

CITY OF DETROIT

## Financial Review Commission

December 5th, 2014



# Agenda

---

	<b>Presenter</b>
Office of the Chief Financial Officer Restructuring	John Hill
Grants Management Reform	Nichelle Hughley
Corrective Action Plan for Assessing	Gary Evanko; Alvin Horhn
Income Tax Overview	John Naglick; Tanya Stoudemire
ERP System Implementation	John Hill; Beth Niblock
Department of Innovation & Technology Restructuring	Beth Niblock
IT Infrastructure	Beth Niblock
Great Lakes Water Authority & DWSD	Gary Brown
City of Detroit Fleet	Gary Brown



---

# Office of the Chief Financial Officer Restructuring

John Hill, Chief Financial Officer



# Establishing the Office of the Chief Financial Officer

---

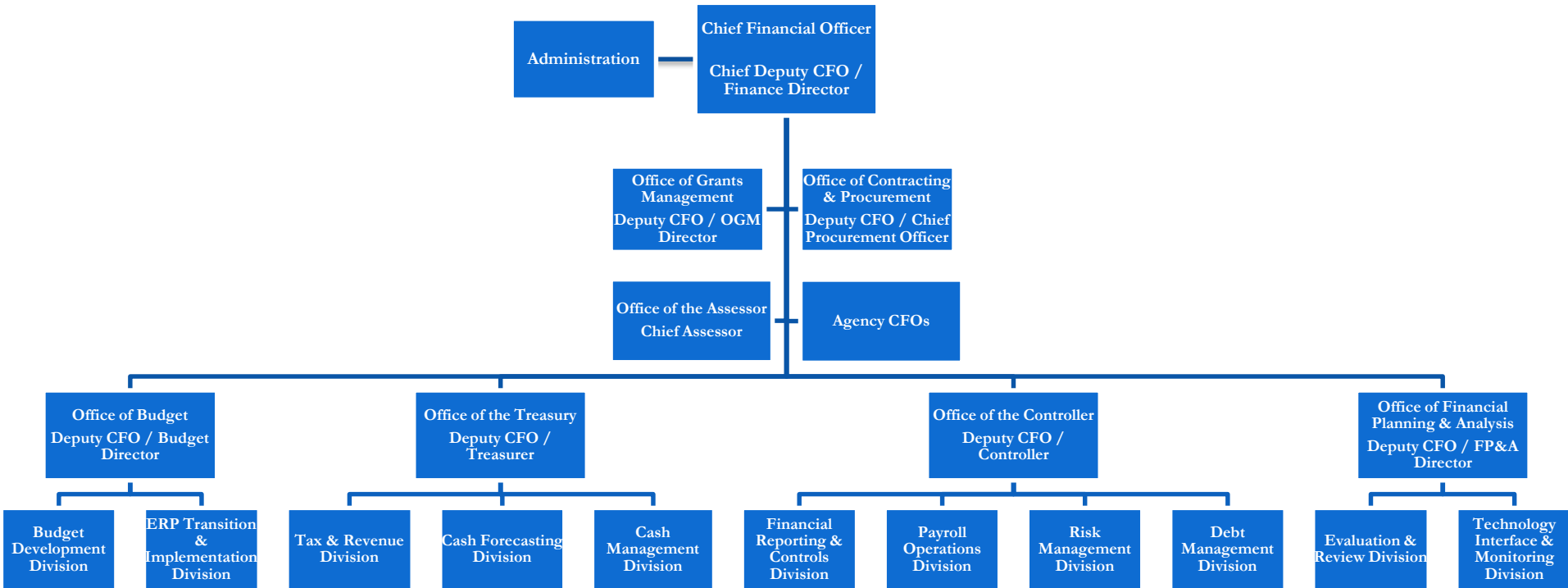
## Key tenets of EM Order No. 41 establishing a centralized financial management organizational structure:

- Establish the Office of the Chief Financial Officer (“OCFO”) - initial component organizational configuration identified
- All finance, budget, purchasing and grants related personnel within all departments, divisions and agencies shall report to the CFO
- CFO shall have restructuring authority to:
  - Centralize all finance, budget, purchasing and grant related activity
  - Provide management oversight, control and direction to all finance, budget, purchasing and grant activities
  - Transfer all payroll, benefits, unemployment and workers compensation administration functions to OCFO
  - Create a new job classification and compensation system
  - Make any recruitment, hiring, retention, promotion, demotion, reassignment and other related personnel decisions for finance, budget, and grant activities throughout the City
- Other authority:
  - Write-off accounts receivable: (1) older than statute of limitations; (2) absolved through legal proceedings; or (3) older than one year with approval from Mayor.



# Organizational Chart

Version 4.0



As of September 2014

# Restructuring Process

---

## Organizational Scan of Current State: Deficiencies & Outdated HR Rules

- Finance Dept. and finance functions within departments misaligned; lack of Agency CFOs
- Financial planning and analysis function to support Plan of Adjustment (POA) implementation and monitoring needs improvement
- Training and development lacking, skills need updating to meet POA requirements
- Lack of modern centralized Enterprise Resources Planning (ERP) system; shadow systems prevalent throughout departments
  
- Lack of up-to-date job classifications and specifications
- Excessive number of job titles
- Inconsistent compensation levels
- Human Resource rules need to be updated
- Occupational job classifications, position descriptions and compensation bands need to be addressed City-wide



# Restructuring Process (continued)

---

## Revised Organizational Configuration: National & Local Benchmarking, Best Practice Review

- Organizational structures and organizational functions reviewed from other municipalities nationwide, including:
  - Boston, MA; Cincinnati, OH; Montgomery Co., MD; San Francisco, CA; Austin, TX; Chicago, IL; Cleveland, OH; Raleigh, NC; Virginia Beach, VA; Scottsdale, AZ; Charlotte, NC; Fairfax Co., VA; Seattle, WA; Washington, DC; Atlanta, GA
- Best practice studies and white papers for Finance organizations were reviewed to evaluate current trends in organizational design

The existing finance organizational configuration did not meet the needs of the City of Detroit based on the organizational scan, national and local benchmarking and best practice review



## Restructuring Process (continued)

---

**Position classification system not revised in over 30 years. A system of occupational analysis which included benchmarking and occupational mapping was created.**

Data sources to collect the appropriate information for City-wide requirements for occupations:

- Staff surveys
- National and local job specifications from other jurisdictions
- Occupational surveys and studies conducted using the U.S. Bureau of Labor Statistics
- National database of occupations based on the Standard Occupational Coding (SOC)
- Occupational information and standards for relevant positions in the federal government
- Public and private sector recruitments sites
- Previously completed studies of finance and finance-related operations in the City of Detroit.

Data sources were used to create a new Position Classification System, including:

- Occupational Classes
- Occupational Series
- Occupational/Job specifications
- Position Descriptions





# Position Classification System

---

**Occupational Classes:** A group of occupations with assigned duties and responsibilities which are sufficiently alike to justify common treatment in regards to selection standards, method of selection, employee compensation and other personnel and employment processes; and to permit interchange of employees without significant loss of efficiency after a reasonable period of orientation.

Seven new Occupational Classes will be created:

- Class I: Service/Maintenance and Skilled Craft Workers
- Class II: Technical, Paraprofessional, Office and Administrative
- Class III: Professional Services
- Class IV: Management Supervisory Service (MSS)
- Class V: Executive Service (EXS)
- Class VI: Appointed Service (APS)
- Class Public Safety (PS)



# Position Classification System (continued)

---

**Occupational Series:** A subdivision of an occupational group or job family consisting of positions similar as to specialized line of work and qualification requirements.

New occupational series were created within Occupational Classes II, III, and IV.

Class II	Class III	Class IV
<ul style="list-style-type: none"><li>• Administrative Assistant</li><li>• Accounting Technician</li><li>• Appraiser</li><li>• Clerk</li><li>• Procurement Assistant</li><li>• Tax Examiner</li><li>• Teller</li></ul>	<ul style="list-style-type: none"><li>• Accountant</li><li>• Appraiser</li><li>• Budget Analyst</li><li>• Economist</li><li>• Financial Analyst</li><li>• Grants Specialist</li><li>• Tax Auditor</li><li>• Contract and Procurement Specialist</li></ul>	<ul style="list-style-type: none"><li>• Supervisory</li><li>• Managerial</li></ul>



# Position Classification System (continued)

---

**Occupational/Job Specifications:** Written statements used for all positions in an Occupational Series. They define the principal characteristics of the work; provide examples of duties; list the knowledge, skills and abilities required to perform the work; and state the minimum qualifications for initial appointment or promotion to positions in the class.

Job Specification components include:

- Occupational Information; Definition of Occupational Series; Duties and Responsibilities (Illustrative); Knowledge, Skills and Abilities; Supervisory Controls; Guidelines; Complexity; Scope and Effect; Personal Contact; Purpose of Contacts; Physical Demands; Work Environment; Minimum Qualifications (Education, Experience, Equivalency, License); Position Titles; Probationary Period; Other

A validation process mapped newly created Occupational/Job Specification series to:

- US Department of Labor O\*Net
- US Department of Personnel Management (“OPM”)
- State of Michigan
- Job specifications and position description requirements for benchmarked State and local jurisdictions
- Existing City of Detroit position descriptions



# Position Classification System (continued)

---

**Position Descriptions:** Provide more detailed information on what is expected of an incumbent of a specific position in the fulfillment of work assignments on a daily basis.

