



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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September 14, 2018

The Honorable Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Monthly Financial Report for the One Month ended July 31, 2018

Dear Honorable City Council Members:

The Office of the Chief Financial Officer (OCFO) respectfully submits its monthly City of Detroit Financial Report for the One Month ended July 31, 2018. The OCFO also publishes this report on the City's website.

As previously discussed, the OCFO has revised its monthly City of Detroit Financial Report to improve reporting and increase transparency into the City's finances. The revised monthly City of Detroit Financial Report now includes the following:

- Year-to-date budget amendments for the general fund;
- Income tax collections information;
- Increased grants information that indicate how the City leverages outside funding;
- Greater detail on the City's cash position and forecast; and
- Supplier payments – ACH vs. Checks

The OCFO is pleased to brief the City Council on the City's finances and respectfully requests to do so at one of the upcoming regularly scheduled Budget, Finance and Audit (BFA) Standing Committee meetings. The OCFO will also meet with the Legislative Policy Division prior to the BFA Committee meeting to further invite discussion on the report.

Best regards,

A handwritten signature in black ink, appearing to read "John W. Hill".

John W. Hill
Chief Financial Officer

Att: City of Detroit Financial Report for the One Month ended July 31, 2018

Cc: Mayor Michael E. Duggan, City of Detroit
David P. Massaron, Chief Operating Officer and Senior Counsel to the Mayor
John Naglick, Chief Deputy CFO/Finance Director
Tanya Stoudemire, Deputy CFO/Budget Director
Christa McLellan, Deputy CFO/Treasurer
Stephanie Washington, City Council Liaison

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FY 2019 Financial Report

For the 1 Month ended July 31, 2018

Office of the Chief Financial Officer

September 14, 2018



Table of Contents

	Page(s)
Executive Summary	2
YTD Budget Amendments – General Fund	3
Budget vs. Actual and Projection Reports	4-5
Employee Count Monitoring	6
Income Tax Reports	7-8
Development and Grants Reports	9-10
Cash Reports	11-13
Accounts Payable Reports	14-15



Executive Summary

- The Office of the Treasury issued 2018 summer property tax bills on July 1, and the first half summer payments were due on August 15. Taxpayers could also elect to pay the full summer balance by August 31.
- The City held its Revenue Estimating Conference on September 13, where the Conference principals approved new estimates for FY 2019-2023, which will serve as a starting point for developing the next four-year financial plan. In total, revenues were adjusted upward slightly.
- FY 2019 is currently projected to end with an operating surplus of approximately \$35.1M.
 - Payroll and employee benefit expenditures are trending below budget as a result of position vacancies. (page 5)
 - The General City active employee count increased in July, but the total employee count remains below budget. (page 6)
- Within the City's active grant portfolio, the most significant new grant award in July was \$2.3M from Detroit Wayne Mental Health to Detroit Employment Solutions Corporation (DESC) to incorporate behavioral health awareness training and certification into the Grow Detroit's Young Talent Program. (page 9)
- Actual net cash flows were \$5.4 million better than projected due to lower anticipated distribution of salaries and general accounts payable. (page 12)
- Accounts Payable as of July had a net increase of \$7.2M compared to June. Net AP not on hold had a net decrease of \$3.2M. The number of open invoices not on hold decreased by 99. There were 1,572 new invoices processed in July that were not on hold. (page 14)
- The OCFO is continuing to evaluate various UTGO and LTGO debt initiatives.



YTD Budget Amendments – General Fund

FY 2018-2019 GENERAL FUND BUDGET AMENDMENTS (Through July 2018)		
Department	Reason for Amendment	Amount
FY 2018 - 2019 Adopted Budget		\$ 1,073,598,491
Prior Year Balance Forward Amendments		
City Council	City Planning Commission Project ⁽¹⁾	699,975
Total Balance Forwards		699,975
Non-Prior Year Balance Forward Amendments		
N/A	N/A	N/A
Total Budget Amendments		0
FY 2018 - 2019 Amended Budget (Through July 2018)		\$ 1,074,298,466

(1) Multi-year, multi-phase project which will result in an updated Zoning Ordinance.



