

CITY OF DETROIT

**Office of the Chief Financial Officer**

**Financial Report for the Nine Months ended March 31, 2017**

May 22, 2017



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## Executive summary

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- The Office of Budget is working with other OCFO divisions, the City Council's Legislative Policy Division, and the Office of the Auditor General to prepare a May revenue update for the CFO.
- Current projections indicate FY 2017 is estimated to end with a budget surplus of approximately \$51M.
  - Revenue projections remain in line with the February Consensus Revenue Estimating Conference results. (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 March but remains below budget. (page 4)
  - A portion of the projected surplus may be utilized for recommended fleet replacements during FY 2017.
- March YTD General City property tax collection rate exceeds the prior year. This report now includes the property tax revenue projection for the remainder of the year. (page 6)
- Accounts Payable as of March 2017 increased by \$1.2M from \$29.9M to \$31.1M compared to February. Beginning with March, this report now separates invoices held for retainage from the other hold and non-hold invoices. (page 7)
- With respect to exit financing, approved projects increased by \$11.9M for Fire Fleet Replacement. (page 8)
- In March, the Federal and State grant funds increased by \$1.2M with 2 new grants for the Police Department. The City closed 4 grants. Net result was a decrease of \$40.2M. The most significant private grant received was a \$2M commitment over two years from the Ralph C. Wilson Jr. Foundation to support the SisterFriends maternal and infant child health and mentoring program in the Health and Wellness Promotion Department. (page 9)



