

FINANCIAL REVIEW COMMISSION
FY 2019 – 2022 FINANCIAL PLAN REVIEW
CITY OF DETROIT, MICHIGAN
APRIL 13, 2018

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I. EXECUTIVE SUMMARY

In accordance with the Michigan Financial Review Commission Act (PA 181 of 2014), the City submitted its FY2019-2022 four-year financial plan to the Financial Review Commission (FRC) 100 days before the start of the 2019 fiscal year (March 23, 2018 for the fiscal year beginning July 1, 2018). The City publicly presented its plan to the FRC at its March 26, 2018 regular meeting. The FRC will act on the City’s submitted financial plan at its April 16, 2018 regular meeting.

PA 181 of 2014 provides limited guidance to the Commission on what an “acceptable plan” entails. The Act however does provide some criteria for the Commission to consider in making its assessment of the plan.

FRC Compliance Criteria	Compliance
City’s four-year financial plan is in compliance with the Home Rule City Act (PA279 of 1909)	The City outlined the financial plan requirements and responded to these requirements. The City’s responses meet the Home Rule City Act’s requirements. See Appendix C for a summary of these requirements.
City’s budget is in compliance with the Uniform Budget and Accounting Act (PA 2 of 1968).	The FRC received certification of compliance from the Chief Financial Officer on March 23, 2018. The City has not budgeted any deficits as part of the four-year plan. See Appendix D for a copy of this certification.
The City budget includes payment of all debt service requirements.	The four-year plan includes funding to satisfy all debt service requirements.
The City must be in compliance with the Plan of Adjustment	The four-year financial plan is in compliance with the Plan of Adjustment. City investment initiatives, pension payments, and blight remediation payments are being made in accordance with the Plan of Adjustment.
Budgeted Revenues match Revenue Estimating Conference results	The budgeted and forecasted revenues in the four-year plan match the 2018 February Revenue Estimating Conference results. The City is making technical changes to the ordinances regarding income tax rates and parking fines to bring the income tax rates and parking fine amounts in line with established law and EM Orders, and the City’s actual procedures since 1023. The City will enact curative ordinances prior to the FRC’s action on the budget and four-year financial plan.

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

II. DISCUSSION OF KEY BUDGET ASSUMPTIONS

Revenue Assumptions

The City's FY2019-2022 revenue projections are based on the February 2018 Revenue Estimating Conference as required by Public Act 182 of 2014. The voting conference principals are the City's Chief Financial Officer, the State Treasurer (or designee), and a person affiliated with another public entity, including a state institution of higher education. The FRC also reviews all Revenue Estimating Conference results at its regularly scheduled meetings.

Major revenue assumptions have historically been realistic with small adjustments, up and down, occurring by the end of the fiscal year. Often, the upward adjustments for major revenues have been offset by decreases in departmental revenues. This offsetting results in small forecast errors which have typically been less than 1%.

The City's CFO certification of the budget's compliance with PA 2 of 1968 (the Uniform Budget and Accounting Act) has a noted consideration in it. The City Council will enact curative ordinances regarding income tax rates and parking fines to bring the income tax rates and parking fine amounts in line with established law and EM Orders, and the City's actual procedures since 2013. Upon the City Council's action, the City's CFO will update the CFO's certification of the budget's compliance with PA 2 of 1968 (the Uniform Budget and Accounting Act). These two actions will occur prior to the FRC's action on the budget and four-year financial plan.

We are mindful however that the City's revenue forecast faces risks similar to those faced by other municipalities, including reduced Federal funding, decreased State Revenue Sharing (if applicable), and declining macroeconomic trends with a corresponding impact on the City's tax revenues. These revenue forecasts have potential upsides too. While the City is a party and beneficiary to numerous economic development initiatives which have and could continue to bring additional revenues to Detroit, the City has chosen to remain conservative and only includes revenues once they are realized. This has been a prudent approach over the past few years.

Expense Assumptions

The four-year plan was developed by preparing detailed estimates of expenses for FY2019 and then using those estimates to forecast the remaining three years. In some cases, specific adjustments were made in the forecasts for FY2020-2022 if there were known changes expected in the activities. Otherwise, most of the forecasted amounts for this three-year period are formulaic and predicated upon FY2019 as a baseline.

The City's FY2019-2022 four-year plan, for the major expenditure categories, is generally forecasted on a percentage growth basis as compared to the approved FY2019 recommended budget. Then adjustments for departmental specifics were factored in. The baseline compensation amounts reflect actual salaries for filled positions and the midpoint of the salary range for current vacancies. In the table below, the key annual assumptions – by fiscal year – are detailed.

City of Detroit - FY2019-2022 General Fund Budgeting Assumptions

Fiscal Year	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Salaries & Wages	2.50%	0.00%	0.00%	0.00%
Merit Increase	2.50%	0.00%	0.00%	0.00%
Reduction (Overtime, Turnover)	-2.50%	-0.50%	-0.30%	-0.10%
Total	2.50%	-0.50%	-0.30%	-0.10%
Employee Benefits	0.00%	2.30%	2.40%	2.40%
Operating Supplies	0.00%	-3.80%	-1.10%	-0.90%
Professional/Contractual Services	0.00%	-3.10%	-2.60%	-2.50%

Annual Salaries and Wages growth assumptions are comprised of three components: general wage increase (including those increases that are contractually obligated), merit increases, and an overall reduction in wages due to decreased overtime and/or savings from employee turnover and retirements. The City's four-year plan assumes an annual 2.5% general wage growth for FY2019 only and 0% general wage growth for the forecast period. Employee Benefits are assumed to increase 2.3% in FY2020 and increase 2.4% in FY2021 and FY2022 as a result of additional annual payments to the Retiree Protection Fund (RPF).

The City's four-year plan assumes non-personnel expense reductions throughout the FY2019-2022 period. Operating Supplies are forecasted to decrease between .9% and 3.8% during the FY2019-2021 period through reductions in repairs and maintenances anticipated as a result of recent capital improvements. Lastly, Professional and Contractual Services, beginning in FY2020 decline 3.1%, and are assumed to decline further in FY2021 by 2.6% and FY2022 by 2.5% because of a newer fleet and retirement of legacy technology systems.

Presentation Changes

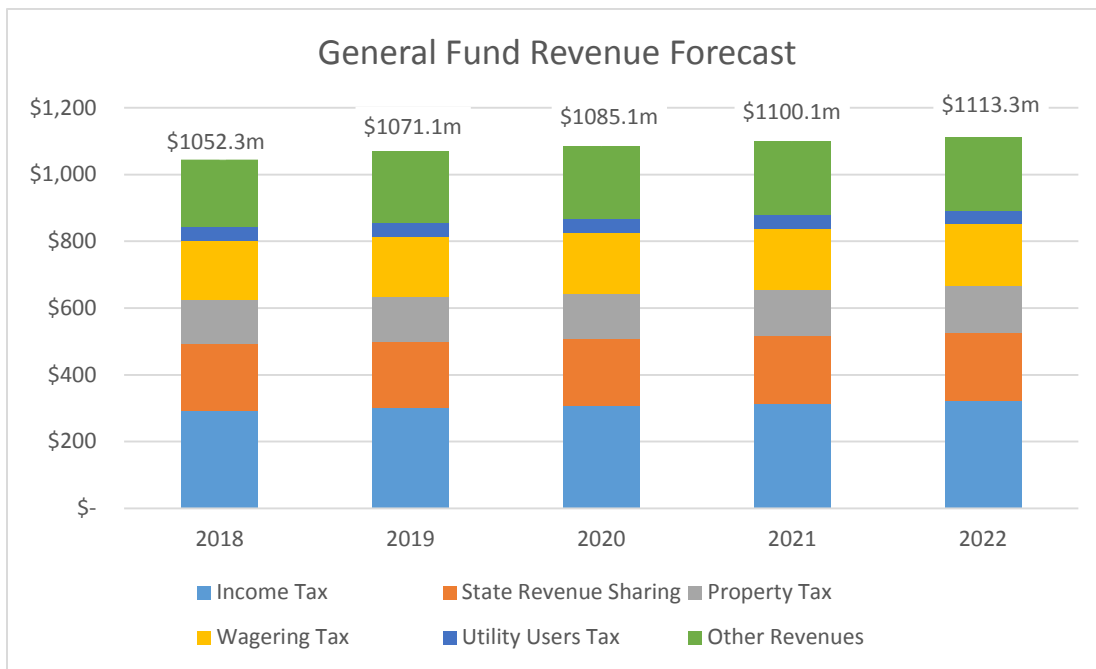
The City has made two presentation changes to the FY2019–2022 plan. One-time funding for blight remediation and capital improvements has historically been reported in the Non-Departmental budget. The FY2019-22 financial plan includes blight remediation spending in several departments to more closely reflect the City departments responsible for the specific types of spending. However, all blight remediation spending has been assigned to a specific fund for continued transparency of this important expenditure. Secondly, the Parks and Recreation Department will be merged with the General Services Department beginning in FY2019.

III. GENERAL FUND OVERVIEW

As is the case with any city, the General Fund is the nerve center of a local unit of government and was a primary focus of our review. The City’s General Fund reflects 54% of citywide total expenditures for FY2019 and contains over 20 city departments. Over the course of the four-year financial plan, General Fund spending is projected at \$1.024 billion in FY2019, \$1.071 billion in FY2020, \$1.085 billion in FY2021, and \$1.113 billion in FY2022.

A. Revenue Forecast – General Fund

The City’s revenue projections are based on the February 2018 Revenue Estimating Conference as required by Public Act 182 of 2014. The City of Detroit has five major revenues that represent 76% of General Fund revenues: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax, and Utilities Users’ Tax. The FY2019 General Fund budget anticipates revenues of \$1,071.1 million. This represents an increase of \$18.8 million from the FY2018 budget. Overall, the City anticipates revenues to continue to rise over the course of the four-year plan. Listed below is a summary of the City’s overall revenue projections with further detailed discussion to follow.



1. Municipal Income Tax

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Estimated Revenue	\$292.1	\$299.4	\$306.9	\$314.6	\$322.5

As authorized under Public Act 284 of 1964, and amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an income tax on income from all sources with minimum exemptions. The current municipal income tax rate is 2.4% for residents, 1.2% for non-residents, and 2.0% for corporations. More

than 85% of the income taxes collected are derived from withholdings. Recent history has shown income tax collections for FY2017 were \$284.5 million, up from FY2016 collections of \$263.2 million. Income tax collections for FY 2018 are expected to reflect this upward trend with further growth of 2.7%. Projected revenues for FY2019 through FY2022 maintain a growth rate of 2.5% reflecting a forecast of modest increases in salary and wages.

2. Property Taxes

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Estimated Revenue	\$133.1	\$133.8	\$135.8	\$137.8	\$139.9

Article IX of the State Constitution, sections 3 and 6, authorizes the levy of taxes on real and personal property not otherwise exempt. The City currently levies the maximum tax permitted by law. The February 2018 Revenue Estimating Conference estimates property tax increase of 1.5% per year over the course of the four-year plan.

The City Assessor’s outlook on the Ad Valorem valuations for FY2019 anticipates future growth in all property classes. The completion of citywide reassessments of residential properties in 2016, along with improved available property data, highlighted increased assessed values across the city and across property classes. Residential property values have increased across the city for the first time in 17 years. Commercial property reassessments are expected to be completed in FY2019.

3. Utility Users’ Tax

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Estimated Revenue	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

The City levies a utility users’ tax as permitted under Public Act 100 of 1990, as amended in 2012. The tax is based on consumption of electricity, gas, steam, and telephone land lines within the City limits. The City currently levies the maximum tax rate of 5%. Utility Users tax collections historically have hovered within a small range of \$35 to \$42 million. The four-year plan projects flat collections at \$40 million.

4. Wagering Taxes

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Estimated Revenue	\$179.0	\$180.8	\$182.6	\$184.4	\$186.3

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under the Michigan Gaming Control and Revenue Act, as amended. The current tax rate in effect is 10.9% for the three casinos

operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements that increase the total percentage collected to 11.9% of gross receipts. Estimated wagering tax revenues for FY2018 are \$179.0 million and the City projects a 1% increase over the course of the four-year plan.

Detroit casinos have rebounded from the 2014 decline in revenues as a result of the opening of casinos in Ohio. New casinos or gaming operations opened within a 50 to 150 mile radius of the City could exert negative pressure on Detroit casino revenues. Of the City's major revenues, wagering taxes continue to be the most volatile due to macroeconomic factors and factors outside the City's control. We recommend the City continue to look for opportunities to help predict wagering tax revenues as this revenue reflects 15% - 20% of total General Fund revenues.

5. State Revenue Sharing

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Estimated Revenue	\$199.5	\$200.7	\$201.7	\$202.7	\$203.7

Revenue sharing payments from the State are comprised of two components: constitutional and statutory revenue sharing provisions. Constitutional payments are guaranteed under the State Constitution and are calculated as 15% of 4% of the State's sales tax collections. Statutory payments are based upon municipalities meeting qualitative requirements for revenue sharing. The February Revenue Estimating Conference estimates for Detroit's constitutional revenue sharing payments are based on the current State payments projected by the Michigan Department of Treasury's revised Sales Tax revenue projections. Statutory revenue sharing payments are based on the State of Michigan January 2018 Consensus Revenue Estimating conference.

6. Other Revenues

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Other Revenues	\$208.6	\$216.4	\$218.1	\$220.5	\$220.9

Other Revenues consist of charges for services, fines and penalties, assessments, and other various departmental activity charges. Fire Department, EMS and cost recovery revenues are expected to increase over the course of the four year period as a result of ongoing initiatives. These increases are offset however by a reduction in the City's sales of real property and used equipment. Further reductions relate to interagency billings for services to Non-General Fund City departments as a result of lower volume of reimbursable activity.

B. General Fund Appropriations Forecast

General Fund expenditures over the course of the four-year financial plan equal anticipated revenues. As anticipated, salaries, wages, and employee benefits make up the lion’s share of the General Fund budget at 61%. Salary and wages are budgeted in accordance with active collective bargaining agreements. The table below provides a listing of General Fund Expenditures by classification:

City of Detroit - General Fund Expenditures by Classification

(\$000's) Fiscal Year	Unaudited					
	Actual 2017	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Expenditures						
Salaries and Wages	\$ 353,028	\$ 427,998	\$ 456,895	\$ 454,549	\$ 453,217	\$ 452,682
Employee Benefits	141,300	192,132	199,344	204,007	208,874	213,898
Fixed Charges	432,724	61,261	69,418	88,101	93,136	93,408
Other Expenses	153,220	122,462	129,973	126,919	120,075	121,075
Operating Services	67,442	85,462	90,693	90,764	106,450	116,125
Professional and Contractual Services	70,427	75,756	76,578	74,533	72,565	70,732
Operating Supplies	51,230	39,055	45,799	44,140	43,652	43,262
Capital Equipment	8,175	19,417	2,165	2,165	2,165	2,165
Capital Outlays	2,534	372	175	175	175	175
Total - Expenditures	\$ 1,280,080	\$ 1,023,915	\$ 1,071,040	\$ 1,085,353	\$ 1,100,309	\$ 1,113,522

The following table details the annual budgeted expenditures – by department and by agency – for FY2019-2022, the majority of these agencies/departments are budgeted in the City’s General Fund. This is another important perspective of city expenditures as it shows the general purpose of the expenses. Although most of these departments or agencies are accounted for in the General Fund, some incur expenditures in both the General Fund and other governmental funds in accordance with Generally Accepted Accounting Principles. Therefore, total expenditures of the executive and legislative agencies will not match total General Fund expenditures.

The top five departments in total budgeted expenditures for the four-year period are Police, Department of Public Works, Fire, General Services, and Housing and Revitalization. Public Safety Departments account for 42% of the total General Fund budget. This is in line with other large cities across the State. Discussions regarding individual department budgets are contained in the appendix.

