



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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March 15, 2019

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

Re: Monthly Financial Report for the Seven Months ended January 31, 2019

Dear Commissioners:

The Office of the Chief Financial Officer (OCFO) respectfully submits its monthly City of Detroit Financial Report for the Seven Months ended January 31, 2019.

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

Best regards,

A handwritten signature in cursive script, appearing to read "David P. Massaron". The signature is written in black ink and is positioned above the printed name and title.

David P. Massaron
Acting Chief Financial Officer

Att: City of Detroit Financial Report for the Seven Months ended January 31, 2019
Cc: Patrick Dostine, Executive Director, Detroit Financial Review Commission



FY 2019 Financial Report

For the 7 Months ended January 31, 2019

Office of the Chief Financial Officer

Submitted on March 15, 2019



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Executive Summary

- On March 7 2019 the Mayor presented to City Council the Recommended FY 2020 Budget and FY 2020-2023 Four-Year Financial Plan. City Council budget hearings will occur throughout March.
 - General Fund revenue is increasing by \$34M over the FY 2019 Adjusted Budget, but fixed and collective bargaining costs continue to increase. Debt service alone is growing by \$20M, collective bargaining agreements that have been ratified are projected to increase salaries and fringes by an additional \$10M, and the RPF pension investment will increase by \$5M.
 - The City has identified opportunities to tighten the General Fund budget, through reduced costs for equipment acquisitions as well as automotive and facility repairs. A review and analysis of procurement plans and turnover trends identified additional department savings.
 - Operating more efficiently allows for targeted service investments, including 71 additional positions in the Detroit Police Department to improve public safety, implementing the Strategic Plan for Transportation recommendations to increase high-quality transit service, and doubling the City's contribution to career pathway training to prepare the workforce for new Detroit jobs.
- On February 26 2019 the City signed a memorandum of understanding (MOU) with Fiat Chrysler Automobiles (FCA) that could see the company making the single largest investment in its U.S. manufacturing operations since 2009, creating nearly 5,000 new jobs and adding \$2.5 billion in investment. In an issuer comment, Moody's Investor Service noted the FCA expansion plan is "credit positive" for Detroit and that the City is demonstrating a "competitive advantage" for auto industry employment among Midwest cities.
- Within the City's active grant portfolio, the most significant new awards in 2019 include \$47M in annual entitlement grants (CDBG, ESG, HOME, and HOPWA) formally released in January following the federal government shutdown, and \$5M toward the Strategic Neighborhood Fund. (page 9)
- Total accounts payable as of January 2019 had a net decrease of \$24.4M compared to December 2018. Net AP not on hold had a net decrease of \$18M. The number of open invoices not on hold decreased by 181, and 1,494 new invoices were processed in January 2019 that are not on hold. (page 15)



YTD Budget Amendments – General Fund

FY 2018-2019 GENERAL FUND BUDGET AMENDMENTS (Through January 2019)		
Department	Reason for Amendment	Amount
FY 2018 - 2019 Adopted Budget		\$ 1,073,598,491
Carry Forward Use of Assigned Fund Balance		
City Council	City Planning Commission Project ⁽¹⁾	699,975
Non-Departmental	Restructuring Projects ⁽²⁾	1,697,194
Recreation	Wayne County Millages / Parks	1,660,548
Non-Departmental	Capital PO Encumbrances	13,216,435
Non-Departmental	P.E.G Fees	1,890,580
Non-Departmental	Blight Reinvestment	7,900,000
Non-Departmental	PLD Decommission	22,000,000
	Total	49,064,732
Budget Amendment		
Non-Departmental	Refunding LTGO Bonds	179,213,699
General Services	Wayne County Parks Millage	270,000
Law / Non-Departmental	Funding For Outside Legal Services	746,210
	Total	180,229,909
Transfer From Other Funds		
Non-Departmental	Blight Reinvestment ⁽³⁾	5,863,366
	Total	5,863,366
FY 2018 - 2019 Amended Budget (Through January 2019)		\$ 1,308,756,498

(1) Multi-year, multi-phase project which will result in an updated Zoning Ordinance.

