

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Ten Months ended April 30, 2018

June 15, 2018



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Executive summary

- In May, Moody's Investors Service upgraded Detroit's general obligation issuer rating from B1 to Baa3. It was the City's third credit rating upgrade in less than three years. In its review, Moody's cited strong, conservative financial management and rapid improvement in the City's financial health.
- The Office of Budget prepared a revenue update for the CFO, in coordination with other OCFO divisions, the City Council's Legislative Policy Division, and the Auditor General's Office. Projected gains in major revenues are expected to be offset by losses in departmental revenues, compared to the approved February 2018 Revenue Estimating Conference results.
- In June, the U.S. Department of Justice removed the City from its designation as a "high-risk grantee," following improvements that addressed prior audit findings. This success is part of a continual trend in grants management improvements over the past several years that have made the City a more successful grantee and allowed it to secure public and private funds for neighborhood revitalization and service improvements.
- On June 7, the City and the State hosted the Michigan Investor Summit to provide outreach, access, and transparency to the investment community on City and State finances, economic growth, and debt management. The Summit was well-attended by a variety of investors.
- FY 2018 is currently projected to end with an operating surplus of approximately \$33M.
 - Revenue projections reflect the February 2018 Revenue Estimating Conference results, which remain above 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 increased in April, largely due to the addition of seasonal employees, but remains below budget. (page 4)
- The City's property tax collection period ended March 1 with a General City collection rate of 80.5% vs. 79.7% the previous year. The City will collect additional revenue through year-end from Wayne County's Delinquent Tax Revolving Fund. (page 7)
- Accounts Payable as of April had a net increase of \$5.5M compared to March. Net AP not on hold had a net increase of \$4.8M. The number of open invoices not on hold increased by 47. There were 1,552 new invoices processed in April that were not on hold. (page 8)
- Within the City's active grant portfolio, the most significant new grant awards in April were the \$5.4M increase for the Ryan White HIV/AIDS Program in Health and \$8.5M in public and private award increases for Public Works. (page 10)



