



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** June 29, 2020  
**TO:** Financial Review Commission Members  
**FROM:** Patrick Dostine, Departmental Specialist, Treasury  
**SUBJECT:** **Year-Three Waiver of Direct FRC Oversight of City of Detroit**

### Executive Summary

The Financial Review Commission is required to certify that the statutory conditions of Sec 8(2) of the Michigan Financial Review Commission Act, Act 181 of 2014 are met to grant a waiver under the Act. Throughout the second waiver-year, the city has been diligent in providing the Financial Review Commission with timely submissions of information and monthly, quarterly and annual reports as required in Section 3 of Resolution 2018-13. Exhibit A in Resolution 2020-03 details the city's compliance with the statutory conditions and identifies the supporting documentation outlining the city's compliance with the Act. Based upon a review of the city's financial information, submitted reports and discussions during the finance and contracts subcommittee meetings, staff recommends the Financial Review Commission certify that the city of Detroit has met the statutory conditions of Sec. 8(2) and grant the city of Detroit the year-three waiver.

### Background

Public Act 181 of 2014 (Act 181) provides for the active oversight of the city of Detroit for not less than 13 years. The Financial Review Commission's (FRC) duties and powers in active oversight are detailed in Sections 6 and 7, respectively, of Act 181. Section 8 sets forth the conditions which, if all are met, require the FRC to annually adopt a resolution granting the waiver and the conditions which, should one occur, require the FRC to rescind the waiver.

Act 181 established the FRC on December 10, 2014 to monitor the city's compliance with the plan of action (POA) and provide oversight of the city's financial and operational activities.

The FRC granted the city of Detroit the second waiver from active oversight on June 24, 2019. The year-two waiver will expire on June 30, 2020 and, therefore, the year-three waiver is now before the FRC for its consideration. In order for the FRC to certify all the statutory conditions are met to grant the year-three waiver, the city's (i) Revenues, (ii) Adopted/Adhered to Deficit-Free Budgets, (iii) Adopted Four-Year Financial Plan FY 2021-2024, (iv) Municipal Securities/Debt Obligations, (v) Legacy Costs and the Retirement Protection Fund (RPF), and (vi) Rainy Day Fund are discussed below to supplement the compliance documents listed in Exhibit A.

## **i. Revenues**

The city's revenue projections in its pre-COVID, four-year financial plan (FY2021-2024) utilized the revenue estimates from the February 2019 Revenue Estimating Conference, as required by Public Act 182 of 2014. However, COVID-19 hit mid-March and immediately impacted key revenue streams for the city. The OCFO had to adjust the February estimates to reflect the sudden and significant revenue shortfalls that were being projected. Therefore, the city council adopted the four-year financial plan with adjusted-down estimates which are displayed in Table 1 below and can be seen again in Table 4: FY 2021-FY 2024 Expenditures & Revenues by Major Classification City of Detroit Budget Development – General Fund, page five.

The city emphasized at the revenue estimating conference that conservative assumptions were used in the forecasting exercises. The estimates were unanimously adopted as presented. Again, the estimates were used as a starting point to make revenue reductions in the current fiscal year as well as projecting for FYs '22, '23 and '24. Below are the assumptions the OCFO used to estimate affected revenues for income tax, state revenue sharing and wagering.

### **Income Tax**

- Individual tax loss assumes 30% annualized U.S. GDP loss in Q2-2020, followed by a slow recovery based on April interim economic forecast;
- Assumes a 20% loss in corporate and partnership tax revenue in FY20, another 40% loss in FY21;
- Ongoing annual losses of \$25M in FY22 & FY23 and \$23M in FY24 below Feb 2020 revenue conference;
- Assumes a sustained recovery following economic contraction, with no more extraordinary COVID-19 closure impacts experienced in FY 2020 and FY 2021;
- While having returned to growth, the city's employment base will remain below prior forecasts;

### **State Revenue Sharing (constitutional share)**

- Losses based on state sales tax reductions from business closures and economic contraction;
- Reductions in statutory share remain a major risk as the state rebalances its budget due to COVID-19;
- Ongoing annual losses of \$4.6M for FY22-FY24 below February 2020 revenue conference
- While having returned to growth, the state sales tax base remains below prior forecasts;

### **Wagering Tax and Fees**

- Assumes closures through 6/30/2020;
- Followed by gradual reopening: July/Aug (20%), Sept/Oct (50%), Nov/Dec (75%), and Jan 2021 (100%);
- Casino activity has returned to normal or otherwise adapted by FY22 to achieve prior forecast;
- The OCFO is comfortable making this assumption, despite the risk of further COVID-related disruption, because the revenues do not include potential gains from internet gaming or sports betting, currently under implementation.

**Table 1: (Adjusted) Revenue Estimates, City of Detroit General Fund**

## FY 2021 Budget – April 2020 Revenue Shortfall

**City of Detroit - Estimated COVID-19 Revenue Impacts**  
*\$ in millions*

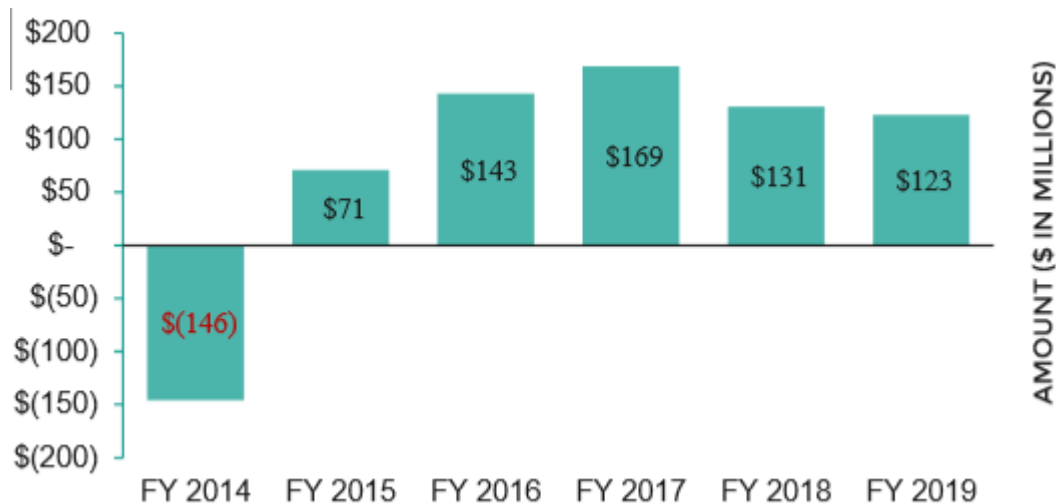
|                                  | February 2020 Est |                   | April 2020 Est    |                 |                   |                   |                   | Change \$         |                   |
|----------------------------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | FY20              | FY21              | FY20              | FY21            | FY22              | FY23              | FY24              | FY20              | FY21              |
| <b>General Fund</b>              |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| <b>Major Taxes</b>               |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| Income Tax                       | \$ 329.8          | \$ 340.4          | \$ 281.0          | \$ 239.4        | \$ 322.6          | \$ 332.0          | \$ 343.1          | \$ (48.8)         | \$ (101.0)        |
| State Revenue Sharing            | 208.4             | 205.0             | 201.2             | 190.5           | 202.0             | 203.7             | 205.4             | (7.2)             | (14.5)            |
| Wagering Tax/Fees                | 204.4             | 206.3             | 152.6             | 145.7           | 189.7             | 191.6             | 193.5             | (51.8)            | (60.6)            |
| Property Tax                     | 118.4             | 118.9             | 117.2             | 111.9           | 206.6             | 208.3             | 210.0             | (1.2)             | (7.0)             |
| Utility Users Tax                | 28.3              | 28.5              | 28.3              | 28.5            | 28.7              | 28.9              | 29.1              | -                 | -                 |
| <b>Subtotal, Major Taxes</b>     | <b>\$ 889.3</b>   | <b>\$ 899.1</b>   | <b>\$ 780.3</b>   | <b>\$ 716.0</b> | <b>\$ 861.8</b>   | <b>\$ 874.3</b>   | <b>\$ 889.3</b>   | <b>\$ (109.0)</b> | <b>\$ (183.1)</b> |
| Other Revenues                   | \$ 187.6          | \$ 185.7          | \$ 158.6          | \$ 190.7        | \$ 204.5          | \$ 205.5          | \$ 206.6          | \$ (29.0)         | \$ 5.0            |
| <b>Grand Total, General Fund</b> | <b>\$ 1,076.9</b> | <b>\$ 1,084.8</b> | <b>\$ 938.9</b>   | <b>\$ 906.7</b> | <b>\$ 1,066.3</b> | <b>\$ 1,079.8</b> | <b>\$ 1,095.9</b> | <b>\$ (138.0)</b> | <b>\$ (178.1)</b> |
| <b>Other Funds (GF Impact)</b>   |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| BSEED Construction Code Fund     | \$ 25.0           | \$ 25.0           | \$ 15.2           | \$ 19.0         | \$ 25.0           | \$ 25.0           | \$ 25.0           | \$ (9.8)          | \$ (6.0)          |
| DDOT Transportation Fund         | 72.3              | 73.2              | 66.3              | 63.2            | 73.7              | 74.1              | 74.5              | (6.0)             | (10.0)            |
| Airport Fund                     | 0.7               | 0.7               | 0.5               | 0.7             | 0.7               | 0.7               | 0.7               | (0.2)             | -                 |
| <b>Grand Total, All Funds</b>    | <b>\$ 1,174.9</b> | <b>\$ 1,183.7</b> | <b>\$ 1,020.9</b> | <b>\$ 989.6</b> | <b>\$ 1,165.7</b> | <b>\$ 1,179.6</b> | <b>\$ 1,196.1</b> | <b>\$ (154.0)</b> | <b>\$ (194.1)</b> |

\* All years have been adjusted to exclude \$27M of General Fund interfund reimbursements and pass-through contributions that will no longer be categorized as revenue but were previously.

**ii. Adopted/Adhered to Deficit-Free Budgets**

Sec. 8 (2)(a) of Act 181 requires the FRC to certify that the city has adopted and adhered to deficit-free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act. FY 19 marks the fifth straight year (FY2015-FY2019) of audited balanced budgets and operating surpluses. See Table 2 General Fund Unassigned Fund Balance.

**Table 2: General Fund Unassigned Fund Balance (Deficit)**



For fiscal year 2019, staff from Treasury’s Community Engagement and Finance Division reviewed the city’s FY 2019 Comprehensive Annual Financial Report (CAFR) for funds with unrestricted deficits. For funds using modified accrual, “unrestricted” fund balance equals the sum of committed, assigned and unassigned balances. The city’s FY 2019 CAFR was reviewed independently by two Treasury staff who arrived at the same conclusion: there were six funds with unrestricted deficits; however, in accordance with Treasury’s [Numbered Letter \(NL\) 2016-1](#), no deficit elimination plans are required. See Table 3.

**Table 3: Treasury Review of 2019 CAFR for Deficits**

| Fund Name                           | Fund Type       | Audit Page | Comments   |
|-------------------------------------|-----------------|------------|--|
| Transportation                      | Enterprise      | 27         | DEP not required because Current Assets > Current Liabilities. NL 2016-1, pages 2-4              |
| Detroit Transportation Corporation  | Component Unit  | 35         |  |
| Local Development Finance Authority | Component Unit  | 36         |  |
| Museum of African American History  | Component Unit  | 36         |  |
| Airport                             | Enterprise      | 180        |  |
| General Grants                      | Special Revenue | 155        | DEP not required because Deferred Inflows of Resources > Unrestricted Deficit. NL 2016-1 page 1. |

The audited general fund balance in FY 2019 was \$692 million, up from \$611 million in FY 2018, and the audited unassigned fund balance was \$123 million, down from \$131 million in FY 2018.

For the current fiscal year 2020, due to COVID-19, the city is projecting a revenue shortfall of approximately \$154 million, a shortfall that the city responded to with a comprehensive plan, which utilizes fund balances and cost-reducing strategies. The city presented its response-plan to the FRC in April 2020, and to the finance subcommittee and, again, to the FRC, both in June.

### iii. Adopted Four-Year Financial Plan FY 2020-2023

Sec. 8 (2)(c) of Act 181 requires the city’s financial plan projects a balanced budget for the current fiscal year (FY2021) and the succeeding three years using general accepted accounting principles and in accordance with the uniform budgeting and accounting act.

To date the city has submitted five, four-year financial plans with balanced budgets.

- FY 2016-FY 2019, FRC approved April 20, 2015;
- FY 2017-FY 2020, FRC approved April 18, 2016;
- FY 2018-FY 2021, FRC approved April 17, 2017;
- FY 2019- FY 2022, FRC approved April 16, 2018;
- FY 2020-FY 2023, submitted April 30, 2019. (In waiver, FRC approval not required.)

Table 4 is the city’s adopted Four-Year Financial Plan FY 2021-2024. It includes the adopted budget for FY 2021 plus three forecasted years (FY 2022, FY 2023, FY 2024) in accordance with the requirements of the Home Rule City Act and in compliance with Sec. 8(2)(c) of Act 181, utilizing revenue estimates from the February 2019 Revenue Estimating Conference as a base, but then adjusting-down all revenues based on assumptions due to the COVID outbreak.

**Table 4: FY 2021-FY 2024 Expenditures & Revenues by Major Classification  
City of Detroit Budget Development – General Fund**

| <b>Expenditures &amp; Revenues by Major Classifications</b> |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| City of Detroit   |                      |                      |                      |                      |                      |                      |
| Budget Development  |                      |                      |                      |                      |                      |                      |
| Fund 1000 - General Fund                                    |                      |                      |                      |                      |                      |                      |
|   | FY2019               | FY2020               | FY2021               | FY2022               | FY2023               | FY2024               |
| Expenditures  | Actual               | Adopted              | Adopted              | Forecast             | Forecast             | Forecast             |
| Salaries & Wages  | 444,386,455          | 473,476,107          | 446,180,656          | 477,654,995          | 487,113,115          | 496,781,023          |
| Employee Benefits   | 150,697,074          | 202,512,409          | 201,267,084          | 207,746,977          | 213,800,912          | 320,875,912          |
| Professional & Contractual Services                         | 77,172,109           | 83,221,412           | 79,359,755           | 78,608,461           | 77,422,710           | 76,428,959           |
| Operating Supplies  | 44,787,325           | 38,964,735           | 42,025,235           | 42,175,082           | 42,175,082           | 42,175,082           |
| Operating Services  | 80,003,409           | 102,181,376          | 84,606,237           | 85,172,601           | 85,172,601           | 85,172,601           |
| Equipment Acquisition                                       | 27,604,348           | 188,109              | 37,950               | 37,950               | 37,950               | 37,950               |
| Capital Outlays   | 2,609,061            | 175,000              | 250,000              | 250,000              | 250,000              | 250,000              |
| Fixed Charges   | 225,439,320          | 79,763,090           | 85,046,628           | 85,050,620           | 85,898,676           | 73,281,815           |
| Other Expenses  | 140,225,819          | 105,701,743          | 85,203,334           | 89,634,910           | 87,897,885           | 87,903,291           |
| <b>Total Expenditures - Recurring</b>                       | <b>1,192,924,920</b> | <b>1,086,183,981</b> | <b>1,023,976,879</b> | <b>1,066,331,596</b> | <b>1,079,768,931</b> | <b>1,182,906,633</b> |
| <b>Expenditures - Non-Recurring</b>                         |                      |                      |                      |                      |                      |                      |
| Reserves  | -                    | 57,100,000           | -                    | -                    | -                    | -                    |
| <b>Total Expenditures - Non-Recurring</b>                   | <b>-</b>             | <b>57,100,000</b>    | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>-</b>             |
| <b>Grand Total Expenditures</b>                             | <b>1,192,924,920</b> | <b>1,143,283,981</b> | <b>1,023,976,879</b> | <b>1,066,331,596</b> | <b>1,079,768,931</b> | <b>1,182,906,633</b> |
| Revenues  | FY2019               | FY2020               | FY2021               | FY2022               | FY2023               | FY2024               |
|   | Actual               | Adopted              | Adopted              | Forecast             | Forecast             | Forecast             |
| Grants, Shared Taxes, & Revenues                            | 208,747,124          | 206,114,000          | 192,182,000          | 203,681,734          | 205,313,734          | 206,987,734          |
| Revenues from Use of Assets                                 | 27,942,298           | 34,625,100           | 32,781,199           | 36,173,012           | 35,493,116           | 34,771,324           |
| Sales of Assets & Compensation for Losses                   | 4,159,308            | 1,742,000            | 62,000               | 62,000               | 62,000               | 62,000               |
| Sales & Charges for Services                                | 104,701,656          | 116,792,881          | 107,378,022          | 109,089,850          | 110,067,081          | 111,064,575          |
| Fines, Forfeits, & Penalties                                | 22,689,235           | 23,284,000           | 25,491,000           | 23,192,000           | 23,205,000           | 23,218,000           |
| Licenses, Permits, & Inspection Charges                     | 12,236,096           | 12,685,000           | 13,075,000           | 13,191,000           | 13,308,000           | 13,427,000           |
| Taxes, Assessments, & Interest                              | 698,013,799          | 664,965,000          | 522,959,000          | 667,770,000          | 678,609,000          | 692,089,000          |
| Contributions & Transfers                                   | 15,014,307           | 17,100,000           | 5,100,000            | 5,100,000            | 5,100,000            | 5,100,000            |
| Miscellaneous   | 216,458,297          | 8,876,000            | 7,567,000            | 8,072,000            | 8,611,000            | 9,187,000            |
| <b>Total Revenues - Recurring</b>                           | <b>1,309,962,119</b> | <b>1,086,183,981</b> | <b>906,595,221</b>   | <b>1,066,331,596</b> | <b>1,079,768,931</b> | <b>1,095,906,633</b> |
| <b>Revenues - Non-Recurring</b>                             |                      |                      |                      |                      |                      |                      |
| Contributions and Transfers                                 | -                    | 57,100,000           | 117,381,658          | -                    | -                    | 87,000,000           |
| <b>Total Revenues - Non-Recurring</b>                       | <b>-</b>             | <b>57,100,000</b>    | <b>117,381,658</b>   | <b>-</b>             | <b>-</b>             | <b>87,000,000</b>    |
| <b>Grand Total Revenues</b>                                 | <b>1,309,962,119</b> | <b>1,143,283,981</b> | <b>1,023,976,879</b> | <b>1,066,331,596</b> | <b>1,079,768,931</b> | <b>1,182,906,633</b> |

\*FY2021-FY2024 excludes \$27 million of pass-through revenues and expenditures previously counted as General Fund in FY2020 Adopted Budget.

