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July 13, 2018

Detroit Financial Review Commission
Cadillac Place
3062 West Grand Boulevard
Detroit, MI 48202

Re: Monthly Financial Report for the Eleven Months ended May 31, 2018

Dear Commissioners:

The Office of the Chief Financial Officer (OCFO) respectfully submits its monthly City of Detroit Financial Report for the Eleven Months ended May 31, 2018

This report is provided in accordance with the requirements included in Detroit Financial Review Commission (FRC) Resolution 2018-13, which granted the City its waiver of active FRC oversight through June 30, 2019. The OCFO has separately submitted this report to the Detroit City Council and posted it on the City's website.

Best regards,

A handwritten signature in black ink, appearing to read "John W. Hill", written in a cursive style.

John W. Hill
Chief Financial Officer

Att: City of Detroit Financial Report for the Eleven Months ended May 31, 2018

Cc: Mayor Michael E. Duggan, City of Detroit
Honorable Detroit City Council
David P. Massaron, Chief Operating Officer and Senior Counsel to the Mayor
John Naglick, Chief Deputy CFO/Finance Director
Tanya Stoudemire, Deputy CFO/Budget Director
Christa McLellan, Deputy CFO/Treasurer
Stephanie Washington, City Council Liaison
Kevin Kubacki, Executive Director, Detroit Financial Review Commission

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CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Eleven Months ended May 31, 2018

July 13, 2018



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Executive summary

- The City made all of its required FY 2018 legacy pension plan contributions on or before June 30, including those provided by the City's General Fund, the Detroit Water and Sewerage Department, the Great Lakes Water Authority, the Detroit Public Library, and the Foundation for Detroit's Future.
- The Office of the Controller has distributed FY 2018 year-end closing instructions and has begun the initial activities for the FY 2018 audit.
- The Office of Budget has been holding its capital planning hearings with departments to develop the recommended five-year Capital Agenda.
- The Office of the Treasury has issued 2018 summer property tax bills to property owners throughout the City.
- The Office of the Assessor has expanded its outreach efforts to residents who may be eligible for the Homeowners Property Tax Assistance Program.
- Current projections indicate FY 2018 ended with an operating surplus of approximately \$44M.
 - Revenue projections are based on the May 2018 Revenue Estimates Review results, which remain above budget. (page 3)
 - Payroll and employee benefit expenditures are trending below budget as a result of position vacancies. (page 3)
 - The General City active employee count increased in May but remains below budget. (page 4)
- The City's property tax collection period ended March 1. The preliminary General City collection rate is 81.8% this year vs. 79.7% the previous year. The City collects additional revenue through year-end from the Wayne County's Delinquent Tax Revolving Fund. (page 7)
- Accounts Payable as of May had a net decrease of \$6.1M compared to April. Net AP not on hold had a net decrease of \$4.9M. The number of open invoices not on hold decreased by 357. There were 1,167 new invoices processed in May that were not on hold. (page 8)
- Within the City's active grant portfolio, the most significant new grant awards in May were three Michigan Department of Natural Resources grants totaling \$898,000 in support of the citywide parks improvement plan. (page 10)



