



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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October 15, 2018

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

Re: Monthly Financial Report for the Two Months ended August 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 Two Months ended August 31, 2018. The OCFO also publishes this report on the City's website.

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". The signature is fluid and cursive.

John W. Hill
Chief Financial Officer

Att: City of Detroit Financial Report for the Two Months ended August 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 2 Months ended August 31, 2018

Office of the Chief Financial Officer

October 15, 2018



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Executive Summary

- The Office of Budget recently issued instructions for the development of the Fiscal Year 2020 Budget and the 2020-2023 Four Year Financial Plan, and will work with the Office of Departmental Financial Services and City departments to develop budget requests.
 - On October 24, the Office of Budget will hold its 21st Annual Public Budget Meeting at the Butzel Family Recreation Center from 6-8pm. Representatives from Police, Fire, Health, Public Works, Public Lighting, and General Services will present the departmental service priorities. Also, the 2018-2019 Budget in Brief will be made available.
 - The 2018 Budget Survey will be on the City's website on October 17.
- FY 2019 is currently projected to end with an operating surplus of approximately \$39.4M. (page 5)
 - Payroll and employee benefit expenditures are trending below budget. (page 5)
 - The Total City active employee count increased in August, but the total employee count remains below budget. (page 6)
- Within the City's active grant portfolio, the most significant new grant award in August was an \$875,000 grant from the Federal Transit Administration to support DDOT's modernization of transit operations and technology deployment. (page 9)
- Accounts Payable as of August had a net decrease of \$3.6M compared to July. The number of open invoices not on hold decreased by 184. (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 August 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
Non-Departmental	Restructuring Projects ⁽²⁾	\$ 1,697,194
	Total Balance Forwards	\$ 2,397,169
Non-Prior Year Balance Forward Amendments		
-	-	-
	Total Budget Amendments	\$ -
FY 2018 - 2019 Amended Budget (Through August 2018)		\$ 1,075,995,660

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

⁽²⁾ EM Appropriated



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	\$41.8	\$54.9	–	\$54.9	\$13.1	31.4%
Property Taxes	49.2	31.4	–	31.4	(17.8)	(36.2%)
Wagering Taxes	29.4	32.7	–	32.7	3.3	11.1%
Utility Users' Tax	6.7	4.1	–	4.1	(2.6)	(38.3%)
State Revenue Sharing	0.1	–	–	–	(0.1)	(100.0%)
Other Revenues ⁽¹⁾	36.4	28.1	–	28.1	(8.3)	(22.7%)
Sub-Total	\$163.6	\$151.2	\$0.0	\$151.2	(\$12.4)	(7.6%)
Carry forward-Use of Assigned Fund Balance	2.4	–	2.4	2.4	–	0.0%
TOTAL	\$166.0	\$151.2	\$2.4	\$153.6	(\$12.4)	(7.4%)
EXPENDITURES:						
Salary and Wages	(\$74.6)	(\$57.5)	–	(\$57.5)	\$17.2	(23.0%)
Overtime	(5.8)	(9.4)	–	(9.4)	(3.7)	63.7%
Employee Benefits	(31.9)	(17.5)	–	(17.5)	14.3	(44.9%)
Legacy Pension Payments	(20.0)	(20.0)	–	(20.0)	–	–
Retiree Protection Fund	(20.0)	(20.0)	–	(20.0)	–	–
Debt Service	–	–	–	–	–	–
Other Expenses	(34.5)	(43.3)	(14.2)	(57.6)	(23.1)	66.7%
TOTAL	(\$186.8)	(\$167.8)	(\$14.2)	(\$182.1)	\$4.7	(2.5%)

