

CITY OF DETROIT

**Office of the Chief Financial Officer**

**Financial Report for the Four Months ended October 31, 2016**

December 19, 2016



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# Executive summary

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- City Council approved contracts last month with Polaris and Magnet Consulting to continue the OCFO restructuring process and with Ernst & Young to develop a ten-year financial model and pro forma projections.
- October YTD actuals indicate that FY 2017 results are expected to be in line with budget.
  - Revenues are based on the September 2016 Consensus Revenue Estimating Conference results. There was no significant change in revenue projections based on YTD results.
  - Payroll and benefits related expenditures are trending below budget as a result of low headcount. However, General City headcount has increased by 562 compared to the prior year. (page 3 and page 9)
- October YTD cash flow activity indicates that liquidity remains stable. (page 4)
  - Beginning cash balance in FY 2017 was approximately \$160m higher than the prior year primarily due to the collection of remaining 2012 Refunding/Self Insurance bond proceeds, higher tax revenues and lower operating expenditures.
  - YTD net cash flow is lower than the prior year primarily due to higher personnel related expenditures as a result of increasing headcount and delayed payment of expenditures attributable to the prior year. October cash receipts included a Distributable State Aid payment that did not occur until November in the prior year.
- October YTD property tax collection rate continues to exceed the prior year. The summary table now includes a breakdown by residential, commercial, and industrial properties. (page 6)
- October accounts payable not on hold decreased by \$11.8m (56%) compared to the prior month. (page 7)
- With respect to Exit Financing projects, there was a net increase in expenses incurred of \$1.6m from the prior month. (page 8)
- Compared to the prior month, the Police Department increased by 50 heads, and the General Services Department decreased by 125 heads (primarily due to the departure of seasonal employees). (page 9)
- There was a net increase of \$75.8m in total active grants and donation, including \$69.3m in state and federal grants (primarily Housing and Revitalization and Transportation formula grants) and \$6.5m in private donations (Strategic Neighborhoods Fund). (page 10)



