\$ 400,788	\$ 400,788	\$ 400,788	\$ 400,788	\$ 400,788
Total incremental cost of package	\$ 12,494,147	\$ 15,836,371	\$ 19,312,282	\$ 22,927,231	\$ 26,686,777
Offsets					
Budgeted wage pattern	\$ 2,152,027	\$ 5,107,475	\$ 7,412,726	\$ 9,787,135	\$ 12,232,775
September 2022 Revenue Conference Increase	7,077,372	10,533,083	11,430,000	10,980,000	10,980,000
Overtime Savings	-	-	265,911	1,948,305	3,253,739
Eliminate 2.5% police sergeant senior patrol	141,211	195,813	203,645	211,791	220,263
Assumes 10/1/2022 start	3,123,537	-	-	-	-
Net impact on Four-Year Financial Plan	\$ -	\$ -	\$ -	\$ -	\$ -

Notes

1). Represents overall average.

APPROVED



Steven Watson, Deputy CFO / Budget Director