

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Eight Months ended February 28, 2018

April 16, 2018



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Executive summary

- The OCFO continues to document key financial policies and standard operating procedures. The OCFO plans to issue its Debt Issuance and Management policy and its Investments and Investment Management policy this week. Upon issuance, the OCFO will submit the Investments and Investment Management policy to the City Council for their consideration.
- The OCFO has accomplished a significant turnaround of its accounts payable process over the past three years.
 - In August 2016, there were 4,000 backlogged invoices on hold waiting to be processed. Now, it is down to only 585 (an 85% reduction), of which only 217 are past due.
 - In August 2016, only 5 suppliers were using the online portal to submit invoices. Now, it is up to 736.
 - In January 2017, only 30% of suppliers were paid via ACH. Now, over 90% are paid via ACH instead of checks.
- FY 2018 is currently projected to end with an operating surplus of approximately \$36M.
 - Revenue projections reflect the February 2018 Revenue Estimating Conference results, which remain above 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 February but remains below budget. (page 4)
- As of February, the City's General City property tax current collection rate for the year was 80.6%. (page 7)
- Accounts Payable as of February had a net decrease of \$2.9M compared to January. Net AP not on hold had a net decrease of \$3.5M. The number of open invoices not on hold decreased by 155. (page 8)
- In February, there was a net increase of \$11.7M in the overall grant portfolio. The most significant new awards included \$600K for the Center for Economic Opportunity to support workforce opportunities for returning citizens, and \$500K from the National Park Service for stabilization and repair of the Ossian Sweet House and adjacent context. (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 = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D			H	I	(J) J = I-H
REVENUE:									
Municipal Income Tax	\$ 173.5	\$ 188.2	\$ -	\$ 188.2	\$ 14.7	8.5%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes (5)	105.2	88.8	8.1	97.0	(8.2)	(7.8%)	124.0	133.1	9.1
Wagering Taxes	115.6	118.7	-	118.7	3.1	2.7%	177.8	179.0	1.2
Utility Users' Tax	23.3	15.2	8.3	23.5	0.2	0.9%	35.0	40.0	5.0
State Revenue Sharing	98.5	100.8	-	100.8	2.3	2.3%	196.1	199.5	3.3
Sales and Charges for Services	83.1	51.9	-	51.9	(31.2)	(37.6%)	121.1	112.1	(8.9)
Licenses, Permits, and Inspection Charges	8.3	8.7	-	8.7	0.4	4.4%	11.7	12.4	0.7
Contributions and Transfers (6)	44.1	26.3	-	26.3	(17.8)	(40.4%)	68.1	90.2	22.0
Grants and Other Revenues	0.7	0.2	-	0.2	(0.5)	(65.8%)	1.4	1.5	0.2
Fines, Forfeits and Penalties	16.9	18.4	-	18.4	1.6	9.2%	25.3	23.6	(1.7)
Revenues from Use of Assets	2.2	2.2	-	2.2	(0.0)	(1.4%)	3.3	2.4	(0.9)
Other Taxes, Assessments, and Interest	4.8	6.0	-	6.0	1.2	24.4%	7.3	6.9	(0.4)
Sales of Assets and Compensation for Losses	3.7	3.4	-	3.4	(0.3)	(9.3%)	5.6	2.4	(3.2)
Miscellaneous	8.3	5.8	-	5.8	(2.5)	(30.0%)	12.3	7.2	(5.1)
Adjust for Prior Year Carry-forward (7)	120.8	-	120.8	120.8	-		120.8	120.8	-
TOTAL (L)	\$ 809.0	\$ 634.6	\$ 137.2	\$ 771.9	\$ (37.2)	(4.6%)	\$ 1,192.9	\$ 1,223.1	\$ 30.1
EXPENDITURES:									
Salaries and Wages	\$ (279.9)	\$ (262.4)	\$ -	\$ (262.4)	\$ 17.4	6.2%	\$ (428.0)	\$ (412.5)	\$ 15.5
Employee Benefits	(212.1)	(175.3)	-	(175.3)	36.9	17.4%	(278.6)	(272.3)	6.3
Professional and Contractual Services	(53.7)	(33.0)	(35.0)	(68.0)	(14.3)	(26.5%)	(79.0)	(82.1)	(3.1)
Operating Supplies	(27.1)	(32.1)	(5.1)	(37.2)	(10.1)	(37.2%)	(40.2)	(39.8)	0.4
Operating Services	(81.5)	(47.3)	(2.3)	(49.6)	31.9	39.2%	(120.0)	(119.0)	1.0
Capital Equipment	(1.1)	0.4	1.6	2.0	3.1	288.8%	(1.2)	(0.9)	0.3
Capital Outlays	(19.5)	(4.1)	(4.4)	(8.5)	11.1	56.7%	(29.1)	(29.1)	0.0
Debt Service	(40.8)	(49.3)	-	(49.3)	(8.4)	(20.7%)	(61.3)	(61.3)	-
Other Expenses	(113.5)	(85.2)	(1.7)	(86.9)	26.6	23.4%	(155.5)	(170.2)	(14.7)
TOTAL (M)	\$ (829.3)	\$ (688.3)	\$ (46.8)	\$ (735.1)	\$ 94.2	11.4%	\$ (1,192.9)	\$ (1,187.2)	\$ 5.7
VARIANCE (N = L + M)	\$ (20.3)	\$ (53.7)	\$ 90.5	\$ 36.7	\$ 57.1	N/A	\$ (0.0)	\$ 35.8	\$ 35.8

