

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Six Months ended December 31, 2017

February 26, 2018



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Executive summary

- The CFO has begun issuing key financial policies for the City under a new comprehensive system for establishing and disseminating all information regarding the authority, functions, procedures, statements, opinions, and other governance of the OCFO.
- The City is utilizing up to \$55 million of unassigned fund balance to repurchase a portion of its outstanding Financial Recovery Bonds.
- The Mayor presented his recommended FY 2019-2022 Four-Year Financial Plan to the City Council on February 23, which includes the revenue estimates approved by the City's Revenue Estimating Conference held on February 14.
- The City issued its FY 2017 Comprehensive Annual Financial Report on January 31, four months sooner than the previous year. It marks the City's third consecutive year ending with a balanced budget and operating surplus.
- FY 2018 is currently projected to end with an operating surplus of approximately \$27M.
 - Revenue projections continue to reflect the September 2017 Revenue Estimating Conference results. The results from the February 2018 Revenue Estimating Conference will be incorporated into next month's budget projection. (page 3)
 - Payroll and employee benefit expenditures are trending below budget as a result of position vacancies. (page 3)
 - The General City active employee count increased in December but remains below budget. (page 4)
- The December YTD General City property tax collection rate of 55% has improved over the prior year. Only a portion of the tax roll has come due to date. (page 7)
- Accounts Payable as of December had a net decrease of \$8.2M compared to November. Net AP not on hold had a net increase of \$4.4M. The number of open invoices not on hold increased by 705. (page 8)
- With respect to Exit Financing, four new projects were approved in December for the Mayor's Innovation Challenge.
- In December, there was a net federal/state grants increase of \$43.5M, which includes HUD FY17 funding through the Emergency Solutions Grant (ESG), Housing for People with AIDS (HOPWA) and HOME programs. Over \$900K in private funds supported City initiatives, including \$750,000 from the W.K. Kellogg Foundation to Goodwill Industries to launch "The Source" program in Detroit, which supports the employment of low and moderate income individuals. (page 10)



FY 2018 year-to-date general ledger actuals and annualized projection

GENERAL FUND <i>\$ in millions</i>	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS		
	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL
	AMENDED (1)				(F) F = E-B	(G) % G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D	(F) F = E-B	(G) % G = (F/B)	H	I	(J) J = I-H
REVENUE:									
Municipal Income Tax	\$ 118.7	\$ 143.0	\$ -	\$ 143.0	\$ 24.3	20.5%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes	64.5	68.7	(2.1)	66.6	2.1	3.3%	124.0	124.0	-
Wagering Taxes	86.7	92.4	-	92.4	5.6	6.5%	177.8	179.0	1.2
Utility Users' Tax	17.5	10.5	6.3	16.8	(0.7)	(4.2%)	35.0	38.9	3.9
State Revenue Sharing	65.7	67.6	-	67.6	1.9	3.0%	196.7	198.8	2.0
Sales and Charges for Services	62.9	39.1	-	39.1	(23.9)	(37.9%)	121.1	120.6	(0.5)
Licenses, Permits, and Inspection Charges	6.6	3.1	-	3.1	(3.5)	(52.4%)	11.7	12.4	0.7
Contributions and Transfers (5)	32.1	26.3	-	26.3	(5.8)	(18.2%)	68.1	68.1	(0.0)
Grants and Other Revenues	0.7	0.3	-	0.3	(0.3)	(47.3%)	0.8	0.9	0.2
Fines, Forfeits and Penalties	12.6	10.6	-	10.6	(2.1)	(16.3%)	25.3	25.0	(0.3)
Revenues from Use of Assets	1.7	1.5	-	1.5	(0.2)	(12.5%)	3.3	3.4	0.1
Other Taxes, Assessments, and Interest	3.6	5.4	-	5.4	1.7	47.3%	7.3	6.8	(0.5)
Sales of Assets and Compensation for Losses	2.8	0.1	-	0.1	(2.7)	(95.6%)	5.6	1.9	(3.7)
Miscellaneous	6.2	4.1	-	4.1	(2.1)	(34.1%)	12.4	9.7	(2.6)
Adjust for Prior Year Carry-forward (6)	120.7	-	120.7	120.7	-		120.7	120.7	-
TOTAL (L)	\$ 603.0	\$ 472.7	\$ 124.8	\$ 597.4	\$ (5.5)	(0.9%)	\$ 1,192.9	\$ 1,202.3	\$ 9.4
EXPENDITURES:									
Salaries and Wages	\$ (213.9)	\$ (201.0)	\$ -	\$ (201.0)	\$ 12.8	6.0%	\$ (428.1)	\$ (414.6)	\$ 13.5
Employee Benefits	(182.1)	(159.1)	-	(159.1)	23.0	12.6%	(278.6)	(272.9)	5.7
Professional and Contractual Services	(41.1)	(25.1)	(35.7)	(60.7)	(19.7)	(47.9%)	(79.0)	(83.9)	(5.0)
Operating Supplies	(20.6)	(20.7)	(10.7)	(31.3)	(10.7)	(52.1%)	(40.1)	(39.8)	0.3
Operating Services	(63.2)	(35.6)	(5.7)	(41.3)	21.9	34.7%	(120.3)	(120.5)	(0.2)
Capital Equipment	(0.7)	0.4	0.4	0.8	1.5	206.1%	(0.9)	(0.9)	-
Capital Outlays	(14.7)	(3.9)	(4.3)	(8.2)	6.5	44.3%	(29.0)	(29.0)	0.0
Debt Service	(30.6)	(33.9)	-	(33.9)	(3.2)	(10.6%)	(61.3)	(61.3)	-
Other Expenses	(91.5)	(68.0)	(1.9)	(69.9)	21.5	23.6%	(155.6)	(152.2)	3.4
TOTAL (M)	\$ (658.3)	\$ (546.8)	\$ (57.9)	\$ (604.6)	\$ 53.7	8.2%	\$ (1,192.9)	\$ (1,175.2)	\$ 17.7
VARIANCE (N = L + M)	\$ (55.3)	\$ (74.1)	\$ 66.9	\$ (7.2)	\$ 48.1	N/A	\$ -	\$ 27.0	\$ 27.0

