



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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October 14, 2019

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

Re: Monthly Financial Report for the Two Months ended August 31, 2019

Dear Commissioners:

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

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

Best regards,

David P. Massaron
Chief Financial Officer

Att: City of Detroit Financial Report for the Two Months ended August 31, 2019

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



FY 2020 Financial Report

For the 2 Months ended August 31, 2019

Office of the Chief Financial Officer

Submitted on October 14, 2019



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Executive Summary

- On September 9, the City of Detroit received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for its Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR).
- On October 3, the [U.S. Department of Housing and Urban Development \(HUD\)](#) awarded **\$9.7M** to the [City of Detroit](#) as part of the Lead Based Paint Hazard Reduction grant (\$9.1M) and Healthy Homes Supplemental program (\$600,000). The City was the largest grant recipient in Michigan. The grants will allow the City to address lead hazards in 450 housing units and perform healthy homes assessments in 120 units.
- On October 23, the Office of Budget will host the 22nd Annual Public Budget Meeting at the Butzel Family Recreation Center from 6-8pm. Representatives from OCFO, Public Works, Fire, Health, Police, Public Lighting, and General Services Department will be present.
- Within the City's active grants portfolio, the most significant new awards in August were Section 5307 Congestion Mitigation and Air Quality (CMAQ) and Section 5339 Bus Replacement grants for \$8.2M, and the Kellogg Foundation's Mayor's Office Workforce Development Board Capacity Support Grant for \$1,000,000. The FY 2019 State of Michigan Public Act 51 allocation to Department of Public Works was also adjusted to match the state's post fiscal year records, which accounted for an increase in the amount of \$3.0M. Also, several recent announcements have formalized corporate commitments for the Strategic Neighborhood and Affordable Housing Leverage Funds. Blue Cross Blue Shield has partnered their \$5M grant with the East Warren/Cadieux area, and Huntington Bank has partnered their \$5M grant with the Warrendale/Cody Rouge area. (page 9)
- Total accounts payable as of August 2019 had a net decrease of \$15.8M compared to July 2019. Net AP not on hold had a net decrease of \$8.7M. The number of open invoices not on hold increased by 1,112. (page 15)



YTD Budget Amendments – General Fund

FY 2019-2020 GENERAL FUND BUDGET AMENDMENTS (Through August 2019)			
Department	Reason for Amendment	Amount	
FY 2019 - 2020 Adopted Budget		\$	1,143,283,981
Carry Forward Use of Assigned Fund Balance			
N/A	N/A		N/A
	Total		0
Budget Amendment			
Housing and Revitalization	Small Business Development		2,700,000
	Total		2,700,000
Transfer From Other Funds			
N/A	N/A		N/A
	Total		0
FY 2019 - 2020 Amended Budget (Through August 2019)		\$	1,145,983,981



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

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) F = E-B % G = (F/B)
REVENUE:						
Municipal Income Tax	\$ 41.0	\$ 47.8	–	\$ 47.8	\$ 6.9	16.8%
Property Taxes	46.2	46.5	–	46.5	0.2	0.5%
Wagering Taxes	27.5	32.6	–	32.6	5.1	18.5%
Utility Users' Tax	4.1	3.3	–	3.3	(0.7)	(18.2%)
State Revenue Sharing	0.0	0.0	–	0.0	0.0	0.0%
Other Revenues	53.0	31.0	–	31.0	(22.0)	(41.5%)
Sub-Total	\$ 171.8	\$ 161.3	\$ -	\$ 161.3	\$ (10.5)	(6.1%)
Budgeted Use of Prior Year Fund Balance	0.0	0.0	–	0.0	0.0	0.0%
Carry forward-Use of Assigned Fund Balance	0.0	0.0	–	0.0	0.0	0.0%
Transfers from Other Funds	0.0	0.0	–	0.0	0.0	0.0%
Budget Amendments	2.7	0.0	2.7	2.7	0.0	0.0%
TOTAL	\$ 174.5	\$ 161.3	\$ 2.7	\$ 164.0	\$ (10.5)	(6.0%)
EXPENDITURES:						
Salary and Wages (Incl. Overtime)	\$ (78.7)	\$ (65.4)	–	\$ (65.4)	\$ 13.4	(17.0%)
Employee Benefits	(29.0)	(19.6)	–	(19.6)	9.4	(32.3%)
Legacy Pension Payments	0.0	0.0	–	0.0	0.0	0.0%
Retiree Protection Fund	(45.0)	(45.0)	–	(45.0)	0.0	0.0%
Debt Service	0.0	0.0	–	0.0	0.0	0.0%
Other Expenses	(81.3)	(55.3)	(12.0)	(67.3)	14	(17.2%)
TOTAL	\$ (234.1)	\$ (185.3)	\$ (12.0)	\$ (197.3)	\$ 36.7	(15.7%)



