



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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February 14, 2019

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

Re: Monthly Financial Report for the Six Months ended December 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 Six Months ended December 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 cursive script, appearing to read "David P. Massaron".

David P. Massaron
Acting Chief Financial Officer

Att: City of Detroit Financial Report for the Six Months ended December 31, 2018

Cc: Mayor Michael E. Duggan, City of Detroit
Hakim Berry, Acting Chief Operating Officer and Labor Relations Director
John Naglick, Chief Deputy CFO/Finance Director
Eric S. Higgs, Deputy CFO/ Chief Accounting Officer - Controller
Christa McLellan, Deputy CFO/Treasurer
Tanya Stoudemire, Deputy CFO/Budget Director
Stephanie Washington, City Council Liaison



FY 2019 Financial Report

For the 6 Months ended December 31, 2018

Office of the Chief Financial Officer

February 14, 2019



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Executive Summary

- The OCFO-Office of Budget held its Revenue Estimating Conference on February 13, 2019. The adopted revenues will be used to create the FY2020-2023 Budget and Four-Year Financial Plan.
- On February 7, 2019, S&P Global Ratings raised the City's General Obligation credit rating to 'BB-' from 'B+'. In its review, S&P cited the City's planned additional deposits to reserves, economic growth, and ability to sustain balanced budgets.
- On February 1, 2019, the City launched a new "Plan Ahead" property tax savings program to help tax payers stay current and prevent foreclosure. The program allows tax payers to set aside money each month towards their tax bills. To date, approximately 150 taxpayers have set aside funds through the program.
- On January 22, 2019, the OCFO-Office of the Assessor participated in an announcement of annual proposed property assessment changes. Highlights of the announcement include:
 - Residential property values in 2018 rose across more than 90% of Detroit's nearly 200 neighborhoods.
 - Citywide, the average increase in residential value was 12%, with several neighborhoods seeing gains of more than 20%.
 - The Citywide reappraisal on commercial property – the first in decades – showed a 35% increase in value. With the completion of the commercial property class, the Citywide reappraisal is now finished.
- Within the City's active grant portfolio, the most significant new award to date in 2019 is \$500,000 in State Planning and Research funds from the Michigan Department of Transportation (MDOT) in support of the Citywide transportation plan. The City has not previously had access to this type of MDOT funding. (page 9)
- Total accounts payable as of December 2018 had a net increase of \$9.8M compared to November 2018. The increase was due in part to invoices being submitted at the end of the calendar year during the City's holiday shutdown. (page 15)



YTD Budget Amendments – General Fund

FY 2018-2019 GENERAL FUND BUDGET AMENDMENTS (Through December 2018)		
Department	Reason for Amendment	Amount
FY 2018 - 2019 Adopted Budget		\$ 1,073,598,491
Carry Forward Use of Assigned Fund Balance		
City Council	City Planning Commission Project ⁽¹⁾	699,975
Non Departmental	Restructuring Projects ⁽²⁾	1,697,194
Recreation	Wayne County Millages / Parks	1,660,548
Non-Departmental	Capital PO Encumbrances	13,216,435
Non-Departmental	P.E.G Fees	1,890,580
Non-Departmental	Blight Reinvestment	7,900,000
Non-Departmental	PLD Decommission	22,000,000
	Total	49,064,732
Budget Amendment		
Non-Departmental	Refunding LTGO Bonds	179,213,699
	Total	179,213,699
Transfer From Other Funds		
Non-Departmental	Blight Reinvestment ⁽³⁾	5,863,366
	Total	5,863,366
FY 2018 - 2019 Amended Budget (Through December 2018)		\$ 1,307,740,288

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

(2) EM appropriated.

(3) The bond amendment approved by City Council in the amount of \$13.1M, included the transfer / increase of \$5.8 for blight reinvestment.



