

CITY OF DETROIT

**Office of the Chief Financial Officer**

**Financial Report for the Three Months ended September 30, 2016**

November 21, 2016



# Table of contents

---

	Page
1. Executive summary	2
2. September year to date (YTD) general ledger actuals and annualized projection	3
3. September YTD net cash flows	4
4. September YTD cash flow to general ledger reconciliation	5
5. September YTD property tax revenue collections	6
6. September accounts payable summary	7
7. Exit financing summary	8
8. September headcount budget to actual	9
9. External funding summary	10



## Executive summary

---

- Representatives from Oracle conducted a functional assessment with the City on November 15 and 16 to review the City's current business processes and use of the new ERP system compared to standard functionality and leading practices.
- In coordination with the Human Resources Department, the Office of the Chief Financial Officer (OCFO) is developing standard operating procedures and conducting additional training for the City's new ERP system framed around business lifecycles that cross departments and system modules.
- The OCFO has continued to make progress on its pension funding analysis and its development of a ten-year pro forma financial projection, both of which will be used to recommend a strategy to address the City's pension and debt funding obligations.
- September YTD actuals indicate that FY 2017 results are expected to be in line with budget.
  - The major tax revenues are based on the September 2016 Consensus Revenue Estimating Conference results.
  - Payroll and benefits related expenditures are trending below budget as a result of lower headcount. (page 3 and page 9)
- September 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, which remains below budget, as well as higher non-personnel operating expenditures.
- With respect to Exit Financing projects, there was a net increase in expenses incurred of \$5.9m from the prior month primarily in the Dept. of Innovation and Technology. There continues to be a reclassification of expenditures as further analysis continues. (page 8)
- The Police Department decreased by 7 heads and the Fire Department decreased by 3 heads in the month of September. (page 9)
- The total amount of grants awarded decreased \$1.5m on a net basis from the prior month. The Fire Department closed out a \$22.5m grant while two other departments were awarded three grants and award amounts were increased for three others. Private grants and donations increased \$16.6m. (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	ACTUAL (2)	ACCRUAL + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL	
	ADJUSTED (1)						ADJUSTED	ESTIMATED (4)	ESTIMATED	
B	C	D	E = C + D	(\$ F = E-B	% G = (F/B)	H	I	(\$ J = I-H	% K = (J/H)	
<b>REVENUES:</b>										
Municipal Income Tax	\$ 55.8	\$ 53.8	\$ -	\$ 53.8	\$ (2.1)	(3.7%)	\$ 266.6	\$ 273.4	\$ 6.8	2.6%
Property Taxes	47.5	61.0	-	61.0	13.5	28.5%	117.0	117.0	-	-
Wagering Taxes	42.7	46.1	-	46.1	3.4	7.9%	175.2	175.9	0.7	0.4%
Utility Users' Tax	9.3	3.3	-	3.3	(5.9)	(63.9%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	65.5	-	32.8	32.8	(32.6)	(49.8%)	196.5	195.9	(0.6)	(0.3%)
Sales and Charges for Services	30.8	21.6	-	21.6	(9.3)	(30.1%)	123.4	120.1	(3.3)	(2.7%)
Licenses, Permits, and Inspection Charges	2.8	1.6	-	1.6	(1.2)	(44.0%)	11.2	11.3	0.1	1.2%
Contributions and Transfers	23.3	-	-	-	(23.3)	(100.0%)	93.0	93.0	-	-
Grants and Other Revenues	0.0	0.0	-	0.0	0.0	41.1%	0.1	1.7	1.6	1428.6%
Fines, Forfeits and Penalties	5.6	4.9	-	4.9	(0.7)	(12.5%)	22.2	22.8	0.6	2.7%
Revenues from Use of Assets	0.3	0.4	-	0.4	0.0	14.1%	1.3	1.0	(0.3)	(22.6%)
Other Taxes, Assessments, and Interest	2.3	8.1	-	8.1	5.8	257.8%	9.1	7.8	(1.3)	(14.2%)
Sales of Assets and Compensation for Losses	3.6	0.0	-	0.0	(3.6)	(99.9%)	14.4	9.3	(5.2)	(35.7%)
Miscellaneous	2.5	0.6	-	0.6	(1.9)	(77.2%)	10.1	11.9	1.8	18.1%
Funding to Support Prior Year Encumbrances (5)	27.8	-	27.8	27.8	-	-	27.8	27.8	-	-
<b>TOTAL (L)</b>	<b>319.8</b>	<b>201.3</b>	<b>60.6</b>	<b>262.0</b>	<b>(57.8)</b>	<b>(18.1%)</b>	<b>1,105.0</b>	<b>1,103.9</b>	<b>(1.1)</b>	<b>(0.1%)</b>
<b>EXPENDITURES: (5)</b>										
Salaries and Wages	\$ (107.0)	\$ (86.3)	\$ -	\$ (86.3)	\$ 20.7	19.3%	\$ (402.7)	\$ (384.1)	\$ 18.6	4.6%
Employee Benefits	(50.1)	(18.4)	0.0	(18.4)	31.7	63.2%	(186.9)	(179.7)	7.3	3.9%
Professional and Contractual Services	(32.0)	(6.9)	(24.8)	(31.8)	0.3	0.8%	(82.4)	(85.3)	(2.9)	(3.5%)
Operating Supplies	(13.4)	(5.0)	(16.5)	(21.4)	(8.0)	(59.8%)	(34.7)	(32.9)	1.8	5.2%
Operating Services	(43.8)	(11.7)	(11.4)	(23.1)	20.8	47.4%	(154.3)	(157.2)	(2.9)	(1.9%)
Capital Equipment	(2.4)	(0.0)	(2.0)	(2.0)	0.4	15.7%	(2.8)	(2.8)	(0.0)	(0.1%)
Capital Outlays	(7.3)	(1.1)	(2.2)	(3.3)	3.9	53.8%	(34.8)	(34.8)	(0.0)	(0.1%)
Debt Service	(18.9)	(0.1)	0.1	(0.0)	18.8	99.9%	(75.4)	(66.6)	8.8	11.7%
Other Expenses	(33.3)	(21.4)	(0.4)	(21.9)	11.4	34.4%	(131.0)	(130.5)	0.5	0.4%
<b>TOTAL (M)</b>	<b>(308.2)</b>	<b>(151.0)</b>	<b>(57.3)</b>	<b>(208.3)</b>	<b>99.9</b>	<b>32.4%</b>	<b>(1,105.0)</b>	<b>(1,073.8)</b>	<b>31.2</b>	<b>2.8%</b>
<b>DIFFERENCE (L - M)</b>	<b>\$ 11.6</b>	<b>\$ 50.3</b>	<b>\$ 3.4</b>	<b>\$ 53.7</b>	<b>\$ 42.1</b>	<b>N/A</b>	<b>\$ -</b>	<b>\$ 30.1</b>	<b>\$ 30.1</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 three months ending September.
- (3) Reflects pending accruals and encumbrances including prior year carryforwards as well as current year activities.
- (4) The major tax revenues are based on the September 2016 Consensus Revenue Estimating Conference results.
- (5) 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 3 Months Ended September 30, 2016