Annualized Projection vs. Budget – General Fund

ANNUAL ANALYSIS				
SUMMARY CLASSIFICATIONS	BUDGET	PROJECTION	VARIANCE (BUDGET VS. PROJECTION)	
	ANNUAL AMENDED	ANNUAL ESTIMATED	ANNUAL ESTIMATED	
A	B	C	(\$ D = C-B	% E = (D/B)
REVENUE:				
Municipal Income Tax	\$ 324.3	\$ 325.0	\$ 0.8	0.2%
Property Taxes	115.3	117.3	2.0	1.7%
Wagering Taxes	184.3	185.8	1.4	0.8%
Utility Users' Tax	31.3	29.9	(1.5)	(4.7%)
State Revenue Sharing	204.5	203.1	(1.4)	(0.7%)
Other Revenues	226.4	249.1	22.6	10.0%
Sub-Total	\$ 1,086.2	\$ 1,110.1	\$ 23.9	2.2%
Budgeted Use of Prior Year Fund Balance	57.1	57.1	0.0	0.0%
Carry forward-Use of Assigned Fund Balance	–	–	–	–
Transfers from Other Funds	–	–	–	–
Budget Amendments	2.7	2.7	0.0	0.0%
TOTAL (F)	\$ 1,146.0	\$ 1,169.9	\$ 23.9	2.2%
EXPENDITURES:				
Salary and Wages (Incl. Overtime)	\$ (476.7)	\$ (451.9)	\$ 24.8	(5.2%)
Employee Benefits	(137.0)	(129.1)	8.0	(5.8%)
Legacy Pension Payments	(18.7)	(18.7)	0.0	0.0%
Retiree Protection Fund	(45.0)	(45.0)	0.0	0.0%
Debt Service	(79.8)	(79.8)	0.0	0.0%
Other Expenses	(388.8)	(383.9)	4.9	(1.3%)
TOTAL (G)	\$ (1,146.0)	\$ (1,108.2)	\$ 37.8	(3.3%)
VARIANCE (H=F+G)		\$ 61.7	\$ 61.7	

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



Employee Count Monitoring

	MONTH-OVER-MONTH ACTUAL ⁽¹⁾			BUDGET VS. ACTUAL Variance		
	Actual July 2019	Actual August 2019	Change July 2019 vs. August 2019	Adjusted Budget FY 2020 ⁽²⁾	Under/(Over) Budget vs. August 2019	
Public Safety						
Police	3,089	3,098	9	3,337	239	7%
Fire	1,185	1,204	19	1,275	71	6%
Total Public Safety	4,274	4,302	28	4,612	310	7%
Non-Public Safety						
Office of the Chief Financial Officer	426	432	6	525	93	
Public Works - Full Time	368	370	2	447	77	
Health and Wellness Promotion	101	108	7	142	34	
Human Resources	100	96	(4)	104	8	
Housing and Revitalization	98	105	7	107	2	
Innovation and Technology	127	133	6	140	7	
Law	110	111	1	127	16	
Mayor's Office (includes Homeland Security)	81	81	0	81	0	
Municipal Parking ⁽³⁾	92	86	(6)	95	9	
Planning and Development	40	39	(1)	41	2	
General Services - Full Time	536	537	1	559	22	
Legislative ⁽⁴⁾	216	207	(9)	256	49	
36th District Court	321	324	3	325	1	
Other ⁽⁵⁾	118	124	6	189	65	
Total Non-Public Safety	2,734	2,753	19	3,138	385	12%
Total General City-Full Time	7,008	7,055	47	7,750	695	9%
Seasonal/ Part Time ⁽⁶⁾	744	742	(2)	832	90	11%
Enterprise						
Airport	4	4	0	4	0	
BSEED	276	272	(4)	317	45	
Transportation	927	932	5	977	45	
Water and Sewerage	545	547	2	650	103	
Library	305	299	(6)	326	27	
Total Enterprise	2,057	2,054	(3)	2,274	220	10%
Total City	9,809	9,851	42	10,856	1,005	9%

