

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Three Months ended September 30, 2017

November 20, 2017



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Executive summary

- On November 7, the Michigan Finance Authority approved the City's proposal to invest \$125M in bond funds to revitalize neighborhood commercial corridors. The City closed the transaction on November 16.
- In October, the City received 19 responses to its request for proposals for a tender offer and refunding of its Series 2014 B Notes and Series 2014 C Notes. The goal is to lower costs and ease a future escalation of debt service. The OCFO is currently reviewing the responses.
- Consistent with the City's grants management reform plan, the OCFO merged the functions of the Offices of Development and Grants Management into a single division. The City has more capacity to pursue new grants due to the clean up and improvements made over the last four years.
- FY 2018 is currently projected to end with an operating surplus of approximately \$29.3M.
 - Revenue projections are based on the September 2017 Revenue Estimating Conference results, which are above the February 2017 revenue estimates used for the adopted budget. (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 September but remains below budget. (page 4)
- The reported General Pool Cash balances have been revised to exclude undistributed property tax collections.
- The September YTD General City property tax collection rate of 49.5% has improved slightly over the prior year. Only a portion of the tax roll has come due to date. (page 7)
- Total Accounts Payable as of September 2017 had a net decrease of \$53.3M compared to August. Net AP not on hold had a net decrease of \$40.6M. The number of outstanding invoices not on hold had a net decrease of only 4. Since June, total AP has included a \$14.3M DWSD payable to the Great Lakes Water Authority that is under negotiation. (page 8)
- In September, public grant funds had a net increase of \$4.7M due to the award of 12 new grants and 3 grant award increases across DPD, HSEM, DFD, DDOT, and Health. The largest private grant received was a \$500K donation from Project Evergreen to the Recreation Department for improvements at Pingree Park. (page 10)



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

GENERAL FUND <i>\$ in millions</i>	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) % G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
B	C	D	E = C + D			H	I	(J) J = I-H	
REVENUE:									
Municipal Income Tax	\$ 70.8	\$ 70.3	\$ -	\$ 70.3	\$ (0.5)	(0.8%)	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes	50.3	56.7	-	56.7	6.3	12.6%	124.0	124.0	-
Wagering Taxes	43.4	43.9	-	43.9	0.6	1.3%	177.8	179.0	1.2
Utility Users' Tax	8.7	5.6	-	5.6	(3.2)	(36.3%)	35.0	38.9	3.9
State Revenue Sharing	0.2	-	-	-	(0.2)	(100.0%)	196.7	198.8	2.0
Sales and Charges for Services	32.7	5.9	-	5.9	(26.8)	(82.1%)	121.1	120.6	(0.4)
Licenses, Permits, and Inspection Charges	4.1	2.4	-	2.4	(1.7)	(41.8%)	11.7	12.3	0.7
Contributions and Transfers (5)	14.1	10.3	-	10.3	(3.8)	(26.6%)	68.1	68.1	(0.0)
Grants and Other Revenues	0.6	0.2	-	0.2	(0.4)	(68.5%)	0.8	0.9	0.2
Fines, Forfeits and Penalties	6.3	4.1	-	4.1	(2.2)	(34.6%)	25.3	25.0	(0.3)
Revenues from Use of Assets	0.8	0.5	-	0.5	(0.3)	(38.8%)	3.3	3.4	0.1
Other Taxes, Assessments, and Interest	1.8	3.7	-	3.7	1.9	102.2%	7.3	6.8	(0.5)
Sales of Assets and Compensation for Losses	1.4	0.1	-	0.1	(1.3)	(91.4%)	5.6	1.9	(3.7)
Miscellaneous	3.1	8.3	(7.5)	0.8	(2.2)	(72.8%)	12.3	9.6	(2.6)
Adjust for Prior Year Carry-forward (6)	90.0	-	90.0	90.0	-	-	90.0	90.0	-
TOTAL (L)	\$ 328.3	\$ 212.0	\$ 82.5	\$ 294.5	\$ (33.8)	(10.3%)	\$ 1,162.1	\$ 1,171.5	\$ 9.4
EXPENDITURES:									
Salaries and Wages	\$ (116.8)	\$ (95.6)	\$ -	\$ (95.6)	\$ 21.2	18.2%	\$ (429.6)	\$ (419.7)	\$ 9.9
Employee Benefits	(138.3)	(41.0)	(105.0)	(146.0)	(7.8)	(5.6%)	(278.7)	(271.0)	7.7
Professional and Contractual Services	(18.7)	(7.8)	(28.4)	(36.1)	(17.4)	(93.3%)	(75.5)	(72.2)	3.3
Operating Supplies	(9.9)	(10.4)	(19.0)	(29.4)	(19.5)	(197.6%)	(39.2)	(39.3)	(0.1)
Operating Services	(29.0)	(23.6)	(8.8)	(32.4)	(3.4)	(11.9%)	(115.6)	(115.8)	(0.3)
Capital Equipment	(0.1)	0.1	(1.1)	(1.0)	(0.9)	(987.1%)	(0.4)	(0.4)	-
Capital Outlays	(7.3)	(1.9)	(8.6)	(10.5)	(3.2)	(44.4%)	(28.8)	(29.0)	(0.2)
Debt Service	(15.3)	-	(19.0)	(19.0)	(3.7)	(24.1%)	(61.3)	(61.3)	-
Other Expenses	(36.1)	(36.8)	(2.1)	(38.9)	(2.8)	(7.7%)	(133.1)	(133.5)	(0.4)
TOTAL (M)	\$ (371.4)	\$ (217.0)	\$ (192.0)	\$ (409.0)	\$ (37.6)	(10.1%)	\$ (1,162.1)	\$ (1,142.2)	\$ 19.9
VARIANCE (N = L + M)	\$ (43.1)	\$ (5.0)	\$ (109.5)	\$ (114.5)	\$ (71.4)	N/A	\$ -	\$ 29.3	\$ 29.3

