

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Twelve Months ended June 30, 2017

(Preliminary FY 2017 Year-end / Subject to Change)

August 28, 2017



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Executive summary

- Following their enactment and subsequent publication, the ordinances authorizing the Retiree Protection Fund have taken effect.
- The Office of Budget is preparing updated revenue estimates for FY 2018 through FY 2022 for review at the City's upcoming Consensus Revenue Estimating Conference on September 21, 2017.
- The Office of the Controller is overseeing the year-end closing process and preparing for the FY 2017 audit.
- The OCFO is standardizing its policies and procedures with a focus on improving major end-to-end business process lifecycles that cross divisions.
- Current projections indicate FY 2017 ended with an approximate budget surplus from current year activity of \$38.5M and from unused prior year carry-forward of \$31 million, subject to year-end audit adjustments that may change those amounts.
 - Revenue projections reflect the results of the OCFO's May revenue estimates update. (page 3)
 - Payroll and employee benefit expenditures have trended below budget as a result of position vacancies. (page 3)
 - The General City active employee count increased in June but remains below budget. (page 4)
- The June YTD General City property tax collection rate of 79.6% has improved slightly over the prior year. (page 7)
- Total Accounts Payable as of June had a net increase of \$35.6M compared to May. Net AP not on hold had a net increase of \$13.3M but primarily due to open invoices that were still current. The number of open invoices not on hold decreased by 811. (page 8)
- In June, the Federal and State grant funds had a net increase of \$5.4M with the addition of 1 new grant for DDOT and a net budget increase based on Police and Health Department activity. The main private grants received were the final grants from multiple foundations totaling \$6.7M to the Detroit Employment Solutions Corporation in support of the Mayor's Grow Detroit's Young Talent program, which will provide a paid job opportunity for over 8,000 young Detroiters this summer. (page 10)



FY 2017 year-to-date general ledger actuals and annualized projection

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 266.6	\$ 264.1	\$ 20.9	\$ 285.0	\$ 18.4	6.9%	\$ 266.6	\$ 285.0	\$ 18.4
Property Taxes	117.0	128.0	(4.0)	124.0	7.0	6.0%	117.0	124.0	7.0
Wagering Taxes	175.2	177.2	(1.2)	176.0	0.8	0.5%	175.2	176.0	0.8
Utility Users' Tax	37.0	21.8	12.5	34.3	(2.7)	(7.2%)	37.0	35.0	(2.0)
State Revenue Sharing	196.5	164.5	32.8	197.3	0.8	0.4%	196.5	197.5	1.0
Sales and Charges for Services	123.9	93.0	22.9	115.9	(8.0)	(6.4%)	123.9	117.3	(6.6)
Licenses, Permits, and Inspection Charges	11.2	8.7	2.2	10.9	(0.3)	(2.7%)	11.2	10.9	(0.3)
Contributions and Transfers (5)	143.0	15.0	117.9	132.9	(10.1)	(7.1%)	143.0	137.2	(5.8)
Fines, Forfeits and Penalties	22.2	21.0	2.7	23.7	1.5	6.7%	22.2	24.5	2.2
Revenues from Use of Assets	1.3	1.4	-	1.4	0.0	1.0%	1.3	1.3	(0.0)
Other Taxes, Assessments, and Interest	9.1	21.7	(15.0)	6.7	(2.4)	(26.1%)	9.1	7.7	(1.3)
Sales of Assets and Compensation for Losses	14.4	3.5	(1.7)	1.8	(12.6)	(87.5%)	14.4	5.7	(8.8)
Miscellaneous	12.7	10.2	(1.2)	9.0	(3.7)	(29.1%)	12.7	9.5	(3.2)
Adjust for Prior Year Carry-forward (7)	40.8	-	9.8	9.8	(31.0)	(75.9%)	40.8	9.8	(31.0)

TOTAL (L)

\$ 1,171.0	\$ 930.2	\$ 198.6	\$ 1,128.9	\$ (42.2)	(3.6%)	\$ 1,171.0	\$ 1,141.4	\$ (29.6)
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EXPENDITURES:

Salaries and Wages	\$ (390.0)	\$ (368.2)	\$ 2.8	\$ (365.4)	\$ 24.7	6.3%	\$ (390.0)	\$ (365.4)	\$ 24.6
Employee Benefits	(234.3)	(113.9)	(95.0)	(208.9)	25.4	10.8%	(234.3)	(213.3)	21.1
Professional and Contractual Services	(87.6)	(74.4)	(5.5)	(79.8)	7.7	8.8%	(87.6)	(80.5)	7.0
Operating Supplies	(40.6)	(33.6)	(4.8)	(38.5)	2.2	5.4%	(40.6)	(38.5)	2.2
Operating Services	(155.5)	(98.5)	(53.7)	(152.2)	3.3	2.1%	(155.5)	(152.6)	3.0
Capital Equipment	(3.5)	(2.2)	-	(2.2)	1.3	36.2%	(3.5)	(3.5)	-
Capital Outlays	(46.4)	(7.9)	(1.1)	(9.1)	37.4	80.5%	(46.4)	(46.4)	-
Debt Service	(75.4)	(63.1)	0.2	(62.9)	12.5	16.6%	(75.4)	(66.5)	8.9
Other Expenses	(137.5)	(58.3)	(70.0)	(128.3)	9.3	6.7%	(137.5)	(136.3)	1.3

TOTAL (M)

\$ (1,171.0)	\$ (820.1)	\$ (227.2)	\$ (1,047.3)	\$ 123.7	10.6%	\$ (1,171.0)	\$ (1,103.0)	\$ 68.0
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VARIANCE (N = L + M)

\$ 0.0	\$ 110.1	\$ (28.5)	\$ 81.6	\$ 81.6	N/A	\$ 0.0	\$ 38.5	\$ 38.5
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Notes

- (1) Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- (2) Year-to-date actuals reflect twelve months ending June 30, 2017.
- (3) Reflects encumbrances and pending accruals, including prior year carry-forwards and current year activities.
- (4) Revenues are based on the OCFO's May 2017 Revenue Estimates Update results.
- (5) This revenue line also includes the use of fund balance totaling \$117.9M to support one-time spending on capital (\$27.9M), blight (\$40M), and pension obligations (\$50M).
- (6) YTD revenue in this category will appear to exceed the projection until distributions to other jurisdictions are completed.
- (7) This revenue line reflects fund balance assigned to support prior year encumbrances and carry-forwards, for which equivalent amounts are captured within expenditures.

Estimated surplus from current year activity	\$ 38.5
Unused Prior Year Carry-forward	31.0
Estimated additions to unassigned fund balance	\$ 69.5



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual May 2017	Actual June 2017	Change June 2017 vs. May 2017	Amended Budget FY 2017 ⁽²⁾	Variance Under/(Over) Budget vs. June 2017	
Public Safety						
Police	2,947	2,967	20	3,115	148	5%
Fire	1,145	1,138	(7)	1,331	193	15%
Total Public Safety	4,092	4,105	13	4,446	341	8%
Non-Public Safety						
Office of the Chief Financial Officer	418	421	3	453	32	
Public Works	373	391	18	379	(12)	
Health and Wellness Promotion	35	36	1	64	28	
Human Resources	97	96	(1)	70	(26) ⁽⁴⁾	
Housing and Revitalization	69	71	2	64	(7) ⁽⁴⁾	
Innovation and Technology	95	97	2	134	37	
Law	103	106	3	109	3	
Mayor's Office (includes Homeland Security)	70	70	0	72	2	
Planning and Development	25	23	(2)	22	(1) ⁽⁴⁾	
Recreation	225	270	45	285 ⁽³⁾	15	
General Services	509	519	10	579 ⁽³⁾	60	
Legislative ⁽⁵⁾	175	210	35	252 ⁽³⁾	42	
36th District Court	315	315	0	326	11	
Other ⁽⁶⁾	96	100	4	100	0	
Total Non-Public Safety	2,605	2,725	120	2,909	184	6%
Total General City	6,697	6,830	133	7,355	525	7%
Enterprise						
Airport	4	4	0	4	0	
BSEED	197	193	(4)	214	21	
Transportation	939	926	(13)	935	9	
Municipal Parking	87	87	0	89	2	
Water and Sewerage	469	470	1	488	18	
Library	291	294	3	325	31	
Total Enterprise	1,987	1,974	(13)	2,055	81	4%
Total City	8,684	8,804	120	9,410	606	6%