Notes:

- (1) Actuals are based on active employees only (both permanent and temporary) and include full-time, part-time, seasonal employees and PSCs if funded by vacant budgeted positions.
- (2) Adjusted Budget reflects amendments and other adjustments impacting approved position counts compared to the original budget. It excludes personal services contractors (PSCs).
- (3) During the development of the FY2020 - FY2023 Four-Year Plan, the Municipal Parking Department was transferred to the General Fund.
- (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.
- (6) Includes DPW, General Services, Recreation and Elections



Income Tax - Collections

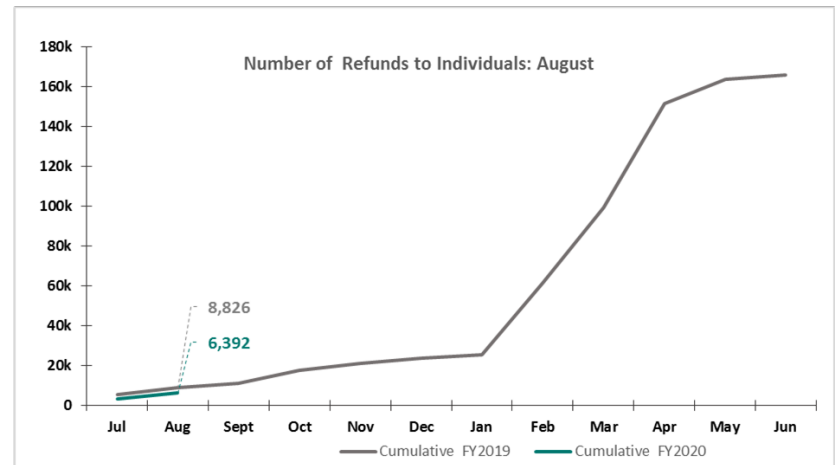
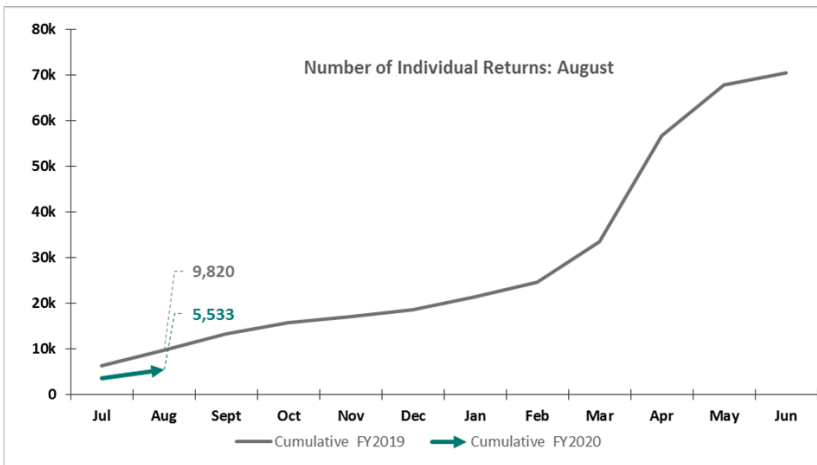
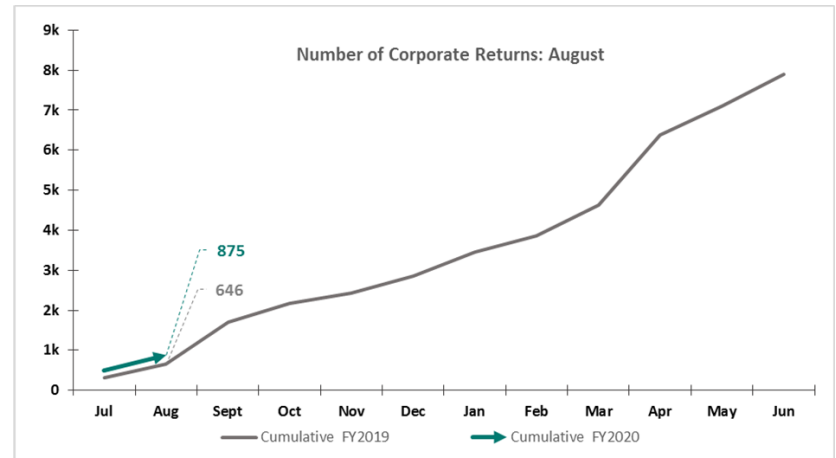
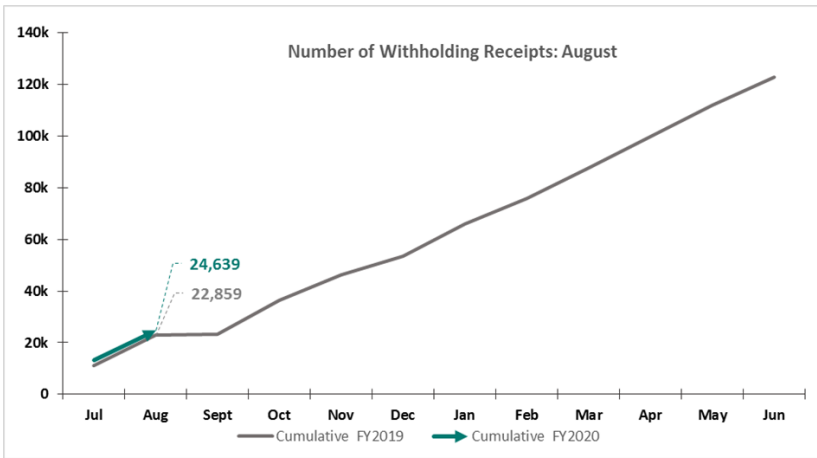
Fiscal Years 2019 - 2020