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect three months ending September 30, 2017.
- (3) Reflects encumbrances and pending adjustments.
- (4) Projected revenues are based on the City's September 2017 Revenue Estimating Conference results.
- (5) This revenue line also includes the use of fund balance totaling \$50M to support one-time spending on capital (\$20M) and blight (\$30M).
- (6) This revenue line reflects fund balance assigned to support prior year encumbrances and 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 August 2017	Actual September 2017	Change Sept. 2017 vs. August 2017	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. September 2017	
Public Safety						
Police	3,028	3,061	33	3,111	50	2%
Fire	1,180	1,160	(20)	1,274	114	9%
Total Public Safety	4,208	4,221	13	4,385	164	4%
Non-Public Safety						
Office of the Chief Financial Officer	428	430	2	482	52	
Public Works - Regular	376	371	(5)	419	48	
Public Works - Seasonal	18	28	10	26	(2)	
Health and Wellness Promotion	62	65	3	76	11	
Human Resources	98	98	0	108	10	
Housing and Revitalization	70	72	2	91	19	
Innovation and Technology	91	92	1	134	42	
Law	115	114	(1)	118	4	
Mayor's Office (includes Homeland Security)	69	72	3	72	0	
Planning and Development	27	29	2	41	12	
Recreation - Regular	279	274	(5)	326	52	
Recreation - Seasonal	12	0	(12)	264	264	
General Services - Regular	250	309	59	504	195	
General Services - Seasonal	306	254	(52)	219	(35)	
Legislative ⁽³⁾	255	256	1	259	3	
36th District Court	310	317	7	331	14	
Other ⁽⁴⁾	107	108	1	110	2	
Total Non-Public Safety	2,873	2,889	16	3,580	691	19%
Total General City	7,081	7,110	29	7,965	855	11%
Enterprise						
Airport	4	4	0	4	0	
BSEED	195	194	(1)	230	36	
Transportation	942	930	(12)	927	(3)	
Municipal Parking	88	95	7	95	0	
Water and Sewerage	488	486	(2)	579	93	
Library	290	296	6	332	36	
Total Enterprise	2,007	2,005	(2)	2,167	162	7%
Total City	9,088	9,115	27	10,132	1,017	10%

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

- The reported General Pool Cash balances have been revised to exclude undistributed property tax collections.