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

\$ in millions

	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS							
	BUDGET			ACTUAL + ACCRUAL + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET		PROJECTION		VARIANCE (BUDGET VS. PROJECTION)	
	YTD			ACCUAL + ENCUMBRANCE (3)			YTD		ANNUAL		ANNUAL		ANNUAL	
	ADJUSTED (1)	ACTUAL (2)	ENCUMBRANCE (3)	TOTAL	(\$ F = E-B	% G = (F/B)	ADJUSTED	ESTIMATED (4)	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED
B	C	D	E = C + D			H	I	(J) J = I-H		K = (I/H)				
<b>REVENUES:</b>														
Municipal Income Tax	\$ 74.4	\$ 81.2	\$ -	\$ 81.2	\$ 6.8	9.1%	\$ 266.6	\$ 273.4	\$ 6.8	2.6%				
Property Taxes	51.9	61.4	-	61.4	9.5	18.3%	117.0	117.0	-	-				
Wagering Taxes	57.0	45.7	13.7	59.4	2.4	4.2%	175.2	175.9	0.7	0.4%				
Utility Users' Tax	12.3	6.2	-	6.2	(6.1)	(49.6%)	37.0	35.0	(2.0)	(5.4%)				
State Revenue Sharing	65.5	33.3	32.8	66.1	0.6	0.9%	196.5	195.9	(0.6)	(0.3%)				
Sales and Charges for Services	41.1	26.0	-	26.0	(15.1)	(36.7%)	123.4	120.1	(3.3)	(2.7%)				
Licenses, Permits, and Inspection Charges	3.7	2.2	-	2.2	(1.5)	(40.5%)	11.2	11.3	0.1	0.9%				
Contributions and Transfers	31.0	-	67.9	67.9	36.9	119.0%	93.0	93.0	-	-				
Fines, Forfeits and Penalties	7.4	6.2	-	6.2	(1.2)	(16.2%)	22.2	22.8	0.6	2.7%				
Revenues from Use of Assets	0.4	0.4	-	0.4	-	-	1.3	1.0	(0.3)	(23.1%)				
Other Taxes, Assessments, and Interest	3.0	8.2	-	8.2	5.2	173.3%	9.1	7.8 (5)	(1.3)	(14.3%)				
Sales of Assets and Compensation for Losses	4.8	-	-	-	(4.8)	(100.0%)	14.4	9.3	(5.1)	(35.4%)				
Miscellaneous	3.4	1.3	-	1.3	(2.1)	(61.8%)	10.3	13.6	3.3	32.0%				
Funding to Support Prior Year Encumbrances (6)	27.8	-	27.8	27.8	-	-	27.8	27.8	-	-				
<b>TOTAL (L)</b>	<b>\$ 383.7</b>	<b>\$ 272.1</b>	<b>\$ 142.2</b>	<b>\$ 414.3</b>	<b>\$ 30.6</b>	<b>8.0%</b>	<b>\$ 1,105.0</b>	<b>\$ 1,103.9</b>	<b>\$ (1.1)</b>	<b>(0.1%)</b>				
<b>EXPENDITURES: (6)</b>														
Salaries and Wages	\$ (138.2)	\$ (117.1)	\$ -	\$ (117.1)	\$ 21.1	15.3%	\$ (402.7)	\$ (380.9)	\$ 21.8	5.4%				
Employee Benefits	(64.6)	(25.8)	-	(25.8)	38.8	60.1%	(186.9)	(177.5)	9.4	5.0%				
Professional and Contractual Services	(38.4)	(6.8)	(24.5)	(31.3)	7.1	18.5%	(82.4)	(83.8)	(1.4)	(1.7%)				
Operating Supplies	(15.8)	(7.9)	(24.9)	(32.8)	(17.0)	(107.6%)	(34.7)	(36.4)	(1.7)	(4.9%)				
Operating Services	(55.2)	(20.8)	(7.0)	(27.8)	27.4	49.6%	(154.3)	(158.8)	(4.5)	(2.9%)				
Capital Equipment	(2.5)	-	(2.0)	(2.0)	0.5	20.0%	(2.8)	(2.8)	-	-				
Capital Outlays	(10.3)	(1.8)	(2.7)	(4.5)	5.8	56.3%	(34.8)	(34.8)	-	-				
Debt Service	(25.1)	(0.2)	(30.6)	(30.8)	(5.7)	(22.7%)	(75.4)	(66.6)	8.8	11.7%				
Other Expenses	(44.2)	(27.0)	(0.4)	(27.4)	16.8	38.0%	(131.0)	(130.7)	0.3	0.2%				
<b>TOTAL (M)</b>	<b>\$ (394.3)</b>	<b>\$ (207.4)</b>	<b>\$ (92.1)</b>	<b>\$ (299.5)</b>	<b>\$ 94.8</b>	<b>24.0%</b>	<b>\$ (1,105.0)</b>	<b>\$ (1,072.3)</b>	<b>\$ 32.7</b>	<b>3.0%</b>				
<b>DIFFERENCE (L - M)</b>	<b>\$ (10.6)</b>	<b>\$ 64.7</b>	<b>\$ 50.1</b>	<b>\$ 114.8</b>	<b>\$ 125.4</b>	<b>1183.0%</b>	<b>\$ -</b>	<b>\$ 31.6</b>	<b>\$ 31.6</b>	<b>N/A</b>				

**Notes**

- (1) Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- (2) Year-to-date actuals reflect four months ending October 31, 2016.
- (3) Reflects pending accruals and encumbrances including prior year carryforwards as well as current year activities.
- (4) Revenues are based on the September 2016 Consensus Revenue Estimating Conference results. There was no significant change in revenue projections based on YTD results.
- (5) YTD revenue in this category has exceeded the estimate at the time of the September 2016 Consensus Revenue Estimating Conference.
- (6) Revenue of \$27.8m reflects funding to support prior year encumbrances of \$27.8m captured within expenditures.



