

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Seven Months ended January 31, 2018

March 26, 2018



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Executive summary

- Following the City Council’s review and decisions on the Mayor’s recommended budget, the City submitted its FY 2019-2022 Four-Year Financial Plan to the Financial Review Commission on March 23, in accordance with Public Act 181 of 2014.
- The City is redeeming all of the outstanding principal on its Financial Recovery Bonds, Series 2014C (the “C Notes”), which will save \$11.7 million in interest expense. The City issued its 30-day redemption notice on March 14, with a redemption date of April 13.
- The City Council and the Retirement Systems’ Investment Committees have appointed their members to the Retiree Protection Fund (RPF) Investment Advisory Committee, which will advise the CFO on investing RPF assets.
- FY 2018 is currently projected to end with an operating surplus of approximately \$33M. The gain over the previous month is primarily due to the recognition of property tax revenue payable for tax increment financing distributions.
 - Revenue projections reflect the February 2018 Revenue Estimating Conference results, which remain above budget. (page 3)
 - Payroll and employee benefit expenditures are trending below budget as a result of position vacancies. (page 3)
 - Revenues and expenditure projections now include the pass-through of \$18.7M in “Grand Bargain” contributions to the City’s legacy pension plans. Although the impact is budget neutral, a formal budget amendment is forthcoming. (page 3)
 - The General City active employee count decreased in January and remains below budget. (page 4)
- The January YTD General City property tax collection rate was 70.6%. The City continued to collect current property taxes through February 28, and preliminary results show the current collection rate for the year at 80.8%. (page 7)
- Accounts Payable as of January had a net decrease of \$4.4 M compared to December. Net AP not on hold had a net increase of only \$900K. The number of open invoices not on hold decreased by 198. (page 8)
- In January, two projects were approved using Exit Financing: the Department of Innovation and Technology space build out at the Detroit Public Safety Headquarters and the Earned Income Tax Credit Expansion Initiative. (page 9)
- In January, there was a net federal/state grants decrease of \$30M, which reflects the successful completion of 8 grants by HRD, DPD, and DDOT. The most significant new award in January was \$1.9M for DHD through the Ryan White HIV/AIDS Program. (page 10)



FY 2018 year-to-date general ledger actuals and annualized projection

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 138.4	\$ 172.3	\$ -	\$ 172.3	\$ 33.8	24.4%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes	100.4	84.7	-	84.7	(15.7)	(15.7%)	124.0	133.1	9.1
Wagering Taxes	101.2	105.6	-	105.6	4.4	4.4%	177.8	179.0	1.2
Utility Users' Tax	20.4	12.4	7.3	19.7	(0.7)	(3.3%)	35.0	40.0	5.0
State Revenue Sharing	65.7	67.6	-	67.6	1.8	2.8%	196.1	199.5	3.3
Sales and Charges for Services	73.0	48.7	-	48.7	(24.4)	(33.4%)	121.1	112.1	(8.9)
Licenses, Permits, and Inspection Charges	7.4	4.5	-	4.5	(2.9)	(39.3%)	11.7	12.4	0.7
Contributions and Transfers (5)	38.1	26.3	-	26.3	(11.8)	(31.1%)	68.1	90.2	22.0
Grants and Other Revenues	0.7	0.2	-	0.2	(0.5)	(71.6%)	1.4	1.5	0.2
Fines, Forfeits and Penalties	14.7	13.1	-	13.1	(1.6)	(11.1%)	25.3	23.6	(1.7)
Revenues from Use of Assets	1.9	1.8	-	1.8	(0.2)	(9.0%)	3.3	2.4	(0.9)
Other Taxes, Assessments, and Interest	4.2	5.7	-	5.7	1.5	35.7%	7.3	6.9	(0.4)
Sales of Assets and Compensation for Losses	3.2	1.1	-	1.1	(2.1)	(64.9%)	5.6	2.4	(3.2)
Miscellaneous	7.3	5.2	-	5.2	(2.0)	(28.1%)	12.4	7.2	(5.2)
Adjust for Prior Year Carry-forward (6)	120.7	-	120.7	120.7	-	-	120.7	120.7	-

