

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Two Months ended August 31, 2017

October 30, 2017



Table of contents

	Page
Executive summary	2
August year-to-date (YTD) general ledger actuals and annualized projection	3
August active employee count compared to budget	4
August YTD net cash flows	5
August YTD cash flow to general ledger reconciliation	6
August YTD property tax revenue collections	7
August accounts payable summary	8
Exit financing summary	9
External funding summary	10



Executive summary

- On October 24, the City Council approved the Mayor's proposal to invest \$125M in bond funds to revitalize neighborhood commercial corridors. The bonds will be funded by the City's increased share of State road revenue and will support road and sidewalk improvements and other corridor enhancements. The bond funds will complement another \$193M over the next five years from annual funding for road improvement projects.
- In October, the City received its second credit rating upgrade in less than three years and its highest since March 2012. Moody's Investors Service upgraded Detroit's issuer rating to B1 from B2 and also assigned a positive outlook to reflect the possibility of future upgrades.
- The OCFO is documenting and improving its major policies and business process lifecycles that connect activities across divisions. The process is nearing completion.
- FY 2018 is currently projected to end with a budget surplus from current year activity of approximately \$31.3M.
 - Revenue projections are based on the September 2017 Revenue Estimating Conference results, which are above the February 2017 revenue estimates used for the adopted budget. (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 August but remains below budget. (page 4)
- The August YTD General City property tax collection rate of 44.8% has improved slightly over the prior year. (page 7)
- Total Accounts Payable as of August 2017 had a net increase of \$69.2M compared to July. Net AP not on hold had a net increase of \$43.3M. The number of open invoices not on hold decreased by 970. (page 8)
- With respect to exit financing, approved projects increased by \$3.5M for the OCFO's citywide reappraisal project.
- In August, the Federal and State grant funds had a net increase of \$1.8M. Police received 1 new award, received 1 extension, and closed 1 grant. The main private funding received was a \$500,000 donation from JP Morgan Chase to the Detroit Employment Solutions Corporation in support of the Randolph Career Technical Education School's expansion, providing workforce training for high school age and adult Detroiters. (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 = E-B	% G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D			H	I	($\$$) J = I-H
REVENUE:									
Municipal Income Tax	\$ 39.6	\$ 39.8	\$ -	\$ 39.8	\$ 0.2	0.6%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes	45.6	51.6	-	51.6	6.0	13.1%	124.0	124.0	-
Wagering Taxes	28.9	26.7	-	26.7	(2.2)	(7.5%)	177.8	179.0	1.2
Utility Users' Tax	5.8	2.0	-	2.0	(3.8)	(65.0%)	35.0	38.9	3.9
State Revenue Sharing	0.1	-	-	-	(0.1)	(100.0%)	196.7	198.8	2.0
Sales and Charges for Services	22.6	2.3	-	2.3	(20.3)	(89.9%)	121.1	120.6	(0.4)
Licenses, Permits, and Inspection Charges	3.2	0.9	-	0.9	(2.3)	(71.0%)	11.7	12.3	0.7
Contributions and Transfers (5)	8.1	10.3	-	10.3	2.2	27.7%	68.1	68.1	(0.0)
Grants and Other Revenues	0.6	0.1	-	0.1	(0.5)	(91.0%)	0.8	0.9	0.2
Fines, Forfeits and Penalties	4.2	2.9	-	2.9	(1.3)	(30.5%)	25.3	25.0	(0.3)
Revenues from Use of Assets	0.5	0.4	-	0.4	(0.2)	(28.2%)	3.3	3.4	0.1
Other Taxes, Assessments, and Interest	1.2	3.1	-	3.1	1.9	156.3%	7.3	6.8	(0.5)
Sales of Assets and Compensation for Losses	0.9	0.2	-	0.2	(0.7)	(74.1%)	5.6	1.9	(3.7)
Miscellaneous	2.0	8.0	(7.5)	0.5	(1.5)	(74.7%)	12.3	9.6	(2.6)
TOTAL (L)	\$ 163.5	\$ 148.5	\$ (7.5)	\$ 141.0	\$ (22.5)	(13.8%)	\$ 1,072.1	\$ 1,081.5	\$ 9.4
EXPENDITURES:									
Salaries and Wages	\$ (67.5)	\$ (61.7)	\$ -	\$ (61.7)	\$ 5.8	8.6%	\$ (429.7)	\$ (421.5)	\$ 8.1
Employee Benefits	(26.2)	(16.9)	-	(16.9)	9.3	35.5%	(188.7)	(180.6)	8.1
Professional and Contractual Services	(12.3)	(7.4)	(28.1)	(35.5)	(23.2)	(188.3%)	(75.5)	(74.6)	0.8
Operating Supplies	(6.6)	(6.3)	(19.9)	(26.2)	(19.5)	(294.8%)	(39.2)	(38.1)	1.1
Operating Services	(19.2)	(20.2)	(8.1)	(28.3)	(9.1)	(47.2%)	(115.5)	(111.8)	3.6
Capital Equipment	(0.1)	(0.0)	(0.9)	(0.9)	(0.8)	(1283.1%)	(0.4)	(0.4)	-
Capital Outlays	(4.9)	(1.5)	(9.0)	(10.6)	(5.7)	(116.8%)	(28.8)	(28.8)	(0.0)
Debt Service	(10.2)	-	-	-	10.2	100.0%	(61.3)	(61.3)	-
Other Expenses	(24.6)	(32.7)	(1.9)	(34.6)	(10.0)	(40.5%)	(133.2)	(133.1)	0.1
TOTAL (M)	\$ (171.6)	\$ (146.7)	\$ (67.9)	\$ (214.6)	\$ (43.0)	(25.0%)	\$ (1,072.1)	\$ (1,050.2)	\$ 21.9
VARIANCE (N = L + M)	\$ (8.2)	\$ 1.8	\$ (75.4)	\$ (73.6)	\$ (65.5)	N/A	\$ -	\$ 31.3	\$ 31.3