YTD Budget vs. YTD Actual – General Fund

\$ in millions

YTD ANALYSIS						
MAJOR CLASSIFICATIONS	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCES			VARIANCE (BUDGET VS. ACTUAL)	
	YEAR TO DATE	ACTUAL	ADJUSTMENTS + ENCUMBRANCES	TOTAL		
A	B	C	D	E = C + D	(\$ F = E-B	% G = (F/B)
REVENUE:						
Municipal Income Tax	\$20.9	\$23.2	-	\$23.2	\$2.3	10.9%
Property Taxes	5.1	8.8	-	8.8	3.8	73.8%
Wagering Taxes	14.7	14.2	-	14.2	(0.5)	(3.4%)
Utility Users' Tax	3.3	2.3	-	2.3	(1.0)	(31.2%)
State Revenue Sharing	0.1	-	-	-	(0.1)	(100.0%)
Other Revenues	18.2	10.9	-	10.9	(7.3)	(40.2%)
Sub-Total	\$62.3	\$59.4	-	\$ 59.4	(2.9)	(4.6%)
Carry forward-Use of Assigned Fund Balance	0.7	-	0.7	0.7	-	-
TOTAL	\$63.0	\$59.4	\$0.7	\$60.1	(2.9)	(4.6%)
EXPENDITURES:						
Salary and Wages	(\$34.0)	(\$27.6)	-	(\$27.6)	\$6.4	(18.9%)
Overtime	(2.6)	(4.7)	-	(4.7)	(2.1)	79.9%
Employee Benefits	(12.7)	(8.0)	-	(8.0)	4.7	(36.9%)
Legacy Pension Payments	(20.0)	(20.0)	-	(20.0)	-	-
Retiree Protection Fund	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Other Expenses	(29.0)	(43.6)	(7.5)	(51.0)	(22.0)	76.0%
TOTAL	(\$98.3)	(\$103.8)	(\$7.5)	(\$111.3)	(\$13.0)	13.2%



Annualized Projection vs. Budget – General Fund

\$ in millions

ANNUAL ANALYSIS				
SUMMARY CLASSIFICATIONS	BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
	ANNUAL AMENDED	ANNUAL ESTIMATED	ANNUAL ESTIMATED	
	A	C	(\$ D = C-B	% E = (D/B)
REVENUE:				
Municipal Income Tax	\$299.4	\$299.4	-	-
Property Taxes	133.8	133.8	-	-
Wagering Taxes	180.8	180.8	-	-
Utility Users' Tax	40.0	40.0	-	-
State Revenue Sharing	201.3	201.3	-	-
Other Revenues	218.3	218.3	-	-
Sub-Total	\$1,073.6	\$1,073.6	-	-
Carry forward-Use of Assigned Fund Balance	0.7	0.7	-	-
TOTAL	\$1,074.3	\$1,074.3	-	-
EXPENDITURES:				
Salary and Wages	(\$424.5)	(\$377.0)	\$47.4	(11.2%)
Overtime	(33.0)	(53.5)	(20.5)	62.2%
Employee Benefits	(140.9)	(132.7)	8.2	(5.8%)
Legacy Pension Payments	(38.6)	(38.6)	-	-
Retiree Protection Fund	(20.0)	(20.0)	-	-
Debt Service	(69.4)	(69.4)	-	-
Other Expenses	(348.0)	(348.0)	-	-
TOTAL	(\$1,074.3)	(\$1,039.2)	\$35.1	(3.3%)

Note: Projected annual revenues are based on the February 2018 Revenue Estimating Conference.