For 3 Months Ending September 30, 2017
\$ in millions

Cash Flows - General Pool Cash	FY18 Actual	FY17 Actual	
	3 Months	3 Months	Change
Property Taxes	\$ 66.5	\$ 54.4	\$ 12.1 (1)
Municipal Income Taxes	70.6	61.0	9.6
Utility Users Taxes	2.2	4.2	(2.0)
Wagering Taxes	44.9	45.5	(0.6)
State Revenue Sharing	33.3	64.8	(31.5) (2)
Other / Misc.	69.5	56.5	13.0 (3)
Total Receipts	287.0	286.4	0.6
Salaries and Wages	(115.3)	(107.9)	(7.4)
Employee Benefits	(31.9)	(50.8)	18.9 (4)
Materials, Contracts & Other	(91.5)	(111.1)	19.6 (5)
Total Disbursements	(238.7)	(269.8)	31.1
Operating Surplus (before Reinvestment)	48.3	16.6	31.7
Debt Service	(24.0)	(24.3)	0.3
Non-Financing Adjustments	0.0	3.4	(3.4) (6)
Total Adjustments to arrive at Net Cash Flow	(24.0)	(20.9)	(3.1)
Net Cash Flow	\$ 24.3	\$ (4.3)	\$ 28.6
Beginning cash balance	\$ 186.3 (7) (8)	\$ 234.8 (7) (8)	\$ (48.5)
Net Cash Flow	24.3	(4.3)	28.6
Ending cash balance	\$ 210.6 (7)	\$ 230.5 (7)	\$ (19.9)
Budget Reserve Fund	\$ 62.3 (9)	\$ 62.3	\$ -
Total Cash Balance	272.9	292.8	\$ (19.9)

Notes:

- FY17 amount reflects revenue rather than cash flow; FY18 reflects actual general fund cash flow.
- June 2016 State Revenue Sharing receipt arrived in early FY17.
- FY18 includes \$19.5m MDOT receipt for Gordie Howe Municipal Bridge Project.
- FY17 Retiree Protection Trust Fund set aside was \$30m while FY18 was \$15m.
- Variation between FY18 largely attributed to additional \$24.7m in AP Disbursements in FY17.
- Comprised of \$3.4m inflow of excess self-insurance requirements.
- The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund Balance because the balances in these accounts are not available General Fund dollars.
- 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 3 Months Ending September 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	\$ 66.5	\$ (9.8)	\$ 56.7	(2)	\$ 56.7	\$ -		\$ 56.7	\$ 0.0
Municipal Income Taxes	70.6	(0.3)	70.3	(3)	70.3	-		70.3	0.0
Utility Users Taxes	2.2	3.4	5.6	(4)	5.6	-		5.6	0.0
Wagering Taxes	44.9	(1.0)	43.9	(5)	43.9	-		43.9	0.0
State Revenue Sharing	33.3	(33.3)	0.0	(6)	-	-		-	0.0
Other / Misc.	69.5	(41.5)	28.0	(7)	35.5	(7.5)		28.0	0.0
Total Receipts	287.0	(82.5)	204.5		212.0	(7.5)		204.5	0.0
Salaries and Wages	(115.3)	19.7	(95.6)	(8)	(95.6)	-		(95.6)	0.0
Employee Benefits	(31.9)	(114.1)	(146.0)	(9)	(41.0)	(105.0)		(146.0)	0.0
Materials, Contracts & Other	(91.5)	11.1	(80.4)	(10)	(80.4)	-		(80.4)	0.0
Total Disbursements	(238.7)	(83.3)	(322.0)		(217.0)	(105.0)		(322.0)	0.0
Operating Surplus (before Reinvestment)	48.3	(165.8)	(117.5)		(5.0)	(112.5)		(117.5)	0.0
Debt Service	(24.0)	5.0	(19.0)	(11)	-	(19.0)		(19.0)	0.0
Non-Financing Adjustments	-	-	-		-	-		-	0.0
Total Adjustments to arrive at Net Cash Flow	(24.0)	5.0	(19.0)		-	(19.0)		(19.0)	0.0
Net Inflows /(Outflows)	\$ 24.3	\$ (160.8)	\$ (136.5)		\$ (5.0)	\$ (131.5)		\$ (136.5)	\$ 0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that were not recorded as of September 30, 2017.
- (2) \$26m pertains to FY17 offset by \$16.2m of Q1 revenue either received in October or pending distribution to the General Fund.
- (3) Differences due to changes in refund liability.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17 offset by \$3.6m Utility Users Tax receipt deposited in October.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$13.2m of collections are cash specific, \$20.8m non-General Fund 1000 receipts and \$7.5 Muni Svcs Fee (Gaming) pertained to FY17.
- (8) Approximately \$18.3m of the difference relates to FY17 activity and the balance is non-General Fund disbursements.
- (9) Approximately \$1.4m of Benefits relates to FY17 activity offset by \$90m that relates to Retiree Protection Trust Fund set aside amounts in prior years, \$21.7m FY18 Pension obligation (recorded but not disbursed) and the balance of \$3.8m to the timing of payments.
- (10) Approximately \$19.5m of disbursements are non-General Fund, \$9.4m related to FY17 & \$6.3m is cash specific offset by \$24.1m Risk Management & insurance premium non-cash transfer.
- (11) \$2.5m represents Pledged Income Tax Trustee Capture Interest and \$2.5m State Revenue Sharing debt set aside. Debt service is recorded in general ledger when paid.