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

GENERAL FUND <i>\$ in millions</i>	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS		
	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL
	AMENDED (1)				(F) F = E-B	% G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D			H	I	(J) J = I-H
REVENUE:									
Municipal Income Tax	\$ 263.5	\$ 282.9	\$ -	\$ 282.9	\$ 19.4	7.4%	\$ 283.3	\$ 295.0	\$ 11.8
Property Taxes (5)	119.3	101.2	-	101.2	(18.1)	(15.2%)	124.0	133.1	9.1
Wagering Taxes	159.0	164.8	-	164.8	5.8	3.7%	177.8	177.8	0.0
Utility Users' Tax	32.1	26.5	10.4	36.9	4.8	15.0%	35.0	40.0	5.0
State Revenue Sharing	131.3	133.5	-	133.5	2.2	1.6%	196.1	199.9	3.8
Sales and Charges for Services	111.5	76.9	-	76.9	(34.6)	(31.0%)	121.6	109.1	(12.6)
Licenses, Permits, and Inspection Charges	10.8	11.2	-	11.2	0.4	3.9%	11.7	12.4	0.7
Contributions and Transfers (6)	62.1	26.3	-	26.3	(35.8)	(57.7%)	123.1	145.2	22.0
Grants and Other Revenues	0.7	1.3	-	1.3	0.5	70.1%	1.4	0.9	(0.4)
Fines, Forfeits and Penalties	23.2	16.7	-	16.7	(6.5)	(28.0%)	25.3	23.2	(2.1)
Revenues from Use of Assets	3.0	4.1	-	4.1	1.1	34.8%	3.3	2.4	(0.9)
Other Taxes, Assessments, and Interest	6.7	10.4	(3.4)	7.0	0.3	4.4%	7.3	7.5	0.2
Sales of Assets and Compensation for Losses	5.1	3.3	-	3.3	(1.8)	(34.9%)	5.6	1.9	(3.7)
Miscellaneous	12.4	14.1	-	14.1	1.7	14.2%	13.5	7.6	(5.9)
Adjust for Prior Year Carry-forward (7)	120.8	-	120.8	120.8	-		120.8	120.8	-
TOTAL (L)	\$ 1,061.4	\$ 873.2	\$ 127.8	\$ 1,000.9	\$ (60.5)	(5.7%)	\$ 1,249.7	\$ 1,276.6	\$ 26.9
EXPENDITURES:									
Salaries and Wages	\$ (374.8)	\$ (359.1)	\$ -	\$ (359.1)	\$ 15.7	4.2%	\$ (423.3)	\$ (409.7)	\$ 13.6
Employee Benefits	(256.3)	(221.6)	-	(221.6)	34.8	13.6%	(278.5)	(271.8)	6.6
Professional and Contractual Services	(76.9)	(47.3)	(35.0)	(82.2)	(5.3)	(6.9%)	(84.0)	(81.1)	2.8
Operating Supplies	(36.6)	(45.4)	(8.7)	(54.1)	(17.5)	(47.7%)	(39.5)	(40.9)	(1.3)
Operating Services	(109.6)	(63.2)	(3.1)	(66.4)	43.3	39.5%	(119.3)	(111.5)	7.8
Capital Equipment	(1.8)	(0.6)	0.6	0.0	1.9	101.1%	(1.9)	(3.4)	(1.5)
Capital Outlays	(28.7)	(7.1)	(13.7)	(20.8)	7.9	27.5%	(31.3)	(28.5)	2.8
Debt Service	(56.1)	(106.1)	-	(106.1)	(50.0)	(89.1%)	(116.3)	(116.3)	-
Other Expenses	(143.9)	(98.7)	(1.6)	(100.3)	43.7	30.3%	(155.6)	(169.0)	(13.4)
TOTAL (M)	\$ (1,085.0)	\$ (949.0)	\$ (61.5)	\$ (1,010.6)	\$ 74.4	6.9%	\$ (1,249.7)	\$ (1,232.3)	\$ 17.4
VARIANCE (N = L + M)	\$ (23.6)	\$ (75.9)	\$ 66.3	\$ (9.6)	\$ 13.9	N/A	\$ 0.0	\$ 44.4	\$ 44.4

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect eleven months ending May 31, 2018.
- (3) Reflects encumbrances, pending adjustments, and the gross up of Utility Users' Tax collections to include amounts for the Public Lighting Authority.
- (4) Projected revenues are based on the City's May 2018 Revenue Estimates Review.
- (5) The property tax revenue projection now includes the recognition of revenue payable for tax increment financing distributions, which are captured within expenditures.
- (6) This revenue line also includes the use of fund balance totaling \$105M to support one-time spending on capital (\$20M), blight (\$30M), and debt restructuring (\$55M).
- (7) This revenue line reflects fund balance assigned to support carry-forwards, for which equivalent amounts are captured within expenditures.



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual April 2018	Actual May 2018	Change May 2018 vs. April 2018	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. May 2018	
Public Safety						
Police	3,067	3,066	(1)	3,121	55	2%
Fire	1,201	1,216	15	1,274	58	5%
Total Public Safety	4,268	4,282	14	4,395	113	3%
Non-Public Safety						
Office of the Chief Financial Officer	430	434	4	482	48	
Public Works - Regular	371	390	19	419	29	
Public Works - Seasonal	45	21	(24)	26	5	
Health and Wellness Promotion	79	76	(3)	104	28	
Human Resources	95	95	0	108	13	
Housing and Revitalization	86	85	(1)	91	6	
Innovation and Technology	107	108	1	134	26	
Law	110	108	(2)	118	10	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	33	33	0	41	8	
Recreation - Regular	256	261	5	326	65	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	356	364	8	504	140	
General Services - Seasonal	247	271	24	219	(52)	
Legislative ⁽³⁾	236	233	(3)	259	26	
36th District Court	316	316	0	331	15	
Other ⁽⁴⁾	111	112	1	110	(2)	
Total Non-Public Safety	2,950	2,979	29	3,608	629	17%
Total General City	7,218	7,261	43	8,003	742	9%
Enterprise						
Airport	4	4	0	4	0	
BSEED	208	213	5	230	17	
Transportation	904	914	10	927	13	
Municipal Parking	88	85	(3)	95	10	
Water and Sewerage	529	539	10	579	40	
Library	301	305	4	332	27	
Total Enterprise	2,034	2,060	26	2,167	107	5%
Total City	9,252	9,321	69	10,170	849	8%