(2) EM appropriated.

(3) The bond amendment approved by City Council in the amount of \$13.1M, included the transfer / increase of \$5.8M for blight reinvestment.



YTD Budget vs. YTD Actual – General Fund

YTD ANALYSIS						
MAJOR CLASSIFICATIONS	BUDGET	ACTUAL + ADJUSTMENTS + ENCUMBRANCES			VARIANCE (BUDGET VS. ACTUAL)	
	YEAR TO DATE	ACTUAL	ADJUSTMENTS + ENCUMBRANCES	TOTAL		
A	B	C	D	E = C + D	(\$ F = E-B)	% G = (F/B)
REVENUE:						
Municipal Income Tax	\$ 167.6	\$ 195.2	–	\$ 195.2	\$ 27.6	16.5%
Property Taxes	108.4	98.8	5.3	104.1	(4.3)	(4.0%)
Wagering Taxes	107.3	109.5	–	109.5	2.2	2.1%
Utility Users' Tax	23.3	13.0	7.3	20.3	(3.0)	(12.9%)
State Revenue Sharing	67.3	69.9	–	69.9	2.6	3.9%
Other Revenues	333.6	269.9	–	269.9	(63.7)	(19.1%)
Sub-Total	\$ 807.5	\$ 756.3	\$ 12.6	\$ 768.9	\$ (38.6)	(4.8%)
Budgeted Use of Prior Year Fund Balance	\$ 2.6	–	\$ 2.6	\$ 2.6	–	0.0%
TOTAL	\$ 810.1	\$ 756.3	\$ 15.2	\$ 771.5	\$ (38.6)	(4.8%)
EXPENDITURES:						
Salary and Wages (Incl. Overtime)	\$ (263.2)	\$ (248.1)	–	\$ (248.1)	\$ 15.1	(5.7%)
Employee Benefits	(113.3)	(60.9)	–	(60.9)	52.4	(46.2%)
Legacy Pension Payments	(20.0)	(20.0)	–	(20.0)	–	0.0%
Retiree Protection Fund	(20.0)	(20.0)	–	(20.0)	–	0.0%
Debt Service	(219.7)	(216.9)	–	(216.9)	2.8	(1.3%)
Other Expenses ⁽¹⁾	(201.7)	(212.0)	(37.9)	(249.9)	(48.2)	23.9%
TOTAL	\$ (837.9)	\$ (777.9)	\$ (37.9)	\$ (815.8)	\$ 22.1	(2.6%)

(1) Includes contribution to DDOT, transfer to PLA, Prior Year carry/balance forwards, contribution to Risk Management Fund, contribution to DBLA, plus all purchases of goods and services.



Annualized Projection vs. Budget – General Fund

ANNUAL ANALYSIS				
	BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
SUMMARY CLASSIFICATIONS	ANNUAL AMENDED	ANNUAL ESTIMATED	ANNUAL ESTIMATED	
A	B	C	(\$) D = C-B	% E = (D/B)
REVENUE:				
Municipal Income Tax	\$ 299.4	\$ 317.5	\$18.1	6.0%
Property Taxes	129.3	125.8	(3.5)	(2.7%)
State PPT Reimbursement	4.5	–	(4.5)	(100.0%)
Wagering Taxes	180.8	182.5	1.7	0.9%
Utility Users' Tax	40.0	42.4	2.4	6.0%
State Revenue Sharing	201.3	203.2	1.9	0.9%
Other Revenues	215.8	209.7	(6.1)	(2.8%)
Sub-Total	\$ 1,071.0	\$ 1,081.0	\$ 10.0	0.9%
Budgeted Use of Prior Year Fund Balance	2.6	2.6	–	0.0%
Carry forward-Use of Assigned Fund Balance	49.1	49.1	–	0.0%
Transfers from Other Funds	5.9	5.9	–	0.0%
Budget Amendments	180.2	180.2	–	0.0%
TOTAL (F)	\$ 1,308.8	\$ 1,318.7	\$ 10.0	0.9%
EXPENDITURES:				
Salary and Wages (Incl. Overtime)	\$ (455.8)	\$ (443.5)	\$ 12.3	(2.7%)
Employee Benefits	(140.3)	(130.2)	10.1	(7.2%)
Legacy Pension Payments	(38.6)	(38.6)	–	0.0%
Retiree Protection Fund	(20.0)	(20.0)	–	0.0%
Debt Service	(248.6)	(248.6)	–	0.0%
Other Expenses	(405.5)	(395.1)	10.4	(2.6%)
TOTAL (G)	\$ (1,308.8)	\$ (1,276.1)	\$ 32.7	(2.5%)
VARIANCE (H=F+G)			\$ 42.7	