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect two months ending August 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).



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual July 2017	Actual August 2017	Change August 2017 vs. July 2017	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. August 2017	
Public Safety						
Police	2,967	3,028	61	3,111	83	3%
Fire	1,186 ⁽⁶⁾	1,180	(6)	1,274	94	7%
Total Public Safety	4,153	4,208	55	4,385	177	4%
Non-Public Safety						
Office of the Chief Financial Officer	425	428	3	482	54	
Public Works	383	394	11	445 ⁽³⁾	51	
Health and Wellness Promotion	32	62	30	76	14	
Human Resources	97	98	1	108	10	
Housing and Revitalization	72	70	(2)	91	21	
Innovation and Technology	93	91	(2)	134	43	
Law	111	115	4	118	3	
Mayor's Office (includes Homeland Security)	69	69	0	70	1	
Planning and Development	27	27	0	41	14	
Recreation	364	291	(73)	590 ⁽³⁾	299	
General Services	518	556	38	713 ⁽³⁾	157	
Legislative ⁽⁴⁾	206	255	49	257 ⁽⁵⁾	2	
36th District Court	310	310	0	331	21	
Other ⁽⁵⁾	102	107	5	110	3	
Total Non-Public Safety	2,809	2,873	64	3,566	693	19%
Total General City	6,962	7,081	119	7,951	870	11%
Enterprise						
Airport	4	4	0	4	0	
BSEED	193	195	2	230	35	
Transportation	940	942	2	927	(15)	
Municipal Parking	82	88	6	95	7	
Water and Sewerage	488	488	0	579	91	
Library	288 ⁽⁷⁾	290	2	332	42	
Total Enterprise	1,995	2,007	12	2,167	160	7%
Total City	8,957	9,088	131	10,118	1,030	10%

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) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (4) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (5) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.
- (6) The July 2017 actual position count for Fire has been adjusted from 1,212 to 1,186
- (7) The July 2017 actual position count for Library has been adjusted from 296 to 288



FY 2018 year-to-date net cash flows

For 2 Months Ending August 31, 2017

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual		FY17 Actual	
	<u>2 Months</u>		<u>2 Months</u>	<u>Change</u>
Property Taxes	\$	51.6 (1)	\$	54.4 \$ (2.8)
Municipal Income Taxes		36.3		37.4 (1.1)
Utility Users Taxes		2.2		2.9 (0.7)
Wagering Taxes		27.9		28.0 (0.1)
State Revenue Sharing		33.3		32.0 1.3
Other / Misc.		32.4		35.1 (2.7)
Total Receipts		183.7		189.8 (6.1)
Salaries and Wages		(76.3)		(72.2) (4.1)
Employee Benefits		(14.5)		(5.9) (8.6)
Materials, Contracts & Other		(73.2)		(89.9) 16.7
Total Disbursements		(164.0)		(168.0) 4.0
Operating Surplus (before Reinvestment)		19.7		21.8 (2.1)
Debt Service		(4.2)	\$	(7.1) 2.9
Non-Financing Adjustments		0.0		(26.6) (2) 26.6
Total Adjustments to arrive at Net Cash Flow		(4.2)		(33.7) 29.5
Net Cash Flow	\$	15.5	\$	(11.9) \$ 27.4
Beginning cash balance (net of Property Tax distribution owed) (3)	\$	364.0	\$	372.1 \$ (8.1)
Net Cash Flow		15.5		(11.9) 27.4
Lockbox reserves		-		- -
Ending cash balance (net of Property Tax distribution owed) (3)	\$	379.5	\$	360.2 \$ 19.3

Notes:

- (1) Property Tax Detail located on page 7.
- (2) Includes \$30m set aside for Retiree Protection Fund offset by \$3.4m inflow of excess self-insurance requirements.
- (3) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.



