

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Four Months ended October 31, 2017

December 18, 2017



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Executive summary

- City departments are working with the OCFO's Office of Departmental Financial Services to complete their budget submissions for the FY 2019-2022 Four-Year Financial Plan.
- The City's fieldwork on the FY 2017 audit is nearly complete with remaining component units expected to be completed by the end of the calendar year. The City expects to request an audit filing extension from the State Treasurer to January 31, 2018.
- The OCFO has evaluated proposals for a tender offer and refunding of its Series 2014 B and C Notes. The OCFO expects to finalize its debt restructuring strategy and seek approval in Q1 of 2018.
- The City closed on the \$15M sale of the Premier Parking Garage on December 4, in connection with the redevelopment project at the downtown Hudson's site. The entire proceeds are being used to pay down principal on the City's Series 2014 C Notes, resulting in lower debt service costs.
- FY 2018 is currently projected to end with an operating surplus of approximately \$27.5M.
 - Revenue projections remain in line with 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 decreased in October due to the departure of seasonal employees. (page 4)
- The October YTD General City property tax collection rate of 50.8% has improved slightly over the prior year. Only a portion of the tax roll has come due to date. (page 7)
- Accounts Payable as of October had a net decrease of \$1.7 M compared to September. Net AP not on hold had a net decrease of \$2.3M. The number of open invoices not on hold increased by 1,258, of which 584 were current. The report excludes a \$14.3M DWSD payable to the Great Lakes Water Authority, which has been open since June and remains under negotiation. (page 8)
- In October the City received \$42M in new federal and state funds, primarily made up of one non-competitive award for DHD and one competitive grant increase for DDOT. (page 10)



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

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 90.6	\$ 99.6	\$ -	\$ 99.6	\$ 9.0	9.9%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes	55.1	58.1	-	58.1	3.0	5.4%	124.0	124.0	-
Wagering Taxes	57.8	56.1	3.4	59.5	1.7	2.9%	177.8	179.0	1.2
Utility Users' Tax	11.7	7.3	3.7	11.0	(0.6)	(5.3%)	35.0	38.9	3.9
State Revenue Sharing	32.9	33.3	0.7	34.0	1.2	3.5%	196.7	198.8	2.0
Sales and Charges for Services	42.8	13.2	-	13.2	(29.6)	(69.2%)	121.1	120.6	(0.4)
Licenses, Permits, and Inspection Charges	4.9	2.5	-	2.5	(2.5)	(50.1%)	11.7	12.3	0.7
Contributions and Transfers (5)	16.2	10.3	-	10.3	(5.9)	(36.1%)	68.1	68.1	0.0
Grants and Other Revenues	0.6	0.3	-	0.3	(0.4)	(58.9%)	0.8	0.9	0.2
Fines, Forfeits and Penalties	8.4	6.6	-	6.6	(1.9)	(22.1%)	25.3	25.0	(0.3)
Revenues from Use of Assets	1.1	0.9	-	0.9	(0.2)	(19.0%)	3.3	3.4	0.1
Other Taxes, Assessments, and Interest	2.4	4.7	-	4.7	2.2	92.7%	7.3	6.8	(0.5)
Sales of Assets and Compensation for Losses	1.9	0.1	-	0.1	(1.7)	(93.5%)	5.6	1.9	(3.7)
Miscellaneous	7.7	2.7	3.0	5.6	(2.1)	(27.4%)	15.9	13.3	(2.6)
Adjust for Prior Year Carry-forward (6)	90.0	-	90.0	90.0	-	-	90.0	90.0	-

TOTAL (L)

YTD ANALYSIS						
GENERAL FUND	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)	
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD	
	AMENDED (1)				(F) F = E-B	% G = (F/B)
	B	C	D	E = C + D		
	\$ 424.1	\$ 295.6	\$ 100.8	\$ 396.3	\$ (27.7)	(6.5%)
TOTAL (L)	\$ 424.1	\$ 295.6	\$ 100.8	\$ 396.3	\$ (27.7)	(6.5%)
EXPENDITURES:						
Salaries and Wages	\$ (149.7)	\$ (126.8)	\$ -	\$ (126.8)	\$ 22.9	15.3%
Employee Benefits	(156.9)	(138.9)	-	(138.9)	18.1	11.5%
Professional and Contractual Services	(28.3)	(14.6)	(24.8)	(39.4)	(11.2)	(39.6%)
Operating Supplies	(13.6)	(12.7)	(26.1)	(38.8)	(25.2)	(185.1%)
Operating Services	(38.6)	(26.4)	(8.2)	(34.7)	3.9	10.2%
Capital Equipment	(0.1)	0.7	(1.0)	(0.3)	(0.2)	(142.2%)
Capital Outlays	(9.6)	(3.4)	(4.8)	(8.2)	1.4	14.1%
Debt Service	(20.4)	-	(19.0)	(19.0)	1.4	6.9%
Other Expenses	(47.2)	(54.7)	(2.7)	(57.5)	(10.2)	(21.6%)
TOTAL (M)	\$ (464.5)	\$ (376.9)	\$ (86.7)	\$ (463.5)	\$ 1.0	0.2%
VARIANCE (N = L + M)	\$ (40.4)	\$ (81.3)	\$ 14.1	\$ (67.2)	\$ (26.8)	N/A