Note: Projected annual revenues are based on the February 2019 Revenue Estimating Conference.

* Property Taxes and Utility Users' Tax revenue projections are presented as gross totals to align with FY19 budget presentation.



Employee Count Monitoring

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL Variance		
	Actual Dec. 2018	Actual Jan. 2019	Change Jan. 2019 vs. Dec. 2018	Adjusted Budget FY 2019 ⁽²⁾	Under/(Over) Budget vs. January 2019	
Public Safety						
Police	3,056	3,061	5	3,322	261	8%
Fire	1,190	1,207	17	1,274	67	5%
Total Public Safety	4,246	4,268	22	4,596	328	7%
Non-Public Safety						
Office of the Chief Financial Officer	438	420	(18)	479	59	
Public Works - Full Time	368	367	(1)	423	56	
Health and Wellness Promotion	89	89	0	119	30	
Human Resources	99	99	0	106	7	
Housing and Revitalization	97	97	0	101	4	
Innovation and Technology	127	131	4	136	5	
Law	109	112	3	120	8	
Mayor's Office (includes Homeland Security)	72	72	0	79	7	
Planning and Development	32	32	0	41	9	
General Services - Full Time	520	527	7	535	8	
Legislative ⁽³⁾	182	184	2	182	(2)	
36th District Court	324	323	(1)	326	3	
Other ⁽⁴⁾	120	116	(4)	133	17	
Total Non-Public Safety	2,577	2,569	(8)	2,780	211	8%
Total General City-Full Time	6,823	6,837	14	7,376	539	7%
Seasonal/ Part Time⁽⁵⁾	255	227	(28)	904	677	75%
Enterprise						
Airport	4	4	0	4	0	
BSEED	273	271	(2)	280	9	
Transportation	927	906	(21)	927	21	
Municipal Parking	80	80	0	90	10	
Water and Sewerage	550	547	(3)	618	71	
Library	304	303	(1)	322	19	
Total Enterprise	2,138	2,111	(27)	2,241	130	6%
Total City	9,216	9,175	(41)	10,521	1,346	13%

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, seasonal employees and PSCs if funded by vacant budgeted positions.
- (2) Adjusted Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs). The FY19 Budget increased the total FTE appropriation by 464 over the FY18 Budget.
- (3) Includes: Auditor General, Inspector General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
- (4) Includes: Civil Rights Inclusion & Opportunity, Administrative Hearings, Public Lighting Department, and Non-departmental.
- (5) Includes DPW, General Services, Recreation and Elections