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect six months ending December 31, 2017.
- (3) Reflects encumbrances and pending adjustments.
- (4) Projected revenues are based on the City's September 2017 Revenue Estimating Conference results.
- (5) This revenue line also includes the use of fund balance totaling \$50M to support one-time spending on capital (\$20M) and blight (\$30M).
- (6) This revenue line reflects fund balance assigned to support prior year encumbrances and carry-forwards, for which equivalent amounts are captured within expenditures.



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual	Actual	Change	Amended	Variance	
	November 2017	December 2017	Dec. 2017 vs. Nov. 2017	Budget FY 2018 ⁽²⁾	Under/(Over) Budget vs. December 2017	
Public Safety						
Police	3,065	3,072	7	3,121	49	2%
Fire	1,143	1,173	30	1,274	101	8%
Total Public Safety	4,208	4,245	37	4,395	150	3%
Non-Public Safety						
Office of the Chief Financial Officer	423	418	(5)	482	64	
Public Works - Regular	375	379	4	419	40	
Public Works - Seasonal	17	17	0	26	9	
Health and Wellness Promotion	64	65	1	76	11	
Human Resources	95	96	1	108	12	
Housing and Revitalization	78	81	3	91	10	
Innovation and Technology	98	97	(1)	134	37	
Law	105	105	0	118	13	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	31	28	(3)	41	13	
Recreation - Regular	265	266	1	326	60	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	337	350	13	504	154	
General Services - Seasonal	25	25	0	219	194	
Legislative ⁽³⁾	247	244	(3)	259	15	
36th District Court	313	313	0	331	18	
Other ⁽⁴⁾	107	107	0	110	3	
Total Non-Public Safety	2,652	2,663	11	3,580	917	26%
Total General City	6,860	6,908	48	7,975	1,067	13%
Enterprise						
Airport	4	4	0	4	0	
BSEED	207	205	(2)	230	25	
Transportation	940	946	6	927	(19)	
Municipal Parking	77	81	4	95	14	
Water and Sewerage	510	522	12	579	57	
Library	302	304	2	332	28	
Total Enterprise	2,040	2,062	22	2,167	105	5%
Total City	8,900	8,970	70	10,142	1,172	12%