#### iv. Municipal Securities/Debt Obligations

Sec. 8 (2)(b) of Act 181 requires the state treasurer and the city's CFO to certify that (1) all municipal securities or debt obligations sold by or for the benefit of the city in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the city and (2) there is a substantial likelihood that municipal securities or debt obligations can be sold by the qualified city or qualified school district in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amounts sufficient to substantially satisfy all of the capital and other financial requirements of the qualified city or qualified school district during those periods in accordance with the qualified city's or qualified school district's financial plan, as applicable.

#### *Unlimited Tax General Obligation*

The \$135 million of UTGO bonds issued in December 2018 provided funding for the city's capital and other financial requirements during FY 2019 and FY 2020. The city is now planning a borrowing of \$80 million in the fall for public safety, recreation and transportation capital projects. The issuance is authorized under the city's 2018 bond resolution. The city has selected JP Morgan Chase and Siebert Williams Shank as co-senior managers to lead the offering.

The city will also seek a ballot and bond-authorizing resolution from city council for \$250 million, which will be used for the rehabilitation and demolition of residential blighted properties in the city in FY 2021 and FY 2022.

The city's credit ratings on its general obligation bonds are currently Ba3 (positive outlook) from Moody's and BB- (negative outlook) from S & P. The city will seek a rating in the coming weeks for its planned \$80 million public offering in the fall.

The city indicated at the June 8 FRC meeting that, should it experience impediments to accessing the public market on its own credit, it has the capacity and is willing to pledge its Distributable State Aid (revenue sharing) as security for the bonds. In doing so, the credit rating for the city's bonds would be based on the state's credit rating, thereby improving the salability of the bonds.

Therefore, there is a substantial likelihood that municipal securities or debt obligations can be sold by the qualified city ... in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amounts sufficient to substantially satisfy all of the capital and other financial requirements of the qualified city ... during those periods in accordance with the qualified city's ... financial plan, as applicable, as required in Sec. 8(2)(b) of Act 181.

#### v. **Legacy Costs and the Retirement Protection Fund (RPF)**

The RPF has earned approximately \$13 million as of May 2020, which is an effective rate of return of 2.95%. In total, the RPF has \$183 million, \$170 million in contributions and \$13 million from interest earnings. The target is \$350 million at 2024.

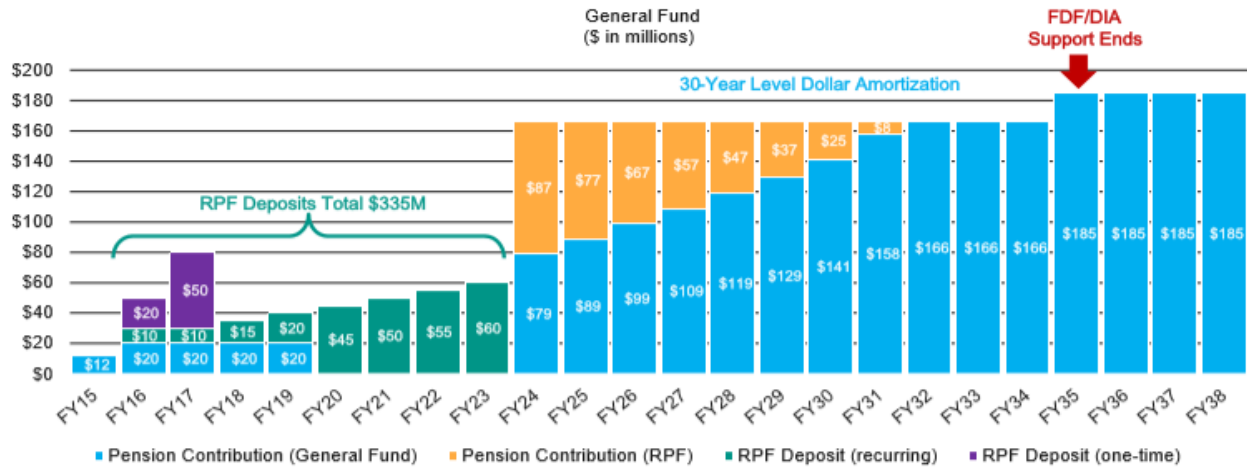
The FY 2024 pension "cliff"– the city's portion of the Actuarial Determined Contribution (ADC) – is \$166 million in the FY 2021-2024 Four-Year Financial Plan. (See Table 5 next page.) This amount was determined by a funding model developed by the city's actuarial consultant.<sup>1</sup>

#### **Table 5: FY 2021 Retirement Protection Fund Plan**

---

<sup>1</sup> Based on the 2019 Police and Fire and General Retirement valuations, the combined ADC in FY 2024 is \$205 million (level dollar) and \$263 million (level principal). These amounts do not reflect contributions from FDF, DIA, DWSD, and DP which total \$26 million in FY '24.

# FY 2021 Retiree Protection Fund Plan



\* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit's DWSD and Library liabilities and contributions are separate.

The pension pressures will be a long-term budget challenge for the city. It is the city’s policy to reexamine the pension system and the RPF every year for future funding requirements and to adjust its funding plan as needed during the annual budget development process. The FY 2021 adopted budget includes the previously planned RPF contributions (\$50 million FY ’21, \$55 million FY ’22, and \$60 million FY 23). The city understands that identifying additional pension funding is a high priority. Furthermore, the city understands that as federal funding becomes available and revenues recover, additional resources must, too, be committed to funding the pension.

## vi. Rainy Day Fund

Act 182 requires the city of Detroit to maintain a 5% minimum budget reserve. Even with the \$50 million withdrawal and its utilization in the FY 2021 adopted budget, the city’s reserve remains at or above the 5% requirement. In FY 2024, the city projects it will need to add \$2 million (see Table 6) to the budget reserve to remain in compliance with Act 182.

Table 6: FY 2021 – 2024 Budget Reserve

**BUDGET RESERVE SCHEDULE**

| <b>City of Detroit<br/>Budget Reserve Schedule</b>   |                 |               |               |               |
|--|-----------------|---------------|---------------|---------------|
|  | FY 2020-2021    | FY 2021-2022  | FY 2022-2023  | FY 2023-2024  |
| <b>Beginning Balance</b>   | \$ 107,280,192  | \$ 57,280,192 | \$ 57,280,192 | \$ 57,280,192 |
| Transfer In / (Out)  | \$ (50,000,000) | \$ -          | \$ -          | \$ 2,000,000  |
| <b>Ending Balance</b>  | \$ 57,280,192   | \$ 57,280,192 | \$ 57,280,192 | \$ 59,280,192 |
| % of recurring expenditures  | 5.6%            | 5.4%          | 5.3%          | 5.0%          |
| <b>Minimum Balance (5% of recurring expenditures)</b>  | \$ 51,198,844   | \$ 53,316,580 | \$ 53,988,447 | \$ 59,145,332 |
| <small>PA 182 Sec 4t (1) (c) (vi) - Four-Year Financial Plan Requirement:<br/>Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of projected expenditures for the fiscal year</small> |                 |               |               |               |

**Conclusion**

For the above-written reasons and Exhibit A, staff recommends the FRC certify the city of Detroit has met all of the statutory conditions required in Sec. 8(2) and grant the city of Detroit the year-three waiver.

Going forward, the FRC, utilizing the submissions of financial reports by the city pursuant to Resolution 2018-13, will continue to follow the city's progress especially closely over the next fiscal year to verify, monthly, that the city remains in compliance with and does not trigger any conditions in Sec. 8(3)(a) through (h), the waiver rescission section, of Michigan Financial Review Commission Act, Act 181 of 2014.





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** June 2, 2020

**TO:** State Budget Director Chris Kolb, CFO David Massaron,  
Council President Brenda Jones, David Nicholson, John Walsh, State Treasurer  
Rachael Eubanks

**FROM:** Patrick Dostine, Departmental Specialist  
Financial Review Commission

**SUBJECT: FRC City Finance Subcommittee June 2, 2020 Meeting Recap**

The following is a recap of the FRC city finance subcommittee call on June 2, 2020. The finance subcommittee was convened for the purpose of receiving an overview of the city's finances and operations as the city nears the end of its year-two waiver, which was granted June 2019. On June 29, the FRC will take up for consideration the extension of the waiver for another year.

### **Introduction**

The Office of Chief Financial Officer (OCFO) presentation covered, among other things, revised revenues and expenditures in the FY 2021 budget and their revised projections in the Four-Year Financial Plan, FY2021-FY2024 (plan) and other adjustments due to the COVID-19 outbreak. This memorandum provides an overview of the revised revenue estimates, the assumptions behind the estimates, changes in expenditures, risks to the FY 2021 budget and Four-Year Financial Plan, and the city's legacy pension obligations and the retiree protection plan.

The Mayor presented his original budget, utilizing revenues from the February 19, 2020 revenue estimating conference, to city council on March 6. Ten days later, with the COVID outbreak escalating, the three casinos closed. A revised budget with recommended changes was formulated and presented by the mayor to council on April 14. City council held budget hearings and subsequently adopted the revised FY 2021 budget on May 5. The OCFO submitted a balanced budget and Four-Year Financial Plan to the FRC May 29.

### **FY 2021 Budget Revenues, April 2020 Revenue Shortfall**

The table on the next page (FY 2021 Budget – April 2020 Revenue Shortfall) shows the effects of COVID on the city's general fund- and other funds revenues. The first two columns show the revenues that were adopted at the February revenue estimating conference for FY '20 and FY '21. The middle five columns show the adjusted-down revenues (in April) for FY '20-FY '24. The last two columns are the differences between February's estimates and April's.

## FY 2021 Budget – April 2020 Revenue Shortfall

| City of Detroit - Estimated COVID-19 Revenue Impacts |                   |                   |                   |                 |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>\$ in millions</i>                                |                   |                   |                   |                 |                   |                   |                   |                   |                   |
|  | February 2020 Est |                   | April 2020 Est    |                 |                   |                   |                   | Change \$         |                   |
|  | FY20              | FY21              | FY20              | FY21            | FY22              | FY23              | FY24              | FY20              | FY21              |
| <b>General Fund</b>                                  |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| <b>Major Taxes</b>                                   |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| Income Tax   | \$ 329.8          | \$ 340.4          | \$ 281.0          | \$ 239.4        | \$ 322.6          | \$ 332.0          | \$ 343.1          | \$ (48.8)         | \$ (101.0)        |
| State Revenue Sharing                                | 208.4             | 205.0             | 201.2             | 190.5           | 202.0             | 203.7             | 205.4             | (7.2)             | (14.5)            |
| Wagering Tax/Fees                                    | 204.4             | 206.3             | 152.6             | 145.7           | 189.7             | 191.6             | 193.5             | (51.8)            | (60.6)            |
| Property Tax   | 118.4             | 118.9             | 117.2             | 111.9           | 206.6             | 208.3             | 210.0             | (1.2)             | (7.0)             |
| Utility Users Tax                                    | 28.3              | 28.5              | 28.3              | 28.5            | 28.7              | 28.9              | 29.1              | -                 | -                 |
| <b>Subtotal, Major Taxes</b>                         | <b>\$ 889.3</b>   | <b>\$ 899.1</b>   | <b>\$ 780.3</b>   | <b>\$ 716.0</b> | <b>\$ 861.8</b>   | <b>\$ 874.3</b>   | <b>\$ 889.3</b>   | <b>\$ (109.0)</b> | <b>\$ (183.1)</b> |
| <b>Other Revenues</b>                                | <b>\$ 187.6</b>   | <b>\$ 185.7</b>   | <b>\$ 158.6</b>   | <b>\$ 190.7</b> | <b>\$ 204.5</b>   | <b>\$ 205.5</b>   | <b>\$ 206.6</b>   | <b>\$ (29.0)</b>  | <b>\$ 5.0</b>     |
| <b>Grand Total, General Fund</b>                     | <b>\$ 1,076.9</b> | <b>\$ 1,084.8</b> | <b>\$ 938.9</b>   | <b>\$ 906.7</b> | <b>\$ 1,066.3</b> | <b>\$ 1,079.8</b> | <b>\$ 1,095.9</b> | <b>\$ (138.0)</b> | <b>\$ (178.1)</b> |
| <b>Other Funds (GF Impact)</b>                       |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| BSEED Construction Code Fund                         | \$ 25.0           | \$ 25.0           | \$ 15.2           | \$ 19.0         | \$ 25.0           | \$ 25.0           | \$ 25.0           | \$ (9.8)          | \$ (6.0)          |
| DDOT Transportation Fund                             | 72.3              | 73.2              | 66.3              | 63.2            | 73.7              | 74.1              | 74.5              | (6.0)             | (10.0)            |
| Airport Fund   | 0.7               | 0.7               | 0.5               | 0.7             | 0.7               | 0.7               | 0.7               | (0.2)             | -                 |
| <b>Grand Total, All Funds</b>                        | <b>\$ 1,174.9</b> | <b>\$ 1,183.7</b> | <b>\$ 1,020.9</b> | <b>\$ 989.6</b> | <b>\$ 1,165.7</b> | <b>\$ 1,179.6</b> | <b>\$ 1,196.1</b> | <b>\$ (154.0)</b> | <b>\$ (194.1)</b> |

\* All years have been adjusted to exclude \$27M of General Fund interfund reimbursements and pass-through contributions that will no longer be categorized as revenue but were previously.

The grand totals (all funds) in the last two columns (-\$154 million in FY '20 and -\$194.1 million in FY '21) are the revenue shortfalls the OCFO presented in detail (along with the city's comprehensive response) to the FRC in April. The revenue estimates in the middle five columns are the estimates utilized in the city's Four-Year Financial Plan.

### FY '20 and FY '21 Revenue Assumptions

#### Income Tax

The city's largest revenue stream is income tax. In estimating the loss of individual income taxes, the city assumes a 30% annualized loss in gross domestic product (GDP) in the second quarter of 2020, followed by a slow recovery based on April interim economic forecast from the University of Michigan. In addition, the estimate assumes a 20% loss in corporate and partnership tax revenue in FY '20 and another 40% loss in FY '21.

A commissioner contemplated whether the city's assumptions will account for the loss of income taxes due to, for example, workers who once worked in the city but decide to work out of their homes, either permanently or at least intermittently. The city said for the out-years, FY '22 – FY '24, it anticipates ongoing income tax losses of \$25 million in FY '22 and FY '23 and \$23 million in FY '24.

#### Wagering Tax and Fees

Revenue from the casinos is another significant revenue source for the city, approximately \$600,000 a day. The city assumes the casinos will be closed through June 30, followed by a gradual reopening: July/August (20%); September/October (50%); November/December (75%) and back to full capacity in January 2021.

The city acknowledged that its wagering-tax revenue assumptions (casinos at full capacity in January 2021) could have been "more conservative". However, the CFO noted the city did not

factor in internet gaming and sports betting revenue estimates, revenues that will hopefully mitigate a slower casino reopening if that should happen, he said. The CFO said the city is going to monitor the reopening very closely and added that in other states there has been a “pent-up appetite” for reopened entertainment venues like casinos.

**Property Taxes**

Property tax estimates assume a 50% loss in delinquent tax payment plan revenue through the end of FY '20 and for all of FY '21. The city does not anticipate no affect on the summer 2020 tax levy which are based on values as of December 31, 2019.

**State Revenue Sharing (constitutional)**

The reduction in constitutional state revenue sharing is based on reductions in state sales tax from business closures and economic contraction. Reduction is statutory revenue sharing remains a risk as the state works through its own challenges

**Other Revenue Losses**

Please see slide #11 for a list of the remaining other-revenue losses.

**Expenditure Changes FY 2021-FY 2024 Four-Year Financial Plan**

The city made adjustments to the expenditure side of the equation to accommodate the revenue short fall (see table below). For FY '21, the city made adjustments totaling \$116.2 million. It was not made clear at the meeting what comprised the \$116.2 million. For the out-years ('22,'23 and '24) there are ongoing annual savings of \$9.6 million due to the anticipated cancellation of COLA payments and annual salary increases. General fund contributions to DDOT are reduced (\$20 million annually) and replaced by street fund dollars. And finally, the city has to add \$2 million to the statutory mandated 5% budget reserve<sup>1</sup> in FY '24.

**FY 2021 – FY 2024 Four-Year Financial Plan**

| General Fund  | FY 2021           | FY 2022           | FY 2023           | FY 2024           |
|---|-------------------|-------------------|-------------------|-------------------|
| March 2020 Budget Recommendation                          | \$1,140.2M        | \$1,095.9M        | \$1,109.4         | \$1,210.5         |
| FY21 Net Expenditure Changes                              | (\$116.2M)        | -                 | -                 | -                 |
| Ongoing Savings from Cancelled FY21 General Wage Increase | -                 | (\$9.6M)          | (\$9.6M)          | (\$9.6M)          |
| Reduce DDOT Contribution by Using Street Fund (per Ac     | -                 | (\$20M)           | (\$20M)           | (\$20M)           |
| RainyDay Fund (Budget Reserve) Deposit                    | -                 | -                 | -                 | \$2M              |
| <b>Revised Expenditures Total</b>                         | <b>\$1,024.0M</b> | <b>\$1,066.3M</b> | <b>\$1,079.8M</b> | <b>\$1,182.9M</b> |

**Potential Risks to the FY '21 Budget and Four-Year Financial Plan**

<sup>1</sup> Note: PA 182 Sec 4t (1) (c) (vi) - Four-Year Financial Plan Requirement: Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of projected expenditures for the fiscal year. The city’s Four-Year Financial Plan satisfies this requirement.

- A second wave of COVID-19;
- What the world looks like after COVID-19; specifically, the work routines and entertainment habits of people;
- Slower reopening of the casinos;
- Pension board funding policy;
- Labor negotiations to eliminate COLAs and annual increases are unsuccessful;
- Reduced statutory general revenue sharing;
- Pension assets fail to earn their expected return;
- Federal government disallows stimulus for lost revenue.