# FY 2017 year-to-date net cash flows

For 4 Months Ended October 31, 2016

\$ in millions

## General Fund

	Actual 4 Months	Prior Year	
		4 Months	Change
General Fund Property Taxes	\$ 62.6	\$ 69.0	\$ (6.4)
Net Income taxes	86.2	78.6	7.6
Utility taxes	6.0	5.7	0.3
Gaming taxes	59.4	56.5	2.9
Distributable State Aid	97.8 (1)	64.2	33.6
Other / Misc.	69.6	67.4	2.2
<b>Total Receipts</b>	<b>381.6</b>	<b>341.4</b>	<b>40.2</b>
Payroll, taxes, & deductions	(134.7)	(125.2)	(9.5)
Benefits	(25.8)	(17.3)	(8.5)
Pension contributions	-	-	-
Subsidy payments	(17.3)	(8.3)	(9.0)
Materials, contracts & other	(129.1)	(97.9)	(31.2)
<b>Total Disbursements</b>	<b>(306.9)</b>	<b>(248.7)</b>	<b>(58.2)</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>74.7</b>	<b>92.7</b>	<b>(18.0)</b>
Financing Adjustments	(33.8)	(58.8) (2)	25.0
Non-Financing Adjustments	(26.6) (3)	-	(26.6)
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(60.4)</b>	<b>(58.8)</b>	<b>(1.6)</b>
<b>Net Cash Flow (4)</b>	<b>\$ 14.3</b>	<b>\$ 33.9</b>	<b>\$ (19.6)</b>
<b>Beginning cash balance (net of distribution) (5)</b>	<b>\$ 372.1</b>	<b>\$ 211.0</b>	
Net Cash Flow (4)	14.3	33.9	
Lockbox reserves	-	-	
<b>Ending cash balance (net of distribution owed) (5)</b>	<b>\$ 386.4</b>	<b>\$ 244.9</b>	

### Notes:

- (1) Distributable State Aid payment was received earlier this year compared to prior year (October instead of November).
- (2) Includes \$30m principal repayment on Exit financing made in August 2015.
- (3) Includes \$30m set aside for future legacy pension contribution net of \$3.4m inflow of excess self-insurance requirements.
- (4) Net Cash Flow is based on General Fund cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.
- (5) The main operating account contains cash balances of the Risk Management Fund, Construction Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.



# Differences between cash and general ledger mostly due to the period in which activity is recorded

For 4 Months Ended October 31, 2016

\$ in millions

General Fund	Cash Activity				General Ledger				Difference
	Actuals	Adjustments	Adjusted		Posted	To Be Posted	(1)	Total	
General Fund Property Taxes	\$ 62.6	\$ 3.9	\$ 66.5	(2)	\$ 65.3	\$ 1.2	\$	\$ 66.5	\$ -
Net Income taxes	86.2	(14.2)	72.0	(3)	81.2	(9.2)		72.0	-
Utility taxes	6.0	0.2	6.2	(4)	6.2	-		6.2	-
Gaming taxes	59.4	-	59.4	(3)	45.7	13.7		59.4	-
Distributable State Aid	97.8	(64.8)	33.0	(3)	33.3	(0.3)		33.0	-
Other / Misc.	69.6	(22.3)	47.3	(5)	40.2	7.1		47.3	-
<b>Total Receipts</b>	<b>\$ 381.6</b>	<b>\$ (97.2)</b>	<b>\$ 284.4</b>		<b>\$ 271.9</b>	<b>\$ 12.5</b>	<b>\$</b>	<b>\$ 284.4</b>	<b>\$ -</b>
Payroll, taxes, & deductions	\$ (134.7)	\$ 17.6	\$ (117.1)	(6)	\$ (117.1)	\$ -	\$	\$ (117.1)	\$ -
Benefits	(25.8)	7.1	(18.7)	(7)	(18.7)	-		(18.7)	-
Pension contributions	-	(7.1)	(7.1)	(8)	(7.1)	-		(7.1)	-
Subsidy payments	(17.3)	-	(17.3)		(12.9)	(4.4)		(17.3)	-
Materials, contracts & other	(129.1)	78.1	(51.0)	(9)	(51.0)	-		(51.0)	-
<b>Total Disbursements</b>	<b>\$ (306.9)</b>	<b>\$ 95.7</b>	<b>\$ (211.2)</b>		<b>\$ (206.8)</b>	<b>\$ (4.4)</b>	<b>\$</b>	<b>\$ (211.2)</b>	<b>\$ -</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>\$ 74.7</b>	<b>\$ (1.5)</b>	<b>\$ 73.2</b>		<b>\$ 65.1</b>	<b>\$ 8.1</b>	<b>\$</b>	<b>\$ 73.2</b>	<b>\$ -</b>
Financing Adjustments	\$ (33.8)	\$ 3.0	\$ (30.8)	(10)	\$ (0.1)	\$ (30.7)	\$	\$ (30.8)	\$ -
Non-Financing Adjustments	(26.6)	26.6	-	(11)	-	-		-	-
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>\$ (60.4)</b>	<b>\$ 29.6</b>	<b>\$ (30.8)</b>		<b>\$ (0.1)</b>	<b>\$ (30.7)</b>	<b>\$</b>	<b>\$ (30.8)</b>	<b>\$ -</b>
<b>Net Surplus /(Deficit)</b>	<b>\$ 14.3</b>	<b>\$ 28.1</b>	<b>\$ 42.4</b>		<b>\$ 65.0</b>	<b>\$ (22.6)</b>	<b>\$</b>	<b>\$ 42.4</b>	<b>\$ -</b>