## Class II

- Administrative Assistant- I, II, III, IV
- Accounting Technician- I, II, III, IV
- Appraiser- I, II
- Clerk- I, II, III, IV
- Procurement Assistant- I, II, III, IV
- Tax Examiner- I, II, III, IV
- Teller- I, II, III

## Class III

- Accountant- I, II, III, IV
- Appraiser- III, IV
- Budget Analyst- I, II, III, IV
- Economist- I, II, III, IV
- Financial Analyst- I, II, III, IV
- Grants Specialist
- Tax Auditor- I, II, III, IV
- Contract and Procurement Specialist- I, II, III, IV

- Conducted similar validation process to map newly created Position Descriptions
- Supervisors and managers will be required to prepare new or updated position descriptions based on written guidelines and instructions on how to write a position description
- Position evaluation manual under develop to be used as the basis for evaluation the level of all future of new positions



# Compensation System

---

- Current salary levels are low; OCFO needs to offer competitive pay to attract and retain qualified personnel
- Extensive and rigorous process to determine the blended “value” (i.e. grade levels and pay bands)

## Pay Band Benchmarking Surveys

City of Detroit existing White Book pay bands

Local Municipal benchmark comparison

- State of MI; Detroit Public Schools; Wayne Co., MI; Macomb Co., MI; Lansing, MI; Flint, MI; Livonia, MI; Warren, MI; Cleveland, OH; Cincinnati, OH

National Municipal benchmark comparisons

- Austin, TX; Boston, MA; Charlotte, NC; Fort Worth, TX; Memphis, TN; Montgomery Co., MD; Raleigh, NC; Seattle, WA; Virginia Beach, VA

Fox Lawson Compensation Survey Data

U.S. Bureau of Labor Statistics data contained in O\*Net

U.S. Bureau of Labor Statistics Occupational Employment Statistics

Blended public and private salary data

Government Finance Officers Association salary data



## Compensation System (continued)

---

- Developing a pay grade system for Classes II, III, IV and V
- Establishing a classification system for the grade of each job based on the level of difficulty, responsibility and qualifications required
- Each grade will have ten (10) pay step rates (step 1-10)
  
- Class II (Paraprofessional) and Class III (Professional) pay grade system is contemplated to have 15 grades from Grade 1 (lowest) to Grade 15 (highest)
- Class IV (Management Supervisory Service) pay grade system is contemplated to have seven (7) grades from Grade MS1 (lowest) to Grade MS7 (highest)
- Class V (Executive) pay grade system is contemplated to have five (5) grades from EXS 5 (lowest) to EXS 1 (highest)



# Validation of Restructuring

---

- Conducted a detailed validation of the restructuring plan to determine feasibility of funding
- Comparison between funds available analysis and funds needed analysis

## Funds Available

- Conducted detailed analysis of the funds available within the Plan of Adjustment
- Identified all personnel throughout the City performing finance related functions

## Funds Needed

- Conducted detailed analysis of the funds needed to support restructuring
- Includes anticipated staffing levels within OCFO & finance personnel residing within agencies



# Transition Services / Training and Development

---

- Working with HR's Chief Learning Officer to design, identify and provide the following services:

## Transition Services

- Career Counseling
- Resume Writing
- Interviewing Skills
- Financial Planning
- Retirement Planning
- Skill Assessments
- Career Transition/Change

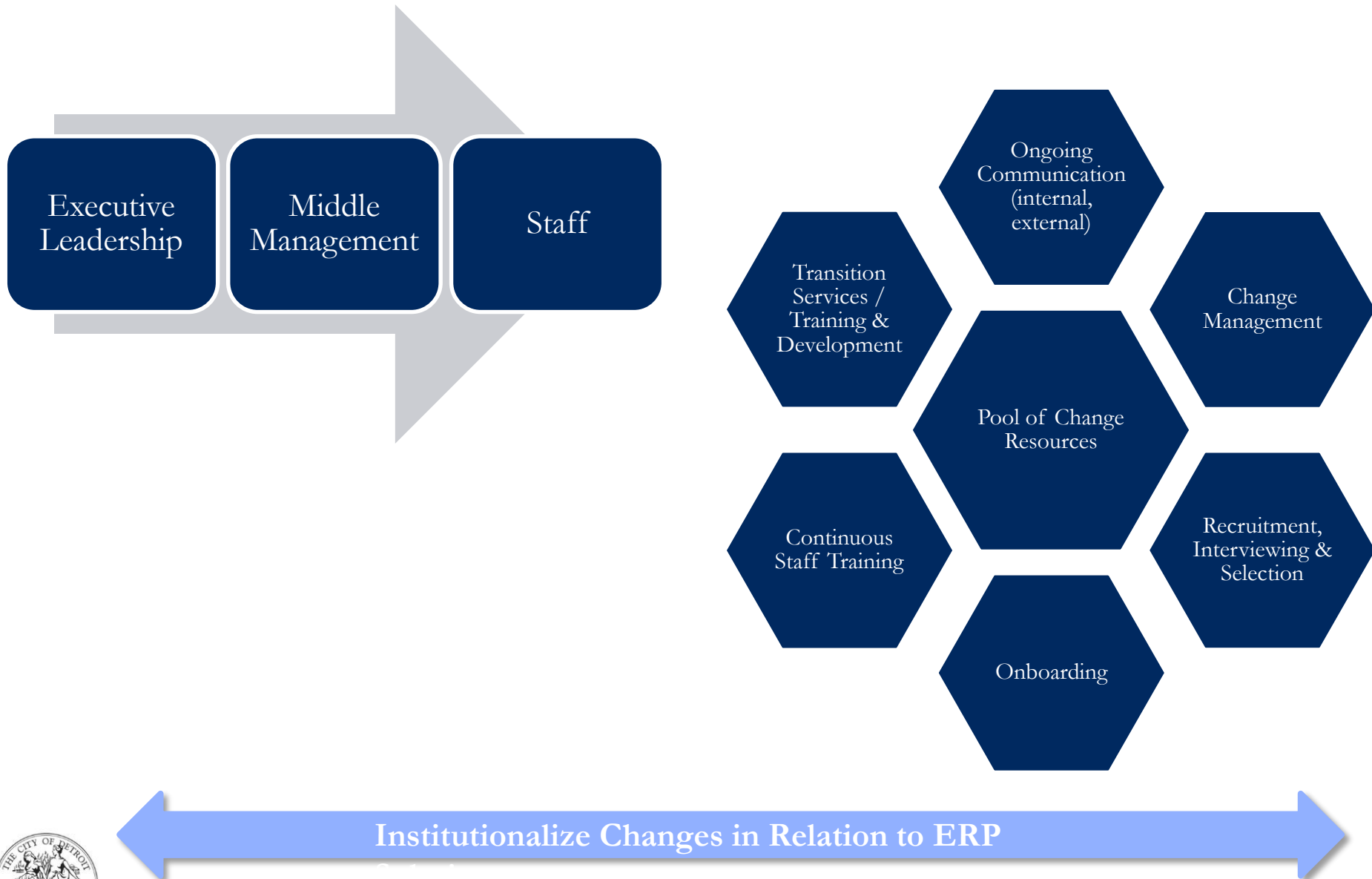
## Training & Development Opportunities

- Microsoft Office Suite
- Spreadsheet Development
- Report Writing
- Leading Change
- Managing People
- Teamwork
- Conflict Management





# OCFO Implementation Approach



# Implementation Timetable

---

## **Communication and Implementation Strategy (Months 1-3):**

- Present OCFO restructuring plan to employees
- Finalize implementation/rollout strategy
- Coordinate with HR Department on the timetable for implementation
- Collaborate with the Chief Learning Officer to finalize training and development needs
- Appoint OCFO executive leadership
- Begin recruitment for middle management
- Develop communication plan to keep employees informed on implementation progress/timetable
- Realign staff reporting structures citywide

## **Initial Implementation (Months 4-12):**

- Align and adjust OCFO implementation strategy with the ERP (finance and HR) implementation plan
- Identify training and development needs for implementation of the ERP systems
- Implement new performance management system for employees, supervisors and managers in OCFO
- Recruit, interview and select remaining OCFO staff
- Initiate outplacement services for displaced employees
- Continue to assess new organization configuration and make adjustments as necessary

## **Institutionalize Changes in Relation to ERP Solution (Months 12+):**

- Review organization configuration based on ERP solution implementation
- Review position requirements in relation to ERP solution
- Make adjustments to positions, as appropriate, based on ERP review
- Adjust performance evaluation requirements based on ERP functionality



