

DETROIT FINANCIAL REVIEW COMMISSION

REGULAR MEETING

Monday, April 17, 2017 at 1:00 p.m.
Cadillac Place, Suite L-150
3062 West Grand Boulevard
Detroit, MI 48202

AGENDA

- I. Call to Order**
- II. Roll Call**
- III. Approval of Proposed Minutes from the March 27, 2017 City Meeting**
- IV. Executive Director's Report**
- V. Old Business**
 - a. Consideration of the City's FY 2018-FY 2021 Four-Year Financial Plan per MCL 141.1636(4) (FRC Resolution 2017-8)
- VI. New Business**
 - a. Presentation of the City's Monthly Financial Report.
 - b. Consideration of the City's April fiscal year 2017 budget amendment requests per MCL 141.1637(c) (FRC Resolution 2017-9)
 - c. Consideration of the City's April 2017 contract approval requests per MCL 141.1636(6) (FRC Resolution 2017-10)
- VII. Public Comment**
- VIII. Next Meeting Date**
 - a. Regular Meeting: Monday, May 22, 2017 at 1:00 p.m. at Cadillac Place, 3062 West Grand Boulevard, Suite L-150, Detroit, MI 48202.
- IX. Adjournment**



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

RESOLUTION 2017-8

**APPROVING THE CITY OF DETROIT’S FOUR-YEAR FINANCIAL
PLAN FOR FISCAL YEAR 2018 THROUGH FISCAL YEAR 2021**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the “Act”), allows for the creation of the Detroit Financial Review Commission (the “Commission”) within the Michigan Department of Treasury; and

WHEREAS, Section 6(1) of the Act empowers the Commission to provide oversight for the City of Detroit (the “City”) beginning on the Effective Date of the Plan of Adjustment; and

WHEREAS, Section 6(4) of the Act provides that during the period of oversight, the Commission shall review and approve the City’s four-year financial plan required by Section 4t of the Home Rule City Act; and

WHEREAS, Section 6(3) of the Act further requires the Commission to ensure that the City complies with the requirements of Section 4t of the Home Rule City Act; and

WHEREAS, Section 4t of the Home Rule City Act requires, among other things, that the City’s four-year financial plan include contributions necessary to assure that pension systems for employees and retirees of the city are adequately funded; and

WHEREAS, the City submitted its four-year financial plan for fiscal year 2018 through fiscal year 2021 (the “four-year financial plan”) to the Commission on March 23, 2017 and publicly presented the four-year financial plan at the Commission meeting on March 27, 2017 for the Commission’s review and consideration; and

WHEREAS, Section 6(4) of the Act requires the Commission to approve or disapprove the City's four-year financial plan submission within 30 days of receipt.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the City's four-year financial plan, as submitted to the Commission on March 23, 2017, is hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

DATE: April 13, 2017

TO: Financial Review Commission Members

FROM: Ronald L. Rose, Executive Director
Kevin Kubacki, CPA, Financial Specialist
Martha E.M. Kopacz, Phoenix Management Services
Michael Gaul, Phoenix Management Services

SUBJECT: **City of Detroit FY2018-2021 Financial Plan Review**

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I. EXECUTIVE SUMMARY

In accordance with the Michigan Financial Review Commission Act (PA 181 of 2014), the City submitted its FY2018-2021 four-year financial plan to the Financial Review Commission (FRC) 100 days before the start of the 2018 fiscal year (March 23, 2017 for the fiscal year beginning July 1, 2017). The City publically presented its plan to the FRC at the March 27, 2017 meeting. The FRC will act on the City’s submitted financial plan at its April 17, 2017 regular meeting.

This report provides the FRC staff’s review and analysis of the City’s financial plan and includes recommendations for further actions, as appropriate. All of the numbers shown are taken directly from the City’s four-year plan. Some analysis has been derived from additional information provided by the City at our request. We provided an earlier draft of this report to the City for input. The City’s input insured factual accuracy of the contents of the report and in many instances, added to the clarity of the discussion with thoughtful edits. However, none of the City’s input sought to change the comments or recommendations of the FRC staff.

A. Budget Approvals Process and Historical Context

The FRC came into existence in December 2014 upon the confirmation of the City of Detroit’s Plan of Adjustment (POA) by the U.S. Bankruptcy Court. At that time, the City was operating under the Emergency Manager’s Budget which, pursuant to State statute, covered the first two years after the Emergency Manager’s tenure, or in this case, post-bankruptcy. The Emergency Manager’s Budget was prepared in the fall of 2014. As such, the City Budgets for FY2015 and FY2016 (fiscal years ending June 30, 2015 and June 20, 2016, respectively) were largely developed prior to the FRC.

For the FY2016 Budget Cycle, the FRC’s budget review primarily consisted of ensuring that the proposed budget by the City in the Spring of 2015 was consistent with the Emergency Manager’s budget and the POA and that any changes between the City’s FY2016 Budget and the Emergency Manager’s budget were appropriate.

The FY2017 Budget Cycle was the first cycle, post-bankruptcy, in which the Mayor and the City Council worked through a process by which they jointly presented a budget to the FRC for approval. The FRC's budget review for FY2017 focused on the impact of reorganization activities on-going at the City that affected revenues and expenses projections, as well as the budget's consistency with the reinvestment initiatives outlined in the POA.

This budget for FY2018, and the underlying four-year plan, are different from the prior years' budgets and plans for several reasons. First, the significant restructuring of the Office of the Chief Financial Officer, the Department of Innovation and Technology, and the Public Safety departments has changed the information available to evaluate the projections; activities that were only envisioned in prior years are now a reality, making future planning easier. Second, departmental activities no longer segregate "baseline" activities from "restructuring" activities, making department budgets more straightforward and comparable year-over-year. Lastly, the FRC faces the possibility that after the City completes its FY2016 Comprehensive Annual Financial Report (CAFR) and FY2017 CAFR, expected later this year, the City will have successfully produced three years of budgetary surplus and the FRC may reduce its oversight.

For these reasons, the FRC Staff focused on the FY2018 Budget in detail, at a departmental level, monitoring all of the City Council Budget Hearings with Department Heads, reviewing the work of the Legislative Policy Division, and conducting our own due diligence with the OCFO and others, as we deemed appropriate. The last three years of the FY2018-2021 four-year plan rely heavily on the baseline amounts in FY2018. We believe understanding the programmatic activities and priorities at the department level, now, will allow the FRC to evaluate future budgets and plans more efficiently a year from now even though there may not be the detailed review of these matters as frequently as there has been over the past two plus years.

B. FY2018 Budget Overview

An overview of the FY2018-2021 four-year plan are summarized below and presented in greater detail throughout this Report. The following table presents General Fund information:

(\$000's) Fiscal Year	Adopted 2017	Recommend 2018	Forecast 2019	Forecast 2020	Forecast 2021
Revenues					
Taxes, Assessments, and Interest	\$ 604,863	\$ 627,299	\$ 637,575	\$ 648,119	\$ 658,949
Grants, Shared Taxes, and Revenues	196,619	196,965	197,357	197,752	198,137
Sales and Charges for Services	123,385	121,052	121,007	121,234	122,942
Fines, Forfeits, and Penalties	22,212	25,290	25,226	25,226	25,176
Contributions and Transfers	25,194	22,055	21,849	21,846	21,796
Miscellaneous	10,565	12,756	13,488	13,489	13,471
Licenses, Permits, and Inspection Charges	11,203	10,143	10,147	10,148	10,148
Sales of Assets/Compensation for Losses	14,442	5,553	5,695	5,695	5,695
Revenues from Use of Assets	1,345	3,299	3,299	3,299	3,299
Total - Revenues	\$ 1,009,829	\$ 1,024,412	\$ 1,035,645	\$ 1,046,809	\$ 1,059,614
Expenditures					
Salaries and Wages	\$ 404,490	\$ 427,998	\$ 427,991	\$ 413,034	\$ 408,980
Employee Benefits	186,901	192,132	197,302	197,302	201,224
Other Expenses	130,659	122,959	131,784	129,143	131,686
Operating Services	108,729	85,462	85,125	100,697	110,334
Fixed Charges	75,405	61,261	74,371	93,055	98,090
Professional and Contractual Services	65,981	75,756	72,476	68,661	65,798
Operating Supplies	28,310	39,055	37,513	35,835	34,420
Capital Equipment	8,851	19,417	8,712	8,710	8,710
Capital Outlays	504	372	372	372	372
Total - Expenditures	\$ 1,009,829	\$ 1,024,412	\$ 1,035,645	\$ 1,046,809	\$ 1,059,614
Revenues - Prior Years Surplus	\$ 67,852	\$ 50,000	\$ -	\$ -	\$ -
Expenditures - Surplus Funded					
Blight Reduction	\$ 40,000	\$ 30,000	\$ -	\$ -	\$ -
Capital Projects	27,852	10,704	-	-	-
Capital Equipment	-	9,296	-	-	-
	\$ 67,852	\$ 50,000	\$ -	\$ -	\$ -

Revenues

The City's FY2018-2021 revenue projections are based on the February 2017 Revenue Estimating Conference as required by Public Act 182 of 2014. These estimates appear reasonable in light of the City's recent budgetary discipline and the imbedded assumptions in the FY2018-2021 four-year plan. The major revenue assumptions are consistent with the City's actual results in recent years.

However, we are mindful that the City's revenue forecast faces risks, including reduced Federal funding, decreased State Revenue Sharing, and declining macroeconomic trends with a corresponding impact on the City's tax revenues. While the City is a party and beneficiary to numerous economic development initiatives which could bring additional revenues to Detroit, the City has taken a conservative position to not take anticipated revenues until they are actually realized.

Talent Management

The FY2018 budget assumes the City is able to employ qualified staffing for 9,439 budgeted positions. At present, more than 700 positions included in the current FY2017 budget remain unfilled. Therefore, if the City achieves its annual FY2018 revenue forecasts, and other expenditures do not increase, it is likely the City will generate a budget surplus in FY2018 as a result of continuing open positions throughout the year.

The FY2018-2021 four-year plan assumes annual Salary and Wage adjustments, inclusive of general wage increases, merit increases, the impact of employee retirements, employee attrition, and reduced overtime. Employee benefits are assumed to increase as a result of very modest increased healthcare premiums.

The four-year plan is in alignment with current collective bargaining agreements. If the City enters into future amendments or new collective bargaining agreements increasing wages the City must make any such changes in conjunction with budget amendments.

Pension Obligations

As more fully described in Section VII.A. below, the City discovered, after the City's Plan of Adjustment (POA) was effective in December 2014, that the projections of pension liabilities, upon which the POA was based, were understated. The understated liabilities may result in higher required contributions from the City's General Fund after the end of FY2023 than was anticipated in the POA.

In order to deal with the possibility of materially larger contributions after FY2023, the City has developed a plan. The City has included, in its ten-year pro forma model, a contribution to a pension trust - called the Retiree Protection Trust – in the sum of \$335 million between now and FY2023. The fund, including interest earned on the \$335 million contribution, may only be used for contributions to the City's legacy pension plans in years after FY2023. By the end of the current four-year financial plan (which ends June 30, 2021), the City has committed to contribute \$220 million of the total anticipated contributions of \$335 million.

Blight Remediation

The City's commitment to blight remediation comes in two forms: funding for the Detroit Land Bank Authority (DLBA) and funding for remediation of blighted structures. The four-year plan assumes \$44 million of dedicated funding for blight remediation in FY2018, with \$14 million dedicated to the DLBA and \$30 million dedicated to remediation. In the following three years (FY2019-2021), the assumed blight expenditures are limited to the \$14 million annual funding for DLBA. Consistent with previous practice, any additional blight initiatives during FY2019-2021 will come from actual budget surpluses or external funding sources.

Capital Agenda

The City's General Fund capital needs continue to outweigh resources currently available to meet that need. The capital fund needs not funded by the general fund are generally being met. The City has decided not to incur additional general fund debt at this time. It continues to focus on the improvement of its credit rating. The administration has taken a reasonable approach to funding new General Fund capital projects with prior year budgetary surpluses. We believe the City's careful and thoughtful approach to prioritizing capital projects is consistent with the City's priorities.

II. FINANCIAL PLAN OVERVIEW

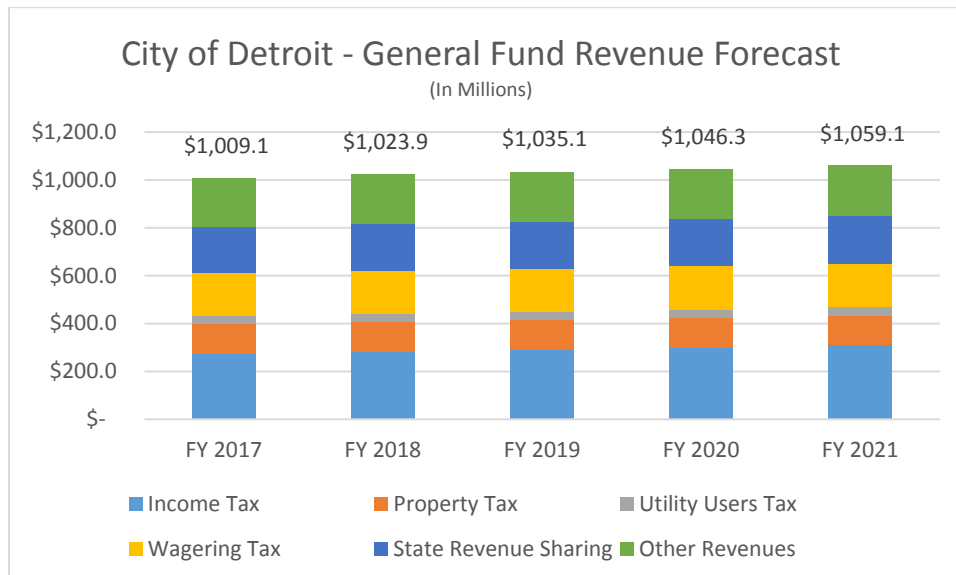
The City’s FY2018-2021 four-year financial plan proposes City-wide spending of \$1.879 billion in FY2018, \$1.921 billion in FY2019, \$1.940 billion in FY2020, and \$1.961 billion in FY2021. This spending is supported by the revenue estimates approved at the City’s February Consensus Revenue Estimating Conference plus the use of \$50 million of prior-year surplus in FY2018 to support blight remediation and capital projects. A more detailed analysis of General Fund revenues is provided in the next sub-section and expenditures are discussed in detail in Sections III and IV.

Exclusive of General Fund proceeds, the four-year financial plan includes proposed spending from the City’s separate grant funds, special revenue funds, and enterprise funds, which are supported by restricted revenues. The City’s financial plan estimates those funds will total \$855 million in FY2018, \$885 million in FY2019, \$893 million in FY2020, and \$902 million in FY2021. Nearly half of these funded sources support the Detroit Water and Sewerage Department (DWSD-R) and the Detroit Department of Transportation (DDOT). These departments are discussed in detail in Section IV - Departmental Reviews – Enterprise Agencies.

The four-year plan was developed by preparing detailed estimates of expenses for FY2018 and then using those estimates to forecast the remaining three years. In some cases, specific adjustments were made in the forecasts for FY2019-2021 if there were known changes expected in the activities. Otherwise, most of the forecasted amounts for this three year period are formulaic and predicated upon FY2018 as a baseline.

A. Revenue Forecast – General Fund

The City’s revenue projections are based on the February 2017 Revenue Estimating Conference as required by Public Act 182 of 2014. The City of Detroit has five major revenues that represent 75% of General Fund revenues: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax, and Utilities Users’ Tax. The FY2018 General Fund anticipates revenues of \$1,023.9 million. This represents an increase of \$14.8 million from FY2017. Overall, the City anticipates revenues to continue to rise over the course of the four-year plan. Listed below is a summary of City’s overall revenue projections with further detailed discussion to follow:



1. Municipal Income Tax

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated Revenue	\$275.0	\$283.3	\$291.7	\$300.5	\$309.5

As authorized under Public Act 284 of 1964, and amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an income tax on income from all sources with minimum exemptions. The current municipal income tax rate is 2.4% for residents, 1.2% for non-residents, and 2.0% for corporations. More than 85% of the income taxes collected are derived from withholdings. The February 2017 Revenue Estimating Conference estimates FY2018 municipal income tax at \$283.3 million. This reflects an increase of 3.0% from the previous year. FY2019-2021 forecasts continue this upward trend with growth estimated at 3.0% each year.

In January 2016, the State of Michigan began processing the City's resident and non-resident individual income tax returns. In January 2017, the State began processing withholding activity, and corporate and partnership returns. In addition, the City is taking further measures to improve collections through enhanced outreach, field audits, and contracting with an outside collection agency. These efforts have led to 725 new entities withholding City income tax.

2. Property Taxes

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated Revenue	\$124.0	\$124.0	\$124.0	\$124.0	\$124.0

Article IX of the State Constitution, sections 3 and 6, authorizes the levy of taxes on real and personal property not otherwise exempt. The City currently levies the maximum tax permitted by law. The February 2017 Revenue Estimating Conference estimates property tax revenue to remain flat at \$124.0 million over the course of the four-year plan.