ANNUALIZED PROJECTION ANALYSIS		
BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
ANNUAL	ANNUAL	ANNUAL
AMENDED	ESTIMATED (4)	ESTIMATED
H	I	(J) J = I-H
\$ 1,165.7	\$ 1,175.1	\$ 9.4
\$ (429.6)	\$ (419.3)	\$ 10.3
(278.7)	(271.5)	7.2
(79.2)	(79.0)	0.2
(39.2)	(39.6)	(0.5)
(115.6)	(115.3)	0.3
(0.4)	(0.4)	-
(28.8)	(28.9)	(0.1)
(61.3)	(61.3)	-
(133.1)	(132.4)	0.7
\$ (1,165.7)	\$ (1,147.6)	\$ 18.1
\$ -	\$ 27.5	\$ 27.5

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect four months ending October 31, 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 September 2017	Actual October 2017	Change Oct. 2017 vs. Sept. 2017	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. October 2017	
Public Safety						
Police	3,061	3,053	(8)	3,121	68	2%
Fire	1,160	1,171	11	1,274	103	8%
Total Public Safety	4,221	4,224	3	4,395	171	4%
Non-Public Safety						
Office of the Chief Financial Officer	430	426	(4)	482	56	
Public Works - Regular	371	374	3	419	45	
Public Works - Seasonal	28	26	(2)	26	0	
Health	65	63	(2)	76	13	
Human Resources	98	95	(3)	108	13	
Housing and Revitalization	72	77	5	91	14	
Innovation and Technology	92	95	3	134	39	
Law	114	108	(6)	118	10	
Mayor's Office (includes Homeland Security)	72	71	(1)	72	1	
Planning and Development	29	31	2	41	10	
Recreation - Regular	274	276	2	326	50	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	309	330	21	504	174	
General Services - Seasonal	254	149	(105)	219	70	
Legislative ⁽³⁾	256	246	(10)	259	13	
36th District Court	317	315	(2)	331	16	
Other ⁽⁴⁾	108	107	(1)	110	3	
Total Non-Public Safety	2,889	2,789	(100)	3,580	791	22%
Total General City	7,110	7,013	(97)	7,975	962	12%
Enterprise						
Airport	4	4	0	4	0	
BSEED	194	204	10	230	26	
Transportation	930	915	(15)	927	12	
Municipal Parking	95	91	(4)	95	4	
Water and Sewerage	486	506	20	579	73	
Library	296	296	0	332	36	
Total Enterprise	2,005	2,016	11	2,167	151	7%
Total City	9,115	9,029	(86)	10,142	1,113	11%

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

For 4 Months Ending October 31, 2017

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 4 Months	FY17 Actual	
		4 Months	Change
Property Taxes	\$ 72.4	\$ 71.7	\$ 0.7
Municipal Income Taxes	100.3	86.2	14.1
Utility Users Taxes	7.5	6.0	1.5
Wagering Taxes	59.8	59.4	0.4
State Revenue Sharing	67.3	97.8	(30.5) (1)
Other / Misc.	75.8	69.6	6.2 (2)
Total Receipts	383.1	390.7	(7.6)
Salaries and Wages	(147.9)	(134.7)	(13.2) (3)
Employee Benefits	(43.8)	(55.8)	12.0 (4)
Materials, Contracts & Other	(132.4)	(146.4)	14.0 (5)
Total Disbursements	(324.1)	(336.9)	12.8
Operating Surplus (before Reinvestment)	59.0	53.8	5.2
Debt Service	(28.5)	(33.8)	5.3 (6)
Non-Financing Adjustments	0.0	3.4	(3.4) (7)
Total Adjustments to arrive at Net Cash Flow	(28.5)	(30.4)	1.9
Net Cash Flow	\$ 30.5	\$ 23.4	\$ 7.1
Beginning cash balance	\$ 186.3 (8) (9)		
Net Cash Flow	30.5		
Ending cash balance	216.8 (8)		
Budget Reserve Fund	62.3 (10)		
Total Cash Balance	\$ 279.1		

Notes:

- (1) June 2016 State Revenue Sharing cash receipt arrived in early FY17 instead of during FY16.
- (2) FY18 includes \$19.5m MDOT receipt for Gordie Howe Municipal Bridge Project.
- (3) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (4) The YTD amount set aside for the Retiree Protection Trust Fund was less in FY18 than in FY17. FY18 was \$15 million vs. \$30 million in FY17.
- (5) Variation between FY18 largely attributed to additional AP Disbursements in FY17.
- (6) The August 2016 refunding of the 2010 Distributable State Aid notes resulted in reduced outflow for debt service.
- (7) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (8) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (9) 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.
- (10) 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 4 Months Ending October 31, 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	\$ 72.4	\$ (14.3)	\$ 58.1	(2)	\$ 58.1	\$ -	\$ 58.1	\$ 0.0	
Municipal Income Taxes	100.3	(0.7)	99.6	(3)	99.6	-	99.6	0.0	
Utility Users Taxes	7.5	(0.2)	7.3	(4)	7.3	-	7.3	0.0	
Wagering Taxes	59.8	(0.3)	59.5	(5)	56.1	3.4	59.5	0.0	
State Revenue Sharing	67.3	(33.3)	34.0	(6)	33.3	0.7	34.0	0.0	
Other / Misc.	75.8	(35.3)	40.5	(7)	41.2	(0.7)	40.5	0.0	
Total Receipts	383.1	(84.1)	299.0		\$ 295.6	3.4	299.0	0.0	
Salaries and Wages	(147.9)	21.1	(126.8)	(8)	(126.8)	-	(126.8)	0.0	
Employee Benefits	(43.8)	(95.1)	(138.9)	(9)	(138.9)	-	(138.9)	0.0	
Materials, Contracts & Other	(132.4)	21.2	(111.2)	(10)	(111.2)	-	(111.2)	0.0	
Total Disbursements	(324.1)	(52.8)	(376.9)		(376.9)	-	(376.9)	0.0	
Operating Surplus (before Reinvestment)	59.0	(136.9)	(77.9)		(81.3)	3.4	(77.9)	0.0	
Debt Service	(28.5)	9.5	(19.0)	(11)	-	(19.0)	(19.0)	0.0	
Non-Financing Adjustments	-	-	-		-	-	-	-	
Total Adjustments to arrive at Net Cash Flow	30.5	(127.4)	(96.9)		(81.3)	(15.6)	(96.9)	0.0	
Net Inflows /(Outflows)	\$ 30.5	\$ (127.4)	\$ (96.9)		\$ (81.3)	\$ (15.6)	\$ (96.9)	\$ 0.0	

Notes:

- (1) To be posted amounts represent collections and disbursements that were not recorded as of October 31, 2017.
- (2) \$26m pertains to FY17 offset by \$11.7m of Q1 revenue either received in November or pending distribution to the General Fund.
- (3) \$0.7m relates to FY17 activity.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$0.7m collected in November.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$20.8m non-General Fund 1000 receipts, \$7m of collections are cash specific, and \$7.5 Municipal Services Fee 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 is FY17 activity & \$17.4m attributed to the timing of payments offset by \$90m relating to prior years RPTF set aside & \$23.9m FY18 Pension obligation (recorded but not disbursed).
- (10) Approx. \$23.9m of disbursements are non-General Fund, \$17.8m related to FY17 & \$3.6m is cash specific offset by \$24.1m Risk Management & insurance premium non-cash transfers.
- (11) \$4.5m represents Pledged Income Tax Trustee Capture Interest, \$5m State Revenue Sharing debt set aside.



FY 2018 year-to-date property tax collections

For 4 months ended October 31, 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		\$ 57.1		\$ 58.2		
General Special Acts		1.7		1.7		
General Total	\$ 115.7	\$ 58.8	50.82%	\$ 120.7	\$ 59.9	49.63%
Debt Service Total	\$ 51.1	\$ 26.1	51.08%	\$ 62.0	\$ 30.9	49.84%
Solid Waste Total	\$ 52.8	\$ 19.8	37.50%	\$ 54.8	\$ 17.0	31.02%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 57.1	\$ 58.2
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	1.0	4.4
Total Property Tax Collections (Ad Val + DTRF)		\$ 58.1	\$ 62.6
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

- Accounts Payable as of October had a net decrease of \$1.7 M compared to September. Net AP not on hold had a net decrease of \$2.3M. The number of open invoices not on hold increased by 1,258, of which 584 were current. The report below excludes a \$14.3M DWSD payable to the Great Lakes Water Authority, which has been open since June and remains under negotiation.