⁽¹⁾ includes YTD budgeted prior year use of fund balance



Annualized Projection vs. Budget – General Fund

\$ in millions

ANNUAL ANALYSIS				
	BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
SUMMARY CLASSIFICATIONS	ANNUAL AMENDED	ANNUAL ESTIMATED	ANNUAL ESTIMATED	
A	B	C	(\$) D = C-B	% E = (D/B)
REVENUE:				
Municipal Income Tax	\$299.4	\$310.3	\$10.9	3.7%
Property Taxes*	133.8	128.1	(5.7)	(4.3%)
Wagering Taxes	180.8	180.9	0.2	0.1%
Utility Users' Tax*	40.0	43.0	3.0	7.5%
State Revenue Sharing	201.3	201.5	0.1	0.1%
Other Revenues	215.8	210.2	(5.6)	(2.6%)
Sub-Total	\$1,071.0	\$1,074.0	\$2.9	0.3%
Budgeted use of Prior Year Fund Balance	2.6	2.6	–	–
Carry forward-Use of Assigned Fund Balance	2.4	2.4	–	–
TOTAL (F)	\$1,076.0	\$1,078.9	\$2.9	0.3%
EXPENDITURES:				
Salary and Wages	(\$424.2)	(\$386.0)	\$38.2	(9.0%)
Overtime	(33.0)	(56.8)	(23.8)	72.2%
Employee Benefits	(140.9)	(129.5)	11.4	(8.1%)
Legacy Pension Payments	(38.6)	(38.6)	–	–
Retiree Protection Fund	(20.0)	(20.0)	–	–
Debt Service	(69.4)	(69.4)	–	–
Other Expenses	(349.9)	(339.2)	10.7	(3.1%)
TOTAL (G)	(\$1,076.0)	(\$1,039.6)	\$36.4	(3.4%)
VARIANCE (H = F + G)	–	\$39.4	\$39.4	

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

* Property Taxes and Utility Users' Tax revenue projections are presented as gross totals to align with FY19 budget presentation.



Employee Count Monitoring

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL Variance Under/(Over) Budget vs. June 2018		
	Actual July 2018	Actual August 2018	Change August 2018 vs. July 2018	Adjusted Budget FY 2019 ⁽²⁾		
Public Safety						
Police	3,034	3,071	37	3,322	251	8%
Fire	1,226	1,221	(5)	1,274	53	4%
Total Public Safety	4,260	4,292	32	4,596	304	7%
Non-Public Safety						
Office of the Chief Financial Officer	440	439	(1)	479	40	
Public Works - Full Time	400	368	(32)	423	55	
Health and Wellness Promotion	83	84	1	119	35	
Human Resources	95	97	2	106	9	
Housing and Revitalization	83	87	4	85	(2)	
Innovation and Technology	115	118	3	136	18	
Law	109	109	0	120	11	
Mayor's Office (includes Homeland Security)	76	72	(4)	79	7	
Planning and Development	31	31	0	41	10	
Recreation - Full Time ⁽³⁾	0	0	0	0	0	
General Services - Full Time	609	603	(6)	535	(68)	
Legislative ⁽⁴⁾	176	176	0	170	(6)	
36th District Court	320	320	0	326	6	
Other ⁽⁵⁾	114	112	(2)	133	21	
Total Non-Public Safety	2,651	2,616	(35)	2,752	136	5%
Total General City-Full Time	6,911	6,908	(3)	7,348	440	6%
Seasonal/ Part Time⁽⁶⁾	618	629	11	904	275	30%
Enterprise						
Airport	4	4	0	4	0	
BSEED	221	249	28	280	31	
Transportation	889	911	22	927	16	
Municipal Parking	89	87	(2)	90	3	
Water and Sewerage	537	526	(11)	618	92	
Library	300	302	2	322	20	
Total Enterprise	2,040	2,079	39	2,241	162	7%
Total City	9,569	9,616	47	10,493	877	8%

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). The FY 19 Budget increased the total FTE appropriation by 464 over the FY 18 Budget.
- (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

