

CITY OF DETROIT

**Office of the Chief Financial Officer**

**Financial Report for the Eight Months ended February 28, 2017**

**April 17, 2017**



# Table of contents

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



## Executive summary

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- The City continues to work on its FY 2016 Comprehensive Annual Financial Report and anticipates completing it by May 31, 2017.
- Current projections indicate FY 2017 is estimated to end with a budget surplus of approximately \$40M.
  - Revenue projections are based on the February 2017 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 remains below budget and decreased slightly in February. (page 4)
- February YTD pooled cash balance exceeds prior year by \$107.9M, largely attributed to the \$86.9M of bond proceeds that were transferred to the City in April 2016. (page 5)
- February YTD General City property tax collection rate exceeds the prior year. (page 6)
- The Accounts Payable aging balance as of February 2017 was \$29.9M. The Invoices on Hold increased by \$4.5M, and the Non Hold invoices increased by \$1.2M compared to the January Accounts Payable aging. (page 7)
- With respect to Exit Financing, there were no additional business cases that were approved in February 2017. There are several business cases under review, which are being evaluated based upon need and funding source options. (page 8)
- In February, the Federal and State grant funds increased by \$1.1M with two new grants for the Fire Department and an increase in an award for the Health Department. The City closed 9 grants resulting in a decrease of \$4.7M. The main private grant received was a \$1.36M commitment over three years from Bloomberg Philanthropies to add the City of Detroit as a member of its Innovation Team (i-team) program, which helps city halls drive bold innovation and use data to tackle complex problems facing residents. (page 9)