Employee Count Monitoring

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual June 2018	Actual July 2018	Change July 2018 vs. June 2018	Adjusted Budget FY 2019 ⁽²⁾	Variance Under/(Over) Budget vs. June 2018	
Public Safety						
Police	3,058	3,034	(24)	3,322	288	9%
Fire	1,210	1,226	16	1,274	48	4%
Total Public Safety	4,268	4,260	(8)	4,596	336	7%
Non-Public Safety						
Office of the Chief Financial Officer	434	440	6	479	39	
Public Works - Full Time	395	400	5	423	23	
Health and Wellness Promotion	86	83	(3)	119	36	
Human Resources	94	95	1	106	11	
Housing and Revitalization	84	83	(1)	85	2	
Innovation and Technology	113	115	2	136	21	
Law	111	109	(2)	120	11	
Mayor's Office (includes Homeland Security)	72	76	4	79	3	
Planning and Development	32	31	(1)	41	10	
Recreation - Full Time ⁽³⁾	261	0	(261)	0	0	
General Services - Full Time	356	609	253	535	(74)	
Legislative ⁽⁴⁾	249	176	(73)	170	(6)	
36th District Court	320	320	0	326	6	
Other ⁽⁵⁾	112	114	2	133	19	
Total Non-Public Safety	2,719	2,651	(68)	2,752	101	4%
Total General City-Full Time	6,987	6,911	(76)	7,348	437	6%
Seasonal/ Part Time⁽⁶⁾	461	618	157	904	286	32%
Enterprise						
Airport	4	4	0	4	0	
BSEED	214	221	7	280	59	
Transportation	889	889	0	927	38	
Municipal Parking	88	89	1	90	1	
Water and Sewerage	538	537	(1)	618	81	
Library	300	300	0	322	22	
Total Enterprise	2,033	2,040	7	2,241	201	9%
Total City	9,481	9,569	88	10,493	924	9%

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) Adjusted Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) The Parks and Recreation Department merged with the General Services Department effective FY 2019.
- (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.
- (6) Includes DPW, General Services, Recreation and Elections



Income Tax

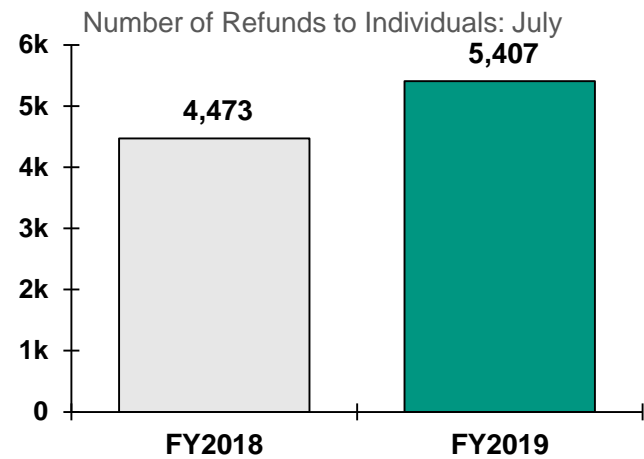
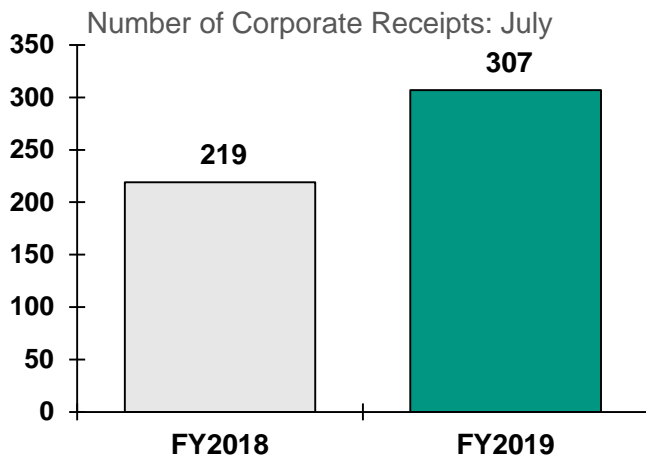
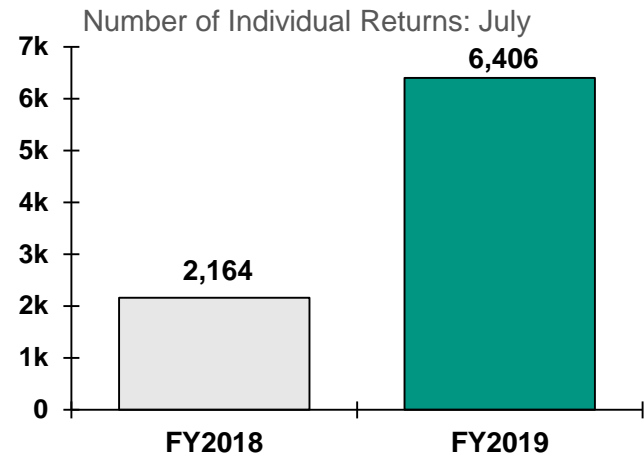
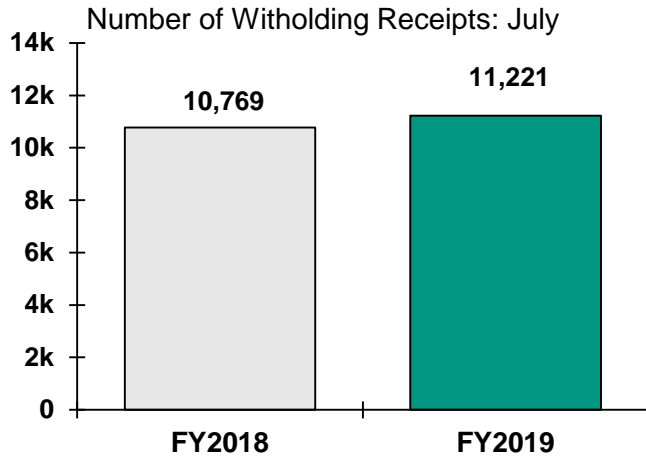
Fiscal Year 2019