TOTAL (L)

	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS		
	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL
	AMENDED (1)				(F) F = E-B	% G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
B	C	D	E = C + D	(F) F = E-B	% G = (F/B)	H	I	(J) J = I-H	
	\$ 697.6	\$ 549.2	\$ 128.0	\$ 677.2	\$ (20.4)	(2.9%)	\$ 1,192.9	\$ 1,222.9	\$ 30.1
EXPENDITURES:									
Salaries and Wages	\$ (247.2)	\$ (232.4)	\$ -	\$ (232.4)	\$ 14.8	6.0%	\$ (428.1)	\$ (412.3)	\$ 15.8
Employee Benefits	(197.3)	(167.3)	-	(167.3)	30.1	15.2%	(278.6)	(272.6)	5.9
Professional and Contractual Services	(47.4)	(28.5)	(35.7)	(64.2)	(16.8)	(35.4%)	(79.0)	(84.0)	(5.0)
Operating Supplies	(23.9)	(26.4)	(7.2)	(33.6)	(9.7)	(40.7%)	(40.1)	(39.9)	0.2
Operating Services	(71.9)	(41.7)	(3.3)	(45.0)	26.9	37.4%	(120.3)	(119.5)	0.9
Capital Equipment	(0.7)	0.4	1.0	1.4	2.1	286.0%	(0.9)	(0.9)	-
Capital Outlays	(17.2)	(4.3)	(4.1)	(8.4)	8.8	51.1%	(29.0)	(29.0)	(0.0)
Debt Service	(35.7)	(49.3)	-	(49.3)	(13.5)	(37.9%)	(61.3)	(61.3)	-
Other Expenses	(102.4)	(72.6)	(1.8)	(74.4)	28.0	27.4%	(155.6)	(170.2)	(14.6)
TOTAL (M)	\$ (743.8)	\$ (622.1)	\$ (51.1)	\$ (673.2)	\$ 70.6	9.5%	\$ (1,192.9)	\$ (1,189.7)	\$ 3.1
VARIANCE (N = L + M)	\$ (46.2)	\$ (72.9)	\$ 76.9	\$ 4.0	\$ 50.2	N/A	\$ -	\$ 33.2	\$ 33.2

Notes

- Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- Year-to-date actuals reflect seven months ending January 31, 2018.
- Reflects encumbrances, pending adjustments, and the gross up of Utility Users' Tax collections to include amounts for the Public Lighting Authority.
- Projected revenues are based on the City's February 2018 Revenue Estimating Conference results.
- This revenue line also includes the use of fund balance totaling \$50M to support one-time spending on capital (\$20M) and blight (\$30M).
- This revenue line reflects fund balance assigned to support carry-forwards, for which equivalent amounts are captured within expenditures.



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual December 2017	Actual January 2018	Change Jan. 2018 vs. Dec. 2017	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. January 2018	
Public Safety						
Police	3,072	3,063	(9)	3,121	58	2%
Fire	1,173	1,149	(24)	1,274	125	10%
Total Public Safety	4,245	4,212	(33)	4,395	183	4%
Non-Public Safety						
Office of the Chief Financial Officer	418	439	21	482	43	
Public Works - Regular	379	379	0	419	40	
Public Works - Seasonal	17	17	0	26	9	
Health and Wellness Promotion	65	66	1	76	10	
Human Resources	96	94	(2)	108	14	
Housing and Revitalization	81	83	2	91	8	
Innovation and Technology	97	96	(1)	134	38	
Law	105	104	(1)	118	14	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	28	28	0	41	13	
Recreation - Regular	266	271	5	326	55	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	350	350	0	504	154	
General Services - Seasonal	25	7	(18)	219	212	
Legislative ⁽³⁾	244	207	(37)	259	52	
36th District Court	313	316	3	331	15	
Other ⁽⁴⁾	107	110	3	110	0	
Total Non-Public Safety	2,663	2,639	(24)	3,580	941	26%
Total General City	6,908	6,851	(57)	7,975	1,124	14%
Enterprise						
Airport	4	4	0	4	0	
BSEED	205	209	4	230	21	
Transportation	946	908	(38)	927	19	
Municipal Parking ⁽⁵⁾	81	81	0	95	14	
Water and Sewerage	522	522	0	579	57	
Library	304	296	(8)	332	36	
Total Enterprise	2,062	2,020	(42)	2,167	147	7%
Total City	8,970	8,871	(99)	10,142	1,271	13%