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

GENERAL FUND <i>\$ in millions</i>	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS								
	BUDGET			ACTUAL + ACCRUAL + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET		PROJECTION		VARIANCE (BUDGET VS. PROJECTION)		
	YTD			ACTUAL (2)			ACCUMULATED			ANNUAL		ANNUAL		ANNUAL	
	ADJUSTED (1)			TOTAL			YTD		ADJUSTED		ESTIMATED (4)		ESTIMATED		
	B	C	D	E = C + D	(F) F = E - B	% G = (F/B)	H	I	(J) J = I - H	% K = (J/H)					
<b>REVENUE:</b>															
Municipal Income Tax	\$ 163.3	\$ 154.2	\$ 13.8	\$ 168.1	\$ 4.8	2.9%	\$ 266.6	\$ 275.0	\$ 8.4	3.2%					
Property Taxes	99.2	96.6	3.8	100.4	1.2	1.2%	117.0	124.0	7.0	6.0%					
Wagering Taxes	118.2	119.5	-	119.5	1.2	1.0%	175.2	176.0	0.8	0.5%					
Utility Users' Tax	24.7	17.7	-	17.7	(7.0)	(28.3%)	37.0	35.0	(2.0)	(5.4%)					
State Revenue Sharing	98.0	98.9	-	98.9	1.0	1.0%	196.5	195.2	(1.3)	(0.7%)					
Sales and Charges for Services	82.3	55.0	-	55.0	(27.3)	(33.1%)	123.4	119.4	(4.0)	(3.2%)					
Licenses, Permits, and Inspection Charges	7.5	9.8	-	9.8	2.3	31.3%	11.2	11.2	(0.0)	(0.1%)					
Contributions and Transfers	62.0	0.0	67.9	67.9	5.8	9.4%	93.0	91.2	(1.8)	(1.9%)					
Fines, Forfeits and Penalties	14.8	13.8	-	13.8	(1.0)	(7.0%)	22.2	24.5	2.2	10.1%					
Revenues from Use of Assets	0.9	1.5	-	1.5	0.6	63.0%	1.3	1.3	(0.0)	(2.3%)					
Other Taxes, Assessments, and Interest	6.0	9.5	-	9.5	3.4	56.5%	9.1	7.7 (5)	(1.3)	(14.7%)					
Sales of Assets and Compensation for Losses	9.6	0.1	-	0.1	(9.5)	(98.4%)	14.4	7.0	(7.5)	(51.6%)					
Miscellaneous	6.7	5.3	-	5.3	(1.4)	(20.4%)	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>\$ 732.7</b>	<b>\$ 581.8</b>	<b>\$ 125.0</b>	<b>\$ 706.8</b>	<b>\$ (25.9)</b>	<b>(3.5%)</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	\$ (260.8)	\$ (236.9)	\$ -	\$ (236.9)	\$ 23.8	9.1%	\$ (400.8)	\$ (375.6)	\$ 25.2	6.3%					
Employee Benefits	(122.5)	(52.1)	-	(52.1)	70.4	57.4%	(187.1)	(175.1)	11.9	6.4%					
Professional and Contractual Services	(66.0)	(35.8)	(21.4)	(57.2)	8.8	13.3%	(88.0)	(89.9)	(2.0)	(2.2%)					
Operating Supplies	(27.2)	(14.2)	(27.0)	(41.2)	(14.1)	(51.9%)	(36.6)	(40.1)	(3.5)	(9.5%)					
Operating Services	(104.7)	(36.1)	(10.2)	(46.3)	58.4	55.8%	(154.3)	(154.0)	0.2	0.2%					
Capital Equipment	(3.2)	(1.1)	(1.9)	(3.0)	0.2	6.8%	(3.4)	(3.5)	(0.1)	(2.1%)					
Capital Outlays	(22.9)	(2.8)	(12.3)	(15.1)	7.9	34.4%	(35.2)	(34.8)	0.4	1.1%					
Debt Service	(50.3)	(45.0)	0.1	(44.9)	5.4	10.8%	(75.4)	(66.6)	(8.8)	11.7%					
Other Expenses	(92.7)	(53.1)	(0.4)	(53.5)	39.1	42.2%	(136.1)	(135.3)	0.7	0.5%					
<b>TOTAL (M)</b>	<b>\$ (750.2)</b>	<b>\$ (477.2)</b>	<b>\$ (73.1)</b>	<b>\$ (550.3)</b>	<b>\$ 200.0</b>	<b>26.7%</b>	<b>\$ (1,116.7)</b>	<b>\$ (1,074.9)</b>	<b>\$ 41.8</b>	<b>3.7%</b>					
<b>VARIANCE (N = L + M)</b>	<b>\$ (17.5)</b>	<b>\$ 104.6</b>	<b>\$ 51.9</b>	<b>\$ 156.6</b>	<b>\$ 174.1</b>	<b>993.9%</b>	<b>\$ (0.0)</b>	<b>\$ 41.6</b>	<b>\$ 41.6</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 eight months ending February 28, 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 Jan. 2017 <sup>(1)</sup>	Actual Feb. 2017 <sup>(1)</sup>	Budget FY 2017 <sup>(1)</sup>	Budget vs. Feb. 2017	
<b>Public Safety</b>					
Police	2,888	2,894	3,127	233	7%
Fire	1,200	1,193	1,332	139	10%
Total Public Safety	4,088	4,087	4,459	372	8%
<b>Non-Public Safety</b>					
Office of the Chief Financial Officer	443	431	453	22	
Dept. of Public Works	336	331	376	45	
Health & Wellness	39	40	51	11	
Human Resources	83	85	70	(15) <sup>(3)</sup>	
Housing & Revitalization / Planning & Development	93	93	81	(12) <sup>(3)</sup>	
Dept. of Innovation and Technology	90	96	134	38	
Law	106	103	108	5	
Mayor (Includes Homeland Security)	65	69	72	3	
Public Lighting Department	5	4	6	2	
Recreation	205	196	285 <sup>(2)</sup>	89	
General Services	286	278	574 <sup>(2)</sup>	296	
Legislative <sup>(5)</sup>	153	151	252 <sup>(2)</sup>	101	
36th District Court	312	314	326	12	
Other <sup>(6)</sup>	83	83	80	(3) <sup>(4)</sup>	
Total Non-Public Safety	2,299	2,274	2,868	594	21%
<b>Total General City</b>	<b>6,387</b>	<b>6,361</b>	<b>7,327</b>	<b>966</b>	<b>13%</b>
<b>Enterprise</b>					
Airport	4	4	4	0	
BSEED	200	197	204	7	
Transportation	898	897	900	3	
Parking	89	84	89	5	
Water and Sewerage	445	447	488	41	
Library	293	289	325	36	
Total Enterprise	1,929	1,918	2,010	92	5%
<b>Total City</b>	<b>8,316</b>	<b>8,279</b>	<b>9,337</b>	<b>1,058</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 8 Months Ended February 28, 2017