Municipal Income Tax Collections	July 2018 YTD	July 2017 YTD
Withholdings	\$ 21,288,094	\$ 19,954,003
Individuals (1099/1040 Filers)	1,344,436	1,322,493
Corporations	819,965	339,915
Partnerships	-	20
Assessments	272,269	254,782
Total Collections	\$ 23,724,764	\$ 21,871,212
Refunds/ Disbursements⁽¹⁾	(576,802)	472,555
Collections Net of Refunds/Disbursements	\$ 23,147,962	\$ 22,343,767

⁽¹⁾The State holds an estimated amount of income tax for potential refunds, and in July 2017 made a disbursement to the City of funds that were not ultimately refunded.



Income Tax





Development and Grants

Active Grants and Donations as of July 31, 2018 (\$ in millions)

	Amount Awarded – City	Amount Awarded – Partners
Total Active⁽¹⁾	\$810.0	\$118.9
Net Change from last month ⁽²⁾	\$76.4	\$5.3

New Funds – January 1, 2018 to July 31, 2018 (\$ in millions)

	Amount Awarded
Documented	\$35.4
Committed ⁽³⁾	\$110.0
Total New Funding	\$145.4
Net New to the City ⁽⁴⁾	\$10.2

(1) Reflects public and private funds directly to City departments, for City projects via fiduciaries, and to third-party partners and agencies for projects prioritized by the City for which the OCFO-Office of Development and Grants has provided active support.

(2) The most significant new award was a \$2.3 million grant from Detroit Wayne Mental Health to DESC to incorporate behavioral health awareness training and certifications into the Grow Detroit's Young Talent Program. This report also for the first time this month shows the City's local Act 51/Street Fund state formula funding allocation of \$83 million.

(3) Reflects verbal and informal commitments which are secure, but for which formal agreements have not yet been finalized.

(4) Reflects new funds to the City from organizations which have not given to the City of Detroit before.



Development and Grants

New Funds – January 1, 2018 to July 31, 2018 – By Priority Category

Priority Category	Documented	Committed	Leverage (External/City) ^{(1),(2)}
Administration/General Services		\$ 360,000	33%
Community/Culture	\$ 150,000	\$ 100,800	
Economic Development	\$ 100,000	\$ 40,300,000	68%
Health	\$ 22,500,000	\$ 2,700,000	
Housing	\$ 500,000	\$ 55,700,000	**
Infrastructure		\$ 182,000	
Parks and Recreation	\$ 4,400,000		53%
Planning	\$ 247,000	\$ 520,000	
Public Safety	\$ 789,200	\$ 32,000	89%
Technology/Education	\$ 249,400	\$ 3,500,000	
Transit	\$ 74,400	\$ 3,600,000	
Workforce	\$ 6,400,000	\$ 2,000,000	468%
Grand Total	\$ 35,400,000	\$ 110,000,000	204%

(1) Leverage includes both match and parallel investment by the City that helps make the case to external funders to co-invest.