(\$ millions) Fiscal Year	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022	Total Forecast FY2019-2022
GENERAL CITY AGENCIES					
<u>Department</u>					
Police	\$ 322	\$ 318	\$ 317	\$ 317	\$ 1,274
Department of Public Works	137	139	148	152	576
Fire	129	128	127	127	512
General Services	135	93	91	89	407
Housing and Revitalization	76	51	51	51	227
Office of the Chief Financial Officer	56	55	54	54	219
Health Department	40	39	40	41	161
Dept. of Innovation & Technology	43	30	28	28	128
Public Lighting	32	32	32	32	127
Law	16	16	16	16	64
Human Resources	13	13	13	13	52
Mayor's Office	11	11	10	10	42
Planning and Development	11	6	6	6	27
Civil Rights, Inclusion, & Opportunity	4	4	4	4	16
Department of Appeals & Hearings	1	1	1	1	4
Subtotal - Executive Agencies	\$ 1,024	\$ 935	\$ 938	\$ 940	\$ 3,836
City Council	11	11	11	11	43
Elections	9	9	9	9	36
Auditor General	4	4	4	4	15
City Clerk	3	2	2	2	10
Inspector General	1	1	1	1	5
Ombudsperson	1	1	1	1	4
Board of Zoning Appeals	1	1	1	1	2
Subtotal - Legislative Agencies	\$ 29	\$ 29	\$ 29	\$ 29	\$ 116
36th District Court	\$ 33	\$ 33	\$ 33	\$ 33	\$ 133
Non-Departmental	\$ 287	\$ 292	\$ 314	\$ 331	\$ 1,223
Debt Service	\$ 51	\$ 51	\$ 50	\$ 42	\$ 193
Total - General City Agencies	\$ 1,424	\$ 1,340	\$ 1,364	\$ 1,374	\$ 5,501

C. General Fund Budget Surplus

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

In FY2018, the City expects to use \$50 million of the unassigned fund balance to make targeted investments related to blight remediation of \$30 million and identified capital projects of \$20 million. In FY2019 blight and capital expenditures were removed from the General Fund and separate funds were established. In FY2019, the City expects to use \$100 million of unassigned fund balance to invest in one-time expenditures. Of this \$100 million, \$45.2 million will be utilized for blight remediation, \$52.2 million will be utilized for capital initiatives, and \$2.6 million will be utilized for one-time projects.

IV. CRITICAL FINANCIAL PLAN ISSUES

A. Pension Obligations

Under the City’s bankruptcy POA, the City’s required pension contributions to its legacy plans were based on a fixed schedule through FY2023 and were funded primarily by third parties. Beginning in FY2024, the City is required to contribute to its legacy plans. The amounts will be based on a funding policy to be established by the Retirement Systems to amortize the remaining unfunded actuarial accrued liabilities of each legacy plan.

Based on the most recently completed actuarial valuation (2016), the annual required contribution is projected to increase to \$182.7 million annually. It should be noted that in FY2017 investment returns were favorable and thus reduced the estimated FY2024 contribution to \$150.1 million. Additionally, six months of favorable investment returns in FY2018 (10%) has again lowered the estimated annual contribution in FY2024 to \$143.4 million, highlighting the sensitivity that investment returns have on the annual required contribution due in FY2024.

To meet this challenge of a continually moving funding target, the Mayor and City Council approved an irrevocable Section 115 trust, the Retiree Protection Fund (RPF) solely for the purposes of making future contributions to the City’s two legacy pension plans. The FRC has agreed with the City’s approach to meeting its legacy pension obligations. To date, the City has transferred \$105 million to the RPF. The City’s current plan calls for an additional \$230 million to be transferred between FY2019 and the end of FY2023. The City’s current four-year plan includes annual appropriations from the General Fund to the RPF, thereby demonstrating the City’s commitment to this additional funding. The City has updated its RPF funding plan for the FY2019-FY2022 financial plan and has expressed to us that it will continue to do so annually in order to make any necessary adjustments based on the Retirement Systems’ investment returns and other variables. The City’s FY2019 recommendation is provided in the table below:



The monies contributed to the RPF do not reduce the pension liability but rather provide a second source of funds from which to make the City’s pension contribution, whatever that may be, beginning in FY2024. In this way, the Section 115 trust allows the City to systematically build a “ramp” of increasing General Fund contributions that will be used to meet pension funding cliff that occurs in the future.

B. Talent Management

The City's FY2019 budgeted headcount is estimated to increase 5% to 10,014 positions, an increase of 464 net positions, versus the prior fiscal year budget. Police (+141 positions), General Services (+96 positions), Buildings and Safety (+49 positions), and the Health Department (+43 positions) are the departments with the largest headcount increases. The Office of the Chief Financial Officer is the only department that projects a decrease in headcount for the forecast period (19 positions).

The City continues to face challenges filling open positions where there is high market place demand such as with information technologists and trained technical professionals. While this employment dynamic has assisted the City in producing surpluses in recent years, it raises concerns that certain departments may be perpetually under-staffed and future operational improvements may be difficult to attain. As of January 31, 2018, the City's actual filled positions totaled 8,871, equating to 786 unfulfilled positions relative to the adopted FY2018 budget. These unfilled positions "create" positive variance to the expense budget and lead to the budget surplus that is expected in FY2018. This budget surplus will then be available in FY2020 and beyond to fund capital projects and blight remediation.

Of note is the City's need in FY2019 to renegotiate numerous collective bargaining agreements which may result in some compensation increases for existing employees that will reduce the historical favorable variance in these costs. As the City moves closer to a full staffing complement, talent management and productivity measures may become a bit more challenging as the "cushion" that has existed from vacant positions is reduced. Further, as staffing levels continue to grow, the City should see a decrease in overtime costs, specifically in the City's public safety departments. Realizing a decrease in these costs may require changes in the monitoring and scheduling activities of the department leadership.

City of Detroit - Budgeted Positions

(\$ millions) Fiscal Year	Actual ¹ Jan-18	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
<u>GENERAL CITY AGENCIES</u>						
Department						
Police	3063	3181	3322	3322	3322	3322
Fire	1149	1274	1274	1274	1274	1274
General Services	628	780	876	876	876	876
Office of the Chief Financial Officer	439	482	479	466	460	460
Department of Public Works	396	419	438	438	438	438
Dept. of Innovation & Technology	96	134	136	136	136	136
Law	104	118	120	120	120	120
Human Resources	94	108	106	106	106	106
Health Department	66	76	119	119	119	119
Housing and Revitalization	83	81	85	85	85	85
Mayor's Office	72	70	79	78	78	78
Planning and Development	28	41	41	41	41	41
Civil Rights, Inclusion, & Opportunity	10	8	18	18	18	18
Department of Appeals & Hearings	7	7	7	7	7	7
Public Lighting	3	6	5	5	5	5
Subtotal - Executive Agencies	6218	6785	7105	7091	7085	7085
Elections	83	71	108	108	108	108
City Council	71	66	73	73	73	73
City Clerk	14	18	20	20	20	20
Auditor General	12	12	15	15	15	15
Inspector General	8	8	10	10	10	10
Ombudsperson	7	7	8	8	8	8
Board of Zoning Appeals	12	5	5	5	5	5
Subtotal - Legislative Agencies	187	187	239	239	239	239
36th District Court	316	331	326	326	326	326
Non-Departmental	90	79	103	103	103	103
Total - General City Agencies	6811	7382	7773	7759	7753	7753
<u>ENTERPRISE AGENCIES</u>						
Department of Transportation	908	927	927	927	927	927
Water - Retail	522	579	603	603	603	603
Library	296	332	322	322	322	322
Buildings & Safety	209	231	280	280	280	280
Municipal Parking	81	95	90	90	90	90
Sewerage - Retail	0	0	15	15	15	15
Airport	4	4	4	4	4	4
Total - Enterprise Agencies	2020	2168	2241	2241	2241	2241
Total - City of Detroit	8831	9550	10014	10000	9994	9994

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.

C. Blight Remediation

Blight remediation has been a longstanding problem for Detroit and became a critical reinvestment initiative as the City emerged from bankruptcy. As has been seen over the past four years, blight remediation efforts are inextricably linked to its public safety initiatives, property values, beautification of the City and, generally, quality of life for residents and visitors. While blight remediation has been treated as discretionary spending, the reality is that the City will need to address blight remediation for the foreseeable future and remain vigilant in securing funding.

	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
<u>1003 - Blight Reinvestment</u>					
35 - Non Departmental					
00277 - Non Dept Detroit Building Authority					
350310 - Detroit Building Authority	\$0	\$1,700	\$0	\$0	\$0
20253 - Blight Remediation					
350011 - Blight Reinvest	\$30,000	\$10,150	\$0	\$0	\$0
36 - Housing and Revitalization Department					
20253 - Blight Remediation					
367301 - HRD Residential Demolition	\$0	\$10,000	\$0	\$0	\$0
367302 - HRD Commercial Demolition	\$0	\$9,000	\$0	\$0	\$0
367303 - HRD Emergency Demolition	\$0	\$3,742	\$0	\$0	\$0
47 - General Services Department					
20253 - Blight Remediation					
470405 - Blight Remediation - Board Up	\$0	\$4,400	\$0	\$0	\$0
472140 - Graffiti Removal	\$0	\$200	\$0	\$0	\$0
472150 - Custodial Services	\$0	\$2,000	\$0	\$0	\$0
472160 - Vacant Lot Maintenance	\$0	\$1,800	\$0	\$0	\$0
472170 - Graffiti Removal GF	\$0	\$1,000	\$0	\$0	\$0
25 - Detroit Health Department					
20253 - Blight Remediation					
257001 - DHWP Lead Remed. Grant Match	\$0	\$1,250	\$0	\$0	\$0
Grand Total	\$30,000	\$45,242	\$0	\$0	\$0

In the FY2019 budget, the City assumes \$45 million for blight remediation spending and \$14 million of funding for DLBA operations. Going forward, for FY2020-2022 the City's forecast assumes \$14 million of DLBA annual operations funding only. If the City produces an annual operating surplus during FY2018, additional blight remediation could be funded in FY2020 with the intent of continuing blight remediation. The positive effects of blight remediation can be seen throughout the City's operations, particularly related to service delivery by the public safety departments, and should be a continuing priority for the City.

In an effort to more closely align the budget for blight remediation with the departments responsible for the activities, blight remediation funding is located in several departments, including Non-Departmental, GSD, and Health. While this is appropriate from a cost control perspective, it tends to obscure the "blight remediation" story for readers of the City's financial reports. However, all blight remediation spending has been assigned to a specific fund for continued transparency of this important expenditure.

D. Capital Agenda

Currently, the City has chosen not to access bond markets to fund capital expenditures. To address its capital needs, the City has taken a conservative approach to funding new capital projects through a combination of operating revenues, federal and state grant funds, and prior years’ budget surplus. FY2019 capital projects total \$244 million, a \$58 million increase over FY2018 budgeted amounts. This increase is largely funded by prior years’ surplus which is not forecasted to continue in the FY2020-2022 time frame. Should budget surpluses occur in FY2019 and future years, the Capital Agenda contains a roadmap for many important and desirable uses of such funds. Below is a summary of the City’s budgeted Capital Improvements by department for the four-year period.

FY18 Budget and FY19-22 Four-Year Plan for Capital Improvements						
<u>Appropriations</u>	FY18 Adopted Budget	FY18-19 Recommended	FY19-20 Forecast	FY20-21 Forecast	FY21-22 Forecast	Four-Year Plan Total
General City						
DOIT	\$10,704	\$12,420	\$0	\$0	\$0	\$12,420
Eastern Market	240	0	0	0	0	0
Fire	0	390	0	0	0	390
Fleet Management	9,296	15,000	0	0	0	15,000
General Services	593	9,789	0	0	0	9,789
Planning and Dev.	1,150	5,345	0	0	0	5,345
Police	2,112	2,197	0	0	0	2,197
DPW Street Fund	23,159	27,605	30,264	38,110	40,738	136,717
Enterprise Agencies						
Airport	80	0	0	0	0	0
BSEED	633	0	0	0	0	0
Detroit DOT	0	14,768	14,902	13,768	13,768	57,206
DWSD-R Water	78,575	85,379	71,463	51,120	48,500	256,462
DWSD-R Sewer	60,100	67,143	69,993	52,120	53,000	242,256
Non-Departmental						
Det. Cap. Share	0	3,060	0	0	0	3,060
Transp. Imprvmnts	0	4,000	0	0	0	4,000
<u>Appropriations Total</u>	\$186,642	\$247,096	\$186,621	\$155,118	\$156,007	\$744,842
<u>Revenue</u>						
Revenue from Ops	\$138,675	\$152,522	\$141,456	\$103,240	\$101,500	\$498,718
Grant Funds	4,215	14,768	14,902	13,768	13,768	57,206
GF Prior Yrs' Surplus-Capital	20,000	52,200	0	0	0	52,200
Street Fund Reimb.	23,752	27,605	30,264	38,110	40,738	136,717
<u>Revenue Total</u>	\$186,642	\$247,096	\$186,621	\$155,118	\$156,007	\$744,842

E. Debt Service

The City’s bankruptcy eliminated billions of dollars of debt service obligations. Since that time, the City has worked diligently to refinance its POA debt obligations to reduce the cost of the debt as market conditions and the City’s financial performance improved. The City currently has \$1.7 billion in outstanding bonded debt excluding DWSD debt obligations. The debt service on this debt represents about 6.4% of the annual General Fund budget.

General Fund debt service payments are budgeted within the Non-Departmental budget net of the enterprise agencies proportionate share of the B and C Notes LTGO obligations. Enterprise agencies’ proportionate share of the LTGO obligations are shown in their respective agencies. UTGO debt service obligations are shown in the Debt Service Agency. DWSD-R payments to the Great Lakes Water Authority for debt are budgeted within the Water and Sewer Departments. Below are tables showing the debt service amounts included in the four-year plan. Of note, amounts shown for DWSD are a placeholder until the Board of Water Commissioners approve the water rates for the upcoming year. After their approval, the City will amend the DWSD budget including these debt payment lines. The Major Street Bond Fund 2017 debt service obligation is paid with ACT 51 funds budgeted in DPW Major Street Fund appropriation. HUD notes are budgeted within the section 108 loan and CDBG department allocation appropriations of the HRD department.

(\$000's) Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
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Expenditures - General Fund Debt Service

Note B Payments	\$ 24,662	\$ 19,765	\$ 19,765	\$ 19,765	\$ 19,765
Quality of Life/Exit Financing	10,904	24,020	33,348	33,589	33,870
Distributable State Aid Bonds	15,071	15,065	24,421	29,215	29,206
Note C Payments	9,977	2,957	2,957	2,957	2,957
Note B2 Payments	616	515	515	515	515
Major Street Bond Fund 2017	-	992	2,601	12,999	12,999
HUD Notes	1,123	7,151	6,789	6,733	5,978
	\$ 62,353	\$ 70,465	\$ 90,396	\$ 105,773	\$ 105,290

(\$000's) Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
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Expenditures - Sinking Interest and Redemption

Bond Redemption (UTGO, DSA)	\$ 53,562	\$ 47,201	\$ 46,493	\$ 45,745	\$ 37,595
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(\$000's) Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
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Expenditures - Enterprise Funds Debt Service

Water Department - Retail	\$ -	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494
Sewerage Department - Retail	-	2,490	2,490	2,490	2,490
Airport	22	22	22	22	22
Department of Transportation	2,456	2,456	2,456	2,456	2,456
Library	539	539	539	539	539
Parking	28	28	28	28	28
	\$ 3,045	\$ 7,029	\$ 7,029	\$ 7,029	\$ 7,029

On March 14, 2018 the City posted a redemption notice to retire \$52.3 million of principal and \$2 million of accrued interest remaining on its General Obligation Limited Tax Series 2014C Financial Recovery Bonds (C Notes) using its unassigned fund balance and cash on hand. The budget amendment to support this transaction was approved at a special meeting of the FRC held on February 20, 2018. As shown in the table above, C Notes payments are budgeted at \$2.9 million annually from the General Fund. However, since the C Notes have been fully redeemed, the \$2.9 million budgeted will not need to be spent. An additional \$2 million annually is budgeted in Other Enterprise Funds (not shown above) for payment of the C Notes.

F. Risks to Achieving City’s FY2019-2022 Financial Plan

The City’s FY2019 budget and FY2020-2022 plan are based on reasonable assumptions. The City Council noted in its budget resolution “.....Detroit’s recent emergence from bankruptcy has placed the City in a positive trajectory toward the future. This opportunity has also brought increased scrutiny on the operations and financial position of the City in an environment where reinvestment in the City’s infrastructure is ongoing and fiscal restraint is paramount; and, the alignment of expenditures and revenues must be balanced with improvements in service delivery to residents.”

It is also important to balance improvement in service delivery to residents with the City’s obligations to retirees and creditors. With pension obligations presenting a continuing funding challenge, and debt service payments scheduled to increase, it is imperative the City continues to operate conservatively and make targeted investments that will grow City revenues. The City has budgeted contributions to the RPF from recurring revenues, however future surpluses will continue to be the source for necessary capital and blight improvements.

While the FY2019-2022 plan is reasonable, as with any municipal budget, it is subject to known and unknown risks, both in FY2019 and throughout the four-year period. The City maintains a Budget Reserve above the required 5%, which will provide cushion for unforeseen fiscal challenges to the proposed budget. That being said, both the City’s budgeted revenues and expenditures face numerous risks, any one of which could impede the City’s ability to balance its proposed budget on an annual basis.