All Funds
\$ in millions

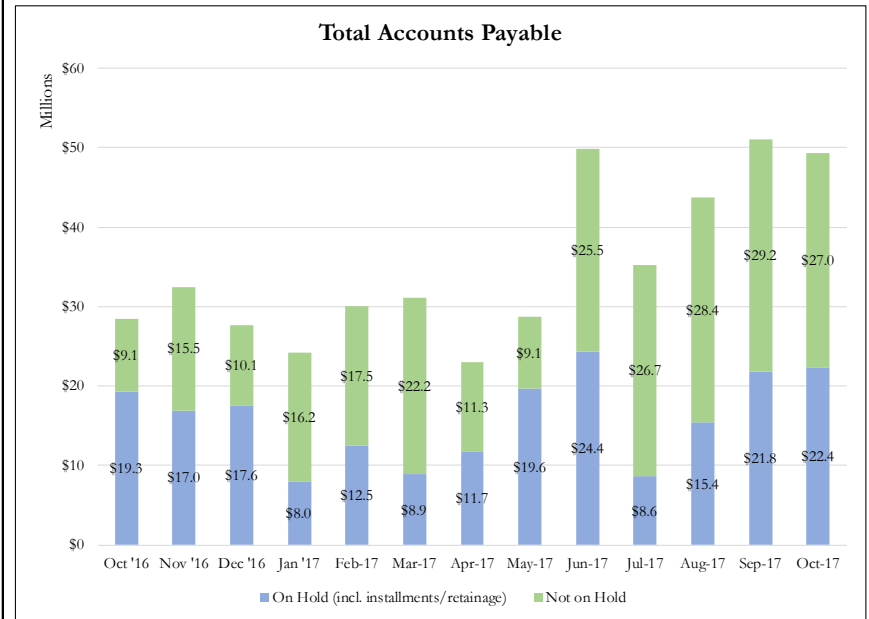
Accounts Payable (AP) as of Oct-17	
Total AP (Sep-17)	\$ 51.1
Plus: Oct-17 invoices processed	102.4
Less: Oct-17 Payments made	(104.1)
Total AP month end (Oct-17)	\$ 49.4
Less: Invoices on hold (1)	\$ (21.6)
Less: Installments/Retainage Invoices(2)	(0.8)
Net AP not on hold	\$ 27.0

AP Aging
(excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Oct-17. Total	\$ 27.0	\$ 16.1	\$ 7.8	\$ 1.3	\$ 1.8
% of total	100%	60%	29%	5%	7%
Change vs. Sep-17	\$ (2.3)	\$ 2.8	\$ (6.4)	\$ 0.8	\$ 0.6
Total Count of Invoices	2,235	1,331	548	129	227
% of total	100%	60%	25%	6%	10%
Change vs. Sep-17	1,258	584	444	100	130
Sep-17. Total	\$ 29.2	\$ 13.3	\$ 14.2	\$ 0.5	\$ 1.2
% of total	100%	46%	49%	2%	4%
Total Count of Invoices	977	747	104	29	97
% of total	100%	76%	11%	3%	10%

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 amount of \$14.3M payable to Great Lakes Water Authority, which remains under negotiation, is excluded above.



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

- In October, 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)	(21.1)
Fire	11	(35.7)	(20.6)
General Services	14	(28.6)	(25.3)
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)	(\$154.2)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	66	(\$193.4)	(\$157.0)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$39.8	

Note: 48 Closed Projects as of 10/31/17. Unaudited amounts subject to reconciliation.

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



The City is leveraging funding from external sources

- In October the City received \$42M in new federal and state funds, primarily made up of one non-competitive award for DHD and one competitive grant increase for DDOT.

<i>\$ in millions</i>	<u>Amount Awarded (1)</u>		Number of Grants
	<u>Appropriation Approved (2)</u>	<u>Appropriation Pending (2)</u>	
Department/Agency			
Transportation	398.6	-	21
Housing & Revitalization	207.9	-	17
Health	34.9	-	4
Fire	30.8	-	11
Public Works	30.6	-	20
Police	20.3	-	34
Homeland Security and Emergency Management	2.8	-	8
Recreation	1.7	-	5
Other (3)	1.7	-	8
Active Federal/State grants	\$ 729.3	\$ -	128
Active private grants and donations	69.1	-	96
Total active grants and donations (4)	\$ 798.4	\$ -	224

Notes:

(1) Reflects original amounts awarded and amendments for active grants as of October 31, 2017. Remaining amount available to be spent will be lower for most departments.

(2) The amounts awarded as of October 31 are separated between grant appropriations already approved and any that may be pending approval as of the date this report is presented.

(3) Other includes departments and agencies totaling less than \$1M.

(4) The City also partners with third-party agencies to directly pursue and implement grants aligned with the City's priorities. Such grants are included above for private funds but not federal/state grants.



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