

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Ten Months ended April 30, 2017

June 26, 2017



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Executive summary

- The City has released its FY 2016 Comprehensive Annual Financial Report, which shows the City ended its second consecutive year with a balanced budget and a surplus of \$62.9M.
- The City has also released its FY 2016 Single Audit report covering federal grant spending, which shows zero questioned costs for the first time in over a decade.
- The OCFO has submitted its proposal to establish the Retiree Protection Trust Fund for the City Council's consideration.
- Current projections indicate FY 2017 is estimated to end with a budget surplus of approximately \$53M.
 - 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 April but remains below budget. (page 4)
 - A portion of the projected surplus may be utilized for recommended fleet replacements during FY 2017.
- April YTD General City property tax collection rate exceeds the prior year. (page 7)
- Accounts Payable as of April 2017 decreased by \$8M from \$31.1M to \$23.1M compared to March. (page 8)
- With respect to exit financing, approved projects increased by \$3M for the Integrated Public Safety System. (page 9)
- In April, Federal and State grants show a net decrease of \$15.4M due to the completion and closure of 5 grants across DDOT and Recreation and additional awards for HSEM and Police. From private funds, the Mayor's Grow Detroit's Young Talent (GDYT) youth employment program received commitments of \$2.6M via multiple grants and donations to Detroit Employment Solutions Corporation and City Connect Detroit. Detroit Promise also received a commitment of \$3.5M over 3 years from the W.K. Kellogg Foundation via the Michigan Education Excellence Foundation. (page 10)



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

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 229.4	\$ 209.4	\$ -	\$ 209.4	\$ (20.0)	(8.7%)	\$ 266.6	\$ 275.0	\$ 8.4	3.2%
Property Taxes	108.1	99.8	3.3	103.1	(5.1)	(4.7%)	117.0	124.0	7.0	6.0%
Wagering Taxes	146.7	149.5	-	149.5	2.8	1.9%	175.2	176.0	0.8	0.5%
Utility Users' Tax	30.8	27.0	-	27.0	(3.9)	(12.5%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	163.8	132.2	-	132.2	(31.5)	(19.3%)	196.5	195.2	(1.3)	(0.7%)
Sales and Charges for Services	102.8	41.5	-	41.5	(61.3)	(59.6%)	123.4	119.4	(4.0)	(3.2%)
Licenses, Permits, and Inspection Charges	9.3	9.9	-	9.9	0.6	6.0%	11.2	11.2	0.0	0.4%
Contributions and Transfers	127.5	0.0	67.9	67.9	(59.7)	(46.8%)	143.0	141.2	(1.8)	(1.3%)
Fines, Forfeits and Penalties	18.5	18.3	-	18.3	(0.2)	(1.3%)	22.2	24.5	2.2	10.1%
Revenues from Use of Assets	1.1	1.8	-	1.8	0.7	59.1%	1.3	1.3	(0.0)	(2.3%)
Other Taxes, Assessments, and Interest	7.6	12.8	-	12.8	5.3	69.8%	9.1	7.7	(1.3)	(14.7%)
Sales of Assets and Compensation for Losses	12.0	0.1	-	0.1	(11.9)	(98.8%)	14.4	7.0	(7.5)	(51.6%)
Miscellaneous	8.6	8.1	33.3	41.4	32.8	382.4%	12.6	9.4	(3.2)	(25.3%)
Adjust for Prior Year Encumbrances (6)	40.8	-	40.8	40.8	-	-	40.8	40.8	-	-

TOTAL (L)

	YTD ANALYSIS					
	BUDGET	ACTUAL + ACCRUAL + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)	
	YTD	ACTUAL (2)	ACCRUAL + ENCUMBRANCE (3)	TOTAL	YTD	
	ADJUSTED (1)				(\$) F = E-B	% G = (F/B)
B	C	D	E = C + D			
	\$ 1,007.1	\$ 710.3	\$ 145.3	\$ 855.6	\$ (151.5)	(15.0%)

EXPENDITURES: (6)