YTD Budget vs. YTD Actual – General Fund

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	\$ 146.7	\$ 164.2	0.0	\$ 164.2	\$ 17.5	11.9%
Property Taxes	69.6	65.4	0.0	65.4	(4.2)	(6.0%)
Wagering Taxes	92.6	98.9	0.0	98.9	6.3	6.8%
Utility Users' Tax	20.0	10.5	6.3	16.7	(3.3)	(16.5%)
State Revenue Sharing	67.2	69.4	0.0	69.4	2.2	3.3%
Other Revenues	309.2	246.5	0.0	246.5	(62.7)	(20.3%)
Sub-Total	\$ 705.3	\$ 654.9	\$ 6.3	\$ 661.1	\$ (44.2)	(6.3%)
Budgeted Use of Prior Year Fund Balance	\$ 2.6	-	\$ 2.6	\$ 2.6	-	0.0%
TOTAL	\$ 707.9	\$ 654.9	\$ 8.9	\$ 663.7	\$ (44.2)	(6.2%)
EXPENDITURES:						
Salary and Wages (Incl. Overtime)	\$ (226.9)	\$ (214.6)	0.0	\$ (214.6)	\$ 12.3	(5.4%)
Employee Benefits	(97.6)	(52.7)	0.0	(52.7)	44.9	(46.0%)
Legacy Pension Payments	(20.0)	(20.0)	0.0	(20.0)	0.0	-
Retiree Protection Fund	(20.0)	(20.0)	0.0	(20.0)	0.0	-
Debt Service	(213.9)	(216.9)	0.0	(216.9)	(3.0)	1.4%
Other Expenses ⁽¹⁾	(163.9)	(187.6)	(32.7)	(220.2)	(56.3)	34.4%
TOTAL	\$ (742.3)	\$ (711.8)	\$ (32.7)	\$ (744.4)	\$ (2.1)	0.3%

(1) Includes contribution to DDOT, transfer to PLA, Prior Year carry/balance forwards, contribution to Risk Management Fund, contribution to DBLA, plus all purchases of goods and services.



Annualized Projection vs. Budget – General Fund

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	3.6%
Property Taxes	129.3	128.1	(1.2)	(0.9%)
State PPT Reimbursement	4.5	-	(4.5)	(100.0%)
Wagering Taxes	180.8	180.9	0.1	0.1%
Utility Users' Tax	40.0	43.0	3.0	7.5%
State Revenue Sharing	201.3	201.5	0.2	0.1%
Other Revenues	215.8	210.2	(5.6)	(2.6%)
Sub-Total	\$ 1,071.1	\$ 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	49.1	49.1	-	-
Transfers from Other Funds	5.9	5.9	-	-
Budget Amendments	179.2	179.2	-	-
TOTAL (F)	\$ 1,307.9	\$ 1,310.8	\$ 2.9	0.2%
EXPENDITURES:				
Salary and Wages (Incl. Overtime)	\$ (455.5)	\$ (438.3)	\$ 17.2	(3.8%)
Employee Benefits	(140.4)	(126.5)	13.9	(9.9%)
Legacy Pension Payments	(38.6)	(38.6)	-	-
Retiree Protection Fund	(20.0)	(20.0)	-	-
Debt Service	(248.6)	(248.6)	-	-
Other Expenses	(404.6)	(398.4)	6.2	(1.5%)
TOTAL (G)	\$ (1,307.7)	\$ (1,270.4)	\$ 37.3	(2.9%)
VARIANCE (H=F+G)			\$40.2	

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

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



Employee Count Monitoring

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL Variance		
	Actual Nov. 2018	Actual Dec. 2018	Change Dec. 2018 vs. Nov. 2018	Adjusted Budget FY 2019 ⁽²⁾	Under/(Over) Budget vs. December 2018	
Public Safety						
Police	3,074	3,056	(18)	3,322	266	8%
Fire	1,193	1,190	(3)	1,274	84	7%
Total Public Safety	4,267	4,246	(21)	4,596	350	8%
Non-Public Safety						
Office of the Chief Financial Officer	430	438	8	479	41	
Public Works - Full Time	372	368	(4)	423	55	
Health and Wellness Promotion	92	89	(3)	119	30	
Human Resources	100	99	(1)	106	7	
Housing and Revitalization	92	97	5	85	(12)	
Innovation and Technology	129	127	(2)	136	9	
Law	109	109	0	120	11	
Mayor's Office (includes Homeland Security)	72	72	0	79	7	
Planning and Development	32	32	0	41	9	
General Services - Full Time	518	520	2	535	15	
Legislative ⁽³⁾	182	182	0	170	(12)	
36th District Court	326	324	(2)	326	2	
Other ⁽⁴⁾	120	120	0	133	13	
Total Non-Public Safety	2,574	2,577	3	2,752	175	6%
Total General City-Full Time	6,841	6,823	(18)	7,348	525	7%
Seasonal/ Part Time⁽⁵⁾	271	255	(16)	904	649	72%
Enterprise						
Airport	4	4	0	4	0	
BSEED	270	273	3	280	7	
Transportation	953	927	(26)	927	0	
Municipal Parking	84	80	(4)	90	10	
Water and Sewerage	524	550	26	618	68	
Library	305	304	(1)	322	18	
Total Enterprise	2,140	2,138	(2)	2,241	103	5%
Total City	9,252	9,216	(36)	10,493	1,277	12%