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, seasonal employees and PSCs if funded by vacant budgeted positions.
- (2) Amended Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (4) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2018 year-to-date net cash flows

For 6 Months Ending December 31, 2017

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 6 Months	FY17 Actual 6 Months	Variance
Property Taxes	\$ 79.2	\$ 73.4	\$ 5.8
Municipal Income Taxes	141.1	129.3	11.8 (1)
Utility Users Taxes	10.7	8.9	1.8
Wagering Taxes	91.0	90.8	0.3
State Revenue Sharing	100.9	97.8	3.1
Other / Misc.	138.9	108.9	29.9 (2)
Total Receipts	561.8	509.1	52.7
Salaries and Wages	(216.5)	(202.6)	(13.9) (3)
Employee Benefits	(55.9)	(59.4)	3.5 (4)
Materials, Contracts & Other	(192.9)	(206.7)	13.8
Total Disbursements	(465.3)	(468.7)	3.4
Operating Surplus (before Reinvestment)	96.5	40.4	56.1
Debt Service	(33.1)	(41.7)	8.6 (5)
Non-Financing Adjustments	0.0	3.4	(3.4) (6)
Total Adjustments to arrive at Net Cash Flow	(33.1)	(38.3)	5.2
Net Cash Flow	\$ 63.4	\$ 2.1	\$ 61.3
Beginning cash balance	\$ 186.3 (7) (8)		
Net Cash Flow	249.7 (7)		
Ending cash balance	62.3 (9)		
Budget Reserve Fund	\$ 312.0		
Total Cash Balance			

Notes:

This schedule represents cash inflows and outflows during the fiscal period. It is not intended to tie to actual revenues and expenditures recorded in the general ledger due to accrual accounting and non-cash transactions.

- (1) Increase is due to a reduction in the amount of refunds processed.
- (2) FY18 includes \$19.5m MDOT receipt for Gordie Howe Municipal Bridge Project and \$15m receipt from the sale of the Premier Garage which was used to redeem Cnote principal in January.
- (3) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (4) The amount of set aside for the Retiree Protection Trust Fund was \$15m in FY18 and \$30m in FY17. The additional variance due to the timing of payments.
- (5) The August 2016 refunding of the 2010 Distributable State Aid notes resulted in reduced outflow for debt service.
- (6) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (7) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (8) Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund Balance because the balances in these accounts are not available General Fund dollars.
- (9) The Budget Reserve Fund is in excess of 5% of the annual budget and in a segregated account.



FY 2018 year-to-date cash flow to general ledger reconciliation

For 6 Months Ending December 31, 2017
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 79.2	\$ (12.6)	\$ 66.6	(2)	\$ 68.7	\$ (2.1)	\$ 66.6	\$ 0.0
Municipal Income Taxes	141.1	1.9	143.0	(3)	143.0	-	143.0	0.0
Utility Users Taxes	10.7	(0.2)	10.5	(4)	10.5	-	10.5	0.0
Wagering Taxes	91.0	1.4	92.4	(5)	92.4	-	92.4	0.0
State Revenue Sharing	100.9	(33.3)	67.6	(6)	67.6	-	67.6	0.0
Other / Misc.	138.9	(48.4)	90.5	(7)	90.5	-	90.5	0.0
Total Receipts	561.8	(91.2)	470.6		472.7	(2.1)	470.6	0.0
Salaries and Wages	(216.5)	15.5	(201.0)	(8)	(201.0)	-	(201.0)	0.0
Employee Benefits	(55.9)	(103.2)	(159.1)	(9)	(159.1)	-	(159.1)	0.0
Materials, Contracts & Other	(192.9)	40.1	(152.8)	(10)	(152.8)	-	(152.8)	0.0
Total Disbursements	(465.3)	(47.6)	(512.9)		(512.9)	-	(512.9)	0.0
Operating Surplus (before Reinvestment)	96.5	(138.8)	(42.3)		(40.2)	(2.1)	(42.3)	0.0
Debt Service	(33.1)	(0.8)	(33.9)	(11)	(33.9)	-	(33.9)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	(33.1)	(0.8)	(33.9)		(33.9)	-	(33.9)	0.0
Net Inflows /(Outflows)	\$ 63.4	\$ (139.6)	\$ (76.2)		\$ (74.1)	\$ (2.1)	\$ (76.2)	\$ 0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that were not recorded as of December 31, 2017.
- (2) \$26m pertains to FY17 offset by \$13.4m of revenue pending distribution to the General Fund.
- (3) Differences due to changes in refund liability.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$2.4m of December revenue received in January.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$21.5m non-General Fund 1000 receipts, \$16.4m of collections are cash specific, and \$16.5m pertained to prior years offset by \$6m Gaming Rev accrual.
- (8) Approximately \$18.3m of the difference relates to FY17 activity and the balance is non-General Fund disbursements.
- (9) Approximately \$1.4m of Benefits is FY17 activity & \$14.3m attributed to the timing of payments offset by \$90m relating to prior years RPTF set aside & \$28.9m FY18 Pension obligation
- (10) Approx. \$36m of disbursements are non-General Fund, \$30.6m related to FY17 offset by \$2.4m in cash specific activity & \$24.1m Risk Management & insurance premium non-cash book transfers.
- (11) \$0.8m represents timing of payments for debt set aside.