Income Tax - Collections

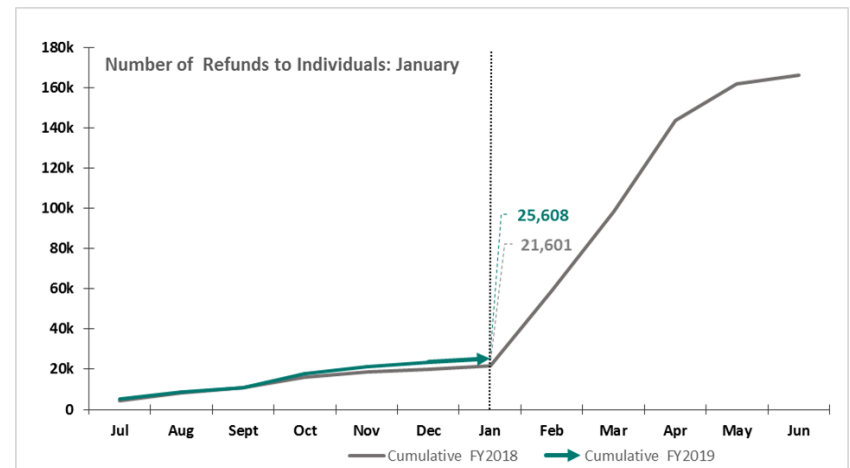
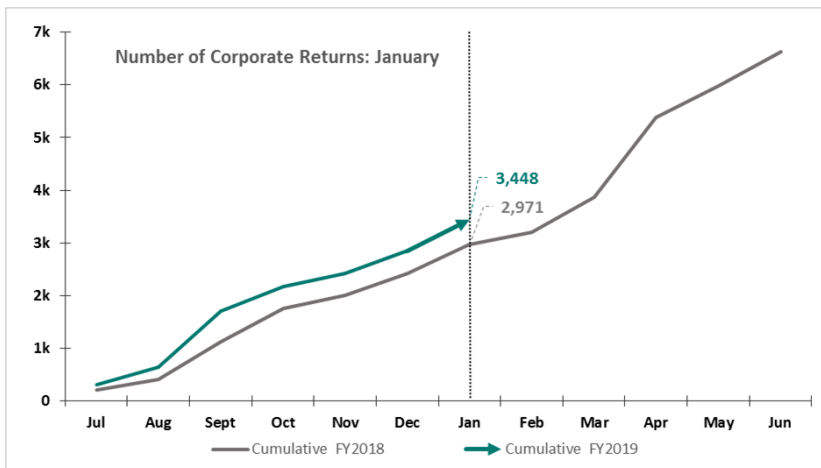
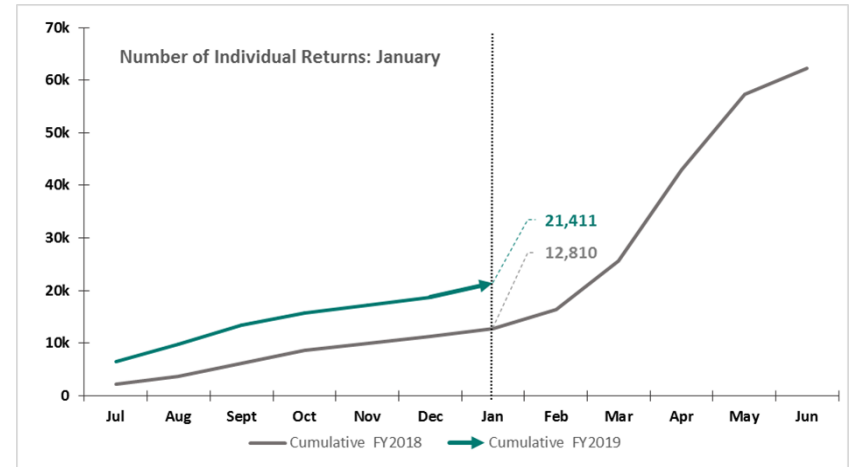
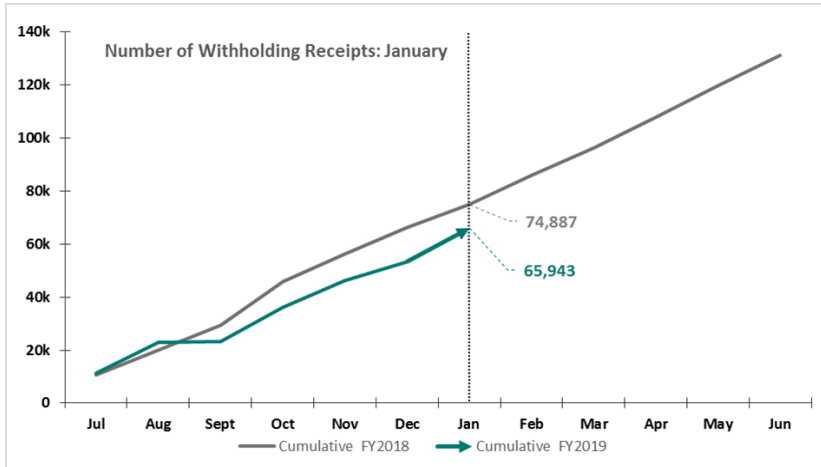
Fiscal Year 2019