\$ in millions

## Cash Flows - General Pool Cash

	Actual 8 Months	Prior Year	
		8 Months	Change
Property Taxes	\$ 100.4	\$ 104.8	\$ (4.4)
Municipal Income Taxes	182.2	165.9	16.4
Utility Users Taxes	21.7 (1)	11.8	9.9
Wagering Taxes	119.3	117.8	1.5
State Revenue Sharing	163.7	130.0	33.7
Other / Misc.	125.6	133.0	(7.4)
<b>Total Receipts</b>	<b>713.0</b>	<b>663.2</b>	<b>49.8</b>
Salaries and Wages	(260.3)	(238.2)	(22.1)
Employee Benefits	(42.9)	(35.3)	(7.5)
Materials, Contracts & Other	(276.0)	(198.8)	(77.2)
<b>Total Disbursements</b>	<b>(579.2)</b>	<b>(472.4)</b>	<b>(106.8)</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>133.8</b>	<b>190.9</b>	<b>(57.0)</b>
Debt Service	(49.4)	(79.8) (2)	30.4
Non-Financing Adjustments	(26.6) (3)	-	(26.6)
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(76.0)</b>	<b>(79.8)</b>	<b>3.8</b>
<b>Net Cash Flow (4)</b>	<b>\$ 57.8</b>	<b>\$ 111.0</b>	<b>\$ (53.2)</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)	57.8	111.0	(53.2)
Lockbox reserves	-	-	-
<b>Ending cash balance (net of distribution owed) (5)</b>	<b>\$ 429.9</b>	<b>\$ 322.0</b>	<b>\$ 107.9</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 8 Months Ended February 28, 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	\$ 100.4	\$ -	\$ 100.4		\$ 96.6	\$ 3.8	\$ 100.4	\$ 0.0
Municipal Income taxes	182.2	(14.2)	168.1	(2)	154.2	13.8	168.0	0.0
Utility Users taxes	21.7	(4.0)	17.7	(2)	17.7	-	17.7	0.0
Wagering Taxes	119.3	0.1	119.5	(2)	119.5	-	119.5	0.0
State Revenue Sharing	163.7	(64.8)	98.9	(2)	98.9	-	98.9	0.0
Other / Misc.	125.6	(29.1)	96.5	(2)(3)	95.0	1.6	96.6	0.0
<b>Total Receipts</b>	<b>713.0</b>	<b>(112.0)</b>	<b>601.0</b>		<b>581.8</b>	<b>19.2</b>	<b>601.0</b>	<b>0.0</b>
Salaries and Wages	(260.3)	23.4	(236.9)	(4)	(236.9)	-	(236.9)	0.0
Employee Benefits	(42.9)	(9.3)	(52.2)	(5)	(52.2)	-	(52.2)	0.0
Materials, contracts & other	(276.0)	132.9	(143.1)	(6)	(143.1)	-	(143.1)	0.0
<b>Total Disbursements</b>	<b>(579.2)</b>	<b>147.0</b>	<b>(432.2)</b>		<b>(432.2)</b>	<b>-</b>	<b>(432.2)</b>	<b>0.0</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>133.8</b>	<b>35.0</b>	<b>168.8</b>		<b>149.6</b>	<b>19.2</b>	<b>168.8</b>	<b>0.0</b>
Debt Service	(49.4)	4.5	(45.0)	(7)	(45.0)	-	(45.0)	0.0
Non-Financing Adjustments	(26.6)	26.6	-	(8)	-	-	-	-
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(76.0)</b>	<b>31.1</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>57.8</b>	<b>66.1</b>	<b>123.9</b>		<b>104.6</b>	<b>19.2</b>	<b>123.8</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 \$0.9 March 2017 activity, \$64.8m of State Revenue Sharing, \$7.3m of Other Revenue (Wagering, Municipal Svc fees) in FY 2017 related to FY 2016 activity.
- (3) \$8m of revenues collected in FY2017 related to activity in FY2016. \$7.6m of collections are cash specific transactions, \$6.2m are non-General Fund receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$10.7m is non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments and \$15.3m Pension accrual to be paid at the end of FY2017 offset by \$5.0m relating to the timing of payments within this fiscal year.
- (6) Approximately \$36.3m of disbursements are non-General Fund, \$54.1m related to prior period and \$42.5m are cash specific transactions.
- (7) \$14.2m of Financing Costs related to prior period offset by \$6.4m exit financing, \$7.3m Public Lighting Authority and \$5.0m 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 8 Months Ended February 28, 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		\$ 92.5			\$ 95.8	
General Special Acts (4)		2.2			3.4	
<b>General Total</b>	<b>\$ 120.7</b>	<b>\$ 94.7</b>	<b>78.46%</b>	<b>\$ 129.6</b>	<b>\$ 99.2</b>	<b>76.54%</b>
<b>Debt Service Total</b>	<b>\$ 62.0</b>	<b>\$ 48.8</b>	<b>78.65%</b>	<b>\$ 68.3</b>	<b>\$ 53.6</b>	<b>78.50%</b>
<b>Solid Waste Total</b>	<b>\$ 62.4</b>	<b>\$ 30.0</b>	<b>48.04%</b>	<b>\$ 57.4</b>	<b>\$ 30.7</b>	<b>53.50%</b>

		FY 2017	FY 2016
General City Ad Valorem Collections YTD	(2)	\$ 92.5	\$ 95.8
Delinquent Tax Revolving Fund Collections YTD	(3)	7.9	12.8
<b>Total Property Tax Collections (Ad Val + DTRF)</b>		<b>\$ 100.4</b>	<b>\$ 108.6</b>
Admin Fee, Interest, Penalty YTD	(4)	\$ 6.2	\$ 7.0

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

- The Accounts Payable aging balance as of February 2017 was \$29.9M. The Invoices on Hold increased by \$4.5M, and the Non Hold invoices increased by \$1.2M compared to the January Accounts Payable aging.

