

CITY OF DETROIT

**Office of the Chief Financial Officer**

**Financial Report for the Six Months ended December 31, 2016**

February 27, 2017



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# Executive summary

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- The City held its February 2017 Consensus Revenue Estimating Conference on February 16, 2017, and the Mayor presented his recommended budget to the City Council on February 23, 2017. Following the City Council's review and decisions on the budget, the City will submit its FY 2018-2021 Four-Year Financial Plan to the Financial Review Commission on March 23, 2017.
- December YTD actuals indicate that FY 2017 is in line with the budget.
  - 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 is below budget. The report for December is now based on active employees only. Next month's report will show the month-to-month change under this new reporting method. (page 4)
- December YTD cash flow activity indicates that liquidity remains stable.
  - Major Revenues exceeded the prior year by over \$17M with Income Taxes and Wagering posting the largest gains. (page 5)
  - Ending cash balance in FY 2017 is approximately \$99M higher than the prior year due to the collection of remaining 2012 Refunding/Self Insurance bond proceeds and higher tax revenues. (page 5)
- December YTD Ad Valorem property tax collection rate is on par with the prior year. (page 7)
- In the month of December, the Accounts Payable aging (non-hold invoices) decreased by \$5.4M from \$15.5M to \$10.1M compared to the November aging. (page 8)
- For the month of December, approved projects increased by \$3.5M to support Fire Department fleet replacements. (page 9)
- For the month of December, the active federal and state grants had a net decrease of \$15.6M, due to the closeout of DPD, Homeland, Health, and Recreation grants (17 grant closures in total). The new private grant in December was a \$150,000 grant from the Skillman Foundation in support of Health Department's campaign to lower childhood asthma rates in Detroit. (page 10)



