

Fiscal Review of Michigan Municipalities

Business Leaders for Michigan

Leadership Summit on Fiscal Stability

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Drivers of Fiscal Stress in Michigan Cities

- Poor economic growth
- Declining property taxes
- Legacy costs
- Revenue sharing cuts

Root Cause: Poor Economic Growth

Personal Income Growth FY 2000 to FY 2013



SOURCE: PSC calculations using U.S. Bureau of Economic Analysis 6/22/16 data.

A Decade of Declining Property Taxes

Change in Taxable Value 2007 to 2013 (in millions of dollars)

City	2007	2013	Change
Detroit	\$9,468.7	\$8,301.2	-12%
Grand Rapids	\$4,732.0	\$4,357.7	-8%
Livonia	\$5,077.8	\$3,796.6	-25%
Warren	\$4,749.5	\$3,225.0	-32%
Westland	\$2,305.8	\$1,592.1	-31%
Oakland County	\$64,590.3	\$49,235.1	-24%
Wayne County	\$52,471.9	\$40,939.0	-22%
U.S. CPI-U	207.3	233.0	+12.0%

SOURCE: PSC calculations using Michigan Department of Treasury Ad Valorem Property Tax Reports and U.S. Bureau of Labor Statistics data

Legacy Costs Make Cities Uncompetitive

Annual Required Contribution for Legacy Costs

Population of Unit	Number of Units	Pension and OPEB ARC	Percent of Government-wide Revenues
Less than 1,500	11	\$2,004,613	8%
1,501 to 5,000	70	\$25,133,380	12%
5,001 to 10,000	56	\$57,641,497	16%
10,001 to 30,000	88	\$201,772,881	19%
30,001 to 200,000	58	\$603,098,752	21%
Total	283	\$886,651,123	19%

SOURCE: *Legacy Costs Facing Michigan Cities*. Eric Scorsone, Samantha Padilla, Danielle Kamin, and Mary Doidge. 2016.

Revenue Sharing Impact on Cities

Revenue Sharing

City	FY 2007 Revenue Sharing	FY 2016 Revenue Sharing	Percent Change
Detroit	\$272.7	\$194.7	-28.6%
Flint	\$19.0	\$14.5	-23.7%
Grand Rapids	\$22.4	\$19.6	-12.5%
Pontiac	\$12.0	\$9.4	-21.7%
Saginaw	\$10.2	\$7.8	-23.5%
Kalamazoo	\$10.0	\$8.5	-15%
Warren	\$14.2	\$12.8	-9.9%

SOURCE: Michigan Department of Treasury Bimonthly Estimated Payments for Local Governments and FY 2015 and FY 2016 Actual CVTRS Payments Comparison updated 9/20/2016.

Solutions

1. Prioritize economic growth
2. Address legacy costs
3. Rethink revenue sharing
4. Incent service sharing
5. Create a local government oversight commission
6. Build capacity in local government finance staff