



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

MEMORANDUM

TO: Irvin Corley, Jr., Executive Policy Manager, Detroit City Council Legislative Policy Division

FROM: David Massaron, Chief Financial Officer, City of Detroit
Beth Niblock, Chief Information Officer, City of Detroit
Saskia Thompson, Director, Detroit Land Bank Authority
Arthur Jemison, Group Executive for Planning, Housing and Development

DATE: October 21, 2019

RE: Responses Questions on the use of Salesforce for Tax Compliance

In addition to addressing your written questions, we wanted to address concerns you brought up at the BF&A hearing about the use of Salesforce to assist with compliance tracking for the proposed bonds.

As we plan how best to monitor the long-term disposition of the properties, we need a database that tracks by property our initial investment from bond proceeds and the long-term disposition. While Treasury could create a new database for this, we thought it was more prudent to use an existing system that already tracks our demolition and disposition of properties. The attached example shows how this property at 18901 Huntington was demolished using HHF funds on July 24, 2018, and today this property is available for sale as a side lot. Although we need to add fields to this existing database, these will be relatively simple customizations to a well-functioning system.

Currently Salesforce is used to track properties using HHF grant fund sources for federal reporting in a field called "Grant Program". In the example above, the property was demolished using HHF5 funds. A similar field for Blight Bond source would be created and would be able to easily pull reports for every property that has used bond funding for any reason.

As with most systems, each user has a profile with security access based on their role. There is an audit trail for each entry into the system, so if a mistake is made, we can see the source. The system is and will be backed up and stored securely. We will also be able to cross check expenditure entries into this system with exports from Oracle, our financial system of record.

As part of the Land Bank's tax compliance certificate, they will agree to provide regular exports from the system to the City. The OCFO will store the data from the extracts so that if Salesforce information is not available for any reason, the OCFO will have up to date data to rely on.

For your background Salesforce is an American cloud-based software company headquartered in San Francisco with clients around the world. Salesforce sells a complementary suite of enterprise applications focused on customer service, marketing automation, analytics and application development. This year they are projected to do over \$13 billion in revenue and have close to 30,000 employees. Many of the Fortune 500 companies use Salesforce to improve operations.



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

We will be happy to set up a presentation of the system.

Questions/requests for the DLBA:

- 1. Please provide a copy of the current DLBA/Salesforce contract to address: a) How long is the contract, when did it start and when does it expire?; b) What are the renewable options of the contract, if any?; c) How much is the contract?; d) Does the DLBA own the Salesforce software platform built under this contract or is the DLBA paying a license fee to use the Salesforce software platform?; e) Is the Salesforce software platform entirely a cloud based system?; f) Has the DLBA staff who manages the Salesforce software platform contacted representatives of Salesforce.com, Inc. to ensure the DLBA's Salesforce system has the capacity and flexibility to incorporate the additional fields and reporting needs the OCFO outlines in its OCFO Monitoring Report (second attachment to this email), especially if the Salesforce system is strictly a cloud based system?; g) Could a Salesforce.com, Inc. provide a written statement that DLBA's Salesforce software platform has the capacity and flexibility to make these changes?; h) Does the DLBA have any estimates on how much these additions to the Salesforce system will cost?**
 - a. The current DLBA Salesforce contract is for the period beginning July 2019 through June 2020. The DLBA initially entered into a license agreement with Salesforce in 2014 (See Salesforce Master Service Agreement and FY2020 Invoice)
 - b. The DLBA's Salesforce contract is renewable annually with an option to add additional licenses as needed throughout the year.
 - c. The DLBA currently has 559 active Salesforce licenses with a FY2020 cost of \$103,740. This does not include the cost of inhouse DLBA Salesforce support staff, AWS cloud services, or addon software.
 - d. The DLBA pays an annual license fee per user for use of the Salesforce platform; however, the specific architecture of the DLBA's Salesforce data environment is unique.
 - e. Yes; with weekly backups to the DLBA's onsite servers.
 - f. The DLBA's inhouse Salesforce architect, developer, and administrators are able to construct a database environment with flexibility and reliability to meet the scope and requirements outlined in the OCFO's Monitoring Report.
 - g. The DLBA's inhouse Salesforce architect, developer, administrators, and data analysts provide agile database modifications response to the needs of the DLBA Salesforce community. As such, the DLBA's Salesforce database is not a managed software package and outside the scope of traditional Salesforce.com, Inc. review.