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

GENERAL FUND <i>\$ in millions</i>	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS		
	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL
	AMENDED (1)				(\$) F = E-B	% G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D			H	I	($\$$) J = I-H
REVENUE:									
Municipal Income Tax	\$ 243.7	\$ 255.4	\$ -	\$ 255.4	\$ 11.7	4.8%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes (5)	114.6	99.0	-	99.0	(15.5)	(13.6%)	124.0	133.1	9.1
Wagering Taxes	144.5	150.0	-	150.0	5.4	3.8%	177.8	179.0	1.2
Utility Users' Tax	29.2	23.4	10.4	33.8	4.6	15.9%	35.0	40.0	5.0
State Revenue Sharing	131.3	133.5	-	133.5	2.2	1.7%	196.1	199.5	3.3
Sales and Charges for Services	101.4	67.7	-	67.7	(33.7)	(33.2%)	121.6	112.6	(9.0)
Licenses, Permits, and Inspection Charges	10.0	9.8	-	9.8	(0.1)	(1.3%)	11.7	12.4	0.7
Contributions and Transfers (6)	56.1	26.3	-	26.3	(29.8)	(53.2%)	123.1	145.2	22.0
Grants and Other Revenues	0.7	1.2	-	1.2	0.4	58.2%	1.4	1.5	0.2
Fines, Forfeits and Penalties	21.1	17.6	-	17.6	(3.5)	(16.6%)	25.3	23.6	(1.7)
Revenues from Use of Assets	2.8	3.2	-	3.2	0.4	16.0%	3.3	2.4	(0.9)
Other Taxes, Assessments, and Interest	6.1	10.3	(3.4)	6.9	0.9	14.4%	7.3	6.9	(0.4)
Sales of Assets and Compensation for Losses	4.6	3.6	-	3.6	(1.0)	(21.8%)	5.6	2.4	(3.2)
Miscellaneous	11.2	13.0	-	13.0	1.8	15.9%	13.5	7.9	(5.6)
Adjust for Prior Year Carry-forward (7)	120.8	-	120.8	120.8	-		120.8	120.8	-
TOTAL (L)	\$ 998.0	\$ 813.9	\$ 127.8	\$ 941.7	\$ (56.3)	(5.6%)	\$ 1,249.7	\$ 1,279.2	\$ 29.5
EXPENDITURES:									
Salaries and Wages	\$ (344.1)	\$ (328.2)	\$ -	\$ (328.2)	\$ 15.8	4.6%	\$ (426.4)	\$ (411.0)	\$ 15.4
Employee Benefits	(241.6)	(193.8)	-	(193.8)	47.8	19.8%	(278.5)	(271.3)	7.3
Professional and Contractual Services	(69.8)	(42.6)	(35.1)	(77.8)	(8.0)	(11.4%)	(82.9)	(86.1)	(3.3)
Operating Supplies	(33.2)	(42.0)	(9.8)	(51.8)	(18.7)	(56.3%)	(39.6)	(44.9)	(5.3)
Operating Services	(100.0)	(55.9)	(3.6)	(59.6)	40.4	40.4%	(119.4)	(115.6)	3.7
Capital Equipment	(1.8)	(0.5)	0.5	0.0	1.8	101.1%	(1.9)	(3.5)	(1.6)
Capital Outlays	(24.7)	(6.1)	(7.4)	(13.4)	11.3	45.6%	(29.5)	(28.2)	1.4
Debt Service	(51.0)	(111.9)	-	(111.9)	(60.9)	(119.3%)	(116.3)	(116.3)	-
Other Expenses	(133.1)	(102.8)	(2.3)	(105.1)	28.0	21.0%	(155.3)	(169.4)	(14.1)
TOTAL (M)	\$ (999.3)	\$ (883.9)	\$ (57.7)	\$ (941.6)	\$ 57.7	5.8%	\$ (1,249.7)	\$ (1,246.3)	\$ 3.4
VARIANCE (N = L + M)	\$ (1.3)	\$ (70.0)	\$ 70.1	\$ 0.1	\$ 1.4	N/A	\$ 0.0	\$ 33.0	\$ 33.0

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect ten months ending April 30, 2018.
- (3) Reflects encumbrances, pending adjustments, and the gross up of Utility Users' Tax collections to include amounts for the Public Lighting Authority.
- (4) Projected revenues are based on the City's February 2018 Revenue Estimating Conference results.
- (5) The property tax revenue projection now includes the recognition of revenue payable for tax increment financing distributions, which are captured within expenditures.
- (6) This revenue line also includes the use of fund balance totaling \$105M to support one-time spending on capital (\$20M), blight (\$30M), and debt restructuring (\$55M).
- (7) This revenue line reflects fund balance assigned to support 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 March 2018	Actual April 2018	Change April 2018 vs. March 2018	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. April 2018	
Public Safety						
Police	3,091	3,067	(24)	3,121	54	2%
Fire	1,170	1,201	31	1,274	73	6%
Total Public Safety	4,261	4,268	7	4,395	127	3%
Non-Public Safety						
Office of the Chief Financial Officer	434	430	(4)	482	52	
Public Works - Regular	371	371	0	419	48	
Public Works - Seasonal	19	45	26	26	(19)	
Health and Wellness Promotion	72	79	7	104	25	
Human Resources	97	95	(2)	108	13	
Housing and Revitalization	85	86	1	91	5	
Innovation and Technology	99	107	8	134	27	
Law	110	110	0	118	8	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	32	33	1	41	8	
Recreation - Regular	264	256	(8)	326	70	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	356	356	0	504	148	
General Services - Seasonal	142	247	105	219	(28)	
Legislative ⁽³⁾	230	236	6	259	23	
36th District Court	316	316	0	331	15	
Other ⁽⁴⁾	111	111	0	110	(1)	
Total Non-Public Safety	2,810	2,950	140	3,608	658	18%
Total General City	7,071	7,218	147	8,003	785	10%
Enterprise						
Airport	4	4	0	4	0	
BSEED	211	208	(3)	230	22	
Transportation	904	904	0	927	23	
Municipal Parking	89	88	(1)	95	7	
Water and Sewerage	522	529	7	579	50	
Library	297	301	4	332	31	
Total Enterprise	2,027	2,034	7	2,167	133	6%
Total City	9,098	9,252	154	10,170	918	9%