The Office of the Chief Financial Officer's (OCFO) outlook on the ad valorem valuations for FY2018 indicates a much lower decline in assessed values than previously estimated. Of note, the City is experiencing growth in property values in certain neighborhoods that may eventually lead to increased taxable valuation for the City. Completion of the City-wide reassessment of residential properties in 2016 did not significantly impact the FY2018 budget. The City's residential taxable value after the reassessment was complete is an estimated \$2.308 billion.

The Assessor's office is in the process of reassessing commercial and industrial properties and expects to complete them in calendar year 2018. The current commercial and industrial taxable value is approximately \$3.707 billion and any change in value will affect future budgets.

3. Utility Users' Tax

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated Revenue	\$35.0	\$35.0	\$35.0	\$35.0	\$35.0

The City levies a utility users' tax as permitted under Public Act 100 of 1990, as amended in 2012. The tax is based on consumption of electricity, gas, steam, and telephone land lines within the City limits. The City currently levies the maximum tax rate of 5%. In developing the plan estimate, the City reviewed prior year collections which were higher than anticipated. However, the City anticipates that future natural gas prices and utility consumption will be lower which will offset the higher collections. Based on these assumptions, the February 2017 Revenue Estimating Conference estimates the Utility Users' Tax will remain flat at \$35 million over the course of the four-year plan.

3. Wagering Taxes

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated Revenue	\$176.0	\$177.8	\$179.6	\$181.4	\$183.2

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under the Michigan Gaming Control and Revenue Act, as amended. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements that increase the total percentage collected to 11.9% of gross receipts. Estimated wagering tax revenues for FY2018 are \$177.8 million and the City projects a 1% increase over the course of the four-year plan.

Detroit casinos have rebounded from the 2014 decline in revenues because of the opening of casinos in Ohio. New casinos or gaming operations opened within a 50 to 150 mile radius of the City would likely exert negative pressure on Detroit casino revenues. Of the City's major revenues, wagering taxes continue to be the most volatile due to macroeconomic factors and factors outside the City's control.

4. State Revenue Sharing

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated Revenue	\$195.2	\$196.1	\$196.5	\$196.9	\$197.3

Revenue sharing payments from the State are derived from two components: constitutional and statutory payments. Constitutional payments are guaranteed under the State Constitution and are calculated as 15% of 4% of the State's sales tax collections. Statutory payments are based upon municipalities meeting qualitative requirements for revenue sharing. The February Revenue Estimating Conference estimates for Detroit's constitutional revenue sharing payments are based on the current State payments projected by the

Michigan Department of Treasury’s revised Sales Tax revenue projections. Statutory revenue sharing payments are based on the State of Michigan January 2017 Consensus Revenue Estimating conference as required under MCL 432.212.

5. Other Revenues

(\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Baseline (on-going) Estimated Revenues	\$198.0	\$194.5	\$194.6	\$194.6	\$196.2
Reinvestment Initiatives	\$5.9	\$13.2	\$13.7	\$13.9	\$13.9
Total Other Revenues	\$203.9	\$207.7	\$208.3	\$208.5	\$210.1

Other Revenues consist of charges for services, fines and penalties, assessments, and other various departmental activity charges. Departmental revenues were reduced for the FY2018 budget and remain relatively consistent throughout the four-year plan. The City’s forecast remains conservative as it predicts very little departmental revenue growth. Finally, reinvestment initiatives, as identified in the POA, have been eliminated in situations in which they are no longer expected to be realized and individual department revenue estimates are now developed based on the totality of the department’s activities.

B. Appropriations Forecast

The City’s FY2018-2021 four-year plan, for the major expenditure categories, is generally forecasted on a percentage growth basis as compared to the approved FY2017 budget. Then adjustments for departmental specifics were factored in. The baseline compensation amounts reflect actual salaries for filled positions and the midpoint of the salary range for current vacancies. In the table below, the key annual assumptions – by fiscal year – are detailed.

City of Detroit - FY2018-2021 General Fund Budgeting Assumptions

Fiscal Year	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Salaries & Wages	2.50%	2.50%	2.00%	2.00%
Merit Increase	2.50%	0.00%	0.00%	0.00%
Reduction (Overtime, Turnover)	<u>0.00%</u>	<u>-2.50%</u>	<u>-5.50%</u>	<u>-3.00%</u>
Total	5.00%	0.00%	-3.50%	-1.00%
Employee Benefits	0.00%	0.25%	-3.25%	0.75%
Operating Supplies	0.00%	-4.00%	-4.50%	-4.00%
Professional/Contractual Services	0.00%	-4.00%	-6.00%	-5.00%

Annual Salaries and Wages growth assumptions are comprised of three components: general wage increase (either contractually obligated or not), merit increases, and overall reduction in wages due to decreased overtime and/or savings from employee turnover and retirements. The City's four-year plan assumes a 2.5% general wage growth in FY2018 and FY2019 and a 2.0% growth in FY2020 and FY2021. In addition to the budgeted general wage growth, a 2.5% merit increase is assumed in FY2018, with no further merit increases assumed for the remaining three years. Lastly, the City's plan assumes Salary and Wage reductions due to initiatives targeted to reduce overtime and savings from employee turnover and attrition, particularly related to public safety department retirements. These estimated Salary and Wage reductions range from 2.5% in FY2019 to 5.5% in FY2020 to 3.0% in FY2021. Employee Benefits are assumed to increase 0.25% in FY2019, decrease 3.25% in FY2020, and increase 0.75% in FY2021 due to the net effect of employee attrition being partially offset by increased insurance premiums.

In addition to budgeted personnel savings, the City's four-year plan assumes non-personnel expense reductions throughout the FY2018-2021 period. Operating Supplies are forecasted to decrease between 4.0% and 4.5% during the FY2019-2021 period. Lastly, Professional and Contractual Services, beginning with a 4% decline in FY2019, and are assumed to decline further in FY2020 (6%) and FY2021 (5%).

The following table details the annual budgeted expenditures – by department and by agency – for FY2018-2021. The top five departments in total budgeted expenditures for the four-year period are Police, Sewerage – Retail, Non-Departmental, Department of Public Works, and Fire and account for 59% of all budgeted expenditures. Discussions regarding individual department budgets are contained in the next two sections.

(\$ millions) Fiscal Year	Adopted 2017	Recommend 2018	Forecast 2019	Forecast 2020	Forecast 2021	Total Forecast FY2018-2021
<u>GENERAL CITY AGENCIES</u>						
<u>Department</u>						
Police	\$ 310	\$ 313	\$ 313	\$ 303	\$ 300	\$ 1,228
Department of Public Works	116	126	130	136	144	536
Fire	125	135	147	126	126	534
General Services	64	71	69	66	64	270
Office of the Chief Financial Officer	55	57	57	55	55	223
Housing and Revitalization	44	48	47	47	47	188
Dept. of Innovation & Technology	31	35	34	33	32	134
Public Lighting	31	32	32	32	32	127
Dept. of Health and Wellness	29	30	30	29	29	118
Recreation	21	24	24	23	23	95
Law	16	16	16	15	15	61
Human Resources	11	14	14	14	13	55
Mayor's Office	10	10	10	10	10	41
Planning and Development	6	7	7	7	7	28
Human Rights	1	2	2	2	2	7
Dept. of Administrative Hearings	1	1	1	1	1	4
Subtotal - Executive Agencies	\$ 871	\$ 920	\$ 931	\$ 897	\$ 900	\$ 3,648
City Council	9	11	10	9	9	38
Department of Elections	11	9	9	8	8	34
Auditor General	3	3	3	3	3	13
City Clerk	2	2	2	2	2	9
Inspector General	1	1	1	1	1	5
Ombudsperson	1	1	1	1	1	4
Board of Zoning Appeals	1	1	1	1	1	2
Subtotal - Legislative Agencies	\$ 28	\$ 28	\$ 27	\$ 25	\$ 25	\$ 105
36th District Court	\$ 34	\$ 35	\$ 35	\$ 34	\$ 34	\$ 138
Non-Departmental	\$ 321	\$ 280	\$ 246	\$ 285	\$ 305	\$ 1,117
Debt Service	\$ 68	\$ 60	\$ 60	\$ 60	\$ 60	\$ 240
Total - General Fund City Agencies	\$ 1,321	\$ 1,322	\$ 1,299	\$ 1,302	\$ 1,324	\$ 5,247
<u>ENTERPRISE AGENCIES</u>						
Sewerage - Retail	269	279	289	300	300	1,168
Department of Transportation	134	133	133	133	133	532
Water - Retail	115	120	125	130	130	504
Library	33	33	33	33	33	132
Buildings & Safety	22	26	26	26	26	105
Municipal Parking	14	15	15	14	14	58
Airport	2	2	2	2	2	7
Total - Enterprise Agencies	\$ 589	\$ 607	\$ 622	\$ 638	\$ 638	\$ 2,505
Total - City of Detroit	\$ 1,910	\$ 1,929	\$ 1,921	\$ 1,940	\$ 1,961	\$ 7,752

C. Budget Surplus

The POA assumed the City would utilize surplus funding for identified reinvestment projects in the year the surplus was created. The City’s budget process takes a more conservative approach, and authorizes the use of surplus funding only after it has been realized. These funds are separate and distinct from the required City Budget Reserve of not less than 5% of projected expenditures for each fiscal year.

In FY2017, the City expects to use \$67 million of the unassigned fund balance to make targeted investments related to blight remediation of \$40 million and identified capital projects of \$27 million. The FY2018 budget assumes \$50 million will be available from unassigned fund balance and intends to use those funds for blight remediation, capital projects, and capital equipment. The remaining years of the City’s four-year plan do not project surpluses, and therefore, there are no identified reinvestment investments in those years.

Budget surpluses in FY2016 and FY2017, (actual and expected, respectively) have been allocated to additional legacy pension funding as discussed elsewhere in this document. However, contributions to the proposed Retiree Protection Fund, Section 115 trust, now has amounts budgeted expenditures in the FY2018-2021 four-year plan.

(\$000's) Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Surplus - Prior Year	\$ 67,852	\$ 50,000	\$ -	\$ -	\$ -
<u>Expenditures - Surplus Funded</u>					
Blight Reduction	\$ 40,000	\$ 30,000	\$ -	\$ -	\$ -
Capital Projects	27,852	10,704	-	-	-
Capital Equipment	-	9,296	-	-	-
	<u>\$ 67,852</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

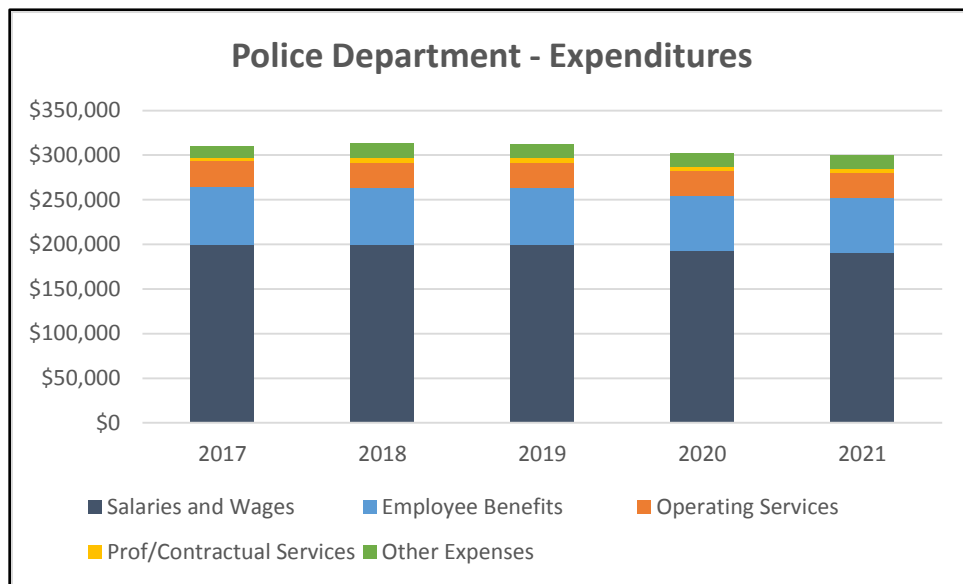
III. DEPARTMENTAL REVIEWS – GENERAL CITY AGENCIES

General City Agencies are departments that serve the City as a whole and are categorized by type of organizational oversight: Executive, Legislative, and Judicial. The following discussion addresses budget issues related to individual departments with large expenditures or departments that address Mayoral priorities. At the end of this section, comments are included related to Legislative Agencies and the 36th District Court, which is the only the Judicial Agency.

A. Police Department

The Police Department’s FY2018 expenditures are budgeted to increase to \$312 million, an increase of \$2.6 million, or 0.8%, increase over the prior fiscal year’s approved budget. While total headcount will increase, overtime costs are projected to decrease, leaving compensation costs essentially flat. On a percentage basis, Operating Supplies are expected to increase from \$3.0 million in FY2017 to \$6.4 million in FY2018. This increase relates primarily to a recent arbitration award that increases uniform costs by \$1.4 million and \$1.2 million for supplies and equipment for new officers (including firearms).

Annual expenditures are forecasted to remain flat in FY2019 and decline slightly in FY2020 and FY2021. Throughout the four-year plan, the combination of Salaries and Wages and Employment Benefits equate to 84% of total departmental expenditures.



The Police Department’s proposed FY2018 staffing is budgeted to increase to 3,181 positions, an increase of 54 persons from the prior fiscal year’s budget, although the FY2018 budget envisions reallocation of headcount in many divisions consistent with the Department’s strategic objectives, and the actual department headcount is below the current budget. Police Operations, which is comprised of the precinct

operations and neighborhood policing activities, is budgeted for an additional 109 positions. The Executive (Chief of Police) division is adding 36 positions, including 15 related to executive security for the Mayor and City Council. Police Communications and Support Services headcounts will be reduced by 68 and 38 positions, respectively.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Police Department

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Police Operations	1,567	1,676	1,676	1,676	1,676
Police Criminal Investigations	643	641	641	641	641
Police Communications	291	223	223	223	223
Police Support Services	203	165	165	165	165
Police Executive	88	124	124	124	124
All Other Cost Centers	335	352	352	352	352
Department Total	3,127	3,181	3,181	3,181	3,181

B. Non-Departmental

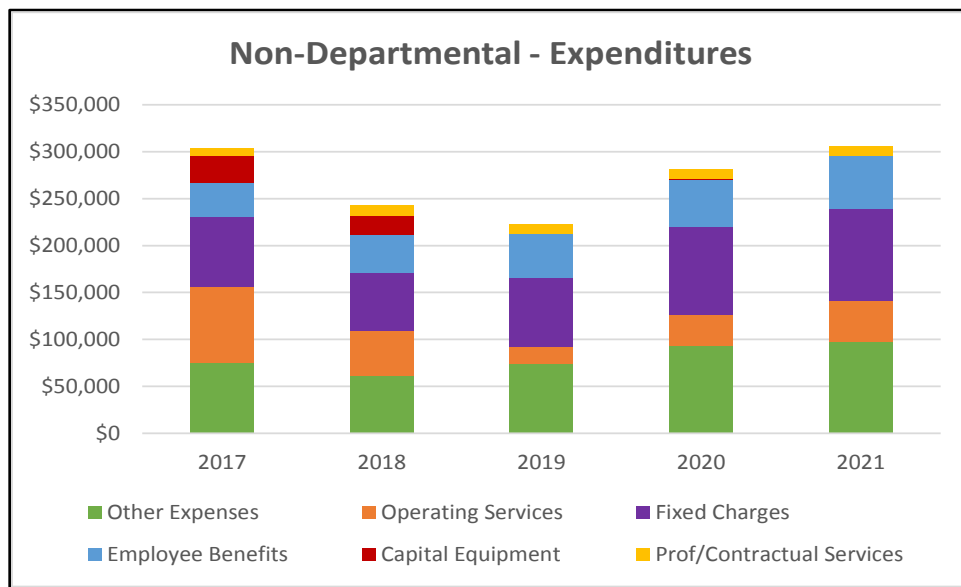
The Non-Departmental budget includes four of the five major revenue categories (income, property, wagering, and State revenue sharing), the expenditures for activities which are not the responsibility of any one single department, and for certain independent agencies. Expenditures include the Board of Ethics, Detroit Building Authority, Communications, Media Services, and Pension Administration. Also included in Non-Departmental is the compensation paid to the City's eleven elected officials. General Fund contributions to the Transportation Department, Detroit Land Bank, the Airport and others are included in Non-Departmental expenditures. These contributions total \$79.8 million in FY2018.