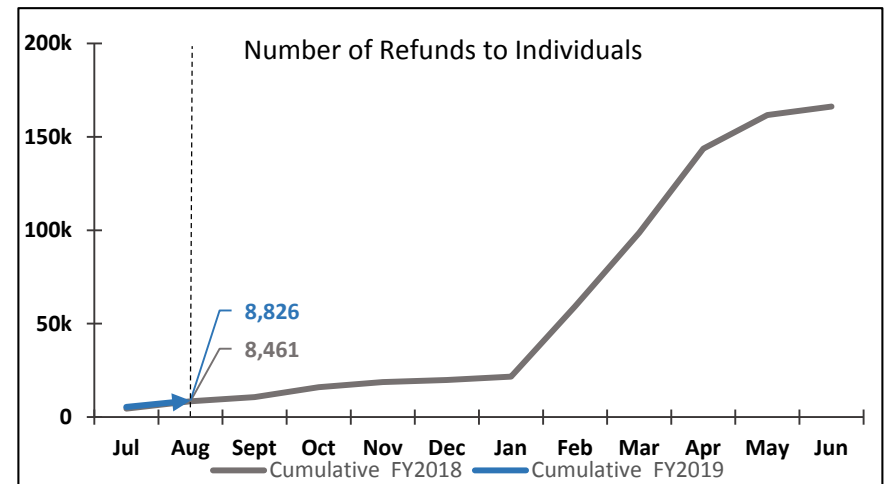
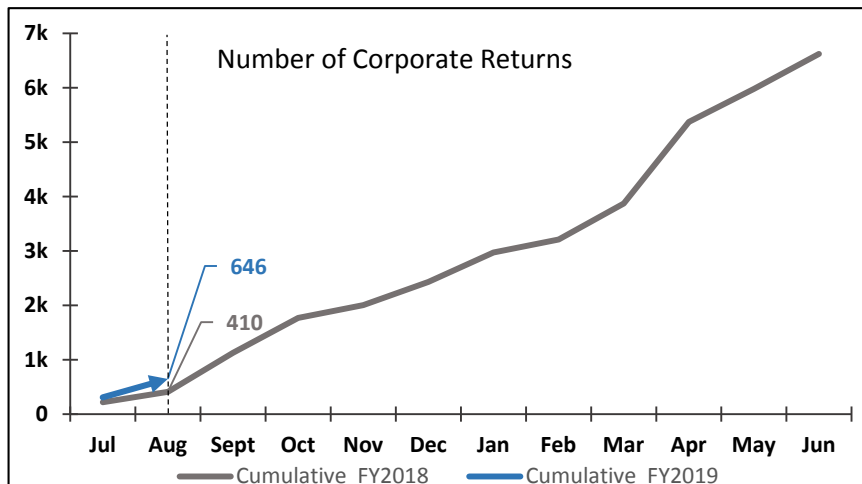
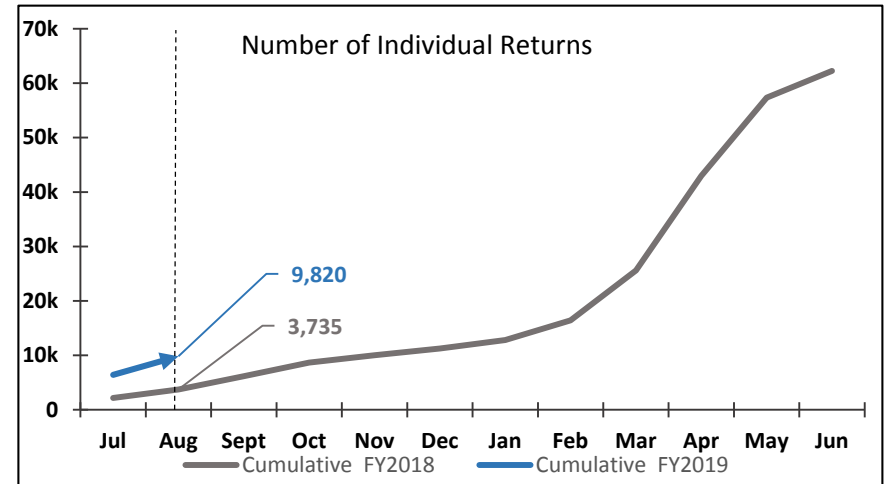
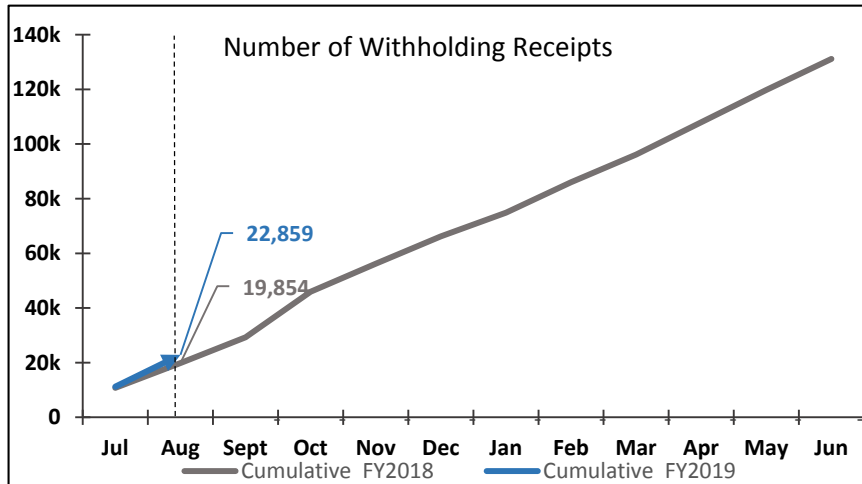
Fiscal Year 2019