**Workforce Savings Tracking Sheet**

The city anticipates workforce savings in FY '20 (\$4.3 million) and FY '21 (\$32.3 million) for a total of \$36.6 million. They have developed a tracking sheet and will begin reporting this month. The instrument is designed to capture projected and actual savings by city department (see below).

| Department | Projected Regular Cost (w/o reductions) | Projected Reduced Cost (with reductions) | Projected Savings | Actual Cost | Actual Savings | Change Savings (Projected vs. Actual) | Notes |
|------------|---|--|-------------------|-------------|----------------|---------------------------------------|-------|
| DPW        |   |  |                   |             |                |                                       |       |
| OCFO       |   |  |                   |             |                |                                       |       |
| Fire       |   |  |                   |             |                |                                       |       |
| Health     |   |  |                   |             |                |                                       |       |
| HR         |   |  |                   |             |                |                                       |       |
| CRIO       |   |  |                   |             |                |                                       |       |
| DoIT       |   |  |                   |             |                |                                       |       |

**FY 2021 Retiree Protection Fund (RPF)**

The FY 2024 pension “cliff” – the Actuarial Determined Contribution (ADC) – is \$166 million using a level dollar amortization. In 2035 when the contributions from the foundations and the DIA end, the city’s general fund contribution increases to \$185 annually.

The OCFO said the RPF currently has \$183 million, \$170 million from contributions and \$13 million from interest earnings as of May 2020.

A discussion ensued during the subcommittee meeting regarding the anticipated growth in the annual contribution from the city’s general fund in FY 2024 given the market losses in March and modest, forecasted market earnings over the next three fiscal years. The OCFO said \$20 million a year could be added to the payment.

The city also noted that later this summer the OCFO is going to make a presentation to the pension boards and investment committees as these entities are contemplating the adoption of a

funding policy. It's critical that a funding policy not add pressures to the city's challenged general fund.

### **Planned Future Borrowing**

The city is planning a borrowing of \$80 million in the fall for public safety, recreation and transportation capital projects. The issuance is authorized under the city's 2018 bond resolution. The city has selected JP Morgan Chase and Siebert Williams Shank as co-senior managers to lead the offering. If the city should encounter any issues getting the borrowing placed in the public market, it will consider a direct loan with JP Morgan Chase. The city's credit ratings on its general obligation bonds are currently Ba3 (positive outlook) from Moody's and BB- (negative outlook) from S & P.

### **Foundations – City of Detroit Collaborations**

The CFO remarked that the philanthropic community has been "tremendous" in supporting the city in its response to the unprecedented crisis at hand. As an example, he noted how the Quicken Loans foundation was instrumental in setting up and operating the call center for the city's testing site at the former State Fair grounds. The foundation provided a scheduling and appointment-setting process at no charge to the city. Other collaborations resulted in PPEs being issued to small businesses that supported restart plans and helped in filling service gaps in targeted areas due to cutbacks or reductions. The CFO said the philanthropic and business communities have been an integral part to the city's ability to make investment in people and he looks forward to a continuing partnership.

### **Conclusion**

The city submitted to the FRC on May 29 a balanced FY '21 budget and Four-Year Financial Plan, also with balanced budgets in the succeeding three years, meeting the requirement in Sec. 8(2)(c) of the Financial Review Commission Act. The CFO noted that the city's audited FY 19 general fund fund balance peaked at \$692 million but will start to go down.

Because of the rapid onset of the COVID-19 outbreak and its concomitant impact on the local and state economies, the city was faced with sudden and significant revenue shortfalls in FY '20 (-\$154 million) and (projected) FY '21 (-\$194 million). To address the shortfalls, the city utilized/repurposed unassigned- (\$104 million of \$123 million) and assigned fund balances, budget reserves (\$50 million of \$107 million), CARES Act transportation grant dollars (\$34 million) and implemented cost-saving measures (\$50 million in total) across its workforce. Repurposing the fund balances means the city will forgo a supplemental payment to the RPF, blight remediation and capital improvement programs, a deposit to the budget reserve, and an affordable housing initiative, and other initiatives.

The CFO said unlike previous years when the city was budgeting operating surpluses, the city now must manage "much more diligently and scrupulously" making sure every expense is "good because a lot of the cushion or reserves aren't there any longer."

See the Appendix to review the OCFO's entire presentation: *FRC Finance Subcommittee: City of Detroit*.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** May 6, 2020

**TO:** State Treasurer Racheal Eubanks, Chief Financial Officer David Massaron, Council President Brenda Jones, State Budget Director Chris Kolb, David Nicholson, Stacy Fox, John Walsh, Ronald Rose

**FROM:** Patrick Dostine, Departmental Specialist  
Financial Review Commission

**SUBJECT: FRC-City Contracts/Grants Subcommittee May 6, 2020 Meeting Recap**

The following is a recap of the FRC-city contracts subcommittee call on May 6, 2020. The contracts subcommittee was convened for the purpose of receiving an overview and update of the city's offices of procurement and grants and development. The city is nearing the end of its year-two waiver, which was granted June 2019. On June 29, the FRC will take up for consideration the extension of the waiver for another year.

The agenda and supporting materials are attached.

### **City of Detroit- Report to the Contracts/Grants Subcommittee**

The Office of the Chief Financial Officer (OCFO) made a presentation that updated commissioners on several departmental operations in the OCFO. This memorandum will primarily focus on the presentations from the offices of contracting and procurement and development and grants and their activities and responses relative to the COVID-19 emergency.

### **Office of Contracting and Procurement (OCP)**

As of May 1, 2020, the city has utilized the city's emergency procurement ordinance to purchase \$17.8 million of goods and services to address the COVID-19 pandemic. The Chief Procurement Officer (CPO) told committee members that the OCP is operating within a defined set of federal and state regulations and city ordinances.

The CPO classified the emergency purchases into five categories: 1) supplies, materials, and equipment (test kits, swabs, personal protection equipment, hand sanitizer) 2) capacity-building, hiring healthcare professionals to staff the State Fair Grounds and the health center, and other operations; 3) information sharing, coordination, communication, and Emergency Operations Center; 4) cleaning operations, utilization of electrostatic technology to clean police precincts,

fire departments, EMS units, office areas, and responder centers; and 5) social distancing and quarantine enforcement measures at the Detroit Rescue Mission Ministries and Salvation Army.

City Council adopted a resolution that appropriated \$30 million which is being utilized by the OCP to make the emergency purchases. The city anticipates the costs of the emergency purchases will be reimbursed by FEMA (the Stafford Act), the CARES Act, or a variety of discretionary grants/pass-through dollars that have been made available to local governments responding to the pandemic.

### **Office of Development and Grants (ODG)**

The Director of ODG said her office is focused on 1) grants that were already active at the time of the pandemic and 2) implementing a strategy that allows the city to maximize reimbursements for incurred costs related to the pandemic.

The ODG was able to conduct a “rapid review” of 170 (active) grants across all departments for changes needed due to the COVID-19. The review advantaged the city to secure extensions, secure amendments, and make adjustments to scope of services for 51 grants thus far. One example is the city got extensions on its MDNR grants and communicated with the state’s department about construction stop dates and resume dates.

The ODG will seek reimbursement from three main buckets of funding:

- FEMA Public Assistance Program. These funds are intended to cover costs incurred -- narrowly focused -- to directly save lives. The funds were available January 20, 2020 and will expire when the president declares the national emergency over. This is a 75% federal, 25% local match program. The match cannot come from federal funds. The ODG is exploring how the 25% match can be covered by donations, private grant funds, and other *non*-federal funds, separate from the general fund, to make sure the city is 100% reimbursed for public-health related expenditures. The director said the FEMA funds will almost certainly be audited and that the ODG is working diligently to document all costs.
- CARES Act COVID Relief Fund. Unlike the FEMA dollars, these funds are cash up front from the U.S Treasury, and the guidance being issued by Treasury is “relatively broad in scope.” These funds are available for costs incurred between March 1, 2020 to December 30, 2020 “in response to the emergency” and not previously budgeted. Upon submitting its certifications, the city of Detroit received \$116.9 million. Finally, these funds will likely be audited, and any unspent funds must be returned to the U.S. Treasury. The ODG is working diligently to document all costs as well.
- CARES Act Agency-based Grants. Within the CARES Act, there were specific allocations to different federal agencies. Many of the allocations are being passed to state and local governments as formula grants or as discretionary grant opportunities. The city has received awards and commitments of \$97 million from state and federal sources, including HUD (CDBG, ESG, HOPWA), HRSA, FTA<sup>1</sup> to support public transportation response, MDHHS for COVID-19 staff and supplies, and Mi EGLE to support the water

---

<sup>1</sup> Community Development Block Grant; Emergency Shelter Grants; Housing Opportunities for Persons with AIDS; Health Resources and Services Administration; Federal Transit Administration.

restart program. Many of these grants are typically allowing back-charging of COVID-19 response activities incurred starting January 20, 2020. The ODG is considering which of the city's costs incurred to date can be charged to these monies.

### **Guidehouse**

The OCP procured the services of Guidehouse to assist the ODG in maximizing federal funding from the FEMA public assistance program, the CARES Act, and CARES Act agency-based grants, and future stimulus legislation. Guidehouse began April 27, 2020.

Guidehouse's first phase of work includes reviewing the data and records the city began collecting from the start of the pandemic, developing a response run-rate financial analysis for relevant recovery scenarios, and conducting an inventory and match-expense data to current and anticipated funding sources.

In addition, the city with Guidehouse is evaluating agency-based grant opportunities from the CARES Act.

### **Tables Tracking Emergency Purchases and Federal Funds**

Lastly, the city has committed to provide to the FRC updates to the emergency procurement purchases and secured federal dollars the city has tracked thus far and presented in the Powerpoint on pages 19 and 24.

### **Other Accomplishments/Initiatives Noted During the Meeting**

- The city continues to build on its progress and to focus attention on addressing: procurement operations; revenue collection; and financial planning including implementing position-control.
- The procurement office continues, post-FRC active oversight, to post all contracts on the city's website. Above all, the CPO noted, the office continues to utilize the internal controls in place, which were developed in consonant with the Financial Review Commission and the contract/grants subcommittee.
- The Office of the Treasurer's kiosk initiative and Mobile APP transactions. Kiosk and mobile app usage continue to increase since the programs began in 2018. From 2019 to 2020, the number of kiosk transactions has increased from 40,528 to almost 50,000 (up 21%) and dollars collected have increased from \$17.2 million to \$19.4 million (up 13%). Similarly, mobile app usage has increased over the same period from 12,160 transactions to 20,036 (up 65%). Dollars collected have increased 73%, from \$6.1 million to \$10.6 million.
- The city continues to consolidate bank accounts, from 594 in 2016 to 153 as of May 1, 2020. Staff said this creates better control over cash activity, timelier reconciliations, and quicker turnaround for the posting and validation of transactions. The city expects another 25 to 30 accounts will be eliminated with the recent procurement of Chemical Bank and JP Morgan.



- On April 24, 2020, CFO Directive No. 2020-101-007 on position control was issued, followed by a launch of a new position control system through NeoGov on April 27, 2020.

See the Appendix to review the OCFO's entire presentation: *FRC Contracts Subcommittee, City of Detroit*.



# **FRC Finance Subcommittee**

City of Detroit

June 2, 2020

# **Detroit Has Proactively Managed its Finances Since First Waiver Renewal in 2019**

---

1. Positive FY 2018-19 financial results
  2. Decisive FY 2019-20 actions to address revenue shortfall
  3. Adopted FY 2020-21 budget
- 

All conditions of the FRC waiver continue to be met.

---

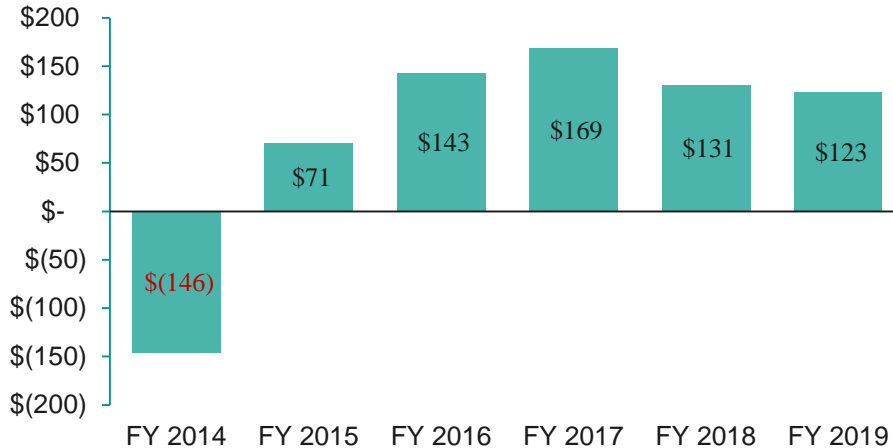
# Audited FY 2018-19 Financial Results



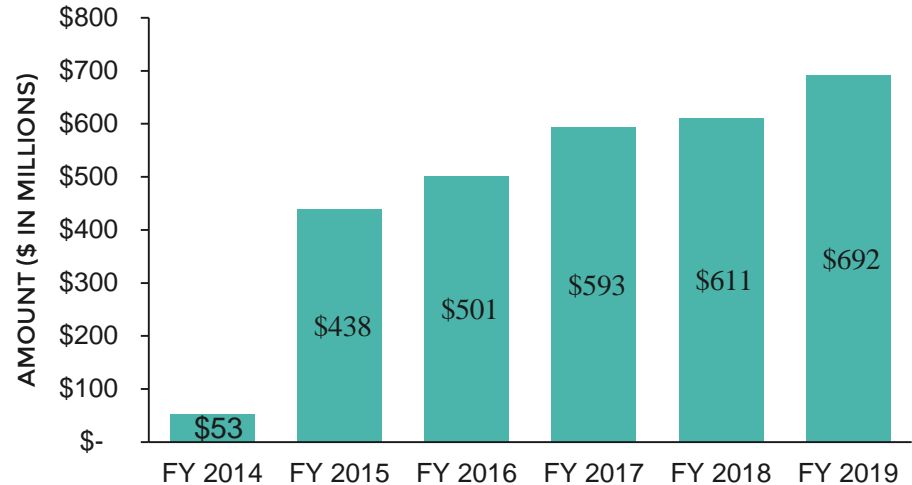
# Audited FY 2018-19 Financial Results

- FY 2018-19 marks five straight years of balanced budgets and operating surpluses
- Growing GF fund balance, reaching nearly \$700 million in FY 2018-19
- FY 2018-19 results outperformed the budget

GENERAL FUND - UNASSIGNED FUND BALANCE (DEFICIT)



GENERAL FUND - FUND BALANCE



---

# FY 2019-20 Accomplishments



# Recent OCFO Accomplishments

- **University Economic Analysis Partnership:** City is partnering with UM, MSU, and WSU to provide Detroit-specific economic data and allow city government and community stakeholders to quantify local economic conditions and design effective programs.



- **UltiPro:** Ongoing project to transition all City employees to modern human resources and payroll system; all employees, except DPD, are now online according to plan.
- **\$1B Raised:** In grant revenue since 2014 to support residents, business, and neighborhoods; 2019 marked first calendar year with \$300+ million raised.

**From the Grand Bargain to  
\$1 Billion invested in Detroit**

**2014-2019**

---

# Adopted FY 2020-21 Budget and FY 2021-2024 Four-Year Financial Plan Overview



# FY 2021 Budget – April 2020 Revenue Shortfall

---

Due to the Coronavirus Disease 2019 (COVID-19) public health emergency and its mandatory business closures and impact on the national economy, the Office of Budget projected revenue shortfalls of \$154 million in FY 2020 and \$194 million in FY 2021 driven by the following:

- Gaming revenue losses directly tied to the casino closures on March 16, 2020
- Income tax reduction as employers have laid off and furloughed workers and there is a forecasted contraction in the national and state economy
- Anticipated State Revenue Sharing reduction due to a drop in state sales taxes
- Other revenue losses from suspended parking enforcement, bus fare interruption to protect drivers from COVID-19 and a reduction in business and construction permitting activity

The projected revenue shortfalls required changes to the Recommended Budget the Mayor presented on March 6, 2020. The Mayor presented his recommended changes in April 2020, and the City Council approved the FY 2021 Budget with those changes on May 5, 2020.

# FY 2021 Budget – April 2020 Revenue Shortfall

## City of Detroit - Estimated COVID-19 Revenue Impacts

*\$ in millions*

|                                  | February 2020 Est |                   | April 2020 Est    |                 |                   |                   |                   | Change \$         |                   |
|----------------------------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | FY20              | FY21              | FY20              | FY21            | FY22              | FY23              | FY24              | FY20              | FY21              |
| <b>General Fund</b>              |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| <b>Major Taxes</b>               |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| Income Tax                       | \$ 329.8          | \$ 340.4          | \$ 281.0          | \$ 239.4        | \$ 322.6          | \$ 332.0          | \$ 343.1          | \$ (48.8)         | \$ (101.0)        |
| State Revenue Sharing            | 208.4             | 205.0             | 201.2             | 190.5           | 202.0             | 203.7             | 205.4             | (7.2)             | (14.5)            |
| Wagering Tax/Fees                | 204.4             | 206.3             | 152.6             | 145.7           | 189.7             | 191.6             | 193.5             | (51.8)            | (60.6)            |
| Property Tax                     | 118.4             | 118.9             | 117.2             | 111.9           | 206.6             | 208.3             | 210.0             | (1.2)             | (7.0)             |
| Utility Users Tax                | 28.3              | 28.5              | 28.3              | 28.5            | 28.7              | 28.9              | 29.1              | -                 | -                 |
| <b>Subtotal, Major Taxes</b>     | <b>\$ 889.3</b>   | <b>\$ 899.1</b>   | <b>\$ 780.3</b>   | <b>\$ 716.0</b> | <b>\$ 861.8</b>   | <b>\$ 874.3</b>   | <b>\$ 889.3</b>   | <b>\$ (109.0)</b> | <b>\$ (183.1)</b> |
| Other Revenues                   | \$ 187.6          | \$ 185.7          | \$ 158.6          | \$ 190.7        | \$ 204.5          | \$ 205.5          | \$ 206.6          | \$ (29.0)         | \$ 5.0            |
| <b>Grand Total, General Fund</b> | <b>\$ 1,076.9</b> | <b>\$ 1,084.8</b> | <b>\$ 938.9</b>   | <b>\$ 906.7</b> | <b>\$ 1,066.3</b> | <b>\$ 1,079.8</b> | <b>\$ 1,095.9</b> | <b>\$ (138.0)</b> | <b>\$ (178.1)</b> |
| <b>Other Funds (GF Impact)</b>   |                   |                   |                   |                 |                   |                   |                   |                   |                   |
| BSEED Construction Code Fund     | \$ 25.0           | \$ 25.0           | \$ 15.2           | \$ 19.0         | \$ 25.0           | \$ 25.0           | \$ 25.0           | \$ (9.8)          | \$ (6.0)          |
| DDOT Transportation Fund         | 72.3              | 73.2              | 66.3              | 63.2            | 73.7              | 74.1              | 74.5              | (6.0)             | (10.0)            |
| Airport Fund                     | 0.7               | 0.7               | 0.5               | 0.7             | 0.7               | 0.7               | 0.7               | (0.2)             | -                 |
| <b>Grand Total, All Funds</b>    | <b>\$ 1,174.9</b> | <b>\$ 1,183.7</b> | <b>\$ 1,020.9</b> | <b>\$ 989.6</b> | <b>\$ 1,165.7</b> | <b>\$ 1,179.6</b> | <b>\$ 1,196.1</b> | <b>\$ (154.0)</b> | <b>\$ (194.1)</b> |

\* All years have been adjusted to exclude \$27M of General Fund interfund reimbursements and pass-through contributions that will no longer be categorized as revenue but were previously.