Salaries and Wages	\$ (335.4)	\$ (299.2)	\$ -	\$ (299.2)	\$ 36.2	10.8%	\$ (397.6)	\$ (375.2)	\$ 22.4	5.6%
Employee Benefits	(208.2)	(71.2)	0.0	(71.2)	136.9	65.8%	(237.1)	(221.7)	15.4	6.5%
Professional and Contractual Services	(77.4)	(48.2)	(15.4)	(63.7)	13.8	17.8%	(88.4)	(82.5)	5.9	6.6%
Operating Supplies	(33.9)	(22.3)	(23.4)	(45.7)	(11.8)	(34.6%)	(38.7)	(45.0)	(6.4)	(16.5%)
Operating Services	(131.1)	(45.9)	(7.3)	(53.2)	77.8	59.4%	(155.9)	(150.6)	5.3	3.4%
Capital Equipment	(3.3)	(1.1)	(1.9)	(3.0)	0.3	9.3%	(3.4)	(4.2)	(0.7)	(21.8%)
Capital Outlays	(29.9)	(6.6)	(14.7)	(21.2)	8.7	29.0%	(36.0)	(35.2)	0.8	2.4%
Debt Service	(62.8)	(45.0)	(18.0)	(63.0)	(0.1)	(0.2%)	(75.4)	(66.6)	8.9	11.8%
Other Expenses	(113.9)	(58.4)	(0.3)	(58.7)	55.2	48.4%	(137.9)	(133.2)	4.7	3.4%

TOTAL (M)

	\$ (996.0)	\$ (598.0)	\$ (81.0)	\$ (679.0)	\$ 317.0	31.8%
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VARIANCE (N = L + M)

	\$ 11.1	\$ 112.4	\$ 64.3	\$ 176.6	\$ 165.5	1488.8%
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ANNUALIZED PROJECTION ANALYSIS

	BUDGET		PROJECTION		VARIANCE (BUDGET VS. PROJECTION)	
	ANNUAL	ADJUSTED	ANNUAL	ESTIMATED (4)	ANNUAL ESTIMATED	
		H		I	(\$) J = I-H	% K = (J/H)
	\$ 1,170.4	\$ 1,170.4	\$ 1,167.8	\$ 1,167.8	\$ (2.6)	(0.2%)

Notes

- (1) Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- (2) Year-to-date actuals reflect ten months ending April 30, 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 March 2017	Actual April 2017	April 2017 vs. March 2017	Budget FY 2017 ⁽¹⁾	Budget vs. April 2017	
Public Safety						
Police	2,902	2,911	9	3,127	216	7%
Fire	1,188	1,185	(3)	1,332	147	11%
Total Public Safety	4,090	4,096	6	4,459	363	8%
Non-Public Safety						
Office of the Chief Financial Officer	418	418	0	453	35	
Dept. of Public Works	304	359	55	376	17	
Health & Wellness	37	35	(2)	51	16	
Human Resources	97	98	1	70	(28) ⁽³⁾	
Housing	67	69	2	59	(10) ⁽³⁾	
Dept. of Innovation and Technology	103	96	(7)	134	38	
Law	103	102	(1)	108	6	
Mayor (Includes Homeland Security)	72	72	0	72	0	
Planning	26	26	0	22	(4) ⁽³⁾	
Public Lighting Department	4	4	0	6	2	
Recreation	212	211	(1)	285 ⁽²⁾	74	
General Services	315 ⁽⁴⁾	409	94	574 ⁽²⁾	165	
Legislative ⁽⁵⁾	168	169	1	252 ⁽²⁾	83	
36th District Court	315	315	0	326	11	
Other ⁽⁶⁾	83	87	4	80	(7) ⁽⁷⁾	
Total Non-Public Safety	2,324	2,470	146	2,868	398	14%
Total General City	6,414	6,566	152	7,327	761	10%
Enterprise						
Airport	4	3	(1)	4	1	
BSEED	198	199	1	204	5	
Transportation	892	887	(5)	900	13	
Parking	87	89	2	89	0	
Water and Sewerage	445	470	25	488	18	
Library	290	289	(1)	325	36	
Total Enterprise	1,916	1,937	21	2,010	73	4%
Total City	8,330	8,503	173	9,337	834	9%

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) March 2017 Actual amount for General Services has been corrected compared to the previous month's report.
- (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.
- (7) Variance is due to Media Services positions, which were budgeted as PSCs and subsequently converted to administrative special services positions.