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

\$ in millions

	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS			
	BUDGET	ACTUAL + ACCRUAL + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
	YTD	ACTUAL (2)	ACCRUAL + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL	
	ADJUSTED (1)						ADJUSTED	ESTIMATED (4)	ESTIMATED	
B	C	D	E = C + D	(\$ F = E-B)	% G = (F/B)	H	I	(\$ J = I-H)	% K = (J/H)	
<b>REVENUES:</b>										
Municipal Income Tax	\$ 111.6	\$ 111.9	\$ (0.3)	\$ 111.6	\$ 0.0	0.0%	\$ 266.6	\$ 275.0	\$ 8.4	3.2%
Property Taxes	60.8	67.1	1.1	68.2	7.4	12.1%	117.0	124.0	7.0	6.0%
Wagering Taxes	89.7	89.9	5.9	95.8	6.1	6.8%	175.2	176.0	0.8	0.5%
Utility Users' Tax	18.5	11.1	-	11.1	(7.4)	(39.8%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	65.3	65.9	-	65.9	0.6	1.0%	196.5	195.2	(1.3)	(0.7%)
Sales and Charges for Services	61.7	41.7	-	41.7	(20.0)	(32.4%)	123.4	117.8	(5.6)	(4.5%)
Licenses, Permits, and Inspection Charges	5.6	2.8	-	2.8	(2.8)	(50.2%)	11.2	11.2	(0.0)	(0.1%)
Contributions and Transfers	46.5	2.5	67.9	70.4	23.8	51.2%	93.0	91.2	(1.8)	(1.9%)
Fines, Forfeits and Penalties	11.1	8.6	-	8.6	(2.5)	(22.8%)	22.2	24.5	2.2	10.1%
Revenues from Use of Assets	0.7	(0.0)	-	(0.0)	(0.7)	(100.9%)	1.3	1.0	(0.3)	(22.5%)
Other Taxes, Assessments, and Interest	4.5	8.4	-	8.4	3.9	86.1%	9.1	7.7	(1.3)	(14.7%)
Sales of Assets and Compensation for Losses	7.2	0.0	-	0.0	(7.2)	(100.0%)	14.4	7.0	(7.5)	(51.6%)
Miscellaneous	5.0	2.3	-	2.3	(2.8)	(55.2%)	10.2	11.3	1.1	10.9%
Prior Year Encumbrances and Carry-forwards (6)	0.1	-	39.5	39.5	39.4	43320.8%	39.5	39.5	-	-
<b>TOTAL (L)</b>	<b>\$ 488.5</b>	<b>\$ 412.3</b>	<b>\$ 114.1</b>	<b>\$ 526.4</b>	<b>\$ 37.9</b>	<b>7.8%</b>	<b>\$ 1,116.7</b>	<b>\$ 1,116.5</b>	<b>\$ (0.3)</b>	<b>(0.0%)</b>
<b>EXPENDITURES: (6)</b>										
Salaries and Wages	\$ (200.1)	\$ (173.5)	\$ -	\$ (173.5)	\$ 26.6	13.3%	\$ (400.8)	\$ (375.9)	\$ 24.9	6.2%
Employee Benefits	(93.6)	(38.5)	0.0	(38.5)	55.1	58.9%	(187.1)	(175.3)	11.8	6.3%
Professional and Contractual Services	(51.6)	(25.5)	(26.1)	(51.6)	0.0	0.0%	(88.2)	(88.7)	(0.5)	(0.5%)
Operating Supplies	(22.2)	(10.2)	(21.8)	(32.0)	(9.8)	(43.9%)	(36.6)	(38.9)	(2.3)	(6.4%)
Operating Services	(80.2)	(26.2)	(8.7)	(34.9)	45.3	56.5%	(154.6)	(157.3)	(2.7)	(1.7%)
Capital Equipment	(2.5)	(0.5)	(2.0)	(2.5)	(0.0)	(0.2%)	(2.8)	(3.0)	(0.2)	(6.1%)
Capital Outlays	(16.8)	(1.7)	(12.8)	(14.6)	2.2	13.3%	(35.2)	(35.1)	0.1	0.2%
Debt Service	(37.7)	(45.0)	0.1	(44.9)	(7.1)	(19.0%)	(75.4)	(66.6)	8.8	11.7%
Other Expenses	(66.0)	(45.3)	(0.4)	(45.7)	20.3	30.7%	(136.1)	(135.7)	0.3	0.2%
<b>TOTAL (M)</b>	<b>\$ (570.8)</b>	<b>\$ (366.4)</b>	<b>\$ (71.8)</b>	<b>\$ (438.2)</b>	<b>\$ 132.6</b>	<b>23.2%</b>	<b>\$ (1,116.7)</b>	<b>\$ (1,076.5)</b>	<b>\$ 40.2</b>	<b>3.6%</b>
<b>DIFFERENCE (L - M)</b>	<b>\$ (82.4)</b>	<b>\$ 45.9</b>	<b>\$ 42.3</b>	<b>\$ 88.2</b>	<b>\$ 170.5</b>	<b>207.1%</b>	<b>\$ (0.0)</b>	<b>\$ 40.0</b>	<b>\$ 40.0</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 six months ending December 31, 2016.
- (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 Dec. 2016 (1)	Budget FY 2017	Budget vs. Actual Dec. 2016	
			Variance	% Variance
<b>Public Safety</b>				
Police	2,891	3,127	236	8%
Fire	1,179	1,332	153	11%
Total Public Safety	4,070	4,459	389	9%
<b>Non-Public Safety</b>				
Office of the Chief Financial Officer	428	453	25	
Dept. of Public Works (2)	329	376	47	
Health & Wellness	37	51	14	
Human Resources (3)	95	65	(30)	
Housing & Revitalization / Planning & Development (3)	89	81	(8)	
Dept. of Innovation and Technology	72	134	62	
Law	99	108	9	
Mayor (Includes Homeland Security)	66	73	7	
Public Lighting Department	5	6	1	
Recreation (2)	204	285	81	
General Services (2)	291	574	283	
Legislative (4)	138	252	114	
36th District Court	312	326	14	
Other (5)	62	78	16	
Total Non-Public Safety	2,227	2,862	635	22%
<b>Total General City</b>	<b>6,297</b>	<b>7,321</b>	<b>1,024</b>	<b>14%</b>
<b>Enterprise</b>				
Airport	4	4	0	
BSEED	192	204	12	
Transportation	926	900	(26)	
Parking	75	89	14	
Water and Sewerage	448	488	40	
Library	289	325	36	
<b>Total Enterprise</b>	<b>1,934</b>	<b>2,010</b>	<b>76</b>	<b>4%</b>
<b>Total City</b>	<b>8,231</b>	<b>9,331</b>	<b>1,100</b>	<b>12%</b>

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, and seasonal employees. It excludes personal services contractors.
- (2) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (3) Budget reflects the reduction of funding for positions due to reorganizations, which are still in process resulting in the difference between actual and budgeted count.
- (4) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (5) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings and Non-departmental.