# FY 2020 and FY 2021 Revenue Assumptions

---

## Income Tax

- Individual tax loss assumes 30% annualized US GDP loss in Q2-2020, followed by a slow recovery based on April interim economic forecast from the University of Michigan
- Assumes a 20% loss in corporate and partnership tax revenue in FY20, another 40% loss in FY21

## Wagering Tax and Fees

- Assumes closures through 6/30/2020
- Followed by gradual reopening: July/Aug (20%), Sept/Oct (50%), Nov/Dec (75%), and Jan 2021 (100%)

## Property Taxes

- Assumes 50% loss in delinquent tax payment plan revenue through end of FY20 and for all of FY21
- No impact on summer 2020 tax levy, which are based on values as of 12/31/2019

# FY 2020 and FY 2021 Revenue Assumptions

---

## State Revenue Sharing (constitutional share)

- Losses based on State sales tax reductions from business closures and economic contraction
- Reductions in statutory share remain a major risk as the State rebalances its budget due to COVID-19

## Other Revenue Losses

- Court Fees/Fines and EMS Fees from disrupted collections or reduced activity through 6/30/2020
- Parking Fees/Fines from suspension of parking enforcement through 6/30/2020
- Investment Earnings adversely impacted by market reaction
- Business Licenses and Construction Permit/Inspection Fees from closures and economic contraction
- DDOT Bus Fares Interrupted to protect drivers through 12/31/2020
  - Construction Code Fund, DDOT, and Airport revenue losses impact the General Fund through a contribution increase, absent another solution

# FY 2021 Budget – April 2020 Budget Changes

The following budget changes offset the projected revenue losses for FY 2020 and FY 2021.

| Budget Changes   | FY 2020       | FY 2021         |
|--|---------------|-----------------|
| Repurpose Prior Year Fund Balance*                               | \$33M         | \$67.4M         |
| RainyDay Fund (Budget Reserve) Withdrawal                        | -             | \$50M           |
| PreCOVID-19 Projected Surplus (Feb 2020)                         | \$51M         | -               |
| Repurpose Current Blight and Capital Funds                       | \$59.7M       | -               |
| CARES Act Transit Grant to Reduce DDOT/People Mover Contribution | -             | \$24M           |
| CARES Act Transit Grant for DDOT Revenue Losses                  | \$6M          | \$10M           |
| Workforce Savings (Executive Branch)                             | \$4.3M        | \$32.3M         |
| FY21 New Initiatives and Other Savings                           | -             | \$10.4M         |
| <b>Total</b>   | <b>\$154M</b> | <b>\$194.1M</b> |

\* Reprogrammed proposed FY21 spending on Blight (\$40M), Rainy Day Fund (\$30M), Retiree Protection Fund (\$20M), and Cash Capital (\$5M).



# FY 2021 – FY 2024 Four-Year Financial Plan

| General Fund                                | FY 2021           | FY 2022           | FY 2023           | FY 2024           |
|---|-------------------|-------------------|-------------------|-------------------|
| February 2020 Revenue Conference            | \$1,084.8M        | \$1,095.9M        | \$1,109.4         | \$1,123.5         |
| April 2020 Revenue Shortfall                | (\$194.1M)        | (\$29.6M)         | (\$29.6M)         | (\$27.6M)         |
| Exclude Non-General Fund Revenue Shortfall* | \$15.9M           |                   |                   |                   |
| Use of Prior Year Fund Balance              | \$67.4M           | -                 | -                 | -                 |
| Use of Rainy Day Fund (Budget Reserve)      | \$50M             |                   |                   |                   |
| Use of Retiree Protection Fund              | -                 | -                 | -                 | \$87M             |
| <b>Revised Resources Total</b>              | <b>\$1,024.0M</b> | <b>\$1,066.3M</b> | <b>\$1,079.8M</b> | <b>\$1,182.9M</b> |

\* BSEED Construction Code Fund revenue losses (\$6M) are balanced with an increased General Fund contribution, and \$50M are balanced using CARES Act Transit Grant.



# FY 2021 – FY 2024 Four-Year Financial Plan

| General Fund  | FY 2021           | FY 2022           | FY 2023           | FY 2024           |
|---|-------------------|-------------------|-------------------|-------------------|
| March 2020 Budget Recommendation                            | \$1,140.2M        | \$1,095.9M        | \$1,109.4         | \$1,210.5         |
| FY21 Net Expenditure Changes                                | (\$116.2M)        | -                 | -                 | -                 |
| Ongoing Savings from Cancelled FY21 General Wage Increase   | -                 | (\$9.6M)          | (\$9.6M)          | (\$9.6M)          |
| Reduce DDOT Contribution by Using Street Fund (per Act 209) | -                 | (\$20M)           | (\$20M)           | (\$20M)           |
| Rainy Day Fund (Budget Reserve) Deposit                     | -                 | -                 | -                 | \$2M              |
| <b>Revised Expenditures Total</b>                           | <b>\$1,024.0M</b> | <b>\$1,066.3M</b> | <b>\$1,079.8M</b> | <b>\$1,182.9M</b> |



# Budget Reserve Schedule

|                             | FY 2020-2021   | FY 2021-2022 | FY 2022-2023 | FY 2023-2024 |
|-----------------------------|----------------|--------------|--------------|--------------|
| <b>Beginning Balance</b>    | \$107,280,192  | \$57,280,192 | \$57,280,192 | \$57,280,192 |
| Transfer In / (Out)         | (\$50,000,000) | -            | -            | \$2,000,000  |
| <b>Ending Balance</b>       | \$57,280,192   | \$57,280,192 | \$57,280,192 | \$59,280,192 |
| % of recurring expenditures | 5.6%           | 5.4%         | 5.3%         | 5.0%         |

Note: PA 182 Sec 4t (1) (c) (vi) - Four-Year Financial Plan Requirement: Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of projected expenditures for the fiscal year



# FY 2022 – FY 2024 Revenue Assumptions

---

## Income Tax

- Ongoing annual losses of \$25M in FY22-FY23 and \$23M in FY24 below Feb 2020 Revenue Conference
- Assumes a sustained recovery following economic contraction, with no more extraordinary COVID-19 closure impacts experienced in FY 2020 and FY 2021
- While having returned to growth, the City's employment base will remain below prior forecasts

## State Revenue Sharing

- Ongoing annual losses of \$4.6M for FY22-FY24 below Feb 2020 Revenue Conference
- While having returned to growth, the State sales tax base remains below prior forecasts

## Wagering Tax and Fees

- Casino activity has returned to normal or otherwise adapted by FY22 to achieve prior forecast
- The OCFO is comfortable making this assumption, despite the risk of further COVID-related disruption, because the revenues do not include potential gains from internet gaming or sports betting, currently under implementation.

# Implementing Workforce Changes

- The City is tracking and will begin reporting in June on savings realized from the workforce changes instituted in April.
- The workforce report will show projected and actual savings by City department.

| Department | Projected Regular Cost (w/o reductions) | Projected Reduced Cost (with reductions) | Projected Savings | Actual Cost | Actual Savings | Change in Savings (Projected vs. Actual) | Notes |
|------------|---|--|-------------------|-------------|----------------|--|-------|
| DPW        |   |  |                   |             |                |  |       |
| OCFO       |   |  |                   |             |                |  |       |
| Fire       |   |  |                   |             |                |  |       |
| Health     |   |  |                   |             |                |  |       |
| HR         |   |  |                   |             |                |  |       |
| CRIO       |   |  |                   |             |                |  |       |
| DoIT       |   |  |                   |             |                |  |       |

*Sample Workforce Savings Report*



# Planned Future Borrowing

---

- The City intends to issue \$80 million debt in 2020 to support public safety, recreation and transportation capital projects.
- Issuance is authorized under 2018 UTGO bond resolution
- UTGO debt is funded from debt millage and not General Fund



Public Safety  
\$36.4M



Parks &  
Recreation  
\$38.6M



Transportation  
\$5.0M

---

# Approach to External Stimulus Funding

# Maximize Available External Funding

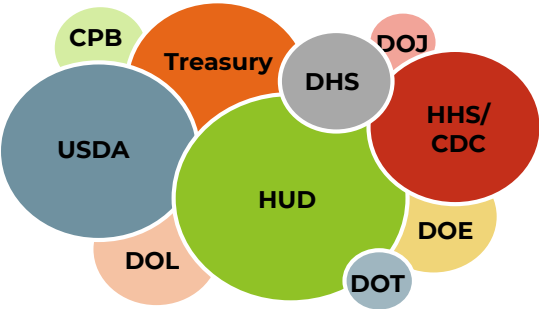


A holistic strategy is required to help mitigate against risks posed by the complexities of this unprecedented crisis and prevent the City from returning to Active oversight by the Financial Review Commission

| Complex Factors  | Potential Risks   | Mitigation  |
|--|---|---|
| <ul style="list-style-type: none"><li>• Public health emergency with no clear end date</li><li>• Multiple funding streams with unique eligibility requirements</li><li>• Funding opportunities and requirements are constantly evolving</li><li>• COVID-19 is impacting departments in an unprecedented way</li><li>• Impacts of event extend beyond response activities</li></ul> | <ul style="list-style-type: none"><li>• City exhausts flexible funds too early</li><li>• Certain funding such as FEMA Public Assistance has match requirements</li><li>• Departments disqualify themselves from later funding due to errors in approach</li><li>• Departments develop individual strategies that are misaligned</li></ul> | <p><b>Detroit, through its OCFO, is developing and overseeing a holistic fiscal strategy to maximize external funding</b></p> |



# Federal Eligibility Requirements

Funding sources have different eligibility requirements

| Specific Initiatives  | FEMA Public Assistance (PA)  | State & Local Relief Fund   |            |   |  |  |          |            |   |  |
|---|--|---|------------|---|--|--|----------|------------|---|--|
|   |    | <p><b>\$116.9 M</b></p>  |            |   |  |  |          |            |   |  |
|   | <table border="1"> <thead> <tr> <th style="background-color: #667788; color: white;">Eligible</th> <th style="background-color: #667788; color: white;">Ineligible</th> </tr> </thead> <tbody> <tr> <td>                     COVID-19-related:                     <ul style="list-style-type: none"> <li>• PPE &amp; other supplies</li> <li>• Equipment</li> <li>• Overtime for already-budgeted employees</li> <li>• Straight time &amp; overtime for unbudgeted employees</li> <li>• Contract costs</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Recovered salvage costs</li> <li>• Loss of revenue</li> </ul> </td> </tr> </tbody> </table> | Eligible  | Ineligible | COVID-19-related: <ul style="list-style-type: none"> <li>• PPE &amp; other supplies</li> <li>• Equipment</li> <li>• Overtime for already-budgeted employees</li> <li>• Straight time &amp; overtime for unbudgeted employees</li> <li>• Contract costs</li> </ul> | <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Recovered salvage costs</li> <li>• Loss of revenue</li> </ul> | <table border="1"> <thead> <tr> <th style="background-color: #ff9933; color: white;">Eligible</th> <th style="background-color: #ff9933; color: white;">Ineligible</th> </tr> </thead> <tbody> <tr> <td>                     COVID-19-related:                     <ul style="list-style-type: none"> <li>• Medical expenses</li> <li>• Public health expenses (e.g., disinfection)</li> <li>• Payroll expenses for health care &amp; associated workers</li> <li>• Other expenses, e.g., food delivery to vulnerable populations</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Employee expenses not substantially dedicated to COVID-19</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Donor reimbursement</li> <li>• Severance pay</li> <li>• Legal settlements</li> </ul> </td> </tr> </tbody> </table> | Eligible | Ineligible | COVID-19-related: <ul style="list-style-type: none"> <li>• Medical expenses</li> <li>• Public health expenses (e.g., disinfection)</li> <li>• Payroll expenses for health care &amp; associated workers</li> <li>• Other expenses, e.g., food delivery to vulnerable populations</li> </ul> | <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Employee expenses not substantially dedicated to COVID-19</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Donor reimbursement</li> <li>• Severance pay</li> <li>• Legal settlements</li> </ul> |
| Eligible  | Ineligible   |   |            |   |  |  |          |            |   |  |
| COVID-19-related: <ul style="list-style-type: none"> <li>• PPE &amp; other supplies</li> <li>• Equipment</li> <li>• Overtime for already-budgeted employees</li> <li>• Straight time &amp; overtime for unbudgeted employees</li> <li>• Contract costs</li> </ul>                           | <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Recovered salvage costs</li> <li>• Loss of revenue</li> </ul>   |   |            |   |  |  |          |            |   |  |
| Eligible  | Ineligible   |   |            |   |  |  |          |            |   |  |
| COVID-19-related: <ul style="list-style-type: none"> <li>• Medical expenses</li> <li>• Public health expenses (e.g., disinfection)</li> <li>• Payroll expenses for health care &amp; associated workers</li> <li>• Other expenses, e.g., food delivery to vulnerable populations</li> </ul> | <ul style="list-style-type: none"> <li>• Damages covered by insurance</li> <li>• Employee expenses not substantially dedicated to COVID-19</li> <li>• Expenses that have been or will be reimbursed by another federal program</li> <li>• Donor reimbursement</li> <li>• Severance pay</li> <li>• Legal settlements</li> </ul>   |   |            |   |  |  |          |            |   |  |

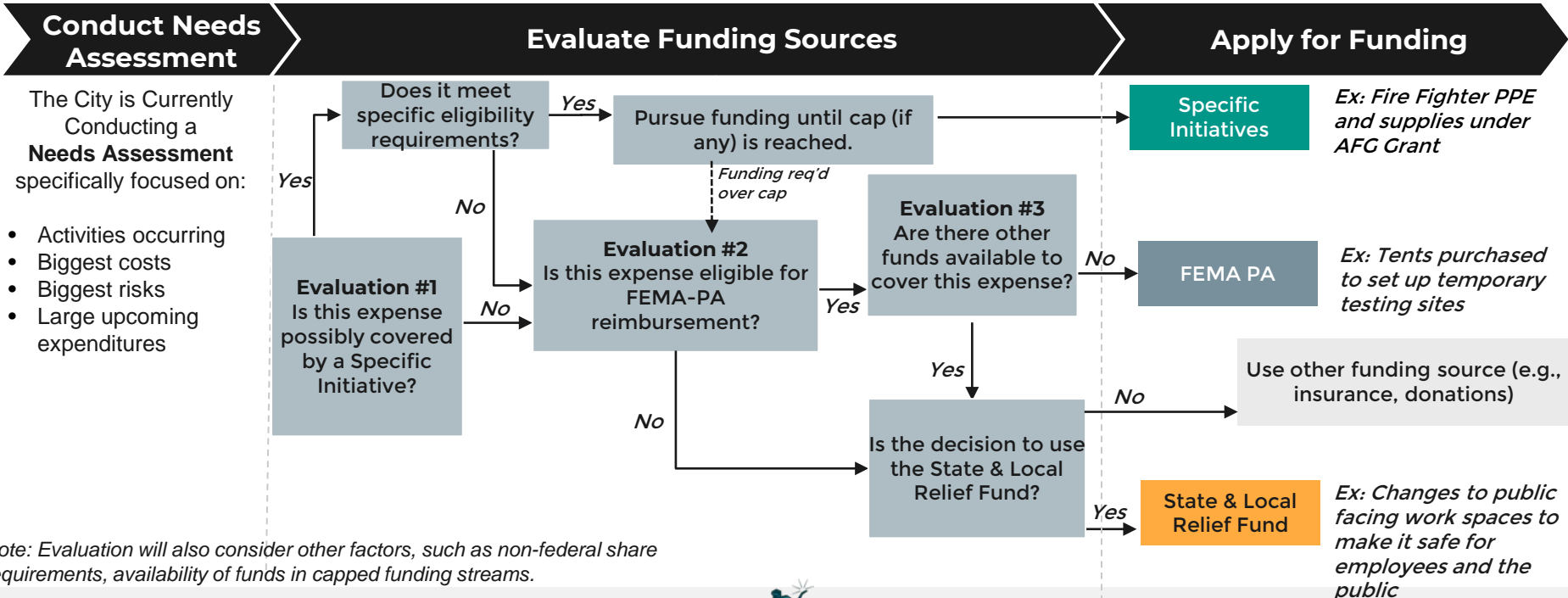
**High-level eligibility is being evaluated by populating the matrix in previous slides.**

*Detailed eligibility requirements vary from fund to fund and are constantly evolving; they should be evaluated for specific cases based on a funding source's requirements.*



# Approach to Funding Pursuit

How do we determine what actions to take?



Note: Evaluation will also consider other factors, such as non-federal share requirements, availability of funds in capped funding streams.