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 10 Months Ending April 30, 2018

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 10 Months	FY17 Actual 10 Months	Variance
Property Taxes	\$ 107.1	\$ 103.1	\$ 4.0
Municipal Income Taxes	252.4	237.1	15.3 (1)
Utility Users Taxes	23.6	20.5	3.1
Wagering Taxes	150.5	148.1	2.4
State Revenue Sharing	166.8	197.0	(30.2) (2)
Other / Misc.	222.3	158.8	63.5 (3)
Total Receipts	922.7	864.6	58.1
Salaries and Wages	(355.9)	(330.1)	(25.8) (4)
Employee Benefits	(101.2)	(91.6)	(9.6) (5)
Materials, Contracts & Other	(303.7)	(311.3)	7.6
Total Disbursements	(760.8)	(733.0)	(27.8)
Operating Surplus (before Reinvestment)	161.9	131.6	30.3
Debt Service	(58.9)	(68.4)	9.5 (6)
Debt Redemption	(69.8)	-	(69.8) (7)
Non-Financing Adjustments	0.0	3.4	(3.4) (8)
Total Adjustments to arrive at Net Cash Flow	(128.7)	(65.0)	(63.7)
Net Cash Flow	\$ 33.2	66.6	\$ (33.4)
Beginning cash balance	\$ 186.3 (9) (10)		
Net Cash Flow	33.2		
Ending cash balance	219.5 (9)		
Budget Reserve Fund	62.3 (11)		
Total Cash Balance	\$ 281.8		

Notes:

This schedule represents cash inflows and outflows during the fiscal period. It is not intended to tie to actual revenues and expenditures recorded in the general ledger due to accrual accounting and non-cash transactions.

- (1) Increase is due to a reduction in the amount of refunds processed offset by an increase in revenue.
- (2) The June 2016 State Revenue Sharing payment was received in July 2016 whereas the June 2017 payment was received in June 2017.
- (3) FY18 includes \$19.5m MDOT receipt for G.Howe Bridge Project, \$15m Premier Garage sale to redeem C Note principal, additional \$10.3m in Grant receipts over FY17 and \$21.5m transferred in from bank account closures.
- (4) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (5) Increase in FY18 due to increased benefits expense compared to prior year and quarterly payment of pension contributions (v. annual) partially offset by a reduced contribution to the Retiree Protection Trust Fund (\$15m in FY18 v. \$30m in FY17).
- (6) The August 2016 refunding of State Revenue Sharing notes resulted in reduced outflow offset by increased Pledged Income Tax interest payments.
- (7) Partial redemption of Note C done in January 2018 for \$15.4m. Final redemption amount of \$54.4m sent to Trustee March 2018.
- (8) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (9) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (10) Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund balance.
- (11) 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 10 Months Ending April 30, 2018
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 107.1	\$ (8.1)	\$ 99.0	(2)	\$ 99.0	-	\$ 99.0	\$ 0.0
Municipal Income Taxes	252.4	3.0	255.4	(3)	255.4	-	255.4	0.0
Utility Users Taxes	23.6	(0.2)	23.4	(4)	23.4	-	23.4	0.0
Wagering Taxes	150.5	(0.5)	150.0	(5)	150.0	-	150.0	0.0
State Revenue Sharing	166.8	(33.3)	133.5	(6)	133.5	-	133.5	0.0
Other / Misc.	222.3	(69.6)	152.7	(7)	152.7	-	152.7	0.0
Total Receipts	922.7	(108.7)	814.0		814.0	-	814.0	0.0
Salaries and Wages	(355.9)	27.7	(328.2)	(8)	(328.2)	-	(328.2)	0.0
Employee Benefits	(101.2)	(92.6)	(193.8)	(9)	(193.8)	-	(193.8)	0.0
Materials, Contracts & Other	(303.7)	53.6	(250.1)	(10)	(250.1)	-	(250.1)	0.0
Total Disbursements	(760.8)	(11.3)	(772.1)		(772.1)	-	(772.1)	0.0
Operating Surplus (before Reinvestment)	161.9	(120.0)	41.9		41.9	-	41.9	0.0
Debt Service	(58.9)	16.9	(42.0)	(11)	(42.0)	-	(42.0)	0.0
Debt Redemption	(69.8)	-	(69.8)	(12)	(69.8)	-	(69.8)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	(128.7)	16.9	(111.8)		(111.8)	-	(111.8)	-
Net Inflows /(Outflows)	\$ 33.2	\$ (103.1)	\$ (69.9)		\$ (69.9)	\$ -	\$ (69.9)	\$ 0.0