General Fund Contributions (\$000)	
DDOT	\$ 61,500
Detroit Land Bank Authority	14,000
Charles W. Museum of African-American History	1,900
Airport	900
Detroit Zoological Institute	570
Detroit Historical Institute	500
Detroit Wayne Port Authority	250
Eastern Market	165
Total - General Fund Contributions	\$ 79,785

Non-Departmental FY2018 expenditures are budgeted to decrease to \$280 million, a 13% decrease over the prior fiscal year's approved budget, due to budgeted decreases in insurance costs and debt service. This is the result of positive balance in the Risk Management Fund that can be used to pay premiums, in part, and the change in principal and interest payments associated with the City's bond refinancing in October 2016. Note that the City accounts for debt service in two agencies: Non-Departmental for Limited Tax General Obligations (LTGO) and Debt Service for Unlimited Tax General Obligations (UTGO). The

reason lies in that UTGO debt is funded by separate dedicated property taxes millage and is subject to certain State regulatory requirements while LTGO is funded by General Fund revenues. The City will experience lower total debt service in the next two years, based on the recent refinancings, as only interest is due. Thereafter, debt service requirements in both accounts will increase as principal payments will be required in addition to interest payments.

Annual Non-Departmental expenditures are forecasted to decline to \$246 million in FY2019 largely due to the exclusion of Blight remediation and capital activities beyond DLBA funding. Total Non-Departmental expenditures are forecasted to increase to \$285 million in FY2020 and \$305 million in FY2021, respectively, due primarily to increases in insurance costs, centralized utility charges, and legacy pension funding associated with the Retiree Protection Fund.



Proposed FY2018 staffing within Non-Departmental activities is budgeted to increase to 79 positions, a 12 person increase from the prior fiscal year’s budget. This increase is due to a change in funding associated with the cable television operations (Public, Educational and Government access or PEG). Previously, PEG staff was reflected as Professional & Contract Staff and now are employees.

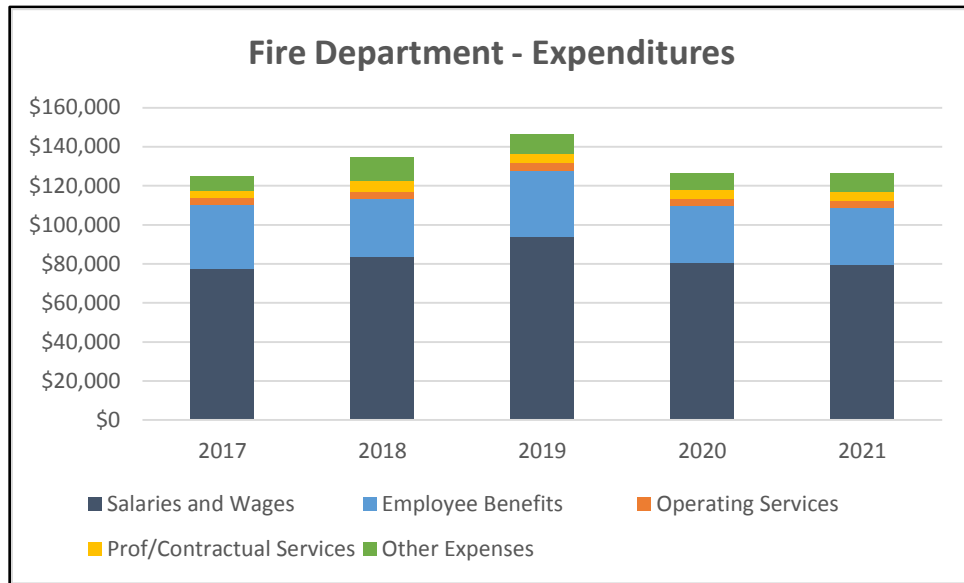
City of Detroit - FY2018-2021 Proposed Departmental Staffing - Non-Departmental

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Pensions/Employee Benefits	41	39	39	39	39
Elected Officials Compensator	11	11	11	11	11
P.E.G Fees	-	13	13	13	13
Media Services & Communica	7	8	8	8	8
Detroit Building Authority	7	7	7	7	7
Board of Ethics	1	1	1	1	1
Department Total	67	79	79	79	79

C. Fire Department

The Fire Department has experienced significant change over the past three years as a result of improved management, increased capital investment, and the decline in blighted structures in the City. The Fire Department’s FY2018 expenditures are budgeted to increase to \$135 million, an 8% increase over the prior fiscal year’s approved budget, including an increase in training of fire fighters as first responders, investments in communications and dispatch, and EMS operations. The FY2018 departmental budget includes additional overtime and one-time costs associated with the department’s ISO certification process that is underway. If successful, the result will be lower homeowner insurance premiums.

For the remainder of the four-year plan, annual expenditures are forecasted to increase to \$147 million in FY2019 due to the inclusion of \$14 million of SAFER Grant funding, before declining to \$126 million in FY2020 and FY2021. Throughout the four-year budget cycle, the combination of Salaries and Wages and Employment Benefits equate to approximately 84% - 87% of total departmental expenditures.



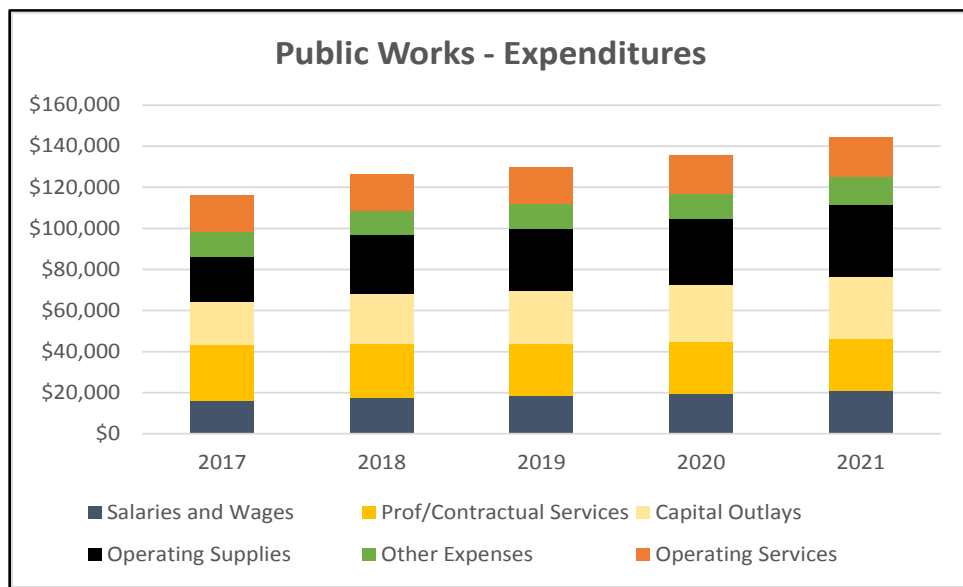
The Fire Department’s proposed FY2018 staffing is budgeted to decrease to 1,274 positions, a 58 person decrease from the prior fiscal year’s budget. Fire Fighters and Medical First Responders personnel account for the majority of the reduced headcounts but represent an increase in personnel from the current staffing.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Fire Department

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Fire Fighting Operations	910	850	850	850	850
Emergency Medical Services	285	294	294	294	294
Fire Ordinance Enforcement	43	42	42	42	42
Communication/System Support	35	35	35	35	35
Fire Fighting Administration	30	34	34	34	34
All Other Cost Centers	29	19	19	19	19
Department Total	1,332	1,274	1,274	1,274	1,274

D. Department of Public Works

The Department of Public Works revenues and expenditures are budgeted in three funds: the General Fund, Solid Waste Fund, and the Street Fund. Total DPW expenditures for FY2018 are budgeted to increase to \$126 million, a 9% increase over the prior fiscal year’s approved budget and include a small decrease in General Fund expenditures of \$212,000 from the prior year. The largest portion of the FY2018 budget increase relates to non-park ground maintenance and enhanced programs such as dead tree removal, grass mowing, and debris removal. In subsequent years, the total annual expenditures are forecasted to increase to \$130 million in FY2019, \$136 million in FY2020, and \$144 million in FY2021, due primarily to annual increases in budgeted DPW Street Maintenance and Traffic Control expenditures.



The Department of Public Works’ proposed FY2018 staffing is budgeted to increase to 419 positions, a 43 person increase from the prior fiscal year’s budget, the majority of which are associated with the reinstatement of the residential street sweeping program that will begin this Spring.

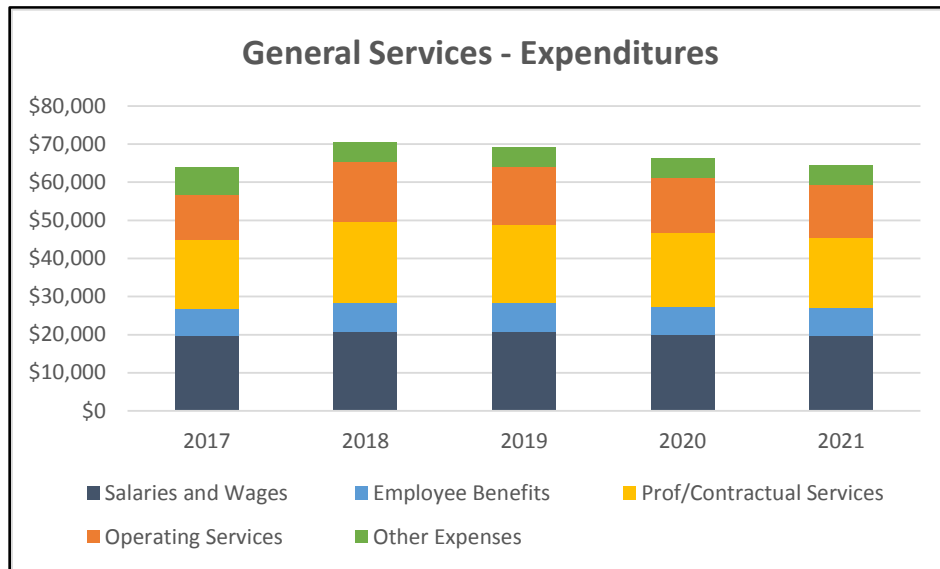
City of Detroit - FY2018-2021 Proposed Departmental Staffing - Public Works

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
DPW Street Maintenance	164	165	165	165	165
DPW Solid Waste Manager	69	103	103	103	103
Transportation - Signs/Marking	39	40	40	40	40
City Engineers	33	36	36	36	36
Environmental Inspection Div.	30	30	30	30	30
All Other Cost Centers	41	45	45	45	45
Department Total	376	419	419	419	419

E. General Services

The General Services Department operates via four divisions providing shared services to other City departments and agencies. Ground Maintenance maintains all City-owned parks, vacant lots, and other property. Fleet Maintenance chairs the City’s Vehicle Steering Committee and manages over 2,400 City vehicles. Facilities Management provides planning, maintenance, security, and custodial services for City-owned buildings. This division also handles graffiti removal. The Administration Division provides inventory management for the City’s stores of supplies, oversees service agreements between departments, and develops operating procedures and policies.

The General Services Department’s FY2018 expenditures are budgeted to increase to \$70 million, a 10% increase over the prior fiscal year’s approved budget, with increases in vacant lot cuttings and park construction. Annual expenditures are forecasted to decrease to \$69 million in FY2019, \$66 million in FY2020, and \$64 million in FY2021, respectively, due primarily to annual decreases in budgeted Facilities and Grounds Maintenance expenditures as a result of improved operating efficiencies.



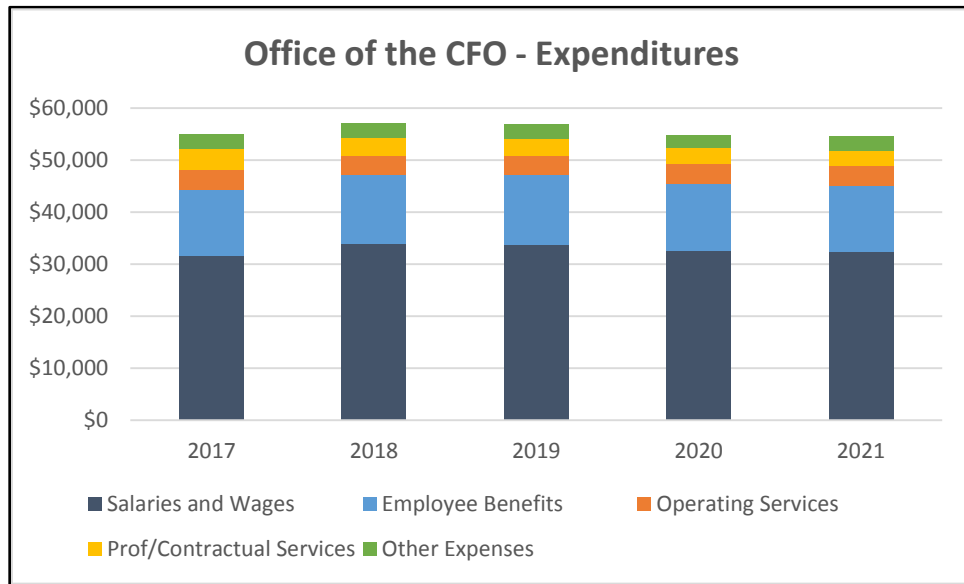
The General Services Department’s proposed FY2018 staffing is budgeted at 454 positions for the four year period FY2018-2021 – consistent with the prior fiscal year’s budget.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - General Services

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Ground Maintenance	141	135	135	135	135
Fleet Management	105	102	102	102	102
Facilities/Ground Maintenance	89	102	102	102	102
General Services	83	77	77	77	77
Street Maintenance Garage	19	21	21	21	21
All Other Cost Centers	16	17	17	17	17
Department Total	453	454	454	454	454

F. Office of the Chief Financial Officer

The reorganization of the Office of the Chief Financial Officer that began during the bankruptcy is largely complete with the exception of the payroll transition from the Human Resources Department which is discussed below. FY2018 expenditures are budgeted to increase to \$57 million, a 3.6% increase over the prior fiscal year’s approved budget, due to increases in Salaries and Wages expenditures as the use of outside contractors decrease and staff are hired. Annual expenditures are forecasted to decrease to \$54.5 million by FY2021, respectively, due primarily to annual decreases in planned Offices of the Treasury and Assessor expenditures.



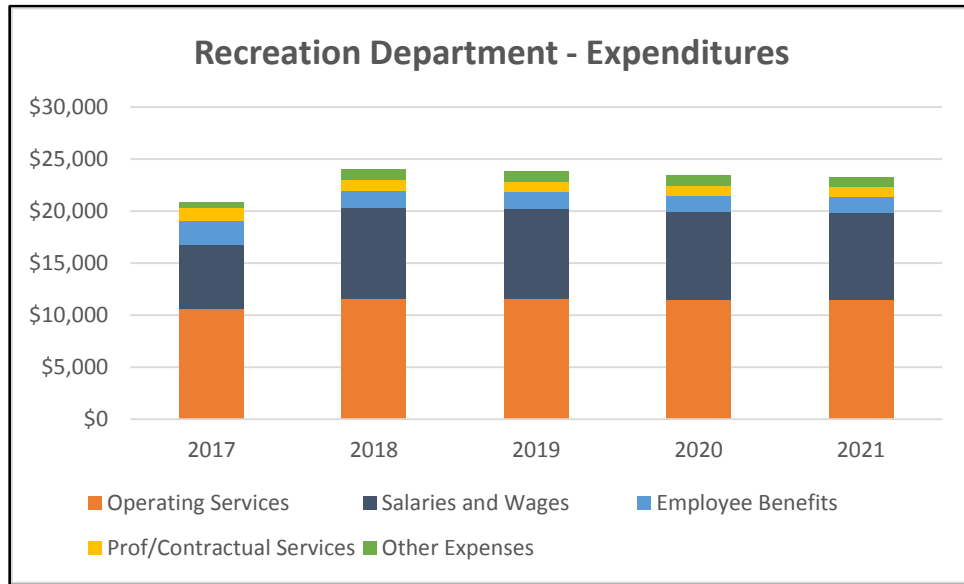
The Office of the Chief Financial Officer’s proposed FY2018 staffing is budgeted to increase to 482 positions, a 29 person increase from the prior fiscal year’s budget. The majority of the increased departmental staffing is attributable to additional income tax collection, assessment and government operations staff. The OCFO is increasing staffing in the income tax area to focus on tax compliance, particularly in the area of corporate and partnership tax returns. While the State is now processing the City’s tax returns and withholdings, the State does not have the ability to audit previous compliance. The FY2019-2021 forecast reflects a personnel decrease associated with a reduction in the City’s need for tax compliance auditing.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Office of the CFO

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Departmental Financial Service	107	118	118	118	118
Office of the Controller	112	105	105	105	105
Office of the Treasury	93	101	80	74	74
Office of the Assessor	45	56	56	56	56
Contracting/Procurement	28	28	28	28	28
All Other Cost Centers	68	74	74	74	74
Department Total	453	482	461	455	455

G. Recreation Department

Enhancing the City’s parks, recreation programs, and facilities is a Mayoral priority. The Recreation Department’s FY2018 expenditures are budgeted to increase to \$24 million, a 15% increase over the prior fiscal year’s approved budget, primarily due to increases in Salaries and Wages expenditures. The department is increasing the number of after school programs and re-opening two previously closed Recreation Centers. Annual expenditures for FY2019-2021 are forecasted at the FY2018 budgeted levels.