Income Tax Collections

	August 2019	August 2018
Withholdings/Estimates	\$ 44,692,946	\$ 49,909,675
Individuals	2,827,938	2,587,414
Corporations	1,104,309	1,489,713
Partnerships	211,052	121,056
Assessments	366,619	598,175
Total Collections	\$ 49,202,864	\$ 54,706,033
Refunds/ Disbursements	<u>(1,364,434)</u>	<u>(1,293,755)</u>
Collections Net of Refunds/Disbursements	<u>\$ 47,838,430</u>	<u>\$ 53,412,278</u>



Income Tax – Volume of Returns and Withholdings





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

Net Change from last month ⁽³⁾	(\$1.3)	

New Funds – January 1 to September 24, 2019 (\$ in millions)

Committed ⁽⁴⁾	
Total New Funding	\$127.3
Net New to the City ⁽⁵⁾	\$2.3

(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 in August are those highlighted on the executive summary.

(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.



New Funds (Total) – January 1 to September 24, 2019 – By Priority Category

Priority Category	Documented	Committed	Total
Administration/General Services	\$ 2,163,678	\$ 452,000	\$ 2,615,678
Community/Culture		\$ 543,848	
Economic Development	\$ 10,900,000	\$ 18,300,000	
Health		\$ 180,000	
Housing		\$ 12,511,109	\$ 16,611,109
		\$ 736,742	
Parks and Recreation			
Planning		\$ 25,000	
Public Safety			
Technology/Education	\$ 3,025,000	\$ 1,050,000	
Transit	\$ 25,549,152	\$ 17,919,628	\$ 43,468,780
		\$ 3,860,000	
Grand Total	\$ 71,726,766	\$ 55,578,327	\$ 127,305,093



Development and Grants

New Funds and City Leverage⁽¹⁾ – January 1 to September 24, 2019 – By Priority Category

Priority Category	Total Funds	City Leverage ⁽¹⁾
Administration/General Services	\$ 2,615,678	\$ 2,076,539
Community/Culture	\$ 1,008,323	\$ 36,933
Economic Development	\$ 29,200,000	\$ 59,000,000 ⁽²⁾
Health	\$ 11,179,043	
Housing	\$ 16,611,109	\$ 157,800 ⁽³⁾
Infrastructure	\$ 825,537	
Parks and Recreation	\$ 2,846,274	\$ 194,000
Planning	\$ 466,663	\$ 23,664
Public Safety	\$ 4,447,591	\$ 1,365,181
Technology/Education	\$ 4,075,000	
Transit	\$ 43,468,780	\$ 1,932,284
Workforce	\$ 10,561,095	\$ 2,000,000
Grand Total	\$ 127,305,093	\$ 66,786,401