# FY 2017 year-to-date net cash flows

For 6 Months Ended December 31, 2016

\$ in millions

## Cash Flows - General Pool Cash

	Actual		Prior Year			
	6 Months		6 Months	Change		
Property Taxes	\$	68.2	\$	75.4	\$	(7.2)
Municipal Income Taxes		130.5		120.4		10.1
Utility Users Taxes		15.1 (1)		8.0		7.1
Wagering Taxes		96.6		90.1		6.5
State Revenue Sharing		97.8		97.0		0.8
Other / Misc.		103.1		102.9		0.2
<b>Total Receipts</b>		<b>511.3</b>		<b>493.8</b>		<b>17.5</b>
Salaries and Wages		(202.6)		(183.1)		(19.5)
Employee Benefits		(29.4)		(20.0)		(9.4)
Materials, Contracts & Other		(206.7) (2)		(153.9)		(52.8)
<b>Total Disbursements</b>		<b>(438.7)</b>		<b>(357.0)</b>		<b>(81.7)</b>
<b>Operating Surplus (before Reinvestment)</b>		<b>72.6</b>		<b>136.8</b>		<b>(64.2)</b>
Debt Service		(41.7)		(70.8) (3)		29.1
Non-Financing Adjustments		(26.6) (4)		-		(26.6)
<b>Total Adjustments to arrive at Net Cash Flow</b>		<b>(68.3)</b>		<b>(70.8)</b>		<b>2.5</b>
<b>Net Cash Flow (5)</b>	<b>\$</b>	<b>4.3</b>	<b>\$</b>	<b>66.0</b>	<b>\$</b>	<b>(61.7)</b>
<b>Beginning cash balance (net of distribution) (6)</b>	<b>\$</b>	<b>372.1</b>	<b>\$</b>	<b>211.0</b>	<b>\$</b>	<b>161.1</b>
Net Cash Flow (5)		4.3		66.0		(61.7)
Lockbox reserves		-		-		-
<b>Ending cash balance (net of distribution owed) (6)</b>	<b>\$</b>	<b>376.4</b>	<b>\$</b>	<b>277.0</b>	<b>\$</b>	<b>99.4</b>

Notes:

- (1) Reporting of Utility Users Tax now 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) Materials, Contracts & Other now encompasses Subsidy payments which were \$23.6m through December 2016.
- (3) Includes \$30m principal repayment on Exit financing made in August 2015.
- (4) Includes \$30m set aside for future legacy pension contribution 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 6 Months Ended December 31, 2016