# FY 2017 year-to-date general ledger actuals and annualized projection

## GENERAL FUND

\$ in millions

	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS			
	BUDGET	ACTUAL + ACCRUAL + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
	YTD	ACTUAL (2)	ACCRUAL + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL	
	ADJUSTED (1)						ADJUSTED	ESTIMATED (4)	ESTIMATED	
B	C	D	E = C + D	(\$ F = E-B)	% G = (F/B)	H	I	(\$ J = I-H)	% K = (J/H)	
<b>REVENUE:</b>										
Municipal Income Tax	\$ 196.3	\$ 194.0	\$ -	\$ 194.0	\$ (2.3)	(1.2%)	\$ 266.6	\$ 275.0	\$ 8.4	3.2%
Property Taxes	103.7	98.5	3.3	101.8	(1.9)	(1.8%)	117.0	124.0	7.0	6.0%
Wagering Taxes	132.5	119.5	15.6	135.1	2.6	2.0%	175.2	176.0	0.8	0.5%
Utility Users' Tax	27.8	22.7	-	22.7	(5.1)	(18.4%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	98.9	98.9	-	98.9	0.0	0.0%	196.5	195.2	(1.3)	(0.7%)
Sales and Charges for Services	92.5	61.2	-	61.2	(31.3)	(33.8%)	123.4	119.4	(4.0)	(3.2%)
Licenses, Permits, and Inspection Charges	8.4	11.7	-	11.7	3.3	39.3%	11.2	11.2	(0.0)	(0.1%)
Contributions and Transfers	69.8	0.0	67.9	67.9	(1.9)	(2.8%)	93.0	91.2	(1.8)	(1.9%)
Fines, Forfeits and Penalties	16.7	22.3	-	22.3	5.7	33.9%	22.2	24.5	2.2	10.1%
Revenues from Use of Assets	1.0	2.3	-	2.3	1.3	125.1%	1.3	1.3	(0.0)	(2.3%)
Other Taxes, Assessments, and Interest	6.8	9.6	-	9.6	2.8	41.4%	9.1	7.7 (5)	(1.3)	(14.7%)
Sales of Assets and Compensation for Losses	10.8	0.1	-	0.1	(10.7)	(98.6%)	14.4	7.0	(7.5)	(51.6%)
Miscellaneous	7.7	6.2	-	6.2	(1.6)	(20.3%)	10.2	9.4	(0.8)	(7.6%)
Adjust for Prior Year Encumbrances (6)	39.5	-	39.5	39.5	-	-	39.5	39.5	-	-
<b>TOTAL (L)</b>	<b>\$ 812.4</b>	<b>\$ 646.9</b>	<b>\$ 126.3</b>	<b>\$ 773.2</b>	<b>\$ (39.2)</b>	<b>(4.8%)</b>	<b>\$ 1,116.7</b>	<b>\$ 1,116.5</b>	<b>\$ (0.2)</b>	<b>(0.0%)</b>
<b>EXPENDITURES: (6)</b>										
Salaries and Wages	\$ (306.1)	\$ (269.3)	\$ -	\$ (269.3)	\$ 36.8	12.0%	\$ (399.4)	\$ (376.2)	\$ 23.2	5.8%
Employee Benefits	(143.7)	(63.0)	0.0	(63.0)	80.7	56.1%	(187.1)	(172.3)	14.8	7.9%
Professional and Contractual Services	(71.5)	(41.1)	(17.8)	(58.9)	12.7	17.7%	(88.0)	(84.6)	3.4	3.9%
Operating Supplies	(31.4)	(17.7)	(30.1)	(47.9)	(16.5)	(52.5%)	(38.5)	(44.8)	(6.3)	(16.5%)
Operating Services	(117.2)	(41.3)	(9.8)	(51.1)	66.1	56.4%	(154.4)	(146.1)	8.3	5.4%
Capital Equipment	(3.3)	(1.1)	(1.9)	(3.0)	0.2	7.5%	(3.4)	(4.3)	(0.9)	(27.1%)
Capital Outlays	(25.7)	(5.6)	(15.3)	(20.9)	4.8	18.8%	(34.9)	(35.5)	(0.6)	(1.8%)
Debt Service	(56.6)	(45.0)	0.1	(44.9)	11.7	20.7%	(75.4)	(66.6)	8.8	11.7%
Other Expenses	(103.1)	(60.1)	(0.6)	(60.7)	42.4	41.1%	(135.6)	(134.4)	1.3	0.9%
<b>TOTAL (M)</b>	<b>\$ (858.6)</b>	<b>\$ (544.3)</b>	<b>\$ (75.4)</b>	<b>\$ (619.6)</b>	<b>\$ 239.0</b>	<b>27.8%</b>	<b>\$ (1,116.7)</b>	<b>\$ (1,064.8)</b>	<b>\$ 51.9</b>	<b>4.6%</b>
<b>VARIANCE (N = L + M)</b>	<b>\$ (46.2)</b>	<b>\$ 102.7</b>	<b>\$ 50.9</b>	<b>\$ 153.6</b>	<b>\$ 199.8</b>	<b>432.1%</b>	<b>\$ (0.0)</b>	<b>\$ 51.7</b>	<b>\$ 51.7</b>	<b>N/A</b>

### Notes

- (1) Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- (2) Year-to-date actuals reflect nine months ending March 31, 2017.
- (3) Reflects encumbrances and pending accruals, including prior year carry-forwards and current year activities.
- (4) Revenues are based on the February 2017 Consensus Revenue Estimating Conference results.
- (5) YTD revenue in this category will appear to exceed the projection until distributions to other jurisdictions are completed later in the year.
- (6) This revenue line reflects funding to support prior year encumbrances and carry-forwards, for which equivalent amounts are captured within expenditures.