(2) While no General Fund dollars directly contribute to leverage external funds for Housing, there is \$50M in HUD funding allocated to Affordable Housing Leverage Fund that has been critical to securing these commitments.



Cash Position

(\$ in millions)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>July 2018 Total</u>
General Fund			
General Accounts	\$ 139.7	\$ 89.8	\$ 229.5
Self Insurance Escrow	-	18.5	18.5
Undistributed Delinquent Taxes	-	28.1	28.1
Other	-	2.1	2.1
Other Governmental Funds			
Rsk Management	-	98.2	98.2
Capital Projects	-	44.3	44.3
Street Fund	-	98.8	98.8
Grants	-	45.0	45.0
Solid Waste Management Fund	44.9	-	44.9
Debt Service	-	47.3	47.3
Gordie Howe Bridge Fund	-	19.2	19.2
Quality of Life Fund	-	57.3	57.3
Other	18.4	12.2	30.6
Enterprise Funds			
Enterprise Funds	22.7	14.1	36.8
Fiduciary Funds			
Undistributed Property Taxes	-	39.5	39.5
Fire Insurance Escrow	-	18.5	18.5
Retiree Protections Trust Funds	-	103.3	103.3
Other	-	36.2	36.2
Component Units			
Component Units	10.7	-	10.7
Total GL cash balance	\$ 236.5	\$ 772.3	\$ 905.5
Plus/minus: Reconciling items	9.3	(1.8)	7.6
Total Cash in the bank	\$ 245.8	\$ 770.6	\$ 1,016.4

All DWSD bank and general ledger balances are excluded from this report.

This schedule depicts general ledger and bank cash balance as of the date of this report and does not represent balances available for spending.



Operating Cash Activity: YTD Actual vs Forecast

For 1 Month Ending July 31, 2018

<i>\$ in Millions</i>				Prior Year YTD Actuals
	YTD Forecast	YTD Actuals	YTD Variance	
Cash Receipts				
Property Taxes	\$ 25.0	\$ 24.3	\$ (0.7)	\$ 29.9
Income Taxes	32.0	35.1	3.1	20.4
Wagering	14.0	15.1	1.1	14.7
State Shared Revenue	0.0	0.0	0.0	0.0
Utility Taxes	2.2	2.3	0.1	2.2
Other Revenue	16.7	13.1	(3.6)	5.9
Total Cash Receipts	\$ 89.9	\$ 89.9	\$ 0.0	\$ 73.1
Cash Disbursements				
Salaries & Wages	\$ (42.1)	\$ (39.1)	\$ 3.0	\$ (35.4)
Benefits	(32.4)	(33.8)	(1.4)	(10.2)
Accounts Payable	(43.1)	(39.3)	3.8	(47.0)
Debt Service	(2.0)	(2.0)	0.0	(0.8)
Total Cash Disbursements	\$ (119.6)	\$ (114.2)	\$ 5.4	\$ (93.4)
Net Cash Flow	\$ (29.7)	\$ (24.3)	\$ 5.4	\$ (20.3)