Municipal Income Tax Collections	January 2019 YTD	January 2018 YTD
Withholdings	\$ 167,454,396	\$ 149,209,924
Individuals (1099/1040 Filers)	11,332,097	9,438,377
Corporations	13,223,007	12,947,256
Partnerships	2,120,741	1,574,848
Assessments	3,186,582	3,501,809
Total Collections	\$ 197,316,823	\$ 176,672,214
Refunds/ Disbursements⁽¹⁾	(2,142,687)	(5,279,222)
Collections Net of Refunds/Disbursements	\$ 195,174,136	\$ 171,392,992

⁽¹⁾ The State holds an estimated amount of municipal income tax for potential refunds, and has in the past disbursed funds to the City that were not ultimately refunded.



Income Tax – Volume of Returns and Withholdings





Active Grants and Donations as of January 31, 2019 (\$ in millions)

Net Change from last month ⁽³⁾	\$30.9	

New Funds – January 1 to March 6, 2019 (\$ in millions)

Committed ⁽⁴⁾	
Total New Funding	\$22.2
Net New to the City ⁽⁵⁾	\$1.0

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

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

⁽³⁾ The most significant new awards so far in 2019 are the federal entitlement grants (CDBG, ESG, HOME, and HOPWA) released in January, and \$5M toward the Strategic Neighborhood Fund. Significant decreases include all grants and projects completed at the end of calendar year 2018.

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

⁽⁵⁾ Reflects new funds to the City from organizations which have not given to the City of Detroit before.



Development and Grants

New Funds – January 1 to March 6, 2019 – By Priority Category

Priority Category	Documented	Committed	Total
Administration/General Services	-	\$ 197,000	\$ 197,000
Community/Culture	-		\$ 353,848
Economic Development	-		\$ 5,000,000
Health	\$ 9,843,759		\$ 9,843,759
Housing	-		\$ 1,274,300
Infrastructure	\$ 88,795		\$ 88,795
Parks and Recreation	\$ 1,500		\$ 316,500
Planning	-		\$ 225,000
Public Safety	\$ 176,758		\$ 176,758
Technology/Education	\$ 250,000		\$ 250,000
Transit	\$ 825,000	\$ 681,420	\$ 1,506,420
			\$ 2,960,000
Grand Total	\$ 11,215,812	\$ 10,976,568	\$ 22,192,380



New Funds and City Leverage⁽¹⁾ – January 1 to March 6, 2019 – By Priority Category

Grand Total	\$ 22,192,380	\$ 61,297,798

⁽¹⁾ Leverage includes both match and parallel investment by the City that help make the case to external funders to co-invest.
⁽²⁾ This \$59M has leveraged all Strategic Neighborhood Fund funding to date which includes funds raised in 2018.
⁽³⁾ There is an additional \$50M in HUD funding allocated to the Affordable Housing Leverage Fund that has been critical to securing these commitments.