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 FY19 Budget increased the total FTE appropriation by 464 over the FY18 Budget.
- (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.
- (5) Includes DPW, General Services, Recreation, and Elections



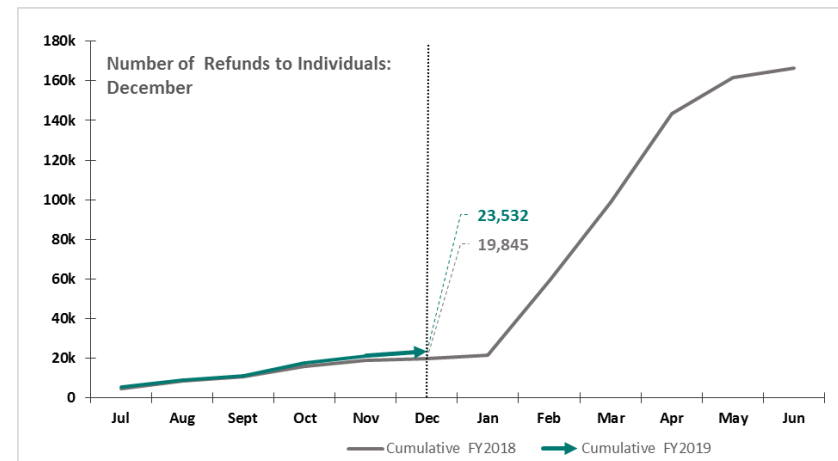
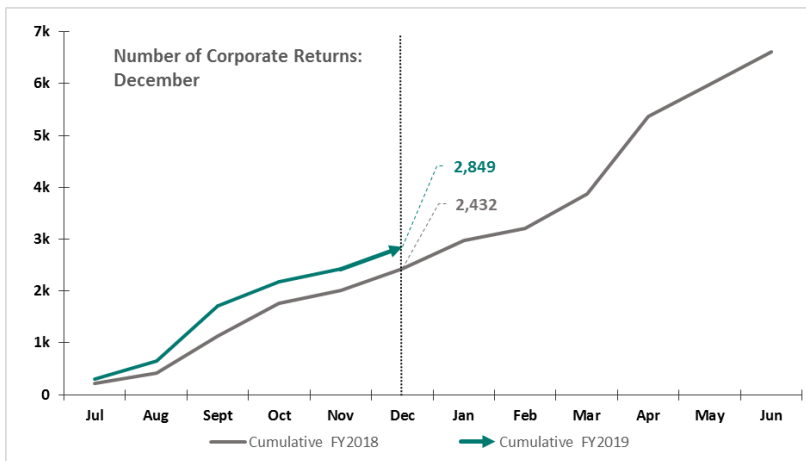
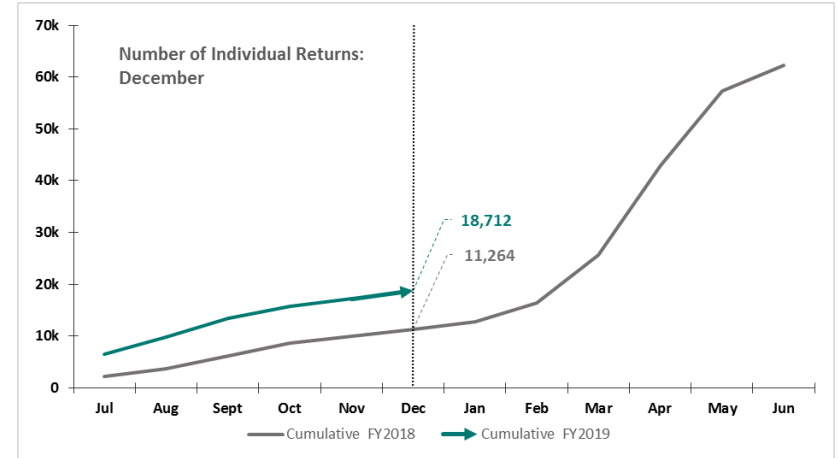
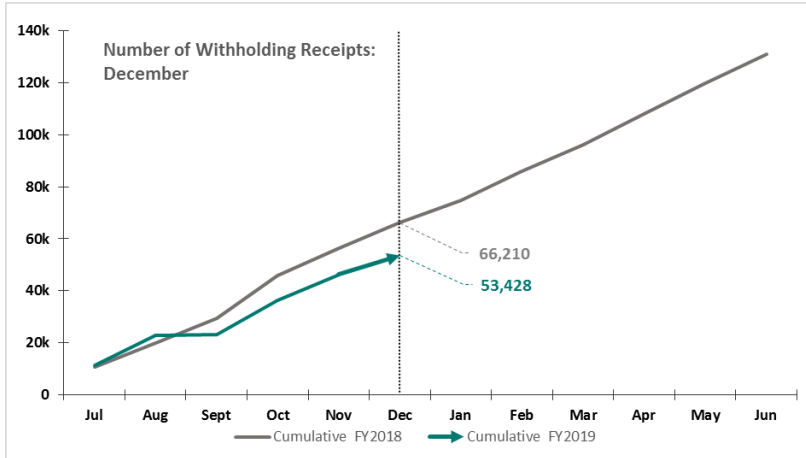
Income Tax - Collections