Municipal Income Tax Collections	August 2018 YTD	August 2017 YTD
Withholdings	\$ 49,909,675	\$ 36,349,473
Individuals (1099/1040 Filers)	2,587,414	1,945,314
Corporations	1,489,713	718,980
Partnerships	121,056	182
Assessments	598,175	686,067
Total Collections	\$ 54,706,033	\$ 39,700,016
(Refunds)/ Disbursements⁽¹⁾	(1,293,755)	118,896
Collections Net of Refunds/Disbursements	\$ 53,412,278	\$ 39,818,912

⁽¹⁾ The State holds an estimated amount of municipal income tax for potential refunds, and has in the past disbursed funds to the City that were not ultimately refunded.



Income Tax





Development and Grants

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

	Amount Awarded – City	Amount Awarded – Partners
Total Active⁽¹⁾	\$814.0 M	\$123.5 M
Net Change from last month ⁽²⁾	\$4.0 M	\$4.6 M

New Funds – January 1 to Present (*\$ in millions*)

	Amount Awarded
Documented	\$139.6
Committed ⁽³⁾	\$133.9
Total New Funding	\$273.5
Net New to the City ⁽⁴⁾	\$17.4

⁽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 in August was an \$875,000 grant from the Federal Transit Administration to support DDOT's modernization of transit operations and technology deployment.

⁽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 to Present – By Priority Category

Priority Category	Documented	Committed	Total
Administration/General Services	\$ 1,460,000	\$ 1,149,634	\$ 2,609,634
Community/Culture	\$ 490,659	-	\$ 490,659
Economic Development	\$ 100,000	\$ 50,300,000	\$ 50,400,000
Health	\$ 24,217,033	\$ 2,798,332	\$ 27,015,365
Housing	\$ 500,000	\$ 63,213,844	\$ 63,713,844
Infrastructure	\$ 250,000	-	\$ 250,000
Parks and Recreation	\$ 4,292,400	\$ 54,800	\$ 4,347,200
Planning	\$ 246,950	\$ 520,000	\$ 766,950
Public Safety	\$ 4,566,749	\$ 1,442,000	\$ 6,008,749
Technology/Education	\$ 249,442	\$ 3,500,000	\$ 3,749,442
Transit	\$ 94,692,645	\$ 9,051,000	\$ 103,743,645
Workforce	\$ 8,525,370	\$ 1,877,000	\$ 10,402,370
Grand Total	\$ 139,591,248	\$ 133,906,610	\$ 273,497,858



Development and Grants

New Funds and City Leverage⁽¹⁾ – January 1 to Present – By Priority Category

Priority Category	Total Funds	City Leverage
Administration/General Services	\$ 2,609,634	\$ 2,143,281
Community/Culture	\$ 490,659	\$ 24,622
Economic Development	\$ 50,400,000	\$ 59,080,000
Health	\$ 27,015,365	\$ 33,000
Housing	\$ 63,713,844	(2)
Infrastructure	\$ 250,000	-
Parks and Recreation	\$ 4,347,200	\$ 9,341,753
Planning	\$ 766,950	\$ 9,075
Public Safety	\$ 6,008,749	\$ 1,469,425
Technology/Education	\$ 3,749,442	-
Transit	\$ 103,743,645	\$ 40,000,000
Workforce	\$ 10,402,370	\$ 2,000,000
Grand Total	\$ 273,497,858	\$ 114,101,154