- Notes:
- (1) To be posted amount represent collections and disbursements that were not recorded as of April 30, 2018.
 - (2) \$26m pertains to FY17 offset by \$17.9m of revenue pending distribution to the General Fund.
 - (3) Differences due to changes in refund liability.
 - (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 \$0.5m collected in May.
 - (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
 - (7) \$36.7m non-General Fund 1000 receipts, \$19m pertained to prior years, \$21.4m transferred in from bank account closures offset by \$7.5m net interfund loan activity.
 - (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 & \$33.4m attributed to the timing of payments offset by \$90m relating to prior years RPTF set aside & \$37.4m FY18 Pension obligation.
 - (10) Approx. \$52.7m of disbursements are non-General Fund & \$38.9m related to FY17 offset by \$13.9m cash activity and \$24.1m Risk Management & insurance premium non-cash book transfers.
 - (11) Difference is debt set aside at Trustees: \$4.9m Income Tax and \$7.5m State Revenue Sharing and \$4.5m non-cash book transfers.
 - (12) Partial redemption of Note C done in January 2018 for \$15.4m. Final redemption amount of \$54.4m sent to Trustee March 2018.



FY 2018 year-to-date property tax collections

For 10 months ended April 30, 2018

\$ 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		\$ 90.1			\$ 93.5	
General Special Acts		2.6			2.7	
General Total	\$ 115.2	\$ 92.7	80.47%	\$ 120.7	\$ 96.2	79.70%
Debt Service Total	\$ 50.9	\$ 41.6	81.73%	\$ 62.0	\$ 50.2	80.97%
Solid Waste Total	\$ 52.4	\$ 30.3	57.82%	\$ 54.8	\$ 31.2	56.93%

		FY 2018		FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 90.1		\$ 93.5
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	8.9		10.1
Total Property Tax Collections (Ad Val + DTRF)		\$ 99.0		\$ 103.6
Admin Fee, Interest, Penalty YTD	(4)	\$ 6.3		\$ 6.8

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 April had a net increase of \$5.5M compared to March. Net AP not on hold had a net increase of \$4.8M. The number of open invoices not on hold increased by 47. There were 1,552 new invoices processed in April that were not on hold.

All Funds

Accounts Payable Analysis

\$ in millions

Accounts Payable (AP) as of Apr-18	
Total AP (Mar-18)	\$ 22.6
Plus: Apr-18 invoices processed	\$ 83.9
Less: Apr-18 Payments made	\$ (78.4)
Total AP month end (Apr-18)	\$ 28.1
Less: Invoices on hold (1)	\$ (8.6)
Less: Installments/Retainage Invoices(2)	\$ -
Net AP not on hold	\$ 19.5