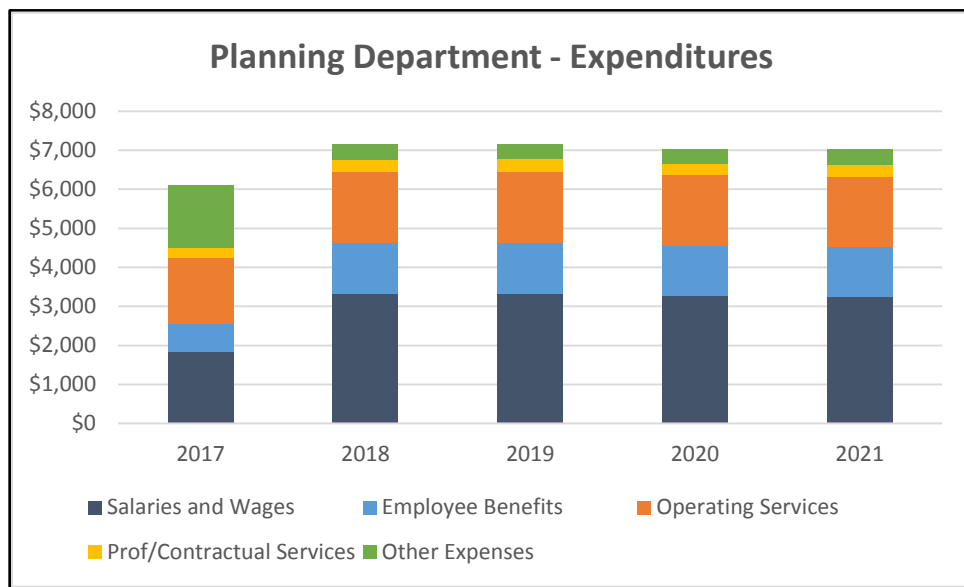
The Recreation Department’s proposed FY2018 staffing is budgeted to increase to 326 positions, a 107 FTE person increase from the prior fiscal year’s budget. This increase has been budgeted based on the increase in programmatic services, by location and activity, and then converted to FTEs. The staffing includes both full time and part time employees in year round and seasonal summer programs. Most new hires are expected to be young adult Detroiters and are to be in the Playleader or Lifeguard positions.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Recreation Department

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Operations	146	279	279	279	279
Operations - Summers Only	58	31	31	31	31
Recreation Management	6	7	7	7	7
All Other Cost Centers	9	9	9	9	9
Department Total	219	326	326	326	326

H. Planning and Development Department

The Planning and Development Department is responsible for the City’s Master Plan, zoning regulations, historic preservation, and engaging with the local communities on neighborhood planning and development projects. Expenditures for the department are budgeted in the General Fund and through Federal and State grants. Total FY2018 expenditures are budgeted to increase to \$7 million, a 17% increase over the prior fiscal year’s approved budget, primarily due to increases in Salaries and Wages expenditures, reflecting increases in staffing. Annual expenditures for FY2019-2021 are forecasted consistent with the FY2018 budgeted levels. (Note that the City Council also maintains a Planning department function within the Legislative Policy Division and those costs are budgeted separately.)



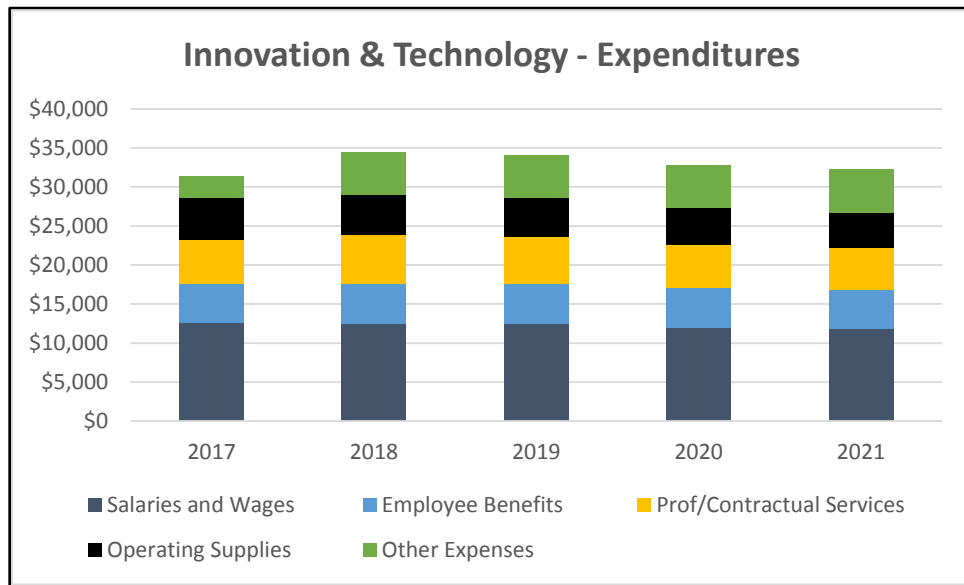
The Planning and Development Department’s proposed FY2018 staffing is budgeted to increase to 41 positions, a 19 person increase from the prior fiscal year’s budget. The annual personnel increase is attributable to additional City Planners (13 positions) which reflects additional planners dedicated to each of the three regions (East, Central and West) and Planners for CDBG (6 positions) which are grant funded and primarily related to historical preservation activities. Within in the City Council’s planning activities, additional funding has been budgeted for FY2018 to support a historical designation study.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Planning Department

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Planning - City	9	22	22	22	22
Planning - CDBG	13	19	19	19	19
Department Total	22	41	41	41	41

I. Department of Innovation & Technology

The Department of Innovation and Technology is in the process of completing the reorganization of the City’s technology activities which began during the bankruptcy. It is possible that technology overhaul will be completed in early 2018, with the implementation of the new human resources system. FY2018 expenditures are budgeted to increase to \$35 million, a 10% increase over the prior fiscal year’s approved budget, primarily due to increases in Other Expenses expenditures. Annual expenditures are forecasted to decrease to \$32 million for FY2021 due to lower planned levels of Salaries and Wages, Employee Benefits, and Professional and Contract Services once the City has fully transition to new systems and no longer needs to run legacy systems in parallel. Generally, the department is using contractors to maintain legacy systems



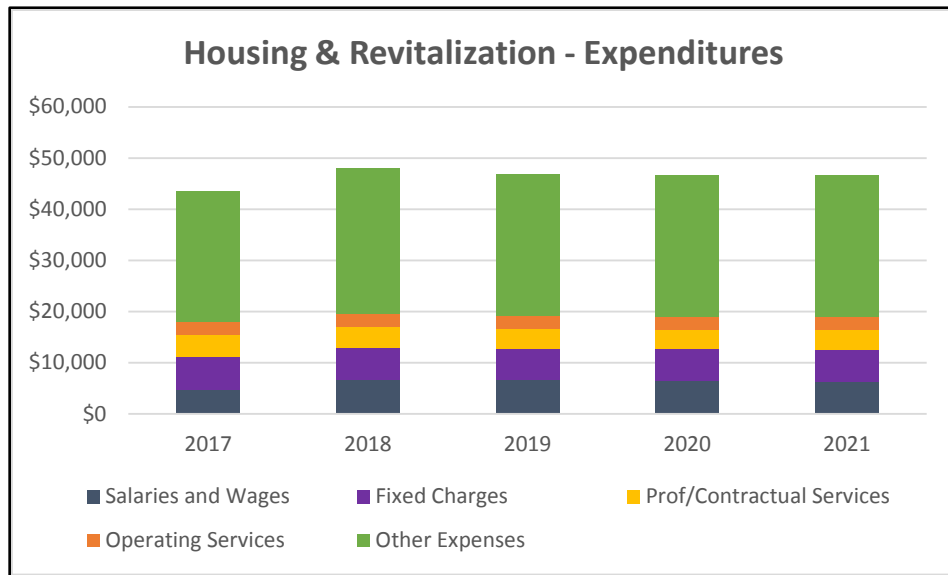
The Department of Innovation and Technology’s proposed FY2018 staffing is budgeted at 134 positions for the four year period FY2018-2021 – consistent with the prior fiscal year’s budget. However, current staffing levels are below the budgeted levels.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Innovation & Technology

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Public Safety	34	34	34	34	34
Client SVCS Division	12	12	12	12	12
Government Operation	8	8	8	8	8
Enterprise Application Support	8	8	8	8	8
Neighborhood Economic Dev.	8	8	8	8	8
All Other Cost Centers	64	64	64	64	64
Department Total	134	134	134	134	134

J. Housing & Revitalization Department

The Housing and Revitalization Department (HRD) finances, underwrites and administers The City’s housing programs including those funded by Federal Housing and Urban Development (HUD) grants. HRD works with numerous local, State and Federal organizations to facilitate safe and affordable housing and neighborhood transformations. Activities include investing in public-private partnerships to support neighborhood development, management of entitlement programs, and deployment of Community Development Block Grant (CDBG) funds. HRD is funded through appropriations in the General Fund and through State and Federal funding. FY2018 expenditures are budgeted to increase to \$48 million, an 11% increase over the prior fiscal year’s approved budget, primarily due to increases in Salaries and Wages related to increased staffing and Other Expenses which includes dozens of individual appropriations to community organizations, neighborhood centers, and other service providers. Annual expenditures are forecasted to decrease to \$46 million in FY2021 due to reduced Other Expenses expenditures.



The Housing and Revitalization Department’s proposed FY2018 staffing is budgeted to increase to 81 positions, a 22 person increase from the prior fiscal year’s budget. The majority of the increased departmental staffing is attributable to additional managerial and staff support for public private partnership activities and compliance inspectors for multifamily housing.

City of Detroit - FY2018-2021 Proposed Departmental Staffing - Housing & Revitalization

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Direct Tax Incentives Policy	15	24	24	24	24
Housing Underwriting Multifar	9	17	17	17	17
Indirect Staffing Costs	8	8	8	8	8
Programmatic Underwriting	7	8	8	8	8
All Other Cost Centers	20	24	24	24	24
Department Total	59	81	81	81	81

K. Other General City Agencies

Department of Health and Wellness Promotion. The City's health department is under new leadership and has developed a strategy to address local public health issues as it works to disrupt intergenerational poverty issues. The Department is also responsible for animal care and control. The Department's expenditure budget for FY2018 is \$29.7 million, of which \$22.8 million is funded by Federal and State government and private grants. Within the next two years, the Department expects to reach its negotiated Maintenance of Effort (MOE) funding requirement of \$10 million with the State, currently at approximately \$7 million. In future years, it is possible that the City will bear greater portion of the cost associated with mandated public health services if Federal and State funding declines. The Department is increasing staffing in FY2018 from 51 positions to 76, at which point the expectation is that staffing will be sufficient to reach MOE levels.

Public Lighting. The Public Lighting Department is responsible for the City's 65,000 streetlights and is in the process of completing transition of electric service from its customers to DTE Energy. The Department expects that the transition will be completed in another three to four years. The Department is budgeted for \$32 million of expenditures in FY2018 and revenues of \$14.8 million, largely from an allocation of the Utility Users' Tax. Bond payments total \$12.5 million of the expenditures and the Department is setting aside money annually for decommissioning costs when the customer transfers to DTE are complete. The Department employees 6 persons and conducts its activities through two contractors, TMC Alliance and DTE Energy.

Law Department. The City's Law Department represents the City in litigation, labor and employment matters, transactions and economic develop activities and generally handles governmental affairs and administrative matters. The Budget for FY2018 is comprised of 118 positions, a 10 person increase from FY2017, and totals \$15.7 million of expenditures (essentially the same as FY2017).

Human Resources Department. The Human Resources Department has undertaken a comprehensive reorganization over the past two years and oversees all aspects of talent management including recruitment, compensation and benefits, employee services, labor relations, performance management and payroll. FY2018 expenditures are budgeted at \$13.6 million and headcount is budget to increase to 108, an addition of 38 positions from the FY2017 budget. However, this increase is misleading in that the majority of the positions relate to payroll services which were budgeted in FY2017 as part of the OCFO. The expectation was that payroll would transfer to the OCFO as a result of the implementation of the new human resources system. This implementation has proved difficult in the area of payroll due to the nuances of the City's 41 Collective Bargaining Agreements (CBA). As such, payroll has remained in Human Resources and will not transition to the OCFO until sometime in the future.

Mayor's Office. The Mayor's Office FY2018 Budget includes \$10.4 million in expenditures, a \$200 thousand increase from FY2017, and 70 employees, a reduction of 2 persons from the prior year. The Office of Homeland Security, within the Mayor's Office employs 19 staff. Over 80% of the Department's budget relates to personnel costs.

Legislative Agencies. Legislative Agencies with separate budgets include: Auditor General, Board of Zoning Appeals, City Council, Ombudsperson, Inspector General, City Clerk, and the Department of Elections. The total budget for these Agencies is \$27.1 million for FY2018. This represents an \$800 thousand decrease from the prior year. The Department of Elections accounts for \$2.1 million of decrease while the City Council accounts for a \$900 thousand increase. The City Council increase is comprised of an approximate \$500 thousand increase to the Legislative Policy Division and a \$400 thousand increase for Councilmembers' office budgets. All other Legislative Agencies' FY2018 budgets were flat to slightly increased from FY2017.

Judicial Agency – 36th District Court. The 36th District Court is comprised of 30 judges, 4 magistrates and 300 employees. The Court administers 450,000 cases annually mostly related to traffic matters. The 36th District Court is a court of limited jurisdiction and handles matters related to landlord/tenant disputes, general civil infractions such as traffic violations, small claims cases, and criminal misdemeanor and felony matters through the preliminary examination phase. The Court's FY2018 budgeted expenditures are \$35.3 million, an increase of \$1.8 million, or 5% from the prior year. The Court's budgeted revenues for FY2018 are \$18.3 million, an increase of \$800 thousand over the FY2017 budget. The Court is operating under budget for FY2017 and expects to do so again in FY2018. Although the Court's case load is expected to increase, the enhanced use of technology is expected to provide more efficient and cost effective operations.

IV. DEPARTMENTAL REVIEWS – ENTERPRISE AGENCIES

Enterprise Agencies are those City departments that are not (primarily) funded by most taxes the City levies. Rather, Enterprise Agencies are intended to be “self-funded” through charges to customers, special taxes or other statutorily dedicated revenue sources. The largest Enterprise Agencies are Sewer and Water – Retail (DWSW-R), Transportation (DDOT), Library, and Buildings, Safety Engineering and Environmental Department (BSEED). Collectively, the Enterprise Agencies are budgeted to generate \$631 million in revenue in FY2018 and incur \$621 million of expenses. As will be discussed below, two Enterprise Agencies – the Airport and DDOT – receive a significant portion of their “revenue” as a contribution of General Fund monies.

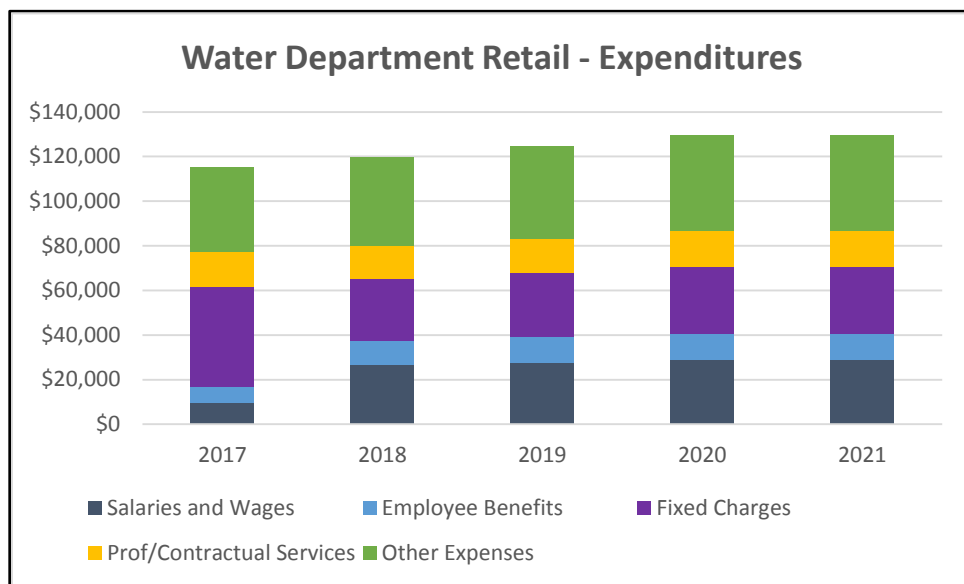
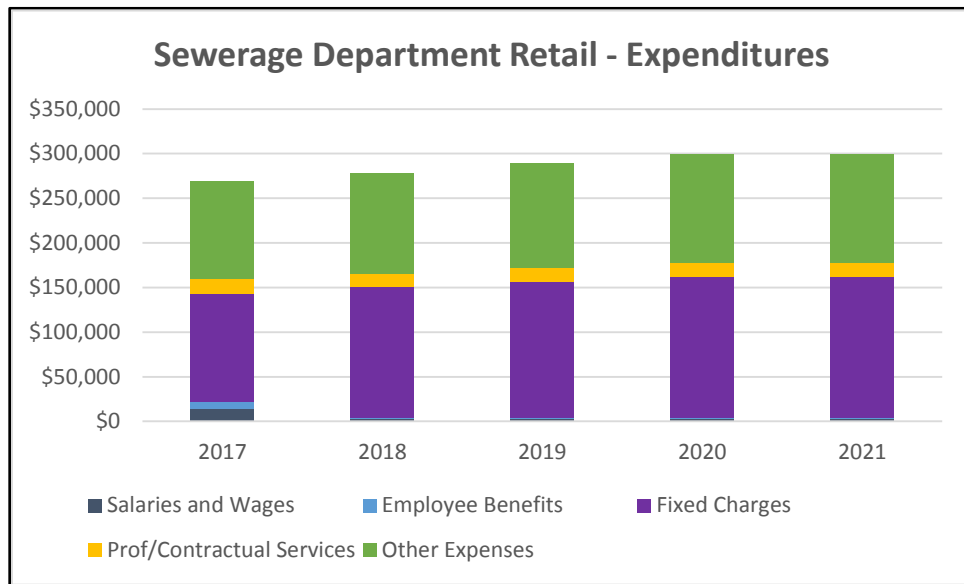
A. Sewer and Water Department – Retail (DWSD-R)

On January 1, 2016, the City's sewer and water operations were bifurcated into a local system and a system managed by the newly formed Great Lakes Water Authority (GLWA). The local system, within the geography of the City of Detroit, is overseen by a Board of Water Commissioners and is comprised of approximately 3,000 miles of sewer pipes and 3,400 miles of water mains. GLWA operates under a separate authority and is comprised of the water mains and sewer pipes outside of Detroit as well as the water treatment facilities. GLWA and DWSD-R have not reached agreement on an appropriate allocation of costs. As such, certain aspects of multi-year financial planning are in flux.

