

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Eleven Months ended May 31, 2017

July 31, 2017



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Executive summary

- The City Council approved the new ordinances and trust agreement for the Retiree Protection Fund on July 25, 2017. The City is preparing to transfer the initial \$90 million in previously appropriated funds to the trust fund.
- The OCFO distributed its FY 2017 year-end closing instructions to departments in June and has begun the initial planning activities for the FY 2017 audit.
- The OCFO has joined the Detroit Water and Sewerage Department's bill payment kiosk initiative. Taxpayers are now able to pay their current and delinquent property taxes, water and sewer bills, and DTE Energy bills at locations throughout the City and by using the DivDat mobile payment app.
- Current projections indicate FY 2017 ended with a budget surplus of approximately \$59.8M, subject to year-end audit adjustments that may reduce that amount.
 - Revenue projections reflect the results of the OCFO's May revenue estimates update. (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 May but remains below budget. (page 4)
- The May YTD General City property tax collection rate of 79.6% has improved slightly over the prior year. (page 7)
- Accounts Payable for all funds as of May increased by \$5.7M, from \$23.0M to \$28.7M, compared to April. During May, the City made payments totaling \$77.8M. The Invoices on Hold include \$13.5M from the Great Lakes Water Authority (GLWA). The invoices will remain on hold as a matter of MOU negotiations between DWSD and GLWA. (page 8)
- In May, the Federal and State grant funds had a net increase of \$1.6M with the addition of 2 new grants for Homeland Security, 1 for Recreation, and a budget increase for the Health Department. From private funds, \$1M was received from the Ford Foundation in support of the Strategic Neighborhood Fund hosted by Invest Detroit, which supports the revitalization of Livernois-McNichols, Southwest Detroit, and West Village neighborhoods. (page 10)



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

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 248.0	\$ 235.1	\$ (2.3)	\$ 232.8	\$ (15.1)	(6.1%)	\$ 266.6	\$ 285.0	\$ 18.4	6.9%
Property Taxes	112.6	103.6	-	103.6	(9.0)	(8.0%)	117.0	124.0	7.0	6.0%
Wagering Taxes	161.0	163.7	-	163.7	2.8	1.7%	175.2	176.0	0.8	0.5%
Utility Users' Tax	33.9	19.1	12.5	31.6	(2.3)	(6.8%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	163.8	132.2	-	132.2	(31.5)	(19.3%)	196.5	197.5	1.0	0.5%
Sales and Charges for Services	113.1	84.0	-	84.0	(29.1)	(25.8%)	123.9	117.3	(6.6)	(5.3%)
Licenses, Permits, and Inspection Charges	10.3	10.1	-	10.1	(0.2)	(1.6%)	11.2	10.9	(0.3)	(2.6%)
Contributions and Transfers	135.3	0.0	67.9	67.9	(67.4)	(49.8%)	143.0	137.2	(5.8)	(4.1%)
Fines, Forfeits and Penalties	20.4	12.1	-	12.1	(8.3)	(40.6%)	22.2	24.5	2.2	10.1%
Revenues from Use of Assets	1.2	2.6	-	2.6	1.4	110.4%	1.3	1.3	(0.0)	(0.6%)
Other Taxes, Assessments, and Interest	8.3	14.4	-	14.4	6.1	73.7%	9.1	7.7	(1.3)	(14.8%)
Sales of Assets and Compensation for Losses	13.2	0.3	-	0.3	(13.0)	(97.8%)	14.4	5.7	(8.8)	(60.7%)
Miscellaneous	9.4	8.2	-	8.2	(1.3)	(13.3%)	12.6	9.5	(3.1)	(24.4%)
Adjust for Prior Year Encumbrances (6)	40.8	-	40.8	40.8	0.0	0.0%	40.8	40.8	-	-

TOTAL (L)

\$ 1,071.2 \$ 785.4 \$ 118.9 \$ 904.3 \$ (166.9) (15.6%)

EXPENDITURES: (6)