FY 2018 year-to-date property tax collections

For 3 months ended September 30, 2017

\$ in millions

	FY 2018			FY 2017		
	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 55.7		\$ 56.6		
General Special Acts		1.6		1.6		
General Total	\$ 115.7	\$ 57.3	49.52%	\$ 120.7	\$ 58.2	48.22%
Debt Service Total	\$ 51.1	\$ 25.4	49.71%	\$ 62.0	\$ 30.1	48.55%
Solid Waste Total	\$ 52.8	\$ 18.8	35.61%	\$ 54.8	\$ 17.0	31.02%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 55.7	\$ 56.6
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	1.0	4.4
Total Property Tax Collections (Ad Val + DTRF)		\$ 56.7	\$ 61.0
Admin Fee, Interest, Penalty YTD	(4)	\$ 2.3	\$ 2.3

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

- Total Accounts Payable as of September 2017 had a net decrease of \$53.3M compared to August. Net AP not on hold had a net decrease of \$40.6M. The number of outstanding invoices not on hold had a net decrease of only 4. Since June, total AP has included a \$14.3M DWSD payable to the Great Lakes Water Authority that is under negotiation.

All Funds

Accounts Payable Analysis

\$ in millions

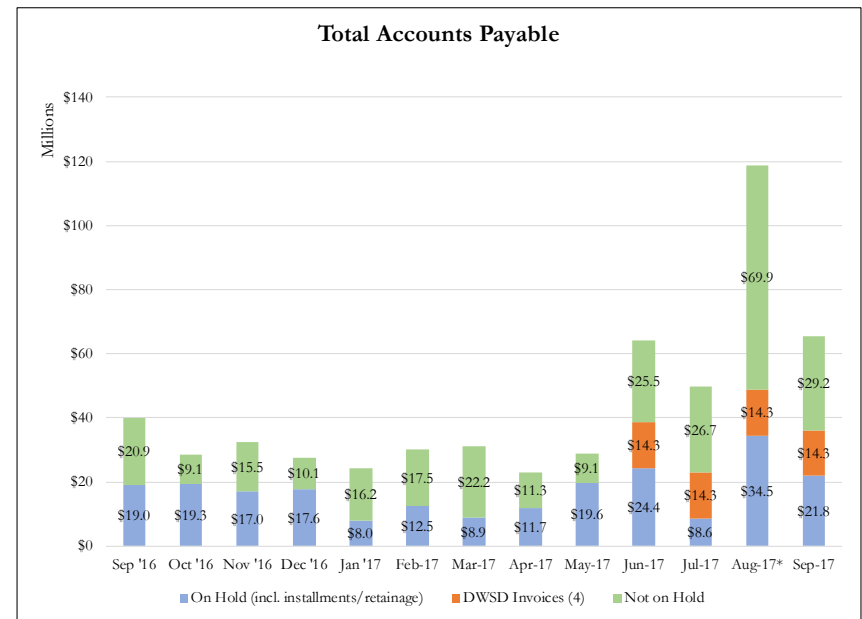
Accounts Payable (AP) as of Sep-17	
Total AP (Aug-17)	\$ 118.7
Plus: Sep-17 invoices processed	170.4
Less: Sep-17 Payments made	(223.7)
Total AP month end (Sep-17)	\$ 65.4
Less: Invoices on hold (1)	\$ (21.1)
Less: Installments/Retainage Invoices(2)	(0.8)
Less: DWSD Payable to GLWA (4)	(14.3)
Net AP not on hold	\$ 29.2

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Sep-17. Total	\$ 29.2	\$ 13.3	\$ 14.2	\$ 0.5	\$ 1.2
<i>% of total</i>	100%	46%	49%	2%	4%
<i>Change vs. Aug-17</i>	\$ (40.6)	\$ 4.4	\$ (46.0)	\$ (0.1)	\$ 1.1
Total Count of Invoices	977	747	104	29	97
<i>% of total</i>	100%	76%	11%	3%	10%
<i>Change vs. Aug-17</i>	(4)	(46)	(17)	7	52
Aug-17. Total	\$ 69.9	\$ 8.9	\$ 60.2	\$ 0.6	\$ 0.2
<i>% of total</i>	100%	13%	86%	1%	0%
Total Count of Invoices	981	793	121	22	45
<i>% of total</i>	100%	81%	12%	2%	5%

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 payable to Great Lakes Water Authority (GLWA) shown separately for reporting purposes.