\$ in millions

## General Fund

	Actual 3 Months	Prior Year	
		3 Months	Change
General Fund Property Taxes	\$ 60.6	\$ 67.0	\$ (6.4)
Net Income taxes	60.2	59.3	0.9
Utility taxes	4.2	4.2	(0.0)
Gaming taxes	45.5	43.3	2.2
Distributable State Aid	64.8	64.2	0.6
Other / Misc.	56.5	48.9	7.6
<b>Total Receipts</b>	<b>291.8</b>	<b>287.0</b>	<b>4.8</b>
Payroll, taxes, & deductions	(106.4)	(94.0)	(12.4)
Benefits	(22.3)	(16.3)	(6.0)
Pension contributions	-	-	-
Subsidy payments	(12.9)	(7.8)	(5.2)
Materials, contracts & other	(98.2)	(71.4)	(26.8)
<b>Total Disbursements</b>	<b>(239.8)</b>	<b>(189.4)</b>	<b>(50.4)</b>
<b>Operating Surplus (before Reinvestment)</b>	<b>52.0</b>	<b>97.6</b>	<b>(45.6)</b>
Financing Adjustments	(24.3)	(58.8)	34.5 (1)
Non-Financing Adjustments	(26.6) (2)	-	(26.6)
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(50.9)</b>	<b>(58.8)</b>	<b>7.8</b>
<b>Net Cash Flow (3)</b>	<b>\$ 1.1</b>	<b>\$ 38.8</b>	<b>\$ (37.8)</b>
<b>Beginning cash balance (net of distribution) (4)</b>	<b>\$ 372.1</b>	<b>\$ 211.0</b>	
Net Cash Flow (3)	1.1	38.8	
Lockbox reserves	0.0	(0.0)	
<b>Ending cash balance (net of distribution owed) (4)</b>	<b>\$ 373.2</b>	<b>\$ 249.8</b>	