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

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



Cash Position

(\$ in millions)

	Unrestricted	Restricted	August 2018 Total
Bank Balance	\$ 263.4	\$ 947.8	\$ 1,211.2
Plus/minus: Reconciling items	(13.8)	7.7	(6.1)
Reconciled Bank Balance	249.6	955.5	1,205.1
General Ledger Cash Balances			
General Fund			
General Accounts	\$ 163.0	\$ 121.7	\$ 284.7
Self Insurance Escrow	-	18.6	18.6
Undistributed Delinquent Taxes	-	28.7	28.7
Other	-	2.0	2.0
Other Governmental Funds			
Risk Management	-	95.7	95.7
Capital Projects	-	37.7	37.7
Street Fund	-	84.6	84.6
Grants	-	44.3	44.3
Solid Waste Management Fund	44.7	-	44.7
Debt Service	-	49.7	49.7
Gordie Howe Bridge Fund	-	19.6	19.6
Quality of Life Fund	-	29.4	29.4
Other	19.3	12.1	31.3
Enterprise Funds			
Enterprise Funds	9.5	26.1	35.6
Fiduciary Funds			
Undistributed Property Taxes	-	199.6	199.6
Fire Insurance Escrow	-	19.0	19.0
Retiree Protections Trust Funds	-	123.3	123.3
Other	-	43.5	43.5
Component Units			
Component Units	13.2	-	13.2
Total General Ledger Cash Balance	\$ 249.6	\$ 955.5	\$ 1,205.1

Note: This schedule reports total City of Detroit (excludes DWSD) cash in the bank



Operating Cash Activity: YTD Actual vs Forecast

For 2 Months Ending August 31, 2018

\$ in Millions

Cash Receipts

	YTD		YTD		YTD		Prior YTD	
	Forecast		Actual		Variance		Actual	
Property Taxes	\$	31.4	\$	31.3	\$	(0.1)	\$	24.4
Income Taxes		56.0		58.8		2.8		36.3
Wagering		30.9		33.2		2.3		27.9
State Shared Revenue		33.6		33.9		0.3		33.3
Utility Taxes		4.9		4.1		(0.8)		2.2
Other Revenue		35.0		47.7		12.7		32.4
Total Cash Receipts	\$	191.9	\$	209.1	\$	17.2	\$	156.5

Cash Disbursements

Salaries & Wages	\$	(90.3)	\$	(88.7)	\$	1.5	\$	(76.3)
Benefits		(58.9)		(60.4)		(1.5)		(14.5)
Accounts Payable		(91.2)		(85.7)		5.4		(73.2)
Debt Service		(6.5)		(6.5)		0.0		(4.2)
Total Cash Disbursements	\$	(246.9)	\$	(241.4)	\$	5.5	\$	(168.2)
Net Cash Flow	\$	(55.0)	\$	(32.3)	\$	22.7	\$	(11.7)