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, seasonal employees and PSCs if funded by vacant budgeted positions.
- (2) Amended Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (4) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2018 year-to-date net cash flows

For 11 Months Ending May 31, 2018

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 11 Months	FY17 Actual 11 Months	Variance
Property Taxes	\$ 107.7	\$ 103.6	\$ 4.1
Municipal Income Taxes	278.8	259.1	19.7 (1)
Utility Users Taxes	26.7	23.1	3.6
Wagering Taxes	165.3	163.9	1.4
State Revenue Sharing	166.8	197.0	(30.2) (2)
Other / Misc.	243.8	173.2	70.6 (3)
Total Receipts	989.1	919.9	69.2
Salaries and Wages	(389.6)	(364.1)	(25.5) (4)
Employee Benefits	(125.5)	(104.7)	(20.8) (5)
Materials, Contracts & Other	(319.9)	(337.7)	17.8
Total Disbursements	(835.0)	(806.5)	(28.5)
Operating Surplus (before Reinvestment)	154.1	113.4	40.7
Debt Service	(60.9)	(59.8)	(1.1) (6)
Debt Redemption	(69.8)	-	(69.8) (7)
Non-Financing Adjustments	0.0	3.4	(3.4) (8)
Total Adjustments to arrive at Net Cash Flow	(130.7)	(56.4)	(74.3)
Net Cash Flow	\$ 23.4	57.0	\$ (33.5)
Beginning cash balance	\$ 186.3 (9) (10)		
Net Cash Flow	23.4		
Ending cash balance	209.7 (9)		
Budget Reserve Fund	62.3 (11)		
Total Cash Balance	\$ 272.0		

Notes:

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

- (1) Increase is due to a reduction in the amount of refunds processed offset by an increase in revenue.
- (2) The June 2016 State Revenue Sharing payment was received in July 2016 whereas the June 2017 payment was received in June 2017.
- (3) FY18 includes \$19.5m MDOT receipt for G.Howe Bridge Project, \$15m Premier Garage sale to redeem C Note principal, additional \$9.5m in Grant receipts over FY17 and \$30m transferred in from bank account closures.
- (4) Increase in FY18 payroll attributed to salary increases and additional positions filled.
- (5) Increase in FY18 due to increased benefits expense compared to prior year and quarterly payment of pension contributions (v. annual) partially offset by a reduced contribution to the Retiree Protection Trust Fund (\$15m in FY18 v. \$30m in FY17).
- (6) The August 2016 refunding of State Revenue Sharing notes resulted in reduced outflow offset by increased Pledged Income Tax interest payments.
- (7) Partial redemption of Note C done in January 2018 for \$15.4m. Final redemption amount of \$54.4m sent to Trustee March 2018.
- (8) In FY17 the General Fund received a \$3.4m inflow of excess self-insurance dollars.
- (9) The main operating pool contains cash balances of the Risk Management Fund, Street Fund, Solid Waste Fund, General Grants and Motor Vehicle Fund.
- (10) Beginning balance has been reduced to reflect the removal of Fund 7003 (Prop Tax Distributions) and State of MI Trust Fund balance.
- (11) The Budget Reserve Fund is in excess of 5% of the annual budget and in a segregated account.