---

# Grants Management Reform

Nichelle Hughley, Director- Office of Grants Management



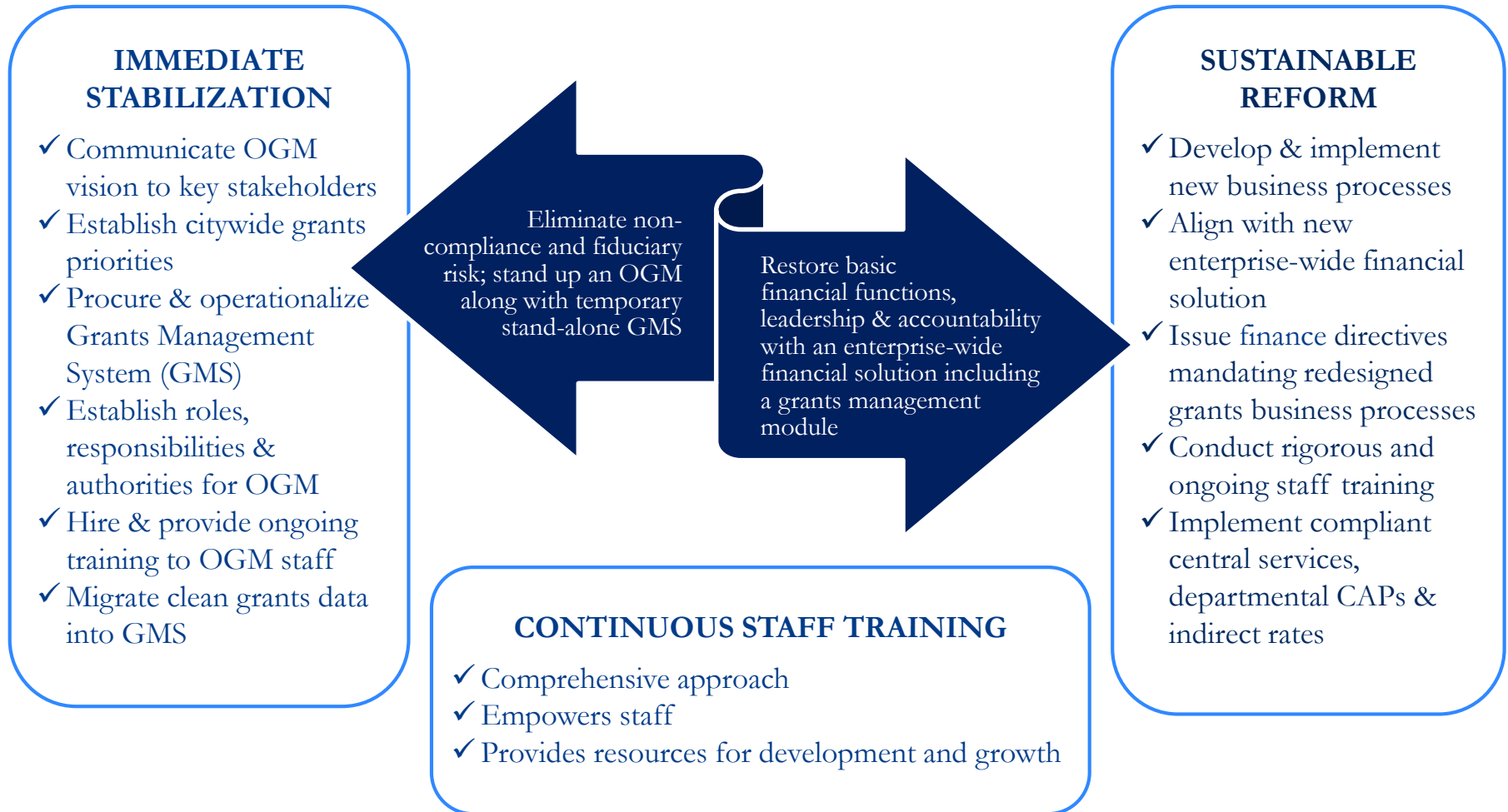
# Project Background

---

- Grants management reform was identified as a key restructuring initiative during the Emergency Manager's citywide assessment phase
  - Reflects priorities in the April 2012 Consent Agreement with the State
- In September 2013, a formal assessment was conducted and recommendations for a new grants management process were delivered
- Citywide implementation began December 2013
  - Implementation focused on two simultaneous tracks: immediate stabilization and sustainable reform



# Implementation Framework



# Implementation Accomplishments

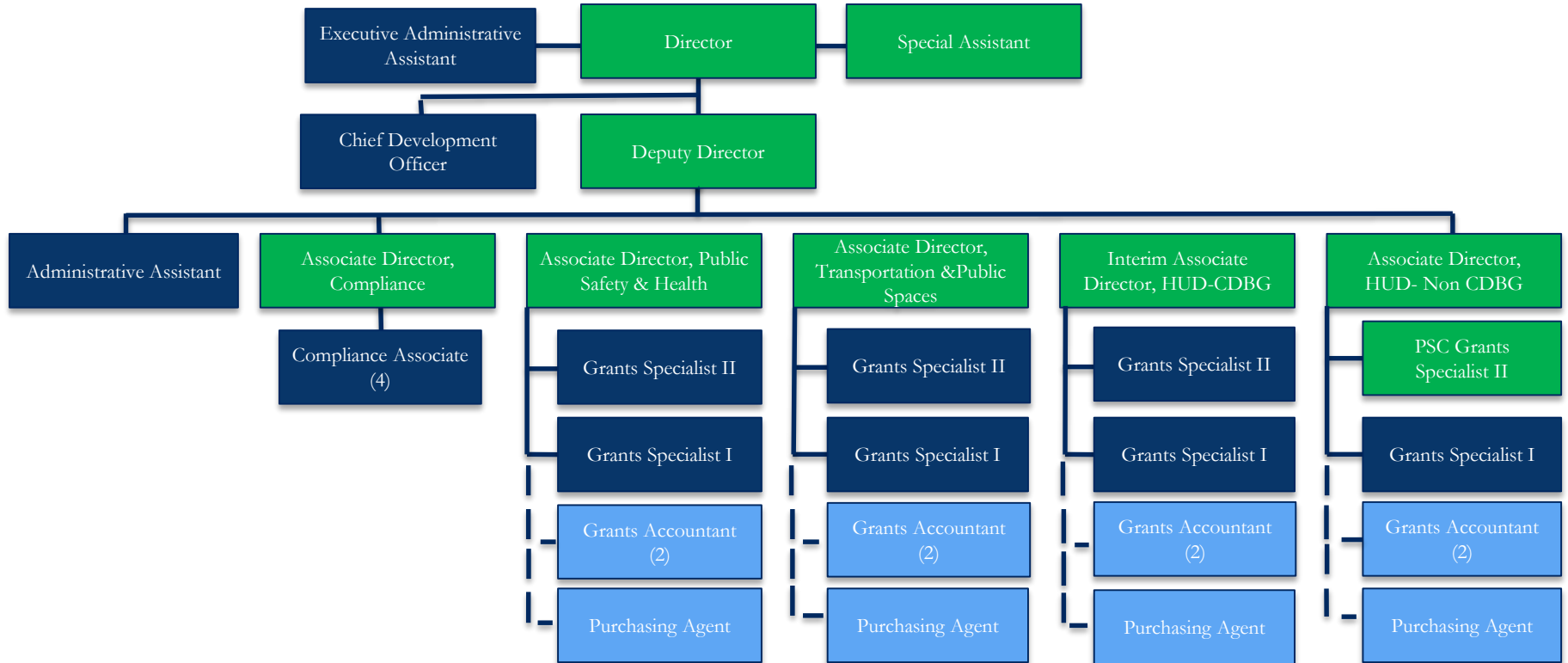
---

- EM Order No. 27 established the new centralized Office of Grants Management
- Senior leadership hired and on boarded during Summer 2014
- Centralized grants management system procured and loaded with City-wide grants and projects data
- EM Order No. 35 amended Chapter 18 of the Detroit City Code to require all applications for federal, state and other grants to be reviewed by the Office of Grants Management

- **OGM Director reports directly to the CFO**
- **OGM is built into the City's Plan of Adjustment and will be a part of its long-term recovery**



# Organizational Chart



Filled:   
 Open:



## Office Operationalization

- Institutionalization
- Hiring
- Relationship-Building
- Procedures
- Training

## Data Clean-Up and Centralization

- Grants Loaded into Centralized Data System
- Restructured Accounts
- Increased Match Spending Visibility
- Enhanced Reporting Capabilities

## Compliance

- Priority Areas Identified
- FY13 SEFA Clean-Up
- FY14 Audit Preparation





# Office Operationalization

---

## Institutionalization

- EM Order #27 and #35
- Part of OCFO reorganization
- Long-term funding identified and secured

## Hiring

- Senior leadership, middle management, some staff on board
- Actively screening, interviewing candidates for additional staff positions

## Relationship-Building

- City departments, Finance, and local Federal Agency leadership in communication with senior leadership
- Middle management has met with respective departments

## Procedures

- SOPs written and vetted with City stakeholders
- Process changes, informational sessions underway

## Training

- Electronic training binder prepared and shared with new hires
- Orientation and individual portfolio trainings complete
- Centralized grants management system training complete



# Data Clean-Up and Centralization

---

## Grants Loaded into Centralized Data System

- Active grants and award letters loaded into system
- Robust grants research engine enables easy opportunity identification

## Restructured Accounts

- City financial accounts for grants restructured
- Reclassifying associated expenditures and encumbrances by department to allow for award-by-award reporting is underway

## Increased Match Spending Visibility

- Restructuring grants accounts to allow for discrete reporting on match spending obligations in underway

## Enhanced Reporting Capabilities

- Centralized system allows for City-wide, Departmental, and individual award reporting
- Ability to track opportunities status and award performance



## Priority Areas Identified

- Short-term: SEFA Cleanup and Corrective Action Planning
- Long-term: Monthly reconciliations, regular monitoring, updated data, ongoing training

## FY13 SEFA Clean-Up

- Focused on questioned costs-related findings
- Gathering missing documentation

## FY14 Audit Preparation

- Assisted with document preparation in advance for fewer findings
- Dedicated personnel to support Departments



# Benefits of Reformed Grants Management in Detroit

---

## Prior State (Fall 2013)

Recipient departments lacked standard systems, processes and procedures

Severe accountability gaps due to multiple unconnected spreadsheets and databases

Financial reporting was unreliable and difficult to perform

Lack of current technology and heavily manual processes

Little to no staff training on best practices

## Envisioned Future State

New comprehensive set of work flows and procedures, including a strategy for grant pursuit and execution that supports the Mayor's operational vision

100% compliance supported by a centralized repository of information

Accurate and reliable financial reporting for every grant award

Real-time grant award and match status, automated project management support

Trained staff with job descriptions and skills aligned to roles and responsibilities



---

# Corrective Action Plan for Assessing

Gary Evanko, Chief Assessor  
Alvin Horhn, Assessor



## Positive Attributes

- Full Tribunals are addressed in low cost & effective manner
- Appraisal Technicians perform tasks at lower cost than appraisers
- Customer focus
- Responsibilities adjust seasonally
- Roll is equalized- there has not been application of a factor

## Issues to Address

- Inefficient processes
- Data integrity (field cards, database)
- Deferred maintenance of records
- Small Claims Tribunals
- Board of Assessors involvement in day-to-day operations
- Low staff morale
- Technology advancement