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$3.9m estimated remaining TIF payment.
- (3) \$14.2 of Net Income Taxes, \$64.8m of DSA, and \$0.8m of Gaming Taxes in FY2017 related to FY2016 activity. Gaming is offset by \$0.8m of Gaming Revenue collected in November for the month of October.
- (4) \$4m of Utility Taxes collected in FY2017 related to activity in FY2016 is offset by \$4.2m collected by trustee for Public Lighting Authority debt service.
- (5) \$5.2m of revenues collected in FY2017 related to activity in FY2016. \$13.2m of collections are cash specific transactions, \$3.9m are non-General Fund receipts.
- (6) Approximately \$12.7m of the difference relates to FY2016 activity and the balance is non-General Fund disbursements.
- (7) Approximately \$1.0m of Benefits paid in FY2017 relates to FY2016 and the balance relates to the timing of payments within this fiscal year.
- (8) Represents \$7.1m of pension accrual to be paid at the end of FY2017.
- (9) Approximately \$12.5m of disbursements are non-General Fund, \$39m related to prior period, \$26.5m are cash specific transactions.
- (10) Cash adjustment is \$3m exit financing.
- (11) Includes \$30m set aside for future legacy pension contribution net of \$3.4m inflow of excess self-insurance requirements.



# The year-to-date collection rate for City property taxes was higher than the prior year

For 4 Months Ended October 31, 2016

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax Roll	Collections YTD (1)	Collection Rate	Adjusted Tax Roll	Collections YTD (1)	Collection Rate
General City Residential	\$ 50.1	\$ 19.6	39.1%	\$ 56.9	\$ 21.0	36.9%
General City Commercial	56.7	31.9	56.3%	55.3	30.1	54.4%
General City Industrial	14.2	8.5	59.9%	17.2	9.5	55.2%
Subtotal General City	121.0	60.0	49.6%	129.4	60.6	46.8%
Debt Residential	24.6	9.7	39.4%	27.9	10.4	37.3%
Debt Commercial	29.2	16.3	55.8%	28.7	15.7	54.7%
Debt Industrial	8.5	5.0	58.8%	11.7	6.3	53.8%
Subtotal Debt Service	62.3	31.0	49.8%	68.3	32.4	47.4%
Solid Waste	62.6	19.6	31.3%	57.4	18.4	32.1%
<b>Total City (2)</b>	<b>\$ 245.9</b>	<b>\$ 110.6</b>	<b>45.0%</b>	<b>\$ 255.1</b>	<b>\$ 111.4</b>	<b>43.7%</b>

## General City Cash Activity

	FY 2017	FY 2016
Current year collections (from above)	\$ 60.0	\$ 60.6
Wayne County settlements (3)	4.4	10.2
TIF estimated distributions (4)	(4.3)	(4.4)
Admin Fee & Unspread Penalty	2.5	2.6
<b>Total General City</b>	<b>\$ 62.6</b>	<b>\$ 69.0</b>

### 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 Detroit Public Schools, State Education Trust, Wayne County and other non-City taxing authorities.
- (3) Wayne County settlement checks related to the return of historical chargebacks from foreclosure and auction activity.
- (4) Distributions related to Tax Increment Financing districts that are estimated to be 7.2% of General City Collections.