The Department's Budget is approved by the Board of Water Commissioners before it is submitted to the City Council or the FRC, and has not been approved as of the date of this report. As such, the information

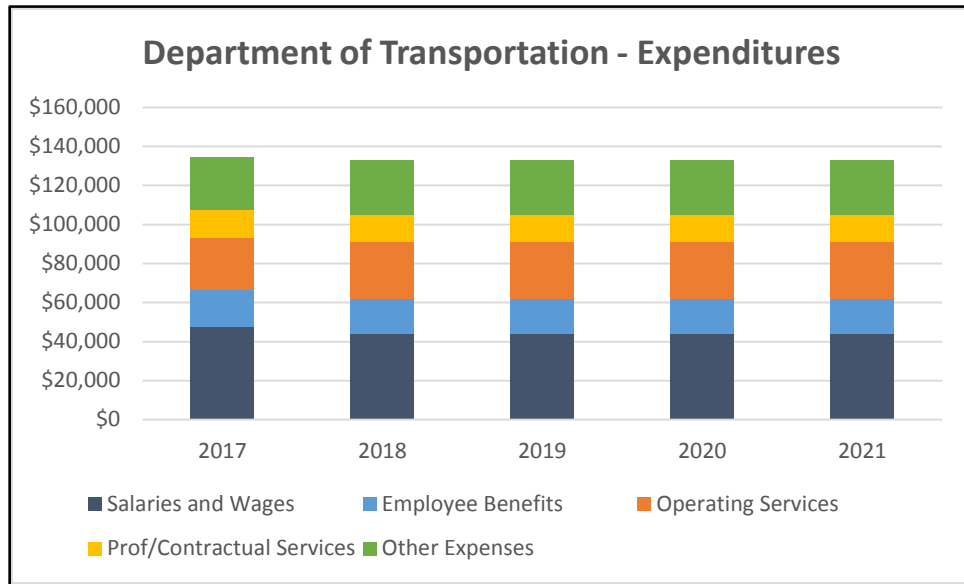
available should be considered “tentative and preliminary”. As occurred last year, the City expects to finalize the DWSD-R budget for FY2018 through a budget amendment sometime after April 2017.

Sewer and water activities are accounted for separately but managed collectively. Both divisions are self-sufficient and expected to generate a budget surplus in FY2017. DWSD-R has budgeted increased staff for field operations, customer service and security. The Sewerage Department’s FY2018 expenditures are budgeted to increase to \$279 million, a 4% increase over the prior fiscal year’s approved budget. The Water Department’s FY2018 expenditures are budgeted to increase to \$120 million, a 4% increase over the prior fiscal year’s approved budget.



B. Department of Transportation

The Department of Transportation has been through a significant transformation during the past three years and continues to evolve. The Department’s funding is comprised of three primary sources: Federal and State funding, contributions by the City from General Fund revenue, and fees that users pay. FY2018 expenditures are budgeted to decrease to \$133 million, a 1% decrease over the prior fiscal year’s approved budget, primarily due to reduced Salary and Wages and Professional and Contractual Services expenditures. Annual expenditures are forecasted to remain constant during the FY2019-2021 period.



The Department of Transportation’s proposed FY2018 staffing is budgeted to increase to 927 positions, a 27 person increase from the prior fiscal year’s budget. The majority of the incremental departmental staffing is attributable to additional hiring in administrative, strategic planning, Mobility Innovation, and quality service positions. Subject to a review by the Federal Transportation Authority, DDOT has undertaken a reorganization. While this has resulted in some of the aforementioned staffing increases, the budgeted compensation amounts have been modified to more accurately reflect the amounts being paid, resulting in a budget decrease. Also, the department expects a decrease in overtime by operations personnel as a result of the increase in hiring bus drivers and improving the operations and efficiency of the system.

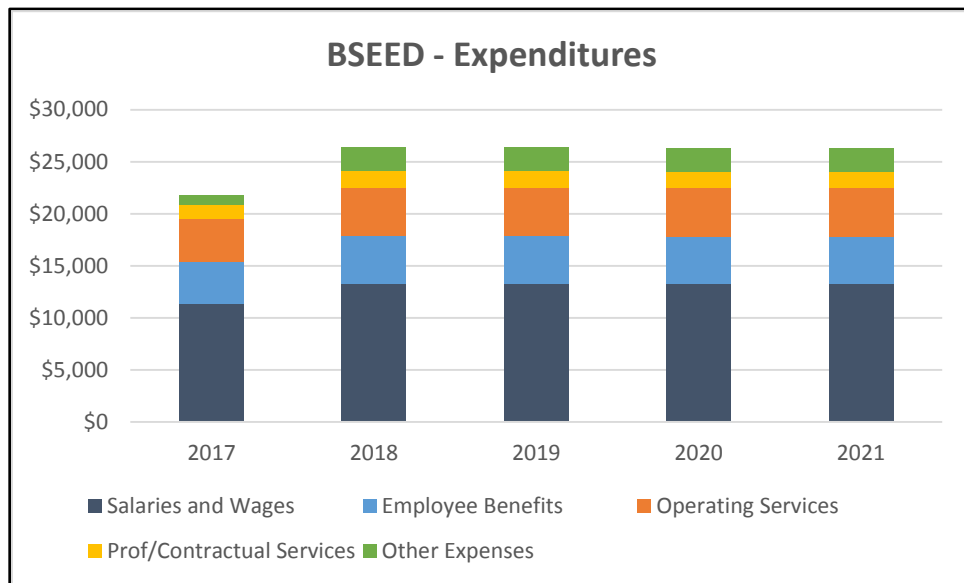
City of Detroit - FY2018-2021 Proposed Departmental Staffing - Department of Transportation

Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
DDOT Transportation	579	588	588	588	588
DDOT Vehicle Maintenance	245	245	245	245	245
DDOT Plant Maintenance	45	42	42	42	42
DDOT Departmental Operations	31	52	52	52	52
Department Total	900	927	927	927	927

C. Buildings, Safety Engineering and Environmental Department (BSEED)

BSEED is the City’s externally facing department responsible for permitting and licensing of buildings, and construction activities; enforcing City, State and Federal regulations related to zoning; and conducting construction inspections. BSEED also has divisions that address Environmental Affairs, provide maintenance of residential and commercial rental properties, and enforce the City’s dangerous buildings ordinances. Almost all of BSEED’s funding comes from fees it charges for services. BSEED is in the process of planning and building the Development Resource Center (DRC) which will serve as a “one-stop shop” for builders and developers doing business in the City. The processes are in place for the DRC and the physical space will be constructed in FY2018.

BSEED’s FY2018 expenditures are budgeted to increase to \$26 million, a 21% increase over the prior fiscal year’s approved budget, primarily due to additional Salary and Wages and Other Expenses expenditures. Annual expenditures are forecasted to remain constant during the FY2019-2021 period.



BSEED’s proposed FY2018 staffing is budgeted to increase to 231 positions, a 27 person increase from the prior fiscal year’s budget. The majority of the increased departmental staffing is attributable to additional Mechanical and Building Inspector positions, in response to the increase in customer demand.

D. Other Enterprise Agencies

Library. The Detroit Public Library (DPL) operates a main location in Midtown and 21 neighborhood branches. DPL receives the vast majority of its revenue from a special library tax assessment and receives smaller amounts as fees for services, fines, and grants. The Library’s operating budget for FY2018 is \$33

million, of which 62% is personnel related, 21% is operational costs, and 8% for capital expenditures. The agency is budgeting a headcount increase of 7 for a total of 332 employees in FY2018.

Municipal Parking. The Municipal Parking Department operates the Automobile Parking System which provides on and off-street parking facilities and is accounted for as an Enterprise Agency. The Department also serves as the City’s parking ordinance enforcement arm – the Parking Violations Bureau - which is accounted for as a General Fund activity. Total expenditures for both divisions are budgeted at \$14.7 million for FY2018 with revenues budgeted at \$22.6 million.

Airport. The Department’s FY2018 expenditures are budgeted at \$1.7 million with revenues from operations of about \$800 thousand and a contribution from the General Fund of \$900 thousand. The Airport operates with a staff of 4 persons and handles about 30 take-offs and landings per day. The future of the Airport is uncertain as there is a difference between the Mayor’s vision for the property and that of the City Council members. This issue has been referred to the Jobs and Economic Development Team (JET) for study. The City Council has requested that \$250,000 appropriated for the Airport in FY2017 that is currently unspent be applied to a feasibility study in the coming year; the City has agreed.

V. CITY BUDGET RESERVE

PA 182 of 2014 Section 4t (1c) (vi) states the City’s financial plan adopted shall comply with the following requirement:

“Include a general reserve fund for each fiscal to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for the fiscal year.”

The City’s adopted FY2017 budget estimates a City Budget Reserve of \$62 million at the conclusion of the FY2017 budget year. This estimated Budget Reserve would equate to more than \$8 million above the City’s statutory requirement.

During the four year planning period from FY2018-2021, the City is estimated to maintain an annual City Budget Reserve surplus (above the 5% requirement) in the \$8-10 million range.

City of Detroit Budget Reserve Schedule						
(\$000's)	2017	2018	2019	2020	2021	
Beginning Balance	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280
Transfer In/(Out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280	\$ 62,280
Minimum Balance (5%)	\$ 53,884	\$ 53,696	\$ 51,757	\$ 52,316	\$ 52,956	
Budget Reserve Surplus (above 5%)	\$ 8,396	\$ 8,584	\$ 10,523	\$ 9,965	\$ 9,324	

VI. COMPARISON OF THE CITY’S FOUR-YEAR FINANCIAL PLAN TO TEN-YEAR PRO FORMA MODEL

The City has prepared an updated ten-year pro forma model. Among other uses, this forecast is an important tool in evaluating the City’s ability to meet its upcoming legacy pension and debt service obligations.

The City’s ten-year pro forma model is NOT an extension of the City’s annual budget or FY2018-FY2021 four-year financial plan. The purpose of the four-year financial plan and the purpose of the ten-year pro forma model are quite different. The four-year financial plan serves as a budgeting tool for the City to ensure that expenditures do not exceed certified revenue estimates. The ten-year pro forma model is a tool that contemplates a longer term growth scenario for the City. These key differences drive the different assumptions used in the projections. Some key assumption differences are highlighted below:

	Four-Year Financial Plan	Ten-Year Pro Forma Model
Property Tax Revenues	0% growth assumed	2.4% average annual growth throughout the length of the pro forma model
Headcount	Assumes higher level of retention and staffing levels	Assumes ramp up of headcount over multiple years and thus includes higher vacancy levels. This also impacts a reduction in fringe benefit costs
Overtime Levels	Assumes lower usage of overtime from increase in staffing levels	Assumes higher usage of overtime due to lower staffing levels

In FY2018, the ten-year pro forma model projects salary related expenses (including fringe benefits but excluding legacy pension contributions) as 51.6% of General Fund revenues, whereas the four-year plan reflects 57.0%. Recent history has demonstrated that the four-year plan methodology has some additional budget contingency built into it based on the approach used to budget headcount expenses. Surpluses in FY2016 and FY2017 are estimated to be \$68 million and \$40 million, respectively. The primary driver of these surpluses has been employee vacancies – the difference between the cost of budgeted and actual headcount. The ten-year pro forma model utilizes these payroll and other savings, limited capital spending, as well as improving revenues to pay increasing pension contributions.

In the current version of the ten-year pro forma model, the City has incorporated economic upside associated with the Piston’s move to downtown, universal income tax withholding, improved tax collection, overtime limitations, and sales of parking garages. Capital outlays throughout the ten-year pro forma model hover around \$4 million. By FY2022, small amounts of residual fund balance are required to balance revenues and expenses in the ten-year pro forma model. In FY2024 and beyond, the City will need to carefully control its budget execution to maintain the ability to increase pension contributions.

VII. CRITICAL FINANCIAL PLAN ISSUES

A. Pension Obligations

The City’s POA was effective December 10, 2014. The POA made amendments to the City’s two legacy pension plans (GRS and PFRS), which amendments include freezing the plans and reducing certain retirement benefits. The freeze of the plans also provided for no further accrual of benefits to employees employed on December 10, 2014 and bars participation by those employed thereafter. The POA provided a partial contribution “holiday” through FY2023 so that General Fund monies could be used for projects needed by the City. The City’s required contribution, pursuant to the POA, from its General Fund to the legacy pension plans totals only \$92 million through FY2023, and is a small fraction of what otherwise would be required to properly fund the legacy pension plans during this time frame. The court, and all the parties, recognized that the relatively small contributions from the City’s through FY2024 would result in each of the plans’ ratio of assets to liabilities to decrease. The City’s FY2024 and thereafter projection of annual contributions to the legacy pension funds from the City’s General Fund was approximately \$111 million.

For a variety of reasons, the projections that estimated the \$111 million requirement in FY2024, were substantially understated. As a result, the City hired the consulting firm, Cheiron, to develop a model that would show, under various scenarios, the amount of money the City may have to contribute from its General Fund in FY2024 and thereafter. The City has fully shared with the FRC the results of the Cheiron model and has publically acknowledged the challenge the City faces from the potentially substantial increase in contributions that may be required. Based on facts that exist today, the General Fund contribution in FY2024 and thereafter would be between \$143 and \$170 million annually. These projections assume that the funds in the two pension trusts will return 6.75% per annum (beginning fiscal 2017) and that other actuarial factors will remain constant.

The City has determined that, in order to be able to meet its obligations in FY2024 and thereafter, it will contribute, in excess of what it is required under the POA, the sum of \$335 million between now and end of FY2023. These funds will be placed in a Section 115 trust to be known as the Retiree Protection Fund. Section 115 is a provision in the Internal Revenue Code that excludes from income for tax purposes, income earned on funds set aside by a municipality for “the exercise of any essential governmental function”. The funds will be irrevocably placed in the trust. The City’s plans are to fund the Section 115 trust as follows:

(\$ millions)								
Fiscal Year	2016*	2017	2018	2019	2020	2021	2022	2023
Discretionary Contributions	\$ 30	60	15	20	45	50	55	\$ 60
Total - Contributions								\$ 335

* 2016 contribution already funded

The money put in the Section 115 trust does not reduce the pension liability since it is not being contributed immediately to the pension plans. The purpose of the Section 115 trust is create an additional source of funds, beginning in FY2024, from which the City will be able to fund pension obligations. In this way, the Section 115 trust will allow the City to systematically build a “ramp” of increasing General Fund

contributions that will be used to meet pension funding obligations without having to face a suddenly very high General Fund expenditure to fund the pension funding cliff.

The Section 115 trust contributions and the interest earnings on the contributed funds (assumed by the City to be 4%) would be used to fund a portion of the annual pension contributions subsequent to FY2023. Based on the City’s current plan and assumptions, the total contributions out of the Section 115 trust to the legacy pension plans would be \$427.7 million. The Section 115 trust contributions would ease the burden on the City’s General Fund. The City’s current plan is to disburse the Section 115 funds as follows:

(\$ millions)										
Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
115 Trust Payments	\$ 78.5	\$ 73.5	\$ 68.5	\$ 58.5	\$ 48.5	\$ 38.5	\$ 28.5	\$ 18.5	\$ 10.0	\$ 4.7
Total - 115 Trust Payments										\$427.7

The City will annually update its ten-year pro forma model and the Cheiron model (based on the actual returns on the investment funds for the last fiscal year and any actuarial adjustments) so that each year the City and the Financial Review Commission (until it dissolves as a matter of law) can review the funding levels to determine if the City is on track to meet its pension obligations in FY2024 and thereafter.