Risks – Budgeted Revenues

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

Potential Upsides – Budgeted Revenues

- Major development projects, announced or in process, are not included in revenue estimates until revenue stream to the City materializes. The potential for increased economic development to increase the City’s tax base and generate additional revenues for the City.
- Ongoing improvements to collection efforts in FY2018 results in additional tax revenues not currently reflected in the estimates.
- State of Michigan processing of the City’s income tax and subsequent withholding collections results in increased compliance and generate additional revenues for the City.

- E-pay payment option should improve collection activity.
- Passage of State legislation requiring non-Detroit businesses to withhold income taxes of employees residing in Detroit should significantly increase income tax collections.
- Revenue initiatives in the Four-Year Financial Plan, but not included in the estimates/projections may result in additional revenues if timely and successfully implemented.
- Sales tax on internet purchases may increase state local share distributions to city/villages/townships.

Risks – Budgeted Expenditures

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

Potential Upsides – Budgeted Expenditures

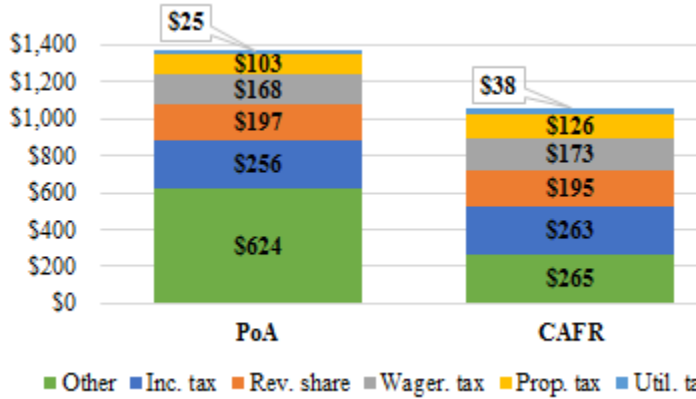
- Pension plans could outperform 6.75% return.
- Operational efficiencies from new initiatives and those already underway.

G. City Performance Compared to the Plan of Adjustment

We believe the City of Detroit’s overall revenue performance has been consistently in line with the projections presented in the Plan of Adjustment and upon which the court confirmed the City’s emergence from bankruptcy court protection in December 2014. Since that time, the City has changed approaches to its annual budgeting and has modified how it categorizes certain revenues and expenses. As such, a direct comparison of projections included in the POA with the City’s actual results is impractical but the following analysis and commentary is directionally correct. As shown below, there was wide variability in the revenue projections between the Emergency Manager Budgets of FY2015 and FY2016 and the actual results. However, the variability resides almost exclusively in the “other revenues” category and was driven by a somewhat contorted presentation and analytical approach to measuring the emerging City’s service delivery and operations post-bankruptcy as reflected in the RRI. Once the City was able to develop its own budgets for FY2017 and FY2018, this anomaly was eliminated and “other revenues,” and for that matter, RRI expenses, were more appropriately included in the annual department budgets.

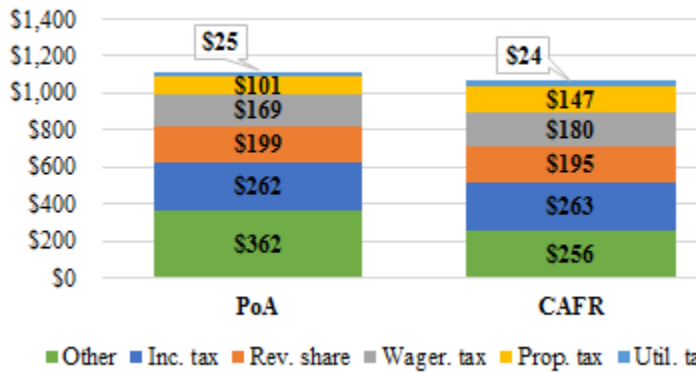
The tables and charts below provide a comparison of the City’s actual results for FY2015 through FY2016, estimated actual for FY2017, and projected FY2018 results with the Plan of Adjustment projections developed in 2014.

2015 Plan of Adjustment Revenue Estimates and Actual Performance



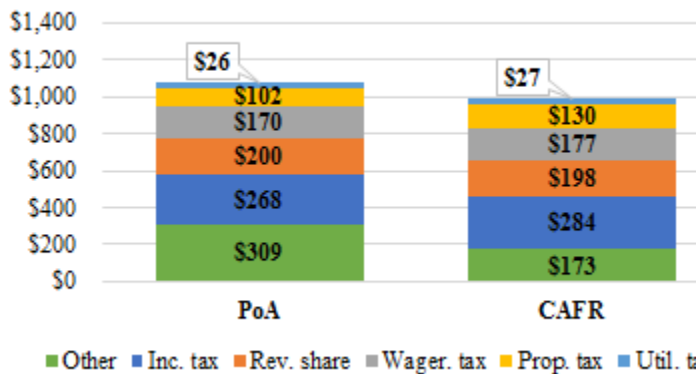
	PoA	CAFR	% Var.	\$ Var.
Inc. tax	\$256	\$263	3%	\$7
Rev. share	197	195	-1%	(2)
Wager. tax	168	173	3%	4
Prop. tax	103	126	23%	24
Util. tax	25	38	55%	13
Other	624	265	-58%	(359)
Total	\$1,372	\$1,060	-23%	(\$312)

2016 Plan of Adjustment Revenue Estimates and Actual Performance



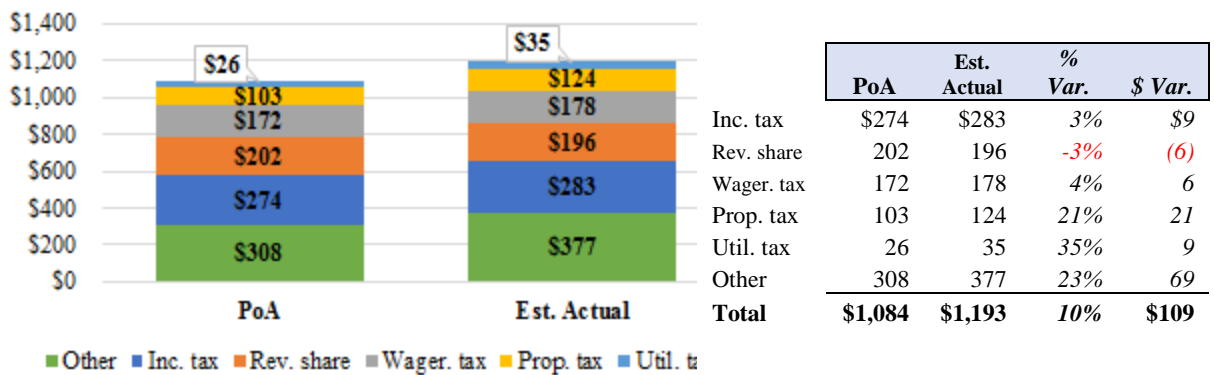
	PoA	CAFR	% Var.	\$ Var.
Inc. tax	\$262	\$263	0%	\$1
Rev. share	199	195	-2%	(4)
Wager. tax	169	180	7%	11
Prop. tax	101	147	46%	47
Util. tax	25	24	-3%	(1)
Other	362	256	-29%	(106)
Total	\$1,118	\$1,065	-5%	(\$53)

2017 Plan of Adjustment Revenue Estimates and Actual Performance



	PoA	CAFR	% Var.	\$ Var.
Inc. tax	\$268	\$284	6%	\$16
Rev. share	200	198	-1%	(2)
Wager. tax	170	177	4%	7
Prop. tax	102	130	26%	27
Util. tax	26	27	6%	2
Other	309	173	-44%	(136)
Total	\$1,075	\$989	-8%	(\$86)

2018 Plan of Adjustment Revenue Estimates and Est. Actual Performance



Unquestionably, the City has been able to manage expenses and its cash position well since emerging from bankruptcy. It is this discipline and focus on purposeful spending that has allowed to the City to generate significant surpluses in the past four years and fund future obligations, such as the Retiree Protection Fund, blight remediation and capital improvements throughout the City. The most significant contributor to the budget surplus has been less-than-budgeted employee costs. Consistently the City has employed fewer persons than suggested in the annual budgets. As noted in the Talent Management section above, this trend is reversing and the budget surplus that naturally occurs from vacant positions will be reduced.

H. City’s Revenue Forecasting History

Michigan statute requires the City to conduct a Revenue Estimating Conference (REC) on an annual basis to ensure that the City’s revenue forecasts are reasonable and devoid of “wishful thinking”. As is shown below, through the REC process the City has consistently been able to project revenues closely in line with actual results. As noted above, with the exception of the “other revenues” in the Emergency Manager budgets, the subsequent projections of the major revenue sources for the City have been within a narrow tolerance range. We commend the City for the restraint it has demonstrated in not forecasting revenue gains for things such as economic development initiatives, as many cities may do. This has allowed the City to consistently achieve its revenue forecast.

Revenue Conference Budgets Over Time

	2015	2016	2017	2018	2019	2020	2021	2022
Plan of Adj.	\$1,376	\$1,128	\$1,079	\$1,083	\$1,078	\$1,085	\$1,090	\$1,089
EM 2 Yr budget	1,357	1,072						
Feb 2016 RCEC		1,049	1,009	1,019	1,026	1,034		
Feb 2017 RCEC			1,009	1,024	1,035	1,046	1,059	
Feb 2018 RCEC				1,052	1,071	1,085	1,100	1,113
Actual/Est. Actual	\$1,060	\$1,065	\$989	*\$1,193				

*Anticipated

V. RECOMMENDATIONS

The following recommendations are made with an eye toward the likelihood that the FRC will grant a waiver to the City of Detroit for FY2019 and as such, we would like to highlight a few matters that we would like the City to consider.

City Council Financial Monitoring – The City provides the monthly FRC report to the City Council currently and also posts the monthly report on its website. It may be helpful for the City to continue to provide the City Council with a monthly financial report. This action would continue to enhance communication with the City’s stakeholders.

Blight Remediation – The City’s initial blight remediation budget recommendation was reduced to make room for different spending priorities. We see this as a potential slippery slope with blight remediation becoming an “optional” vs. a “required” funding need, which would be unfortunate for the continued long-term revitalization of the City.

Capital Expenditures – The City now funds capital investments almost exclusively from operating revenues and various grant sources, without the benefit of borrowing. We commend the City’s efforts over the past three plus years to make meaningful capital investments pursuant to strict analysis of “business cases” that ensure money is well spent. Going forward the City must remain diligent in its rationing of capital investment, consistent with the capital planning process and tangible investment returns for the projects. While there is a desire to eventually return to traditional capital markets for financing of long lived capital assets, the City must remain disciplined in its willingness to incur debt for capital expenditures.

Non-departmental - Simply put, the “Non-departmental” expense category is too large and complex and should be subdivided into more meaningful accounts. While we trust the OCFO to control expenditures wherever they reside organizationally, this enormous category – approximately 14% of the General Fund - of expenses lends itself to opacity and confusion by even knowledgeable readers of the City’s budget information. We suggest more discreet groupings of similarly situated expenditures could be more clearly presented in future budgets:

- Combine existing Debt Service account with all other individually identified debt service accounts contained within Non-departmental to provide the reader with a single “department” for all of the City’s debt obligations.
- Create a category for all subsidies from the General Fund to other Enterprise Units.
- Create a category for all spending that relates to philanthropic endeavors such as museums and similar discretionary expenditures for the good of the City.
- Assign individual Centralized Payments to the departments that are responsible for managing the underlying expenditure, e.g. IT spending related to citywide initiatives in DOIT.
- Combine Risk Management activities, such as insurance premiums and settlement payments, in a single category.

Long-Term Projections – The City has developed a 10-year forecasting model which allows the City’s leadership to engage in annual and near-term budgeting with an eye toward the longer-term needs of the City. We consider this a best practice for any municipality and one that should be a requirement within current day governmental finance. For the City of Detroit, these long-term projections are important to the continued monitoring of pension obligations, capital requirements, talent management and commitment to long-term and recurring spending such as headcount increases and negotiation of collective bargaining agreements. We agree with the City’s decision that the 10-year forecast be updated annually, shared

appropriately with other stakeholders, and memorialized in such a way as to continue as City leadership changes in the future.

Pension Monitoring – The City’s bankruptcy proceeding allowed for a responsible restructuring of the pension obligations with breathing room for the City to make necessary investments in Detroit’s revitalization. The 10-year hiatus from pension funding for the frozen and closed pension plans will come to an end in less than five years. To date, the City has been forward thinking and aggressive in its desire to manage this funding cliff, particularly after the poor investment returns of FY2015 and FY2016. The creation of the Retiree Protection Fund is a significant step in preparing for the end of the hiatus and the recent improvement in investment returns have, as of today, reduced the estimated funding gap in 2024. However, the City and the FRC both agree that none of this should substitute for continued, regular monitoring of actuarial assumptions and investment performance and the routine reporting to all stakeholders.

VI. CONCLUSIONS

This four-year plan reflects the fifth consecutive fiscal year of deficit-free budgets since the City became subject to FRC oversight. Enormous progress has been made with regard to the objectives established during the City’s bankruptcy, the commitments made in the POA and the Administration’s initiatives to restore delivery of essential services to the residents of Detroit. The CFO has certified that the FY2019 budget is in compliance with the Uniform Budgeting and Accounting Act and insured that the budgeting process is appropriately balanced between short and long-term needs.

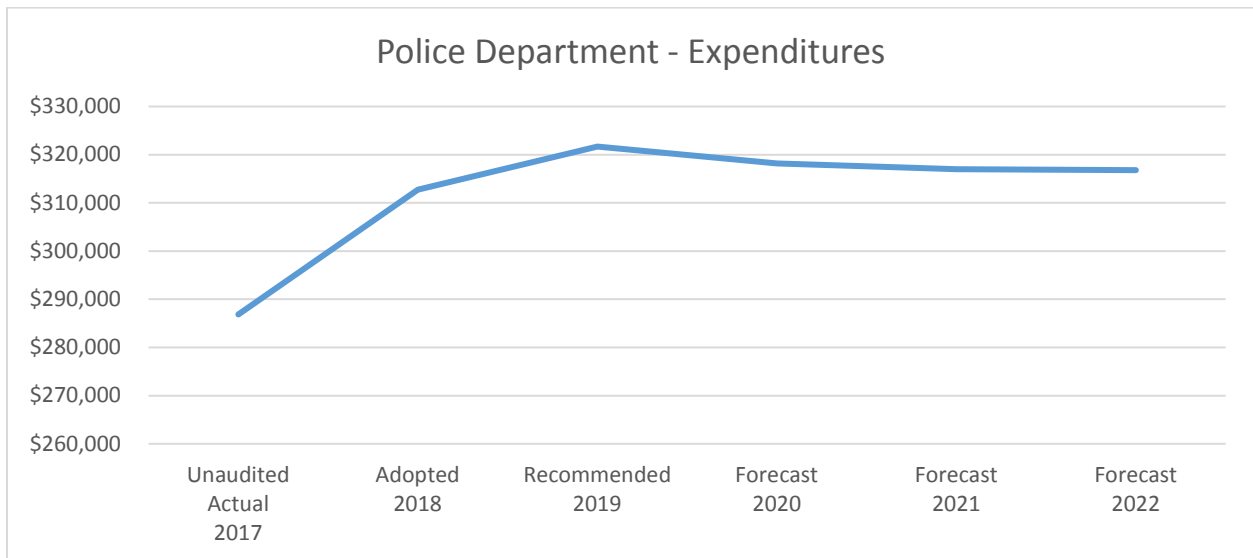
Overall, the City’s FY2019 budget is reasonable and where required, is based on reasonable assumptions. The four-year financial plan continues to use reasonable revenue and spending assumptions and factor in known programmatic priorities and operational changes that are expected. The four-year plan appropriately addresses debt obligations and other requirements contained in the POA. The City has given careful thought and consideration to prioritizing capital expenditures and blight remediation, given its limited resources and has continued to follow its plan to address the FY2024 funding cliff for legacy pension debt. The City will continue to face significant long-term challenges; however, it has developed the tools necessary to address these challenges on an ongoing basis.

APPENDIX A: DEPARTMENTAL REVIEWS – GENERAL CITY AGENCIES

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

A. Police Department

The Police Department’s FY2019 expenditures in all funds are budgeted to increase to \$321.7 million, an increase of \$8.9 million, or 2.9%, increase over the prior fiscal year’s approved budget, primarily related to increases in Salaries and Wages consistent with the revised collective bargaining agreement. Annual expenditures are forecasted to decline slightly through FY2022.



The Police Department’s proposed FY2019 staffing is budgeted to increase to 3,322 positions, an increase of 141 persons from the prior fiscal year’s budget, although actual FY2018 headcount is currently below budget. Within Police Operations, headcount increases are budgeted for priority areas such as drug enforcement, homicide and training.