Cash Position

(\$ in millions)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>January 2019 Total</u>
Bank Balance	\$ 207.0	\$ 1,089.0	\$ 1,296.0
Plus/minus: Reconciling items	2.4	5.3	7.7
Reconciled Bank Balance	209.4	1,094.3	1,303.7
General Ledger Cash Balances			
General Fund			
General Accounts	\$ 132.9	118.4	\$ 251.3
Self Insurance Escrow	-	18.7	18.7
Undistributed Delinquent Taxes	-	35.6	35.6
Other	-	3.1	3.1
Other Governmental Funds			
Risk Management	-	84.7	84.7
Capital Projects	-	163.8	163.8
Street Fund	-	78.6	78.6
Grants	-	49.5	49.5
Solid Waste Management Fund	39.3	-	39.3
Debt Service	-	64.0	64.0
Gordie Howe Bridge Fund	-	20.9	20.9
Quality of Life Fund	-	24.4	24.4
Other	20.1	11.6	31.7
Enterprise Funds			
Enterprise Funds	4.0	31.7	35.7
Fiduciary Funds			
Undistributed Property Taxes	-	198.8	198.8
Fire Insurance Escrow	-	10.2	10.2
Retiree Protections Trust Funds	-	125.0	125.0
Other	-	55.4	55.4
Component Units			
Component Units	13.1	-	13.1
Total General Ledger Cash Balance	\$ 209.4	\$ 1,094.3	\$ 1,303.7

Note: This schedule reports total City of Detroit (excludes DSWD) cash in the bank



Operating Cash Activity: YTD Actual vs Forecast

For 7 Months Ending January 31, 2019

\$ in Millions

Cash Receipts

	YTD Forecast	YTD Actuals	YTD Variance	Prior YTD Actuals
Property Taxes	\$ 80.1	\$ 82.8	\$ 2.7	\$ 93.5
Income Taxes	187.1	188.9	1.8	179.7
Wagering	105.0	108.1	3.1	106.3
State Shared Revenue	101.6	102.6	1.0	100.9
Utility Taxes	14.8	13.1	(1.7)	12.6
Other Revenue	125.2	128.6	3.4	151.9
Total Cash Receipts	\$ 613.8	\$ 624.1	\$ 10.3	\$ 644.9

Cash Disbursements

Salaries & Wages	\$ (272.7)	\$ (280.9)	\$ (8.2)	\$ (255.6)
Benefits	(113.8)	(111.3)	2.5	(71.6)
Accounts Payable	(279.9)	(275.1)	4.8	(215.5)
Debt Service	(44.9)	(44.9)	0.0	(50.5)
Total Cash Disbursements	\$ (711.3)	\$ (712.2)	\$ (0.9)	\$ (593.2)
Net Cash Flow	\$ (97.5)	\$ (88.1)	\$ 9.4	\$ 51.7



Operating Cash Activity: Actual vs. Forecast to Year End

For 7 Months Ending January 31, 2019

\$ in millions

	2018						2019						FY2019 Total
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Forecast	March Forecast	April Forecast	May Forecast	June Forecast	
Cash Receipts													
Property Taxes	\$ 24.3	\$ 7.0	\$ 40.4	\$ 5.6	\$ 1.5	\$ 1.0	\$ 3.0	\$ 28.7	\$ 2.7	\$ 1.7	\$ 2.4	\$ 12.8	\$ 131.1
Income Taxes	35.1	23.7	23.5	30.8	19.0	25.6	31.2	16.9	25.0	31.0	25.5	26.2	313.7
Wagering	15.1	18.1	13.4	15.6	15.6	16.0	14.3	13.2	15.3	16.7	16.4	15.9	185.5
State Shared Revenue	-	33.9	-	34.4	-	34.3	-	33.6	-	32.9	-	32.9	202.0
Utility Taxes	2.3	1.8	1.9	1.8	1.5	1.2	2.6	0.9	2.0	3.0	2.0	2.0	22.9
Other Revenue	13.1	31.0	10.0	27.9	18.7	12.2	15.7	22.0	22.4	26.9	35.6	44.3	280.0
Total Cash Receipts	\$ 89.9	\$ 115.5	\$ 89.2	\$ 116.1	\$ 56.3	\$ 90.3	\$ 66.8	\$ 115.3	\$ 67.4	\$ 112.2	\$ 81.9	\$ 134.1	\$ 1,135.2
Cash Disbursements													
Salaries & Wages	\$ (39.1)	\$ (49.7)	\$ (37.7)	\$ (37.7)	\$ (37.5)	\$ (32.1)	\$ (47.1)	\$ (28.9)	\$ (37.8)	\$ (36.1)	\$ (40.7)	\$ (37.9)	\$ (462.2)
Benefits	(33.8)	(26.6)	(5.5)	(12.7)	(6.5)	(13.6)	(12.6)	(6.0)	(6.5)	(16.1)	(6.5)	(23.8)	(170.1)
Accounts Payable	(39.3)	(46.5)	(33.8)	(55.5)	(38.4)	(29.8)	(31.8)	(21.6)	(26.1)	(22.9)	(35.2)	(26.4)	(407.3)
Debt Service	(2.0)	(4.5)	(14.7)	(6.9)	(2.8)	(11.2)	(2.8)	(9.0)	(2.8)	(17.8)	(2.8)	(9.1)	(86.4)
Total Cash Disbursements	\$ (114.2)	\$ (127.3)	\$ (91.7)	\$ (112.8)	\$ (85.2)	\$ (86.7)	\$ (94.3)	\$ (65.5)	\$ (73.2)	\$ (92.9)	\$ (85.2)	\$ (97.2)	\$ (1,126.0)
Net Cash Flow	\$ (24.3)	\$ (11.8)	\$ (2.5)	\$ 3.3	\$ (28.9)	\$ 3.6	\$ (27.5)	\$ 49.8	\$ (5.8)	\$ 19.3	\$ (3.3)	\$ 36.9	\$ 9.2