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) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (4) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2018 year-to-date net cash flows

For 7 Months Ending January 31, 2018

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 7 Months	FY17 Actual 7 Months	Variance
Property Taxes	\$ 93.5	\$ 78.2	\$ 15.3 (1)
Municipal Income Taxes	179.7	160.1	19.6 (2)
Utility Users Taxes	12.6	10.6	2.0
Wagering Taxes	106.3	105.8	0.5
State Revenue Sharing	100.9	130.8	(29.9) (3)
Other / Misc.	151.9	118.9	33.0 (4)
Total Receipts	644.8	604.4	40.4
Salaries and Wages	(255.6)	(231.5)	(24.1) (5)
Employee Benefits	(71.6)	(62.3)	(9.3) (6)
Materials, Contracts & Other	(215.5)	(232.9)	17.4
Total Disbursements	(542.7)	(526.7)	(16.0)
Operating Surplus (before Reinvestment)	102.1	77.7	24.4
Debt Service	(50.5)	(46.1)	(4.4) (7)
Non-Financing Adjustments	0.0	3.4	(3.4) (8)
Total Adjustments to arrive at Net Cash Flow	(50.5)	(42.7)	(7.8)
Net Cash Flow	\$ 51.6	\$ 35.0	\$ 16.6
Beginning cash balance	\$ 186.3 (9) (10)		
Net Cash Flow	51.6		
Ending cash balance	237.9 (9)		
Budget Reserve Fund	62.3 (11)		
Total Cash Balance	\$ 300.2		

Notes:

This schedule represents cash inflows and outflows during the fiscal period. It is not intended to tie to actual revenues and expenditures recorded in the general ledger due to accrual accounting and non-cash transactions.

- (1) Variance is attributed to the timing of payments.
- (2) Increase is due to a reduction in the amount of refunds processed offset by increase in revenue.
- (3) FY17 includes \$32m FY16 payment received in July 2017.
- (4) FY18 includes \$19.5m MDOT receipt for Gordie Howe Municipal Bridge Project and \$15m from sale of Premier Garage used to redeem C Note principal in January.
- (5) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (6) Increase in FY18 due to increased benefits expense and more timely payments, partially offset by smaller YTD set aside for Retiree Protection Fund
- (7) The August 2016 refunding of Distributable State Aid notes resulted in reduced outflow offset by \$15m Note C redemption from Premier Garage proceeds.
- (8) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (9) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (10) Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund Balance.
- (11) The Budget Reserve Fund is in excess of 5% of the annual budget and in a segregated account.