Salaries and Wages	\$ (359.8)	\$ (327.7)	\$ -	\$ (327.7)	\$ 32.1	8.9%	\$ (390.0)	\$ (377.0)	\$ 13.0	3.3%
Employee Benefits	(220.2)	(80.4)	0.0	(80.4)	139.9	63.5%	(234.3)	(223.9)	10.4	4.5%
Professional and Contractual Services	(82.9)	(53.4)	(13.9)	(67.3)	15.6	18.8%	(87.6)	(75.4)	12.2	13.9%
Operating Supplies	(36.6)	(28.2)	(28.3)	(56.5)	(19.9)	(54.3%)	(40.6)	(43.8)	(3.2)	(7.8%)
Operating Services	(143.0)	(50.3)	(7.4)	(57.6)	85.4	59.7%	(155.5)	(146.2)	9.3	6.0%
Capital Equipment	(3.5)	(1.6)	(1.9)	(3.5)	(0.0)	(0.5%)	(3.5)	(4.3)	(0.8)	(23.1%)
Capital Outlays	(42.1)	(6.9)	(16.2)	(23.1)	19.0	45.2%	(46.4)	(45.6)	0.8	1.8%
Debt Service	(69.1)	(63.1)	0.1	(63.0)	6.2	8.9%	(75.4)	(66.6)	8.9	11.8%
Other Expenses	(124.8)	(53.3)	(0.3)	(53.5)	71.2	57.1%	(137.4)	(129.8)	7.7	5.6%

TOTAL (M)

\$ (1,082.0) \$ (664.8) \$ (67.7) \$ (732.5) \$ 349.5 32.3%

VARIANCE (N = L + M)

\$ (10.8) \$ 120.6 \$ 51.1 \$ 171.8 \$ 182.6 (1688.5%)

ANNUALIZED PROJECTION ANALYSIS

BUDGET	PROJECTION	VARIANCE	
		(BUDGET VS. PROJECTION)	
		ANNUAL	
		ANNUAL	ESTIMATED
ADJUSTED (1)	ESTIMATED (4)	ESTIMATED	
B	I	(\$ J = I-H)	% K = (J/H)
266.6	285.0	18.4	6.9%
117.0	124.0	7.0	6.0%
175.2	176.0	0.8	0.5%
37.0	35.0	(2.0)	(5.4%)
196.5	197.5	1.0	0.5%
123.9	117.3	(6.6)	(5.3%)
11.2	10.9	(0.3)	(2.6%)
143.0	137.2	(5.8)	(4.1%)
22.2	24.5	2.2	10.1%
1.3	1.3	(0.0)	(0.6%)
9.1	7.7	(1.3)	(14.8%)
14.4	5.7	(8.8)	(60.7%)
12.6	9.5	(3.1)	(24.4%)
40.8	40.8	-	-
1,170.9	1,172.4	1.5	0.1%
(390.0)	(377.0)	13.0	3.3%
(234.3)	(223.9)	10.4	4.5%
(87.6)	(75.4)	12.2	13.9%
(40.6)	(43.8)	(3.2)	(7.8%)
(155.5)	(146.2)	9.3	6.0%
(3.5)	(4.3)	(0.8)	(23.1%)
(46.4)	(45.6)	0.8	1.8%
(75.4)	(66.6)	8.9	11.8%
(137.4)	(129.8)	7.7	5.6%
(1,170.9)	(1,112.6)	58.3	5.0%
(0.0)	59.8	59.8	N/A