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

For 2 Months Ending August 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	\$ 51.6	\$ -	\$ 51.6		\$ 51.6	\$ -	\$ 51.6	\$ 0.0
Municipal Income Taxes	36.3	3.5	39.8	(2)	39.8	-	39.8	0.0
Utility Users Taxes	2.2	(0.2)	2.0	(3)	2.0	-	2.0	0.0
Wagering Taxes	27.9	(1.2)	26.7	(4)	26.7	-	26.7	0.0
State Revenue Sharing	33.3	(33.3)	-	(5)	-	-	-	0.0
Other / Misc.	32.4	(11.6)	20.8	(6)	28.3	(7.5)	20.8	0.0
Total Receipts	183.7	(9.5)	174.2		181.7	(7.5)	174.2	0.0
Salaries and Wages	(76.3)	14.6	(61.7)	(7)	(61.7)	-	(61.7)	0.0
Employee Benefits	(14.5)	(2.4)	(16.9)	(8)	(16.9)	-	(16.9)	0.0
Materials, Contracts & Other	(73.2)	5.1	(68.1)	(9)	(68.1)	-	(68.1)	0.0
Total Disbursements	(164.0)	17.3	(146.7)		(146.7)	-	(146.7)	0.0
Operating Surplus (before Reinvestment)	19.7	7.8	27.5		35.0	(7.5)	27.5	0.0
Debt Service	(4.2)	4.2	-	(10)	-	-	-	-
Non-Financing Adjustments	-	-	-		-	-	-	0.0
Total Adjustments to arrive at Net Cash Flow	(4.2)	4.2	-		-	-	-	-
Net Inflows /(Outflows)	\$ 15.5	\$ 12.0	\$ 27.5		\$ 35.0	\$ (7.5)	\$ 27.5	\$ 0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that were not recorded as of August 31, 2017.
- (2) Refunds claimed (and accrued) determined to be invalid after processing and review.
- (3) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY2017.
- (4) \$1.5m of Wagering Taxes collected in FY2018 pertained to FY2017 offset by \$0.3m collected in September 2017.
- (5) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (6) \$3.4m of collections are cash specific, \$0.7m are non-General Fund 1000 receipts and \$7.5 Muni Services Fee (Gaming) pertained to FY17.
- (7) Approximately \$18.3m of the difference relates to FY2017 activity and the balance is non-General Fund disbursements.
- (8) Approximately \$1.4m of Benefits relates to FY2017 activity offset by the \$3.8m FY2018 Pension obligation.
- (9) Approximately \$17.2m of disbursements are non-General Fund and \$12.1m related to FY2017 offset by \$24.1m Risk Management & insurance premium non-cash book transfers.
- (10) \$1.7m represents Pledged Income Tax Trustee Capture Interest and \$2.5m State Revenue Sharing debt set aside.



FY 2018 year-to-date property tax collections

For 2 months ended August 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		\$ 50.6		\$ 50.9		
General Special Acts		1.2		1.3		
General Total	\$ 115.7	\$ 51.8	44.77%	\$ 120.7	\$ 52.2	43.25%
Debt Service Total	\$ 51.1	\$ 23.1	45.21%	\$ 62.0	\$ 27.1	43.71%
Solid Waste Total	\$ 52.8	\$ 19.9	37.69%	\$ 54.8	\$ 16.3	29.74%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 50.6	\$ 50.9
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	1.0	3.5
Total Property Tax Collections (Ad Val + DTRF)		\$ 51.6	\$ 54.4
Admin Fee, Interest, Penalty YTD	(4)	\$ 1.9	\$ 1.9

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

- Total Accounts Payable as of August 2017 had a net increase of \$69.2M compared to July. Net AP not on hold had a net increase of \$43.3M. The number of open invoices not on hold decreased by 970.