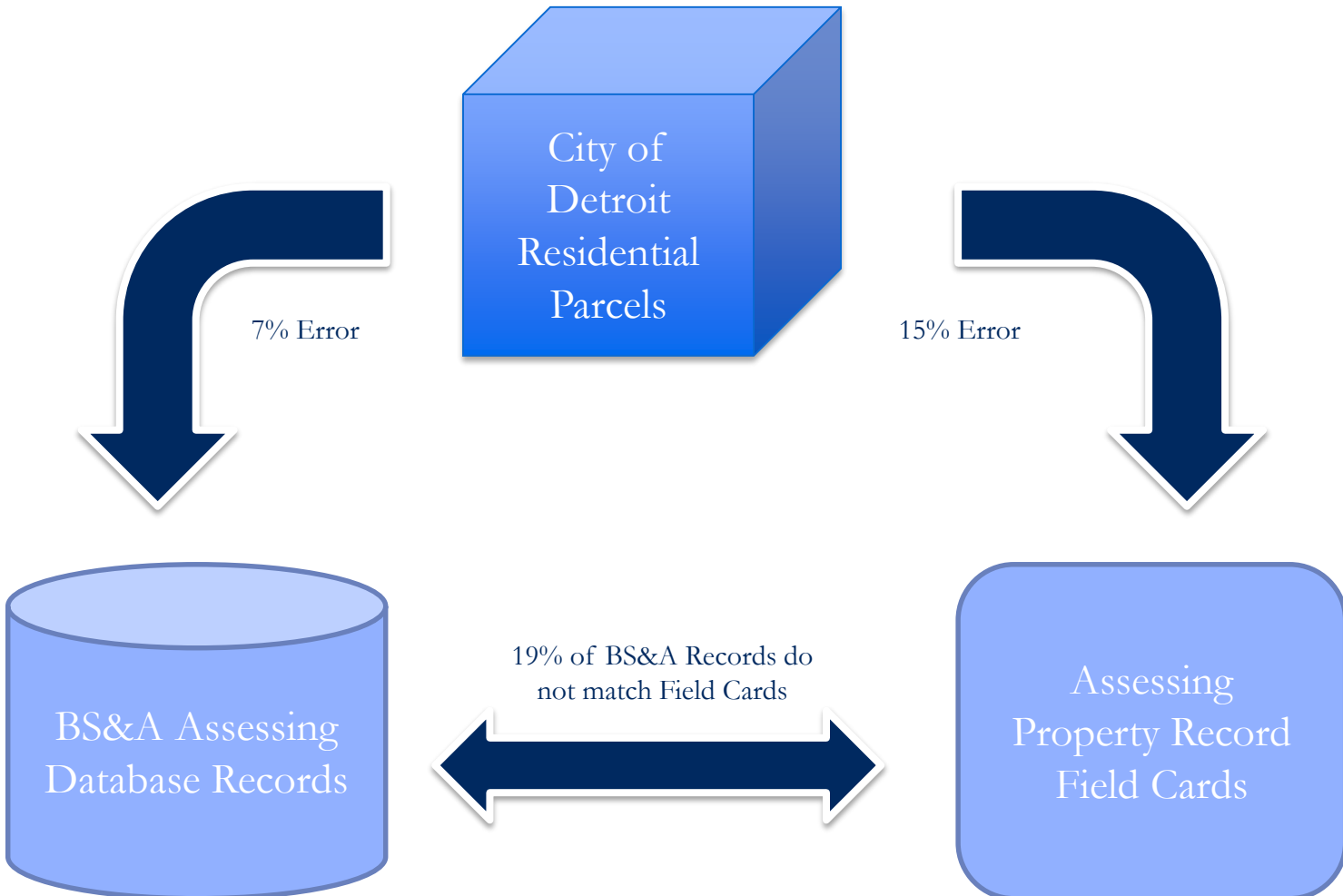
# Current State Assessment: Leading up to Corrective Action Plan

---

- Assessment Division is not in alignment with State Tax Commission guidelines
  - Database is in a state of “override”
  - Limited ability to generate assessed values using full system capabilities
  - Insufficient relationship between records and assessments
  - Poor staffing level
  - Likely out of compliance with Audit of Minimum Assessing Requirements
- Necessary to invest in technology and staff training
  - Document management
  - BS&A special assessment module
  - Docket management
  - Address lookabout solution
  - Pictometry
  - Change detection
  - Tools for field work (laptops, tablets, cellphones)
  - GIS
  - Data sharing
  - Staff training and technology usage monitoring



# City Records Unreliable





# Comparative Analysis

Comparison Measure	Detroit	Grand Rapids	Warren	Dearborn	Oakland County	Average
Res-SEV	4.9 B	2.9 B	2.0 B	1.5 B	10.6 B	5.2 B
Total SEV	7.8 B	4.4 B	3.1 B	2.7 B	13 B	7.2 B
Population	706,585	189,815	134,243	97,144	364,248	298,407
# of Real Parcels*	329,406	64,487	58,274	34,711	160,708	129,517
FTEs (Budgeted )	48	16	11	11	69	31
Assessing Budget	\$6,536,083	\$2,271,764	\$1,669,845	\$1,042,285	\$7,537,583	\$3,811,512
Cost per Real Parcel	\$20	\$35	\$29	\$30	\$47	\$29
MTT Cases (Total)	13,827	2,014	2,558	2,967	7,390	5,751
FTE : Real Parcel Ratio	6,863	4,030	5,298	3,156	2,329	4,335
MTT Cases per FTE	288	126	233	270	107	186

\*Property data taken from county equalization reports. Oakland Co. is aggregated data from municipalities they contract for service delivery. Parcel information does not include personal property (10,038 for Detroit), special act parcels or capture districts and authorities (28,136 for Detroit)



# Recommendations: Leading up to a Corrective Action Plan

---

- Retain Level IV assessor
- Ensure database is out of override
- Commit to re-inspect properties
- Reorganize department to support core processes
- Utilize remote tools to contain costs
- Allow data to reach its highest level
- Improve organizational culture and imbed quality
- Advocate for policy changes



# Corrective Action Plan: The Alternative Service Model

---

Chief Assessor submitted a Corrective Action Plan in March 2014. Key components include:

Project management for reappraisal, restructuring with Plant Moran assistance

Conduct aerial and street level imagery with Pictometry assistance

- Initial set of imagery gathered Spring 2014
- Additional imagery to be gathered 2016, 2018

Digitalize real property field cards, convert digitalized images to Apex sketches with Tyler Tech assistance

- Sketches compared to imagery to determine if physical attributes match current records
- Field staff sent to confirm attributes if necessary
- Property class and use of all real property parcels will be confirmed and corrected if necessary
- Commercial, industrial properties will be field reviewed
- Complex residential properties subject to field review
- Cross sampling of residential properties subject to field review

Leveraging BS&A software to:

- Establish ECF Tables
- Establish land values
- Work with Tyler Technologies and Apex Corporation with data integration in the Assessing module of BS&A Software

MOU with Wayne Co. for reappraisal assistance of downtown



# Institutionalized Change: A Sustainable Corrective Action Plan

---

Senior leadership and Board of Assessors are committed to implementing structural reform in the Assessment Division to ensure the long-term success of the Corrective Action Plan.

Highlights include:

- Technology investment
- Well-trained core staff of appraisers and GIS professionals with professional development opportunities
- Highly technical approach to valuation focused on updated imagery
- Collaboration among City departments to share and integrate data



---

# Income Tax Overview

John Naglick, Finance Director

Tanya Stoudemire, Income Tax Manager



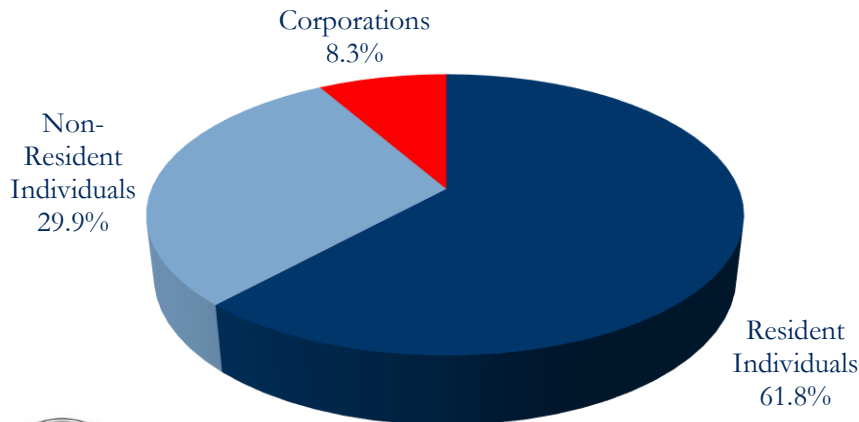
# Tax Rates and Collection

The City's income tax is steady and a reliable source of revenue

Historical and Current Income Tax Rates			
Fiscal Year	Resident Individuals	Non-Resident Individuals	Corporations
2004 <sup>1</sup> -2011	2.50%	1.25%	1.00%
2012 <sup>2</sup>	2.50%	1.25%	2.00%
2013-2014 <sup>3</sup>	2.40%	1.20%	2.00%

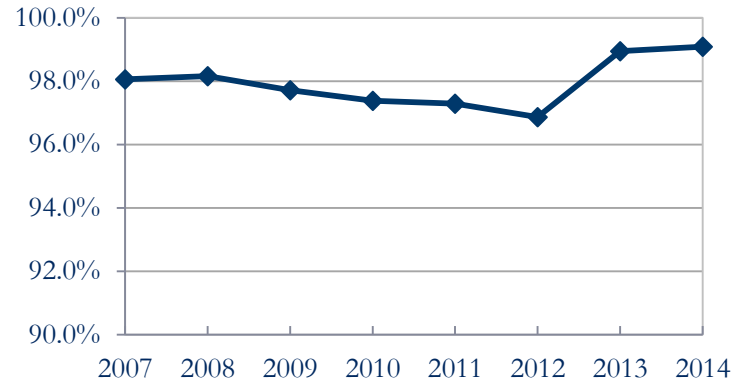
1. The City of Detroit's Corporate tax rate was decreased from 1.2% to 1.0% effective January 1, 2004.
2. The City of Detroit's Corporate tax rate was increased to 2.0% effective January 1, 2012.
3. City Income taxes currently are levied and assessed at the maximum allowable rates.