# Accounts payable summary

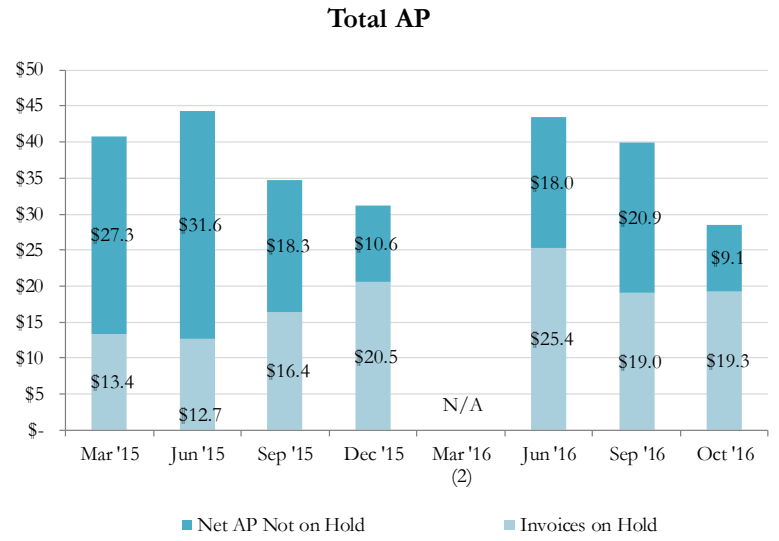
- In the month of October, accounts payable not on hold decreased by \$11.8m (56%) compared to the prior month.

\$ in millions

Accounts Payable (AP) as of 10/31/16	
Total AP	\$ 28.4
Less: Invoices on hold (1)	(19.3)
Net AP not on hold	\$ 9.1

### AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
<b>Oct. Total</b>	\$ 9.1	\$ 4.2	\$ 1.9	\$ 0.6	\$ 2.5
% of total	100%	46%	21%	6%	27%
<b>Sept. Total</b>	\$ 20.9	\$ 2.4	\$ 15.2	\$ 1.4	\$ 1.8
% of total	100%	11%	73%	7%	9%



Notes:

- (1) Invoices typically placed on a system hold are pending validation.
- (2) Aging information was not available as the City was in the process of transitioning financial systems





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

- In the month of October, there was a net increase in expenses incurred of \$1.6m from the prior month.

<i>\$ in millions</i>	<b>Number of Projects</b>	<b>Amount Approved</b>	<b>Expenses Incurred</b>
<b>Available Exit financing proceeds</b>		<b>\$ 233.2</b>	
<b>Project Allocation:</b>			
Dept. of Innovation and Technology (1)	5	\$ (41.5)	\$ (42.0)
General Services	14	(32.1)	(17.3)
Blight	7	(29.7)	(25.7)
Police	6	(29.0)	(19.1)
Fire	9	(22.0)	(14.7)
Office of the Chief Financial Officer	7	(15.8)	(15.3)
BSEED	1	(4.4)	(2.4)
Law	1	(2.2)	(1.2)
Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.8)	(0.8)
Other	3	(0.5)	(0.1)
<b>Total</b>	<b>57</b>	<b>\$ (181.0)</b>	<b>\$ (141.6)</b>
Interest/Fees		(2.8)	(2.8)
<b>Amount reserved for projects under review</b>		<b>\$ 49.4</b>	

Notes:

- (1) Expenses incurred subject to reclassification or amendment to business case.