Notes:

(1) Includes \$30m principal repayment on Exit financing made in August 2015.

(2) Includes \$30m set aside for future legacy pension contribution.

(3) Net Cash Flow is based on General Fund cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.

(4) 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 are mostly due to the period in which activity was recorded

For 3 Months Ended September 30, 2016

\$ in millions

General Fund	Cash Activity			General Ledger			Difference
	Actuals	Adjustments	Adjusted	Posted	To Be Posted (1)	Total	
General Fund Property Taxes	\$ 60.6	\$ 4.3	\$ 64.9 (2)	\$ 64.9	\$ -	\$ 64.9	\$ (0.0)
Net Income taxes	60.2	(14.2)	46.0 (3)	52.1	(6.1)	46.0	-
Utility taxes	4.2	(0.9)	3.3 (4)	3.3	-	3.3	0.0
Gaming taxes	45.5	0.6	46.1	46.1	-	46.1	0.0
Distributable State Aid	64.8	(64.8)	0.0 (3)	0.3	(0.3)	0.0	0.0
Other / Misc.	56.5	(18.3)	38.2 (5)	33.0	5.3	38.2	0.0
<b>Total Receipts</b>	<b>291.8</b>	<b>(93.3)</b>	<b>198.5</b>	<b>199.6</b>	<b>(1.1)</b>	<b>198.5</b>	<b>0.0</b>
Payroll, taxes, & deductions	(106.4)	20.0	(86.4) (6)	(86.4)	-	(86.4)	(0.0)
Benefits	(22.3)	9.0	(13.3) (7)	(13.3)	-	(13.3)	(0.0)
Pension contributions	-	(5.1)	(5.1) (8)	(5.1)	-	(5.1)	(0.0)
Subsidy payments	(12.9)	-	(12.9)	(8.4)	(4.5)	(12.9)	0.0
Materials, contracts & other	(98.2)	61.9	(36.3) (9)	(36.3)	-	(36.3)	0.0
<b>Total Disbursements</b>	<b>(239.8)</b>	<b>85.8</b>	<b>(154.0)</b>	<b>(149.5)</b>	<b>(4.5)</b>	<b>(154.0)</b>	<b>(0.0)</b>
<b>Operating Surplus ( before Reinvestment)</b>	<b>52.0</b>	<b>(7.5)</b>	<b>44.5</b>	<b>50.1</b>	<b>(5.6)</b>	<b>44.5</b>	<b>(0.0)</b>
Financing Adjustments	(24.3)	24.3	0.0 (10)	(0.1)	0.1	0.0	0.0
Non-Financing Adjustments	(26.6)	26.6	0.0 (11)	-	-	-	0.0
<b>Total Adjustments to arrive at Net Cash Flow</b>	<b>(50.9)</b>	<b>50.9</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Surplus / (Deficit)</b>	<b>\$ 1.1</b>	<b>\$ 43.4</b>	<b>\$ 44.5</b>	<b>\$ 50.0</b>	<b>\$ (5.5)</b>	<b>\$ 44.5</b>	<b>\$ (0.0)</b>

(1) To be posted amounts represent collections and disbursements that have not yet been reconciled.

(2) \$4.3m estimated TIF payment.

(3) \$14.2m of Net Income Taxes and \$64.8m of DSA in FY2017 related to FY2016 activity. Gaming is offset by \$1.4m of Gaming Revenue collected in October for the month of September.

(4) \$4m of Utility Taxes collected in FY2016 related to activity in FY2015 and is offset by \$3.1m in PLA pass-through as budgeted in PLD budget.