## 2014 Income Tax Composition<sup>1,2</sup>



1. Source: the City.
2. Unaudited – preliminary actuals.

## Income Tax Collection Rates<sup>1,2,3,4</sup>



1. Source: the City.
2. Billings include amounts due based on income tax returns but remain outstanding.
3. Collections exclude refunds and interest due to taxpayers.
4. Unaudited – preliminary actuals.

## Income Tax Enforcement

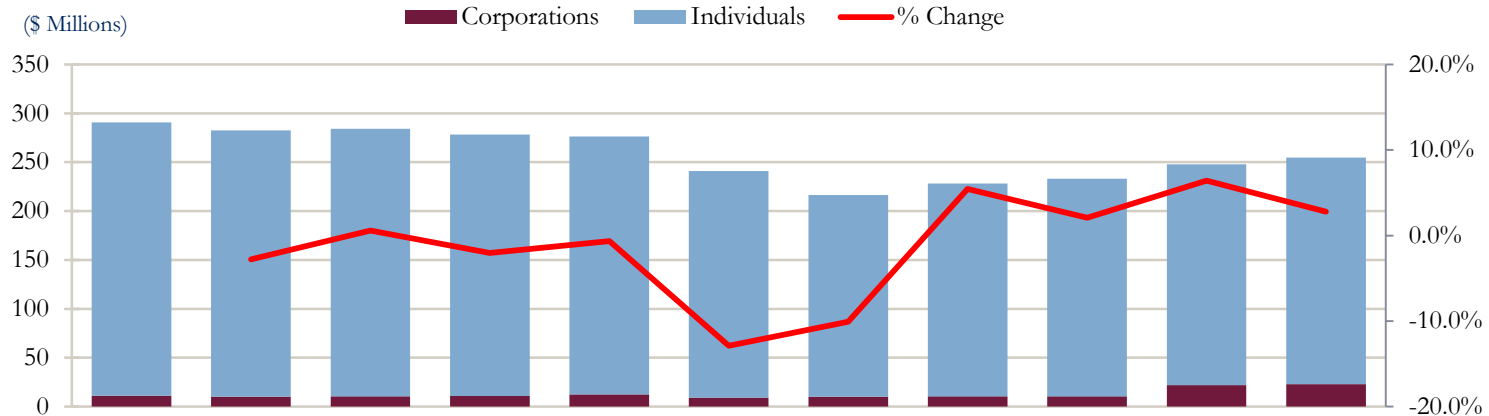
- **Field Audit Investigations:** Conduct periodic audits to ensure businesses are properly withholding and accurately preparing their tax returns
- **Office Auditors:** Audit tax returns to ensure compliance with City's income tax ordinance
- **Resident Non-Fileers:** City is pursuing enforcement action against Detroit residents that file a federal tax return, without filing a City return. The City has collected approximately \$3.4 million from FY 2013 to date from this initiative
- **Small Claims Court Actions:** Dedicated staff to handle delinquent accounts up to \$5,000
- **Collection Agency:** Contracted the same third party agency used by the State of Michigan; for delinquent accounts greater than 90 days



# Income Tax Revenues

Income tax revenues have improved by an average rate of 4.4% per year since 2010

Income Tax Revenues, 2004-2014<sup>1</sup>



\$ Millions

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 <sup>5</sup>
Individuals <sup>2</sup>	311.3	298.6	294.2	289.3	288.6	253.8	226.2	235.3	239.7	245.0	252.8
Corporations <sup>3</sup>	11.3	10.1	10.5	10.7	12.4	9.1	10.3	10.4	10.6	22.1	22.9
Refunds <sup>4</sup>	(32.0)	(26.2)	(20.6)	(21.7)	(24.5)	(22.0)	(20.0)	(17.5)	(17.3)	(19.0)	(20.8)
Net Income Tax Revenue	290.6	282.5	284.1	278.3	276.5	240.8	216.5	228.3	233.0	248.0	254.9

- Income tax revenues decreased in FY 2009 and FY 2010 primarily due to reduced levels of taxable income of City residents and non-residents working in the City, as a result of the economic recession
- Revenues have begun to recover in FY 2011 through 2014 due to increases in taxable income as well as a 1% increase in the corporate tax rate in January 2012

1. Source: The City.

2. Amounts noted above exclude interest due to taxpayers.

3. Corporations also include Partnerships, Estates and Trusts. A majority of estimated taxes relate to Corporations, however the City does not track separately from individual estimated payments. For purposes of this information the City used historical analysis to estimate the Corporate tax revenue.

4. Graph assumes that all refunds are applied to individuals.

5. Unaudited – preliminary actuals.



# Historical Monthly Income Tax Collections

Collections are relatively steady from month to month

(\$ Millions)

FY 2012

Month	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	FY12
Gross Income Tax Revenue	15.6	18.9	22.1	21.8	18.4	19.2	20.3	15.6	25.7	21.9	25.4	25.3	250.3
Refunds	(3.4)	(1.8)	(0.6)	(1.7)	(0.4)	(0.5)	(0.6)	(0.3)	(1.1)	(1.6)	(2.4)	(2.9)	(17.3)
<b>Net Income Tax Revenue</b>	<b>12.2</b>	<b>17.1</b>	<b>21.5</b>	<b>20.1</b>	<b>18.0</b>	<b>18.7</b>	<b>19.7</b>	<b>15.3</b>	<b>24.7</b>	<b>20.3</b>	<b>23.0</b>	<b>22.4</b>	<b>233.0</b>

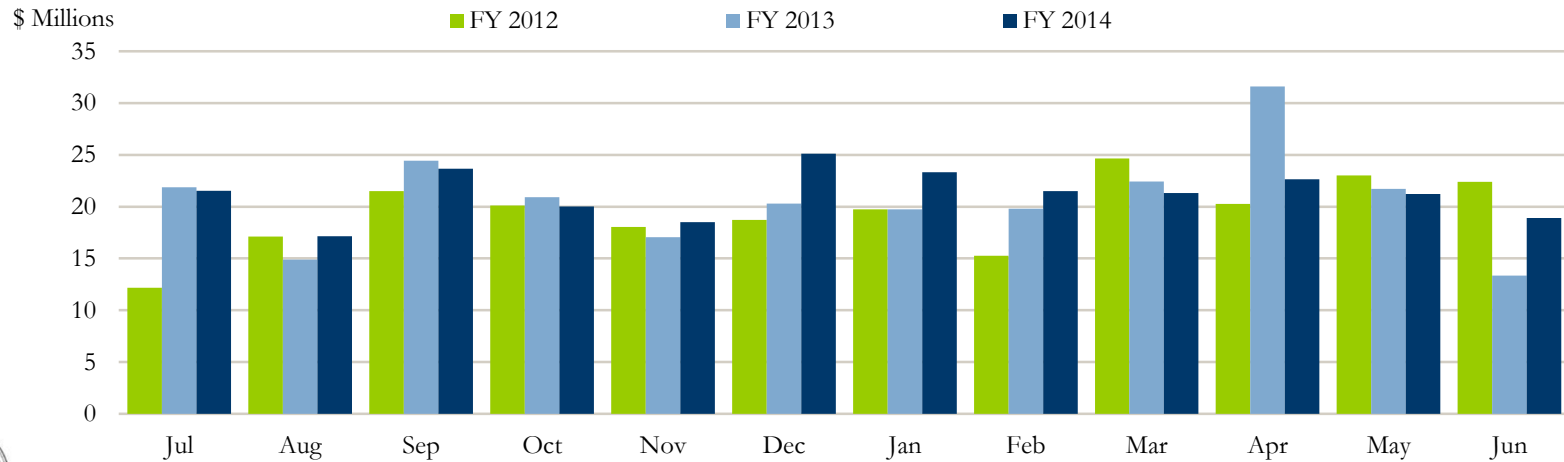
FY 2013

Month	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	FY13
Gross Income Tax Revenue	23.9	17.6	25.0	21.2	18.5	21.3	20.3	20.1	23.1	33.6	23.5	18.8	267.0
Refunds	(2.0)	(2.7)	(0.6)	(0.3)	(1.5)	(1.0)	(0.6)	(0.3)	(0.7)	(2.0)	(1.8)	(5.5)	(19.0)
<b>Net Income Tax Revenue</b>	<b>21.9</b>	<b>14.9</b>	<b>24.4</b>	<b>20.9</b>	<b>17.1</b>	<b>20.3</b>	<b>19.7</b>	<b>19.8</b>	<b>22.4</b>	<b>31.6</b>	<b>21.7</b>	<b>13.3</b>	<b>248.0</b>

FY 2014

Month	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	FY14
Gross Income Tax Revenue	24.2	18.2	25.0	22.1	19.5	25.5	23.9	21.8	22.0	26.6	21.8	25.1	275.7
Refunds	(2.6)	(1.0)	(1.3)	(2.1)	(1.0)	(0.4)	(0.5)	(0.3)	(0.6)	(4.0)	(0.6)	(6.3)	(20.8)
<b>Net Income Tax Revenue</b>	<b>21.5</b>	<b>17.1</b>	<b>23.7</b>	<b>20.0</b>	<b>18.5</b>	<b>25.1</b>	<b>23.3</b>	<b>21.5</b>	<b>21.3</b>	<b>22.6</b>	<b>21.2</b>	<b>18.9</b>	<b>254.9<sup>1</sup></b>

## 3 Year History of Monthly Collections



1. Unaudited – preliminary actuals.





# Approved Budget for Income Tax Revenue to Actual Results

\$ Millions

Income Tax Revenues Approved Budget to Actual <sup>1</sup>					
Fiscal Year	Approved Budget	Actual Revenues	Difference	% Difference	
2004	\$311.1	\$290.6	(\$20.5)	(6.6%)	
2005	319.0	282.5	(36.5)	(11.4%)	
2006	275.1	284.1	9.0	3.3%	
2007	271.4	278.3	6.9	2.5%	
2008	277.6	276.5	(1.1)	(0.4%)	
2009	275.0	240.8	(34.2)	(12.4%)	
2010	245.0	216.5	(28.5)	(11.6%)	
2011	215.0	228.3	13.3	6.2%	
2012	270.0	233.0	(37.0)	(13.7%)	
2013	225.2	248.0	22.8	10.1%	
2014	248.9 <sup>2</sup>	254.9 <sup>3</sup>	5.9	2.4%	

1. Source: CAFR, years 2004-2013.
2. Amount based on Fourth Amended POA Disclosure Statement inclusive of Base Case and RRI's.
3. Unaudited – preliminary actuals.