Fiscal Year 2019		
Municipal Income Tax Collections	December 2018 YTD	December 2017 YTD
Withholdings	\$ 142,790,562	\$ 129,110,075
Individuals (1099/1040 Filers)	9,162,908	6,784,451
Corporations	11,459,050	9,143,837
Partnerships	1,658,746	826,276
Assessments	2,825,479	2,086,018
Total Collections	\$ 167,896,744	\$ 147,950,657
Refunds/ Disbursements	(3,649,502)	(4,875,330)
Collections Net of Refunds/Disbursements	\$ 164,247,242	\$ 143,075,327

⁽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 – Volume of Returns and Withholdings





Development and Grants

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

	Amount Awarded – City ⁽¹⁾	Amount Awarded – Partners ⁽²⁾
Total Active	\$832.1	\$127.5
Net Change from last month ⁽³⁾	\$1.0	\$1.0

New Funds – January 1 to December 31, 2019 (\$ in millions)

	Amount Awarded
Documented	\$11.1
Committed ⁽⁴⁾	\$3.4
Total New Funding	\$14.5
Net New to the City ⁽⁵⁾	\$1.0

⁽¹⁾ Reflects public and private funds directly to City departments.

⁽²⁾ Reflects public and private funds 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.

⁽³⁾ The most significant new award so far in 2019 is the \$500,000 award from MDOT highlighted on the executive summary.

⁽⁴⁾ Reflects verbal and informal commitments which are secure, but for which formal agreements have not yet been finalized.

⁽⁵⁾ 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 December 31, 2019 – By Priority Category

Priority Category	Documented	Committed	Total
Administration/General Services	-	-	-
Community/Culture	-	\$ 153,848	\$ 153,848
Economic Development	-	-	-
Health	\$ 9,843,759	-	\$ 9,843,759
Housing	-	\$ 1,274,300	\$ 1,274,300
Infrastructure	-	-	-
Parks and Recreation	-	\$ 215,000	\$ 215,000
Planning	-	-	-
Public Safety	\$ 176,758	-	\$ 176,758
Technology/Education	\$ 250,000	-	\$ 250,000
Transit	\$ 825,000	\$ 681,420	\$ 1,506,420
Workforce	\$ 30,000	\$ 1,100,000	\$ 1,130,000
Grand Total	\$ 11,125,517	\$ 3,424,568	\$ 14,550,085



Development and Grants

New Funds and City Leverage⁽¹⁾ – January 1 to December 31, 2019 – By Priority Category