City of Detroit - FY2019-2022 Proposed Departmental Staffing - Police Department

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Police Operations	1,676	1,730	1,730	1,730	1,730
Police Criminal Investigations	641	660	660	660	660
Police Communications	223	205	205	205	205
Police Support Services	165	168	168	168	168
Police Executive	124	153	153	153	153
All Other Cost Centers	352	406	406	406	406
Department Total	3,181	3,322	3,322	3,322	3,322

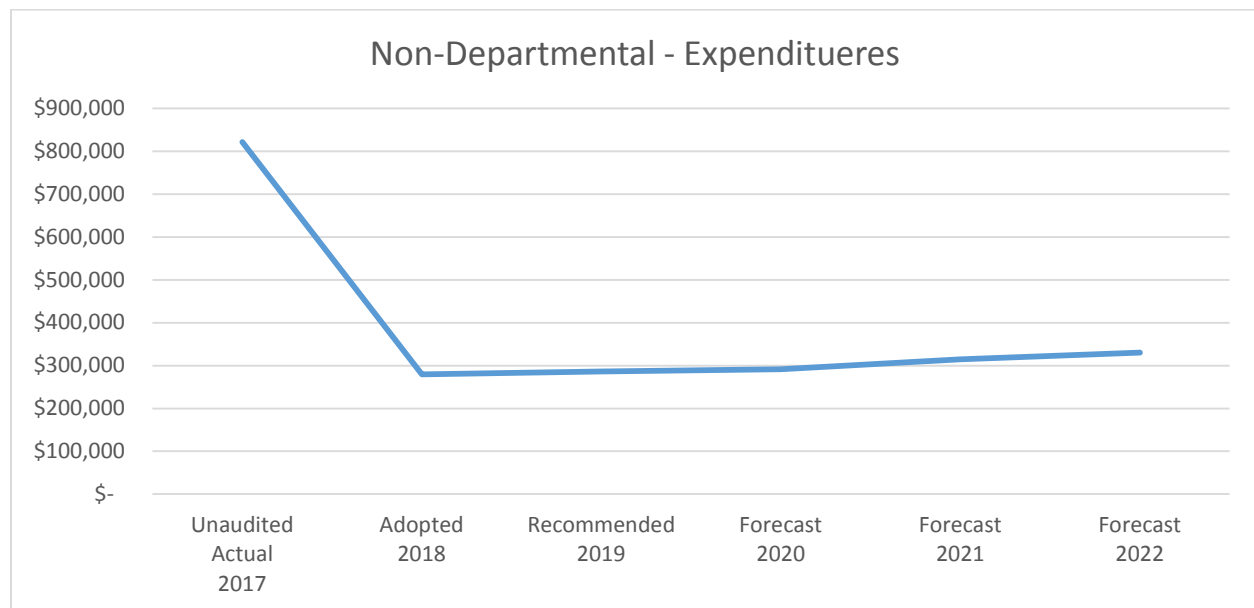
B. Non-Departmental

The Non-Departmental budget includes four of the five major revenue categories (income, property, wagering, and State revenue sharing), the expenditures for activities which are not the responsibility of any one single department, and for certain independent agencies. Expenditures include the Board of Ethics, Detroit Building Authority, Communications, Media Services, and Pension Administration. Also included in Non-Departmental is the compensation paid to the City’s eleven elected officials. General Fund contributions to the Transportation Department, Detroit Land Bank, the Airport and others are included in Non-Departmental expenditures. These contributions total \$80.3 million in FY2019.

General Fund Contributions (\$000)	
Airport	\$ 1,427
DDOT	61,500
Charles W. Museum of African-American History	1,900
Detroit Historical Institute	500
Detroit Zoological Institute	570
Eastern Market	225
Detroit Wayne Port Authority	208
Detroit Land Bank Authority	14,000
Total	\$ 80,330

Non-Departmental FY2019 expenditures are budgeted to increase in All Funds to \$286.5 million, a 2.4% increase over the prior fiscal year’s approved budget. The General Fund portion of Non-Departmental expenses is projected to decrease approximately \$12.5 million to \$267.6 million although there are significant increases and decreases among the categories of expenses as a result of changes in presentation for C and B notes expenditures, capital spending, and blight remediation. Note that the City accounts for debt service in two agencies: Non-Departmental for Limited Tax General Obligations (LTGO) and Debt Service for Unlimited Tax General Obligations (UTGO). The reason lies in that UTGO debt is funded by a separate dedicated property tax millage and is subject to certain State regulatory requirements while LTGO is funded by General Fund revenues. The City will experience lower total debt service in the coming years, based on the recent refinancing of the debt issued upon emergence from bankruptcy.

Annual Non-Departmental expenditures are forecasted to increase to \$330.5 million in FY2022 at which point Non-Departmental expenditures will be nearly 30% of the total General Fund expenditures. See Recommendations section for future commentary.



Proposed FY2019 staffing within Non-Departmental activities is budgeted to increase to 103 positions, a 24 person increase from the prior fiscal year’s budget. This increase is due to a change in funding associated with the cable television operations (Public, Educational and Government access or PEG) and Media Services and Communications.

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

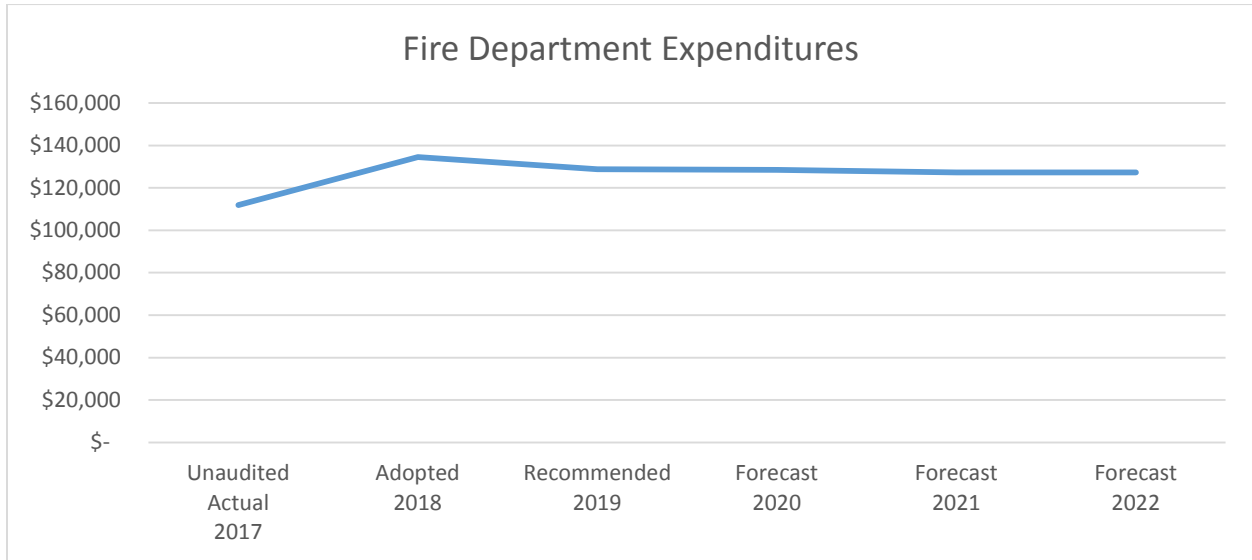
Fiscal Year	Adopted 2017	Recommended 2018	Forecast 2019	Forecast 2020	Forecast 2021
Pensions/Employee Benefits	41	39	39	39	39
Elected Officials Compensation	11	11	11	11	11
P.E.G Fees	-	13	13	13	13
Media Services & Communications	7	8	8	8	8
Detroit Building Authority	7	7	7	7	7
Board of Ethics	1	1	1	1	1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

C. Fire Department

The Fire Department has experienced significant change because of improved management, increased capital investment, and the decline in blighted structures in the City. The Fire Department’s FY2019 expenditures are budgeted to decrease to \$128.8 million, a 4.3% decrease over the prior fiscal year’s

approved budget related to previous investments that improved service delivery and operating efficiencies. The Department continues to benefit from the blight remediation investments over the past four years.

For the remainder of the four-year plan, annual expenditures are forecasted to decrease to \$128.4 million in FY2020, and to \$127.2 million in FY2021 and FY2022. Throughout the four-year budget cycle, the combination of Salaries and Wages and Employment Benefits equate to approximately 84% - 85% of total departmental expenditures.



The Fire Department’s proposed FY2019 staffing is budgeted to remain at 1,274 positions, with no change from the prior fiscal year’s budget. However, staffing within the department has changed to accommodate more training personnel.

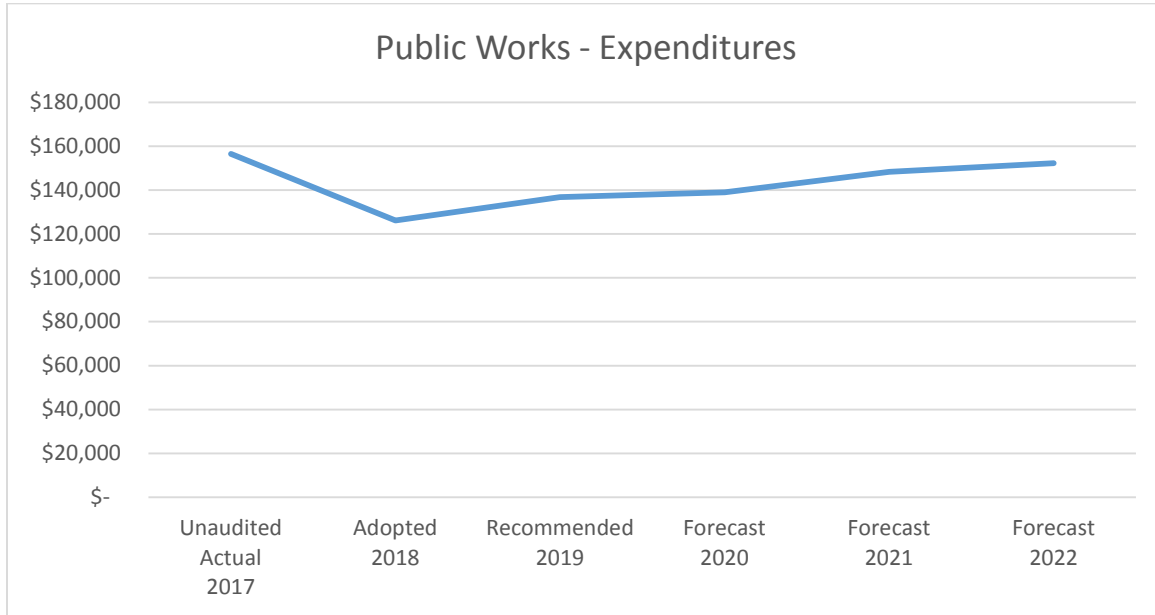
City of Detroit - FY2019-2022 Proposed Departmental Staffing - Fire Department

Fiscal Year	Adopted 2018	Recommend 2019	Forecast 2020	Forecast 2021	Forecast 2022
Fire Fighting Operations	850	849	849	849	849
Emergency Medical Services	294	293	293	293	293
Fire Ordinance Enforcement	42	41	41	41	41
Communication/System Support	35	34	34	34	34
All Other Cost Centers	53	57	57	57	57
Department Total	1,274	1,274	1,274	1,274	1,274

D. Department of Public Works

The Department of Public Works revenues and expenditures are budgeted in three funds: The General Fund, Solid Waste Fund, and the Major Street Fund. Total DPW expenditures for FY2019 are budgeted to

increase to \$136.8 million, an 8.5% increase over the prior fiscal year’s approved budget and include an increase in General Fund expenditures of \$1.4 million from the prior year. The largest portion of the FY2019 budget increase relates to enhanced programs within the Major Street Fund. In subsequent years, the total annual expenditures are forecasted to increase to \$138.9 million in FY2020, \$148.2 million in FY2021, and \$152.2 million in FY2022, largely matched with forecasted increases in revenues.



The Department of Public Works’ proposed FY2019 staffing is budgeted to increase to 438 positions, a 19 person increase from the prior fiscal year’s budget, to support increased operations and administration. In addition, 30 positions have been eliminated in this department because of the transfer of Environmental Inspection to BSEED.

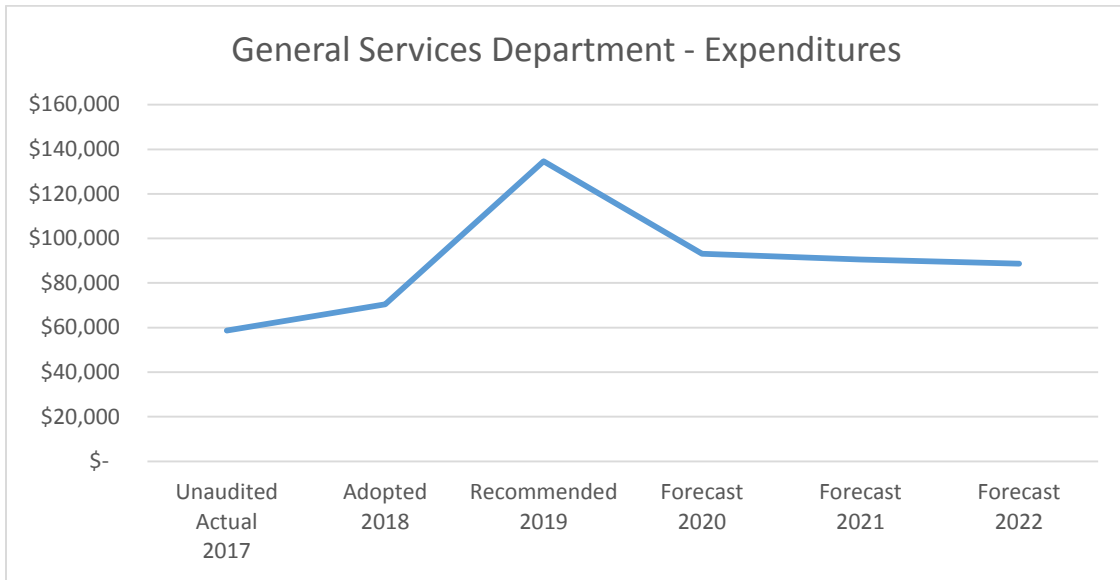
City of Detroit - FY2019-2022 Proposed Departmental Staffing - Public Works

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
DPW Major Street Fund	261	282	282	282	282
DPW Solid Waste Management	103	124	124	124	124
City Engineers	15	15	15	15	15
Environmental Inspection Div.	30	-	-	-	-
All Other Cost Centers	10	17	17	17	17
Department Total	419	438	438	438	438

E. General Services

The General Services Department operates via divisions providing shared services to other City departments and agencies. Ground Maintenance maintains all City-owned parks, vacant lots, and other property. Fleet Maintenance chairs the City’s Vehicle Steering Committee and manages over 2,400 City vehicles. Facilities Management provides planning, maintenance, security, and custodial services for City-owned buildings. This division also handles graffiti removal and inventory management of City stores of supplies. The Administration Division provides inventory management for the City’s stores of supplies, oversees service agreements between departments, and develops operating procedures and policies. In FY2019, recreation department operations will operate as a division within the General Services Department.

The General Services Department’s FY2019 expenditures are budgeted to increase to \$134.7 million, a 91% increase over the prior fiscal year’s approved budget, because of including \$9.4 million for Blight Remediation, \$24.6 million for the Recreation Division and \$24.8 million for Capital Expenditures. Annual expenditures are forecasted to decrease to \$93.1 million in FY2020, \$90.4 million in FY2021, and \$88.7 million in FY2022, respectively, consistent with the City’s approach to budgeting Blight Remediation and Capital Expenditures only after surplus has occurred.