Notes

- Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- Year-to-date actuals reflect eleven months ending May 31, 2017.
- Reflects encumbrances and pending accruals, including prior year carry-forwards and current year activities.
- Revenues are based on the OCFO's May 2017 Revenue Estimates Update results.
- YTD revenue in this category will appear to exceed the projection until distributions to other jurisdictions are completed later in the year.
- 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 April 2017 ⁽¹⁾	Actual May 2017 ⁽¹⁾	May 2017 vs. April 2017	Amended Budget FY 2017 ⁽²⁾	Budget vs. May 2017	
Public Safety						
Police	2,911	2,947	36	3,115	168	5%
Fire	1,156 ⁽³⁾	1,145	(11)	1,331	186	14%
Total Public Safety	4,067	4,092	25	4,446	354	8%
Non-Public Safety						
Office of the Chief Financial Officer	418	418	0	453	35	
Public Works	359	373	14	379	6	
Health and Wellness Promotion	35	35	0	64	29	
Human Resources	98	97	(1)	70	(27) ⁽⁵⁾	
Housing and Revitalization	69	69	0	64	(5) ⁽⁵⁾	
Innovation and Technology	96	95	(1)	134	39	
Law	102	103	1	109	6	
Mayor's Office (includes Homeland Security)	72	70	(2)	72	2	
Planning and Development	26	25	(1)	22	(3) ⁽⁵⁾	
Recreation	211	225	14	285 ⁽⁴⁾	60	
General Services	409	509	100	579 ⁽⁴⁾	70	
Legislative ⁽⁶⁾	169	175	6	252 ⁽⁴⁾	77	
36th District Court	315	315	0	326	11	
Other ⁽⁷⁾	91	96	5	100	4	
Total Non-Public Safety	2,470	2,605	135	2,909	304	10%
Total General City	6,537	6,697	160	7,355	658	9%
Enterprise						
Airport	3	4	1	4	0	
BSEED	199	197	(2)	214	17	
Transportation	887	939	52	935	(4)	
Municipal Parking	89	87	(2)	89	2	
Water and Sewerage	470	469	(1)	488	19	
Library	289	291	2	325	34	
Total Enterprise	1,937	1,987	50	2,055	68	3%
Total City	8,474	8,684	210	9,410	726	8%

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) April 2017 Actual amount for the Fire Department has been corrected compared to the previous month's report.
- (4) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (5) Variances are due to ongoing departmental reorganizations occurring during FY 2017.
- (6) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (7) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2017 year-to-date net cash flows

For 11 Months Ended May 31, 2017

\$ in millions

Cash Flows - General Pool Cash

	Actual 11 Months	Prior Year	
		11 Months	Change
Property Taxes	103.6 (1)	119.4	\$ (15.8)
Municipal Income Taxes	259.1	249.9	9.2
Utility Users Taxes	23.1 (2)	20.5	2.6
Wagering Taxes	163.9	161.1	2.8
State Revenue Sharing	197.0	194.1	3.0
Other / Misc.	173.2	177.9	(4.7)
Total Receipts	919.9	922.8	(2.9)
Salaries and Wages	(364.1)	(334.1)	(30.1)
Employee Benefits	(74.7)	(50.6)	(24.1)
Materials, Contracts & Other	(367.7)	(248.6)	(119.0)
Total Disbursements	(806.5)	(633.3)	(173.3)
Operating Surplus (before Reinvestment)	113.4	289.6	(176.1)
Debt Service	(59.8) (2)	(118.4) (3)	58.6
Non-Financing Adjustments	(26.6) (4)	-	(26.6)
Total Adjustments to arrive at Net Cash Flow	(86.4)	(118.4)	32.0
Net Cash Flow (5)	\$ 27.0	\$ 171.1	\$ (144.2)
Beginning cash balance (net of distribution) (6)	\$ 372.1	\$ 211.0	\$ 161.1
Net Cash Flow (5)	27.0	171.1	(144.2)
Lockbox reserves	-	-	-
Ending cash balance (net of distribution owed) (6)	\$ 399.1	\$ 382.1	\$ 17.0

Notes:

- (1) Property Tax Detail located on page 7.
- (2) Utility Users Tax and Debt Service decreased from prior month due to reclass of Public Lighting Authority obligation.
- (3) Includes \$30m principal repayment on Exit financing made in August 2015.
- (4) Includes \$30m set aside for Retiree Protection Fund net of \$3.4m inflow of excess self-insurance requirements.
- (5) Net Cash Flow is based on cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.
- (6) 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 11 Months Ended May 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	\$ 103.6	\$ -	\$ 103.6		\$ 103.6	\$ -		\$ 103.6	0.0
Municipal Income taxes	259.1	(26.3)	232.8	(2)	235.1	(2.3)		232.8	0.0
Utility Users taxes	23.1	(4.0)	19.1	(2)(8)	19.1	-		19.1	0.0
Wagering Taxes	163.9	(0.2)	163.7	(2)	163.7	-		163.7	0.0
State Revenue Sharing	197.0	(64.8)	132.2	(2)	132.2	-		132.2	0.0
Other / Misc.	173.2	(39.5)	133.7	(2)(3)	131.7	2.0		133.7	0.0
Total Receipts	919.9	(134.8)	785.1		785.4	(0.3)		785.1	0.0
Salaries and Wages	(364.1)	36.4	(327.7)	(4)	(327.7)	-		(327.7)	0.0
Employee Benefits	(74.7)	(5.7)	(80.4)	(5)	(80.4)	-		(80.4)	0.0
Materials, contracts & other	(367.7)	174.1	(193.6)	(6)	(193.6)	-		(193.6)	0.0
Total Disbursements	(806.5)	204.8	(601.7)		(601.7)	-		(601.7)	0.0
Operating Surplus (before Reinvestment)	113.4	70.0	183.4		183.7	(0.3)		183.4	0.0
Debt Service	(59.8)	(3.3)	(63.1)	(7)(8)	(63.1)	-		(63.1)	0.0
Non-Financing Adjustments	(26.6)	26.6	-	(9)	-	-		-	0.0
Total Adjustments to arrive at Net Cash Flow	(86.4)	23.3	(63.1)		(63.1)	-		(63.1)	0.0
Net Inflows /(Outflows)	\$ 27.0	93.3	120.3		\$ 120.6	(0.3)		120.3	0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$26.3m of Municipal Income Tax, \$4m of Utility Users Tax, \$0.8m of Wagering Taxes offset by \$0.7m collected in June 2017, \$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. \$15.7m of collections are cash specific transactions, \$8.5m are non-General Fund 1000 receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$23.7m is attributed to timing of payments and non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments and \$15.7m to the timing of payments offset by the \$22.4m Pension accrual to be paid at the end of FY2017.
- (6) Approximately \$54.2m of disbursements are non-General Fund, \$74.5m related to prior period and \$45.4m are cash specific transactions.
- (7) \$14.2m of Debt Service related to prior period offset by \$17.5m of exit financing and state revenue sharing debt set aside.
- (8) Utility Users Tax and Debt Service decreased from prior month due to reclass of Public Lighting Authority obligation.
- (9) \$30.0m set aside for Retiree Protection Fund net of \$3.4m inflow of excess self-insurance escrow requirements.



FY 2017 year-to-date property tax collections

For 11 months ended May 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		\$ 93.5		\$ 96.4		
General Special Acts		2.6		3.4		
General Total	\$ 120.7	\$ 96.1	79.62%	\$ 129.6	\$ 99.8	77.01%
Debt Service Total	\$ 62.0	\$ 50.2	80.91%	\$ 68.3	\$ 54.0	79.09%
Solid Waste Total	\$ 54.8	\$ 31.2	56.93%	\$ 57.4	\$ 31.3	54.55%

		FY 2017	FY 2016
General City Ad Valorem Collections YTD	(2)	\$ 93.5	\$ 96.4
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	10.1	14.8
Total Property Tax Collections (Ad Val + DTRF)		\$ 103.6	\$ 111.2

Activity Subsequent to May 31, 2017 (FY17 amounts are estimated)

Remaining DTRF Distributions (net of chargebacks)	(4)	\$ 13.3	\$ 21.8
Auction Proceeds	(5)	3.3	5.1
Personal Property Reimbursement	(6)	4.8	- (6)
Michigan Tax Tribunal (MTT) Liability	(7)	(1.0)	(4.0)
Audit Adjustment		-	13.3 (8)
Total Year-End Property Tax Collections (Ad Val + DTRF)	(9)	\$ 124.0	\$ 147.4 (9)
Admin Fee, Interest, Penalty YTD	(10)	\$ 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) FY16 reconciling item related to audit.
- (9) FY17 numbers are estimated using information from Wayne County and the City Law Department.
- (10) 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 May increased by \$5.7M, from \$23.0M to \$28.7M, compared to April. During May, the City made payments totaling \$77.8M. The Invoices on Hold include \$13.5M from the Great Lakes Water Authority (GLWA). The invoices will remain on hold as a matter of MOU negotiations between DWSD and GLWA.