FY 2018 year-to-date cash flow to general ledger reconciliation

For 11 Months Ending May 31, 2018
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted (1)	Total	
Property Taxes	\$ 107.7	\$ (6.5)	\$ 101.2	(2)	\$ 101.2	\$ -	\$ 101.2	\$ 0.0
Municipal Income Taxes	278.8	4.1	282.9	(3)	282.9	-	282.9	0.0
Utility Users Taxes	26.7	(0.2)	26.5	(4)	26.5	-	26.5	0.0
Wagering Taxes	165.3	(0.5)	164.8	(5)	164.8	-	164.8	0.0
State Revenue Sharing	166.8	(33.3)	133.5	(6)	133.5	-	133.5	0.0
Other / Misc.	243.8	(79.5)	164.3	(7)	164.3	-	164.3	0.0
Total Receipts	989.1	(115.9)	873.2		873.2	-	873.2	0.0
Salaries and Wages	(389.6)	30.5	(359.1)	(8)	(359.1)	-	(359.1)	0.0
Employee Benefits	(125.5)	(96.1)	(221.6)	(9)	(221.6)	-	(221.6)	0.0
Materials, Contracts & Other	(319.9)	57.5	(262.4)	(10)	(262.4)	-	(262.4)	0.0
Total Disbursements	(835.0)	(8.1)	(843.1)		(843.1)	-	(843.1)	0.0
Operating Surplus (before Reinvestment)	154.1	(124.0)	30.1		30.1	-	30.1	0.0
Debt Service	(60.9)	11.0	(49.9)	(11)	(49.9)	-	(49.9)	0.0
Debt Redemption	(69.8)	13.7	(56.1)	(12)	(56.1)	-	(56.1)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	(130.7)	24.7	(106.0)		(106.0)	-	(106.0)	0.0
Net Inflows /(Outflows)	\$ 23.4	\$ (99.3)	\$ (75.9)		\$ (75.9)	\$ -	\$ (75.9)	\$ 0.0

Notes:

- (1) To be posted amount represent collections and disbursements that were not recorded as of May 31, 2018.
- (2) \$26m pertains to FY17 offset by \$19.5m of revenue pending distribution to the General Fund.
- (3) Differences due to changes in refund liability.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$0.5m collected in June.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$37.8m non-General Fund 1000 receipts, \$19m pertained to prior years, \$30m transferred in from bank account closures offset by \$7.3m net interfund loan activity.
- (8) Approximately \$18.3m of the difference relates to FY17 activity and the balance is non-General Fund disbursements.
- (9) Approximately \$1.4m of Benefits is FY17 activity offset by \$90m relating to prior years RPTF set aside and \$7.5m attributed to the timing of payments.
- (10) Approx. \$55.6m of disbursements are non-General Fund & \$39.3m related to FY17 offset by \$13.3m cash activity and \$24.1m Risk Management & insurance premium non-cash book
- (11) Difference is debt set aside at Trustees: \$6.5m Income Tax and \$4.5m non-cash book transfers.
- (12) Partial redemption of Note C done in January 2018 for \$15.4m. Final redemption amount of \$54.4m sent to Trustee March 2018. \$13.7 adjustment for long-term receivable due from Enterprise agencies posted May 2018.



FY 2018 year-to-date property tax collections

For 11 months ended May 31, 2018

\$ in millions

	FY 2018			FY 2017		
	Adjusted Tax Roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 91.6		\$ 93.5		
General Special Acts		2.6		2.7		
General Total	\$ 115.2	\$ 94.2	81.77%	\$ 120.7	\$ 96.2	79.70%
Debt Service Total	\$ 50.9	\$ 41.6	81.73%	\$ 62.0	\$ 50.2	80.97%
Solid Waste Total	\$ 52.4	\$ 30.3	57.82%	\$ 54.8	\$ 31.2	56.93%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 91.6	\$ 93.5
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	9.6	10.1
Total Property Tax Collections (Ad Val + DTRF)		\$ 101.2	\$ 103.6
Admin Fee, Interest, Penalty YTD	(4)	\$ 6.3	\$ 6.8

Notes:

- (1) Amounts do not include collections from Wayne County settlement checks as a result of foreclosure and auction activity.
- (2) Amounts are net of property taxes collected by the City on behalf of DPS, State Education Trust, Wayne County and other non-City taxing authorities.
- (3) Wayne County monthly DTRF settlement checks.
- (4) Special Act, Admin Fee, Interest and Penalty are recorded in Budget's Other Taxes, Assessments, and Interest category.



Accounts payable summary

- Accounts Payable as of May had a net decrease of \$6.1M compared to April. Net AP not on hold had a net decrease of \$4.9M. The number of open invoices not on hold decreased by 357. There were 1,167 new invoices processed in May that were not on hold.