(5) \$4.5m of revenues collected in FY2017 related to FY2016. \$10.6m of collections are cash specific transactions and \$3.2m are non-Fund 1000 receipts.

(6) Approximately \$11m of the difference relates to the timing and accrual of payroll. Approximately \$9m of disbursements are non-Fund 1000.

(7) Approximately \$1.0m of benefits adjustment relates to FY2016 and the balance is due to timing of payments.

(8) \$5.1m of Pension accrual that will be made at end of FY2017.

(9) Approximately \$11m of disbursements are non-Fund 1000, \$37.2m related to prior period, and \$13.7m are cash specific transactions.

(10) Cash actuals include \$9.5m DSA debt payment, \$12.6m Note B, and \$2.2m exit financing.

(11) \$30.0m set aside for future legacy pension net of \$3.4m inflow of refinancing proceeds in excess of escrow requirements.



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

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax roll	Collections YTD (1)	Collection rate	Adjusted Tax roll	Collections YTD (1)	Collection rate
General City	\$ 122.1	\$ 58.2	47.7%	\$ 132.1	\$ 58.9	44.6%
Debt Service	62.7	30.1	48.0%	68.3	31.5	46.1%
Solid Waste	62.7	18.8	30.0%	57.4	17.5	30.5%
<b>Total City (2)</b>	<b>\$ 247.5</b>	<b>107.1</b>	<b>43.3%</b>	<b>\$ 257.9</b>	<b>107.9</b>	<b>41.8%</b>

	FY 2017	FY 2016
Current year collections	\$ 58.2	\$ 58.9
Wayne County settlements (3)	4.4	10.2
TIF estimated distributions (4)	(4.3)	(4.4)
Admin Fee & Unspread Penalty	2.3	2.4
<b>Total General City</b>	<b>\$ 60.6</b>	<b>\$ 67.0</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 DPS, 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

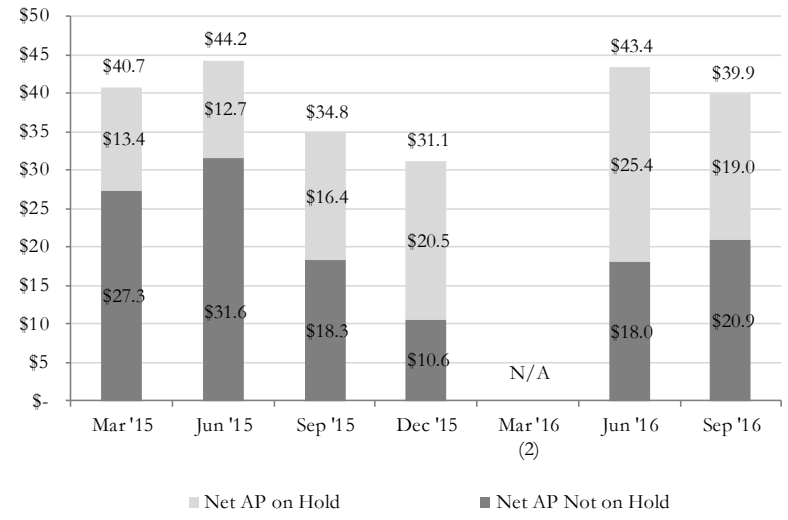
\$ in millions

Accounts Payable (AP) as of 9/30/16	
Total AP	\$ 39.9
Less: Invoices on hold (1)	(19.0)
Net AP not on hold	\$ 20.9

### AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
<b>Sept. Total</b>	\$ 20.9	\$ 2.4	\$ 15.2	\$ 1.4	\$ 1.8
<i>% of total</i>	100%	11%	73%	7%	9%
<b>Aug. Total</b>	\$ 24.5	\$ 2.5	\$ 15.6	\$ 1.8	\$ 4.6
<i>% of total</i>	100%	10%	64%	7%	19%

### Total AP



- 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 proceeds have been utilized to jump start improving technology, neighborhoods, and public safety

- In the month of September there was a net increase in expenses incurred of \$5.9m from the prior month primarily in the Dept. of Innovation and Technology. There continues to be a reclassification of expenditures as further analysis continues.