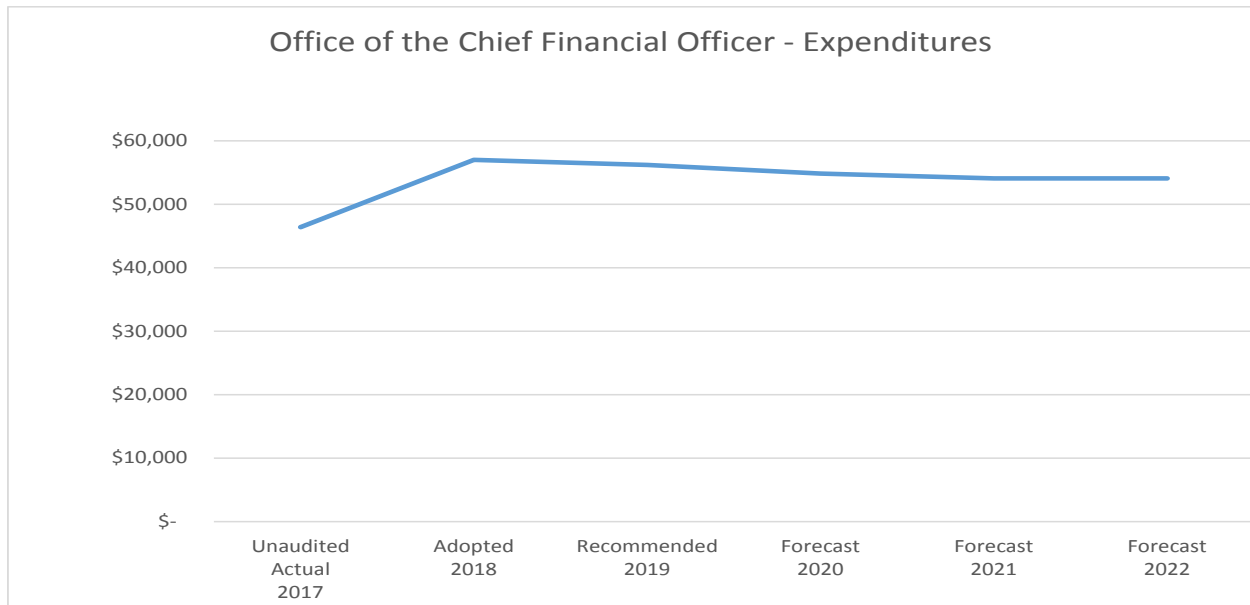
The General Services Department’s proposed FY2019 staffing is budgeted at 876 positions for the four-year period FY2019-2022.

City of Detroit - FY2019-2022 Proposed Departmental Staffing - General Services

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Ground Maintenance	135	172	172	172	172
Fleet Management	102	107	107	107	107
Facilities/Ground Maintenance	102	105	105	105	105
General Services	77	84	84	84	84
Recreation Division	-	318	318	318	318
All Other Cost Centers	38	90	90	90	90
Department Total	454	876	876	876	876

F. Office of the Chief Financial Officer

The reorganization of the Office of the Chief Financial Officer that began during the bankruptcy is largely complete. FY2019 expenditures are budgeted to decrease to \$56.2 million, a 1.4% decrease from the prior fiscal year’s approved budget, due to decreases in Professional and Contractual Services. Annual expenditures are forecasted to decrease to \$54.1 million by FY2022.



The Office of the Chief Financial Officer’s proposed FY2019 staffing is budgeted to decrease to 479 positions, a 3 person decrease from the prior fiscal year’s budget with continued small decreases in personnel through FY2022. Within the OCFO there are many small adjustments within departments that reflect the completion of significant reorganization and transformation activities resulting in a centralized finance function for the City. The OCFO continues to adjust staffing levels within the office to reflect programmatic priorities and increased support for city operations.

City of Detroit - FY2019-2022 Proposed Departmental Staffing - Office of the CFO

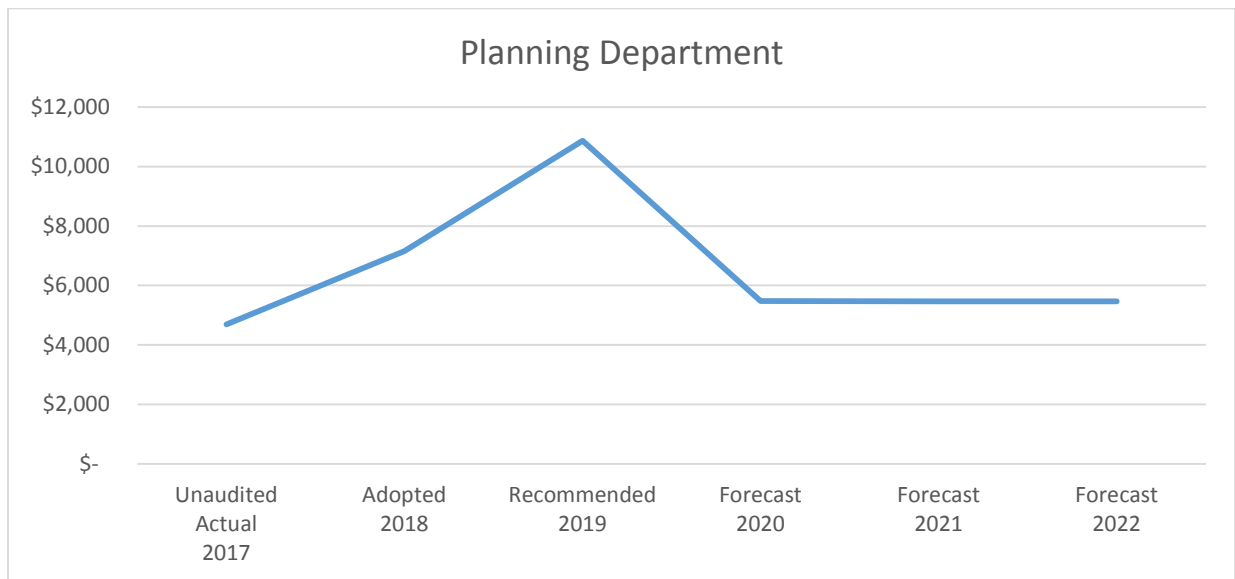
Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Departmental Financial Service	118	118	118	118	118
Office of the Controller	105	89	89	89	89
Office of the Treasury	102	95	95	95	95
Office of the Assessor	56	60	60	60	60
Contracting/Procurement	28	43	43	43	43
All Other Cost Centers	73	74	61	55	55
Department Total	482	479	466	460	460

G. Recreation Department

The Parks and Recreation Department will be merged into the General Services Department in FY2019.

H. Planning and Development Department

The Planning and Development Department is responsible for the City’s Master Plan, zoning regulations, historic preservation, and engaging with the local communities on neighborhood planning and development projects. Expenditures for the department are budgeted in the General Fund and through Federal and State grants. Total FY2019 expenditures are budgeted to increase to \$10.9 million, a 52% increase over the prior fiscal year’s approved budget, primarily due to including \$5.3 million of capital expenditures related to equipment purchases in the budget. Annual expenditures for FY2020-2022 are forecasted to decrease to ~\$5.5 million consistent with the City’s policy of only budgeting Capital expenditures once surplus is available.



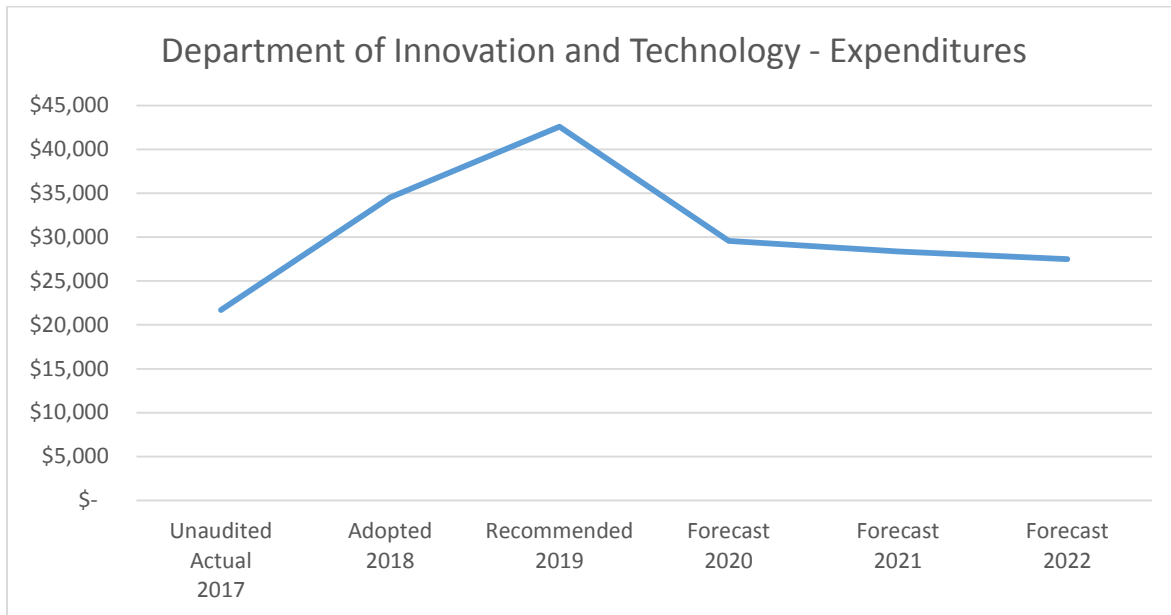
The Planning and Development Department’s proposed FY2019 staffing is budgeted to remain at 41 positions, with no change from the prior fiscal year’s budget.

City of Detroit - FY2019-2022 Proposed Departmental Staffing - Planning Department

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Planning - City	22	22	22	22	22
Planning - CDBG	19	19	19	19	19
Department Total	41	41	41	41	41

I. Department of Innovation & Technology

The Department of Innovation and Technology has largely completed the reorganization of the City’s technology activities which began during the bankruptcy resulting in responsive and impactful technology for City residents, employees and stakeholders. FY2019 expenditures are budgeted to increase to \$42.6 million, a 23% increase over the prior fiscal year’s approved budget, due to increases in Professional and Contractual expenditures related to Capital Projects. Annual expenditures are forecasted to decrease to \$27.4 million by FY2022. The large fluctuations in DOIT spending is a direct result of the City’s practice of only spending on Capital Projects when funds are available. As such, when budget surplus and cash is available, the Department can undertake new projects; otherwise, the Department’s budget for the out-years only reflect ongoing operations.



The Department of Innovation and Technology’s proposed FY2019 staffing is budgeted at 136 positions for the four-year period FY2019-2022 – consistent with the prior fiscal year’s budget. However, current staffing levels are below the budgeted levels as the Department continues to face challenges recruiting permanent staff due to competition for talent in the Southeast Michigan area.

City of Detroit - FY2019-2022 Proposed Departmental Staffing - Innovation & Technology

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
Public Safety	34	36	36	36	36
Client SVCS Division	12	11	11	11	11
Government Operation	8	8	8	8	8
Enterprise Application Support	8	8	8	8	8
Neighborhood Economic Dev.	8	8	8	8	8
All Other Cost Centers	64	65	65	65	65
Department Total	134	136	136	136	136

J. Other General City Agencies

Housing & Revitalization Department. The Housing and Revitalization Department (HRD) finances, underwrites and administers the City’s housing programs including those funded by Federal Housing and Urban Development (HUD) grants. HRD works with numerous local, State and Federal organizations to facilitate safe and affordable housing and neighborhood transformations. Activities include investing in public-private partnerships to support neighborhood development, management of entitlement programs, and deployment of Community Development Block Grant (CDBG) funds. HRD is funded through appropriations in the General Fund and through State and Federal funding. FY2019 expenditures are budgeted to increase to \$75.5 million, an increase of approximately \$25 million over the prior fiscal year’s approved budget, due to the inclusion of approximately \$27 million of one-time, single year Blight Remediation expenditures in the Department’s budget. Subsequent years’ budgets are lower and reflect ongoing operations exclusive of Blight Remediation, consistent with the City’s approach to budgeting Blight Remediation from prior year’s surplus. The Housing and Revitalization Department’s proposed FY2019 staffing is budgeted to increase to 85 positions, an increase of 4 persons from the prior fiscal year’s budget.

Department of Health and Wellness Promotion. The City’s health department is transforming under new leadership and has developed a strategy to address local public health issues as it works to disrupt intergenerational poverty issues. Maternal health and animal control are two of the priorities for FY2019. The Department’s expenditure budget for FY2019 is \$39.9 million, of which \$26.4 million is funded by Federal and State government and private grants. The Department expects to reach its negotiated Maintenance of Effort (MOE) funding requirement of \$10 million with the State. In future years, it is possible that the City will bear greater portion of the cost associated with mandated public health services if Federal and State funding declines. The Department is increasing staffing in FY2019 from 76 positions to 119 and includes significant internal reorganization of divisions within the DHWP.

Public Lighting. The Public Lighting Department (PLD) budget includes a contribution to the Public Lighting Authority (PLA) for its operations. The PLA is responsible for the City's 65,000 streetlights. The PLD is in the process of completing transition of electric service from its customers to DTE Energy. The Department is budgeted for \$31.8 million of expenditures in FY2019 and revenues of \$14.6 million, largely from an allocation of the Utility Users' Tax for debt service on PLA bonds. Bond payments total \$12.5 million of the expenditures and the Department is setting aside money annually for future decommissioning costs. The Department employs five persons.

Law Department. The City's Law Department represents the City in litigation, labor and employment matters, transactions and economic development activities and generally handles governmental affairs and administrative matters. The Budget for FY2019 is comprised of 120 positions, a two person increase from FY2018, and totals \$16 million of expenditures, essentially the same as FY2018.

Human Resources Department. The Human Resources Department has undertaken a comprehensive reorganization over the past years and oversees all aspects of talent management including recruitment, compensation and benefits, employee services, labor relations, and performance management. FY2019 expenditures are budgeted at \$13.4 million and headcount is budgeted to decrease to 106, a decrease of 2 positions from the FY2018 budget. While the department's spending and personnel levels are essentially flat, the activities of the department are now more focused on improvement and enhancement rather than the turnaround and reorganization activities of the past.

Mayor's Office. The Mayor's Office FY2019 Budget includes \$10.5 million in expenditures, a \$159 thousand increase from FY2018. Headcount is budgeted at 79 employees, an increase of nine persons from the prior year, primarily due to increases within the Office of Homeland Security and the Urban Area Security Initiative.

Legislative Agencies. Legislative Agencies with separate budgets include: Auditor General, Board of Zoning Appeals, City Council, Ombudsperson, Inspector General, City Clerk, and the Department of Elections. The total budget for these Agencies is \$29.3 million for FY2019. This represents a \$1.4 million increase from the prior year. The Auditor General accounts for \$486 thousand of the increase, while the Department of Elections accounts for \$209 thousand of the increase and the City Council accounts for a \$327 thousand increase. The City Clerk's Budget increased \$335 thousand. All other Legislative Agencies' FY2019 budgets were flat to slightly increased from FY2018.

Judicial Agency – 36th District Court. The 36th District Court is comprised of 30 judges, five magistrates and 300 employees. The Court administers about 500,000 cases annually mostly related to traffic matters. The 36th District Court is a court of limited jurisdiction and handles matters related to landlord/tenant disputes, general civil infractions such as traffic violations, small claims cases, and criminal misdemeanor and felony matters through the preliminary examination phase. The Court's FY2019 budgeted expenditures are \$33.3 million, a decrease of \$2 million, or 5.6% down from the prior year. The Court's budgeted revenues for FY2019 are \$18.3 million, with no change from the FY2018 budget.

APPENDIX B: DEPARTMENTAL REVIEWS – ENTERPRISE AGENCIES

Enterprise Agencies are those city departments that are not (primarily) funded by most taxes the City levies. Rather, Enterprise Agencies are supported by user charges and operate like a business activity. The largest Enterprise Agencies are Sewer and Water – Retail (DWSW-R), Transportation (DDOT), Library, and Buildings, Safety Engineering and Environmental Department (BSEED). Collectively, the Enterprise Agencies are budgeted to generate \$664 million in revenue in FY2019 and incur \$657 million of expenses. As will be discussed below, two Enterprise Agencies – the Airport and DDOT – receive significant General Fund contributions.