All Funds

\$ in millions

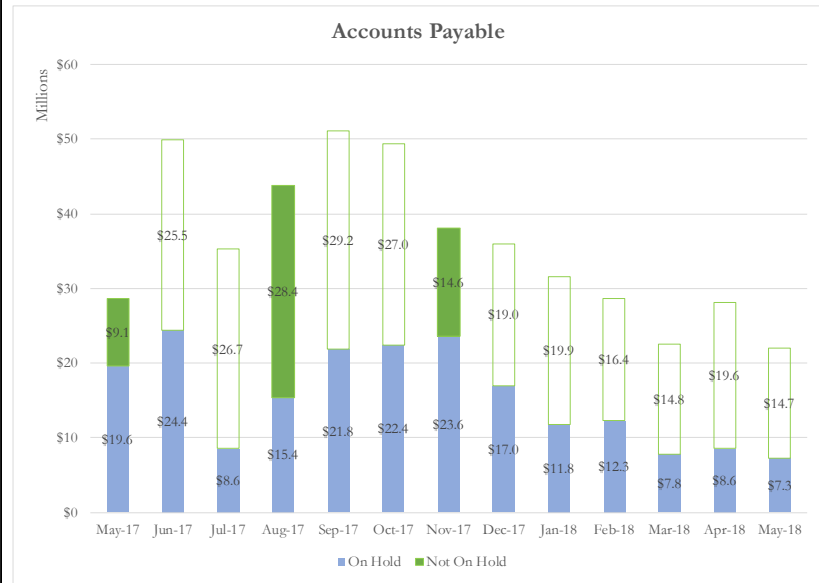
Accounts Payable (AP) as of May-18	
Total AP (Apr-18)	\$ 28.1
Plus: May-18 invoices processed	\$ 57.7
Less: May-18 Payments made	\$ (63.8)
Total AP month end (May-18)	\$ 22.0
Less: Invoices on hold (1)	\$ (7.3)
Less: Installments/Retainage Invoices(2)	\$ -
Net AP not on hold	\$ 14.7

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
May-18. Total	\$ 14.7	\$ 9.5	\$ 3.3	\$ 0.3	\$ 1.6
% of total	100%	64%	22%	2%	11%
Change vs. Apr-18	\$ (4.9)	\$ (3.9)	\$ (1.0)	\$ 0.2	\$ (0.2)
Total Count of Invoices	1,256	766	291	82	117
% of total	100%	61%	23%	7%	9%
Change vs. Apr-18	(357)	(412)	(9)	32	32
Apr-18. Total	\$ 19.6	\$ 13.3	\$ 4.3	\$ 0.2	\$ 1.8
% of total	100%	68%	22%	1%	9%
Total Count of Invoices	1,613	1,178	300	50	85
% of total	100%	73%	19%	3%	5%

Notes:

- Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal holds
- Invoices on retainage are on hold until the supplier satisfies all contract obligations
- Invoices are processed and aged based on the invoice date. If the invoices were aged based on the date received the aging would show improved current category values
- DWSD payable to Great Lakes Water Authority (GLWA) shown separately for reporting purposes



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

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

<i>\$ in millions</i>	Open and Closed Projects		
	Number of Projects	Amount of Authorized Projects	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	6	(39.4)	(37.2)
Blight	9	(29.3)	(25.6)
Police	7	(25.3)	(21.8)
Fire	9	(36.0)	(29.9)
General Services	14	(27.6)	(27.1)
Office of the Chief Financial Officer	13	(25.4)	(19.7)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.8)
Law	1	(1.1)	(1.1)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Human Resources	2	(0.7)	(0.7)
Other	5	(0.5)	(0.3)
Subject to Reconciliation	–	–	(0.0)
Subtotal Projects	69	(\$192.7)	(\$169.2)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Debt Service Reserve	–	(27.5)	(27.5)
Totals	69	(\$222.9)	(\$199.4)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$10.2	

Notes:

50 Closed Projects. Unaudited amounts subject to reconciliation.
 No new business cases approved in May 2018.



The City is leveraging funding from external sources

- Within the City's active grant portfolio, the most significant new grant awards in May were three Michigan Department of Natural Resources grants totaling \$898,000 in support of the citywide parks improvement plan.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	351.6	-	14
Housing & Revitalization	246.7	-	19
Health	34.6	-	6
Public Works	30.8	-	12
Fire	30.5	-	9
Police	17.1	-	26
Homeland Security and Emergency Management	2.0	-	5
Recreation	2.8	-	9
Other (3)	1.8	-	6
Active Federal/State grants	\$ 717.9	\$ -	106
Active private grants and donations	107.3	-	144
Total active grants and donations (4)	\$ 825.2	\$ -	250

Notes:

- (1) Reflects original amounts awarded and amendments for active grants as of May 31, 2018. Remaining amount available to be spent will be lower for most departments.
- (2) The amounts awarded as of May 31 are separated between grant appropriations already approved and any that may be pending approval as of the date this report is presented.
- (3) Other includes departments and agencies totaling less than \$1M.
- (4) The City also partners with third-party agencies to directly pursue and implement grants aligned with the City's priorities. Such grants are included above for private funds but not federal/state grants.



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