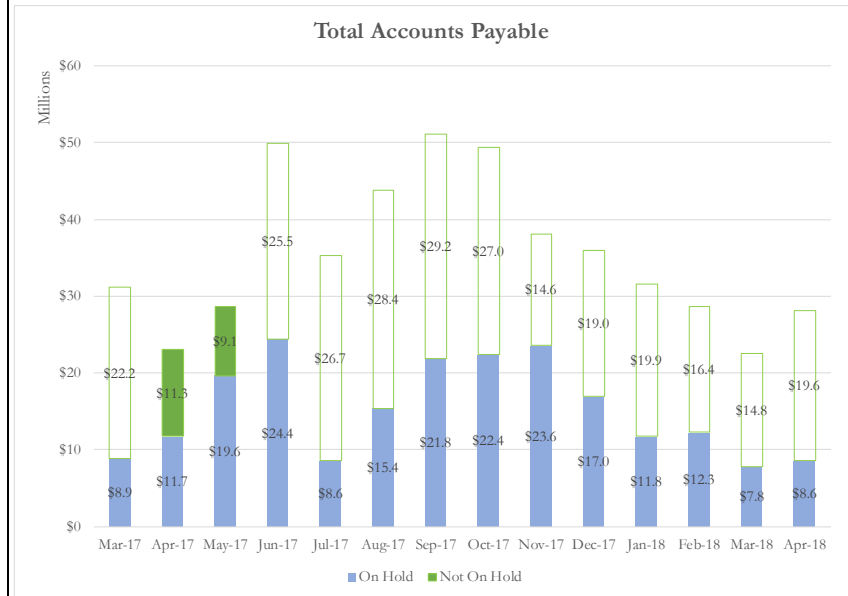
AP Aging

(excluding invoices on hold)

	Net AP	Current	Days Past Due			
			1-30	31-60	61+	
Apr-18. Total	\$ 19.6	\$ 13.3	\$ 4.3	\$ 0.2	\$ 1.8	
<i>% of total</i>	100%	68%	22%	1%	9%	
<i>Change vs. Mar-18</i>	\$ 4.8	\$ 3.9	\$ 2.6	\$ (1.4)	\$ (0.3)	
Total Count of Invoices	1,613	1,178	300	50	85	
<i>% of total</i>	100%	73%	19%	3%	5%	
<i>Change vs. Mar-18</i>	47	156	36	(44)	(101)	
Mar-18. Total	\$ 14.8	\$ 9.4	\$ 1.7	\$ 1.6	\$ 2.1	
<i>% of total</i>	100%	64%	11%	11%	14%	
Total Count of Invoices	1,566	1,022	264	94	186	
<i>% of total</i>	100%	65%	17%	6%	12%	

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 payable to Great Lakes Water Authority (GLWA) shown separately for reporting purposes



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

- In April, no new projects were approved using Exit Financing.

<i>\$ in millions</i>	Open and Closed Projects		
	Number of Projects	Amount of Authorized Projects	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	6	(39.4)	(37.2)
Blight	9	(29.3)	(25.4)
Police	7	(25.3)	(21.8)
Fire	9	(36.0)	(29.9)
General Services	14	(27.6)	(27.1)
Office of the Chief Financial Officer	13	(25.4)	(19.7)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.8)
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	5	(0.5)	(0.3)
Subject to Reconciliation	—	—	(0.0)
Subtotal Projects	69	(\$192.7)	(\$169.0)
Post-Petition Financing Interest and Other Fees	—	(2.8)	(2.8)
Debt Service Reserve	—	(27.5)	(27.5)
Totals	69	(\$222.9)	(\$199.2)
Remaining Amount Reserved		\$10.2	

Notes:

50 Closed Projects. Unaudited amounts subject to reconciliation.

No new business cases approved in April 2018.



The City is leveraging funding from external sources

- The most significant new grant awards in April were the \$5.4M increase for the Ryan White HIV/AIDS Program in Health and \$8.5M in public and private award increases for Public Works.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	351.6	-	14
Housing & Revitalization	246.7	-	19
Health	34.1	-	4
Public Works	32.2	-	14
Fire	30.4	-	8
Police	18.2	-	26
Homeland Security and Emergency Management	2.7	-	7
Recreation	2.5	-	8
Other (3)	1.8	-	6
Active Federal/State grants	\$ 720.2	\$ -	106
Active private grants and donations	107.9	-	156
Total active grants and donations (4)	\$ 828.1	\$ -	262

Notes:

(1) Reflects original amounts awarded and amendments for active grants as of April 30, 2018. Remaining amount available to be spent will be lower for most departments.

(2) The amounts awarded as of April 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 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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