# Monthly active employee count compared to budget

	Actual Feb. 2017 <sup>(1)</sup>	Actual Mar. 2017 <sup>(1)</sup>	Budget FY 2017 <sup>(1)</sup>	Budget vs. Mar. 2017	
<b>Public Safety</b>					
Police	2,894	2,902	3,127	225	7%
Fire	1,193	1,188	1,332	144	11%
Total Public Safety	4,087	4,090	4,459	372	8%
<b>Non-Public Safety</b>					
Office of the Chief Financial Officer	431	418	453	35	
Dept. of Public Works	331	304	376	72	
Health & Wellness	40	37	51	14	
Human Resources	85	97	70	(27) <sup>(3)</sup>	
Housing	67	67	59	(8) <sup>(3)</sup>	
Dept. of Innovation and Technology	96	103	134	31	
Law	103	103	108	5	
Mayor (Includes Homeland Security)	69	72	72	0	
Planning	26	26	22	(4) <sup>(3)</sup>	
Public Lighting Department	4	4	6	2	
Recreation	196	212	285 <sup>(2)</sup>	73	
General Services	278	272	574 <sup>(2)</sup>	302	
Legislative <sup>(5)</sup>	151	168	252 <sup>(2)</sup>	84	
36th District Court	314	315	326	11	
Other <sup>(6)</sup>	83	83	80	(3) <sup>(4)</sup>	
Total Non-Public Safety	2,274	2,281	2,868	587	20%
<b>Total General City</b>	<b>6,361</b>	<b>6,371</b>	<b>7,327</b>	<b>956</b>	<b>13%</b>
<b>Enterprise</b>					
Airport	4	4	4	0	
BSEED	197	198	204	6	
Transportation	897	892	900	8	
Parking	84	87	89	2	
Water and Sewerage	447	445	488	43	
Library	289	290	325	35	
<b>Total Enterprise</b>	<b>1,918</b>	<b>1,916</b>	<b>2,010</b>	<b>94</b>	<b>5%</b>
<b>Total City</b>	<b>8,279</b>	<b>8,287</b>	<b>9,337</b>	<b>1,050</b>	<b>11%</b>

Notes:

- (1) Budget excludes personal services contractors (PSCs). 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) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (3) Variances are due to ongoing departmental reorganizations occurring during FY 2017.
- (4) Variance is due to Media Services positions, which were budgeted as PSCs and subsequently converted to administrative special services positions.
- (5) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (6) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings and Non-departmental.



# FY 2017 year-to-date net cash flows

For 9 Months Ended March 31, 2017

\$ in millions

## Cash Flows - General Pool Cash

	Actual 9 Months	Prior Year	
		9 Months	Change
Property Taxes	\$ 101.8	\$ 110.2	\$ (8.4)
Municipal Income Taxes	208.2	187.4	20.8
Utility Users Taxes	26.7 (1)	14.7	12.0
Wagering Taxes	134.7	132.6	2.1
State Revenue Sharing	163.7	162.4	1.3
Other / Misc.	140.7	140.4	0.3
<b>Total Receipts</b>	<b>775.8</b>	<b>747.7</b>	<b>28.1</b>
Salaries and Wages	(301.2)	(271.7)	(29.5)
Employee Benefits	(46.6)	(47.7)	1.1
Materials, Contracts & Other	(313.4)	(197.7)	(115.6)
<b>Total Disbursements</b>	<b>(661.2)</b>	<b>(517.1)</b>	<b>(144.0)</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>114.6</b>	<b>230.6</b>	<b>(116.0)</b>
Debt Service	(63.1)	(97.4) (2)	34.3
Non-Financing Adjustments	(26.6) (3)	-	(26.6)
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(89.7)</b>	<b>(97.4)</b>	<b>7.7</b>
<b>Net Cash Flow (4)</b>	<b>\$ 24.9</b>	<b>\$ 133.2</b>	<b>\$ (108.3)</b>
<b>Beginning cash balance (net of distribution) (5)</b>	<b>\$ 372.1</b>	<b>\$ 211.0</b>	<b>\$ 161.1</b>
Net Cash Flow (4)	24.9	133.2	(108.3)
Lockbox reserves	-	-	-
<b>Ending cash balance (net of distribution owed) (5)</b>	<b>\$ 397.0</b>	<b>\$ 344.2</b>	<b>\$ 52.8</b>

Notes:

- (1) Reporting of Utility Users Tax includes Public Lighting Authority funds to be transferred at the end of the fiscal year. This additional amount equates to approximately \$1m per month.
- (2) Includes \$30m principal repayment on Exit financing made in August 2015.
- (3) Includes \$30m set aside for future legacy pension contribution net of \$3.4m inflow of excess self-insurance requirements.
- (4) Net Cash Flow is based on cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.
- (5) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.