* August 2017 includes \$60M in tax revenue distribution invoices that were reflected in AP and paid on time after the month closed.



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

- In September, no new projects were approved. Business cases for additional projects are under review.

\$ 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	(41.3)	(36.6)
Blight	7	(25.2)	(25.2)
Police	6	(25.1)	(21.5)
Fire	11	(35.7)	(20.7)
General Services	14	(28.6)	(23.9)
Office of the Chief Financial Officer	12	(25.0)	(17.6)
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)	(0.3)
Subject to Reconciliation	–	–	(0.1)
Subtotal Projects	66	(\$190.6)	(\$153.3)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	66	(\$193.4)	(\$156.0)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$39.8	

Note: 42 Closed Projects as of 9/30/17. Unaudited amounts subject to reconciliation.

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



The City is leveraging funding from external sources

- In September, public grant funds had a net increase of \$4.7M due to the award of 12 new grants and 3 grant award increases across DPD, HSEM, DFD, DDOT, and Health. The largest private grant received was a \$500K donation from Project Evergreen to the Recreation Department for improvements at Pingree Park.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	\$ 368.8	\$ -	21
Housing & Revitalization	207.9	-	17
Fire Department	30.7	-	10
Public Works	30.6	-	20
Health & Wellness Promotion	22.8	-	3
Police	20.3	-	34
Homeland Security and Emergency Management	2.8	-	8
Recreation	2.2	-	6
Other (3)	1.6	-	7
Active Federal/State grants (4)	\$ 687.7	\$ -	126
Active private grants and donations (5)	64.2	-	83
Total active grants and donations	\$ 751.9	\$ -	209

Notes:

- Reflects original amounts awarded and amendments for active grants as of September 30, 2017. Remaining amount available to be spent will be lower for most departments.
- The amounts awarded as of September 30 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.
- 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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