All Funds

\$ in millions

Accounts Payable (AP) as of Aug-17	
Total AP (Jul-17)	\$ 49.5
Plus: Aug-17 invoices processed	\$ 141.5
Less: Aug-17 Payments made	\$ (72.3)
Total AP month end (Aug-17)	\$ 118.7
Less: Invoices on hold (1)	\$ (48.5)
Less: Installments/Retainage Invoices(2)	(0.3)
Net AP not on hold	\$ 69.9

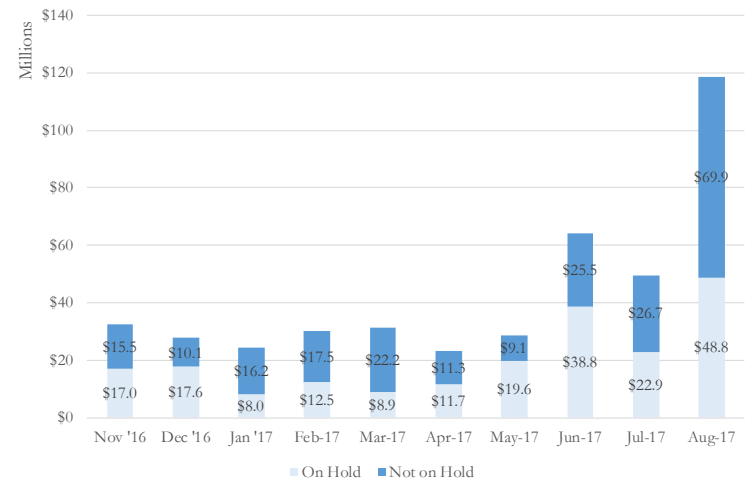
AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Aug-17. Total	\$ 69.9	\$ 8.9	\$ 60.2	\$ 0.6	\$ 0.2
<i>% of total</i>	100%	13%	86%	1%	0%
<i>Change vs. Jul-17</i>	\$ 43.3	\$ (10.7)	\$ 55.7	\$ (0.4)	\$ (1.4)
Total Count of Invoices	\$ 981	\$ 793	\$ 121	\$ 22	\$ 45
<i>% of total</i>	100%	81%	12%	2%	5%
<i>Change vs. Jul-17</i>	(970)	(562)	(238)	(82)	(88)
Jul-17. Total	\$ 26.6	\$ 19.5	\$ 4.5	\$ 1.0	\$ 1.5
<i>% of total</i>	100%	73%	17%	4%	6%
Total Count of Invoices	\$ 1,951	\$ 1,355	\$ 359	\$ 104	\$ 133
<i>% of total</i>	100%	69%	18%	5%	7%

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

Total Accounts Payable
as of August 2017



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

- In August, approved projects increased by \$3.5M for the OCFO's citywide reappraisal project.

\$ 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	(41.3)	(36.6)
Blight	7	(25.2)	(25.2)
Police	6	(25.1)	(21.4)
Fire	11	(35.7)	(20.7)
General Services	14	(28.3)	(23.6)
Office of the Chief Financial Officer	12	(25.0)	(17.0)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.6)
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	–	–	(0.9)
Subtotal Projects	66	(\$190.3)	(\$153.1)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	66	(\$193.1)	(\$155.9)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$40.1	

Note: 43 Closed Projects / 23 Open Projects as of 8/31/17.

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



The City is leveraging funding from external sources

- In August, the Federal and State grant funds had a net increase of \$1.8M. Police received 1 new award, received 1 extension, and closed 1 grant. The main private funding received was a \$500,000 donation from JP Morgan Chase to the Detroit Employment Solutions Corporation in support of the Randolph Career Technical Education School's expansion, providing workforce training for high school age and adult Detroiters.

<i>\$ in millions</i>	<u>Amount Awarded (1)</u>		Number of Grants
	<u>Appropriation Approved (2)</u>	<u>Appropriation Pending (2)</u>	
Department			
Transportation	\$ 368.5	\$ -	20
Housing & Revitalization	207.9	-	17
Public Works	30.6	-	20
Fire Department	27.6	-	8
Police	18.5	-	26
Health & Wellness Promotion	22.3	-	3
Recreation	3.3	-	9
Homeland Security and Emergency Management (HSEM)	2.7	-	8
General Services	0.8	-	1
Coleman A. Young Airport (Airport)	0.3	-	2
Other (3)	0.6	-	4
Active Federal/State grants (4)	\$ 683.1	\$ -	118
Active private grants and donations (5)	63.7	-	77
Total active grants and donations	\$ 746.8	\$ -	195

Notes:

- (1) Reflects original amounts awarded and amendments for active grants as of August 31, 2017. Remaining amount available to be spent will be lower for most departments.
- (2) The amounts awarded as of August 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 BSEED and Historic Designation Advisory Board.
- (4) Excludes Federal/State grants received directly by third-party agencies for the benefit of the City.
- (5) Includes private funds received directly by third-party agencies for the benefit of the City.



Page Intentionally Left Blank