FY 2018 year-to-date property tax collections

For 6 months ended December 31, 2017

\$ in millions

	FY 2018			FY 2017		
	Adjusted Tax Roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 61.6			\$ 61.3	
General Special Acts		1.9			2.0	
General Total	\$ 115.7	\$ 63.5	54.88%	\$ 120.7	\$ 63.3	52.44%
Debt Service Total	\$ 51.1	\$ 28.1	54.99%	\$ 62.0	\$ 32.6	52.58%
Solid Waste Total	\$ 52.8	\$ 21.9	41.48%	\$ 54.8	\$ 18.8	34.31%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 61.6	\$ 61.3
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	5.0	5.8
Total Property Tax Collections (Ad Val + DTRF)		\$ 66.6	\$ 67.1
Admin Fee, Interest, Penalty YTD	(4)	\$ 3.3	\$ 3.1

Notes:

- (1) Amounts do not include collections from Wayne County settlement checks as a result of foreclosure and auction activity.
- (2) Amounts are net of property taxes collected by the City on behalf of DPS, State Education Trust, Wayne County and other non-City taxing authorities.
- (3) Wayne County monthly DTRF settlement checks.
- (4) Special Act, Admin Fee, Interest and Penalty are recorded in Budget's Other Taxes, Assessments, and Interest category.



Accounts payable summary

- Accounts Payable as of December had a net decrease of \$8.2M compared to November. Net AP not on hold had a net increase of \$4.4M. The number of open invoices not on hold increased by 705.

All Funds
\$ in millions

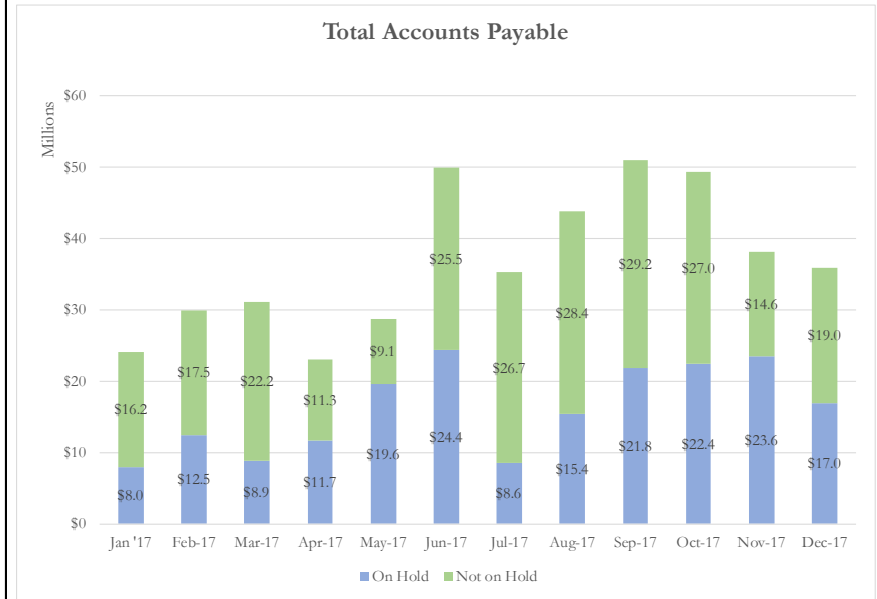
Accounts Payable (AP) as of Dec-17	
Total AP (Nov-17)	\$ 44.2
Plus: Dec-17 invoices processed	\$ 66.3
Less: Dec-17 Payments made	\$ (74.5)
Total AP month end (Dec-17)	\$ 36.0
Less: Invoices on hold (1)	\$ (16.2)
Less: Installments/Retainage Invoices(2)	(0.8)
Net AP not on hold	\$ 19.0