FY 2018 year-to-date cash flow to general ledger reconciliation

For 7 Months Ending January 31, 2018
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted	Total	
Property Taxes	\$ 93.5	\$ (8.8)	\$ 84.7	(1)	\$ 84.7	\$ -	\$ 84.7	\$ 0.0
Municipal Income Taxes	179.7	(7.4)	172.3	(2)	172.3	-	172.3	0.0
Utility Users Taxes	12.6	(0.2)	12.4	(3)	12.4	-	12.4	0.0
Wagering Taxes	106.3	(0.7)	105.6	(4)	105.6	-	105.6	0.0
State Revenue Sharing	100.9	(33.3)	67.6	(5)	67.6	-	67.6	0.0
Other / Misc.	151.9	(45.3)	106.6	(6)	106.6	-	106.6	0.0
Total Receipts	644.8	(95.6)	549.2		549.2	-	549.2	0.0
Salaries and Wages	(255.6)	23.2	(232.4)	(7)	(232.4)	-	(232.4)	0.0
Employee Benefits	(71.6)	(95.7)	(167.3)	(8)	(167.3)	-	(167.3)	0.0
Materials, Contracts & Other	(215.5)	42.4	(173.1)	(9)	(173.1)	-	(173.1)	0.0
Total Disbursements	(542.7)	(30.1)	(572.8)		(572.8)	-	(572.8)	0.0
Operating Surplus (before Reinvestment)	102.1	(125.7)	(23.6)		(23.6)	-	(23.6)	0.0
Debt Service	(50.5)	1.2	(49.3)	(10)	(49.3)	-	(49.3)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	51.6	(124.5)	(72.9)		(72.9)	-	(72.9)	0.0
Net Inflows /(Outflows)	\$ 51.6	\$ (124.5)	\$ (72.9)		\$ (72.9)	\$ -	\$ (72.9)	\$ 0.0

Notes:

- (1) \$26m pertains to FY17 offset by \$17.2m of revenue pending distribution to the General Fund.
- (2) \$7.4m difference due to changes in refund liability.
- (3) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17.
- (4) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$0.3m collected in February.
- (5) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (6) \$22.2m non-General Fund 1000 receipts, \$12.6m of collections are cash specific, and \$16.5m pertained to prior years offset by \$6m Gaming Revenue accrual.
- (7) Approximately \$18.3m of the difference relates to FY17 activity and the balance is non-General Fund disbursements.
- (8) Approximately \$1.4m of Benefits is FY17 activity & \$23.9m attributed to the timing of payments offset by \$90m relating to prior years RPF set aside & \$31m FY18 Pension obligation.
- (9) Approx. \$30.3m of disbursements are non-General Fund, \$36.3m related to FY17 offset by \$24.1m Risk Management & insurance premium non-cash book transfers.
- (10) \$1.2m represents timing of payments for debt set aside.



Accounts payable summary

- Accounts Payable as of January had a net decrease of \$4.4 M compared to December. Net AP not on hold had a net increase of only \$900K. The number of open invoices not on hold decreased by 198.

All Funds

\$ in millions

Accounts Payable (AP) as of Jan-18	
Total AP (Dec-17)	\$ 36.0
Plus: Jan-18 invoices processed	\$ 118.8
Less: Jan-18 Payments made	\$ (123.2)
Total AP month end (Jan-18)	\$ 31.6
Less: Invoices on hold (1)	\$ (11.8)
Less: Installments/Retainage Invoices(2)	\$ (0.0)
Net AP not on hold	\$ 19.9