All Funds

\$ in millions

Accounts Payable (AP) as of 31-MAY-2017	
Total AP	\$ 28.7
Less: Invoices on hold (1)	(16.2)
Less: Installments/Retainage Invoices (2)	(0.3)
Net AP not on hold	\$ 12.2

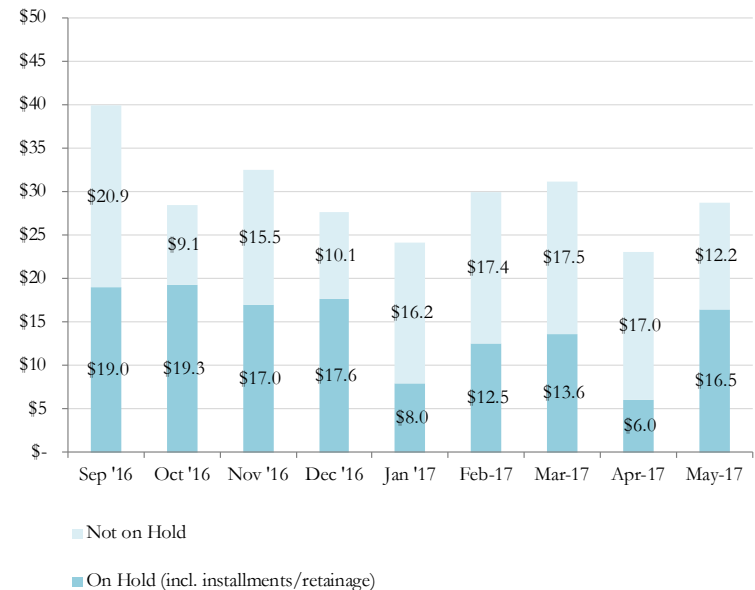
AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
May-17. Total	\$ 12.2	\$ 8.6	\$ 2.0	\$ 0.7	\$ 0.8
<i>% of total</i>	100%	71%	17%	6%	7%
Total Count of Invoices	2,179	1,249	606	92	232
<i>% of total</i>	100%	57%	28%	4%	11%
Apr-17. Total	\$ 17.0	\$ 10.1	\$ 0.8	\$ 0.6	\$ 5.5
<i>% of total</i>	100%	59%	5%	4%	32%
Total Count of Invoices	1,341	654	88	236	363
<i>% of total</i>	100%	49%	7%	18%	27%

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 AP



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

- No new projects were approved in May. Business cases for additional projects are under review.

<i>\$ in millions</i>	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	(43.3)	(35.8)
Blight	7	(25.2)	(25.2)
Police	6	(25.1)	(20.8)
Fire	11	(35.7)	(18.6)
General Services	14	(28.3)	(20.7)
Office of the Chief Financial Officer	11	(18.3)	(15.0)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.4)
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)	(0.2)
Subject to Reconciliation	–	–	(3.7)
Subtotal Projects	65	(\$185.6)	(\$147.3)
Post-Petition Financing Interest and Other Fees	–	(2.8)	–
Totals	65	(\$188.4)	(\$147.3)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$44.8	

Notes:

Amount expensed subject to reconciliation.

Approved amount reflects finalization and closure of business cases approved and fully spent through 6/30/16.



The City is leveraging funding from external sources

- In May, the Federal and State grant funds had a net increase of \$1.6M with the addition of 2 new grants for Homeland Security, 1 for Recreation, and a budget increase for the Health Department. From private funds, \$1M was received from the Ford Foundation in support of the Strategic Neighborhood Fund hosted by Invest Detroit, which supports the revitalization of Livernois-McNichols, Southwest Detroit, and West Village neighborhoods.

<i>\$ in millions</i>	<u>Amount Awarded (1)</u>		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department			
Transportation	\$ 368.1	\$ -	19
Housing & Revitalization	207.9	-	17
Public Works	30.6	-	20
Fire Department	28.2	-	9
Police	17.1	-	24
Health & Wellness Promotion	16.8	-	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)	1.1	-	4
Active Federal/State grants (4)	\$ 676.9	\$ -	116
Active private grants and donations (5)	57.7	-	65
Total active grants and donations	\$ 734.6	\$ -	181

Notes:

- Reflects original amounts awarded and amendments for active grants as of May 31, 2017. Remaining amount available to be spent will be lower for most departments.
- The amounts awarded as of May 31 are separated between grant appropriations already approved and those pending approval as of the date this report is presented.
- Other includes BSEED and Historic Designation Advisory Board.
- Excludes Federal/State grants received directly by third-party agencies for the benefit of the City.
- Includes private funds received directly by third-party agencies for the benefit of the City.



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