# FY 2017 year-to-date cash flow to general ledger reconciliation

For 9 Months Ended March 31, 2017

\$ in millions

Cash Flows	Cash Activity				General Ledger			Difference
	General Pool Cash	Adjustments	General Fund Cash		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 101.8	\$ -	\$ 101.8		\$ 98.5	\$ 3.3	\$ 101.8	0.0
Municipal Income taxes	208.2	(14.2)	194.0	(2)	194.0	-	194.0	0.0
Utility Users taxes	26.7	(4.0)	22.7	(2)	22.7	-	22.7	0.0
Wagering Taxes	134.7	0.4	135.1	(2)	119.5	15.6	135.1	0.0
State Revenue Sharing	163.7	(64.8)	98.9	(2)	98.9	-	98.9	0.0
Other / Misc.	140.7	(25.4)	115.3	(2)(3)	113.3	2.0	115.3	0.0
<b>Total Receipts</b>	<b>775.8</b>	<b>(108.0)</b>	<b>667.8</b>		<b>646.9</b>	<b>20.9</b>	<b>667.8</b>	<b>0.0</b>
Salaries and Wages	(301.2)	31.9	(269.3)	(4)	(269.3)	-	(269.3)	0.0
Employee Benefits	(46.6)	(16.4)	(63.0)	(5)	(63.0)	-	(63.0)	0.0
Materials, contracts & other	(313.4)	146.5	(166.9)	(6)	(166.9)	-	(166.9)	0.0
<b>Total Disbursements</b>	<b>(661.2)</b>	<b>162.0</b>	<b>(499.2)</b>		<b>(499.2)</b>	<b>-</b>	<b>(499.2)</b>	<b>0.0</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>114.6</b>	<b>54.0</b>	<b>168.6</b>		<b>147.7</b>	<b>20.9</b>	<b>168.6</b>	<b>0.0</b>
Debt Service	(63.1)	18.1	(45.0)	(7)	(45.0)	-	(45.0)	0.0
Non-Financing Adjustments	(26.6)	26.6	-	(8)	-	-	-	0.0
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(89.7)</b>	<b>44.7</b>	<b>(45.0)</b>		<b>(45.0)</b>	<b>-</b>	<b>(45.0)</b>	<b>0.0</b>
<b>Net Inflows /(Outflows)</b>	<b>24.9</b>	<b>98.7</b>	<b>123.6</b>		<b>102.7</b>	<b>20.9</b>	<b>123.6</b>	<b>0.0</b>

Notes:

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$14.2 of Municipal Income Tax, \$4m of Utility Users' Tax, \$0.8m of Wagering Taxes offset by \$1.2m March 2017 activity, \$64.8m of State Revenue Sharing, \$7.3m of Other Revenue (Wagering Municipal Service Fees) in FY2017 related to FY2016 activity.
- (3) \$8m of revenues collected in FY2017 related to activity in FY2016. \$3.1m of collections are cash specific transactions, \$7.0m are non-General Fund 1000 receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$19.2m is non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments offset by the \$17.4m Pension accrual to be paid at the end of FY2017.
- (6) Approximately \$40.7m of disbursements are non-General Fund, \$54.2m related to prior period and \$51.6m are cash specific transactions.
- (7) \$14.2m of Financing Costs related to prior period offset by \$32.3m of exit financing and state revenue sharing debt set aside.
- (8) \$30.0m set aside for legacy pension net of \$3.4m inflow of excess self-insurance escrow requirements.