# Income Tax Revenue Composition and Collection Methods

\$ Millions

Type of Taxpayer	Tax Rate	Type of Income Subject to Tax <sup>2</sup>	Primary Method of Collection	2014 <sup>1</sup>		
				Taxable Income Base <sup>2</sup>	Tax Levy After Refunds <sup>2</sup>	Percent of Total
Resident Individuals	2.40%	Compensation, net profits, investments and other income	Employer withholding/ employee remittance of withholding taxes, estimated taxes All tax payments sent directly to the City (except for withholding tax)	\$6,514.5	\$156.3	61.3%
		Compensation from employment outside the City	Employee remittance of withholding tax, estimated taxes All tax payments sent directly to the City (except for withholding tax)			
Non-Resident Individuals	1.20%	All Income earned in The City	Employer withholding/ employee remittance of withholding tax, estimated taxes All tax payments sent directly to the City (except for withholding tax)	\$6,307.6	\$75.7	29.7%
Corporations	2.00%	Corporate income earned in the City, with allocations generally based on property, sales and payroll	All tax payments sent directly to the City (except for withholding tax)	\$1,142.5	\$22.9	9.0%
Total				\$13,964.6	\$254.9	100%

1. Unaudited – preliminary actuals.  
2. Income Tax as measured pursuant to Act 284.



# Projected Income Tax- Key Assumptions

The City's income tax forecasts incorporate reasonable assumptions

Municipal Income Tax										
(\$ Millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	FY2015-2023 Total
<b>Taxable Income</b>										
City Residents	6,533.4	6,680.7	6,827.2	6,974.0	7,124.5	7,279.5	7,437.9	7,599.7	7,765.0	64,221.9
Non-Residents	6,306.5	6,444.0	6,584.5	6,728.0	6,874.7	7,024.6	7,177.7	7,334.2	7,494.1	61,968.3
Corporations	1,186.6	1,234.1	1,271.1	1,296.5	1,322.5	1,348.9	1,375.9	1,403.4	1,431.5	11,870.5
<b>Total</b>	<b>14,026.5</b>	<b>14,358.7</b>	<b>14,682.8</b>	<b>14,998.6</b>	<b>15,321.7</b>	<b>15,653.0</b>	<b>15,991.5</b>	<b>16,337.3</b>	<b>16,690.6</b>	<b>138,060.7</b>
<b>Total Income Taxes</b>										
City Residents	156.8	160.3	163.9	167.4	171.0	174.7	178.5	182.4	186.4	1,541.4
Non-Residents	75.7	77.3	79.0	80.7	82.5	84.3	86.1	88.0	89.9	743.5
Corporations	23.7	24.7	25.4	25.9	26.4	27.0	27.5	28.1	28.6	237.3
<b>Total</b>	<b>256.2</b>	<b>262.3</b>	<b>268.3</b>	<b>274.0</b>	<b>279.9</b>	<b>286.0</b>	<b>292.2</b>	<b>298.5</b>	<b>304.9</b>	<b>2,522.3</b>

Key Assumptions										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	FY2015-2023 Average
<b>City Residents</b>										
Wage Growth	3.03%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.16%
Employment Growth	0.14	0.25	0.19	0.15	0.16	0.18	0.18	0.18	0.18	0.15%
<b>Total</b>	<b>3.17</b>	<b>2.25</b>	<b>2.19</b>	<b>2.15</b>	<b>2.16</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.32%</b>
<b>Non-Residents</b>										
Wage Growth	3.03	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.16%
Employment Growth	0.26	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.21%
<b>Total</b>	<b>3.29</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.18</b>	<b>2.37%</b>
<b>Corporations</b>										
State CIT forecast	5.70	5.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.65%
Detroit structural adjust.	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00%
<b>Total</b>	<b>4.70</b>	<b>4.00</b>	<b>3.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.65%</b>



---

# ERP System Implementation

John Hill, Chief Financial Officer  
Beth Niblock, Chief Information Officer



# Historical Context

---

## Financial Management System Background:

City undertook three separate approaches to quickly identify and select a Finance ERP solution.

- Participation in the Michigan Municipal Services Authority (MMSA) process
  - City's hope was this process would allow quick identification and implementation, however MMSA process was not successful
  - MMSA process did help Detroit define business needs and identify leading vendors
- State of Michigan entered into contract with CGI and offered to make available to Detroit
- City considered feasibility of updating current system



# Historical Context (continued)

---

## Human Resources Management Information System Background:

- Conducted third-party current state assessment of HR technology, HR operations and ADP contract to identify gaps, challenges and opportunities for cost reduction and potential options for process and system improvements
- Key themes of assessment included:
  - Ineffective/incomplete vendor assessment process
  - Paradigm shift was not facilitated prior to engagement of the new technology/vendor
  - Detailed Total Cost of Ownership analysis on ADP was not performed
  - Complex technology footprint retaining legacy systems and multiple data sources
  - Lack of robust implementation methodology/project governments
- Assessment defined three future state options:
  - Continue on current path with no changes
  - Re-negotiate ADP contract pricing; re-evaluate current implementation strategy and HCM solution
  - Source and select alternative vendor/solution

**Conclusion: Information about available systems, user requirements and various implementation options supports Detroit's decision to enter into a fast-track process.**



# Fast Track ERP Selection Process

---

**CFO and CIO are conducting a process to fast-track the design, selection and implementation of new ERP solution, including financial management system (FMS) and human resources management information system (HRMIS). Based on past experience implementing FMS and HRMIS systems, Detroit selected Ernst & Young to assist in guiding this process.**

- Initial Decision (Complete)
  - Only consider cloud-based solutions to increase speed of implementation, reduce likelihood of customization and minimize maintenance costs
- Planning and Vendor Notification Phase (Complete)
  - Identify and invite vendors to participate
  - Develop detailed plan and agendas for first and second solution sessions
  - Establish objective assessment criteria to be used in vendor scoring
- First Solution Functionality Sessions Phase (Complete)
  - Execute one-day sessions with vendors to demonstrate functionality of proposed solution based on end-to-end processes in scope
  - Obtain general information regarding service-level agreements, data governance, financials/deal terms and program management approach
  - Request pricing estimate and relevant references
  - Complete scoring templates for each vendor
  - Select and notify higher-scoring vendor to return for second session, or recommend full RFP



# Fast Track ERP Selection Process (continued)

---

- Second Solution Functionality Phase (Complete)
  - Execute second, one to two- day session with selected vendor to obtain information regarding additional solution capabilities, service delivery framework, pricing and an estimated implementation timeline
  - Execute reference checks
  - Complete updated scoring templates for each vendor
  - Analyze vendor pricing
  - Prepare recommendation of next steps for Steering Committee
  - Obtain Steering Committee approval for recommendation
  - Notify selected vendor and begin verification/contracting process
- Final Selection Phase (Ongoing – Dec. 2014)
  - Negotiations with financial management solution vendor and human resources management information system solution vendor
- Implementation Phase (Dec. 2014 – Dec. 2015)
  - Financial management solution and humans resources management information system onboarding, time and attendance capture and payroll processing solutions





# Change Control Review Board (CCRB)

---

Change Control Review Board (CCRB) is the decision making body with the oversight and authority to provide decisions on implementation of technology enabled changes. Two-phased approach:

- **Phase 1:** Change requests related to the decommissioning systems and financial management system and human resources management information system implementations
- **Phase 2:** All technology-related change requests from City, including department systems and legacy applications

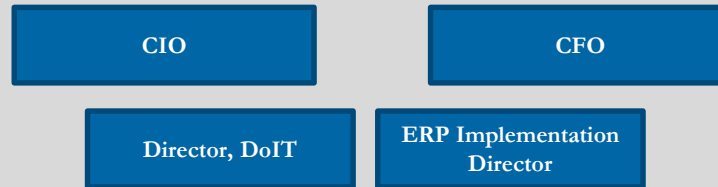
## Objectives include:

- Provide a conduit for the City to manage technology enabled changes and ensure interdependencies are considered prior to implementation
- Identify resource needs and prioritization for implementation of change requests
- Ensure best practice adoption and manage expectations around limiting deviations to legal, statutory or regulatory requirements
- Align technology changes with the strategic direction of the IT organization
- Provide visibility to the management of all technology related changes and their planned schedules
- Identify communication and change management needs related to change requests, initiate actions



# CCRB Structure

## Executive Steering Committee



## Change Control Review Board

### Project Managers and Approval Committee

IT Director

Finance Director  
or Deputy Director

HR Director  
or Deputy Director

Vendor  
Partner Manager

### Change Control Review Board Stakeholders

Process Lead -  
HR/Payroll

Process Lead -  
Accounts  
Receivable

Process Lead -  
Cash  
Management

Process Lead -  
Accounts  
Payable/T&E

Process Lead -  
General  
Ledger

Finance -  
Fixed Assets

Finance -  
Grants/Projects

Finance -  
Budget

Implementation  
Partner Manager

City Departments

Invited if necessary



---

# Department of Innovation & Technology Restructuring

Beth Niblock, Chief Information Officer



# Establishing the Department of Innovation and Technology (DoIT)

## Key tenets of EM Order No. 39 establishing a Department of Innovation and Technology:

- CIO shall be the Director of the Department of Innovation and Technology
- Department of Information Technology Services shall be a division of the Department of Innovation and Technology and report to the CIO
- Create organizational components and sub components within the Department of Innovation and Technology, as necessary
- CIO shall have restructuring authority to:
  - Centralize all information technology personnel
  - Centralize all information technology functions of the City
  - Provide management oversight, control and direction to all information technology personnel and activities
  - Create a new job classification and compensation system
  - Make any recruitment, hiring, retention, promotion, demotion, reassignment and other related personnel decisions for finance, budget, purchasing and grant activities throughout the City
- Other authority:
  - In coordination with the CFO, and with approval from the Mayor, the CIO has the authority to identify, negotiate, award, sign contracts and procure new finance, human resource, and public safety information technology solutions