Priority Category	Total Funds	City Leverage
Administration/General Services	-	-
Community/Culture	\$ 153,848	\$ 36,933
Economic Development	-	-
Health	\$ 9,843,759	-
Housing	\$ 1,274,300	\$ 157,800 ⁽²⁾
Infrastructure	-	-
Parks and Recreation	\$ 215,000	-
Planning	-	-
Public Safety	\$ 176,758	-
Technology/Education	\$ 250,000	-
Transit	\$ 1,506,420	\$ 103,065
Workforce	\$ 1,130,000	-
Grand Total	\$ 14,550,085	\$ 297,798

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

⁽²⁾ There is an additional \$50M in HUD funding allocated to the Affordable Housing Leverage Fund that has been critical to securing these commitments.



Cash Position

	Unrestricted	Restricted	December 2018 Total
Bank Balance	\$ 246.7	\$ 936.5	\$ 1,183.2
Plus/minus: Reconciling items	(1.5)	9.1	7.6
Reconciled Bank Balance	245.2	945.6	1,190.8
General Ledger Cash Balances			
General Fund			
General Accounts	\$ 151.2	\$ 116.6	\$ 267.7
Self Insurance Escrow	-	18.7	18.7
Undistributed Delinquent Taxes	-	32.3	32.3
Other	-	3.1	3.1
Other Governmental Funds			
Risk Management	-	83.7	83.7
Capital Projects	-	166.2	166.2
Street Fund	-	73.8	73.8
Grants	-	50.1	50.1
Solid Waste Management Fund	41.4	-	41.4
Debt Service	-	62.6	62.6
Gordie Howe Bridge Fund	-	20.9	20.9
Quality of Life Fund	-	26.2	26.2
Other	19.5	11.6	31.1
Enterprise Funds			
Enterprise Funds	18.5	19.3	37.9
Fiduciary Funds			
Undistributed Property Taxes	-	81.3	81.3
Fire Insurance Escrow	-	9.8	9.8
Retiree Protections Trust Funds	-	123.6	123.6
Other	-	45.8	45.8
Component Units			
Component Units	14.6	-	14.6
Total General Ledger Cash Balance	\$ 245.2	\$ 945.6	\$ 1,190.8

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



Operating Cash Activity: YTD Actual vs Forecast

For 6 Months Ending December 31, 2018

\$ in Millions

	YTD Forecast	YTD Actuals	YTD Variance	Prior YTD Actuals
Cash Receipts				
Property Taxes	\$ 76.7	\$ 79.8	\$ 3.1	\$ 79.2
Income Taxes	157.1	157.7	0.6	141.1
Wagering	103.9	104.7	0.8	91.0
State Shared Revenue	101.6	102.6	1.0	100.9
Utility Taxes	11.8	10.5	(1.3)	10.7
Other Revenue	103.9	109.2	5.3	138.9
Total Cash Receipts	\$ 555.0	\$ 564.5	\$ 9.5	\$ 561.8
Cash Disbursements				
Salaries & Wages	\$ (231.4)	\$ (233.8)	\$ (2.4)	\$ (216.5)
Benefits	(99.7)	(98.7)	1.0	(55.9)
Accounts Payable	(238.0)	(241.3)	(3.3)	(192.9)
Debt Service	(42.1)	(42.1)	0.0	(33.1)
Total Cash Disbursements	\$ (611.2)	\$ (615.9)	\$ (4.7)	\$ (498.4)
Net Cash Flow	\$ (56.2)	\$ (51.4)	\$ 4.8	\$ 63.4