# FY 2017 year-to-date property tax collections

For 9 months ended March 31, 2017

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 93.0		\$ 96.4		
General Special Acts (9)		3.1		3.4		
<b>General Total</b>	<b>\$ 120.7</b>	<b>\$ 96.1</b>	<b>79.62%</b>	<b>\$ 129.6</b>	<b>\$ 99.8</b>	<b>77.01%</b>
<b>Debt Service Total</b>	<b>\$ 62.0</b>	<b>\$ 50.2</b>	<b>80.91%</b>	<b>\$ 68.3</b>	<b>\$ 54.0</b>	<b>79.09%</b>
<b>Solid Waste Total</b>	<b>\$ 54.8</b>	<b>\$ 31.2</b>	<b>56.93%</b>	<b>\$ 57.4</b>	<b>\$ 31.3</b>	<b>54.55%</b>
		<b>FY 2017</b>		<b>FY 2016</b>		
General City Ad Valorem Collections YTD (2)		\$ 93.0		\$ 96.4		
Delinquent Tax Revolving Fund (DTRF) Collections YTD (3)		8.8		13.8		
<b>Total Property Tax Collections (Ad Val + DTRF)</b>		<b>\$ 101.8</b>		<b>\$ 110.2</b>		
<b>Activity Subsequent to March 31, 2017 (FY17 amounts are estimated)</b>						
Remaining DTRF Distributions (net of chargebacks) (4)	\$	14.5		\$ 22.8		
Auction Proceeds (5)		3.9		5.1		
Personal Property Reimbursement (6)		4.8		-	(6)	
Michigan Tax Tribunal (MTT) Liability (7)		(1.0)		(4.0)		
<b>Total Year-End Property Tax Collections (Ad Val + DTRF) (8)</b>	<b>\$</b>	<b>124.0</b>		<b>\$ 134.1</b>	(8)	
Admin Fee, Interest, Penalty YTD (9)	\$	6.6		\$ 7.4		

## 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) The remaining DTRF distributions totals were calculated with projections from Wayne County.
- (5) Auction proceeds are estimated with projections from Wayne County.
- (6) FY17 was the first year Personal Property Reimbursement funds were received.
- (7) The MTT Liability is estimated using the most recent information from the Law Department.
- (8) FY17 numbers are estimated using information from Wayne County and the City Law Department. FY16 totals are currently being reviewed as part of the CAFR.
- (9) 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 March 2017 increased by \$1.2M from \$29.9M to \$31.1M compared to February. Beginning with March, this report now separates invoices held for retainage from the other hold and non-hold invoices.

\$ in millions

Accounts Payable (AP) as of 31-MAR-2017	
Total AP	\$ 31.1
Less: Invoices on hold (1)	(12.9)
Less: Installments/Retainage Invoices (2)	(0.7)
Net AP Invoices not on hold	\$ 17.5