(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>August 2019 Total</u>
Bank Balance	\$ 327.5	\$ 1,061.0	\$ 1,388.5
Plus/minus: Reconciling items	(23.2)	17.0	(6.2)
Reconciled Bank Balance	304.3	1,078.0	1,382.3
General Ledger Cash Balances			
General Fund			
General Accounts	\$ 220.6	140.1	\$ 360.6
Undistributed Delinquent Taxes	-	15.9	15.9
Other	1.6	3.5	5.1
Other Governmental Funds			
Risk Management	-	72.0	72.0
Capital Projects	-	107.7	107.7
Street Fund	-	107.9	107.9
Grants	-	53.6	53.6
Solid Waste Management Fund	46.7	-	46.7
Debt Service	-	59.5	59.5
Gordie Howe Bridge Fund	-	19.8	19.8
Quality of Life Fund	-	23.9	23.9
Other	21.5	8.7	30.2
Enterprise Funds			
Enterprise Funds	2.3	2.6	4.9
Fiduciary Funds			
Undistributed Property Taxes	-	215.4	215.4
Fire Insurance Escrow	-	9.9	9.9
Retiree Protection Trust Fund	-	174.8	174.8
Other	-	62.9	62.9
Component Units			
Component Units	11.6	-	11.6
Total General Ledger Cash Balance	<u>\$ 304.3</u>	<u>\$ 1,078.0</u>	<u>\$ 1,382.3</u>

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



Operating Cash Activity: YTD Actual vs Forecast

For 2 Months Ending August 31, 2019

\$ in Millions

	YTD		YTD		YTD		Prior YTD	
	Forecast		Actuals		Variance		Actuals	
Cash Receipts								
Property Taxes	\$	247.5	\$	251.0	\$	3.5	\$	249.8
Income Taxes		55.0		52.8		(2.2)		58.8
Wagering		31.1		32.9		1.8		33.2
State Shared Revenue		35.0		34.2		(0.8)		33.9
Utility Taxes		4.9		3.4		(1.5)		4.1
Other Revenue		58.6		61.9		3.3		47.7
Total Cash Receipts	\$	432.2	\$	436.2	\$	4.1	\$	427.5
Cash Disbursements								
Salaries & Wages	\$	(91.5)	\$	(93.7)	\$	(2.3)	\$	(88.7)
Benefits		(20.6)		(19.2)		1.4		(40.4)
Retiree Protection Trust Fund		(45.0)		(45.0)		-		(20.0)
Accounts Payable		(94.4)		(113.4)		(19.0)		(85.7)
Property Tax Distributions		(60.3)		(62.8)		(2.5)		(52.8)
Debt Service		(10.9)		(10.9)		-		(6.5)
Total Cash Disbursements	\$	(322.6)	\$	(345.0)	\$	(22.4)	\$	(294.2)
Net Cash Flow	\$	109.5	\$	91.2	\$	(18.3)	\$	133.3