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

h. Once the DLBA receives detailed scope and requirements information, including the quantity of users, workflow processes, and add-ons the DLBA can provide a more detailed estimate of cost impacts and licensing issues, if any.

2. Who are the representatives of the DLBA who manage the Salesforce software platform?

Saskia Thomson, Executive Director;

Kelley Singler, Director of Operations & Administration; and

Kevin Shelton Assistant Director, Data Solutions

3. Besides the DLBA, what other City of Detroit agencies or entities, such as the Detroit Building Authority (DBA), currently have access to the DLBA Salesforce system to enter in demolition data?

At this time, the Detroit Building Authority (DBA) and Building Safety Engineering and Environmental Department (BSEED) have access to the DLBA's Salesforce database system for the purpose of entering demolition data. Over twenty-five other City of Detroit agencies, including the Detroit Police Department, the Auditor General, City Council, Department of Neighborhoods, Detroit Health Department, and the Mayor's Office to name a few have limited access to the DLBA's Salesforce database.

4. Does the DLBA currently have written procedures regarding the tracking of demolition activity that is now done in the DLBA Salesforce software platform?

The DLBA tracks and documents the current demolition workflow performed within the DLBA's Salesforce database platform.

5. Does the DLBA currently have procedures in place to ensure the demolition data in the Salesforce system cannot be easily manipulated?

Yes, the DLBA's inhouse Salesforce team builds validation rules based on the scope and requirements of the workflow allowing and/or preventing data changes. Additionally, the DLBA strictly assigns and audits Salesforce user profiles further administering database access and control protocols to prevent data manipulation.

Questions for Beth Niblock, Chief Information Officer:

6. Based on your knowledge of Salesforce.com, Inc. and the DLBA Salesforce software platform, in particular, please provide City Council your assessment of the DLBA Salesforce software platform's capacity and flexibility to track UTGO blight bond dollar expenditures associated with up to 19,000 properties by parcel. As you know, the tracking will need to include how bond proceeds were used to demolish properties by parcel and sales proceeds of vacant property by parcel post-demolition under the Administration's proposed blight elimination/demolition program.

Salesforce is Fortune 500 company with an immensely scalable platform that can accommodate the tracking needs required by the bond.



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

7. Has DoIT vetted the DLBA Salesforce software platform to ensure it meets the City IT standards?

Salesforce is one of the best Software as a service companies in the world. Because it is in the cloud, security and new functionality are automatically deployed to the platform with little work on the end user's side.

8. Does DoIT feel a cost/benefit analysis should be conducted to determine if the DLBA Salesforce system is the best tool to meet the data collection, property management and long term reporting needs as outlined by the OCFO in its OCFO Monitoring Report?

No, at this point in time because of the work done by the DLBA in the existing Salesforce instance, it would not make sense to redo all of the programming/work that has been done and do the data conversion into a new platform.

9. The Administration now anticipates proposing a Demolition Division with the Housing and Revitalization Department (HRD) to manage the demolition program. Would it be a major undertaking to bring the current DLBA Salesforce system in house for the proposed Demolition Division?

It would be a tremendous effort to bring Salesforce in house. DoIT has no personnel trained in Salesforce and at this point in time I don't know if there would be any licensing implications by moving from the DLBA to the city.

10. In the OCFO Monitoring Report, it appears that the OCFO is also saying that the information about the UTGO blight bond expenditures will also have to be entered into Oracle since Oracle is the system of record for contracted financial data for the City. Would DoIT work with the OCFO and DLBA to determine if the Salesforce system can interface with Oracle to make this happen?

Yes, although an interface may not be necessary.