FY 2017 year-to-date net cash flows

For 10 Months Ended April 30, 2017

\$ in millions

Cash Flows - General Pool Cash

	Actual 10 Months		Prior Year	
			10 Months	Change
Property Taxes	\$ 103.1	(1)	\$ 114.2	\$ (11.1)
Municipal Income Taxes	237.1		219.7	17.4
Utility Users Taxes	31.0	(2)	17.8	13.2
Wagering Taxes	148.1		146.2	1.8
State Revenue Sharing	197.0		162.4	34.6
Other / Misc.	158.8		155.1	3.7
Total Receipts	875.1		815.5	59.6
Salaries and Wages	(330.1)		(303.9)	(26.2)
Employee Benefits	(61.6)		(48.7)	(12.8)
Materials, Contracts & Other	(341.3)		(226.7)	(114.6)
Total Disbursements	(733.0)		(579.3)	(153.6)
Operating Surplus (before Reinvestment)	142.1		236.1	(94.0)
Debt Service	(68.4)		(119.7)	(3) 51.3
Non-Financing Adjustments	(26.6)	(4)	-	(26.6)
Total Adjustments to arrive at Net Cash Flow	(95.0)		(119.7)	24.7
Net Cash Flow (5)	\$ 47.1		\$ 116.5	\$ (69.4)
Beginning cash balance (net of distribution) (6)	\$ 372.1		\$ 211.0	\$ 161.1
Net Cash Flow (5)	47.1		116.5	(69.4)
Lockbox reserves	-		-	-
Ending cash balance (net of distribution owed) (6)	\$ 419.2		\$ 327.4	\$ 91.8

Notes:

- (1) Property Tax Detail located on page 7.
- (2) 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.
- (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 10 Months Ended April 30, 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	\$ 103.1	-	\$ 103.1		\$ 99.8	\$ 3.3		\$ 103.1	0.0
Municipal Income taxes	237.1	(27.7)	209.4	(2)	209.4	-		209.4	0.0
Utility Users taxes	31.0	(4.0)	27.0	(2)	27.0	-		27.0	0.0
Wagering Taxes	148.1	1.4	149.5	(2)	149.5	-		149.5	0.0
State Revenue Sharing	197.0	(64.8)	132.2	(2)	132.2	-		132.2	0.0
Other / Misc.	158.8	(32.2)	126.6	(2)(3)	92.4	34.2		126.6	0.0
Total Receipts	875.1	(127.3)	747.8		710.3	37.5		747.8	0.0
Salaries and Wages	(330.1)	30.9	(299.2)	(4)	(299.2)	-		(299.2)	0.0
Employee Benefits	(61.6)	(9.6)	(71.2)	(5)	(71.2)	-		(71.2)	0.0
Materials, contracts & other	(341.3)	158.8	(182.5)	(6)	(182.5)	-		(182.5)	0.0
Total Disbursements	(733.0)	180.1	(552.9)		(552.9)	-		(552.9)	0.0
Operating Surplus (before Reinvestment)	142.1	52.8	194.9		157.4	37.5		194.9	0.0
Debt Service	(68.4)	5.3	(63.1)	(7)	(45.0)	(18.1)		(63.1)	0.0
Non-Financing Adjustments	(26.6)	26.6	-	(8)	-	-		-	0.0
Total Adjustments to arrive at Net Cash Flow	(95.0)	31.9	(63.1)		(45.0)	(18.1)		(63.1)	0.0
Net Inflows /(Outflows)	\$ 47.1	\$ 84.7	\$ 131.8		\$ 112.4	\$ 19.4		\$ 131.8	\$ 0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$27.6m of Municipal Income Tax, \$4m of Utility Users' Tax, \$0.8m of Wagering Taxes offset by \$2.2m May 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. \$9.4m of collections are cash specific transactions, \$7.5m are non-General Fund 1000 receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$18.2m is attributed to timing of payments and non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments and \$8.8m to the timing of payments offset by the \$19.5m Pension accrual to be paid at the end of FY2017.
- (6) Approximately \$45m of disbursements are non-General Fund, \$63.5m related to prior period and \$50.3m are cash specific transactions.
- (7) \$14.2m of Financing Costs related to prior period offset by \$19.5m of exit financing and state revenue sharing debt set aside.
- (8) \$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 10 months ended April 30, 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	
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)	\$ 93.0	\$ 96.4
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	10.1	13.8
Total Property Tax Collections (Ad Val + DTRF)		\$ 103.1	\$ 110.2
Activity Subsequent to April 30, 2017 (FY17 amounts are estimated)			
Remaining DTRF Distributions (net of chargebacks)	(4)	\$ 13.2	\$ 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)
Special One-Time Adjustment		-	13.3
Total Year-End Property Tax Collections (Ad Val + DTRF)	(8)	\$ 124.0	\$ 147.4
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.
- (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 April 2017 decreased by \$8.1M from \$31.1M to \$23M compared to March. During the month of April, the City made payments totaling \$54.8M.