# General City headcount is stable compared to the prior month and remains under budget

		Actual Oct'15	Actual Sep'16	Actual Oct'16	Budget FY 2017	Budget vs. Actual Oct'16	
						Variance	% Variance
<b>Public Safety</b>							
Police		2,766	2,838	2,888	3,127	239	8%
Fire		1,234	1,187	1,169	1,332	163	12%
Total Public Safety		4,000	4,025	4,057	4,459	402	9%
<b>Non-Public Safety</b>							
Budget		8	0	0	0	0	
Finance		182	0	0	0	0	
Office of the Chief Financial Officer		0	383	388	453	65	
Dept. of Public Works	(1)	360	349	351	376	25	
Health & Wellness		8	24	28	51	23	
Human Resources	(2)	81	98	97	65	(32)	
Housing & Revitalization / Planning & Development	(2)	96	109	118	81	(37)	
Dept. of Innovation and Technology		33	51	65	134	69	
Law		94	101	98	108	10	
Mayor		56	70	62	73	11	
Public Lighting Department		5	5	5	6	1	
Recreation	(1)	176	253	224	285	61	
General Services	(1)	299	479	354	574	220	
Legislative	(3)	104	227	230	252	22	
36th District Court		353	353	353	326	(27)	
Other	(4)	62	60	49	78	29	
Total Non-Public Safety		1,917	2,562	2,422	2,862	440	15%
<b>Total General City</b>		<b>5,917</b>	<b>6,587</b>	<b>6,479</b>	<b>7,321</b>	<b>842</b>	<b>12%</b>
<b>Enterprise</b>							
Airport		3	3	4	4	0	
BSEED		178	179	177	204	27	
Transportation	(5)	999	1,110	1,129	900	(229)	
Parking		85	76	78	89	11	
Water and Sewerage		1,310	517	483	488	5	
Library		297	280	289	325	36	
<b>Total Enterprise</b>		<b>2,872</b>	<b>2,165</b>	<b>2,160</b>	<b>2,010</b>	<b>(150)</b>	<b>-7%</b>
<b>Total City</b>		<b>8,789</b>	<b>8,752</b>	<b>8,639</b>	<b>9,331</b>	<b>692</b>	<b>7%</b>

Notes:

- (1) Budget was adjusted to convert FTE to a headcount equivalent.
- (2) Budget reflects the reduction of funding for positions due to reorganizations, which are still in process resulting in the difference between actual and budgeted headcount.
- (3) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections. Board of Zoning includes 8 board of review members who are contract staff.
- (4) Includes: Human Rights, Administrative Hearings, Homeland Security, and Non-departmental.
- (5) Actuals include non-active employees that are out on disability.



## The City is leveraging funding from external sources

- In the month of October, there was a net increase of \$75.8m in total active grants and donation. Federal and State grants increased \$69.4m, primarily due to \$41m in annual formula-based federal grants for Housing and Revitalization and \$24m in formula-based grants for Transportation. Private grants and donations increased \$6.5m, primarily due to \$6.5m in Strategic Neighborhoods Fund donations (supports development activities in Detroit's neighborhoods).

<i>\$ in millions</i>	<b>Amount Awarded (1)</b>	<b>Number of Grants</b>
<b>Department</b>		
Transportation	\$ 357.3	22
Housing & Revitalization	250.0	22
Health & Wellness Promotion	32.9	5
Public Works	30.6	20
Fire Department	29.2	10
Police	22.1	33
Recreation	4.3	16
Coleman A. Young Airport (Airport)	3.1	4
Homeland Security and Emergency Management (HSEM)	2.1	9
General Services	1.5	2
Other (2)	1.2	7
<b>Active Federal/State grants (3)</b>	<b>\$ 734.3</b>	<b>150</b>
<b>Active private grants</b>	<b>28.2</b>	<b>32</b>
<b>Active private donations</b>	<b>56.5</b>	<b>53</b>
<b>Total active grants and donations</b>	<b>\$ 819.0</b>	<b>235</b>

Notes:

(1) Reflects original amount awarded and amendments. Amount available to be spent will be lower for most departments.

(2) Other includes BSEED and Historic Designation.

(3) Federal/State grants do not include Hardest Hit Fund, which is reflected in the Land Bank Authority.



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