B. Talent Management

The City’s FY2018 budgeted headcount is estimated to increase 4% to 9,439 positions, an increase of 374 net positions, versus the prior fiscal year budget. Recreation (+107 positions), Police (+54 positions), and Department of Public Works (+43 positions) are the departments with the largest headcount increases. The Fire (58 fewer positions) and Water (20 fewer positions) departments exhibited the largest personnel declines in the FY2018 budgets.

As Detroit worked through its bankruptcy proceedings and the transition of operations post-bankruptcy, the intense volume of time-sensitive critical tasks mandated the City retain significant numbers of staff retained pursuant to Personal Service Contracts (PSC). The FY2018 budget identifies 159 positions to be staffed by PSCs, including 49 positions within the City Council budget, 19 positions within the Police budget and 11 positions within the Recreation department’s budget. Many PSCs have transitioned to City employees and some have transitioned to Administrative Special Services Staff (AS3) and are included as employees in the City’s headcount budgets. AS3 employees accrue vacation and sick leave time but otherwise do not receive typical employee benefits. There are at least 36 AS3’s in the FY2018 budget.

The City continues to face challenges filling open positions where there is high market place demand such as with information technologists and trained technical professionals. Entry level positions in public safety also present a staffing challenge for the foreseeable future. While this employment dynamic has assisted the City in producing surpluses in recent years, it raises concerns that certain departments may be perpetually under-staffed and future operational improvements may be difficult to attain. As of January 31, 2017, the City’s actual filled positions totaled 8,320, equating to 747 unfulfilled positions relative to the approved FY2017 budget.

City of Detroit - Budgeted Positions (Employees and PSCs)

	Budget FY2017	Actual Jan 2017	Budget FY2018	PSC Budget FY2018	EE and PSC Combined FY2018	Budget FY2019*	Budget FY2020*	Budget FY2021*
GENERAL CITY AGENCIES								
<u>Executive Agencies</u>								
19	Department of Public Works	376	336	419	-	419	419	419
23	Office of the Chief Financial Officer	453	443	482	7	489	461	455
24	Fire	1,332	1,200	1,274	4	1,278	1,274	1,274
25	Department of Health and Wellness Promotic	51	39	76	-	76	76	76
28	Human Resources	70	83	108	-	108	108	108
29	CRIO	7	7	8	7	15	8	8
31	Department of Innovation and Technology	134	90	134	-	134	134	134
32	Law Department	108	106	118	1	119	118	118
33	Mayor's Office	72	65	70	4	74	70	70
36	Housing and Revitalization Dept	59	95	81	1	82	81	81
37	Police	3,127	2,888	3,181	19	3,200	3,181	3,181
38	Public Lighting	6	5	6	2	8	6	6
39	Recreation	219	205	326	11	337	326	326
43	Planning Department	22	n/a	41	1	42	41	41
45	Department of Administrative Hearings	6	n/a	7	2	9	7	7
47	General Services	453	286	454	8	462	454	454
	Subtotal	6,495	5,841	6,785	67	6,852	6,764	6,758
<u>Legislative Agencies</u>								
50	Auditor General	12	153	12	-	12	12	12
51	Zoning Appeals Board	5	n/a	5	1	6	5	5
52	City Council	69	n/a	66	49	115	66	66
53	Ombudsperson	6	n/a	7	-	7	7	7
54	Office of Inspector General	7	n/a	8	3	11	8	8
70	City Clerk	14	n/a	18	-	18	18	18
71	Department of Elections	56	n/a	71	10	81	71	71
	Subtotal	169	153	187	63	250	187	187
<u>Judicial Agencies</u>								
60	36th District Court	326	312	331	-	331	331	331
<u>Other Agencies</u>								
35	Non-Departmental	67	85	79	29	108	79	79
	TOTAL - GENERAL CITY AGENCIES	7,057	6,391	7,382	159	7,541	7,361	7,355
ENTERPRISE AGENCIES								
10	Airport	4	4	4	-	4	4	4
13	Buildings, Safety Engineering and Environme	204	200	231	6	237	231	231
20	Department of Transportation	900	898	927	-	927	927	927
34	Municipal Parking	89	89	95	2	97	95	95
41	Water	488	445	468	-	468	468	468
42	Sewerage	-	-	-	-	-	-	-
72	Detroit Public Library	325	293	332	-	332	332	332
	TOTAL - ENTERPRISE AGENCIES	2,010	1,929	2,057	8	2,065	2,057	2,057
	GRAND TOTAL - BUDGETED HEADCO	9,067	8,320	9,439	167	9,606	9,418	9,412

* Budgeted Positions totals for FY2019-2021 do not include estimated figures for PSCs; PSC figures only included in the FY2018 budget totals

C. Blight Remediation

Blight remediation has been a longstanding problem for Detroit and became a critical reinvestment initiative as the City emerged from bankruptcy. As has been seen over the past three years, blight remediation efforts are inextricably linked to its public safety initiatives and, eventually, increasing property values.

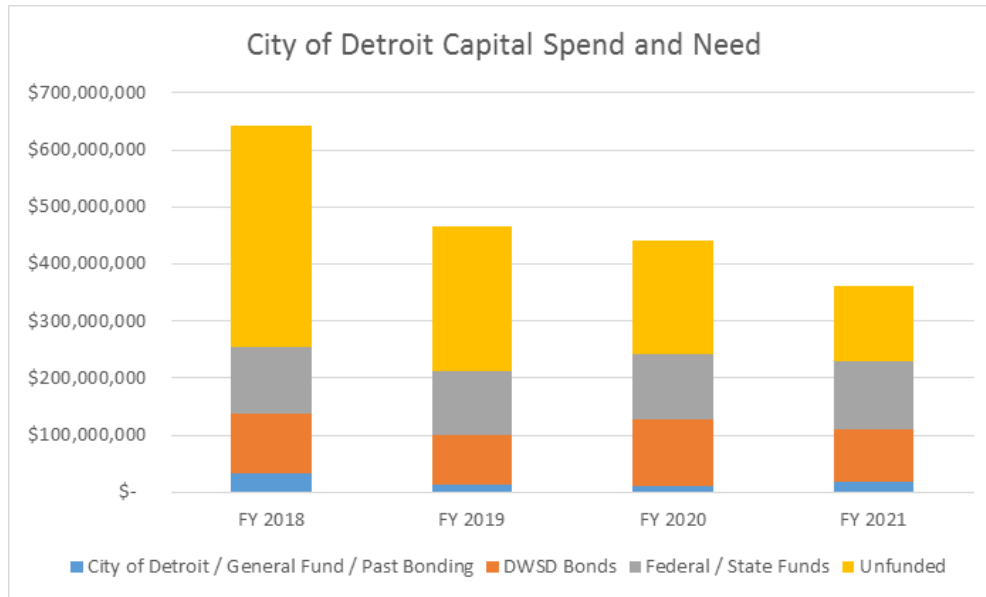
(\$000's) Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
<u>Expenditures - Blight</u>					
Blight Reinvestment	\$ 40,000	\$ 30,000	\$ -	\$ -	\$ -
Land Bank Operations	-	14,000	14,000	14,000	14,000
	\$ 40,000	\$ 44,000	\$ 14,000	\$ 14,000	\$ 14,000

In the FY2018 budget, the City assumes \$30 million for blight remediation spending and \$14 million of funding for DLBA operations. Going forward, for FY2019-2021 the City's forecast assumes \$14 million of DLBA annual operations funding only. If the City produces an annual operating surplus during FY2018, additional blight remediation should be funded in FY2019 with the intent of continuing blight remediation, at some level, indefinitely. The positive effects of blight remediation can be seen throughout the City's operations, particularly related to service delivery by the public safety departments and should be a continuing priority for the City.

D. Capital Agenda

Currently, the City has chosen not to access bond markets to fund capital expenditures. To address its capital needs, the current administration has taken a conservative approach to funding new capital projects not otherwise provided for in the POA with the Exit Financing proceeds. This requires the City to budget for these projects one year after budget surpluses occur or when other funding sources are identified and attainable. This approach is appropriate under the circumstances although it may result in a trade off with the speed at which the City may effectuate its transformation activities and service delivery improvements.

The City completed a Capital Agenda in November 2016 as well as a Fleet Study to inform its planning around capital needs and priorities. The City received approval of its five-year Capital Agenda from City Council, as required every two years under the Charter, and shared it with the FRC. The Capital Agenda provides a framework for the City's capital strategy, addresses infrastructure life-cycle needs, and supports the goal of bringing the City's assets into a state of good repair. Below is a summary of the City's Capital Agenda with capital needs compared to the currently available funding.



The capital needs of the City are still great. Over the course of the four-year plan, the needs in the Capital Agenda total over \$1.9 billion; however, only \$935 million of funding sources have been identified. The City acknowledges that it does not have enough resources to fund all of the needed capital projects, and therefore has developed a process to identify those projects that are most critical or present the greatest opportunities for economic growth. The Mayor, OCFO, and department heads hold many discussions to determine the appropriate balance of critical needs spending compared to economic growth spending.

The City of Detroit Vehicle Steering Committee has endorsed a long-term Comprehensive Fleet Reinvestment Plan. The plan calls for complete replacement of the aged fleet by FY2020. The committee has also commissioned a Fleet Study that identified issues such as shop productivity, communications, computer system miscoding, parts inventory issues, and poor preventive maintenance practices. These issues and others created excessive downtime, resulting in retention of old departmental assets as back up reserves. The FY2018 budget calls for \$9 million in light utility and truck purchases using previous year surpluses to address the concerns raised in the study.

E. Debt Service

The City’s bankruptcy eliminated billions of dollars of debt service obligations. The City currently has \$1.7 billion in outstanding bonded debt. General Fund debt is about 15% of the annual General Fund budget. The City’s current bond ratings for its General Fund debt and the legacy of the bankruptcy make near-term debt issuances too expensive.

Debt service payments are budgeted within the Non-Departmental budget and in the Debt Service budget for LTGO and UTGO obligations, respectively. DWSD-R debt service obligations are budgeted within the Water and Sewer Departments. Below are tables showing the debt service amounts included in the four-year plan.

(\$000's) Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
<u>Expenditures - General Fund Debt Service</u>					
Note B Payments	\$ 24,662	\$ 24,662	\$ 24,662	\$ 24,662	\$ 24,662
Quality of Life/Exit Financing	10,904	10,904	24,020	33,348	33,589
Fiscal Stabilization Bonds	18,847	7,745	7,745	14,063	18,848
Distributable State Aid Bonds	10,367	7,325	7,320	10,357	10,366
Note C Payments (Syncora)	9,977	9,977	9,977	9,977	9,977
Note B2 Payments	616	616	616	616	616
	<u>\$ 75,374</u>	<u>\$ 61,230</u>	<u>\$ 74,341</u>	<u>\$ 93,025</u>	<u>\$ 98,059</u>

(\$000's) Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
<u>Expenditures - Sinking Interest and Redemption</u>					
Bond Redemption (UTGO, DSA)	\$ 61,583	\$ 53,562	\$ 53,799	\$ 53,799	\$ 53,799

(\$000's) Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
<u>Expenditures - Enterprise Funds Debt Service</u>					
Water Department - Retail	\$ 45,480	\$ 28,430	\$ 29,562	\$ 30,740	\$ 30,740
Sewerage Department - Retail	129,009	154,835	160,650	166,642	166,642
	<u>\$ 174,489</u>	<u>\$ 183,265</u>	<u>\$ 190,212</u>	<u>\$ 197,382</u>	<u>\$ 197,382</u>

Risks to Achieving City's FY2018-2021 Financial Plan

The City's FY2018 budget and FY2019-2021 plan are based on relatively conservative assumptions. The City Council noted in its budget resolution "...Detroit's recent emergence from bankruptcy has placed the City in a positive trajectory toward the future. This opportunity has also brought increased scrutiny on the operations and financial position of the City in an environment where reinvestment in the City's infrastructure is ongoing and fiscal restraint is paramount; and, the alignment of expenditures and revenues must be balanced with improvements in service delivery to residents."

However, it is also important to balance improvement in service delivery to residents with the City's obligations to retirees and creditors. With pension obligations presenting a continuing funding challenge, and debt service payments scheduled to increase, it is imperative the City operates within a balanced budget environment and utilizes future surpluses, at least in part, to prefund the known obligations of the future.

While the FY2018-2021 plan appears reasonable, as with any municipal budget, it is subject to known and unknown risks, both in FY2018 and throughout the four year period. The 5% City Budget Reserve provides cushion for unforeseen fiscal challenges to the proposed budget as does the budgeting approach. That being said, both the City's budgeted revenues and expenditures face numerous risks, any one of which could impede the City's ability to balance its proposed budget on an annual basis.

Risks – Budgeted Revenues

- Downward trends in macroeconomic indicators resulting in reduced City income tax revenues
- Changes in Federal fiscal policies translating into decreased funding to the States
- Decreases in direct Federal funding and grants
- Property devaluation leading to reduced property tax income
- Further declines in population

- Declines in Michigan Sales Tax revenues and declines in other State funding

Risks – Budgeted Expenditures

- Future investment underperformance (below the assumed 6.75% return) of the City’s pension assets resulting in additional increased annual pension payments beginning in FY2024
- Impact of future collective bargaining agreements on compensation, benefits and work rules
- Underfunded Capital Agenda could lead to greater operational costs than anticipated or missed opportunities for economic development
- *Force majeure* and unknowable events

VII. CONCLUSIONS

This four-year plan reflects the fourth consecutive fiscal year of deficit free budgets since the City became subject to FRC oversight. Enormous progress has been made with regard to the objectives established during the City’s bankruptcy, the commitments made in the POA and the Administration’s initiatives to restore delivery of essential services to the residents of Detroit. The CFO has certified that the FY2018 budget is in compliance with the Uniform Budgeting and Accounting Act and insured that the budgeting process is appropriately balanced between short and long term needs.

Overall, the City’s FY2018 budget is reasonable. The four-year financial plan continues to use reasonably conservative revenue and spending assumptions and factor in known programmatic priorities and operational changes that are expected. The four-year plan appropriately addresses debt obligations and other requirements contained in the POA. The City has given careful thought and consideration to prioritizing capital expenditures, given its limited resources and has developed a plan to address the FY2024 funding cliff for legacy pension debt. The City will continue to face significant long-term challenges; however, it has developed the tools necessary to address these challenges on an ongoing basis.

CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Eight Months ended February 28, 2017

April 17, 2017



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Executive summary

- The City continues to work on its FY 2016 Comprehensive Annual Financial Report and anticipates completing it by May 31, 2017.
- Current projections indicate FY 2017 is estimated to end with a budget surplus of approximately \$40M.
 - Revenue projections are based on the February 2017 Consensus Revenue Estimating Conference results. (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 remains below budget and decreased slightly in February. (page 4)
- February YTD pooled cash balance exceeds prior year by \$107.9M, largely attributed to the \$86.9M of bond proceeds that were transferred to the City in April 2016. (page 5)
- February YTD General City property tax collection rate exceeds the prior year. (page 6)
- The Accounts Payable aging balance as of February 2017 was \$29.9M. The Invoices on Hold increased by \$4.5M, and the Non Hold invoices increased by \$1.2M compared to the January Accounts Payable aging. (page 7)
- With respect to Exit Financing, there were no additional business cases that were approved in February 2017. There are several business cases under review, which are being evaluated based upon need and funding source options. (page 8)
- In February, the Federal and State grant funds increased by \$1.1M with two new grants for the Fire Department and an increase in an award for the Health Department. The City closed 9 grants resulting in a decrease of \$4.7M. The main private grant received was a \$1.36M commitment over three years from Bloomberg Philanthropies to add the City of Detroit as a member of its Innovation Team (i-team) program, which helps city halls drive bold innovation and use data to tackle complex problems facing residents. (page 9)



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

GENERAL FUND

\$ in millions

REVENUE:

Municipal Income Tax	\$ 163.3	\$ 154.2	\$ 13.8	\$ 168.1	\$ 4.8	2.9%	\$ 266.6	\$ 275.0	\$ 8.4	3.2%
Property Taxes	99.2	96.6	3.8	100.4	1.2	1.2%	117.0	124.0	7.0	6.0%
Wagering Taxes	118.2	119.5	-	119.5	1.2	1.0%	175.2	176.0	0.8	0.5%
Utility Users' Tax	24.7	17.7	-	17.7	(7.0)	(28.3%)	37.0	35.0	(2.0)	(5.4%)
State Revenue Sharing	98.0	98.9	-	98.9	1.0	1.0%	196.5	195.2	(1.3)	(0.7%)
Sales and Charges for Services	82.3	55.0	-	55.0	(27.3)	(33.1%)	123.4	119.4	(4.0)	(3.2%)
Licenses, Permits, and Inspection Charges	7.5	9.8	-	9.8	2.3	31.3%	11.2	11.2	(0.0)	(0.1%)
Contributions and Transfers	62.0	0.0	67.9	67.9	5.8	9.4%	93.0	91.2	(1.8)	(1.9%)
Fines, Forfeits and Penalties	14.8	13.8	-	13.8	(1.0)	(7.0%)	22.2	24.5	2.2	10.1%
Revenues from Use of Assets	0.9	1.5	-	1.5	0.6	63.0%	1.3	1.3	(0.0)	(2.3%)
Other Taxes, Assessments, and Interest	6.0	9.5	-	9.5	3.4	56.5%	9.1	7.7	(1.3)	(14.7%)
Sales of Assets and Compensation for Losses	9.6	0.1	-	0.1	(9.5)	(98.4%)	14.4	7.0	(7.5)	(51.6%)
Miscellaneous	6.7	5.3	-	5.3	(1.4)	(20.4%)	10.2	9.4	(0.8)	(7.6%)
Adjust for Prior Year Encumbrances (6)	39.5	-	39.5	39.5	-	-	39.5	39.5	-	-

TOTAL (L)

	YTD ANALYSIS			VARIANCE (BUDGET VS. ACTUAL)		
	BUDGET	ACTUAL + ACCRUAL + ENCUMBRANCE				
	YTD	ACTUAL (2)	ACCRUAL + ENCUMBRANCE (3)	TOTAL	YTD	
	ADJUSTED (1)				(\$) F = E-B	% G = (F/B)
B	C	D	E = C + D			
\$ 732.7	\$ 581.8	\$ 125.0	\$ 706.8	\$ (25.9)	(3.5%)	

EXPENDITURES: (6)

Salaries and Wages	\$ (260.8)	\$ (236.9)	\$ -	\$ (236.9)	\$ 23.8	9.1%	\$ (400.8)	\$ (375.6)	\$ 25.2	6.3%
Employee Benefits	(122.5)	(52.1)	-	(52.1)	70.4	57.4%	(187.1)	(175.1)	11.9	6.4%
Professional and Contractual Services	(66.0)	(35.8)	(21.4)	(57.2)	8.8	13.3%	(88.0)	(89.9)	(2.0)	(2.2%)
Operating Supplies	(27.2)	(14.2)	(27.0)	(41.2)	(14.1)	(51.9%)	(36.6)	(40.1)	(3.5)	(9.5%)
Operating Services	(104.7)	(36.1)	(10.2)	(46.3)	58.4	55.8%	(154.3)	(154.0)	0.2	0.2%
Capital Equipment	(3.2)	(1.1)	(1.9)	(3.0)	0.2	6.8%	(3.4)	(3.5)	(0.1)	(2.1%)
Capital Outlays	(22.9)	(2.8)	(12.3)	(15.1)	7.9	34.4%	(35.2)	(34.8)	0.4	1.1%
Debt Service	(50.3)	(45.0)	0.1	(44.9)	5.4	10.8%	(75.4)	(66.6)	8.8	11.7%
Other Expenses	(92.7)	(53.1)	(0.4)	(53.5)	39.1	42.2%	(136.1)	(135.3)	0.7	0.5%

TOTAL (M)

\$ (750.2)	\$ (477.2)	\$ (73.1)	\$ (550.3)	\$ 200.0	26.7%
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VARIANCE (N = L + M)

\$ (17.5)	\$ 104.6	\$ 51.9	\$ 156.6	\$ 174.1	993.9%
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ANNUALIZED PROJECTION ANALYSIS

	BUDGET		PROJECTION		VARIANCE (BUDGET VS. PROJECTION)	
	ANNUAL	ANNUAL	ANNUAL	ANNUAL	ANNUAL	
	ADJUSTED	ADJUSTED	ESTIMATED (4)	ESTIMATED	ESTIMATED	
	H	I			(\$) J = I-H	% K = (J/H)
\$ 1,116.7	\$ 1,116.5	\$ (0.2)	(0.0%)			

Notes

- (1) Adjusted monthly budget assumes pro rata as well as seasonal distribution of annual adjusted budget.
- (2) Year-to-date actuals reflect eight months ending February 28, 2017.
- (3) Reflects encumbrances and pending accruals, including prior year carry-forwards and current year activities.
- (4) Revenues are based on the February 2017 Consensus Revenue Estimating Conference results.
- (5) YTD revenue in this category will appear to exceed the projection until distributions to other jurisdictions are completed later in the year.
- (6) This revenue line reflects funding to support prior year encumbrances and carry-forwards, for which equivalent amounts are captured within expenditures.



Monthly active employee count compared to budget

	Actual Jan. 2017 ⁽¹⁾	Actual Feb. 2017 ⁽¹⁾	Budget FY 2017 ⁽¹⁾	Budget vs. Feb. 2017	
Public Safety					
Police	2,888	2,894	3,127	233	7%
Fire	1,200	1,193	1,332	139	10%
Total Public Safety	4,088	4,087	4,459	372	8%
Non-Public Safety					
Office of the Chief Financial Officer	443	431	453	22	
Dept. of Public Works	336	331	376	45	
Health & Wellness	39	40	51	11	
Human Resources	83	85	70	(15) ⁽³⁾	
Housing & Revitalization / Planning & Development	93	93	81	(12) ⁽³⁾	
Dept. of Innovation and Technology	90	96	134	38	
Law	106	103	108	5	
Mayor (Includes Homeland Security)	65	69	72	3	
Public Lighting Department	5	4	6	2	
Recreation	205	196	285 ⁽²⁾	89	
General Services	286	278	574 ⁽²⁾	296	
Legislative ⁽⁵⁾	153	151	252 ⁽²⁾	101	
36th District Court	312	314	326	12	
Other ⁽⁶⁾	83	83	80	(3) ⁽⁴⁾	
Total Non-Public Safety	2,299	2,274	2,868	594	21%
Total General City	6,387	6,361	7,327	966	13%
Enterprise					
Airport	4	4	4	0	
BSEED	200	197	204	7	
Transportation	898	897	900	3	
Parking	89	84	89	5	
Water and Sewerage	445	447	488	41	
Library	293	289	325	36	
Total Enterprise	1,929	1,918	2,010	92	5%
Total City	8,316	8,279	9,337	1,058	11%

Notes:

- (1) Budget excludes personal services contractors (PSCs). 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) The Budget counts for these departments are modified in the report to include budgeted positions for employees that are not full-time.
- (3) Variances are due to ongoing departmental reorganizations occurring during FY 2017.
- (4) Variance is due to Media Services positions, which were budgeted as PSCs and subsequently converted to administrative special services positions.
- (5) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (6) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings and Non-departmental.



FY 2017 year-to-date net cash flows

For 8 Months Ended February 28, 2017

\$ in millions

Cash Flows - General Pool Cash

	Actual 8 Months	Prior Year	
		8 Months	Change
Property Taxes	\$ 100.4	\$ 104.8	\$ (4.4)
Municipal Income Taxes	182.2	165.9	16.4
Utility Users Taxes	21.7 (1)	11.8	9.9
Wagering Taxes	119.3	117.8	1.5
State Revenue Sharing	163.7	130.0	33.7
Other / Misc.	125.6	133.0	(7.4)
Total Receipts	713.0	663.2	49.8
Salaries and Wages	(260.3)	(238.2)	(22.1)
Employee Benefits	(42.9)	(35.3)	(7.5)
Materials, Contracts & Other	(276.0)	(198.8)	(77.2)
Total Disbursements	(579.2)	(472.4)	(106.8)
Operating Surplus (before Reinvestment)	133.8	190.9	(57.0)
Debt Service	(49.4)	(79.8) (2)	30.4
Non-Financing Adjustments	(26.6) (3)	-	(26.6)
Total Adjustments to arrive at Net Cash Flow	(76.0)	(79.8)	3.8
Net Cash Flow (4)	\$ 57.8	\$ 111.0	\$ (53.2)
Beginning cash balance (net of distribution) (5)	\$ 372.1	\$ 211.0	\$ 161.1
Net Cash Flow (4)	57.8	111.0	(53.2)
Lockbox reserves	-	-	-
Ending cash balance (net of distribution owed) (5)	\$ 429.9	\$ 322.0	\$ 107.9

Notes:

- (1) Reporting of Utility Users Tax includes Public Lighting Authority funds to be transferred at the end of the fiscal year. This additional amount equates to approximately \$1m per month.
- (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 cash activity adjusted for known deposits in transit, prior period adjustments and classification differences.
- (5) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.



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

For 8 Months Ended February 28, 2017

\$ in millions

Cash Flows	Cash Activity				General Ledger			Difference
	General Pool Cash	Adjustments	General Fund Cash		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 100.4	\$ -	\$ 100.4		\$ 96.6	\$ 3.8	\$ 100.4	\$ 0.0
Municipal Income taxes	182.2	(14.2)	168.1	(2)	154.2	13.8	168.0	0.0
Utility Users taxes	21.7	(4.0)	17.7	(2)	17.7	-	17.7	0.0
Wagering Taxes	119.3	0.1	119.5	(2)	119.5	-	119.5	0.0
State Revenue Sharing	163.7	(64.8)	98.9	(2)	98.9	-	98.9	0.0
Other / Misc.	125.6	(29.1)	96.5	(2)(3)	95.0	1.6	96.6	0.0
Total Receipts	713.0	(112.0)	601.0		581.8	19.2	601.0	0.0
Salaries and Wages	(260.3)	23.4	(236.9)	(4)	(236.9)	-	(236.9)	0.0
Employee Benefits	(42.9)	(9.3)	(52.2)	(5)	(52.2)	-	(52.2)	0.0
Materials, contracts & other	(276.0)	132.9	(143.1)	(6)	(143.1)	-	(143.1)	0.0
Total Disbursements	(579.2)	147.0	(432.2)		(432.2)	-	(432.2)	0.0
Operating Surplus (before Reinvestment)	133.8	35.0	168.8		149.6	19.2	168.8	0.0
Debt Service	(49.4)	4.5	(45.0)	(7)	(45.0)	-	(45.0)	0.0
Non-Financing Adjustments	(26.6)	26.6	-	(8)	-	-	-	-
Total Adjustments to arrive at Net Cash Flow	(76.0)	31.1	(45.0)		(45.0)	-	(45.0)	0.0
Net Inflows /(Outflows)	57.8	66.1	123.9		104.6	19.2	123.8	0.0

Notes:

- (1) To be posted amounts represent collections and disbursements that have not yet been reconciled.
- (2) \$14.2 of Municipal Income Tax, \$4m of Utility Users Tax, \$0.8m of Wagering Taxes offset by \$0.9 March 2017 activity, \$64.8m of State Revenue Sharing, \$7.3m of Other Revenue (Wagering, Municipal Svc fees) in FY 2017 related to FY 2016 activity.
- (3) \$8m of revenues collected in FY2017 related to activity in FY2016. \$7.6m of collections are cash specific transactions, \$6.2m are non-General Fund receipts.
- (4) Approximately \$12.7m of the difference relates to FY2016 activity and the balance of \$10.7m is non-General Fund disbursements.
- (5) Approximately \$1.0m of Benefits relates to FY2016 payments and \$15.3m Pension accrual to be paid at the end of FY2017 offset by \$5.0m relating to the timing of payments within this fiscal year.
- (6) Approximately \$36.3m of disbursements are non-General Fund, \$54.1m related to prior period and \$42.5m are cash specific transactions.
- (7) \$14.2m of Financing Costs related to prior period offset by \$6.4m exit financing, \$7.3m Public Lighting Authority and \$5.0m State Revenue Sharing debt set aside.
- (8) \$30.0m set aside for legacy pension net of \$3.4m inflow of excess self-insurance escrow requirements.



FY 2017 year-to-date property tax collections

For 8 Months Ended February 28, 2017

\$ in millions

	FY 2017			FY 2016		
	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 92.5			\$ 95.8	
General Special Acts (4)		2.2			3.4	
General Total	\$ 120.7	\$ 94.7	78.46%	\$ 129.6	\$ 99.2	76.54%
Debt Service Total	\$ 62.0	\$ 48.8	78.65%	\$ 68.3	\$ 53.6	78.50%
Solid Waste Total	\$ 62.4	\$ 30.0	48.04%	\$ 57.4	\$ 30.7	53.50%

		FY 2017	FY 2016
General City Ad Valorem Collections YTD	(2)	\$ 92.5	\$ 95.8
Delinquent Tax Revolving Fund Collections YTD	(3)	7.9	12.8
Total Property Tax Collections (Ad Val + DTRF)		\$ 100.4	\$ 108.6
Admin Fee, Interest, Penalty YTD	(4)	\$ 6.2	\$ 7.0

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

- The Accounts Payable aging balance as of February 2017 was \$29.9M. The Invoices on Hold increased by \$4.5M, and the Non Hold invoices increased by \$1.2M compared to the January Accounts Payable aging.

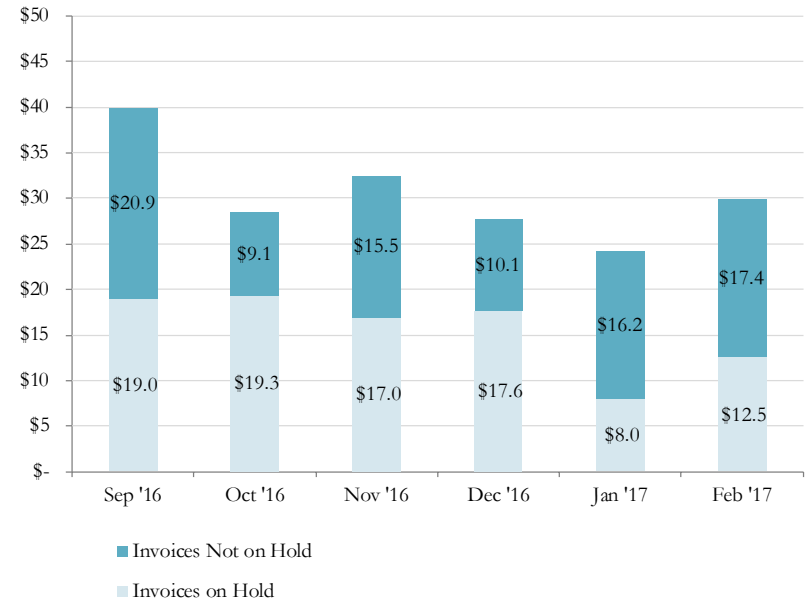
\$ in millions

Accounts Payable (AP) as of 28-FEB-2017	
Total AP	\$ 29.9
Less: Invoices on hold (1)	(12.5)
Net AP not on hold	\$ 17.4

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Feb. Total	\$ 17.4	\$ 6.6	\$ 4.7	\$ 2.7	\$ 3.4
<i>% of total</i>	100%	38%	27%	16%	20%
Total Count of Invoices	1,459	849	362	71	177
<i>% of total</i>	100%	58%	25%	5%	12%
Jan. Total	\$ 16.2	\$ 5.8	\$ 4.0	\$ 2.0	\$ 4.4
<i>% of total</i>	100%	36%	24%	12%	27%
Total Count of Invoices	955	373	348	46	188
<i>% of total</i>	100%	30%	26%	13%	32%

Total AP



Notes:

(1) Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal holds.



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

- There were no additional business cases that were approved in February 2017. There are several business cases under review, which are being evaluated based upon need and funding source options.

<i>\$ in millions</i>	Number of Projects	Amount of Approved and Authorized Projects	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	5	(41.5)	(34.0)
Blight	7	(29.7)	(26.2)
Police	6	(29.0)	(19.3)
Fire	11	(25.5)	(19.2)
General Services	14	(32.1)	(18.4)
Office of the Chief Financial Officer	10	(19.7)	(15.9)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.5)
Law	1	(2.2)	(1.2)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.8)	(0.7)
Other	3	(0.5)	(0.1)
Subtotal Projects	62	(\$188.3)	(\$140.4)
Post Petition Financing Interest and Other Fees	-	(2.8)	-
Totals	62	(\$191.1)	(\$140.4)
Amount Reserved for Projects under Review		\$42.1	



The City is leveraging funding from external sources

- In February, the Federal and State grant funds increased by \$1.1M with two new grants for the Fire Department and an increase in an award for the Health Department. The City closed 9 grants resulting in a decrease of \$4.7M. The main private grant received was a \$1.36M commitment over three years from Bloomberg Philanthropies to add the City of Detroit as a member of its Innovation Team (i-team) program, which helps city halls drive bold innovation and use data to tackle complex problems facing residents.

\$ in millions

Department	Amount Awarded (1)	Number of Grants
Transportation	\$ 384.0	22
Housing & Revitalization	237.7	19
Public Works	30.6	20
Fire Department	28.2	9
Health & Wellness Promotion	26.2	4
Police	17.7	23
Recreation	3.2	10
Coleman A. Young Airport (Airport)	0.3	2
General Services	0.8	1
Homeland Security and Emergency Management (HSEM)	1.3	5
Other (2)	1.1	4
Active Federal/State grants (3)	\$ 731.1	119
Active private grants and donations	54.4	65
Total active grants and donations	\$ 785.5	184

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 Advisory Board.
- (3) Does not include Hardest Hit Fund, which is received by the external Detroit Land Bank Authority.