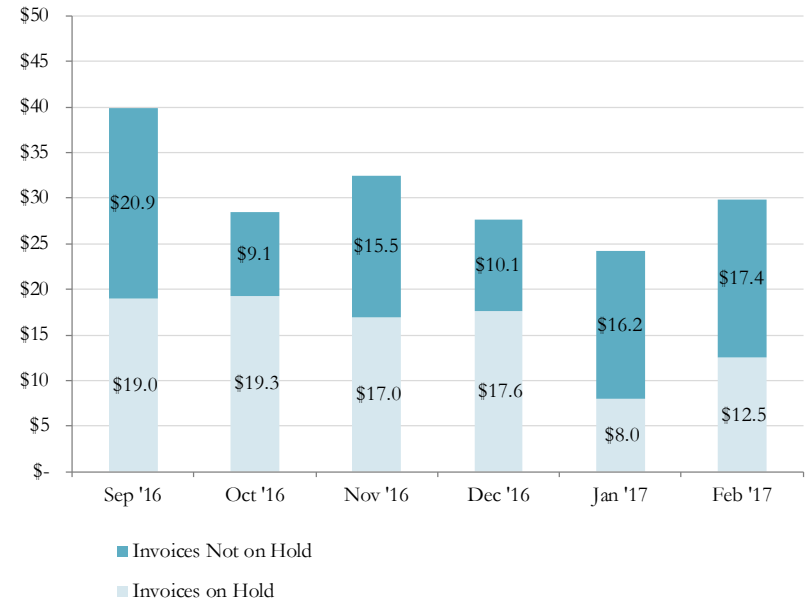
\$ in millions

Accounts Payable (AP) as of 28-FEB-2017	
Total AP	\$ 29.9
Less: Invoices on hold (1)	(12.5)
Net AP not on hold	\$ 17.4

## AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
<b>Feb. Total</b>	\$ 17.4	\$ 6.6	\$ 4.7	\$ 2.7	\$ 3.4
<i>% of total</i>	100%	38%	27%	16%	20%
Total Count of Invoices	1,459	849	362	71	177
<i>% of total</i>	100%	58%	25%	5%	12%
<b>Jan. Total</b>	\$ 16.2	\$ 5.8	\$ 4.0	\$ 2.0	\$ 4.4
<i>% of total</i>	100%	36%	24%	12%	27%
Total Count of Invoices	955	373	348	46	188
<i>% of total</i>	100%	30%	26%	13%	32%

## Total AP



Notes:

(1) Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal holds.



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

- There were no additional business cases that were approved in February 2017. There are several business cases under review, which are being evaluated based upon need and funding source options.

<i>\$ in millions</i>	<b>Number of Projects</b>	<b>Amount of Approved and Authorized Projects</b>	<b>Total Amount Expensed</b>
<b>Available Exit Financing Proceeds</b>		<b>\$233.2</b>	
<b>Project Allocation:</b>			
Department of Innovation and Technology	5	(41.5)	(34.0)
Blight	7	(29.7)	(26.2)
Police	6	(29.0)	(19.3)
Fire	11	(25.5)	(19.2)
General Services	14	(32.1)	(18.4)
Office of the Chief Financial Officer	10	(19.7)	(15.9)
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>62</b>	<b>(\$188.3)</b>	<b>(\$140.4)</b>
Post Petition Financing Interest and Other Fees	-	(2.8)	-
<b>Totals</b>	<b>62</b>	<b>(\$191.1)</b>	<b>(\$140.4)</b>
<b>Amount Reserved for Projects under Review</b>		<b>\$42.1</b>	



## The City is leveraging funding from external sources

- In February, the Federal and State grant funds increased by \$1.1M with two new grants for the Fire Department and an increase in an award for the Health Department. The City closed 9 grants resulting in a decrease of \$4.7M. The main private grant received was a \$1.36M commitment over three years from Bloomberg Philanthropies to add the City of Detroit as a member of its Innovation Team (i-team) program, which helps city halls drive bold innovation and use data to tackle complex problems facing residents.

*\$ in millions*

Department	Amount Awarded (1)	Number of Grants
Transportation	\$ 384.0	22
Housing & Revitalization	237.7	19
Public Works	30.6	20
Fire Department	28.2	9
Health & Wellness Promotion	26.2	4
Police	17.7	23
Recreation	3.2	10
Coleman A. Young Airport (Airport)	0.3	2
General Services	0.8	1
Homeland Security and Emergency Management (HSEM)	1.3	5
Other (2)	1.1	4
<b>Active Federal/State grants (3)</b>	<b>\$ 731.1</b>	<b>119</b>
<b>Active private grants and donations</b>	<b>54.4</b>	<b>65</b>
<b>Total active grants and donations</b>	<b>\$ 785.5</b>	<b>184</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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