---

# Retiree Protection Fund & Legacy Pension Funding Analysis



# Legacy Pensions Background

---

## Plan of Adjustment (POA) Pension Cliff

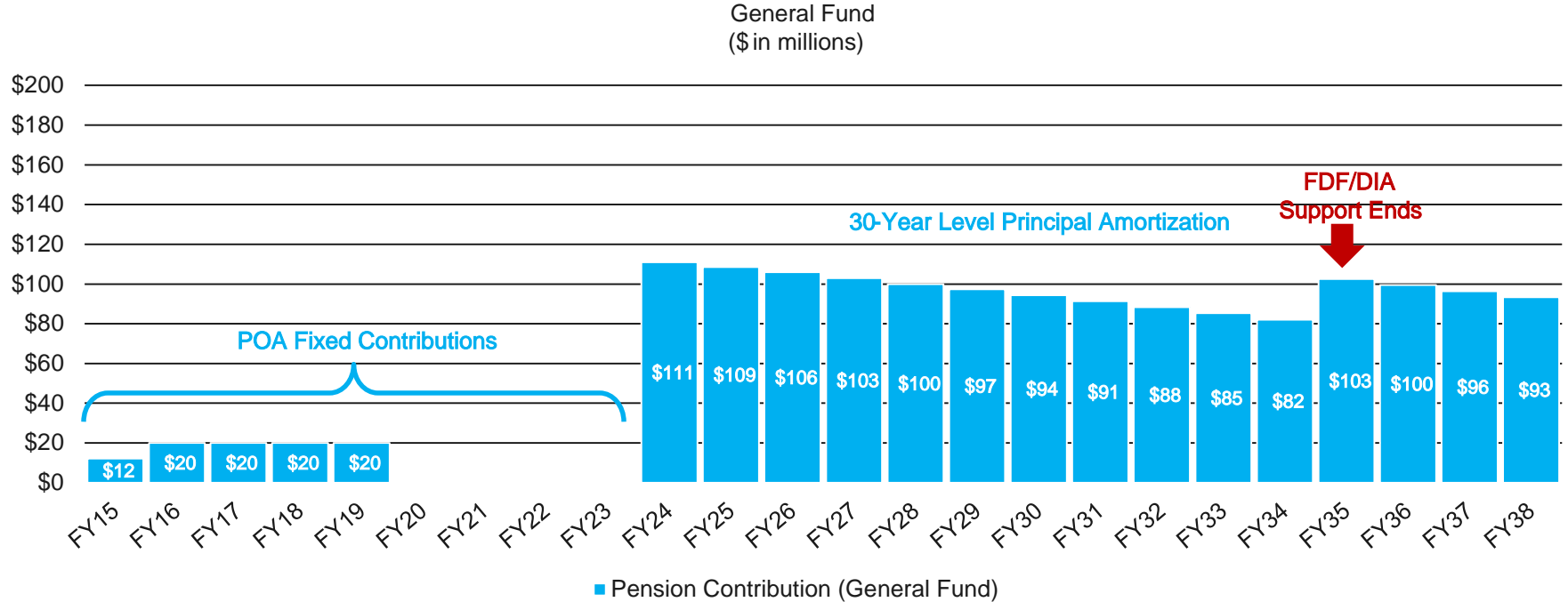
- POA provided a 10-year “pension holiday” for City to invest in service improvements, capital, and blight removal
- POA assumed annual legacy pension contributions increase from \$0 to \$111M in FY 2024 (the “pension cliff”)
- In 2015 valuations, updated mortality tables increased unfunded pension liabilities over \$490M (34%)

## Retiree Protection Fund (RPF)

In 2017, the Mayor and City Council created the Retiree Protection Fund by ordinance as a long-term strategy for legacy pension funding:

- Provide extra funding for deposit into the RPF, an irrevocable trust for legacy pension obligations
- Use RPF deposits, plus investment earnings, to partially offset annual pension contributions starting FY 2024
- Gradually build up budget capacity for future annual required contributions (the cliff becomes a ramp)
- Review annually and recommend changes if needed during the annual budget process

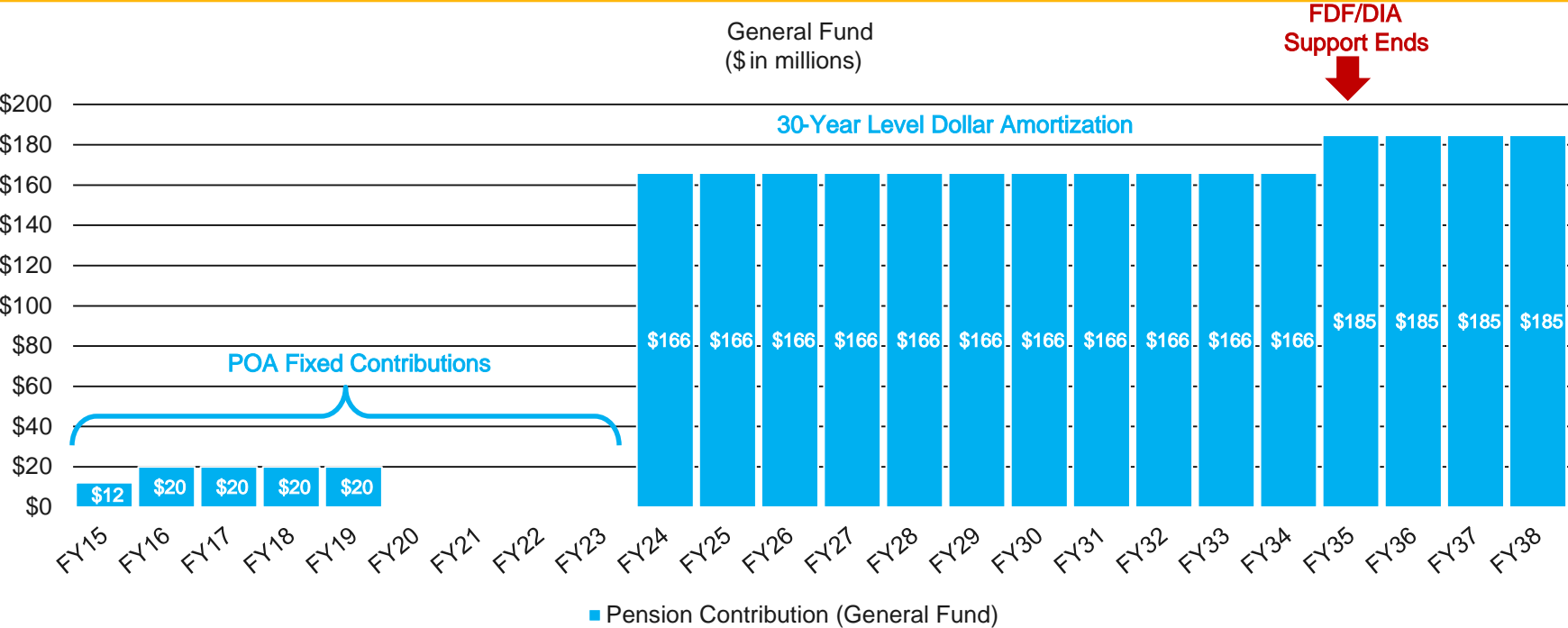
# Plan of Adjustment Requirement (October 2014 Projections)



\* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit Institute of Arts (DIA). DWS and Library liabilities and contributions are separate.



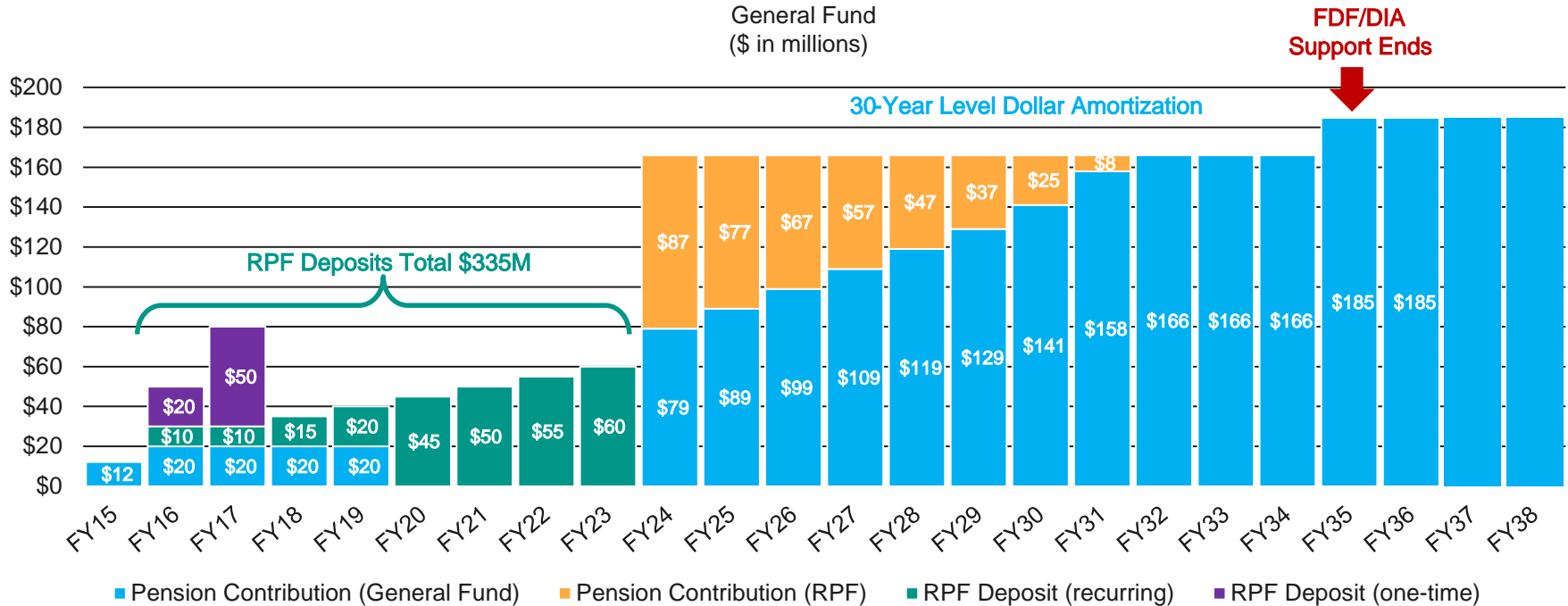
# Plan of Adjustment Requirement (with March 2020 Projections)



\* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit (DIA). The DWSD and Library liabilities and contributions are separate.



# FY 2021 Retiree Protection Fund Plan



\* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit's (DIA). FDF and DIA DWSL and Library liabilities and contributions are separate.



# FY 2021 RPF Review

- Each year, OCFO models latest actuarial valuation, pension plan returns, and RPF returns
- No change to funding policy assumptions
  - Retirement Systems have not yet established funding policies
- FY 2024 net contribution from General Fund increases \$3.5M vs. last year's review
  - Increase driven by pension plan returns below 6.75% target

| Pension Model Updates and Assumptions        |   |
|--|---|
| Actuarial Valuation <sup>(1)</sup>           | FY 2018 valuation   |
| <b>Latest Pension Plan Returns</b>           | <b>3.4% GRS, 5.1% PFRS<br/>FY 2019 actual return</b>  |
| Future Pension Plan Returns                  | 6.75% projected   |
| Amortization / Funding Policy <sup>(2)</sup> | 30-year level dollar  |
| FY 2024 Projected Contribution               | \$192M gross<br>( <del>\$26M</del> ) FDF/DIA/DWSD/DPL <sup>(3)</sup><br><b>\$166M net from General Fund</b> |
| Latest RPF Returns                           | 4.4% FY 2019 actual return  |
| Future RPF Returns                           | 3% projected  |

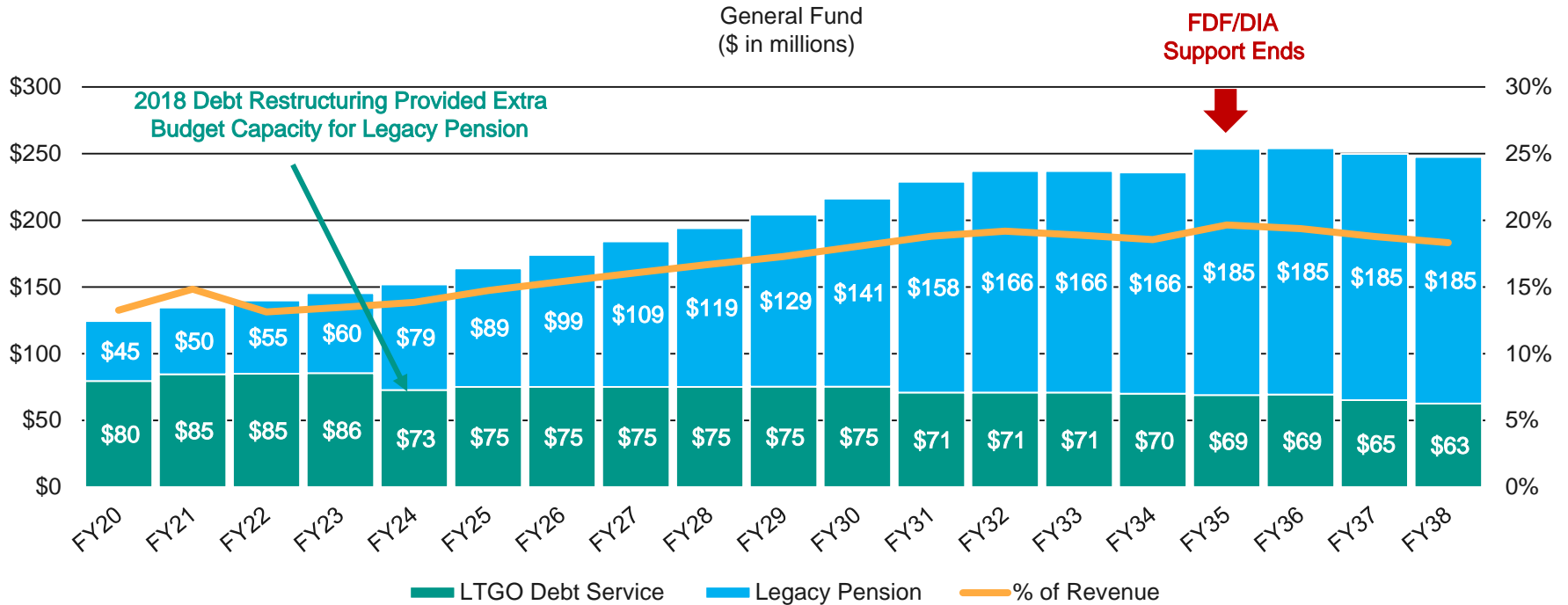
(1) Actuarial valuations for FY 2019 may be completed by spring 2020.

(2) The Retirement Systems have not yet established funding policies

(3) Foundation for Detroit's Future and Detroit Institute of Arts are the "Grand Bargain" outside sources through FY 2034. Detroit Water and Sewerage Department and Detroit Public Library pension liabilities do not impact the General Fund.



# Recurring Debt Service and Legacy Pension Costs



Excludes RPF Deposits from the fund balance in FY16 (\$20M) and FY17 (\$50M). Excludes "Grand Bargain" contributions of \$18.7M per year through FY34. Excludes DWSD and Library. LTGO Debt Service excludes debt service allocated to enterprise funds.



---

# Waiver Requirements



# Considerations for Waiver for the City

| FRC Act Section | Requirement/ Response  | Compliance |
|-----------------|--|------------|
| 8(2)(a)         | <p><b>Requirement:</b> The commission certifies that the City has adopted and adhered to deficit-free budgets for 3 consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.</p> <p><b>Response:</b> The City's FY 2017, 2018, and 2019 CAFRs show positive unrestricted fund balances at year-end.</p>  | ✓          |
| 8(2)(b)         | <p><b>Requirement:</b> The State treasurer and the City's chief financial officer, if applicable, certify that both of the following are met: (i) all municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City during that period, and (ii) there is a substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amount sufficient to substantially satisfy all of the capital and other financial requirements of the City during those periods in accordance with the City's financial plan, as applicable.</p> <p><b>Response:</b> The \$135 million of UTGO bonds issued in December, 2018 provided adequate funding for the City's capital and other financial requirements during FY 2019 and FY 2020. The City plans to issue an additional \$80 million in UTGO bonds, using previously obtained voter and City Council authorizations, which will provide adequate funding for the City's capital requirements during FY 2021. The City will also seek a ballot and bond authorizing resolution from City Council for an additional \$250 million, which will be used to meet the City's needs for the rehabilitation and demolition of residential blighted properties in the City in FY 2021 and FY 2022.</p> | ✓          |



# Considerations for Waiver for the City *(cont.)*

| FRC Act Section | Requirement/ Response  | Compliance |
|-----------------|--|------------|
| 8(2)(c)         | <p><b>Requirement:</b> The City's financial plan projects a balanced budget for the current and succeeding 3 fiscal years using generally accepted accounting principles and in accordance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a and section 4t of the home rule city act, 1909 PA 279, MCL 117.4t.</p> <p><b>Response:</b> The City submitted its approved FY 2021-FY 2024 four-year financial plan to the FRC on May 29, 2020. The financial plan projects a balanced budget for the current and succeeding 3 fiscal years. Additionally, the approved FY 2021-FY 2024 financial plan will contain the following: a) certification from the CFO that the approved budget complies with the applicable provisions of the uniform budgeting and accounting act, and b) a checklist of the financial plan requirements under MCL 117.4t and a response to each requirement.</p> | ✓          |
| 8(2)(d)         | <p><b>Requirement:</b> The City has demonstrated to the commission's satisfaction that the City has sufficient ability to borrow in the municipal securities market.</p> <p><b>Response:</b> In FY 2019, the City issued \$135,000,000 of Unlimited Tax General Obligation Bonds, secured only by a pledge of the full faith and credit of the City. Those bonds were rated BB- by S&amp;P and Ba3 by Moody's. In addition, based upon the Qualifying Statement submitted to the Michigan Department of Treasury in December 2019, the Department of Treasury determined that the City was in material compliance with the criteria identified in Section 303(3) of Public Act 34 of 2001. As a result, the City is now authorized to issue municipal securities under this Act without further approval from the Department.</p>  | ✓          |

# Considerations for Waiver for the City *(cont.)*

| FRC Act Section | Requirement/ Response  | Compliance |
|-----------------|--|------------|
| 8(2)(e)         | <b>Requirement:</b> The City did not violate the plan for adjustment in the immediately preceding fiscal year, as applicable, and is not in violation in the current fiscal year.  | ✓          |
|                 | <b>Response:</b> The City did not violate the plan of adjustment in the immediately preceding fiscal year or the current fiscal year.  |            |
| 8(2)(f)         | <b>Requirement:</b> The State treasurer certifies that the City is in compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.  | ✓          |
|                 | <b>Response:</b> The CFO has certified that the approved FY 2021-2024 four-year financial plan complies with the applicable provisions of the uniform budgeting and accounting act. The City is managing the current year budget in compliance with the act by monitoring revenues and expenditures and amending the budget if appropriation or fund deficits are projected. |            |
| 8(2)(g)         | <b>Requirement:</b> The commission certifies that the City is in substantial compliance with the act.  | ✓          |
|                 | <b>Response:</b> The City has timely submitted the information and reports required under FRC Resolution 2019-02, which granted the City its current waiver pursuant to section 8 of the act.  |            |