Operating Cash Activity: Actual vs. Forecast to Year End

For 1 Month Ending July 31, 2018

\$ in millions	2018						2019						FY2019 Total
	July Actual	August Forecast	September Forecast	October Forecast	November Forecast	December Forecast	January Forecast	February Forecast	March Forecast	April Forecast	May Forecast	June Forecast	
Cash Receipts													
Property Taxes	\$ 24.3	\$ 6.4	\$ 24.0	\$ 7.9	\$ 1.4	\$ 0.8	\$ 3.4	\$ 24.0	\$ 1.1	\$ 1.7	\$ 1.4	\$ 18.8	\$ 115.1
Income Taxes	35.1	24.0	24.0	30.0	24.0	22.0	25.0	22.0	25.0	31.0	25.5	26.2	\$ 313.8
Wagering	15.1	16.9	16.3	13.8	20.7	15.6	14.6	13.1	13.5	14.7	13.4	11.5	\$ 179.2
State Shared Revenue	0.0	33.6	0.0	34.2	0.0	33.8	0.0	32.9	0.0	33.6	0.0	33.1	\$ 201.3
Utility Taxes	2.3	2.7	2.6	2.8	2.8	2.4	2.6	3.0	4.0	3.0	2.0	2.0	\$ 32.3
Other Revenue	13.1	18.3	26.8	18.2	19.2	11.5	21.1	11.8	22.9	27.4	36.1	44.8	\$ 271.4
Total Cash Receipts	\$ 89.9	\$ 102.0	\$ 93.7	\$ 106.9	\$ 68.1	\$ 86.1	\$ 66.8	\$ 106.9	\$ 66.6	\$ 111.4	\$ 78.4	\$ 136.4	\$ 1,113.0
Cash Disbursements													
Salaries & Wages	\$ (39.1)	\$ (48.2)	\$ (33.6)	\$ (35.1)	\$ (37.5)	\$ (34.9)	\$ (40.4)	\$ (31.3)	\$ (37.8)	\$ (32.1)	\$ (39.2)	\$ (36.1)	\$ (445.2)
Benefits	(33.8)	(26.5)	(6.2)	(14.5)	(6.5)	(6.3)	(14.0)	(6.2)	(6.5)	(16.1)	(6.5)	(3.8)	\$ (146.7)
Accounts Payable	(39.3)	(48.1)	(31.5)	(35.5)	(34.1)	(30.7)	(41.9)	(17.3)	(26.1)	(22.9)	(35.2)	(26.4)	\$ (388.9)
Debt Service	(2.0)	(4.5)	(2.0)	(18.3)	0.0	(5.7)	(3.2)	(5.7)	(3.2)	(18.3)	(3.2)	(5.7)	\$ (71.9)
Total Cash Disbursements	\$ (114.2)	\$ (127.2)	\$ (73.3)	\$ (103.3)	\$ (78.1)	\$ (77.6)	\$ (99.5)	\$ (60.5)	\$ (73.6)	\$ (89.5)	\$ (84.0)	\$ (72.0)	\$ (1,052.8)
Net Cash Flow	\$ (24.3)	\$ (25.3)	\$ 20.4	\$ 3.6	\$ (10.0)	\$ 8.4	\$ (32.7)	\$ 46.3	\$ (7.0)	\$ 21.9	\$ (5.6)	\$ 64.4	\$ 60.3

*Row and column totals may not add up due to rounding.



Accounts Payable

All Funds
\$ in millions

Accounts Payable (AP) as of Jul-18	
Total AP (Jun-18)	\$ 36.3
Plus: Jul-18 invoices processed	\$ 93.3
Less: Jul-18 Payments made	\$ (86.1)
Total AP month end (Jul-18)	\$ 43.5
Less: Invoices on hold ⁽¹⁾	\$ (21.9)
Less: Installments/Retainage Invoices ⁽²⁾	\$ -
Net AP not on hold	\$ 21.6

AP Aging (excluding invoices on hold)

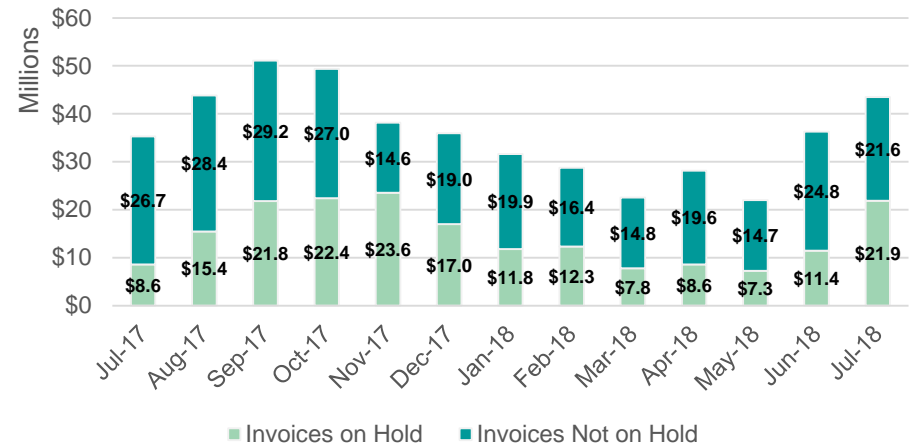
	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Jul-18. Total	\$ 21.6	\$ 14.8	\$ 5.3	\$ 0.1	\$ 1.4
% of total	100%	69%	24%	1%	6%
Change vs. Jun-18	\$ (3.2)	\$ (5.3)	\$ 1.7	\$ (0.1)	\$ 0.4
Total Count of Invoices	1,645	940	531	52	122
% of total	100%	57%	32%	3%	7%
Change vs. Jun-18	(99)	(262)	317	(83)	(71)
Jun-18. Total	\$ 24.8	\$ 20.1	\$ 3.6	\$ 0.2	\$ 1.0
% of total	100%	81%	14%	1%	4%
Total Count of Invoices	1,744	1,202	214	135	193
% of total	100%	69%	12%	8%	11%