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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2017-9

**APPROVING THE CITY'S APRIL 2017 BUDGET AMENDMENT
REQUESTS**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 6(1) of the Act empowers the Commission to provide oversight for the City of Detroit (the "City") beginning on the Effective Date of the Plan of Adjustment; and

WHEREAS, Section 7(c) of the Act provides that during the period of oversight, the Commission review, modify, and approve the City's proposed and amended operational budgets and that a proposed budget or budget amendment does not take effect unless approved by the Commission; and

WHEREAS, Section 6(3) of the Act further requires the Commission to ensure that the City complies with the requirements of the Uniform Budgeting and Accounting Act; and

WHEREAS, the Uniform Budgeting and Accounting Act prevents the City from deviating from its original general appropriations act without amending it and requires the City to amend its general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined; and

WHEREAS, at the Commission meeting on April 17, 2017, the City presented budget amendment requests, attached as **Exhibit A** to this Resolution, for the Commission's review and approval.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the City's April 2017 budget amendment requests, attached as **Exhibit A** to this Resolution but excluding any budget amendments a majority of Commission members present has agreed to exclude as noted in the minutes, are hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

CITY OF DETROIT BUDGET AMENDMENTS

THE FOLLOWING BUDGET AMENDMENTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 17, 2017 MEETING

2016 - 2017 NON-GRANT BUDGET AMENDMENTS

No.	Department	Description	Budget Amendment Amount		Appr. #
			Revenue	Expense	
The purpose of this amendment is to fund discretionary pension contributions for the proposed Retiree Protection Fund from unassigned fund balance. This payment is part of an overall strategy to address the increased pension liability that must be paid starting in Fiscal Year 2024					
1	Non-Departmental	Increase Revenues	50,000,000.00	-	13854
		Increase Appropriations	-	50,000,000.00	
		Net Change	50,000,000.00	50,000,000.00	

CITY OF DETROIT BUDGET AMENDMENTS

THE FOLLOWING BUDGET AMENDMENTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 17, 2017

2016 - 2017 GRANT BUDGET AMENDMENTS

No.	Department	Grantor	Grant / Program	Description	Amount		
					Revenue	Expense	Appr. #
1	Fire	Michigan Department of Treasury - Office of Revenue and Tax Analysis	Financially Distressed Cities, Villages and Townships Grant	This grant will allow for the purchase of one hundred seventy - six (176) portable radios. The radios will assist in continuing effective communications and coordination of resources and services during an emergency.	795,872.00	795,872.00	20386
Fire Department Amendment Total					795,872.00	795,872.00	
				To reprogram unused CDBG funds for programs that no longer exist or funds unlikely to be used in a timely manner. This amendment is needed to ensure the department meets its timeliness test which occurs sixty (60) days before the end of the program year for CDBG recipients			
2	Housing & Revitalization	U.S. Department of Housing and Urban Development (HUD)	Community Development Block Grant (CDBG)	Reprogramming CDBG /NOF:			
				Increase Housing Pre-Development Construction	-	190,581.00	20343
				Decrease Housing Pre-Development Rehabilitation	-	(190,581.00)	20342
Housing & Revitalization Net Change					0.00	0.00	
Grand Total					795,872.00	795,872.00	

CITY OF DETROIT BUDGET AMENDMENTS

THE FOLLOWING BUDGET AMENDMENTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 17, 2017

2016 - 2017 GRANT BUDGET AMENDMENTS

No.	Department	Description	Amount		
			Revenue	Expense	Appr. #
To appropriate settlement funds received for the Garfield Building Section 108 Loan. These funds will be used for future loan payments until exhausted.					
1	Housing & Revitalization	Increase Appropriations	1,300,000.00	1,300,000.00	13529
Housing & Revitalization Amendment Total			1,300,000.00	1,300,000.00	
Grand Total			1,300,000.00	1,300,000.00	

CITY OF DETROIT BUDGET AMENDMENTS

THE FOLLOWING BUDGET AMENDMENTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 17, 2017 MEETING

2016 - 2017 GRANT BUDGET AMENDMENTS

(Correction)

No.	Department	Grantor	Grant / Program	Description	Amount		
					Revenue	Expense	Appr. #
February 27, 2017 Submission Read As:							
	Police	Michigan State Police	Auto Theft Prevention Authority Grant - Grosse Pointe Eastside Action	This grant will support motor vehicle theft prevention initiatives.	12,040.00	12,040.00	20229
February 27, 2017 Submission Should Have Read As:							
1	Police	Michigan State Police	Auto Theft Prevention Authority Grant - Grosse Pointe Eastside Action	This grant will support motor vehicle theft prevention initiatives.	24,080.00	24,080.00	20229



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2017-10

APPROVING THE CITY'S APRIL 2017 CONTRACT REQUESTS

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 6(1) of the Act empowers the Commission to provide oversight for the City of Detroit (the "City") beginning on the Effective Date of the Plan of Adjustment; and

WHEREAS, Section 6(6) of the Act provides that during the period of oversight, the Commission review and approve the City's applicable contracts, as defined by Section 3(a) of the Act, and that an applicable contract does not take effect unless approved by the Commission; and

WHEREAS, at the Commission meeting on April 17, 2017, the City presented applicable contracts, attached as **Exhibit A** to this Resolution, for the Commission's review and approval.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the City's April 2017, contract requests, attached as **Exhibit A** to this Resolution but excluding any contracts a majority of Commission members present has agreed to exclude as noted in the minutes, are hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

CITY OF DETROIT CONTRACT SUBMISSION TO FINANCIAL REVIEW COMMISSION
THE FOLLOWING CONTRACTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
SECTION 6, SUBSECTION 6 OF THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 17, 2017 Meeting

Prepared By: Boysie Jackson, Chief Procurement Officer

City Council and Water Board Approvals Through April 11, 2017

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
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CONTRACTS GREATER THAN \$750K (Yes = Lowest Bid Unless Specified)

1	PUBLIC WORKS	6000621	Contract Amount: \$7,751,800.00 Contract Period: Upon FRC Approval through 4/30/18 Source: 100% Street Funding Purpose: To Provide the Manufacture and Delivery of Asphalt Material Contractor: Cadillac Asphalt LLC Location: 2575 S. Haggerty Road, Suite 100, Canton, MI 48186	New	Yes	Lowest Equalized Bid	4/11/2017	4/17/2017	
2	PUBLIC WORKS	3010788	Contract Amount: \$952,000.00 Contract Period: One time Purchase Source: 100% Street Funding Purpose: To Provide Four (4) 4-Wheel Mechanical Street Sweepers Contractor: The Safety Company LLC d/b/a MTECH Company Location: 7401 First Place, Oakwood Village, OH 44146	New	Yes	Yes Lowest that met Specifications	3/28/2017	4/17/2017	
3	PUBLIC WORKS	3008931	Contract Amount: \$766,000.00 Contract Period: One Time Purchase Source: 100% Solid Waste Fund - Fund 3401 Purpose: To Provide Solid Waste Equipment – Four (4) Rear Steer Loaders Contractor: Bell Equipment Company Location: 78 Northpointe Drive, Lake Orion, MI 48359	New	Yes	Yes	3/28/2017	4/17/2017	
4	HOUSING AND REVITALIZATION	3011222	Contract Amount: \$783,370.00 Contract Period: One Time Purchase Source: 100% City Funding Purpose: To Provide Residential Demolition – 2.1.17 Group D (38 Properties) in District 5 Contractor: Rickman Enterprise Group Location: 15533 Woodrow Wilson, Detroit, MI 48238	New	Yes	Yes	4/11/2017	4/17/2017	Contracts includes debris removal/disposal, asbestos and other hazardous material removal, backfill, grading and seeding costs.

CONTRACTS GREATER THAN 2 YEARS

			No Contracts Submitted for this Category						
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WITH 1 ENTITY, WITHIN 1 YEAR, GREATER THAN \$750K

5	HOUSING AND REVITALIZATION	3010503	Contract Amount: \$313,980.00 Contract Period: One Time Purchase Source: 100% Federal Funding Purpose: To Provide Commercial Demolition: Group 49 Contractor: Smalley Construction Inc. Location: 131 Main Street, Scottville, MI 49454	New	Yes	Yes	4/11/2017	4/17/2017	Previous contracts within 12 months total over \$750K
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	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
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WITH 1 ENTITY, WITHIN 1 YEAR, GREATER THAN \$750K--continued

6	HOUSING AND REVITALIZATION	3011528	Contract Amount: \$285,600.00 Contract Period: One Time Purchase Source: 100% City Funding Purpose: To Provide Residential Demolition – 2.1.17 Group C (17 Properties) in Districts 3, 4 & 5 Contractor: Rickman Enterprise Group Location: 15533 Woodrow Wilson, Detroit, MI 48238	New	Yes	Yes	4/11/2017	4/17/2017	
7	POLICE	6000523	Contract Amount: \$450,000.00 Contract period: Upon FRC Approval through 3/1/19 Source: 100% Grant Funding Purpose: To Provide Installation and Purchase of Surveillance Cameras for the Detroit Police Department Contractor: Motorola Solutions Inc. Location: 1301 E. Algonquin Road, Schaumburg, IL 60196	New	Yes	Yes Lowest that met Specifications	3/28/2017	4/17/2017	This is a MiDeal Agreement.
8	PUBLIC WORKS	3010073	Contract Amount: \$194,184.00 Contract Period: One Time Purchase Source: 100% Street Funding Purpose: To Provide Four (4) Furnished Full Sized Cargo Vans with 6 Cylinder Engines Contractor: Jorgensen Ford Sales, Inc. Location: 8333 Michigan Avenue, Detroit, MI 48210	New	Yes	Yes	3/28/2017	4/17/2017	
9	PUBLIC WORKS	3010792	Contract Amount: \$224,669.00 Contract Period: One Time Purchase Source: 100% Street Funding Purpose: To Provide One (1) Fully Assembly 2500 Gallon Street Flusher Contractor: Wolverine Freightliner Eastside Location: 107 S. Groesbeck Highway, Mt. Clemens, MI 48043	New	Yes	Yes Lowest that met Specifications	3/28/2017	4/17/2017	

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
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DEPARTMENT OF WATER AND SEWAGE CONTRACTS

CONTRACTS GREATER THAN \$750,000.00

10	WATER AND SEWAGE	3010325	Contract Amount: \$2,305,374.65 Contract Period: One Time Purchase Source: 100% Improvement and Extension Fund Purpose: To Provide Five (5) Mobile Industrial Vacuum & High Pressure Jets Rodders – Contractor: Jack Doheny Companies Location: 777 Doheny Drive, Northville, MI 48167	New	Yes	Yes Lowest that met Specifications	City Council 4/11/17	4/17/2017	Approved by both BOWC and City Council.
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CONTRACTS GREATER THAN 2 YEARS

			No Contracts Submitted for this Category						
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WITH 1 ENTITY, WITHIN 1 YEAR, GREATER THAN \$750K

			No Contracts Submitted for this Category						
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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: April 12, 2017
TO: Financial Review Commission Members
FROM: Ron L. Rose, Executive Director, Financial Review Commission
Kevin Kubacki, Financial Specialist

SUBJECT: Contract Summary - April 2017 City of Detroit FRC Meeting

The City has submitted 10 contracts for review/approval at the April 17, 2017 commission meeting. These contracts have been vetted by the FRC Advisory Subcommittee on Contracts and Procurement. Additionally, all of these contracts have been approved by the Office of the Chief Financial Officer, and where required, City Council. Each contract is summarized below:

Contract 1 – New Contract for Asphalt Material

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Cadillac Asphalt, LLC	New Contract	4/11/2017	\$7,751,800	Yes	Lowest Equalized Bid	Local Street Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This RFP was competitively bid and two vendors responded. The vendor recommended for this contract had the lowest equalized bid. Included in this contract is 86,000 tons of asphalt at \$55.39 per ton and 57,000 tons at \$52.14 per ton.

Contract 2 – New Contract for Four 4-Wheel Mechanical Street Sweepers

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
The Safety Company, LLC	New Contract	3/28/2017	\$952,000	Yes	Yes, Lowest that met specifications	Local Street Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract includes the purchase of four 4-wheel mechanical street sweepers with warranties. This RFP was competitively bid and four vendors responded. The two lowest bids did not meet the RFP specifications and were considered to be unacceptable to the Department. The contractor with the third lowest bid is being recommended at a cost of \$238,000 per street sweeper.

Contract 3 – New Contract for the Purchase of Four Rear Steer Loaders

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid ?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Bell Equipment Company	New Contract	3/28/2017	\$766,000	Yes	Only Bid	Solid Waste Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract includes the purchase four rear-steering loaders with a 5-year warranty on the engine and transmission. This RFP was competitively bid and only one vendor responded. The cost of each loader is \$191,500.

Contract 4 – New Contract for Demolition of 38 Residential Properties

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Rickman Enterprise Group	New Contract	4/11/2017	\$783,370	Yes	Lowest Bid	General Fund

This contract amendment is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract includes the demolition and debris removal of 38 residential properties in District 5. This contract was competitively bid and six vendors responded. The contractor with the lowest bid is being recommended for approval. It was noted during the subcommittee call that these properties do not qualify for the Hardest Hit Fund.

Contract 5 – New Contract for Demolition of 10 Commercial Properties

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
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Smalley Construction, Inc.	New Contract	4/11/17	\$313,980	Yes	Lowest Bid	Block Grant Fund
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This contract is subject to FRC review because the aggregate sum of the city's contracts with this contractor exceeds \$750,000. This contract includes the demolition and debris removal of 10 commercial properties. This contract was competitively bid and six vendors responded. The contractor with the lowest bid is being recommended for approval.

Contract 6 – New Contract for Demolition of 17 Residential Properties

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Rickman Enterprise Group	New Contract	4/11/2017	\$285,600	Yes	Lowest	General Fund

This contract is subject to FRC review because the aggregate sum of the city's contracts with this contractor exceeds \$750,000. This contract includes the demolition and debris removal of 17 residential properties in Districts 3, 4 and 5. This contract was competitively bid and six vendors responded. The contractor with the lowest bid is being recommended for approval. It was noted during the subcommittee call that these properties do not qualify for the Hardest Hit Fund.

Contract 7 – New Contract for Installation and Purchase of Surveillance Cameras

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Motorola Solutions, Inc.	New Contract	3/28/2017	\$450,000	Yes	MiDeal Pricing	Grant Funded

This contract is subject to FRC review because the aggregate sum of the city's contracts with this contractor exceeds \$750,000. This contract provides for the purchase and installation of 14 pole surveillance cameras and 44 box cameras for the Real Time Crime Center. This contract was competitively bid and five vendors responded. Four of the bids did not meet specification of the RFP with two of the vendors not providing for installation of the equipment. The recommended vendor met specifications of the RFP and the pricing of equipment and installation is consistent with MiDeal.

Contract 8 – New Contract for Four Furnished Full Sized Cargo Vans

Contractor	Nature of	City Council Approval	Contract Value	Bid?	Lowest Bid or Highest	Budgeted Funding
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	Contract	Date			Ranked?	Sources
Jorgensen Ford Sales, Inc.	New Contract	3/28/2017	\$194,184	Yes	Only Bid	Local Street Fund

This contract is subject to FRC review because the aggregate sum of the city's contracts with this contractor exceeds \$750,000. This contract includes the purchase of Four Furnished Full Sized Cargo Vans with six-cylinder engines that will be utilized by the Department of Public Works. This contract was competitively bid and only one vendor responded. The cost of each van is \$48,546.

Contract 9 – New Contract for Fully Assembled Street Flusher with Tank

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Wolverine Freightliner Eastside	New Contract	3/28/2017	\$224,669	Yes	Lowest Bid that met Specification	Local Street Fund

This contract is subject to FRC review because the aggregate sum of the city's contracts with this contractor exceeds \$750,000. This contract includes the purchase of street flusher with a 2,500 gallon tank. This truck will be utilized to support the new street sweeping effort by the city. This RFP was competitively bid and two vendors responded. The vendor being recommended had the lowest bid that met specifications. The other bid only included pricing for the storage tank and not the street flusher as requested.

Contract 10 – New DWSD Contract for Five Mobile Industrial Vacuums & High Pressure Jet Rodders

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Jack Doheny Companies	New Contract	4/11/17	\$2,305,375	Yes	Lowest Bid that met Specification	DWSD Improvement and Extension Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract includes the purchase of four vacuum loaders and jet rodders (fan type) and one mobile industrial vacuum loader and jet rodder (PD type). These trucks are used to clean debris from the sewer lines and catch basins throughout the City. This contract was competitively bid and four vendors responded. The recommendation is for the third lowest bid. The Department rejected the two lowest bids because they did not meet the RFP specifications.