# Considerations for Waiver for the City *(cont.)*

| FRC Act Section | Requirement/ Response   | Compliance |
|-----------------|---|------------|
| 8(2)(h)         | <p><b>Requirement:</b> The City has established as part of a system of compensation for employees retirement plans in which the City contributes no more than 7% of an individual's base pay, excluding payment for overtime services, 1-time lump-sum payments, and the cost of fringe benefits, to an employees' retirement account.</p> <p><b>Response:</b> The City offers the same retirement plan as provided for in the plan of adjustment.</p>                              | ✓          |
| 8(2)(i)         | <p><b>Requirement:</b> The City has implemented a program in which all contracts awarded by the City are posted on the City's public website within 30 days of the contract award, including the identity of the parties to the contract, the dollar amount of the contract, and a brief description of the goods or services provided in the contract.</p> <p><b>Response:</b> The program is available on the City's Open Data Portal and can be viewed <a href="#">here</a>.</p> | ✓          |

# Detroit FRC Resolution 2018-13 Requirements

| Waiver Section | Requirement/ Response   | Compliance |
|----------------|---|------------|
| 3(a)           | <p><b>Requirement:</b> Within 45 days after the end of each month, in the form provided to the Commission by the City during the twelve months prior to the commencement of the waiver period, as may be modified after consultation and approval by the Commission’s Executive Director and the City’s Chief Financial Officer, the following: (i) current fiscal year-to-date actuals to budget and annualized projections, (ii) monthly headcount analysis, and (iii) current fiscal year-to-date net cash flows, including a current ratio analysis</p> <p><b>Response:</b> The City has timely submitted all required monthly financial reports to the Commission and has archived them on the <a href="#">City’s Financial Reports</a> webpage.</p> | ✓          |
| 3(b)           | <p><b>Requirement:</b> Within 45 days of the end of each quarter, a report on the current status of bond debt, payments made to the City’s pension plans, and payments made to the City’s Section 115 Trust for its legacy pension obligations.</p> <p><b>Response:</b> The City has timely submitted all required quarterly financial reports to the Commission and has archived them on the <a href="#">City’s Financial Reports</a> webpage.</p>   | ✓          |



# Detroit FRC Resolution 2018-13 Requirements *(cont.)*

| Waiver Section | Requirement/ Response   | Compliance |
|----------------|---|------------|
| 3(c)(i)        | <p><b>Requirement:</b> On an annual basis, by March 31st of each year, (A) analysis and forecasts for the legacy pension plans in the form substantially similar to those previously provided to the Commission by the City prior to the waiver period, as may be modified after consultation and approval by the Commission’s Executive Director and the City’s Chief Financial Officer; and (B) analysis that confirms the City’s ability to pay its debt obligations through the period of time the City is subject to the Commission’s oversight.</p> | ✓          |
|                | <p><b>Response:</b> The City timely submitted this report titled “<a href="#">FY 2020-2029 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations</a>” on March 30, 2020.</p>  |            |
| 3(c)(ii)       | <p><b>Requirement:</b> On an annual basis, by April 30<sup>th</sup> of each year, the City’s adopted budget and 4-Year Financial Plan.</p>  | ✓          |
|                | <p><b>Response:</b> Pursuant to FRC Resolution 2020-01, the City was granted an extension of the deadline for timely delivery of the adopted fiscal 2020-2021 budget and 4-year financial plan. Pursuant to that Resolution, the City timely submitted its adopted budget and 4-year financial plan on May 29, 2020. It is also available online.</p>   |            |



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

## DETROIT FINANCIAL REVIEW COMMISSION

### RESOLUTION 2020-02

#### CERTIFYING THE CITY OF DETROIT’S (I) ADOPTION AND ADHERENCE TO DEFICIT FREE BUDGETS FOR THREE CONSECUTIVE YEARS AND (II) COMPLIANCE WITH THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT

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, the Commission granted a waiver to the City pursuant to Section 8 of the Act on June 24, 2019 in Resolution 2018-13 and is currently in a period of decreased oversight; and

WHEREAS, both the Act and the conditions of waiver approved by the Commission in Resolution 2018-13 contemplate continued monitoring of the City’s financial status, even though the Commission is no longer providing day to day oversight of the City’s finances; and

WHEREAS, one such condition is found in Section 8(2)(a) of the Act which requires the Commission to certify annually that the City has adopted and adhered to deficit-free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421.

WHEREAS, Section 8(2)(g) of the Act further requires the Commission certify annually that the City is in substantial compliance with the provisions of the Act; and

WHEREAS, at the Commission meeting June 29, 2020, documentation of the City's (i) adoption and adherence to deficit free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421, and (ii) compliance with the Act since the adoption of Resolution 2018-13, was presented for consideration.

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

1. That the Commission hereby certifies that the City has adopted and adhered to deficit free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421.

2. That the Commission hereby certifies that the City is in substantial compliance with the provisions of the Act since the adoption of Resolution 2018-3.

3. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.


4. This Resolution shall have immediate effect.



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER

Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 1100  
Detroit, MI 48226  
Phone: (313) 628-2535  
Fax: (313) 224-2135  
E-Mail: OCFO@detroitmi.gov

**CFO MEMORANDUM  
NO. 2020-101-015**

**TO:** Financial Review Commission  
**FROM:** David P. Massaron, Chief Financial Officer, City of Detroit   
**SUBJECT:** Certification that the City has met the Waiver Conditions in PA 181, Section 8(2)  
**DATE:** June 24, 2020

---

1. AUTHORITY

1.1. State of Michigan Public Act 181, Section 8(1) states the FRC shall, by resolution, waive the oversight requirements designated in Sections 6 and 7 of PA 181 if certain conditions are met as provided in Section 8(2) of PA 181.

2. OBJECTIVE

2.1. To verify that the City has met all the waiver conditions in Section 8(2) of PA 181.

3. PURPOSE

3.1. To certify that, to the best of my knowledge, the statements in Section 5 of this Memorandum are true and accurate, and to transmit the certification to the FRC.

4. SCOPE

4.1. This Memorandum is intended solely to verify that the City has met the waiver conditions of Section 8(2) of PA 181.

5. STATEMENT

5.1. In accordance with Section 8(2) of PA 181, the City has met the following conditions:

5.1.1. Adopted and adhered to deficit-free budgets for 3 consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

5.1.2. Both of the following conditions related to municipal securities:

5.1.2.1. All municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City during that period.

5.1.2.2. There is a substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amounts sufficient to substantially satisfy all of the capital and other financial requirements of the City during those periods in accordance with the City's financial plan, as applicable.

5.1.3. Financial plan projects a balanced budget for the current and succeeding 3 fiscal years using generally accepted accounting principles and in accordance with the



uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and section 4t of the home rule city act, 1909 PA 279, MCL 117.4t.

- 5.1.4. Sufficient ability to borrow in the municipal securities market.
- 5.1.5. Did not violate the Plan of Adjustment (the "POA") in the immediately preceding fiscal year, as applicable, and is not in violation in the current fiscal year.
- 5.1.6. Compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.
- 5.1.7. Substantial compliance with PA 181.
- 5.1.8. Currently only offers the retirement plans as provided in the POA, which do not include contributions to individual employee retirement accounts.
- 5.1.9. Implemented a program in which all contracts awarded by the City are posted on the City's public website within 30 days of the contract award, including the identity of the parties to the contract, the dollar amount of the contract, and a brief description of the goods or services provided by the contract.

**CERTIFIED**

---

David P. Massaron  
*Chief Financial Officer, City of Detroit*



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DETROIT FINANCIAL REVIEW COMMISSION**

**RESOLUTION 2020-03**

**EXTENDING WAIVER GRANTED PURSUANT TO SECTION 8  
OF THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT**

WHEREAS, Public Act 181 of 2014, as amended, the Michigan Financial Review Commission Act (the “Act”), created the Detroit Financial Review Commission (the “Commission”) to provide specified supervision of certain activities and actions of the City of Detroit (the “City”) beginning on December 10, 2014; and

WHEREAS, the Act charges the Commission with, among other things, (a) ensuring that the City is meeting certain statutory requirements, (b) reviewing and approving the City’s budgets and certain contracts, and (c) establishing processes to ensure effective prudent fiscal management; and

WHEREAS, the Commission granted a waiver to the City pursuant to Section 8 of the Act on June 24, 2019 in Resolution 2019-2 and is currently in a period of decreased oversight; and

WHEREAS, both the Act and the conditions of waiver approved by the Commission in Resolution 2018-13 contemplate continued monitoring of the City’s financial status, even though the Commission is no longer providing day to day oversight of the City’s finances; and

WHEREAS, Resolution 2018-13 also requires the City to provide the Commission certain information and reports to the Commission during the period of decreased oversight; and

WHEREAS, the City has timely provided the Commission with the information and reports required by Resolution 2018-3; and

WHEREAS, at the Commission meeting on June 29, 2020, documentation that the City has satisfied the conditions enumerated in Section 8, attached as **Exhibit A** to this Resolution, was presented for consideration; and

WHEREAS, the Mayor and CFO have consulted with the Commission and support this resolution;

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

1. That the conditions set forth in Section 8(2) have been satisfied and therefore, the City's duties and obligations to the Commission under Sections 6 and 7 of the Act are waived through and including June 30, 2021, subject to the terms and conditions of the Act, including Section 8.

2. All other provisions and obligations of the City under Resolution 2018-13 remain in full force and effect.

3. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.

4. That this Resolution shall have immediate effect.

IN WITNESS WHEREOF, the members of the Commission, or their designees, have signed and adopted this Resolution.

DETROIT FINANCIAL REVIEW COMMISSION

By: \_\_\_\_\_  
David Massaron, Detroit Financial Review  
Commission Member

By: \_\_\_\_\_  
Rachael Eubanks, State Treasurer and Detroit  
Financial Review Commission Member

By: \_\_\_\_\_  
Stacy Fox, Detroit Financial Review Commission  
Member

By: \_\_\_\_\_  
Brenda Jones, Detroit Financial Review Commission  
Member

By: \_\_\_\_\_  
Chris Kolb, Detroit Financial Review Commission  
Member

By: \_\_\_\_\_  
David Nicholson, Detroit Financial Review  
Commission Member

By: \_\_\_\_\_  
Ron Rose, Detroit Financial Review Commission  
Member

By: \_\_\_\_\_  
John Walsh, Detroit Financial Review Commission  
Member

Date: June 29, 2020  
Detroit, Michigan

## DETROIT FINANCIAL REVIEW COMMISSION

Considerations for Extension of Waiver for City of Detroit (“City”)  
Michigan Financial Review Commission Act (Act 181 of 2014)

For the Period July 1, 2019 through June 30, 2020

Presented on June 29, 2020

| <b>Requirement</b>  | <b>FRC Act Sec. No.</b> | <b>Compliance</b>   |
|---|-------------------------|---|
| Commission certifies the City has adopted and adhered to deficit-free budgets for 3 consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421  | 8(2)(a)                 | See FRC resolution 2020- 2 for the FRC’s certification.                               |
| The State Treasurer and the City’s CFO certify that (a) all municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City, and (b) there is a substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year. | 8(2)(b)                 | See Treasurer’s attached verification and City’s attached certification.              |
| The City’s financial plan projects a balanced budget for the current and succeeding 3 fiscal years using general accepted accounting principles and in accordance with the Uniform Budgeting and Accounting Act   | 8(2)(c)                 | The City has submitted the requisite four-year financial plans with balanced budgets. |
| The City has demonstrated to the FRC’s satisfaction the City has sufficient ability to borrow in the municipal securities market.   | 8(2)(d)                 | See City’s attached certification.  |
| The City did not violate the Plan of Adjustment (“POA”) in the immediately preceding fiscal year and is not in violation in the current fiscal year.  | 8(2)(e)                 | See City’s attached certification.  |
| The State Treasurer certifies that the City is in compliance with the Uniform Budgeting and Accounting Act.   | 8(2)(f)                 | See Treasurer’s attached verification.  |
| The FRC certifies that the City is in substantial compliance with the Act.  | 8(2)(g)                 | See FRC Resolution 2020- 2.   |
| The City has established a system of compensation for employees retirement plans in which the City contributes no   | 8(2)(h)                 | See City’s attached certification.  |

|   |                |   |
|---|----------------|---|
| <p>more than 7% of an individuals' base pay, excluding payment for overtime services, 1-time lump sum payments and the costs of fringe benefits, to an employee's retirement account.</p>   |                |   |
| <p>The City has implemented a program in which all contracts awarded by the City are posted on the City's public website within 30 days of the contract award including the identity of the parties to the contract, the dollar amount of the contract and a brief description of the foods or services provided by the contract.</p> | <p>8(2)(i)</p> | <p>See City's attached certification.</p> |



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** June 29, 2020  
**TO:** Financial Review Commission  
**CC:**  
**FROM:** Rachael Eubanks, Treasurer *RE*  
**SUBJECT:** FRC Certifications on the City of Detroit

Public Act 181 of 2014, the Financial Review Commission Act (the "Act") requires certain certifications of the State Treasurer as conditions for the Financial Review Commission (FRC) to waive the requirements described in sections 6 and 7 of the Act.

I certify that to the best of my knowledge the following statements are true and accurate of the City of Detroit and transmit this certification to the FRC:

- 1) All municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City during that period.
- 2) There is substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amounts sufficient to substantially satisfy all of the capital and other financial requirements of the City during those period in accordance with the City's financial plan, as applicable.
- 3) The City is in compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER

Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 1100  
Detroit, MI 48226  
Phone: (313) 628-2535  
Fax: (313) 224-2135  
E-Mail: OCFO@detroitmi.gov

June 12, 2020

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

Re: Monthly Financial Report for the Ten Months ended April 30, 2020

Dear Commissioners:

The Office of the Chief Financial Officer (OCFO) respectfully submits its monthly City of Detroit Financial Report for the Ten Months ended April 30, 2020.

This report is provided in accordance with the requirements included in Detroit Financial Review Commission (FRC) Resolution 2019-2, which granted the City its waiver of active FRC oversight through June 30, 2020. The OCFO has separately submitted this report to the Mayor, Detroit City Council and posted it on the City's website.

Best regards,

David P. Massaron  
Chief Financial Officer

Att: City of Detroit Financial Report for the Ten Months ended April 30, 2020

Cc: Patrick Dostine, Executive Director, Detroit Financial Review Commission





# FY 2020 Financial Report

For the 10 Months ended April 30, 2020

Office of the Chief Financial Officer

Submitted on June 12, 2020



# Table of Contents

|  | Page(s) |
|--|---------|
| Executive Summary                        | 2       |
| YTD Budget Amendments – General Fund     | 3       |
| Budget vs. Actual and Projection Reports | 4-5     |
| Employee Count Monitoring                | 6       |
| Income Tax Reports                       | 7-8     |
| Development and Grants Reports           | 9-11    |
| Cash Reports                             | 12-14   |
| Accounts Payable Reports                 | 15      |



## Executive Summary

- Later in June, the Administration will present a budget amendment to City Council to address the FY 2019-20 projected revenue shortfall.
- This report reflects employee headcount changes as a result of the workforce reductions (page 6). The financial savings began in May and will be shown in a new analysis that will be added to the report submitted next month.
- On May 29, the City's FY 2021-24 Approved Four-Year Financial Plan was submitted to the Detroit City Council and Financial Review Commission (FRC). The Approved Four-Year Financial Plan information is available [online](#).
- Within the City's active grant portfolio, the most significant new award in April was the CARES Act Coronavirus Relief Fund, in the amount of \$116.9 million. This is the largest grant award that the City or its partners have received since the Hardest Hit Funds, in the amount of \$258 million, were awarded to the Detroit Land Bank Authority. (page 9)
- Total accounts payable as of April 2020 has a net decrease of \$21.9 million compared to March 2020. Net AP not on hold had a net decrease of \$18.7 million, and the number of open invoices not on hold decreased by 1,233. (page 15)



# YTD Budget Amendments – General Fund

| FY 2019-2020 GENERAL FUND BUDGET AMENDMENTS (Through April 2020) |                                 |                         |
|--|---------------------------------|-------------------------|
| Department   | Reason for Amendment            | Amount                  |
| <b>FY 2019 - 2020 Adopted Budget</b>                             |                                 | <b>\$ 1,143,283,981</b> |
| <b>Carry Forward Use of Assigned Fund Balance</b>                |                                 |                         |
| Recreation   | Forest Park Improvements        | 823,054                 |
| General Services   | Wayne County Millages           | 64,135                  |
| Non-Departmental   | P.E.G Fees                      | 1,878,306               |
| Police   | Public Act. 302 - Training Fund | 598,467                 |
| Non-Departmental   | PLD Decommission                | 23,000,000              |
|  | <b>Total</b>                    | <b>26,363,962</b>       |
| <b>Budget Amendment</b>  |                                 |                         |
| Housing and Revitalization                                       | Small Business Development      | 2,700,000               |
| General Services   | Wayne County Millages           | 200,000                 |
|  | <b>Total</b>                    | <b>2,900,000</b>        |
| <b>Transfer From Other Funds</b>                                 |                                 |                         |
| N/A  | N/A                             | N/A                     |
|  | <b>Total</b>                    | <b>0</b>                |
| <b>FY 2019 - 2020 Amended Budget (Through April 2020)</b>        |                                 | <b>\$ 1,172,547,943</b> |