## Summary observations from review:

- Little investment has been made in upgrading software systems to modernize technology
- Few to no policies, procedures or standards in place
- Vulnerable to security breaches to networks and applications
- Lack of change control resulting in unexpected problems and outages
- Unreliable network, email and various lines of business applications

## Recommendations include:

- Current organizational structure does not meet the current and future needs
- Network/infrastructure configurations and applications do not comprehensively meet needs
- IT security reviews should be conducted to mitigate wherever probable security breaches and threats exist
- A centralized IT governance structure should be established to deal with such items as:
  - IT Policy; IT spending priorities; IT standards; Major projects and returns on investment (“ROI”); Create a project management capability within the Department of Innovation and Technology; Develop and implement a standard process for initiating and reporting on project requests; Improve customer service and develop IT performance metrics



# Organizational Design Process

---

**The initial phases of restructuring have begun. Process will include:**

- Organizational scan of current state
- Benchmarking and best practices review
- Collect occupational information from local and national municipalities
- Review data from City of Detroit employees completed surveys
- Develop Occupational Job Specifications and Position Descriptions
- Map position allocation within organizational structure
- Local and national pay band benchmarking survey research
- Validate DoIT restructuring plan vs. Plan of Adjustment forecast
- Develop implementation rollout strategy
- Implement DoIT restructuring over the next 12 months



# **Restructuring Timetable**

---

## **Refine Organizational Model (Nov. 2014 – Jan. 2015)**

- Finalize organizational structure
- Complete benchmarking
- Create job specifications and position descriptions
- Develop pay band and grading system
- Identify training and development needs in information and technology
- Develop implementation plan

## **Implementation (Feb. 2015 – Oct. 2015)**

- Recruit, interview and select Department of Innovation and Technology staff
- Initiate outplacement services for displaced employees
- Continue to assess new organization configuration and make adjustments as necessary

## **Institutionalize Changes in Relation to ERP Solution (Nov. 2015+)**

- Review the Department of Innovation and Technology organization configuration based on ERP solution implementation
- Make adjustments to the Department of Innovation and Technology organizational configuration, as appropriate, based on ERP review
- Review position requirements in relation to ERP solution
- Make adjustments to positions, as appropriate, based on ERP review



---

# IT Infrastructure

Beth Niblock, Chief Information Officer





# DoIT's Operational Approach

---

Three parallel tracks help guide day-to-day operations:

## Internal

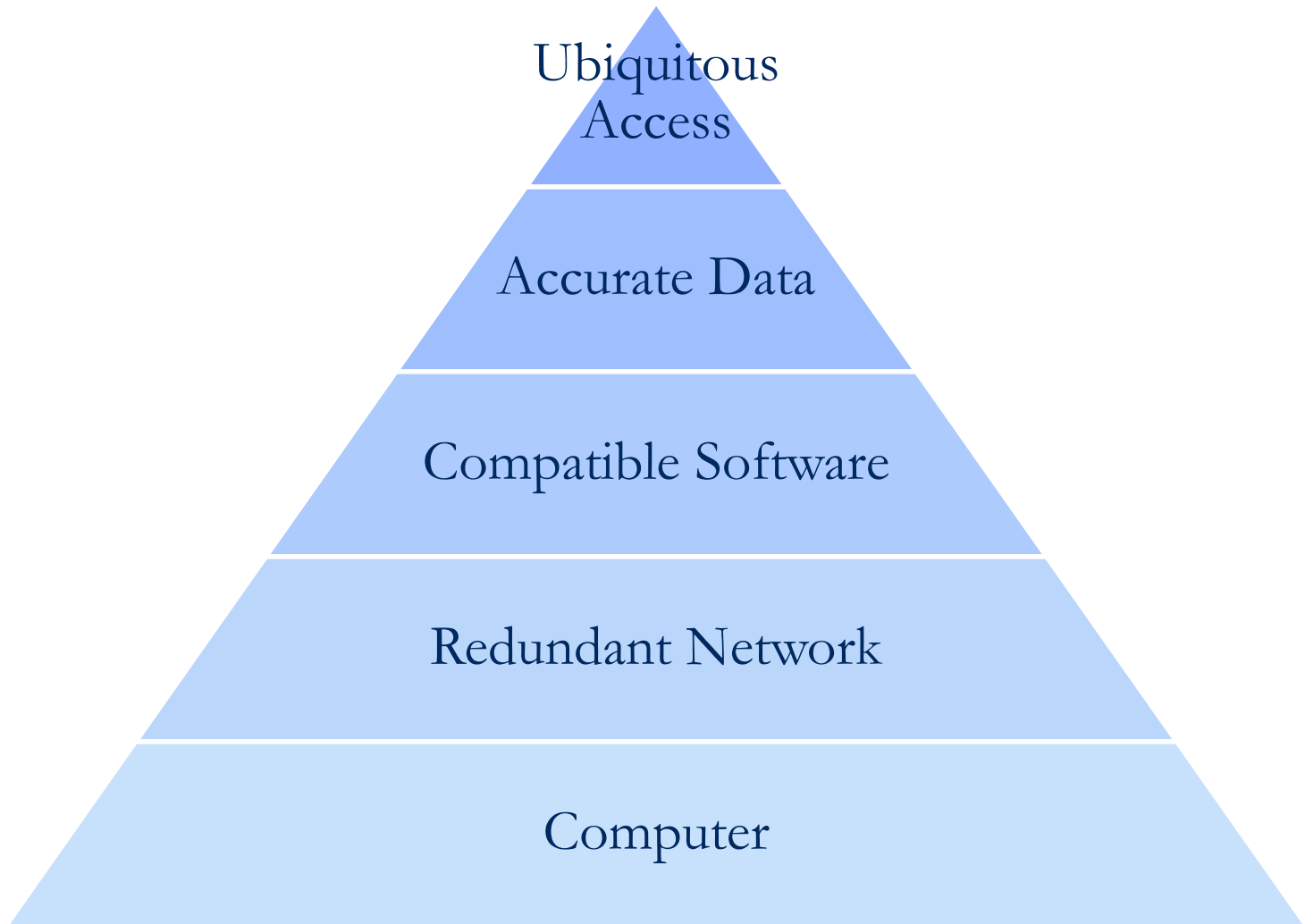
- Basic Operations

## External

- Government to Citizens
- Government to Businesses

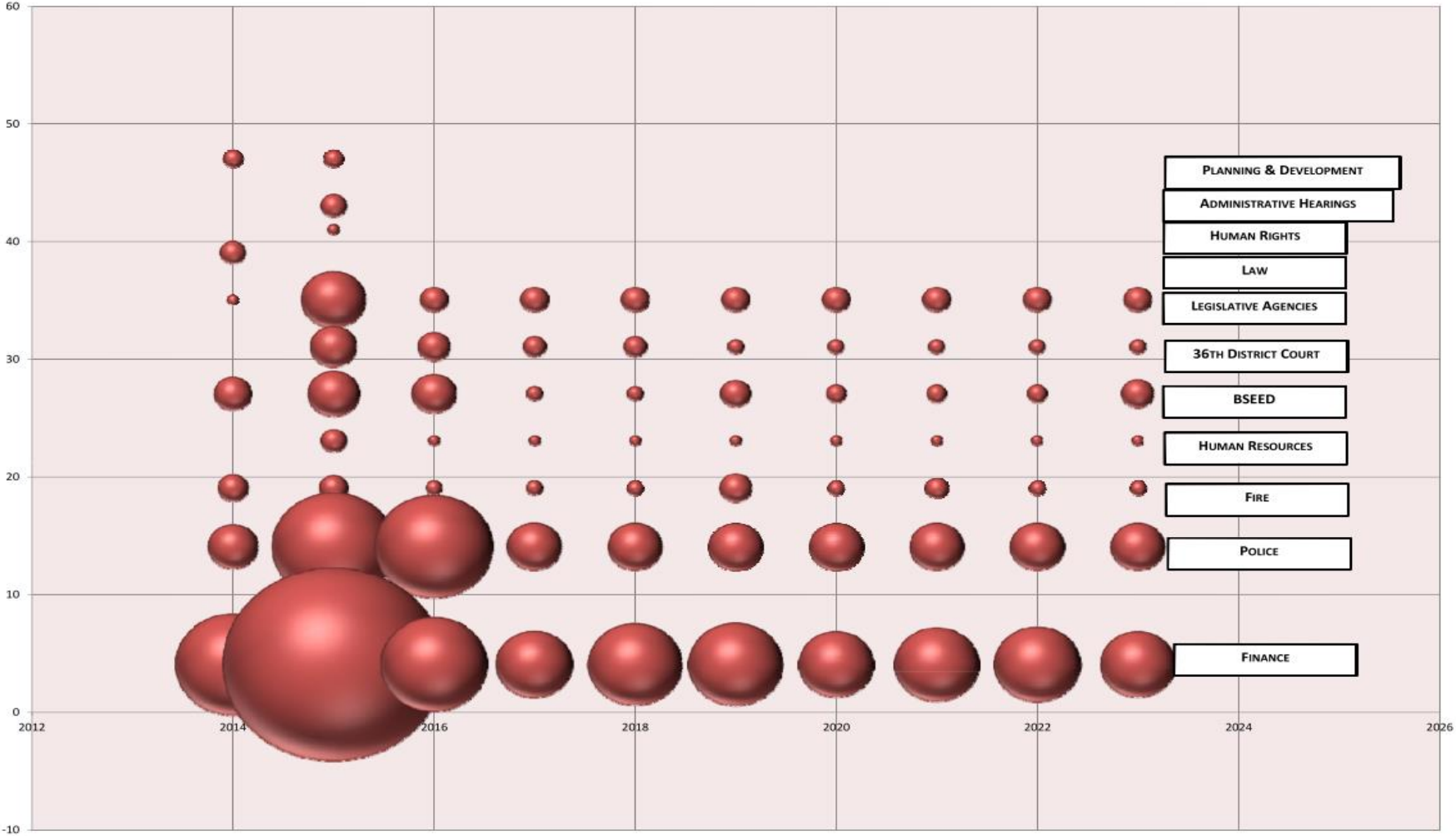
## Civic Innovation & Engagement





# Plan of Adjustment IT Projects

10 Year Plan of Adjustment - IT Project Summary



Multi-function Devices Deployed

City Tax Software

City Law Software

GroupWise Upgrade

Departmental Assessment

Enterprise Licensing Agreement

Network Stabilization & Monitoring



# Proactive Network Monitoring

Orion Summary Home

Export to PDF  
Monday, March 31, 2014 6:08:23 PM

### All Groups

- CoD Groupwise Mobile Sync Lyndon
- CoD VoIP Phone Systems
- Critical MDF/IDF CAYMC Switches
- Critical MDF/IDF DPSH Switches
- Critical MDF/IDF Lyndon Switches
- DRMS
- Internet
- Network Backbone Devices
- Police Remote Locations/Precincts
- Voice DHCP Server Lyndon
- Web Servers
- WorkBrain