Operating Cash Activity: Actual vs. Forecast to Year End

For 2 Months Ending August 31, 2018

\$ in millions	2018						2019						FY2019 Total
	July Actual	August Actual	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	\$ 7.0	\$ 24.0	\$ 7.9	\$ 1.4	\$ 0.8	\$ 3.4	\$ 24.0	\$ 1.1	\$ 1.7	\$ 1.4	\$ 18.8	\$ 115.7
Income Taxes	35.1	23.7	24.0	30.0	24.0	22.0	25.0	22.0	25.0	31.0	25.5	26.2	\$ 313.5
Wagering	15.1	18.1	16.3	13.8	20.7	15.6	14.6	13.1	13.5	14.7	13.4	11.5	\$ 180.4
State Shared Revenue	0.0	33.9	0.0	34.2	0.0	33.8	0.0	32.9	0.0	33.6	0.0	33.1	\$ 201.6
Utility Taxes	2.3	1.8	2.6	2.8	2.8	2.4	2.6	3.0	4.0	3.0	2.0	2.0	\$ 31.4
Other Revenue	13.1	34.6	26.8	18.2	19.2	11.5	21.1	11.8	22.9	27.4	36.1	44.8	\$ 287.7
Total Cash Receipts	\$ 89.9	\$ 119.1	\$ 93.7	\$ 106.9	\$ 68.1	\$ 86.1	\$ 66.8	\$ 106.9	\$ 66.6	\$ 111.4	\$ 78.4	\$ 136.4	\$ 1,130.2
Cash Disbursements													
Salaries & Wages	\$ (39.1)	\$ (49.7)	\$ (33.6)	\$ (35.1)	\$ (37.5)	\$ (34.9)	\$ (40.4)	\$ (31.3)	\$ (37.8)	\$ (32.1)	\$ (39.2)	\$ (36.1)	\$ (446.7)
Benefits	(33.8)	(26.6)	(6.2)	(14.5)	(6.5)	(6.3)	(14.0)	(6.2)	(6.5)	(16.1)	(6.5)	(3.8)	\$ (146.9)
Accounts Payable	(39.3)	(46.5)	(31.5)	(35.5)	(34.1)	(30.7)	(41.9)	(17.3)	(26.1)	(22.9)	(35.2)	(26.4)	\$ (387.3)
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)	\$ (8.1)	\$ 20.4	\$ 3.6	\$ (10.0)	\$ 8.4	\$ (32.7)	\$ 46.3	\$ (7.0)	\$ 21.9	\$ (5.6)	\$ 64.4	\$ 77.4



Accounts Payable

All Funds
\$ in millions

Accounts Payable (AP) as of Aug-18	
Total AP (Jul-18)	\$ 43.5
Plus: Aug-18 invoices processed	\$ 108.2
Less: Aug-18 Payments made	\$ (111.8)
Total AP month end (Aug-18)	\$ 39.9
Less: Invoices on hold ⁽¹⁾	\$ (22.7)
Less: Installments/Retainage Invoices ⁽²⁾	\$ -
Net AP not on hold	\$ 17.2

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Aug-18. Total	\$ 17.2	\$ 10.0	\$ 4.3	\$ 1.9	\$ 0.9
% of total	100%	58%	25%	11%	5%
Change vs. Jul-18	\$ (4.4)	\$ (4.9)	\$ (0.9)	\$ 1.8	\$ (0.4)
Total Count of Invoices	1,461	945	286	67	163
% of total	100%	65%	20%	5%	11%
Change vs. Jul-18	(184)	5	(245)	15	41
Jul-18. Total	\$ 21.6	\$ 14.9	\$ 5.3	\$ 0.1	\$ 1.4
% of total	100%	69%	24%	1%	6%
Total Count of Invoices	1,645	940	531	52	122
% of total	100%	57%	32%	3%	7%

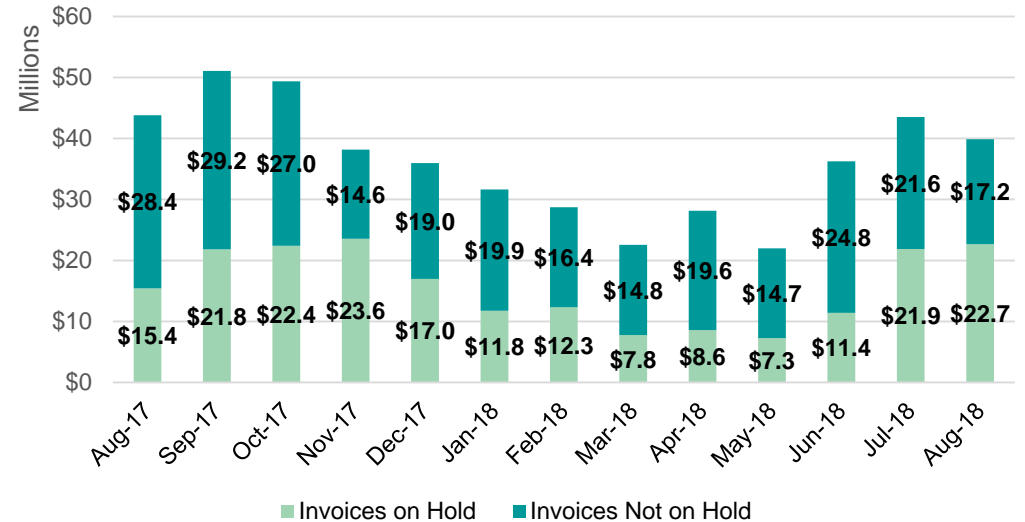
Notes:

(1) Invoices with system holds are pending validation. Reasons may 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

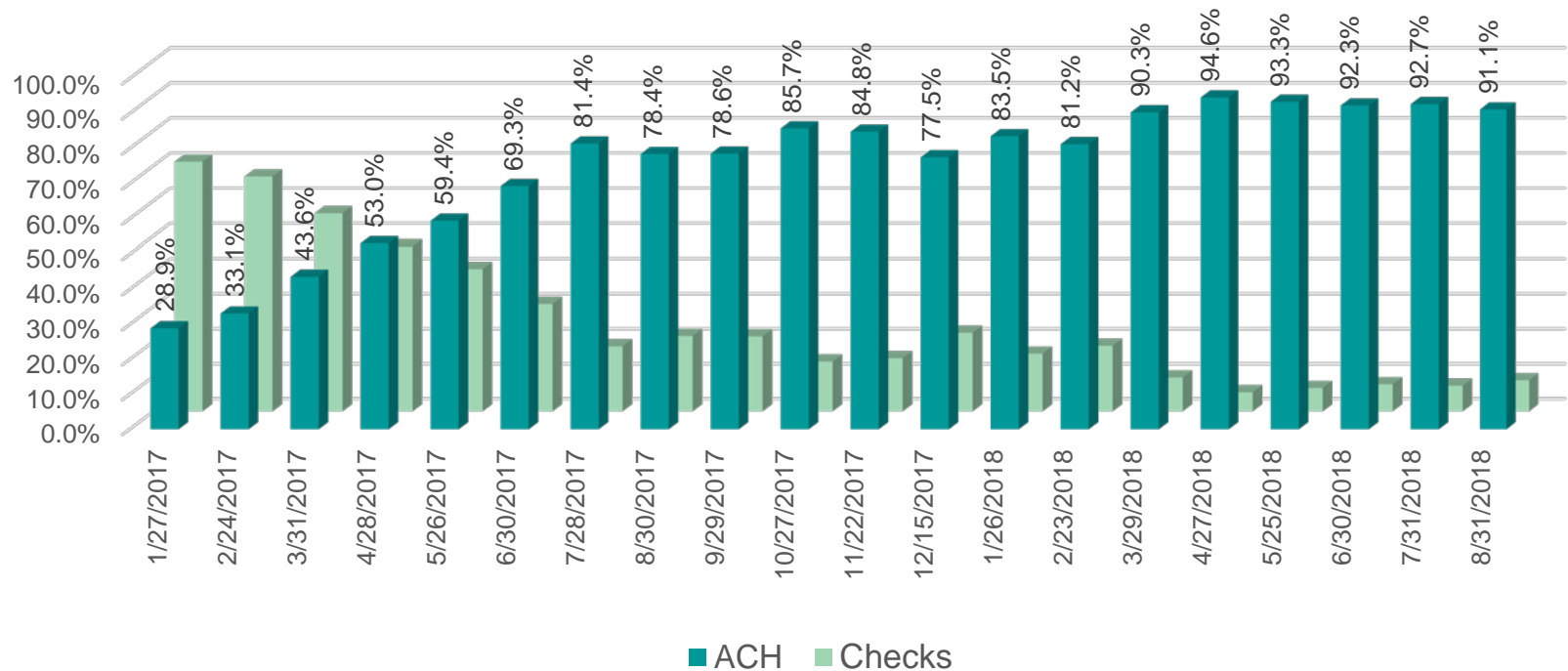
Accounts Payable





Supplier Payments – ACH vs. Checks

Supplier Payment Methods



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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