\$ in millions

Accounts Payable (AP) as of 30-APR-2017	
Total AP	\$ 23.0
Less: Invoices on hold (1)	(5.3)
Less: Installments/Retainage Invoices (2)	(0.7)
Net AP not on hold	\$ 17.0

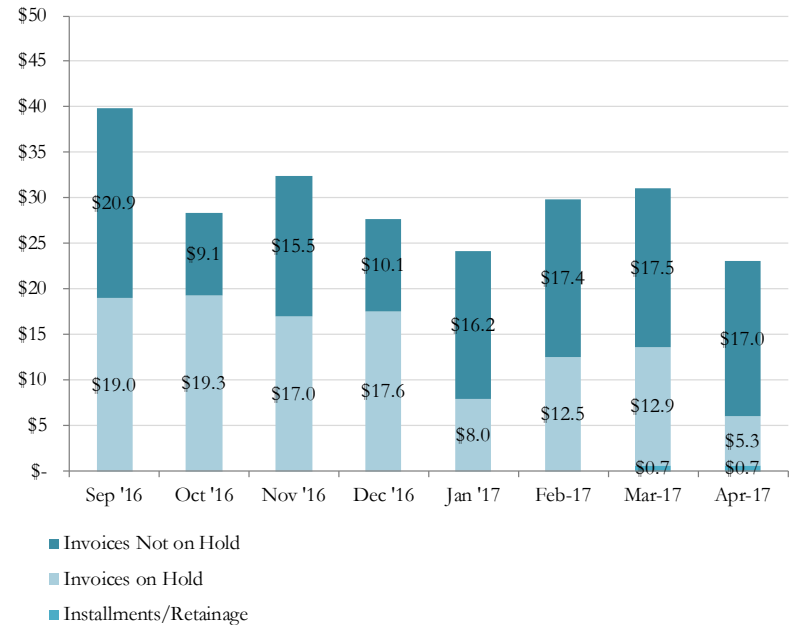
AP Aging (excluding invoices on hold and retainage)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Apr-17. Total	\$ 17.0	\$ 10.1	\$ 0.8	\$ 0.6	\$ 5.5
<i>% of total</i>	100%	57%	5%	3%	35%
Total Count of Invoices	1,341	654	88	236	363
<i>% of total</i>	100%	49%	7%	18%	27%
Mar-17. Total	\$ 17.5	\$ 9.1	\$ 3.4	\$ 4.5	\$ 0.6
<i>% of total</i>	100%	36%	25%	15%	24%
Total Count of Invoices	1,222	793	217	72	140
<i>% of total</i>	100%	38%	27%	16%	20%

Notes:

- (1) Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal holds.
- (2) Invoices on retainage are on hold until the supplier satisfies all contract obligations
- (3) 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 April, approved projects increased by \$3M for the Integrated Public Safety System project.

<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)	(38.2)
Blight	7	(25.2)	(25.2)
Police	6	(25.1)	(21.3)
Fire	11	(35.8)	(19.3)
General Services	14	(29.3)	(19.7)
Office of the Chief Financial Officer	11	(18.3)	(16.5)
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)	(0.2)
Subject to Reconciliation	–	–	(1.1)
Subtotal Projects	65	(\$186.7)	(\$149.0)
Post-Petition Financing Interest and Other Fees	–	(2.8)	–
Totals	65	(\$189.4)	(\$149.0)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$43.8	

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 April, Federal and State grants show a net decrease of \$15.4M due to the completion and closure of 5 grants across DDOT and Recreation and additional awards for HSEM and Police. From private funds, the Mayor's Grow Detroit's Young Talent (GDYT) youth employment program received commitments of \$2.6M via multiple grants and donations to Detroit Employment Solutions Corporation and City Connect Detroit. Detroit Promise also received a commitment of \$3.5M over 3 years from the W.K. Kellogg Foundation via the Michigan Education Excellence Foundation.

<i>\$ in millions</i>	<u>Amount Awarded (1)</u>		Number of Grants
	<u>Appropriation Approved (2)</u>	<u>Appropriation Pending (2)</u>	
Department			
Transportation	\$ 368.1	\$ -	19
Housing & Revitalization	207.9	-	17
Public Works	30.6	-	20
Fire Department	28.2	-	9
Police	17.1	-	24
Health & Wellness Promotion	16.4	-	3
Recreation	2.7	-	8
Homeland Security and Emergency Management (HSEM)	2.1	-	6
General Services	0.8	-	1
Coleman A. Young Airport (Airport)	0.3	-	2
Other (3)	1.1	-	4
Active Federal/State grants (4)	\$ 675.3	\$ -	113
Active private grants and donations (5)	65.5	1.4	68
Total active grants and donations	\$ 740.8	\$ 1.4	181

Notes:

- Reflects original amounts awarded and amendments for active grants as of April 30, 2017. Remaining amount available to be spent will be lower for most departments.
- The amounts awarded as of April 30 are separated between grant appropriations already approved and those pending approval as of the date of this report (June 26, 2017).
- 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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