*\$ in millions*

	Number of Projects	Amount Approved	Expense Incurred
<b>Available Exit financing proceeds</b>		<b>\$ 233.2</b>	
<b>Project Allocation:</b>			
Dept. of Innovation and Technology	5	\$ (41.5)	\$ (41.5)
General Services	14	(32.1)	(17.0)
Blight	7	(29.7)	(25.6)
Police	6	(29.0)	(18.7)
Fire	9	(22.0)	(14.7)
OCFO	7	(15.8)	(15.1)
BSEED	1	(4.4)	(2.3)
Law	1	(2.2)	(1.2)
DDOT	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>\$ (180.9)</b>	<b>\$ (140.0)</b>

Interest/Fees		(2.8)	(2.8)
---------------	--	-------	-------

<b>Amount reserved for projects under review</b>		<b>\$ 49.5</b>	
--	--	----------------	--



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

		Actual Sep'15	Actual Sep'16	Budget FY 2017	Variance	% Variance
<b>Public safety</b>						
Police		2,738	2,838	3,127	289	9%
Fire		1,239	1,187	1,332	145	11%
Total Uniform		3,977	4,025	4,459	434	10%
<b>Non-public safety</b>						
Budget		8	0	0	0	
Finance		193	0	0	0	
Office of the Chief Financial Officer		0	383	453	70	
Dept. of Public Works	(1)	356	349	376	27	
Health & Wellness		8	24	51	27	
Human Resources	(2)	82	98	65	(33)	
Housing & Revitalization / Planning & Development	(2)	96	109	81	(28)	
Dept. of Innovation and Technology		33	51	134	83	
Law		94	101	108	7	
Mayor		57	70	73	3	
Public Lighting Dept.		6	5	6	1	
Recreation	(1)	196	253	285	32	
General Services	(1)	434	479	574	95	
Legislative	(3)	103	227	252	25	
36th District Court		353	353	326	(27)	
Other	(4)	62	60	78	18	
Total Civilian		2,081	2,562	2,862	300	10%
<b>Total General City</b>		<b>6,058</b>	<b>6,587</b>	<b>7,321</b>	<b>734</b>	<b>10%</b>
<b>Enterprise</b>						
Airport		4	3	4	1	
BSEED		176	179	204	25	
Transportation	(5)	1,005	1,110	900	(210)	
Parking		83	76	89	13	
Water/Sewerage		1,329	517	488	(29)	
Library		301	280	325	45	
Total Enterprise		2,898	2,165	2,010	(155)	-8%
<b>Total City</b>		<b>8,956</b>	<b>8,752</b>	<b>9,331</b>	<b>579</b>	<b>6%</b>

Notes:

(1) Budget reflects FTE which was adjusted to convert the budget into a headcount equivalent.

(2) Budget reflects the reduction of funding for positions due reorganizations, which are still in process resulting in the difference between actual and budget heads.

(3) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections. Board of Zoning includes 8 board of review members that 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

- The total amount of grants awarded decreased \$1.5m on a net basis from the prior month. The Fire Department closed out a \$22.5m grant while two other departments were awarded three grants and award amounts were increased for three others. Private grants and donations increased \$16.6m primarily due to a \$6.9m Detroit Home Mortgage Program donation (Mortgage support program in partnership with local banks and MSHDA) and \$6.5m Entrepreneurs of Color Fund donation (Loan fund to support entrepreneurs of color in Detroit).

<i>\$ in millions</i>	<b>Amount Awarded (1)</b>	<b>Number of Grants</b>
<b>Department</b>		
Transportation	\$ 332.8	20
Housing & Revitalization	208.8	18
Fire Department	29.2	10
Health & Wellness Promotion	32.6	5
Public Works	30.6	20
Police	19.2	29
Recreation	4.7	17
Coleman A. Young Airport (Airport)	3.1	4
Homeland Security and Emergency Management (HSEM)	1.8	8
General Services	1.5	2
Other (2)	0.7	6
<b>Active Federal/State grants (3)</b>	<b>\$ 664.9</b>	<b>139</b>
<b>Active private grants</b>	<b>28.2</b>	<b>31</b>
<b>Active private donations</b>	<b>50.0</b>	<b>50</b>
<b>Total active grants and donations</b>	<b>\$ 743.2</b>	<b>220</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) Total does not include Hardest Hit Fund grants, which are reflected in the Land Bank Authority.



---

**Page Intentionally Left Blank**