## AP Aging (3)

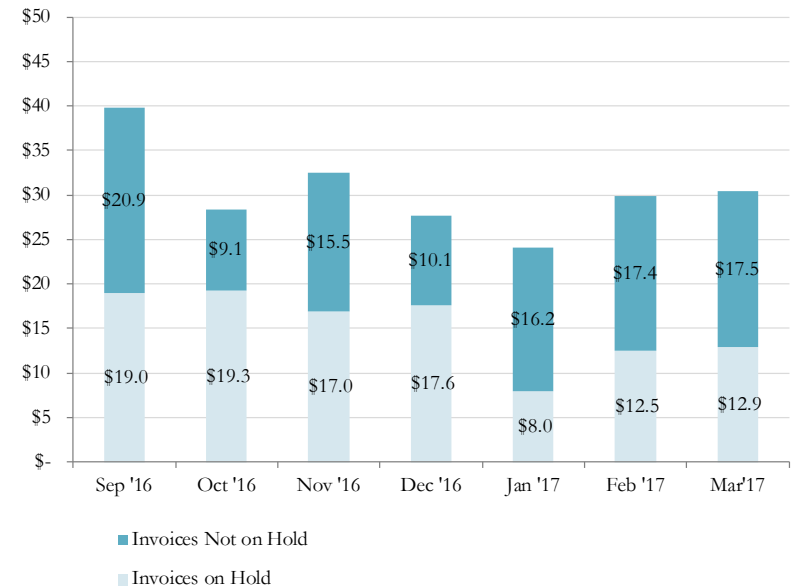
(excluding invoices on hold and retainage)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
<b>Mar. Total</b>	\$ 17.5	\$ 9.1	\$ 3.4	\$ 4.5	\$ 0.6
<i>% of total</i>	100%	52%	19%	26%	3%
Total Count of Invoices	1,222	793	217	72	140
<i>% of total</i>	100%	65%	18%	6%	11%
<b>Feb. Total</b>	\$ 16.7	\$ 6.6	\$ 4.7	\$ 2.7	\$ 2.7
<i>% of total</i>	100%	36%	25%	15%	24%
Total Count of Invoices	1,407	849	362	71	125
<i>% of total</i>	100%	38%	27%	16%	20%

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 invoice date. If invoices were aged based on the date received, the aging would show improved current category values.

## Total Accounts Payable



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

- In March, approved projects increased by \$11.9M for Fire Fleet Replacement.

<i>\$ in millions</i>	Number of Projects	Amount of Approved and Authorized Projects	Total Amount Expensed
<b>Available Exit Financing Proceeds</b>		<b>\$233.2</b>	
<b>Project Allocation:</b>			
Department of Innovation and Technology	5	(41.5)	(35.1)
Fire	11	(37.4)	(19.2)
General Services	14	(32.1)	(19.3)
Blight	7	(29.7)	(26.2)
Police	6	(29.0)	(20.2)
Office of the Chief Financial Officer	11	(19.8)	(16.8)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.5)
Law	1	(2.2)	(1.2)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.8)	(0.7)
Other	3	(0.5)	(0.1)
<b>Subtotal Projects</b>	<b>63</b>	<b>(\$200.3)</b>	<b>(\$144.4)</b>
Post-Petition Financing Interest and Other Fees		(2.8)	
<b>Totals</b>	<b>63</b>	<b>(\$203.1)</b>	<b>(\$144.4)</b>
<b>Amount Reserved for Projects under Review</b>		<b>\$30.1</b>	



## The City is leveraging funding from external sources

- In March, the Federal and State grant funds increased by \$1.2M with 2 new grants for the Police Department. The City closed 4 grants. Net result was a decrease of \$40.2M. The most significant private grant received was a \$2M commitment over two years from the Ralph C. Wilson Jr. Foundation to support the SisterFriends maternal and infant child health and mentoring program in the Health and Wellness Promotion Department.

<i>\$ in millions</i>	<b>Amount Awarded (1)</b>	<b>Number of Grants</b>
<b>Department</b>		
Transportation	\$ 384.0	22
Housing & Revitalization	207.9	17
Public Works	30.6	20
Fire Department	28.2	9
Police	17.0	24
Health & Wellness Promotion	16.4	3
Recreation	3.2	10
Homeland Security and Emergency Management (HSEM)	1.3	5
General Services	0.8	1
Coleman A. Young Airport (Airport)	0.3	2
Other (2)	1.1	4
<b>Active Federal/State grants (3)</b>	<b>\$ 690.8</b>	<b>117</b>
<b>Active private grants and donations</b>	<b>52.5</b>	<b>60</b>
<b>Total active grants and donations</b>	<b>\$ 743.3</b>	<b>177</b>

Notes:

(1) Reflects original amount awarded and amendments. Amount available to be spent will be lower for most departments.

(2) Other includes BSEED and Historic Designation Advisory Board.

(3) Does not include Hardest Hit Fund, which is received by the external Detroit Land Bank Authority.



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