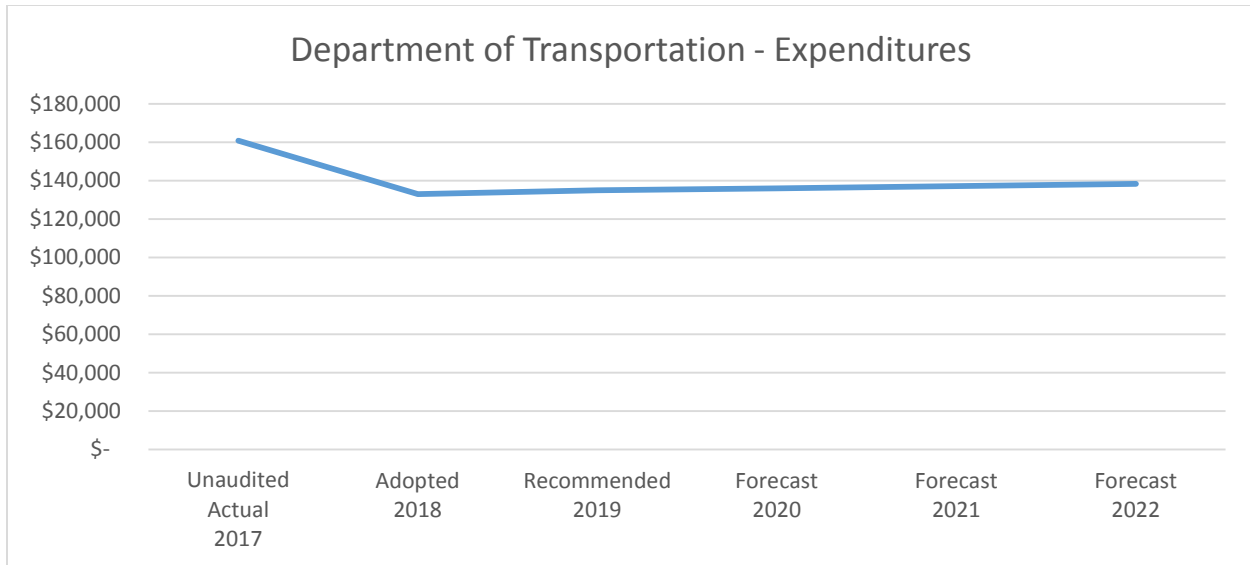
A. Sewer and Water Department – Retail (DWSD-R)

On January 1, 2016, the City’s sewer and water operations were bifurcated into a local system and a system managed by the newly formed Great Lakes Water Authority (GLWA). The local system, within the geography of the City of Detroit, is overseen by a Board of Water Commissions and is comprised of approximately 3,000 miles of sewer pipes and 3,400 miles of water mains. GLWA operates under a separate authority and is comprised of the water mains and sewer pipes outside of Detroit as well as the water treatment facilities. GLWA and DWSD-R have not reached agreement on an appropriate allocation of costs. As such, the final allocation of costs may impact their financial plan in future years

The Department’s Budget is approved by the Board of Water Commissioners and has not been approved as of the date of this report. As such, the information available should be considered “tentative and preliminary”. As occurred last year, the City expects to finalize the DWSD-R budget for FY2019 through a budget amendment sometime after April 2018.

B. Department of Transportation

The Department of Transportation has been through a significant transformation during the past four years, continuing to add routes and services. The Department’s funding is comprised of three primary sources: Federal and State funding, contributions by the City from General Fund revenue, and fees that users pay. FY2019 expenditures are budgeted to increase to \$135 million, a 1.6% increase over the prior fiscal year’s approved budget, primarily due to increased Salaries and Wages. Annual expenditures are forecasted to remain increase slightly during the FY2020-2022 period.



The Department of Transportation’s proposed FY2019 staffing is budgeted to remain at 927 positions, with no change from the prior fiscal year’s budget.

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

Fiscal Year	Adopted 2018	Recommended 2019	Forecast 2020	Forecast 2021	Forecast 2022
DDOT Vehicle Operation	588	588	588	588	588
DDOT Vehicle Maintenance	245	245	245	245	245
DDOT Plant Maintenance	42	42	42	42	42
DDOT Departmental Operations	52	52	52	52	52
Department Total	927	927	927	927	927

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

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

BSEED’s FY2019 expenditures are budgeted to increase to \$29.9 million, a 13% increase over the prior fiscal year’s approved budget, primarily due to additional Salary and Wages expenditures. Annual expenditures are forecasted to remain constant during the FY2020-2022 period.

BSEED's proposed FY2019 staffing is budgeted to increase to 280 positions, a 49 person increase from the prior fiscal year's budget. Most of the increased departmental staffing is attributable to the transfer of Environmental Inspection activities from the Department of Public Works to BSEED.

D. Other Enterprise Agencies

Library. The Detroit Public Library (DPL) operates a main location in Midtown and 21 neighborhood branches. DPL receives most of its revenue from a special library tax assessment and receives smaller amounts as fees for services, fines, and grants. The Library's operating budget for FY2019 is \$31.8 million, a \$1.2 million decrease from FY2018. The Library is budgeting a headcount decrease of 10 for a total of 322 employees in FY2019.

Municipal Parking. The Municipal Parking Department operates the Automobile Parking System which provides on and off-street parking facilities and is accounted for as an Enterprise Agency. The Department also serves as the City's parking ordinance enforcement arm – the Parking Violations Bureau - which is accounted for as a General Fund activity. Total expenditures for both divisions are budgeted at \$14.6 million for FY2019 with revenues budgeted at \$21.7 million.

Airport. The Department's FY2019 expenditures are budgeted at \$2.2 million with revenues from operations of about \$800 thousand and a contribution from the General Fund of \$1.4 million. The Airport operates with a staff of four persons. The future of the Airport is uncertain as there is a difference between the Mayor's vision for the 300-acre property and that of some City Council members who desire investing and upgrading the airport.

FINANCIAL PLAN REQUIREMENTS

HOME RULE CITY ACT 279 OF 1909 -117.4T	RESPONSE
(l)(b)(i) Projection of all revenues and expenditures of the city for each fiscal year, including debt service	The Financial Plan includes budget projections for FY 2019-2022 including debt service. Debt service is reflected in Agencies 18, 35, 36 and various Enterprise Agencies.
{l}(b)(ii) Projection of cash flow for each fiscal year	The Financial Plan includes cash flows for each fiscal year.
(1)(b)(iii) A schedule of projected capital commitments for each fiscal year	A schedule of projected capital commitments is included in the Financial Plan.
(l)(b)(iv) Measures to assure that projected employment levels, collective bargaining agreements, and other employee costs are consistent with projected expenditures and available revenue	The budget for each fiscal year includes funding for each budgeted position and other employee costs consistent with the collective bargaining agreements and are based on current cost levels. These costs were allocated based on available revenues.
{l}(b)(v) Measures to assure compliance with mandates under state and federal law consistent with projected expenditures and available revenue	The City continually reviews state and federal requirements to ensure compliance. The Financial Plan includes these requirements in the projections of revenues and expenditures.
(l)(b)(vi) Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both	Budget Reserve Schedule is included in this document.
(l)(b)(vii) A statement of significant assumptions and methods of estimation used for projections included in the financial plan	The Financial Plan includes statement of assumptions for revenues and expenditures.
(1)(b)(viii) Any other information the mayor, governing body, or chief financial officer of the city considers appropriate	The Financial Plan includes the February 2018 Revenue Consensus Estimating Conference report.

- (I)(c)(i) Projected revenues and expenditures for each fiscal year covered by the financial plan shall result in a balanced budget according to generally accepted accounting principles, including compliance with uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a

The Financial Plan reflects a balanced budget using generally accepted accounting principles and is in compliance with Uniform Budgeting and Accounting Act.
- (I)(c)(ii) Include contributions necessary to assure that pension systems for employees and retirees of the city are adequately funded

Funding for the pension system is reflected in Financial Plan for each year in accordance with the Plan of Adjustment.
- (I)(c)(iii) Provide for the issuance of or incurring of debt by the city only in compliance with the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, and the Michigan financial review commission act, if applicable

The Financial Plan does not include issuance of debt.
- (I)(c)(iv) Provide for the payment in full of debt service on all debt issue or incurred by or on behalf of the city

The Financial Plan includes funding for full debt service on all debt issues.
- (I)(c)(v) Provide for operations of the city to be conducted with projected cash resources based upon projected cash flow for each fiscal year

Cash flow is monitored and reviewed daily. Monthly reports are submitted to the CFO and Mayor for review.
- (I)(c)(vi) 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 the projected expenditures for the fiscal year

The City is maintaining a contingency account in each fiscal year cash reserve and 5% budget reserve to provide for mandated and essential programs to cover potential reductions in projected revenues and increases in projected expenditures.

- (I)(c)(vii) For each fiscal year, provide for the elimination of any deficit incurred in the prior fiscal year according to generally accepted accounting principles

The Financial Plan does not include a deficit in any fiscal year.
- (I)(c)(viii) Rely upon revenue and expenditure projections based upon reasonable and appropriate assumptions and methods of estimation

The revenues included in the Financial Plan are based on the result of the Revenue Consensus Estimating Conference held February 14, 2018. The participants determined the revenues were reasonable and conservative.

Expenditure projections are based on the trend information and projections included in the plan of adjustments and departmental projections.
- (I)(c)(ix) Rely upon cash flow projections based upon reasonable and appropriate assumptions as to sources and uses of cash, including timing

The City is relying on the projections in the cash flow which were based on the information in the budget, current trends, and required payments including the timing of all payments.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Appendix D - CFO Certification of the Four-Year Financial Plan
COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 1100
DETROIT, MICHIGAN 48226
PHONE: 313-628-2535
FAX: 313-224-2135
WWW.DETROITMI.GOV

CFO MEMORANDUM
No. 2018-101-006

TO: Financial Review Commission
FROM: John W. Hill, Chief Financial Officer, City of Detroit
SUBJECT: Certification of the FY 2019 Budget Pursuant to State of Michigan Public Act 279 of 1909, Section 4s(2)(c)
ISSUANCE DATE: March 23, 2018

1. AUTHORITY

1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(c), as amended by Public Act 182 of 2014, states the chief financial officer shall certify that the city's annual budget complies with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a ("PA 2"), and, if applicable, submit that certification to the financial review commission ("FRC") created in the Michigan financial review commission act.

2. OBJECTIVE

2.1. To ensure that the City of Detroit's annual budget complies with the applicable provisions of PA 2.

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 satisfy the requirements in State of Michigan Public Act 279 of 1909, Section 4s(2)(c), as amended by Public Act 182 of 2014.

5. STATEMENT

5.1. In accordance with Section 15 of PA 2, the FY 2019 recommended budget complies with the following requirements.

5.1.1. Includes expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.

5.1.2. Includes an estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.

5.1.3. Includes revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.

5.1.4. Includes an estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.

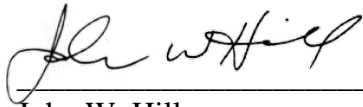
5.1.5. Includes the amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt

obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.

- 5.1.6. Includes an estimate of the amounts needed for deficiency, contingent, or emergency purposes.
 - 5.1.7. Includes other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.
 - 5.1.8. The total estimated expenditures, including an accrued deficit, in the budget do not exceed the total estimated revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.
- 5.2. In accordance with Section 16 of PA 2, the FY 2019 adopted budget complies with the following requirements; except that, for Section 5.2.6 of this Memorandum, the City is in the process of enacting revenue-related ordinances to conform the 1984 Detroit City Code to applicable law and Emergency Manager Orders already in effect.
- 5.2.1. Unless another method for adopting a budget is provided by a charter provision in effect on April 1, 1980, the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the legislative body may pass a special appropriation act.
 - 5.2.2. The general appropriations act shall set forth the total number of mills of ad valorem property taxes to be levied and the purposes for which that millage is to be levied. The amendatory act that added this subsection shall be known and may be cited as "the truth in budgeting act".
 - 5.2.3. The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, and shall set forth a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.
 - 5.2.4. The general appropriations act shall be consistent with uniform charts of accounts prescribed by the state treasurer or, for local school districts and intermediate school districts, by the state board of education.
 - 5.2.5. This act shall not be interpreted to mandate the development or adoption by a local unit of a line-item budget or line-item general appropriations act.
 - 5.2.6. The legislative body shall determine the amount of money to be raised by taxation necessary to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, shall order that money to be raised by taxation, within statutory and charter limitations, and shall cause the money raised by taxation to be paid into the funds of the local unit.
 - 5.2.7. Except as otherwise permitted by section 102 of the state school aid act of 1979, 1979 PA 94, MCL 388.1702, or by other law, the legislative body shall not adopt a general appropriations act or an amendment to that act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act, 1981 PA 80, MCL

141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations.

CERTIFIED

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

John W. Hill

Chief Financial Officer, City of Detroit

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CITY OF DETROIT

Office of the Chief Financial Officer

Financial Report for the Eight Months ended February 28, 2018

April 16, 2018



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Executive summary

- The OCFO continues to document key financial policies and standard operating procedures. The OCFO plans to issue its Debt Issuance and Management policy and its Investments and Investment Management policy this week. Upon issuance, the OCFO will submit the Investments and Investment Management policy to the City Council for their consideration.
- The OCFO has accomplished a significant turnaround of its accounts payable process over the past three years.
 - In August 2016, there were 4,000 backlogged invoices on hold waiting to be processed. Now, it is down to only 585 (an 85% reduction), of which only 217 are past due.
 - In August 2016, only 5 suppliers were using the online portal to submit invoices. Now, it is up to 736.
 - In January 2017, only 30% of suppliers were paid via ACH. Now, over 90% are paid via ACH instead of checks.
- FY 2018 is currently projected to end with an operating surplus of approximately \$36M.
 - Revenue projections reflect the February 2018 Revenue Estimating Conference results, which remain above budget. (page 3)
 - Payroll and employee benefit expenditures are trending below budget as a result of position vacancies. (page 3)
 - The General City active employee count increased in February but remains below budget. (page 4)
- As of February, the City's General City property tax current collection rate for the year was 80.6%. (page 7)
- Accounts Payable as of February had a net decrease of \$2.9M compared to January. Net AP not on hold had a net decrease of \$3.5M. The number of open invoices not on hold decreased by 155. (page 8)
- In February, there was a net increase of \$11.7M in the overall grant portfolio. The most significant new awards included \$600K for the Center for Economic Opportunity to support workforce opportunities for returning citizens, and \$500K from the National Park Service for stabilization and repair of the Ossian Sweet House and adjacent context. (page 10)



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

GENERAL FUND <i>\$ in millions</i>	YTD ANALYSIS						ANNUALIZED PROJECTION ANALYSIS		
	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCE			VARIANCE (BUDGET VS. ACTUAL)		BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)
	YTD	ACTUAL (2)	ADJUSTMENTS + ENCUMBRANCE (3)	TOTAL	YTD		ANNUAL	ANNUAL	ANNUAL
	AMENDED (1)				(F) F = E-B	% G = (F/B)	AMENDED	ESTIMATED (4)	ESTIMATED
	B	C	D	E = C + D			H	I	(J) J = I-H
REVENUE:									
Municipal Income Tax	\$ 173.5	\$ 188.2	\$ -	\$ 188.2	\$ 14.7	8.5%	\$ 283.3	\$ 292.1	\$ 8.9
Property Taxes (5)	105.2	88.8	8.1	97.0	(8.2)	(7.8%)	124.0	133.1	9.1
Wagering Taxes	115.6	118.7	-	118.7	3.1	2.7%	177.8	179.0	1.2
Utility Users' Tax	23.3	15.2	8.3	23.5	0.2	0.9%	35.0	40.0	5.0
State Revenue Sharing	98.5	100.8	-	100.8	2.3	2.3%	196.1	199.5	3.3
Sales and Charges for Services	83.1	51.9	-	51.9	(31.2)	(37.6%)	121.1	112.1	(8.9)
Licenses, Permits, and Inspection Charges	8.3	8.7	-	8.7	0.4	4.4%	11.7	12.4	0.7
Contributions and Transfers (6)	44.1	26.3	-	26.3	(17.8)	(40.4%)	68.1	90.2	22.0
Grants and Other Revenues	0.7	0.2	-	0.2	(0.5)	(65.8%)	1.4	1.5	0.2
Fines, Forfeits and Penalties	16.9	18.4	-	18.4	1.6	9.2%	25.3	23.6	(1.7)
Revenues from Use of Assets	2.2	2.2	-	2.2	(0.0)	(1.4%)	3.3	2.4	(0.9)
Other Taxes, Assessments, and Interest	4.8	6.0	-	6.0	1.2	24.4%	7.3	6.9	(0.4)
Sales of Assets and Compensation for Losses	3.7	3.4	-	3.4	(0.3)	(9.3%)	5.6	2.4	(3.2)
Miscellaneous	8.3	5.8	-	5.8	(2.5)	(30.0%)	12.3	7.2	(5.1)
Adjust for Prior Year Carry-forward (7)	120.8	-	120.8	120.8	-		120.8	120.8	-
TOTAL (L)	\$ 809.0	\$ 634.6	\$ 137.2	\$ 771.9	\$ (37.2)	(4.6%)	\$ 1,192.9	\$ 1,223.1	\$ 30.1
EXPENDITURES:									
Salaries and Wages	\$ (279.9)	\$ (262.4)	\$ -	\$ (262.4)	\$ 17.4	6.2%	\$ (428.0)	\$ (412.5)	\$ 15.5
Employee Benefits	(212.1)	(175.3)	-	(175.3)	36.9	17.4%	(278.6)	(272.3)	6.3
Professional and Contractual Services	(53.7)	(33.0)	(35.0)	(68.0)	(14.3)	(26.5%)	(79.0)	(82.1)	(3.1)
Operating Supplies	(27.1)	(32.1)	(5.1)	(37.2)	(10.1)	(37.2%)	(40.2)	(39.8)	0.4
Operating Services	(81.5)	(47.3)	(2.3)	(49.6)	31.9	39.2%	(120.0)	(119.0)	1.0
Capital Equipment	(1.1)	0.4	1.6	2.0	3.1	288.8%	(1.2)	(0.9)	0.3
Capital Outlays	(19.5)	(4.1)	(4.4)	(8.5)	11.1	56.7%	(29.1)	(29.1)	0.0
Debt Service	(40.8)	(49.3)	-	(49.3)	(8.4)	(20.7%)	(61.3)	(61.3)	-
Other Expenses	(113.5)	(85.2)	(1.7)	(86.9)	26.6	23.4%	(155.5)	(170.2)	(14.7)
TOTAL (M)	\$ (829.3)	\$ (688.3)	\$ (46.8)	\$ (735.1)	\$ 94.2	11.4%	\$ (1,192.9)	\$ (1,187.2)	\$ 5.7
VARIANCE (N = L + M)	\$ (20.3)	\$ (53.7)	\$ 90.5	\$ 36.7	\$ 57.1	N/A	\$ (0.0)	\$ 35.8	\$ 35.8

Notes

- (1) Amended monthly budget assumes pro rata as well as seasonal distribution of annual amended budget.
- (2) Year-to-date actuals reflect eight months ending February 28, 2018.
- (3) Reflects encumbrances, pending adjustments, and the gross up of Utility Users' Tax collections to include amounts for the Public Lighting Authority.
- (4) Projected revenues are based on the City's February 2018 Revenue Estimating Conference results.
- (5) The property tax revenue projection now includes the recognition of revenue payable for tax increment financing distributions, which are captured within expenditures.
- (6) This revenue line also includes the use of fund balance totaling \$50M to support one-time spending on capital (\$20M) and blight (\$30M).
- (7) This revenue line reflects fund balance assigned to support carry-forwards, for which equivalent amounts are captured within expenditures.