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Dec-17. Total	\$ 19.0	\$ 6.3	\$ 8.2	\$ 3.4	\$ 1.2
<i>% of total</i>	100%	33%	43%	18%	6%
<i>Change vs. Nov-17</i>	\$ 4.4	\$ (4.8)	\$ 6.4	\$ 2.7	\$ 0.2
Total Count of Invoices	1,584	646	434	147	357
<i>% of total</i>	100%	41%	27%	9%	23%
<i>Change vs. Nov-17</i>	705	(28)	342	109	282
Nov-17. Total	\$ 14.6	\$ 11.2	\$ 1.8	\$ 0.6	\$ 1.0
<i>% of total</i>	100%	76%	12%	4%	7%
Total Count of Invoices	879	674	92	38	75
<i>% of total</i>	100%	77%	10%	4%	9%

Notes:

- Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal holds
- Invoices on retainage are on hold until the supplier satisfies all contract obligations
- Invoices are processed and aged based on the invoice date. If the invoices were aged based on the date received the aging would show improved current category values
- DWSD amount of \$14.3M payable to Great Lakes Water Authority, which remains under negotiations is excluded above.



Exit financing utilized to jump start technology, neighborhoods, and public safety improvements

- In December, four new projects were approved for the Mayor's Innovation Challenge.

\$ in millions

	Open and Closed Projects		
	Number of Projects	Approved and Authorized	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	6	(41.7)	(39.2)
Blight	9	(29.2)	(25.4)
Police	7	(25.4)	(21.1)
Fire	11	(35.7)	(27.9)
General Services	14	(28.6)	(26.3)
Office of the Chief Financial Officer	13	(25.4)	(18.1)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.7)
Law	1	(1.1)	(1.1)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.7)	(0.7)
Other	4	(0.3)	(0.3)
Subject to Reconciliation	–	–	(0.0)
Subtotal Projects	70	(\$195.6)	(\$165.9)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	70	(\$198.4)	(\$168.7)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$34.8	

Note: 44 Closed Projects. Unaudited amounts subject to reconciliation.

Source: Oracle Cloud Financials, Office of Financial Planning & Analysis



The City is leveraging funding from external sources

- In December, there was a net federal/state grants increase of \$43.5M, which includes HUD FY17 funding through the Emergency Solutions Grant (ESG), Housing for People with AIDS (HOPWA) and HOME programs. Over \$900K in private funds supported City initiatives, including \$750,000 from the W.K. Kellogg Foundation to Goodwill Industries to launch "The Source" program in Detroit, which supports the employment of low and moderate income individuals.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	397.8	-	20
Housing & Revitalization	253.5	-	21
Health	37.7	-	5
Fire	30.3	-	8
Public Works	30.6	-	20
Police	20.6	-	31
Homeland Security and Emergency Management	2.7	-	7
Recreation	1.7	-	5
Other (3)	1.6	-	6
Active Federal/State grants	\$ 776.5	\$ -	123
Active private grants and donations	98.8	-	172
Total active grants and donations (4)	\$ 875.3	\$ -	295

Notes:

(1) Reflects original amounts awarded and amendments for active grants as of December 31, 2017. Remaining amount available to be spent will be lower for most departments.

(2) The amounts awarded as of December 31 are separated between grant appropriations already approved and any that may be pending approval as of the date this report is presented.

(3) Other includes departments and agencies totaling less than \$1M.

(4) The City also partners with third-party agencies to directly pursue and implement grants aligned with the City's priorities. Such grants are included above for private funds but not federal/state grants.



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