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) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (4) Variances are due to ongoing departmental reorganizations occurring during FY 2017.
- (5) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (6) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2017 year-to-date net cash flows

For 12 Months Ended June 30, 2017

\$ in millions

Cash Flows - General Pool Cash

	Actual 12 Months	Prior Year	
		12 Months	Change
Property Taxes	128.0 (1)	138.1	\$ (10.1)
Municipal Income Taxes	289.5	270.7	18.8
Utility Users Taxes	25.8	22.7	3.1
Wagering Taxes	176.8	174.2	2.6
State Revenue Sharing	229.4 (2)	194.1	35.3
Other / Misc.	214.9	193.7	21.2
Total Receipts	1,064.4	993.5	70.9
Salaries and Wages	(396.1)	(364.0)	(32.1)
Employee Benefits	(83.5)	(66.5)	(17.0)
Materials, Contracts & Other	(383.3)	(272.8)	(110.6)
Total Disbursements	(862.9)	(703.3)	(159.7)
Operating Surplus (before Reinvestment)	201.5	290.2	(88.8)
Debt Service	(66.9)	(148.4) (3)	81.5
Non-Financing Adjustments	(86.6) (4)	43.6 (5)	(130.2)
Total Adjustments to arrive at Net Cash Flow	(153.5)	(104.8)	(48.7)
Net Cash Flow (6)	\$ 48.0	\$ 185.4	\$ (137.5)
Beginning cash balance (net of distribution) (7)	\$ 372.1	\$ 211.0	\$ 161.1
Net Cash Flow (6)	48.0	185.4	(137.5)
Ending cash balance (net of distribution owed) (7)	\$ 420.1	\$ 396.4	\$ 23.6

Notes:

- (1) Property Tax Detail located on page 7.
- (2) Includes payment for FY16 of \$32m received in July 2017.
- (3) Includes \$30m principal repayment on Exit financing made in August 2015.
- (4) Includes \$90m set aside for Retiree Protection Fund net of \$3.4m inflow of excess self-insurance requirements.
- (5) Includes segregation of \$56m related to Street Funds offset by inflow of \$87m 2012 refinancing proceeds held in escrow.
- (6) Net Cash Flow is based on cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.
- (7) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.



FY 2017 year-to-date cash flow to general ledger reconciliation

For 12 Months Ended June 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	\$ 128.0	\$ -	\$ 128.0		\$ 128.0	\$ -		\$ 128.0	0.0
Municipal Income taxes	289.5	(25.4)	264.1	(2)	264.1	-		264.1	0.0
Utility Users taxes	25.8	(4.0)	21.8	(2)	21.8	-		21.8	0.0
Wagering Taxes	176.8	0.4	177.2	(2)	177.2	-		177.2	0.0
State Revenue Sharing	229.4	(64.9)	164.5	(2)	164.5	-		164.5	0.0
Other / Misc.	214.9	(40.3)	174.6	(2)(3)	174.6	-		174.6	0.0
Total Receipts	1,064.4	(134.1)	930.2		930.2	-		930.2	0.0
Salaries and Wages	(396.1)	27.9	(368.2)	(4)	(368.2)	-		(368.2)	0.0
Employee Benefits	(83.5)	(30.4)	(113.9)	(5)	(113.9)	-		(113.9)	0.0
Materials, contracts & other	(383.3)	108.4	(274.9)	(6)(7)	(274.9)	-		(274.9)	0.0
Total Disbursements	(862.9)	105.9	(757.0)		(757.0)	-		(757.0)	0.0
Operating Surplus (before Reinvestment)	201.5	(28.2)	173.2		173.2	-		173.2	0.0
Debt Service	(66.9)	3.8	(63.1)	(8)	(63.1)	-		(63.1)	0.0
Non-Financing Adjustments	(86.6)	86.6	-	(9)	-	-		-	0.0
Total Adjustments to arrive at Net Cash Flow	(153.5)	90.4	(63.1)		(63.1)	-		(63.1)	0.0
Net Inflows /(Outflows)	\$ 48.0	62.2	110.1		\$ 110.1	-		110.1	0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$25.4m of Municipal Income Tax, \$4m of Utility Users' Tax, \$0.8m of Wagering Taxes offset by \$1.2m collected in July 2017, \$64.9m of State Revenue Sharing, \$7.3m of Other Revenue (Wagering Municipal Service Fees) in FY2017 related to FY 2016 activity.
- (3) \$8m of revenues collected in FY2017 related to activity in FY2016. \$16.2m of collections are cash specific transactions, \$8.8m are non-General Fund 1000 receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$15.2m is attributed to timing of payments and non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments and \$13.9m to the timing of payments offset by \$45.3m FY2017 Pension obligation.
- (6) Approximately \$54.3m of disbursements are non-General Fund, \$75.4m related to prior period and \$28.7m are cash specific transactions.
- (7) A \$50m adjustment was made to Cash for the Risk Management (Fund 1001) insurance premiums that are reflected in the GL but do not affect cash actuals.
- (8) \$14.2m of Financing Costs related to prior period offset by \$10.4m of exit financing and state revenue sharing debt set aside.
- (9) Includes \$90m set aside for Retiree Protection Fund net of \$3.4m inflow of excess self-insurance escrow requirements.