Notes:

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

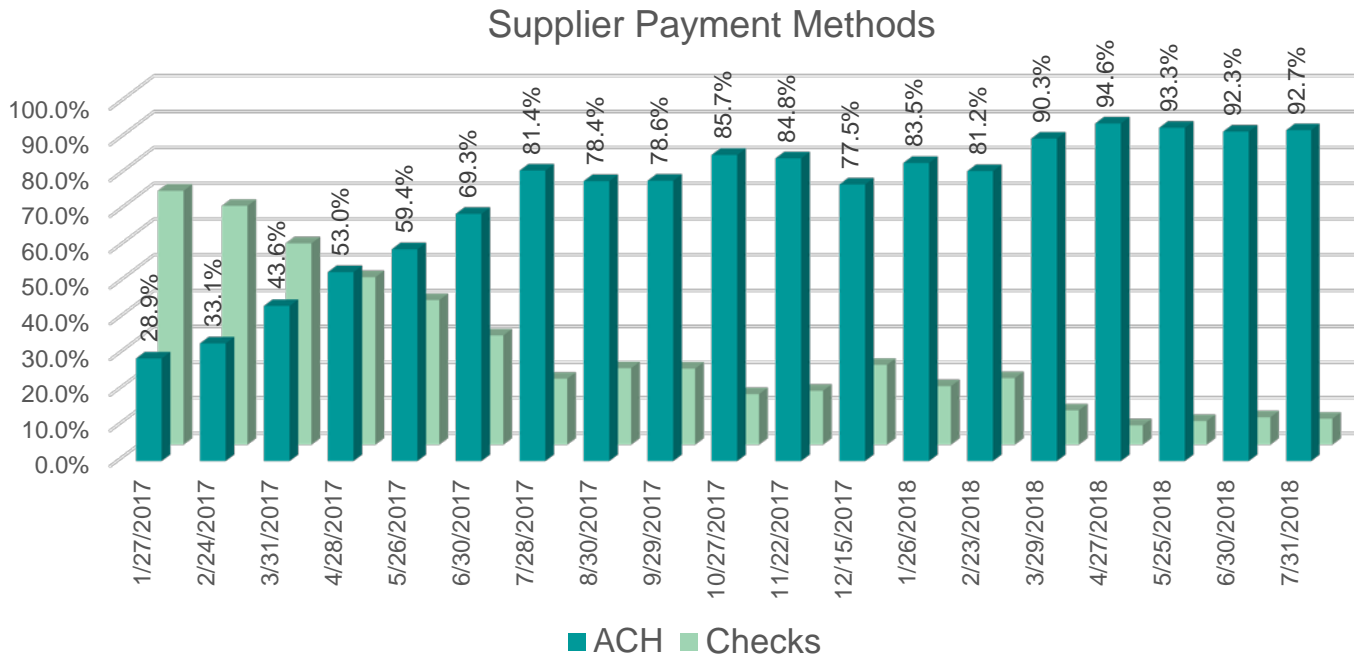
(2) Invoices on retainage are on hold until the supplier satisfies all contract obligations
All invoices are processed and aged based on the invoice date.

Accounts Payable





Supplier Payments – ACH vs. Checks



In January 2017 an initiative was launched to have all suppliers adhere to the OCFO Directive No. 2016-001

Phase 1 - Includes all suppliers that do business with the City of Detroit.

Phase 2 - June 2018; Includes 3rd party payroll suppliers and employee expense reimbursements

Not included in scope: Jurors, Poll Workers, Property Tax, Payroll, 3rd Party Suppliers, Utilities, Government Agency



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