Operating Cash Activity: Actual vs. Forecast to Year End

\$ in Millions

	2019						2020						FY2020 Total
	July Actual	August Actual	September Forecast	October Forecast	November Forecast	December Forecast	January Forecast	February Forecast	March Forecast	April Forecast	May Forecast	June Forecast	
Cash Receipts													
Property Taxes	\$ 58.2	\$ 192.8	\$ 16.8	\$ 12.0	\$ 3.3	\$ 3.5	\$ 17.5	\$ 156.5	\$ 12.0	\$ 4.5	\$ 11.4	\$ 19.7	\$ 508.2
Income Taxes	30.7	22.0	31.2	29.5	27.8	26.5	21.8	25.0	24.2	25.0	25.4	34.4	323.5
Wagering	15.5	17.4	15.0	13.6	18.5	20.6	14.8	14.4	17.2	14.1	13.7	15.7	190.5
State Shared Revenue	-	34.2	-	34.6	-	34.0	-	33.7	-	33.7	-	33.5	203.7
Utility Taxes	2.1	1.3	1.8	2.8	2.5	2.6	2.6	2.5	2.3	2.8	3.0	2.8	29.1
Other Revenue	33.7	28.3	13.4	18.3	18.8	16.6	23.8	19.0	20.0	16.8	23.2	24.6	256.5
Total Cash Receipts	\$ 140.2	\$ 296.0	\$ 78.1	\$ 110.8	\$ 70.9	\$ 103.8	\$ 80.5	\$ 251.1	\$ 75.7	\$ 96.9	\$ 76.7	\$ 130.7	\$ 1,511.4
Cash Disbursements													
Salaries & Wages	\$ (46.9)	\$ (46.8)	\$ (37.5)	\$ (36.0)	\$ (40.2)	\$ (36.0)	\$ (50.9)	\$ (34.7)	\$ (36.4)	\$ (37.2)	\$ (39.5)	\$ (44.3)	\$ (486.4)
Benefits	(12.6)	(6.5)	(6.0)	(14.7)	(7.7)	(7.5)	(16.1)	(7.5)	(7.5)	(14.7)	(7.7)	(7.5)	(116.0)
Retiree Protection Trust Fund	(45.0)	-	-	-	-	-	-	-	-	-	-	-	(45.0)
Accounts Payable	(46.3)	(67.2)	(24.2)	(34.6)	(47.4)	(37.3)	(46.8)	(23.5)	(33.8)	(37.3)	(43.5)	(31.4)	(473.2)
TIF Property Tax Disbursements	-	-	-	(3.0)	(4.0)	-	-	-	-	-	-	(10.0)	(17.0)
Property Tax Distributions	(36.3)	(26.5)	(123.2)	(21.0)	(1.6)	(3.0)	(14.0)	(124.3)	(6.0)	(2.0)	(10.0)	(25.0)	(392.9)
Debt Service	(2.7)	(8.2)	(14.1)	(5.6)	(2.7)	(9.0)	(2.7)	(9.0)	(2.7)	(17.7)	(2.7)	(9.0)	(86.1)
Total Cash Disbursements	\$ (189.8)	\$ (155.2)	\$ (204.9)	\$ (114.9)	\$ (103.6)	\$ (92.8)	\$ (130.5)	\$ (199.0)	\$ (86.4)	\$ (108.9)	\$ (103.4)	\$ (127.2)	\$ (1,616.6)
Net Cash Flow	\$ (49.6)	\$ 140.8	\$ (126.8)	\$ (4.1)	\$ (32.7)	\$ 11.0	\$ (50.0)	\$ 52.1	\$ (10.7)	\$ (12.0)	\$ (26.7)	\$ 3.5	\$ (105.1)



Accounts Payable and Supplier Payments

City of Detroit
Accounts Payable Analysis
\$ in millions

Accounts Payable (AP) as of Aug-19	
Total AP (Jul-19)	\$ 46.3
Plus: Aug-19 invoices processed	\$ 182.3
Less: Aug-19 Payments made	\$ (198.1)
Total AP month end (Aug-19)	\$ 30.5
Less: Invoices on hold ⁽¹⁾	\$ (14.8)
Less: Installments/Retainage Invoices ⁽²⁾	\$ (0.4)
Net AP not on hold	\$ 15.3

AP Aging (excluding invoices on hold)

	Net AP	Current	Days Past Due		
			1-30	31-60	61+
Aug-19. Total	\$ 15.3	\$ 12.6	\$ 1.3	\$ 0.5	\$ 0.9
<i>% of total</i>	100%	82%	8%	3%	6%
<i>Change vs. Jul-19</i>	\$ (8.7)	\$ (1.0)	\$ (7.4)	\$ -	\$ (0.3)
Total Count of Invoices	1,979	1,376	371	145	87
<i>% of total</i>	100%	70%	19%	7%	4%
<i>Change vs. Jul-19</i>	1,112	732	249	100	31
Jul-19. Total	\$ 24.0	\$ 13.6	\$ 8.7	\$ 0.5	\$ 1.2
<i>% of total</i>	100%	57%	36%	2%	5%
Total Count of Invoices	867	644	122	45	56
<i>% of total</i>	100%	74%	14%	5%	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