FY 2017 year-to-date property tax collections

For 12 months ended June 30, 2017

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 93.5		\$ 96.4		
General Special Acts		2.6		3.4		
General Total	\$ 120.7	\$ 96.1	79.62%	\$ 129.6	\$ 99.8	77.01%
Debt Service Total	\$ 62.0	\$ 50.2	80.91%	\$ 68.3	\$ 54.0	79.09%
Solid Waste Total	\$ 54.8	\$ 31.2	56.93%	\$ 57.4	\$ 31.3	54.55%

		FY 2017	FY 2016
General City Ad Valorem Collections YTD	(2)	\$ 93.5	\$ 96.4
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	34.5	41.7
Total Property Tax Collections (Ad Val + DTRF)		\$ 128.0	\$ 138.1

Activity Subsequent to June 30, 2017 (FY17 amounts are estimated)

Personal Property Reimbursement	(4)	4.8	-
Michigan Tax Tribunal (MTT) Liability	(5)	(1.0)	(4.0)
Audit Adjustment	(6)	(4.8)	13.3 (6)
Estimated Chargeback Liability	(7)	(3.0)	-
Total Year-End Property Tax Collections (Ad Val + DTRF)	(8)	\$ 124.0	\$ 147.4
Admin Fee, Interest, Penalty YTD	(9)	\$ 6.6	\$ 7.4

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) FY17 was the first year Personal Property Reimbursement funds were received.
- (5) MTT Liability is estimated using the most recent information from the Law Department, the total is subject to change.
- (6) FY16 reconciling item related to the audit / FY17 item related to pending audit projects
- (7) Estimated chargeback of property transfer to Wayne County Treasurer's Office (Tax Year 2016)
- (8) FY17 total is estimated using information from Wayne County and the City Law Department.
- (9) 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 June had a net increase of \$35.6M compared to May. Net AP not on hold had a net increase of \$13.3M but primarily due to open invoices that were still current. The number of open invoices not on hold decreased by 811.

All Funds \$ in millions

Accounts Payable (AP) as of 30-JUN-2017	
Total AP (May 2017)	\$ 28.7
Plus: New invoices processed	146.5
Less: Payments made	(110.9)
Total AP (June 2017)	\$ 64.3
Less: Invoices on hold (1)	(38.5)
Less: Installments/Retainage Invoices (2)	(0.3)
Net AP not on hold	\$ 25.5

AP Aging (3)