Operating Cash Activity: Actual vs. Forecast to Year End

For 6 Months Ending December 31, 2018

\$ in millions

	2018						2019						FY2019 Total
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Forecast	February Forecast	March Forecast	April Forecast	May Forecast	June Forecast	
Cash Receipts													
Property Taxes	\$ 24.3	\$ 7.0	\$ 40.4	\$ 5.6	\$ 1.5	\$ 1.0	\$ 3.0	\$ 26.3	\$ 2.7	\$ 1.7	\$ 2.4	\$ 18.8	\$ 134.7
Income Taxes	35.1	23.7	23.5	30.8	19.0	25.6	31.2	23.1	25.0	31.0	25.5	26.2	319.7
Wagering	15.1	18.1	13.4	15.6	22.5	20.0	16.4	15.3	14.0	14.7	15.0	15.2	195.3
State Shared Revenue	0.0	33.9	0.0	34.4	0.0	34.3	0.0	33.4	0.0	32.9	0.0	32.9	201.8
Utility Taxes	2.3	1.8	1.9	1.8	1.5	1.2	2.6	1.5	2.0	3.0	2.0	2.0	23.6
Other Revenue	13.1	34.6	10.0	27.9	15.4	8.2	12.8	11.3	22.4	26.9	35.6	44.3	262.5
Total Cash Receipts	\$ 89.9	\$ 119.1	\$ 89.2	\$ 116.1	\$ 59.9	\$ 90.3	\$ 66.0	\$ 110.9	\$ 66.1	\$ 110.2	\$ 80.5	\$ 139.4	\$ 1,137.6
Cash Disbursements													
Salaries & Wages	\$ (39.1)	\$ (49.7)	\$ (37.7)	\$ (37.7)	\$ (37.5)	\$ (32.1)	\$ (36.3)	\$ (33.8)	\$ (37.8)	\$ (36.1)	\$ (40.7)	\$ (37.9)	\$ (456.4)
Benefits	(33.8)	(26.6)	(5.5)	(12.7)	(6.5)	(13.6)	(12.6)	(6.2)	(6.5)	(16.1)	(6.5)	(43.8)	(190.4)
Accounts Payable	(39.3)	(46.5)	(33.8)	(53.5)	(38.4)	(29.8)	(31.8)	(17.3)	(26.1)	(22.9)	(35.2)	(26.4)	(401.0)
Debt Service	(2.0)	(4.5)	(14.7)	(6.9)	(2.8)	(11.2)	(2.8)	(9.1)	(2.8)	(21.0)	(2.8)	(8.3)	(88.9)
Total Cash Disbursements	\$ (114.2)	\$ (127.3)	\$ (91.7)	\$ (110.8)	\$ (85.2)	\$ (86.7)	\$ (83.5)	\$ (66.4)	\$ (73.2)	\$ (96.1)	\$ (85.2)	\$ (116.4)	\$ (1,136.7)
Net Cash Flow	\$ (24.4)	\$ (8.2)	\$ (2.5)	\$ 5.3	\$ (25.3)	\$ 3.6	\$ (17.5)	\$ 44.5	\$ (7.1)	\$ 14.1	\$ (4.7)	\$ 23.0	\$ 0.9



Accounts Payable

All Funds
\$ in millions

Accounts Payable (AP) as of Dec-18	
Total AP (Nov-18)	\$ 33.4
Plus: Dec-18 invoices processed	\$ 100.3
Less: Dec-18 Payments made	\$ (90.5)
Total AP month end (Dec-18)	\$ 43.2
Less: Invoices on hold ⁽¹⁾	\$ (15.4)
Less: Installments/Retainage Invoices ⁽²⁾	\$ (0.3)
Net AP not on hold	\$ 27.5

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Dec-18. Total	\$ 27.5	\$ 9.9	\$ 14.3	\$ 2.7	\$ 0.6
% of total	100%	36%	52%	10%	2%
Change vs. Nov-18	\$ 8.7	\$ (2.0)	\$ 8.2	\$ 2.6	\$ (0.1)
Total Count of Invoices	1,721	811	688	126	96
% of total	100%	47%	40%	7%	6%
Change vs. Nov-18	486	(76)	509	78	(25)
Nov-18. Total	\$ 18.8	\$ 11.9	\$ 6.2	\$ 0.1	\$ 0.7
% of total	100%	63%	33%	0%	4%
Total Count of Invoices	1,235	887	179	48	121
% of total	100%	72%	14%	4%	10%