\$ in millions

Cash Flows	Cash Activity				General Ledger			Difference
	General Pool Cash	Adjustments	General Fund Cash		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 68.2	-	\$ 68.2		\$ 67.1	\$ 1.1	\$ 68.2	\$ 0.0
Municipal Income taxes	130.5	(18.9)	111.6	(2)(3)	111.9	(0.3)	111.6	0.0
Utility Users taxes	15.1	(4.0)	11.1	(2)	11.1	-	11.1	0.0
Wagering Taxes	96.6	(0.8)	95.8	(2)	89.9	5.9	95.8	0.0
State Revenue Sharing	97.8	(31.9)	65.9	(2)(4)	65.9	-	65.9	-
Other / Misc.	103.1	(24.8)	78.3	(2)(5)	66.4	11.9	78.3	0.0
<b>Total Receipts</b>	<b>\$ 511.3</b>	<b>\$ (80.4)</b>	<b>\$ 430.9</b>		<b>\$ 412.3</b>	<b>\$ 18.6</b>	<b>\$ 430.9</b>	<b>\$ 0.0</b>
Salaries and Wages	\$ (202.6)	\$ 29.1	\$ (173.5)	(6)	\$ (173.5)	\$ -	\$ (173.5)	\$ 0.0
Employee Benefits	(29.4)	(9.1)	(38.5)	(7)	(38.5)	-	(38.5)	-
Materials, contracts & other	(206.7)	97.2	(109.5)	(8)	(109.5)	-	(109.5)	0.0
<b>Total Disbursements</b>	<b>\$ (438.7)</b>	<b>\$ 117.2</b>	<b>\$ (321.5)</b>		<b>\$ (321.5)</b>	<b>\$ -</b>	<b>\$ (321.5)</b>	<b>\$ 0.0</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>\$ 72.6</b>	<b>\$ 36.8</b>	<b>\$ 109.4</b>		<b>\$ 90.8</b>	<b>\$ 18.6</b>	<b>\$ 109.4</b>	<b>\$ 0.0</b>
Debt Service	\$ (41.7)	\$ (3.3)	\$ (45.0)	(9)	\$ (45.0)	\$ -	\$ (45.0)	\$ -
Non-Financing Adjustments	(26.6)	26.6	-	(10)	-	-	-	-
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>\$ (68.3)</b>	<b>\$ 23.3</b>	<b>\$ (45.0)</b>		<b>\$ (45.0)</b>	<b>\$ -</b>	<b>\$ (45.0)</b>	<b>\$ -</b>
<b>Net Inflows /(Outflows)</b>	<b>\$ 4.3</b>	<b>\$ 60.1</b>	<b>\$ 64.4</b>		<b>\$ 45.8</b>	<b>\$ 18.6</b>	<b>\$ 64.4</b>	<b>\$ 0.0</b>

Notes:

- (1) To be posted amounts represent collections and disbursements that are either accrued or not yet reconciled.
- (2) \$14.2 of Municipal Income Tax, \$4m of Utility Users' Tax, \$0.8m of Wagering Taxes, \$64.8m of State Revenue Sharing, \$7.3m of Other Revenue (Wagering Municipal Svc Fees) in FY2017 related to FY 2016 activity.
- (3) Includes \$4.7m Trustee Capture interest paid out semi-annually.
- (4) State Revenue Sharing amount is offset by \$32.9m collected as cash in January 2017.
- (5) \$5.8m of revenues collected in FY2017 related to activity in FY2016. \$6.6m of collections are cash specific transactions, \$5.2m are non-General Fund 1000 receipts.
- (6) Approximately \$12.7m of the difference relates to FY2016 activity and the balance is non-General Fund disbursements.
- (7) Approximately \$1.0m of Benefits paid in FY2017 relates to FY2016, \$10.1m is Pension accrual to be paid at the end of FY2017 and the balance relates to the timing of payments within this fiscal year.
- (8) Approximately \$19.1m of disbursements are non-General Fund, \$50m related to prior period, \$28.1m are cash specific transactions.
- (9) \$14.2m of Financing Costs related to prior period offset by \$4.7m exit financing and \$6.2m Public Lighting Authority.
- (10) \$30m 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 6 Months Ended December 31, 2016

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
<b>General Ad Valorem</b>	\$ 118.4	\$ 61.3	51.77%	\$ 126.4	\$ 63.5	50.26%
<b>Debt Service Total</b>	62.3	32.6	52.23%	68.3	34.8	51.00%
<b>Solid Waste Total</b>	62.6	21.4	34.12%	57.4	22.2	38.73%

		FY 2017	FY 2016
General City Collections YTD	(2)	\$ 61.3	\$ 63.5
General City Collections DTRF YTD	(3)	\$ 6.9	\$ 11.9
<b>Total General City</b>		<b>\$ 68.2</b>	<b>\$ 75.4</b>
Admin Fee, Interest, Penalty YTD	(4)	\$ 3.1	\$ 3.7

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 and auction activity.
- (4) Admin Fee and Penalty are mapped in the Other/Misc. Revenue category.





# Accounts payable summary

- In the month of December, the Accounts Payable aging (non-hold invoices) decreased by \$5.4M from \$15.5M to \$10.1M compared to the November aging.