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect eight months ending February 28, 2018.
- (3) Reflects encumbrances, pending adjustments, and the gross up of Utility Users' Tax collections to include amounts for the Public Lighting Authority.
- (4) Projected revenues are based on the City's February 2018 Revenue Estimating Conference results.
- (5) The property tax revenue projection now includes the recognition of revenue payable for tax increment financing distributions, which are captured within expenditures.
- (6) This revenue line also includes the use of fund balance totaling \$50M to support one-time spending on capital (\$20M) and blight (\$30M).
- (7) This revenue line reflects fund balance assigned to support 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 January 2018	Actual February 2018	Change Feb. 2018 vs. Jan. 2018	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. February 2018	
Public Safety						
Police	3,063	3,082	19	3,121	39	1%
Fire	1,149	1,164	15	1,274	110	9%
Total Public Safety	4,212	4,246	34	4,395	149	3%
Non-Public Safety						
Office of the Chief Financial Officer ⁽³⁾	418	426	8	482	56	
Public Works - Regular	379	377	(2)	419	42	
Public Works - Seasonal	17	17	0	26	9	
Health and Wellness Promotion	66	79	13	104	25	
Human Resources	94	94	0	108	14	
Housing and Revitalization	83	85	2	91	6	
Innovation and Technology	96	97	1	134	37	
Law	104	109	5	118	9	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	28	31	3	41	10	
Recreation - Regular	271	264	(7)	326	62	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	350	357	7	504	147	
General Services - Seasonal	7	7	0	219	212	
Legislative ⁽⁴⁾	207	223	16	259	36	
36th District Court	316	316	0	331	15	
Other ⁽⁵⁾	110	110	0	110	0	
Total Non-Public Safety	2,639	2,664	46	3,608	944	26%
Total General City	6,851	6,910	80	8,003	1,093	14%
Enterprise						
Airport	4	4	0	4	0	
BSEED	209	212	3	230	18	
Transportation	908	932	24	927	(5)	
Municipal Parking	81	88	7	95	7	
Water and Sewerage	522	529	7	579	50	
Library	296	301	5	332	31	
Total Enterprise	2,020	2,066	46	2,167	101	5%
Total City	8,871	8,976	126	10,170	1,194	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) The January 2018 Actual count has been adjusted to exclude temporary staff working on the Earned Income Tax Credit outreach initiative.
- (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.



FY 2018 year-to-date net cash flows

For 8 Months Ending February 28, 2018

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 8 Months	FY17 Actual 8 Months	Variance
Property Taxes	\$ 104.8	\$ 100.4	\$ 4.4
Municipal Income Taxes	195.3	182.2	13.1 (1)
Utility Users Taxes	12.6	13.7	(1.1)
Wagering Taxes	119.2	119.3	(0.1)
State Revenue Sharing	134.1	163.7	(29.6) (2)
Other / Misc.	167.6	125.6	42.0 (3)
Total Receipts	733.6	704.9	28.7
Salaries and Wages	(287.8)	(260.3)	(27.5) (4)
Employee Benefits	(75.9)	(72.9)	(3.0) (5)
Materials, Contracts & Other	(247.6)	(259.5)	11.9
Total Disbursements	(611.3)	(592.7)	(18.6)
Operating Surplus (before Reinvestment)	122.3	112.2	10.1
Debt Service	(55.1)	(49.4)	(5.7) (6)
Non-Financing Adjustments	0.0	3.4	(3.4) (7)
Total Adjustments to arrive at Net Cash Flow	(55.1)	(46.0)	(9.1)
Net Cash Flow	\$ 67.2	\$ 66.2	\$ 1.0
Beginning cash balance	\$ 186.3	(8) (9)	
Net Cash Flow	67.2		
Ending cash balance	253.5	(8)	
Budget Reserve Fund	62.3	(10)	
Total Cash Balance	\$ 315.8		