### All Nodes

GROUPED BY LOCATION

- CAYMC
- DPD
- DPSH
- Ford Field
- ITS
- Lyndon

### Last 25 Events

LAST 7 DAYS

- 3/31/2014 11:10 AM Node DPD Mound DDC VSP's packet loss has dropped from above 40% to below 5% and is currently 0%.
- 3/31/2014 10:53 AM DPD Mound DDC VSP rebooted at 3/31/2014 10:50:00 AM
- 3/31/2014 10:52 AM NetPerMon Event Log: Group Police Remote Locations/Precincts is Up
- 3/31/2014 10:52 AM Group Police Remote Locations/Precincts is Up.
- 3/31/2014 10:51 AM DPD Mound DDC VSP is responding again. Response time is 3 milliseconds.
- 3/31/2014 10:51 AM DPD Mound DDC VSP has stopped responding (Request Timed Out)
- 3/31/2014 10:50 AM Node DPD Mound DDC VSP's packet loss has risen above 40% to 50%.
- 3/31/2014 10:50 AM NetPerMon Event Log: Group Police Remote Locations/Precincts is Warning
- 3/31/2014 10:50 AM Group Police Remote Locations/Precincts is in a Warning state due to member status. DPD Mound DDC VSP is in a Warning state.

### Map

Map showing network locations in Detroit, Michigan. Locations include: 8 Mile, 7 Mile, 6 Mile, 5 Mile, 4 Mile, 3 Mile, 2 Mile, 1 Mile, Lyndon, CAYMC, DPSH, DPD, and various VSP locations like DPD 12th VSP, DPD 11th VSP, DPD 9th VSP, DPD 6/8th VSP, DPD 2nd VSP, DPD 10th VSP, DPD 4th VSP, DPD Furniture VSP, DPD Training, DPD Mound DDC VSP, DPD Sherwood VSP, DPD Old Eastern Ops VSP, DPD 7310 VSP, CAYMC-Core B VSP, CAYMC-Core A VSP, DPSHQ-Core A VSP, DPSHQ-Core B VSP, Lyndon\_Core\_A, Lyndon\_Core\_B, and CoD Groupwise Mobile Sync Lyndon.

### Top 10 Interfaces by Percent Utilization

NODE	INTERFACE	RECEIVE	TRANSMIT
Lyndon_Core_A	1000GbicSx Port 4/5 Name - DPD_OptMAN - L1XN807493	8%	5%
CAYMC-Core A VSP	1000GbicSx Port 4/34 Name - COD_OPT-E-MAN	3%	5%
DPD Linwood_Training_VSP	1000BaseTX Port 1/1 Name - Optman	4%	4%
Lyndon_Core_8610	1000Gbic850Sx Port 4/30 Name To VSP9k_A Port 4/48 - Slot 4, Port 30	6%	2%
CoboHall Fortigate FW	port5 - COD_Network	1%	5%
CoboHall Fortigate FW	port6	5%	1%
DPD_2121_Fort_VSP	1000BaseTX Port 1/1 Name - Optman	2%	3%
Lyndon_Core_A	1000GbicSx Port 4/12 Name - COD_OptMAN	...	...

retirement.jpg | images.jpg | red circle.jpg | mainframe.gif | Show all downloads...

6:08 PM 3/31/2014



## Mainframe Retirement

- Payroll
- DPD Property System (12/15 go live)
- DDOT
- BSEED

## Citizen Input System (311)

## Mobility Strategy & Standards

## Computer Aided Dispatch (Public Safety)

## Records Management System (Public Safety)

## Desktop Environment Upgrade



# PC Upgrade Project Goals

---

Hardware Upgrade

Standard Operating System (W7)

MS Office Upgrade (MS Office 2013)

Universal PC Image

Desktop Automation and Management

- Active directory
- SCCM










Security

- Passwords
- Shared drives and document backup and storage

User Training



# High Level Timeline

Phase	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Department Interviews								
Physical inventory / asset tagging								
Application discovery and assessment								
Software remediation								
Windows 7 Readiness								
Image Engineering								
Image Deployment Tools								
Application Packaging								
Hardware Deployment								





# External: Government to Citizens & Government to Businesses

---

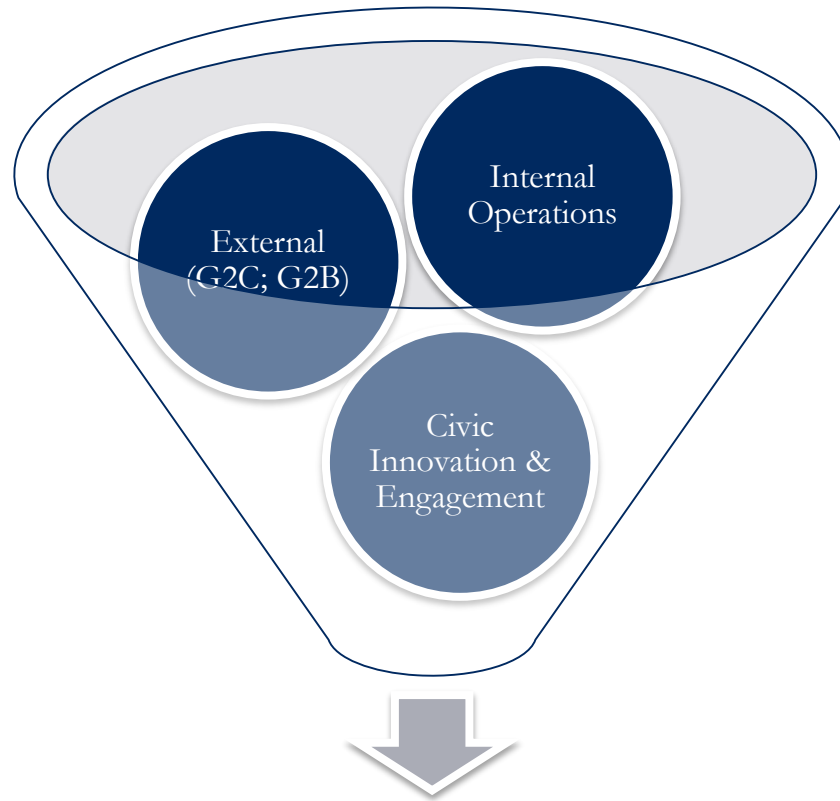


# Civic Innovation and Engagement

---

- Successfully hired a Deputy Director of Technology & Community Engagement through foundation grants
- Open Data
  - Promote transparency
  - Minimize FOIA requests
- Coordinate data requests within City
- Assist departments in “liberating” data in a repeatable, methodical manner





- ✓ **Promote accountability for the delivery of high-quality services**
- ✓ **Identify areas of weakness through proactive approaches**
- ✓ **Data-driven decision making to ensure effective and efficient resource allocation**
- ✓ **Provide transparency into how Detroit is performing**



---

# Great Lakes Water Authority & DWSD

Gary Brown, Chief Operating Officer



# Great Lakes Water Authority & DWSD

---

Limited amount of information can be shared currently due to Judge Cox's gag order

## How we got here:

- 30 years DWSD has been under Federal Consent Decree due violations of the Federal Water Act
- 50 years of lack of investment into the water system

## Current Progress:

- Memorandum of Understanding between 4 jurisdictions
- Veolia Peer Report
- Transition Plan for Retail Operation
- Subcommittees have been formed between the City of Detroit and DWSD to assess and coordinate transition



## Key Completion Steps:

### Short Term

- Articles of Incorporation need to be filed by all jurisdictions
- Lease Agreement
- Operations and Maintenance Agreement
- Temporary Service Agreement

### Mid Term

- Develop a stand alone Retail Operation
- Look for opportunities for Shared Services between the City and DWSD

### Long Term

- Strengthen Retail Operations based on Industry Best Practices



---

# City of Detroit Fleet

Gary Brown, Chief Operating Officer



## Previous State of the Fleet

- Over \$100M in vehicle assets (2900 vehicles)
- Average age of the fleet: 8.5 years
- Scheduled Maintenance: 3%
- Assets are not tracked well
- 22 accidents in just one department last month

## Actions taken

- Assessment of the fleet
- Hired an Executive Fleet Manager
- Created a Fleet Steering Committee
- Reduced Fleet Size to 2400 vehicles
- Scheduled Maintenance: 28%
- Updated policies & procedures
- GPS installation on all City Vehicles
- Implementing Performance Standards

## Benefits

- Right Sized Fleet
- Higher vehicle resale value
- Less vehicle downtime
- Vehicle repairs are less severe
- City Motor Pool
- Faster Response Times
- Metric Tracking
- Improved Cost Tracking
- Improved Worker Morale
- Improved Public Image