\$ in millions

Accounts Payable (AP) as of 05-JAN-2017	
Total AP	\$ 27.7
Less: Invoices on hold (1)	(17.6)
Net AP not on hold	\$ 10.1

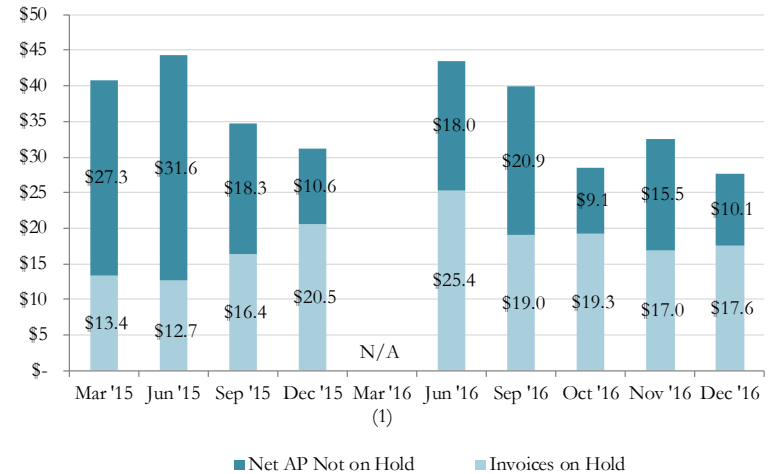
## AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
<b>Dec. Total</b>	\$ 10.1	\$ 3.1	\$ 3.0	\$ 1.5	\$ 2.4
<i>% of total</i>	100%	30%	30%	15%	24%
<b>Nov. Total</b>	\$ 15.5	\$ 7.3	\$ 4.1	\$ 1.9	\$ 2.3
<i>% of total</i>	100%	47%	26%	12%	15%

Notes:

- (1) Invoices typically placed on a system hold are pending validation.

## Total AP



Notes:

- (1) Aging information was not available as the City was in the process of transitioning financial systems



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

- For the month of December, approved projects increased by \$3.5M to support Fire Department fleet replacements.

<i>\$ in millions</i>	Number of Approved Projects	Amount Approved for Projects	Amount Expensed to Date
<b>Available Exit Financing Proceeds</b>		\$ 233.2	
<b>Project Allocation:</b>			
Department of Innovation and Technology	5	\$ (41.5)	\$ (41.5)
General Services	14	(32.1)	(19.0)
Blight	7	(29.7)	(26.1)
Police	6	(29.0)	(19.2)
Fire	9	(25.5)	(18.8)
Office of the Chief Financial Officer	8	(16.4)	(15.6)
Buildings, Safety Engineering & Environmental Department	1	(4.4)	(1.7)
Law	1	(2.2)	(1.2)
Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.8)	(0.8)
Other	4	(0.5)	(0.1)
<b>Total</b>	<b>59</b>	<b>\$ (185.1)</b>	<b>\$ (147.0)</b>
Interest/Fees		(2.8)	
<b>Amount Reserved for Projects under Review</b>		<b>\$ 45.3</b>	



## The City is leveraging funding from external sources

- For the month of December, the active federal and state grants had a net decrease of \$15.6m, due to the closeout of DPD, Homeland, Health, and Recreation grants (17 grant closures in total). The new private grant in December was a \$150,000 grant from the Skillman Foundation in support of Health Department's campaign to lower childhood asthma rates in Detroit.

*\$ in millions*

<b>Department</b>	<b>Amount Awarded (1)</b>	<b>Number of Grants</b>
Transportation	\$ 387.4	24
Housing & Revitalization	250.0	22
Public Works	30.6	20
Fire Department	28.8	9
Health & Wellness Promotion	21.7	3
Police	19.1	24
Recreation	4.3	17
Coleman A. Young Airport (Airport)	3.1	4
General Services	1.5	2
Homeland Security and Emergency Management (HSEM)	1.1	5
Other (2)	1.2	7
<b>Active Federal/State grants (3)</b>	<b>\$ 748.8</b>	<b>137</b>
<b>Active private grants and donations</b>	<b>87.9</b>	<b>96</b>
<b>Total active grants and donations</b>	<b>\$ 836.7</b>	<b>233</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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