# YTD Budget vs. YTD Actual – General Fund (Unaudited)

| YTD ANALYSIS                               |                   |                                     |                            |                   |                                 |                         |
|--|-------------------|-------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|
| MAJOR CLASSIFICATIONS                      | BUDGET            | ACTUAL + ADJUSTMENTS + ENCUMBRANCES |                            |                   | VARIANCE<br>(BUDGET VS. ACTUAL) |                         |
|  | YEAR TO DATE      | ACTUAL                              | ADJUSTMENTS + ENCUMBRANCES | TOTAL             |                                 |                         |
|  | A                 | B                                   | C                          | D                 | E = C + D                       | ( $\text{\$}$ ) F = E-B |
| <b>REVENUE:</b>                            |                   |                                     |                            |                   |                                 |                         |
| Municipal Income Tax                       | \$ 264.9          | \$ 261.6                            | –                          | \$ 261.6          | \$ (3.3)                        | (1.2%)                  |
| Property Taxes                             | 88.8              | 86.1                                | –                          | 86.1              | (2.7)                           | (3.0%)                  |
| Wagering Taxes                             | 154.4             | 134.6                               | –                          | 134.6             | (19.9)                          | (12.9%)                 |
| Utility Users' Tax                         | 20.3              | 21.1                                | –                          | 21.1              | 0.8                             | 3.9%                    |
| State Revenue Sharing                      | 136.9             | 140.5                               | –                          | 140.5             | 3.6                             | 2.6%                    |
| Other Revenues                             | 203.1             | 168.7                               | –                          | 168.7             | (34.4)                          | (16.9%)                 |
| <b>Sub-Total</b>                           | <b>\$ 868.3</b>   | <b>\$ 812.5</b>                     | <b>–</b>                   | <b>812.5</b>      | <b>\$ (55.8)</b>                | <b>(6.4%)</b>           |
| Budgeted Use of Prior Year Fund Balance    | 45.0              | 0.0                                 | 45.0                       | 45.0              | 0.0                             | 0.0%                    |
| Carry forward-Use of Assigned Fund Balance | 26.4              | 0.0                                 | 26.4                       | 26.4              | 0.0                             | 0.0%                    |
| Transfers from Other Funds                 | 0.0               | 0.0                                 | 0.0                        | 0.0               | 0.0                             | -                       |
| Budget Amendments                          | 2.9               | 0.0                                 | 2.9                        | 2.9               | 0.0                             | 0.0%                    |
| <b>TOTAL</b>                               | <b>\$ 942.6</b>   | <b>\$ 812.5</b>                     | <b>\$ 74.3</b>             | <b>\$ 886.8</b>   | <b>\$ (55.8)</b>                | <b>(5.9%)</b>           |
| <b>EXPENDITURES:</b>                       |                   |                                     |                            |                   |                                 |                         |
| Salary and Wages (Incl. Overtime)          | \$ (389.3)        | \$ (373.4)                          | –                          | \$ (373.4)        | \$ 15.9                         | 4.1%                    |
| Employee Benefits                          | (144.3)           | (107.4)                             | –                          | (107.4)           | 36.9                            | 25.6%                   |
| Legacy Pension Payments                    | 0.0               | 0.0                                 | –                          | 0.0               | 0.0                             | -                       |
| Retiree Protection Fund                    | (45.0)            | (45.0)                              | –                          | (45.0)            | 0.0                             |                         |
| Debt Service                               | (77.5)            | (69.9)                              | –                          | (69.9)            | 7.7                             | (9.9%)                  |
| Other Expenses                             | (296.9)           | (237.3)                             | (62.7)                     | (299.9)           | (3.1)                           | (1.0%)                  |
| <b>TOTAL</b>                               | <b>\$ (953.0)</b> | <b>\$ (832.9)</b>                   | <b>\$ (62.7)</b>           | <b>\$ (895.6)</b> | <b>\$ 57.4</b>                  | <b>6.0%</b>             |



# Annualized Projection vs. Budget – General Fund

| ANNUAL ANALYSIS                            |                     |                     |                                     |                |
|--|---------------------|---------------------|-------------------------------------|----------------|
| SUMMARY CLASSIFICATIONS                    | BUDGET              | PROJECTION          | VARIANCE<br>(BUDGET VS. PROJECTION) |                |
|  | ANNUAL<br>AMENDED   | ANNUAL<br>ESTIMATED | ANNUAL<br>ESTIMATED                 |                |
| A  | B                   | C                   | (\$ D = C-B                         | % E = (D/B)    |
| <b>REVENUE:</b>                            |                     |                     |                                     |                |
| Municipal Income Tax                       | \$ 324.3            | \$ 281.0            | \$ (43.2)                           | (13.3%)        |
| Property Taxes                             | 115.3               | 114.5               | (0.8)                               | (0.7%)         |
| Wagering Taxes                             | 184.3               | 134.2               | (50.1)                              | (27.2%)        |
| Utility Users' Tax                         | 31.3                | 28.3                | (3.1)                               | (9.9%)         |
| State Revenue Sharing                      | 204.5               | 201.1               | (3.3)                               | (1.6%)         |
| Other Revenues                             | 226.4               | 206.6               | (19.8)                              | (8.7%)         |
| <b>Sub-Total</b>                           | <b>\$ 1,086.2</b>   | <b>\$ 965.7</b>     | <b>\$ (120.5)</b>                   | <b>(11.1%)</b> |
| Budgeted Use of Prior Year Fund Balance    | 57.1                | 57.1                | 0.0                                 | 0.0%           |
| Carry forward-Use of Assigned Fund Balance | 26.4                | 26.4                | 0.0                                 | 0.0%           |
| Transfers from Other Funds                 | 0.0                 | 0.0                 | 0.0                                 | —              |
| Budget Amendments                          | 2.9                 | 2.9                 | 0.0                                 | 0.0%           |
| <b>TOTAL (F)</b>                           | <b>\$ 1,172.5</b>   | <b>\$ 1,052.1</b>   | <b>\$ (120.5)</b>                   | <b>(10.3%)</b> |
| <b>EXPENDITURES:</b>                       |                     |                     |                                     |                |
| Salary and Wages (Incl. Overtime)          | \$ (475.3)          | \$ (459.0)          | \$ 16.3                             | (3.4%)         |
| Employee Benefits                          | (139.5)             | (130.6)             | 9                                   | (6.4%)         |
| Legacy Pension Payments                    | (18.7)              | (18.7)              | 0.0                                 | 0.0%           |
| Retiree Protection Fund                    | (45.0)              | (45.0)              | 0.0                                 | 0.0%           |
| Debt Service                               | (79.8)              | (79.8)              | 0.0                                 | 0.0%           |
| Other Expenses                             | (414.3)             | (396.0)             | 18.3                                | (4.4%)         |
| <b>TOTAL (G)</b>                           | <b>\$ (1,172.5)</b> | <b>\$ (1,129.0)</b> | <b>\$ 43.5</b>                      | <b>(3.7%)</b>  |
| <b>VARIANCE (H=F+G)</b>                    |                     | <b>\$ (77.0)</b>    | <b>\$ (77.0)</b>                    |                |

Note: Projected annual revenues reflect the estimated impact of the COVID-19 public health emergency as of April 2020. The City has identified sufficient budget solutions to address the projected shortfall, including spending reductions from blight and capital funds and use of reserves not included in the projections above.



# Employee Count Monitoring

|   | MONTH-OVER-MONTH ACTUAL <sup>(1)</sup> |                      |  | BUDGET VS. ACTUAL<br>Variance                |  |            |
|---|--|----------------------|--|--|--|------------|
|   | Actual<br>March 2020                   | Actual<br>April 2020 | Change<br>March 2020 vs.<br>April 2020 | Adjusted<br>Budget<br>FY 2020 <sup>(2)</sup> | Under/(Over)<br>Budget vs.<br>April 2020 |            |
| <b>Public Safety</b>                        |  |                      |  |  |  |            |
| Police                                      | 3,150                                  | 3,132                | (18)                                   | 3,338  | 206                                      | 6%         |
| Fire  | 1,170                                  | 1,171                | 1                                      | 1,275  | 104                                      | 8%         |
| Total Public Safety                         | <b>4,320</b>                           | <b>4,303</b>         | <b>(17)</b>                            | <b>4,613</b>                                 | <b>310</b>                               | <b>7%</b>  |
| <b>Non-Public Safety</b>                    |  |                      |  |  |  |            |
| Office of the Chief Financial Officer       | 420                                    | 404                  | (16)                                   | 533  | 129                                      |            |
| Public Works - Full Time                    | 381                                    | 379                  | (2)                                    | 447  | 68                                       |            |
| Health and Wellness Promotion               | 137                                    | 143                  | 6                                      | 191  | 48                                       |            |
| Human Resources                             | 99                                     | 96                   | (3)                                    | 105  | 9  |            |
| Housing and Revitalization <sup>(3)</sup>   | 107                                    | 127                  | 20                                     | 109  | (18)                                     |            |
| Innovation and Technology                   | 120                                    | 118                  | (2)                                    | 140  | 22                                       |            |
| Law   | 119                                    | 119                  | 0                                      | 127  | 8  |            |
| Mayor's Office (includes Homeland Security) | 81                                     | 81                   | 0                                      | 81   | 0  |            |
| Municipal Parking <sup>(4)</sup>            | 92                                     | 98                   | 6                                      | 104  | 6  |            |
| Planning and Development                    | 38                                     | 37                   | (1)                                    | 41   | 4  |            |
| General Services - Full Time                | 538                                    | 517                  | (21)                                   | 573  | 56                                       |            |
| Legislative <sup>(5)</sup>                  | 215                                    | 214                  | (1)                                    | 260  | 46                                       |            |
| 36th District Court                         | 322                                    | 317                  | (5)                                    | 325  | 8  |            |
| Other <sup>(6)</sup>                        | 188                                    | 161                  | (27)                                   | 199  | 38                                       |            |
| Total Non-Public Safety                     | <b>2,857</b>                           | <b>2,811</b>         | <b>(46)</b>                            | <b>3,235</b>                                 | <b>424</b>                               | <b>13%</b> |
| <b>Total General City-Full Time</b>         | <b>7,177</b>                           | <b>7,114</b>         | <b>(63)</b>                            | <b>7,848</b>                                 | <b>734</b>                               | <b>9%</b>  |
| <b>Seasonal/ Part Time<sup>(7)</sup></b>    | <b>234</b>                             | <b>31</b>            | <b>(203)</b>                           | <b>822</b>                                   | <b>791</b>                               | <b>96%</b> |
| <b>Enterprise</b>                           |  |                      |  |  |  |            |
| Airport                                     | 4                                      | 4                    | 0                                      | 4  | 0  |            |
| BSEED                                       | 280                                    | 264                  | (16)                                   | 337  | 73                                       |            |
| Transportation                              | 863                                    | 863                  | 0                                      | 973  | 110                                      |            |
| Water and Sewerage                          | 566                                    | 558                  | (8)                                    | 650  | 92                                       |            |
| Library                                     | 298                                    | 298                  | 0                                      | 326  | 28                                       |            |
| Total Enterprise                            | <b>2,011</b>                           | <b>1,987</b>         | <b>(24)</b>                            | <b>2,290</b>                                 | <b>303</b>                               | <b>13%</b> |
| <b>Total City</b>                           | <b>9,422</b>                           | <b>9,132</b>         | <b>(290)</b>                           | <b>10,960</b>                                | <b>1,828</b>                             | <b>17%</b> |

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) Adjusted Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) HRD's employee count for April includes temporary hires supported by federal funds to establish emergency homeless shelters during the COVID-19 public health emergency.
- (4) During the development of the FY2020 - FY2023 Four-Year Plan, the Municipal Parking Department was transferred to the General Fund.
- (5) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (6) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.
- (7) Includes DPW, General Services, Recreation and Elections



**Fiscal Years 2019 - 2020**

**Income Tax Collections**

**FY20 YTD**

**April 2020**

**FY19 YTD**

**April 2019**

|   |                       |                       |
|---|-----------------------|-----------------------|
| Withholdings/Estimates                          | \$246,930,104         | \$234,956,980         |
| Individuals                                     | 20,217,739            | 25,226,067            |
| Corporations                                    | 15,212,647            | 50,316,300            |
| Partnerships                                    | 4,028,255             | 7,480,591             |
| Assessments                                     | 1,663,816             | 4,184,397             |
| <b>Total Collections</b>                        | <b>\$288,052,562</b>  | <b>\$322,164,336</b>  |
| <b>Refunds/ Disbursements</b>                   | <u>(26,464,227)</u>   | <u>(24,522,252)</u>   |
| <b>Collections Net of Refunds/Disbursements</b> | <u>\$ 261,588,335</u> | <u>\$ 297,642,083</u> |

Notes:

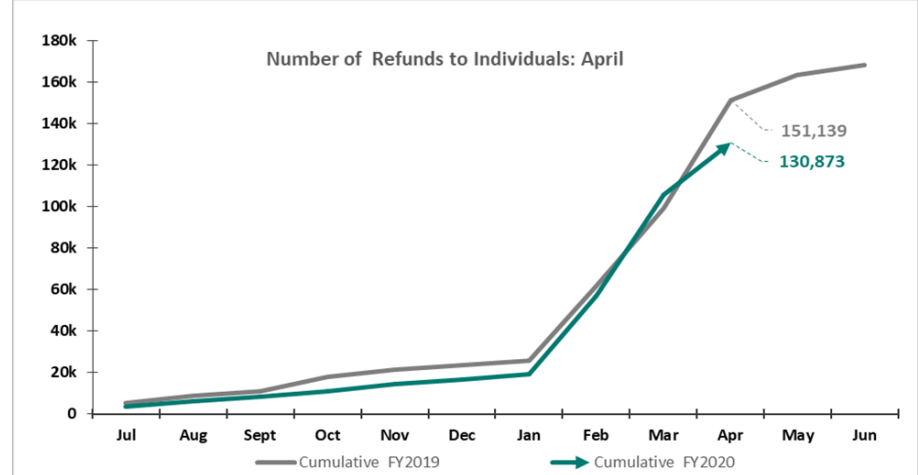
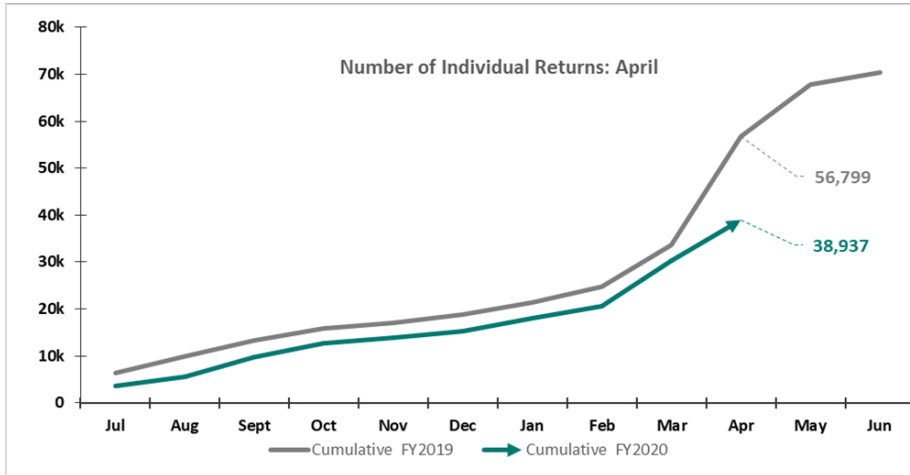
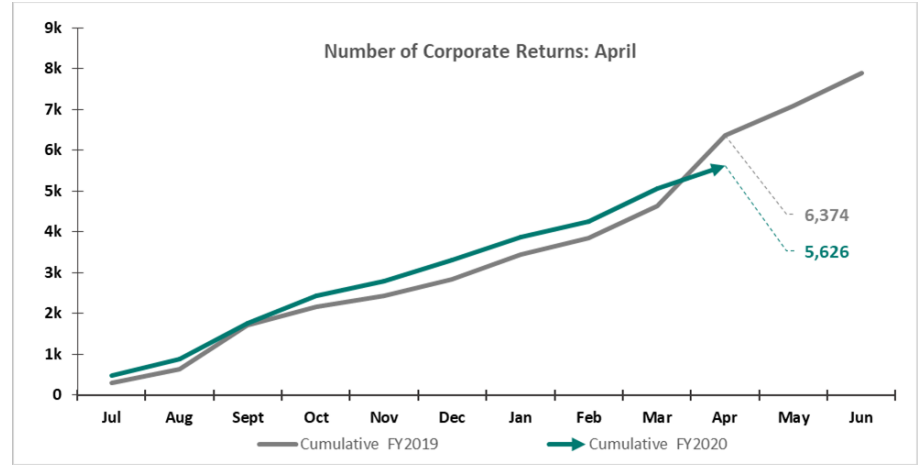
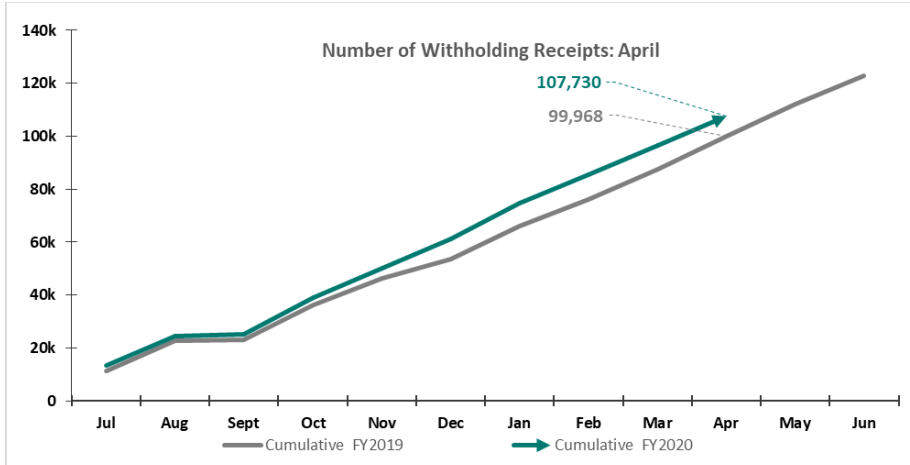
In April 2019, the City received a one-time corporate tax receipt of approximately \$23 million that was non-recurring.

The City anticipates recording year-end adjustments related to accruals and estimated liabilities that will reduce net income tax revenue by approximately \$35 million.





# Income Tax – Volume of Returns and Withholdings





### Active Grants and Donations as of April 30, 2020 (\$ in millions)

|   |         |  |
|---|---------|--|
|   |         |  |
|   |         |  |
| Net Change from last month <sup>(3)</sup> | \$121.4 |  |

### New Funds – January 1 to May 27, 2020 (\$ in millions)

|  |                |
|--|----------------|
|  |                |
|  |                |
| Committed <sup>(4)</sup>                     |                |
| <b>Total New Funding</b>                     | <b>\$429.0</b> |
| COVID-19 Overall Funds Raised <sup>(5)</sup> | \$268.0        |

(1) Reflects public and private funds directly to City departments.

(2) Reflects public and private funds for City projects via fiduciaries, and to third-party partners and agencies for projects prioritized by the City for which the OCFO-Office of Development and Grants has provided active support.

(3) The most significant new award in April was the CARES Act Coronavirus Relief Fund, in the amount of \$116,915,243. This is the largest grant award that the City or its partners have received since the Hardest Hit Funds, in the amount of \$258 M, were awarded to the Detroit Land Bank Authority.

(4) Reflects verbal and informal commitments which are secure, but for which formal agreements have not yet been finalized.

(5) Reflects documented and committed funds raised for COVID-19 response efforts by the City and its partners.