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 offset by an increase in revenue.
- (2) The June 2016 State Revenue Sharing payment was received in July 2016 whereas the June 2016 payment was received in June 2017.
- (3) FY18 includes \$19.5m MDOT receipt for Gordie Howe Municipal Bridge Project & \$15m from sale of Premier Garage used to redeem C Note principal in January.
- (4) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (5) Increase in FY18 due to increased benefits expense compared to prior year and quarterly payment of pension contributions (v. annual), partially offset by a reduced contribution to the Retiree Protection Trust Fund (\$15m in FY18 v. \$30m in FY17 YTD).
- (6) The August 2016 refunding of State Revenue Sharing notes resulted in reduced outflow offset by \$15.4m Note C prepayment from parking garage proceeds.
- (7) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (8) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (9) Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund balance.
- (10) 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 8 Months Ending February 28, 2018
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted	Total	
Property Taxes	\$ 104.8	\$ (7.9)	\$ 96.9	(2)	\$ 88.8	\$ 8.1	\$ 96.9	(1) \$ 0.0
Municipal Income Taxes	195.3	(7.1)	188.2	(3)	188.2	-	188.2	0.0
Utility Users Taxes	12.6	2.6	15.2	(4)	15.2	-	15.2	0.0
Wagering Taxes	119.2	(0.5)	118.7	(5)	118.7	-	118.7	0.0
State Revenue Sharing	134.1	(33.3)	100.8	(6)	100.8	-	100.8	0.0
Other / Misc.	167.6	(44.7)	122.9	(7)	122.9	-	122.9	0.0
Total Receipts	733.6	(90.9)	642.7		634.6	8.1	642.7	0.0
Salaries and Wages	(287.8)	25.4	(262.4)	(8)	(262.4)	-	(262.4)	0.0
Employee Benefits	(75.9)	(99.4)	(175.3)	(9)	(175.3)	-	(175.3)	0.0
Materials, Contracts & Other	(247.6)	46.3	(201.3)	(10)	(201.3)	-	(201.3)	0.0
Total Disbursements	(611.3)	(27.7)	(639.0)		(639.0)	-	(639.0)	0.0
Operating Surplus (before Reinvestment)	122.3	(118.6)	3.7		(4.4)	8.1	3.7	0.0
Debt Service	(55.1)	5.8	(49.3)	(11)	(49.3)	8.1	(49.3)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	67.2	(112.8)	(45.6)		(53.7)	8.1	(45.6)	0.0
Net Inflows /(Outflows)	\$ 67.2	\$ (112.8)	\$ (45.6)		\$ (53.7)	\$ 8.1	\$ (45.6)	\$ 0.0

Notes:

- (1) \$8.1m represents February collections that were distributed in March upon reconciliation of current collections.
- (2) \$26m pertains to FY17 offset by \$18.1m of revenue pending distribution to the General Fund.
- (3) \$7.1m difference due to changes in refund liability.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17 and \$2.8m recorded in General Ledger but cash not transferred to General Pool until March.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$0.5m collected in March.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$22.2m non-General Fund 1000 receipts, \$6m net interfund loan activity, and \$16.5 pertained to prior years.
- (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 & \$22.3m attributed to the timing of payments offset by \$90m relating to prior years RPF set aside & \$33.1m FY18 Pension obligation.
- (10) Approx. \$33.5m of disbursements are non-General Fund, \$36.9m related to FY17 offset by \$24.1m Risk Management & insurance premium non-cash book transfers.
- (11) Difference is debt set aside at Trustees: \$0.8m represents Income Tax and \$5m State Revenue Sharing.



Accounts payable summary

- Accounts Payable as of February had a net decrease of \$2.9M compared to January. Net AP not on hold had a net decrease of \$3.5M. The number of open invoices not on hold decreased by 155.