Monthly active employee count compared to budget

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL		
	Actual January 2018	Actual February 2018	Change Feb. 2018 vs. Jan. 2018	Amended Budget FY 2018 ⁽²⁾	Variance Under/(Over) Budget vs. February 2018	
Public Safety						
Police	3,063	3,082	19	3,121	39	1%
Fire	1,149	1,164	15	1,274	110	9%
Total Public Safety	4,212	4,246	34	4,395	149	3%
Non-Public Safety						
Office of the Chief Financial Officer ⁽³⁾	418	426	8	482	56	
Public Works - Regular	379	377	(2)	419	42	
Public Works - Seasonal	17	17	0	26	9	
Health and Wellness Promotion	66	79	13	104	25	
Human Resources	94	94	0	108	14	
Housing and Revitalization	83	85	2	91	6	
Innovation and Technology	96	97	1	134	37	
Law	104	109	5	118	9	
Mayor's Office (includes Homeland Security)	72	72	0	72	0	
Planning and Development	28	31	3	41	10	
Recreation - Regular	271	264	(7)	326	62	
Recreation - Seasonal	0	0	0	264	264	
General Services - Regular	350	357	7	504	147	
General Services - Seasonal	7	7	0	219	212	
Legislative ⁽⁴⁾	207	223	16	259	36	
36th District Court	316	316	0	331	15	
Other ⁽⁵⁾	110	110	0	110	0	
Total Non-Public Safety	2,639	2,664	46	3,608	944	26%
Total General City	6,851	6,910	80	8,003	1,093	14%
Enterprise						
Airport	4	4	0	4	0	
BSEED	209	212	3	230	18	
Transportation	908	932	24	927	(5)	
Municipal Parking	81	88	7	95	7	
Water and Sewerage	522	529	7	579	50	
Library	296	301	5	332	31	
Total Enterprise	2,020	2,066	46	2,167	101	5%
Total City	8,871	8,976	126	10,170	1,194	12%

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, seasonal employees and PSCs if funded by vacant budgeted positions.
- (2) Amended Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) The January 2018 Actual count has been adjusted to exclude temporary staff working on the Earned Income Tax Credit outreach initiative.
- (4) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (5) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.



FY 2018 year-to-date net cash flows

For 8 Months Ending February 28, 2018

\$ in millions

Cash Flows - General Pool Cash

	FY18 Actual 8 Months	FY17 Actual 8 Months	Variance
Property Taxes	\$ 104.8	\$ 100.4	\$ 4.4
Municipal Income Taxes	195.3	182.2	13.1 (1)
Utility Users Taxes	12.6	13.7	(1.1)
Wagering Taxes	119.2	119.3	(0.1)
State Revenue Sharing	134.1	163.7	(29.6) (2)
Other / Misc.	167.6	125.6	42.0 (3)
Total Receipts	733.6	704.9	28.7
Salaries and Wages	(287.8)	(260.3)	(27.5) (4)
Employee Benefits	(75.9)	(72.9)	(3.0) (5)
Materials, Contracts & Other	(247.6)	(259.5)	11.9
Total Disbursements	(611.3)	(592.7)	(18.6)
Operating Surplus (before Reinvestment)	122.3	112.2	10.1
Debt Service	(55.1)	(49.4)	(5.7) (6)
Non-Financing Adjustments	0.0	3.4	(3.4) (7)
Total Adjustments to arrive at Net Cash Flow	(55.1)	(46.0)	(9.1)
Net Cash Flow	\$ 67.2	\$ 66.2	\$ 1.0
Beginning cash balance	\$ 186.3 (8) (9)		
Net Cash Flow	67.2		
Ending cash balance	253.5 (8)		
Budget Reserve Fund	62.3 (10)		
Total Cash Balance	\$ 315.8		

Notes:

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

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



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

For 8 Months Ending February 28, 2018
\$ in millions

Cash Flows	Cash Activity				General Fund General Ledger			Difference
	General Pool	Adjustments	General Fund		Posted	To Be Posted	Total	
Property Taxes	\$ 104.8	\$ (7.9)	\$ 96.9	(2)	\$ 88.8	\$ 8.1	\$ 96.9	(1) \$ 0.0
Municipal Income Taxes	195.3	(7.1)	188.2	(3)	188.2	-	188.2	0.0
Utility Users Taxes	12.6	2.6	15.2	(4)	15.2	-	15.2	0.0
Wagering Taxes	119.2	(0.5)	118.7	(5)	118.7	-	118.7	0.0
State Revenue Sharing	134.1	(33.3)	100.8	(6)	100.8	-	100.8	0.0
Other / Misc.	167.6	(44.7)	122.9	(7)	122.9	-	122.9	0.0
Total Receipts	733.6	(90.9)	642.7		634.6	8.1	642.7	0.0
Salaries and Wages	(287.8)	25.4	(262.4)	(8)	(262.4)	-	(262.4)	0.0
Employee Benefits	(75.9)	(99.4)	(175.3)	(9)	(175.3)	-	(175.3)	0.0
Materials, Contracts & Other	(247.6)	46.3	(201.3)	(10)	(201.3)	-	(201.3)	0.0
Total Disbursements	(611.3)	(27.7)	(639.0)		(639.0)	-	(639.0)	0.0
Operating Surplus (before Reinvestment)	122.3	(118.6)	3.7		(4.4)	8.1	3.7	0.0
Debt Service	(55.1)	5.8	(49.3)	(11)	(49.3)	8.1	(49.3)	0.0
Non-Financing Adjustments	-	-	-		-	-	-	-
Total Adjustments to arrive at Net Cash Flow	67.2	(112.8)	(45.6)		(53.7)	8.1	(45.6)	0.0
Net Inflows /(Outflows)	\$ 67.2	\$ (112.8)	\$ (45.6)		\$ (53.7)	\$ 8.1	\$ (45.6)	\$ 0.0

Notes:

- (1) \$8.1m represents February collections that were distributed in March upon reconciliation of current collections.
- (2) \$26m pertains to FY17 offset by \$18.1m of revenue pending distribution to the General Fund.
- (3) \$7.1m difference due to changes in refund liability.
- (4) \$0.2m of Utility Users Tax collected in FY2018 pertained to FY17 and \$2.8m recorded in General Ledger but cash not transferred to General Pool until March.
- (5) \$1.0m of Wagering Taxes collected in FY2018 pertained to FY17 offset by \$0.5m collected in March.
- (6) \$33.3m State Revenue Sharing receipt pertained to FY17.
- (7) \$22.2m non-General Fund 1000 receipts, \$6m net interfund loan activity, and \$16.5 pertained to prior years.
- (8) Approximately \$18.3m of the difference relates to FY17 activity and the balance is non-General Fund disbursements.
- (9) Approximately \$1.4m of Benefits is FY17 activity & \$22.3m attributed to the timing of payments offset by \$90m relating to prior years RPF set aside & \$33.1m FY18 Pension obligation.
- (10) Approx. \$33.5m of disbursements are non-General Fund, \$36.9m related to FY17 offset by \$24.1m Risk Management & insurance premium non-cash book transfers.
- (11) Difference is debt set aside at Trustees: \$0.8m represents Income Tax and \$5m State Revenue Sharing.



FY 2018 year-to-date property tax collections

For 8 months ended February 28, 2018

\$ in millions

	FY 2018			FY 2017		
	Adjusted Tax Roll	Collections YTD (1)	Collection Rate YTD	Adjusted Tax roll	Collections YTD (1)	Collection Rate YTD
General Ad Valorem		\$ 90.2			\$ 93.5	
General Special Acts		2.6			2.7	
General Total	\$ 115.2	\$ 92.8	80.56%	\$ 120.7	\$ 96.2	79.70%
Debt Service Total	\$ 50.9	\$ 41.6	81.73%	\$ 62.0	\$ 50.2	80.97%
Solid Waste Total	\$ 52.4	\$ 30.3	57.82%	\$ 54.8	\$ 29.0	52.92%

		FY 2018	FY 2017
General City Ad Valorem Collections YTD	(2)	\$ 90.2	\$ 93.5
Delinquent Tax Revolving Fund (DTRF) Collections YTD	(3)	6.7	6.9
Total Property Tax Collections (Ad Val + DTRF)		\$ 96.9	\$ 100.4
Admin Fee, Interest, Penalty YTD	(4)	\$ 6.0	\$ 6.6

Notes:

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



Accounts payable summary

- Accounts Payable as of February had a net decrease of \$2.9M compared to January. Net AP not on hold had a net decrease of \$3.5M. The number of open invoices not on hold decreased by 155.

All Funds
\$ in millions

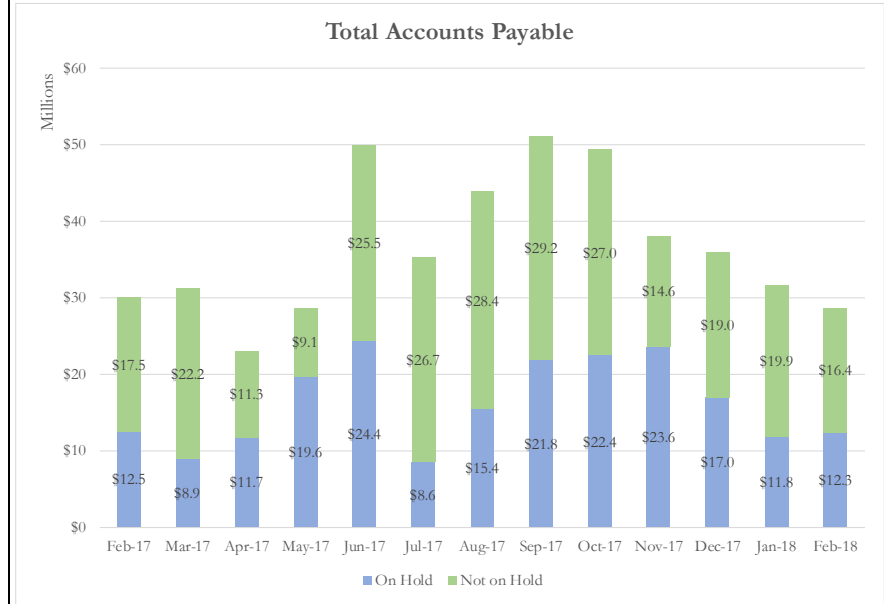
Accounts Payable (AP) as of Feb-18	
Total AP (Jan-18)	\$ 31.6
Plus: Feb-18 invoices processed	\$ 98.7
Less: Feb-18 Payments made	\$ (101.6)
Total AP month end (Feb-18)	\$ 28.7
Less: Invoices on hold (1)	\$ (12.3)
Less: Installments/Retainage Invoices(2)	\$ -
Net AP not on hold	\$ 16.4

AP Aging
(excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Feb-18. Total	\$ 16.4	\$ 16.4	\$ -	\$ -	\$ -
<i>% of total</i>	100%	100%	0%	0%	0%
<i>Change vs. Jan-18</i>	\$ (3.5)	\$ 7.3	\$ (2.2)	\$ (5.2)	\$ (3.3)
Total Count of Invoices	\$ 1,231	\$ 847	\$ 230	\$ 52	\$ 102
<i>% of total</i>	100%	69%	19%	4%	8%
<i>Change vs. Jan-18</i>	(155)	(75)	(88)	10	(2)
Jan-18. Total	\$ 19.9	\$ 9.1	\$ 2.2	\$ 5.2	\$ 3.3
<i>% of total</i>	100%	46%	11%	26%	17%
Total Count of Invoices	\$ 1,386	\$ 922	\$ 318	\$ 42	\$ 104
<i>% of total</i>	100%	67%	23%	3%	8%

Notes:

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



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

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

\$ in millions

	Open and Closed Projects		
	Number of Projects	Amount of Approved and Authorized Projects	Total Amount Expensed
Available Exit Financing Proceeds		\$233.2	
Project Allocation:			
Department of Innovation and Technology	6	(39.4)	(39.4)
Fire	9	(36.0)	(26.3)
Blight	9	(29.3)	(25.4)
General Services	14	(27.6)	(26.5)
Office of the Chief Financial Officer	13	(25.4)	(18.7)
Police	7	(25.3)	(21.6)
Building, Safety Engineering & Environmental Department	1	(4.4)	(2.8)
Detroit Department of Transportation	1	(1.8)	(1.8)
Recreation	1	(1.2)	(1.2)
Law	1	(1.1)	(1.1)
Human Resources	2	(0.7)	(0.7)
Other	5	(0.5)	(0.3)
Subject to Reconciliation	–	–	(0.8)
Subtotal Projects	69	(\$192.7)	(\$166.7)
Post-Petition Financing Interest and Other Fees	–	(2.8)	(2.8)
Totals	69	(\$195.4)	(\$169.4)
AMOUNT RESERVED FOR PROJECTS UNDER REVIEW		\$37.7	

Notes:

50 Closed Projects. Unaudited amounts subject to reconciliation.

Change in Approved and Closed totals reflect reconciliation of FY17 expense based on internal review/audited expenses.

No new business cases approved in February 2018.



The City is leveraging funding from external sources

- In February, there was a net increase of \$11.7M in the overall grant portfolio. This increase includes previously awarded grants newly shown due to additional documentation from City partners. The most significant new awards included \$600K for the Center for Economic Opportunity to support workforce opportunities for returning citizens, and \$500K from the National Park Service for stabilization and repair of the Ossian Sweet House and adjacent context.

<i>\$ in millions</i>	Amount Awarded (1)		Number of Grants
	Appropriation Approved (2)	Appropriation Pending (2)	
Department/Agency			
Transportation	355.4	-	16
Housing & Revitalization	249.7	-	20
Public Works	30.6	-	20
Fire	30.3	-	8
Health	28.8	-	4
Police	18.0	-	25
Homeland Security and Emergency Management	2.7	-	7
Recreation	2.0	-	6
Other (3)	1.8	-	6
Active Federal/State grants	\$ 719.3	\$ -	112
Active private grants and donations	108.1	-	151
Total active grants and donations (4)	\$ 827.4	\$ -	263

Notes:

(1) Reflects original amounts awarded and amendments for active grants as of January 31, 2018. Remaining amount available to be spent will be lower for most departments.

(2) The amounts awarded as of January 31 are separated between grant appropriations already approved and any that may be pending approval as of the date this report is presented.

(3) Other includes departments and agencies totaling less than \$1M.

(4) The City also partners with third-party agencies to directly pursue and implement grants aligned with the City's priorities. Such grants are included above for private funds but not federal/state grants.



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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2018-9

**APPROVING THE CITY'S APRIL 2018 BUDGET AMENDMENT
REQUESTS**

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

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

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

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

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

WHEREAS, at the Commission meeting on April 16, 2018 the City presented budget amendment requests, attached as **Exhibit A** to this Resolution, for the Commission's review and approval.