## New Funds (Total) – January 1 to May 27, 2020 – By Priority Category

| Priority Category               | Documented            | Committed            | Total                 |
|---------------------------------|-----------------------|----------------------|-----------------------|
| Administration/General Services | \$ 121,846,281        | \$ 251,347           | \$ 122,097,628        |
|                                 | \$ 3,407,625          | \$ 400,000           |                       |
|                                 | \$ 118,472,529        | \$ 5,000,000         |                       |
|                                 | \$ 14,957,379         | \$ 8,530,000         |                       |
|                                 | \$ 32,164,280         | \$ 3,794,300         |                       |
|                                 | \$ 500,000            | \$ 151,115           |                       |
|                                 | \$ 4,109,566          |                      |                       |
|                                 |                       | \$ 34,525            |                       |
|                                 | \$ 1,748,745          | \$ 2,549,706         |                       |
|                                 | \$ 19,678,000         | \$ 295,000           |                       |
|                                 | \$ 19,029,582         | \$ 64,268,439        |                       |
|                                 | \$ 435,000            | \$ 7,332,364         |                       |
| <b>Grand Total</b>              | <b>\$ 336,348,988</b> | <b>\$ 92,606,796</b> | <b>\$ 428,955,784</b> |



## New Funds and City Leverage<sup>(1)</sup> – January 1 to May 27, 2020 – By Priority Category

| Priority Category               | Total Funds           | City Leverage <sup>(1)</sup> |
|---------------------------------|-----------------------|------------------------------|
| Administration/General Services | \$ 122,097,628        | \$ 1,086,674                 |
| Community/Culture               | \$ 3,807,625          |                              |
| Economic Development            | \$ 123,472,529        | \$ 59,000,000 <sup>(2)</sup> |
| Health                          | \$ 23,487,379         |                              |
| Housing                         | \$ 35,958,580         | \$ 15,000 <sup>(3)</sup>     |
| Infrastructure                  | \$ 651,115            |                              |
| Parks and Recreation            | \$ 4,109,566          |                              |
| Planning                        | \$ 34,525             |                              |
| Public Safety                   | \$ 4,298,451          | \$ 52,760                    |
| Technology/Education            | \$ 19,973,000         |                              |
| Transportation                  | \$ 83,298,021         |                              |
| Workforce                       | \$ 7,767,364          | \$ 2,000,000                 |
| <b>Grand Total</b>              | <b>\$ 428,955,784</b> | <b>\$ 62,154,434</b>         |

(1) Leverage includes both match and parallel investment by the City that help make the case to external funders to co-invest.

(2) This \$59M has leveraged all Strategic Neighborhood Fund funding to date which includes funds raised in 2018 and 2019.

(3) There is an additional \$50M in HUD funding allocated to the Affordable Housing Leverage Fund that has been critical to securing these commitments.



# Cash Position

(\$ in millions)

|  | Unrestricted    | Restricted      | April 2020 Total  | Prior Year April<br>2019 Total |
|--|-----------------|-----------------|-------------------|--------------------------------|
| <b>Bank Balance</b>                      | \$ 284.5        | \$ 988.2        | \$ 1,272.7        | \$ 1,237.5                     |
| <b>Plus/minus: Reconciling items</b>     | 9.7             | (9.9)           | (0.2)             | 14.8                           |
| <b>Reconciled Bank Balance</b>           | \$ 294.2        | \$ 978.3        | \$ 1,272.5        | \$ 1,252.3                     |
| <b>General Ledger Cash Balances</b>      |                 |                 |                   |                                |
| <b>General Fund</b>                      |                 |                 |                   |                                |
| General Accounts                         | \$ 144.1        | 151.0           | \$ 295.1          | \$ 326.6                       |
| Risk Management/Self Insurance           | 56.7            | 19.1            | 75.8              | 93.2                           |
| Undistributed Delinquent Taxes           | -               | 3.2             | 3.2               | 31.3                           |
| Quality of Life Fund                     | -               | 17.7            | 17.7              | 22.7                           |
| Retiree Protection Trust Fund            | -               | 180.8           | 180.8             | 129.0                          |
| A/P and Payroll Clearing                 | 29.6            | -               | 29.6              | -                              |
| <b>Other Governmental Funds</b>          |                 |                 |                   |                                |
| Capital Projects                         | -               | 113.2           | 113.2             | 154.7                          |
| Street Fund                              | -               | 127.3           | 127.3             | 121.0                          |
| Grants                                   | -               | 164.5           | 164.5             | 49.6                           |
| Solid Waste Management Fund              | 39.0            | -               | 39.0              | 35.9                           |
| Debt Service                             | -               | 33.9            | 33.9              | 39.6                           |
| Gordie Howe Bridge Fund                  | -               | 16.7            | 16.7              | 20.3                           |
| Other                                    | 10.9            | 8.2             | 19.1              | 34.1                           |
| <b>Enterprise Funds</b>                  |                 |                 |                   |                                |
| Enterprise Funds                         | 3.3             | 2.6             | 5.9               | 38.8                           |
| <b>Fiduciary Funds</b>                   |                 |                 |                   |                                |
| Undistributed Property Taxes             | -               | 88.3            | 88.3              | 72.4                           |
| Fire Insurance Escrow                    | -               | 10.8            | 10.8              | 9.5                            |
| Other                                    | -               | 41.0            | 41.0              | 60.4                           |
| <b>Component Units</b>                   |                 |                 |                   |                                |
| Component Units                          | 10.6            | -               | 10.6              | 13.2                           |
| <b>Total General Ledger Cash Balance</b> | <b>\$ 294.2</b> | <b>\$ 978.3</b> | <b>\$ 1,272.5</b> | <b>\$ 1,252.3</b>              |

Note: This schedule reports total City of Detroit (excludes DSWD) cash in the bank at April 30, 2020 and differences between the General Ledger and bank balance are shown as reconciling items. This report does not represent cash available for spending, and liabilities and fund balance must be considered when determining excess cash.



# Operating Cash Activity: YTD Actual vs Forecast

For 10 Months Ending April 30, 2020

\$ in Millions

|                                 | YTD<br>Forecast     | YTD<br>Actual       | YTD<br>Variance | Prior YTD<br>Actual |
|---------------------------------|---------------------|---------------------|-----------------|---------------------|
| <b>Cash Receipts</b>            |                     |                     |                 |                     |
| Property Taxes                  | \$ 507.8            | \$ 505.3            | \$ (2.5)        | \$ 501.0            |
| Income Taxes                    | 268.0               | 257.4               | (10.6)          | 292.2               |
| Wagering                        | 141.7               | 137.6               | (4.1)           | 156.0               |
| State Shared Revenue            | 173.3               | 167.6               | (5.7)           | 168.2               |
| Utility Taxes                   | 25.0                | 21.3                | (3.7)           | 21.0                |
| Other Revenue                   | 212.7               | 218.0               | 5.3             | 168.4               |
| Cares Act Funds                 | -                   | 117.0               | 117.0           | -                   |
| Interfund Funding Transfers In  | -                   | 45.0                | 45.0            | -                   |
| Bond Proceeds                   | 11.9                | 46.0                | 34.1            | -                   |
| <b>Total Cash Receipts</b>      | <b>\$ 1,340.4</b>   | <b>\$ 1,515.1</b>   | <b>\$ 174.7</b> | <b>\$ 1,306.8</b>   |
| <b>Cash Disbursements</b>       |                     |                     |                 |                     |
| Salaries & Wages                | \$ (399.0)          | \$ (423.9)          | \$ (24.9)       | \$ (387.7)          |
| Benefits                        | (111.7)             | (107.9)             | 3.8             | (138.4)             |
| 36th District Court Payroll     | -                   | (1.3)               | (1.3)           | -                   |
| Retiree Protection Trust        | (45.0)              | (45.0)              | -               | (20.0)              |
| Accounts Payable                | (423.4)             | (406.5)             | 16.9            | (356.1)             |
| TIF Distributions               | (32.2)              | (26.9)              | 5.2             | (24.4)              |
| Property Tax Distributions      | (377.1)             | (347.5)             | 29.6            | (342.2)             |
| Other Distribution              | -                   | (1.4)               | (1.4)           | -                   |
| Debt Service                    | (56.7)              | (63.4)              | (6.7)           | (73.5)              |
| <b>Total Cash Disbursements</b> | <b>\$ (1,445.1)</b> | <b>\$ (1,423.8)</b> | <b>\$ 21.3</b>  | <b>\$ (1,342.3)</b> |
| <b>Net Cash Flow</b>            | <b>\$ (104.7)</b>   | <b>\$ 91.3</b>      | <b>\$ 196.0</b> | <b>\$ (35.5)</b>    |



# Operating Cash Activity: Actual vs. Forecast to Year End

|                                 | 2019              |                   |                     |                   |                    |                    | 2020              |                    |                  |                   |                   |                   | FY2020 Total        |
|---------------------------------|-------------------|-------------------|---------------------|-------------------|--------------------|--------------------|-------------------|--------------------|------------------|-------------------|-------------------|-------------------|---------------------|
|                                 | July<br>Actual    | August<br>Actual  | September<br>Actual | October<br>Actual | November<br>Actual | December<br>Actual | January<br>Actual | February<br>Actual | March<br>Actual  | April*<br>Actual  | May*<br>Forecast  | June*<br>Forecast |                     |
| <i>\$ in Millions</i>           |                   |                   |                     |                   |                    |                    |                   |                    |                  |                   |                   |                   |                     |
| <b>Cash Receipts</b>            |                   |                   |                     |                   |                    |                    |                   |                    |                  |                   |                   |                   |                     |
| Property Taxes                  | \$ 58.2           | \$ 192.8          | \$ 26.7             | \$ 8.9            | \$ 11.0            | \$ 65.1            | \$ 125.3          | \$ 10.1            | \$ 3.9           | \$ 3.3            | \$ 6.7            | \$ 31.2           | \$ 543.2            |
| Income Taxes                    | 30.7              | 22.0              | 31.2                | 25.5              | 21.6               | 29.0               | 30.7              | 20.1               | 24.0             | 22.6              | 17.7              | 19.6              | 294.7               |
| Wagering                        | 15.5              | 17.4              | 15.0                | 14.1              | 18.0               | 17.6               | 17.7              | 13.3               | 9.0              | -                 | -                 | -                 | 137.6               |
| State Shared Revenue            | -                 | 34.2              | -                   | 35.1              | -                  | 35.6               | -                 | 34.6               | -                | 28.0              | -                 | 26.2              | 193.8               |
| Utility Taxes                   | 2.1               | 1.3               | 1.8                 | 2.0               | -                  | 3.1                | 1.8               | 3.1                | 3.5              | 2.6               | 3.0               | 2.8               | 27.1                |
| Other Revenue                   | 33.7              | 28.3              | 15.3                | 10.9              | 28.9               | 17.0               | 23.7              | 17.7               | 19.8             | 22.8              | 13.8              | 14.0              | 245.8               |
| Cares Act Funds                 | -                 | -                 | -                   | -                 | -                  | -                  | -                 | -                  | -                | 117.0             | -                 | -                 | 117.0               |
| Transfers from other cash pools | -                 | -                 | -                   | -                 | -                  | -                  | -                 | -                  | -                | 45.0              | 30.0              | 30.0              | 105.0               |
| Bond Proceeds                   | -                 | -                 | 0.3                 | 0.5               | 2.6                | 3.0                | 1.2               | 4.2                | -                | 34.1              | -                 | -                 | 46.0                |
| <b>Total Cash Receipts</b>      | <b>\$ 140.2</b>   | <b>\$ 296.0</b>   | <b>\$ 90.2</b>      | <b>\$ 97.1</b>    | <b>\$ 82.0</b>     | <b>\$ 170.4</b>    | <b>\$ 200.3</b>   | <b>\$ 103.1</b>    | <b>\$ 60.3</b>   | <b>\$ 275.4</b>   | <b>\$ 71.2</b>    | <b>\$ 123.8</b>   | <b>\$ 1,710.1</b>   |
| <b>Cash Disbursements</b>       |                   |                   |                     |                   |                    |                    |                   |                    |                  |                   |                   |                   |                     |
| Salaries & Wages                | \$ (46.9)         | \$ (46.8)         | \$ (37.1)           | \$ (40.3)         | \$ (35.8)          | \$ (45.4)          | \$ (50.8)         | \$ (40.8)          | \$ (40.8)        | \$ (39.1)         | \$ (32.7)         | \$ (37.1)         | \$ (493.7)          |
| Benefits                        | (12.6)            | (6.5)             | (6.0)               | (13.1)            | (6.5)              | (14.0)             | (13.4)            | (6.4)              | (6.4)            | (22.8)            | (12.0)            | (6.4)             | (126.3)             |
| 36th Distr Crt Payroll          | -                 | -                 | -                   | -                 | -                  | -                  | -                 | -                  | -                | (1.3)             | (1.2)             | -                 | (2.5)               |
| Retiree Protection Trust        | (45.0)            | -                 | -                   | -                 | -                  | -                  | -                 | -                  | -                | -                 | -                 | -                 | (45.0)              |
| Accounts Payable                | (46.3)            | (67.2)            | (24.2)              | (39.6)            | (20.0)             | (33.8)             | (38.0)            | (28.0)             | (31.6)           | (77.8)            | (56.5)            | (61.4)            | (524.4)             |
| TIF Property Tax Disbursements  | -                 | -                 | -                   | (0.3)             | (1.6)              | (25.0)             | -                 | -                  | -                | -                 | (29.6)            | -                 | (56.5)              |
| Property Tax Distributions      | (17.1)            | (26.5)            | (132.0)             | (6.1)             | (5.4)              | (6.5)              | (86.2)            | (65.0)             | -                | (2.8)             | (3.5)             | (15.0)            | (366.0)             |
| Other Distribution              | -                 | -                 | -                   | -                 | -                  | -                  | -                 | -                  | -                | (1.4)             | (1.8)             | -                 | (3.2)               |
| Debt Service                    | (2.7)             | (8.2)             | (14.1)              | (6.2)             | (2.7)              | (9.1)              | (2.7)             | (9.1)              | (8.7)            | -                 | -                 | -                 | (63.4)              |
| <b>Total Cash Disbursements</b> | <b>\$ (170.6)</b> | <b>\$ (155.2)</b> | <b>\$ (213.3)</b>   | <b>\$ (105.7)</b> | <b>\$ (72.1)</b>   | <b>\$ (133.8)</b>  | <b>\$ (191.2)</b> | <b>\$ (149.3)</b>  | <b>\$ (87.5)</b> | <b>\$ (145.2)</b> | <b>\$ (137.3)</b> | <b>\$ (119.9)</b> | <b>\$ (1,681.0)</b> |
| <b>Net Cash Flow</b>            | <b>\$ (30.3)</b>  | <b>\$ 140.8</b>   | <b>\$ (123.1)</b>   | <b>\$ (8.5)</b>   | <b>\$ 9.9</b>      | <b>\$ 36.7</b>     | <b>\$ 9.1</b>     | <b>\$ (46.2)</b>   | <b>\$ (27.3)</b> | <b>\$ 130.2</b>   | <b>\$ (66.1)</b>  | <b>\$ 3.9</b>     | <b>\$ 29.1</b>      |

\* April, May and June have been adjusted from prior reports to reflect the inflow of non-common pool dollars and the related increase in disbursements.



# Accounts Payable and Supplier Payments

## City of Detroit Accounts Payable Analysis \$ in millions

| Accounts Payable (AP) as of Apr-20                   |           |
|--|-----------|
| Total AP (Mar-20)                                    | \$ 46.6   |
| Plus: Apr-20 invoices processed                      | \$ 45.8   |
| Less: Apr-20 Payments made                           | \$ (67.7) |
| Total AP month end (Apr-20)                          | \$ 24.7   |
| Less: Invoices on hold <sup>(1)</sup>                | \$ (9.0)  |
| Less: Installments/Retainage Invoices <sup>(2)</sup> | \$ (0.4)  |
| Net AP not on hold                                   | \$ 15.3   |

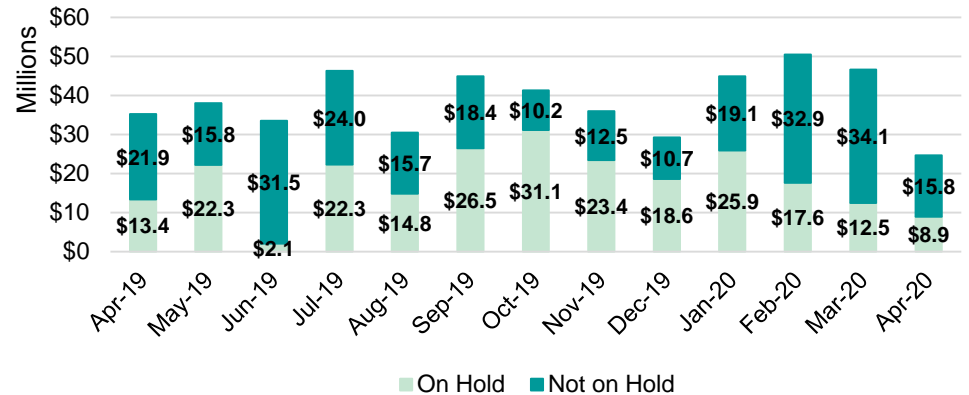
### AP Aging (excluding invoices on hold)

|                         | Net AP    | Current   | Days Past Due |          |          |
|-------------------------|-----------|-----------|---------------|----------|----------|
|                         |           |           | 1-30          | 31-60    | 61+      |
| <b>Apr-20. Total</b>    | \$ 15.4   | \$ 9.1    | \$ 3.3        | \$ 0.3   | \$ 2.7   |
| % of total              | 100%      | 59%       | 21%           | 2%       | 18%      |
| Change vs. Mar-20       | \$ (18.7) | \$ (11.1) | \$ (5.6)      | \$ (1.6) | \$ (0.4) |
| Total Count of Invoices | 955       | 672       | 169           | 42       | 72       |
| % of total              | 100%      | 70%       | 18%           | 4%       | 8%       |
| Change vs. Mar-20       | (1,223)   | (868)     | (210)         | (58)     | (87)     |
| <b>Mar-20. Total</b>    | \$ 34.1   | \$ 20.2   | \$ 8.9        | \$ 1.9   | \$ 3.1   |
| % of total              | 100%      | 59%       | 26%           | 6%       | 9%       |
| Total Count of Invoices | 2178      | 1540      | 379           | 100      | 159      |
| % of total              | 100%      | 71%       | 17%           | 5%       | 7%       |

#### Notes:

- (1) Invoices with system holds are pending validation. Some reasons include: pending receipt, does not match purchase order quantity/price and legal hold
  - (2) Invoices on retainage are on hold until the supplier satisfies all contract obligations
- All invoices are processed and aged based on the invoice date

### Accounts Payable (Inc. installments/retainage)



### Supplier Payment Metric Phase 1