All Funds
\$ in millions

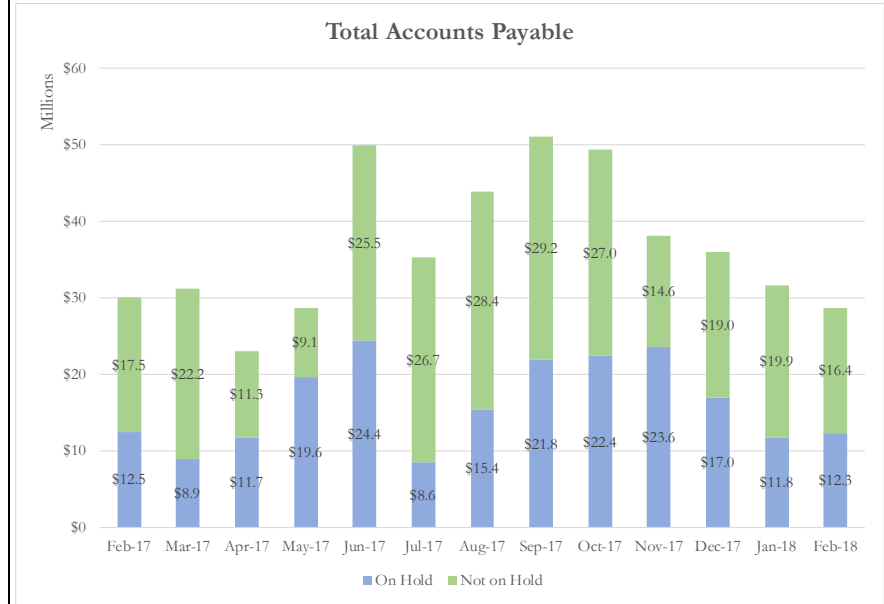
Accounts Payable (AP) as of Feb-18	
Total AP (Jan-18)	\$ 31.6
Plus: Feb-18 invoices processed	\$ 98.7
Less: Feb-18 Payments made	\$ (101.6)
Total AP month end (Feb-18)	\$ 28.7
Less: Invoices on hold (1)	\$ (12.3)
Less: Installments/Retainage Invoices(2)	\$ -
Net AP not on hold	\$ 16.4

AP Aging
(excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Feb-18. Total	\$ 16.4	\$ 16.4	\$ -	\$ -	\$ -
<i>% of total</i>	100%	100%	0%	0%	0%
<i>Change vs. Jan-18</i>	\$ (3.5)	\$ 7.3	\$ (2.2)	\$ (5.2)	\$ (3.3)
Total Count of Invoices	\$ 1,231	\$ 847	\$ 230	\$ 52	\$ 102
<i>% of total</i>	100%	69%	19%	4%	8%
<i>Change vs. Jan-18</i>	(155)	(75)	(88)	10	(2)
Jan-18. Total	\$ 19.9	\$ 9.1	\$ 2.2	\$ 5.2	\$ 3.3
<i>% of total</i>	100%	46%	11%	26%	17%
Total Count of Invoices	\$ 1,386	\$ 922	\$ 318	\$ 42	\$ 104
<i>% of total</i>	100%	67%	23%	3%	8%

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 payable to Great Lakes Water Authority (GLWA) shown separately for reporting purposes



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

- In February, no new projects were approved using Exit Financing.

\$ in millions

	Open and Closed Projects		
	Number of Projects	Amount of Approved and Authorized Projects	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	6	(39.4)	(39.4)
Fire	9	(36.0)	(26.3)
Blight	9	(29.3)	(25.4)
General Services	14	(27.6)	(26.5)
Office of the Chief Financial Officer	13	(25.4)	(18.7)
Police	7	(25.3)	(21.6)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.8)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Law	1	(1.1)	(1.1)
Human Resources	2	(0.7)	(0.7)
Other	5	(0.5)	(0.3)
Subject to Reconciliation	–	–	(0.8)
Subtotal Projects	69	(\$192.7)	(\$166.7)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	69	(\$195.4)	(\$169.4)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$37.7	

Notes:

50 Closed Projects. Unaudited amounts subject to reconciliation.

Change in Approved and Closed totals reflect reconciliation of FY17 expense based on internal review/audited expenses.

No new business cases approved in February 2018.



The City is leveraging funding from external sources

- In February, there was a net increase of \$11.7M in the overall grant portfolio. This increase includes previously awarded grants newly shown due to additional documentation from City partners. The most significant new awards included \$600K for the Center for Economic Opportunity to support workforce opportunities for returning citizens, and \$500K from the National Park Service for stabilization and repair of the Ossian Sweet House and adjacent context.

<i>\$ in millions</i>	<u>Amount Awarded (1)</u>		Number of Grants
	<u>Appropriation Approved (2)</u>	<u>Appropriation Pending (2)</u>	
Department/Agency			
Transportation	355.4	-	16
Housing & Revitalization	249.7	-	20
Public Works	30.6	-	20
Fire	30.3	-	8
Health	28.8	-	4
Police	18.0	-	25
Homeland Security and Emergency Management	2.7	-	7
Recreation	2.0	-	6
Other (3)	1.8	-	6
Active Federal/State grants	\$ 719.3	\$ -	112
Active private grants and donations	108.1	-	151
Total active grants and donations (4)	\$ 827.4	\$ -	263

Notes:

(1) Reflects original amounts awarded and amendments for active grants as of February 28, 2018. Remaining amount available to be spent will be lower for most departments.

(2) The amounts awarded as of February 28 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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