Accounts Payable

City of Detroit
All Funds
\$ in millions

Accounts Payable (AP) as of Jan-19	
Total AP (Dec-18)	\$ 43.2
Plus: Jan-19 invoices processed	\$ 58.2
Less: Jan-19 Payments made	\$ (82.6)
Total AP month end (Jan-19)	\$ 18.8
Less: Invoices on hold ⁽¹⁾	\$ (8.9)
Less: Installments/Retainage Invoices ⁽²⁾	\$ (0.4)
Net AP not on hold	\$ 9.5

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Jan-19. Total	\$ 9.5	\$ 7.9	\$ 1.0	\$ 0.2	\$ 0.4
<i>% of total</i>	100%	83%	11%	2%	4%
<i>Change vs. Dec-18</i>	\$ (18.0)	\$ (2.0)	\$ (13.3)	\$ (2.5)	\$ (0.2)
Total Count of Invoices	1,540	853	588	37	62
<i>% of total</i>	100%	55%	38%	2%	4%
<i>Change vs. Dec-18</i>	(181)	42	(100)	(89)	(34)
Dec-18. Total	\$ 27.5	\$ 9.9	\$ 14.3	\$ 2.7	\$ 0.6
<i>% of total</i>	100%	36%	52%	10%	2%
Total Count of Invoices	1,721	811	688	126	96
<i>% of total</i>	100%	47%	40%	7%	6%

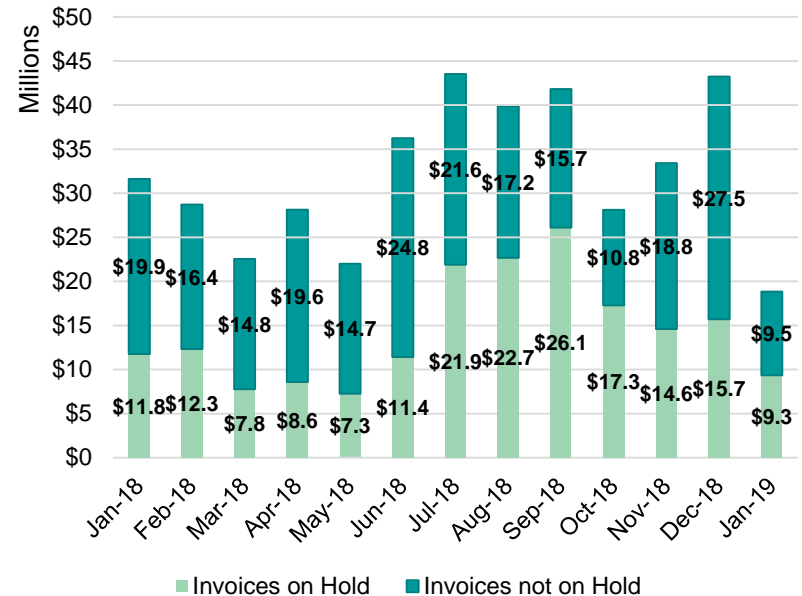
Notes:

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

(2) Invoices on retainage are on hold until the supplier satisfies all contract obligations

All invoices are processed and aged based on the invoice date

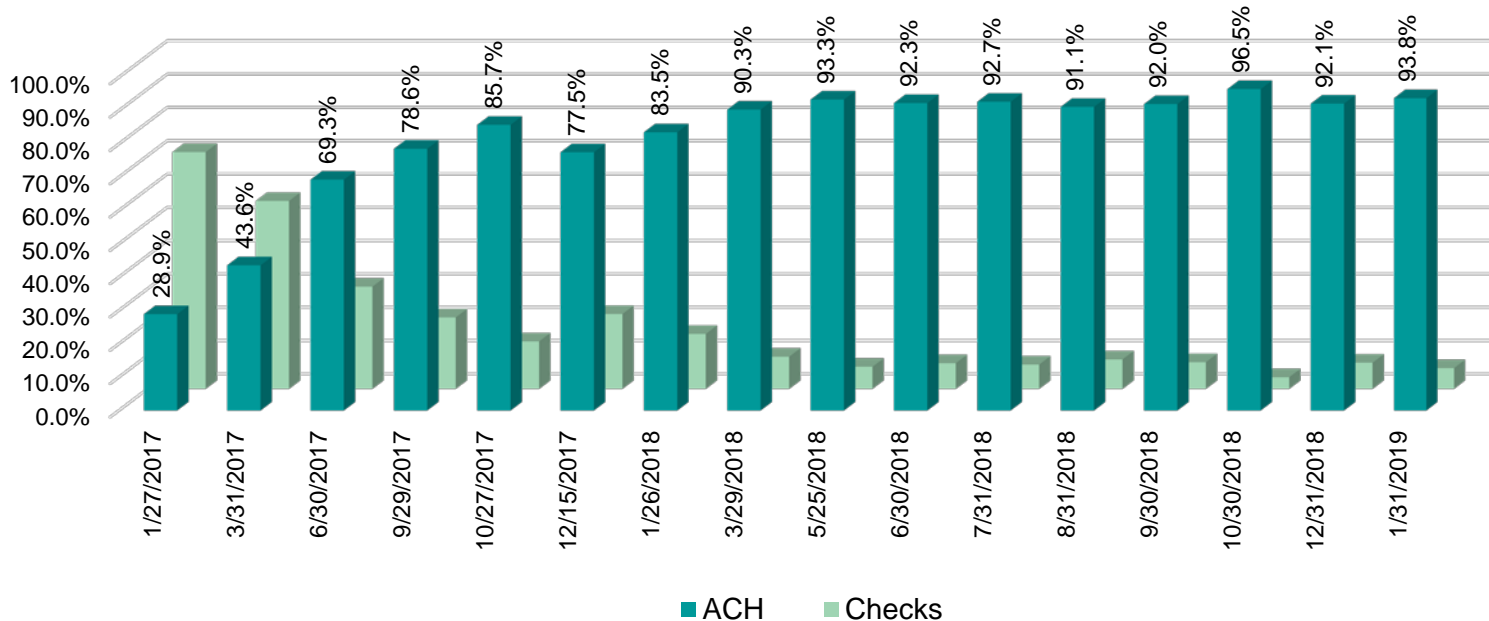
Accounts Payable





Supplier Payments – ACH vs. Checks

Supplier Payment Metric
Phase 1



The City's accounts payable functions are governed by CFO Directive 2018-101-018: Accounts Payable.

Phase 1 – includes all suppliers that do business with the City of Detroit.

Phase 2 – June 2018. Includes 3rd party payroll suppliers and employee expense reimbursements.

Not included in scope: Jurors, Poll Worker, Property Tax, Payroll, 3rd Party Suppliers, Utilities, Government Agency.