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

1. That the City's April 2018 budget amendment requests, attached as **Exhibit A** to this Resolution but excluding any budget amendments a majority of Commission members present has agreed to exclude as noted in the minutes, are hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

CITY OF DETROIT BUDGET AMENDMENTS

THE FOLLOWING BUDGET AMENDMENTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 16, 2018 Meeting

FY 2017 - 2018 Non-Grant Budget Amendments

No.	Department	Brief Description	Budget Amendment Amount		Appr. #
			Revenue	Expense	
This amendment will allow for the transfer of funds that will be used to complete ninety (90) lead abatement projects. The completion of these projects will assist HRD in meeting Federal HUD Lead Hazard Reduction Program goals.					
1	Housing & Revitalization	Increase HRD Real Estate Appropriation	0.00	1,000,000.00	13168
		Decrease OPPD Direct Tax Incentives Policy and Development	0.00	(1,000,000.00)	20236
		Net Change	0.00	0.00	
To appropriate proceeds (\$375,000) from the sale of a portion of Forest Park to and a donation (\$300,000) from Wolverine Packing Company. These funds will be used for the renovation of the picnic pavilion and the installation of a walking path, children's playground, basketball court and softball diamond.					
2	Recreation	Increase Forest Park Improvements Appropriation	675,000.00	675,000.00	20516
		Net Change	675,000.00	675,000.00	
To appropriate Section 108 Loan Settlement payments. These funds will be submitted to a defeasance agent who will pay Section 108 payments during the coming fiscal year.					
3	Housing & Revitalization	Increase Section 108 Loans Appropriation	211,782.85	211,782.85	13529
		Net Change	211,782.85	211,782.85	



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2018-10

APPROVING THE CITY'S APRIL 2018 CONTRACT REQUESTS

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

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

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

WHEREAS, at the Commission meeting on April 16, 2018 the City presented applicable contracts, attached as **Exhibit A** to this Resolution, for the Commission's review and approval.

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

1. That the City's April 2018, contract requests, attached as **Exhibit A** to this Resolution but excluding any contracts a majority of Commission members present has agreed to exclude as noted in the minutes, are hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

CITY OF DETROIT CONTRACT SUBMISSION TO FINANCIAL REVIEW COMMISSION
THE FOLLOWING CONTRACTS ARE BEING SENT TO THE FRC FOR REVIEW AND APPROVAL PURSUANT TO
SECTION 6, SUBSECTION 6 OF THE MICHIGAN FINANCIAL REVIEW COMMISSION ACT
For April 16, 2018

Prepared By: Boysie Jackson, Chief Procurement Officer

City Council and Water Board Approvals Through April 10, 2018

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
CONTRACTS GREATER THAN \$750K (Yes = Lowest Bid Unless Specified)									
1	WATER AND SEWERAGE	6001392	<p>Contract Amount: \$5,205,100.92 Contract Period: April 17, 2018 through April 17, 2021 Source: 100% Operations & Maintenance Funding Purpose: To Furnish Conversion and Breakable Fire Hydrants throughout the City of Detroit. Contractor: EJ USA, Inc. Location: 13001 Northend Ave., Oak Park, MI 48237</p>	New	Sole Source	Sole Source	3/21/2018 BOWC	4/16/2018	Contract to Replace Old Standard Hydrants
2	HOUSING & REVITALIZATION	6001321	<p>Contract Amount: \$3,000,000.00 Contract Period: Upon City Council Approval through June 30, 2019 Source: 100% City Funding Purpose: To Provide Services to Revitalize Commercial Areas of the City of Detroit in an Effort to Create New Businesses and Jobs, Retain and Expand Existing Businesses, Improve the Physical Conditions of Individual Buildings and Commercial Corridors in Mutually Agreed Upon Project Areas and to Engage in Planning and Capacity Building Activities. Contractor: Economic Development Corporation Location: 500 Griswold Street, Detroit, MI 48226</p>	New	Intergovernmental Agreement	Intergovernmental Agreement	3/27/2018	4/16/2018	Budgeted Costs Include: -Outreach & Engagements -Project Assessment Feasibility and Technical Assistance -Project Administration
3	WATER AND SEWERAGE	6001328 (DWS-904)	<p>Contract Amount: \$2,657,700.00 Contract Period: July 1, 2018 through June 30, 2021 Source: 100% Operations & Maintenance Funding Purpose: To Provide for the Repair of Lawns, Berms, and Trees damaged due to Maintenance of Water Systems and Green Storm Water Infrastructures Vegetation Management and Irrigation Services. Contractor: WCI Contractors Inc. Location: 2020 Connor Street, Detroit, MI 48224</p>	New	Yes	Yes	3/21/2018 BOWC	4/16/2018	Contract is part of an ongoing Maintenance Work Program. This consists of removing debris in existing soil, replacing soil, grading, leveling and placing seed as required.

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
4	WATER AND SEWERAGE	3022545 (18-0022)	Contract Amount: \$750,000.00 Contract Period: April 17, 2018 through April 17, 2019 Source: 100% Operations & Maintenance Funding Purpose: To Provide Annual Software Maintenance for Work and Asset Management (WAM) and Advanced Security Services. Contractor: Oracle Corporation Location: 500 Oracle Parkway, Redwood Shores, CA 94065	New	Sole Source	Sole Source	3/21/2018	4/16/2018	WAM is used to Manage and Record Work Orders and Service Requests, perform Asset Management Function, and Control Inventory.

CONTRACTS GREATER THAN 2 YEARS

5	FIRE	6001234	Contract Amount: \$217,074.39 Contract Period: March 15, 2018 through March 14, 2021 Source: 100% City Funding Purpose: To Provide Janitorial Supplies For The Fire Dept. Contractor: Empire Equipment & Supply Location: 6500 E. Warren, Detroit, MI 48207	New	Yes	Yes	2/27/2018	4/16/2018	Scope of Work Includes: Degreasers, Cleaners, Mop Handles, Paper Towels, Oil Absorbent, and Detergents.
6	PUBLIC WORKS	6001313	Contract Amount: REVENUE CONTRACT - \$0 Contract Period: Upon City Council Approval through March 19, 2023 Source: REVENUE Purpose: To Provide a Lease Agreement for Use of Certain City of Detroit Traffic Signal Poles for Purposes of Installing Small Cell Telecommunications Equipment Contractor: New Cingular Wireless PCS, LLC Location: 575 Morosgo Dr., Atlanta, GA 30324	New	N/A	N/A	3/20/2018	4/16/2018	Company will pay City an Annual Fee by July 15 based on the number of Traffic Signal Poles used.

PREVIOUS CONTRACTS WITH 1 ENTITY, WITHIN 1 YEAR, GREATER THAN \$750K

7	PUBLIC WORKS	6001311	Contract Amount: \$725,000.00 Contract Period: Upon City Council Approval through March 26, 2019 Source: 100% Street Funding Purpose: To Provide Slow Setting Emulsified Asphalt for Various Streets in the City of Detroit Contractor: Cadillac Asphalt, LLC Location: 2575 S. Haggerty Rd., Suite 100, Canton, MI 48188	New	Yes	Yes	4/10/2018	4/16/2018	Contract to provide Slow Setting Emulsified Asphalt for Various City streets.
8	WATER AND SEWERAGE	6001393	Contract Amount: \$400,000.00 Contract Period: April 17, 2018 through April 17, 2020 Source: 100% Operations and Maintenance Funding Purpose: To Provide Auto Collision Body Repair for Various Ford, General Motors, and FCA Vehicle Parts, Maintenance, and Repair Services. Contractor: Bob Maxey Ford, Inc. Location: 1833 E. Jefferson Ave., Detroit, MI 48207	New	Yes	Yes	3/21/2018 BOWC	4/16/2018	To Provide Auto Collision Body Repair for various City vehicles.

	Department	Contract Number	Description	Contract Request Type	Competitively Bid? If not a New contract, was the original contract competitively bid?	Highest Ranked or Lowest Bid? If not a New contract, was the original contract the lowest bid?	BOWC or City Council Approval Date	Office of the Chief Financial Officer Approval Date	Comments
9	HOUSING AND REVITALIZATION	6000897	<p>Contract Amount: \$288,000.00 Contract Period: Upon City Council Approval through September 30, 2018 Source: 100% City Funding Purpose: To provide (7) Seven District Business Liaisons, One for Each City Council District and One Director. Contractor: Detroit Economic Growth Corporation Location: 500 Griswold, Suite 2200, Detroit, MI 48226</p>	Amendment	Intergovernmental Agreement	Intergovernmental Agreement	2/6/2018	4/16/2018	To provide (7) Seven District Business Liaisons
10	POLICE	3022398	<p>Contract Amount: \$162,547.50 Contract Period: One Time Purchase Source: 100% City Funding Purpose: To Provide Motorcycle Radio Equipment, Accessories and Software Contractor: Motorola Solutions, Inc. Location: 1301 E. Algonquin Road, Schaumburg, IL 60196</p>	New	Piggybacking off MiDeal State Contract	Piggybacking off MiDeal State Contract	3/27/2018	4/16/2018	Contract to Provide 33 Motorcycle Radios
11	RECREATION	6001232	<p>Contract Amount: \$60,000.00 Contract Period: April 2, 2018 through April 1, 2019 Source: 75% State Funding / 25% City Funding Purpose: To Provide Landscaping Improvements, Basketball Court Repairs and Walking Surface Repairs at Howarth Park Playground, Located at 6869 E. Nevada. Contractor: Michigan Recreation Construction, Inc. Location: 1091 Victory Drive, Howell, MI 48843</p>	New	Yes	Yes	3/20/2018	4/16/2018	Contract to Provide Landscaping Improvements, Basketball Court Repairs and Walking Surface Repairs at Howarth Playground.
12	HOUSING AND REVITALIZATION	3022368	<p>Contract Amount: \$24,450.00 Contract Period: One Time Purchase Source: 100% City Funding Purpose: To Provide Residential Emergency Demolition for the Following (3) Properties Located at: 5229 Grandy, 5235 Grandy ad 3538 Grandy. Contractor: Den-Man Contractors, Inc. Location: 14700 Barber Ave., Warren, MI 48088</p>	New	Yes	Yes	4/10/2018	4/16/2018	Emergency Residential Demolitions at 5229 Grandy, 5235 Grandy and 5358 Grandy.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: April 12, 2017
TO: Financial Review Commission Members
FROM: Kevin Kubacki, Executive Director – City of Detroit FRC
SUBJECT: Contract Summary - April 2018 City of Detroit FRC Meeting

The City has submitted 12 contracts for review and approval at the April 16, 2018 commission meeting. These contracts have been vetted by the FRC Advisory Subcommittee on Contracts and Procurement. Additionally, all of these contracts have been approved by the Office of the Chief Financial Officer, and where required, City Council. Each contract is summarized below:

Contract 1 – New DWSD Contract for Breakable Fire Hydrants

Contractor	Nature of Contract	BOWC Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
EJ USA, Inc.	New	3/21/2018	\$5,205,101	Sole Source	Sole Source	DWSD – Operations and Maintenance Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000 and because the terms exceed two years. This contract provides for the purchase of breakable fire hydrants that allow for direct access to water mains. During the subcommittee call, the City noted this contract was sole sourced because the City wishes to keep the same fire hydrants allowing for consistency of the hydrant inventory maintained by the City. Also noted, the types of fire hydrants provided under this contract have more features than other hydrants offered through other vendors at roughly the same cost.

Contract 2 – New Contract for Economic Development Services

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Economic Development Corporation	New	3/20/2018	\$ 3,000,000	Intergovernmental Agreement	Intergovernmental Agreement	Grant Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract is an intergovernmental agreement with the Economic Development Corporation to provide services to revitalize commercial areas of the City of Detroit in an effort to create new businesses and jobs, retain and expand existing businesses, improvement the Physical Conditions of individual buildings and commercial corridors in mutually agreed upon project areas and to engage in planning and capacity building activities.

Contract 3 – New DWSD Contract for Landscaping Repairs after Maintenance of Water Systems

Contractor	Nature of Contract	BOWC Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
WCI Contractors, Inc.	New	3/21/2018	\$2,657,700	Yes	Yes	DWSD - Operations and Maintenance Fund

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract provides for the repair of lawns, berms, and trees damaged due to maintenance of water systems, green storm water infrastructures, and irrigation services. This contract was competitively bid and four vendors responded. The vendor being recommended for approval provided the lowest bid.

Contract 4 – New DWSD Contract for DWSD’s Work and Asset Management system

Contractor	Nature of Contract	BOWC Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Oracle Corporation	New	3/21/2018	\$750,000	Sole Source	Sole Source	DWSD – Operations and Maintenance Funding

This contract is subject to FRC review because it exceeds the statutory threshold of \$750,000. This contract provides DWSD software licensing for the Work and Asset Management system (WAM). This software supports DWSD and the GLWA with day to day activities like maintaining inventory, creating work orders, managing fixed and linear assets, and issuing and receiving requisitions for goods and services. This contract is sole sourced because Oracle is the primary software system used by the City. For many reasons, the City does not desire to switch software companies at this time and thus this contract was sole sourced.

Contract 5 – New Contract to Provide Janitorial Supplies for the Fire Department

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Empire Equipment & Supply	New	2/27/2018	\$217,074	Yes	Yes	General Fund

This contract is subject to FRC review because the terms of the contract exceed 2 years. This contract provides the fire department with janitorial supplies. This contract was competitively bid and six vendors responded. The vendor being recommended for approval provided the lowest bid.

Contract 6 – New Revenue Lease Contract for Space on City Traffic Signal Poles

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
New Cingular Wireless PCS, LLC	New	3/20/2018	\$0	N/A	N/A	Revenue Budgeted to General Fund

This contract is subject to FRC review because the terms of the contract exceed 2 years. This contract provides revenue to the General Fund for the use of space on certain traffic signal poles and support structures for the purpose of installing certain micro cell communications equipment. The City noted that pricing for the space was developed through the City's Law Department.

Contract 7 – New Contract to provide Emulsified Asphalt for Various Streets

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Cadillac Asphalt, LLC	\$725,000	4/10/2018	\$725,000	Yes	Yes	Street Fund

This contract is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceed \$750,000. The contract provides for the purchase of 125,000 gallons of emulsified asphalt that will be used in street repairs. This contract was competitively bid and three vendors responded. This vendor being recommended provided the lowest acceptable bid that met the City's specifications in the RFP.

Contract 8 – New DWSD Contract for Auto Body Repairs

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Bob Maxey Ford, Inc	New	3/21/2018	\$400,000	Yes	Both	DWSD – Operation & Maintenance Fund

This contract is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceed \$750,000. This contract provides parts, maintenance and repair services for all Ford, GM, and FCA fleet vehicles for DWSD. This contract was competitively bid and three vendors responded. The City indicated on the subcommittee call, the vendor being recommended for approval provided both the highest ranked bid and was the lowest cost.

Contract 9 – Contract Amendment for Economic Development Growth Corporation Business Liaisons

Contractor	Nature of Contract	City Council Approval Date	Contract Amendment Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Detroit Economic Growth Corporation	Amendment	2/6/2018	\$288,000	Intergovernmental Agreement	Intergovernmental Agreement	General Fund

This contract amendment is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceed \$750,000. This contract with the EDC is to create seven district business liaisons. These business liaisons will listen to the concerns of business owners; connect them with initiatives, services, and support with the expected outcome of supporting, retaining, and growing businesses in Detroit.

Contract 10 – New Contract for Motorcycle Radio Equipment

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Motorola Solutions, Inc.	New	3/27/2018	\$162,548	MiDeal	MiDeal	Capital Restructuring Fund

This contract amendment is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceed \$750,000. This contract provides for the purchase of 33 motorcycle radios that will be utilized by the police department. This contract's pricing terms are consistent with MiDeal.

Contract 11 – New Contract for Park Improvements

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Michigan Recreation Construction, Inc.	New	3/20/2018	\$60,000	Yes	Yes	State Grand Fund

This contract is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceed \$750,000. This contract will provide landscaping improvements, basketball court repairs, and walking surface repairs at Howarth Playground. This contract was competitively bid and four vendors responded. The vendor with the lowest bid is being recommended for approval.

Contract 12 – New Contract for Emergency Residential Demolition

Contractor	Nature of Contract	City Council Approval Date	Contract Value	Bid?	Lowest Bid or Highest Ranked?	Budgeted Funding Sources
Den-Man Contractors, Inc.	New	4/10/2018	\$24,450	Yes	Yes	General Fund

This demolition contract is subject to FRC review because the aggregate sum of the City's contracts with this contractor exceeds \$3,000,000. This contract provides emergency demolition at three locations. An emergency demolition is ordered when a structure provides an immediate danger or could fall onto another structure. Thus, to reduce the safety hazard, this work has already been performed. Each location was competitively bid and seven vendors responded to each location. The recommendation for approval is for the lowest bid at each location.