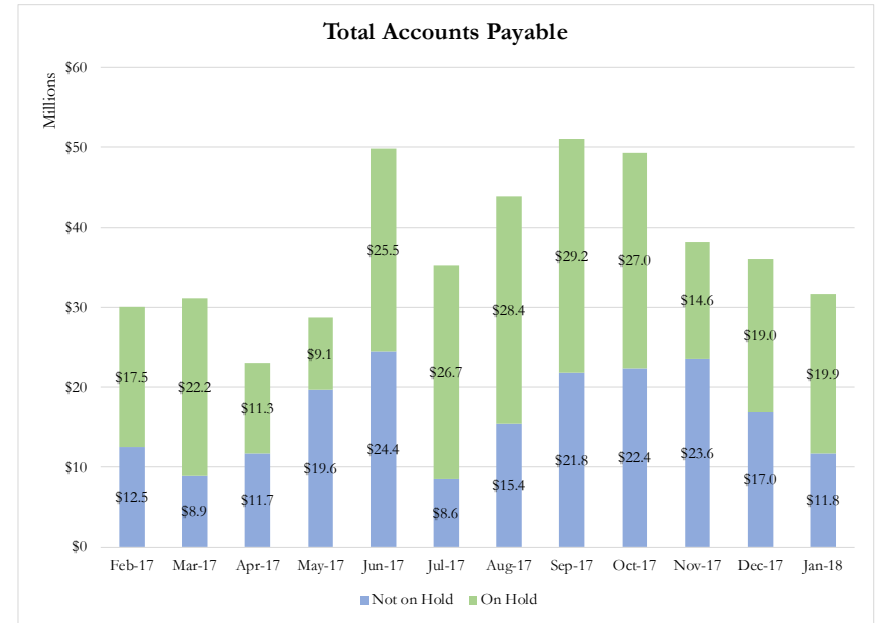
AP Aging

(excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Jan-18. Total	\$ 19.9	\$ 9.1	\$ 2.2	\$ 5.2	\$ 3.3
<i>% of total</i>	100%	46%	11%	26%	17%
<i>Change vs. Dec-17</i>	\$ 0.9	\$ 2.8	\$ (5.9)	\$ 1.9	\$ 2.2
Total Count of Invoices	1,386	922	318	42	104
<i>% of total</i>	100%	67%	23%	3%	8%
<i>Change vs. Dec-17</i>	(198)	276	(116)	(105)	(253)
Dec-17. Total	\$ 19.0	\$ 6.3	\$ 8.2	\$ 3.4	\$ 1.2
<i>% of total</i>	100%	33%	43%	18%	6%
Total Count of Invoices	1,584	646	434	147	357
<i>% of total</i>	100%	41%	27%	9%	23%

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 the invoice date. If the invoices were aged based on the date received the aging would show improved current category values
- DWSD amount of \$14.3M payable to Great Lakes Water Authority, which remains under negotiations is excluded above.



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

- In January, two projects were approved using Exit Financing: the Department of Innovation and Technology space build out at the Detroit Public Safety Headquarters and the Earned Income Tax Credit Expansion Initiative.

\$ in millions

	Open and Closed Projects		
	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	(39.4)	(39.4)
Blight	9	(29.3)	(25.4)
Police	7	(25.3)	(21.1)
Fire	9	(36.0)	(26.2)
General Services	14	(27.6)	(26.2)
Office of the Chief Financial Officer	13	(25.4)	(18.1)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.7)
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	5	(0.5)	(0.3)
Subject to Reconciliation	–	–	(0.8)
Subtotal Projects	69	(\$192.7)	(\$165.1)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	69	(\$195.4)	(\$167.9)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$37.7	

Note: 50 Closed Projects. Unaudited amounts subject to reconciliation.

Source: Oracle Cloud Financials, Office of Financial Planning & Analysis



The City is leveraging funding from external sources

- In January, there was a net federal/state grants decrease of \$30M, which reflects the successful completion of 8 grants by HRD, DPD, and DDOT. The most significant new award in January was \$1.9M for DHD through the Ryan White HIV/AIDS Program.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	372.2	-	18
Housing & Revitalization	249.7	-	20
Health	39.2	-	5
Public Works	30.6	-	20
Fire	30.3	-	8
Police	18.6	-	26
Homeland Security and Emergency Management	2.7	-	7
Recreation	1.7	-	5
Other (3)	1.6	-	6
Active Federal/State grants	\$ 746.6	\$ -	115
Active private grants and donations	69.1	-	175
Total active grants and donations (4)	\$ 815.7	\$ -	290

Notes:

- Reflects original amounts awarded and amendments for active grants as of January 31, 2018. Remaining amount available to be spent will be lower for most departments.
- The amounts awarded as of January 31 are separated between grant appropriations already approved and any that may be pending approval as of the date this report is presented.
- Other includes departments and agencies totaling less than \$1M.
- The City also partners with third-party agencies to directly pursue and implement grants aligned with the City's priorities. Such grants are included above for private funds but not federal/state grants.



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