11. LPD feels there should be written procedures regarding the tracking of UTGO blight bond proceeds for demolition and sales disposition post-demolition if the blight bonds are approved by City Council and the citizens of Detroit. Would DoIT assist in preparing those procedures?

Yes

Questions for the OCFO:

12. The OCFO Monitoring Plan indicates that the HRD and the DBA will be responsible for entering the expenditure data for each demolition into the Salesforce database. The DLBA will be responsible for entering the ownership and the total amount received from the sale of any residential property. HRD will be responsible for entering the total amount received from the sale of any



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

commercial property into the Salesforce database. If and when the Demolition Division in HRD is created, would the DBA's responsibilities to enter data into the Salesforce database completely go away? Would all demolition contracts flow through the Demolition Division?

Yes and yes. The future Demolition Department would be responsible for this entry.

13. Would the OCFO develop Standards and Procedures and a CFO Directive regarding the tracking of the UTGO blight bond dollars for demolition and sales disposition post-demolition? The Standards and Procedures and CFO Directive should also include the tax-exempt IRS post bond issuance compliance monitoring as well. As you know, the Government Finance Officers Association (GFOA) has a wealth of information regarding post issuance compliance monitoring on its website. What LPD has gleaned from the GFOA website regarding post issuance compliance monitoring is the following:

The on-going nature of post-issuance compliance requirements applicable to tax-advantaged bonds requires issuers to actively monitor compliance throughout the entire period their bonds remain outstanding. This due diligence will significantly improve the issuer's ability to identify noncompliance and prevent violations from occurring, or timely correct identified violations (when prevention is not possible), to ensure the continued tax-advantaged status of the bonds.

Issuers should adopt written procedures, applicable to all bond issues, which go beyond reliance on tax certificates included in bond documents provided at closing. Sole reliance on the closing bond documents may result in procedures insufficiently detailed or not incorporated into an issuer's operations. Written procedures should contain certain key characteristics, including making provision for:

Due diligence review at regular intervals;

- **Identifying the official or employee responsible for review;**
- **Training of the responsible official/employee;**
- **Retention of adequate records to substantiate compliance (e.g., records relating to expenditure of proceeds);**

Procedures reasonably expected to timely identify noncompliance; and

Procedures ensuring that the issuer will take steps to timely correct noncompliance.

The goal of establishing and following written procedures is to identify and resolve noncompliance, on a timely basis, to preserve the preferential status of tax-advantaged bonds. Generally, an issuer that has established and followed comprehensive written procedures to promote post-issuance



**Office of the
Chief Financial Officer**

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313 -628-2535
Fax: 313 -224-2135
www.detroitmi.gov

compliance is less likely, than an issuer that does not have such procedures, to violate the federal tax requirements related to its bonds.

Section 5.8 “Post-Issuance Management and Compliance” of CFO Directive No. 2018-101-007 “Debt Issuance and Management” specifies that the Office of the Treasury is responsible for verifying compliance with all undertakings, covenants, and agreements for each bond issuance on an ongoing annual basis. The Office of the Treasury has drafted (but not yet finalized) a Standard Operating Procedures (SOP) on Post-Issuance Compliance. This SOP will be finalized soon. We expect also to execute a SOP specific to post-issuance compliance requirements related to the blight bonds, if issued.

14. Would the OCFO consider hiring a third party, such as an accounting firm, to check for data integrity regarding the UTGO blight bond expenditures associated with demolition and sales disposition post-demolition?

The OCFO does not believe that hiring an outside accounting firm to audit data integrity would be necessary. Any audits of this data could be conducted by the auditor general or be added to the scope of the City’s annual independent audit.

General Request:

15. On October 22, 2019 at Tuesday’s Formal Session, when City Council looks to consider voting on the UTGO blight bonds, it would be very beneficial that the appropriate representatives from the DLBA, DoIT-including Beth Niblock, and the OCFO compliance team be present to address any questions that may arise regarding UTGO blight bond expenditure monitoring.

They will be available.