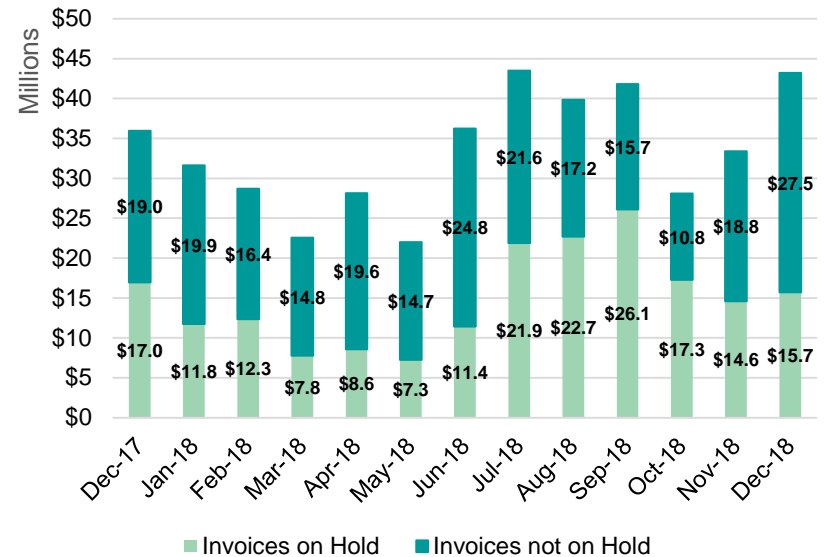
Notes:

(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.

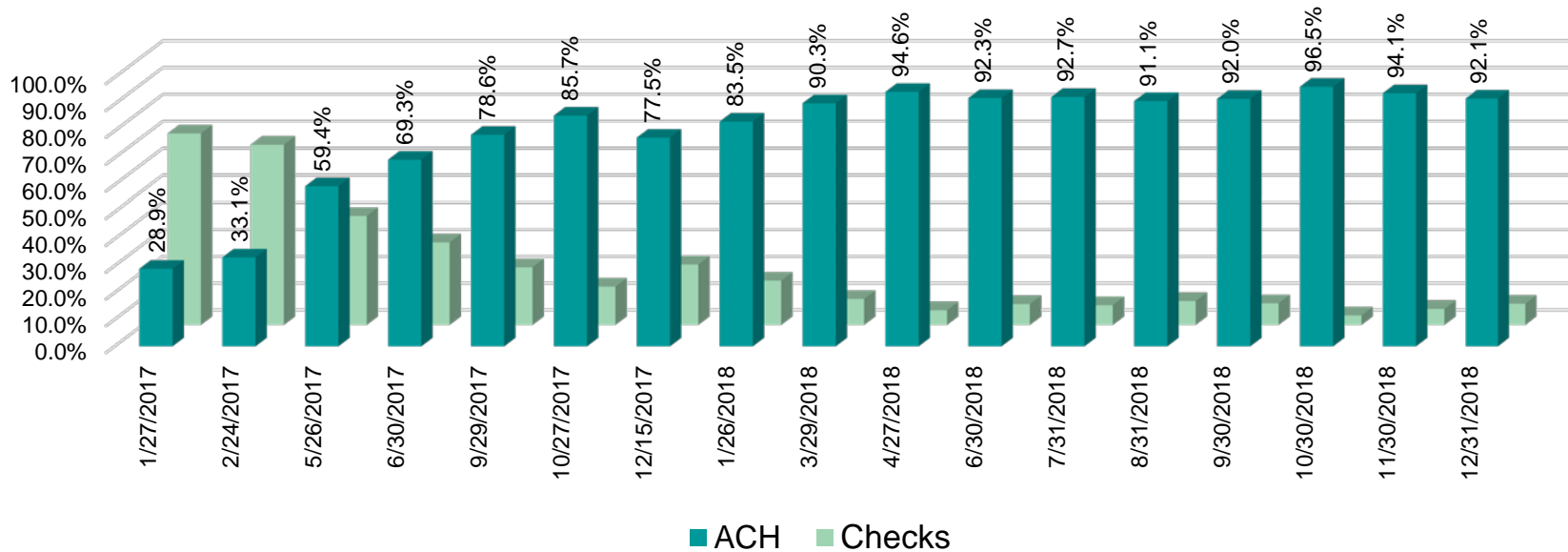
Accounts Payable





Supplier Payments – ACH vs. Checks

Supplier Payment Methods



In January 2017, an initiative was launched to have all suppliers adhere to CFO 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 Worker, Property Tax, Payroll, 3rd Party Supplies, Utilities, Government Agency.