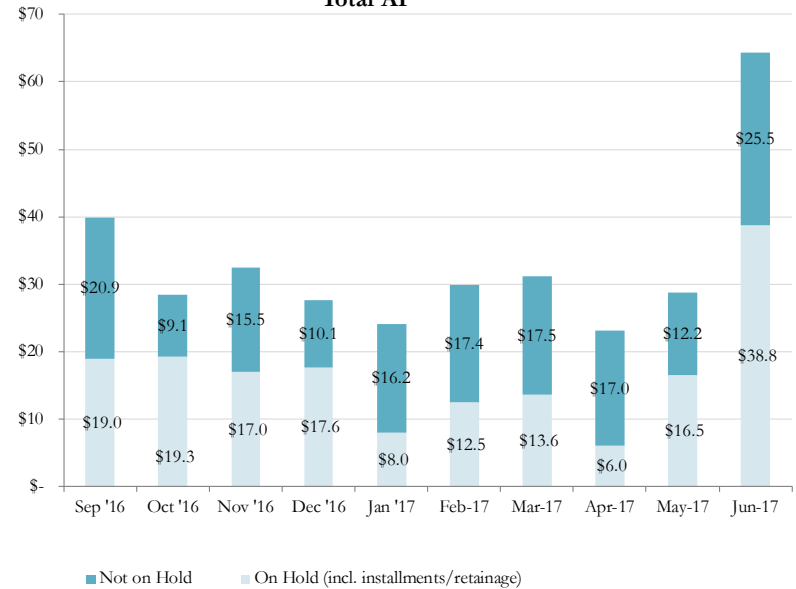
(excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Jun-17. Total	\$ 25.5	\$ 22.4	\$ 2.6	\$ 0.2	\$ 0.2
<i>% of total</i>	100%	88%	10%	1%	1%
<i>Change vs. May</i>	\$ 13.3	\$ 13.8	\$ 0.6	\$ (0.5)	\$ (0.6)
Total Count of Invoices	1,368	820	328	83	137
<i>% of total</i>	100%	60%	24%	6%	10%
<i>Change vs. May</i>	(811)	(429)	(278)	(9)	(95)
May-17. Total	\$ 12.2	\$ 8.6	\$ 2.0	\$ 0.7	\$ 0.8
<i>% of total</i>	99%	70%	16%	6%	7%
Total Count of Invoices	2,179	1,249	606	92	232
<i>% of total</i>	100%	57%	28%	4%	11%

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 invoices were aged based on the date received, the aging would show improved current category values

Total AP



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

- No new projects were approved in June. Business cases for additional projects are under review.

<i>\$ in millions</i>	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	(43.3)	(38.2)
Blight	7	(25.2)	(25.2)
Police	6	(25.1)	(21.4)
Fire	11	(35.7)	(19.2)
General Services	14	(28.3)	(23.1)
Office of the Chief Financial Officer	11	(18.3)	(16.6)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.5)
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)	(0.2)
Subject to Reconciliation	–	–	(4.7)
Subtotal Projects	65	(\$185.6)	(\$156.0)
Post-Petition Financing Interest and Other Fees	–	(2.8)	–
Totals	65	(\$188.4)	(\$156.0)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$44.8	

Notes:

Amount expensed subject to reconciliation.

Approved amount reflects finalization and closure of business cases approved and fully spent through 6/30/16.



The City is leveraging funding from external sources

- In June, the Federal and State grant funds had a net increase of \$5.4M with the addition of 1 new grant for DDOT and a net budget increase based on Police and Health Department activity. The main private grants received were the final grants from multiple foundations totaling \$6.7M to the Detroit Employment Solutions Corporation in support of the Mayor's Grow Detroit's Young Talent program, which will provide a paid job opportunity for over 8,000 young Detroiters this summer.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department			
Transportation	\$ 368.5	\$ -	20
Housing & Revitalization	207.9	-	17
Public Works	30.6	-	20
Fire Department	28.2	-	9
Police	16.6	-	24
Health & Wellness Promotion	22.3	-	3
Recreation	3.3	-	9
Homeland Security and Emergency Management (HSEM)	2.7	-	8
General Services	0.8	-	1
Coleman A. Young Airport (Airport)	0.3	-	2
Other (3)	1.1	-	4
Active Federal/State grants (4)	\$ 682.3	\$ -	117
Active private grants and donations (5)	62.8	-	72
Total active grants and donations	\$ 745.1	\$ -	189

Notes:

- (1) Reflects original amounts awarded and amendments for active grants as of June 30, 2017. Remaining amount available to be spent will be lower for most departments.
- (2) The amounts awarded as of June 30 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 BSEED and Historic Designation Advisory Board.
- (4) Excludes Federal/State grants received directly by third-party agencies for the benefit of the City.
- (5) Includes private funds received directly by third-party agencies for the benefit of the City.



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