



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE No. 2018-101-021

SUBJECT: Revenues and Revenue Management
ISSUANCE DATE: October 18, 2018
EFFECTIVE DATE: October 18, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014, states the city shall hold biannual revenue estimating conferences, which shall establish an official economic forecast and a forecast of anticipated revenues of the city.
- 1.3. The 1984 Detroit City Code, Chapter 18, Article VI, provides uniform procedures for accounts receivable.

2. OBJECTIVES

- 2.1. To provide a stable, sufficient, efficient, and equitable system of City revenue.
- 2.2. To ensure City revenues are collected, recorded, and monitored against budgeted amounts.
- 2.3. To protect the City's financial interests.
- 2.4. To provide a framework and guidelines for the City's revenue-related activities.

3. PURPOSE

- 3.1. To establish the City's policy concerning revenues and revenue management.

4. SCOPE

- 4.1. This Directive applies to all of the City's revenues and revenue-related activities.

5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Budget Director, Deputy CFO- Treasurer, Deputy CFO- Director of Departmental Financial Services, and Deputy CFO- Controller / Chief Accounting Officer shall be responsible for the activities as described in this Directive
- 5.2. Department Directors shall ensure, where applicable, that departmental operations are designed in a manner that allows for efficient and effective billing and collection processes.

6. POLICY

- 6.1. The City's system of revenues shall adhere to the following principles:

- 6.1.1. The City shall maximize and diversify its revenue base to raise sufficient revenue to support essential City services and to maintain services during periods of declining economic activity.
 - 6.1.2. City services providing private benefits should be paid for by user fees as much as possible to maximize flexibility in the use of City general revenue sources to meet the cost for services of broader public benefit.
 - 6.1.3. The City's overall revenue structure shall be designed to recapture financial benefits resulting from City economic and community development investments.
 - 6.1.4. The City shall monitor State and Federal actions that may impact City revenues and shall strive to protect City revenues from any adverse actions.
 - 6.1.5. The City shall collect as efficiently as possible the resources to which it is already entitled.
 - 6.1.6. The City shall seek new resources, consistent with its financial policies and City goals.
 - 6.1.7. The City shall strive to keep a total revenue mix that encourages growth and keeps Detroit competitive in the metropolitan area and among its peers.
 - 6.1.8. Except in the case of certain tax collections, the City shall not collect revenues on behalf of another entity. All revenues due to the City shall be made out to the City of Detroit.
 - 6.1.9. The City shall enforce its authority to collect revenue due the City, including litigation if necessary.
 - 6.1.10. The City shall record all receipts and receivables in accordance with Generally Accepted Accounting Principles (GAAP) for local units of government and Governmental Accounting Standards Board (GASB) pronouncements in the general ledger.
 - 6.1.11. The City shall collect and record all receipts and receivables in accordance with an internal controls framework established by the Office of the Controller.
 - 6.1.12. The City shall regularly monitor revenue collections and accounts receivable. The City shall monitor both actual and forecasted revenues at least monthly. The City shall thoroughly investigate any significant variance between actual and forecasted revenues.
 - 6.1.13. The City shall minimize manual processes and shall maximize utilization of the City's Enterprise Resource Planning (ERP) system and other finance and finance-related technology in order to maintain a robust system of controls and provide the information necessary to carry out the activities stated in this Directive.
- 6.2. Revenue Estimation and Monitoring
- 6.2.1. Revenue estimation shall adhere to State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014.
 - 6.2.2. The Office of Budget shall prepare and submit a revenue estimates review to the Chief Financial Officer (CFO) in May of each year to determine whether budget amendments may be necessary.

- 6.2.3. The Office of Budget shall oversee and coordinate a system of revenue monitoring throughout the fiscal year to which all Departments, Divisions, and Agencies shall adhere.

6.3. Major Revenues

- 6.3.1. The City's Major Revenues comprise of the municipal income tax, property tax, wagering tax, utility users tax, and state revenue sharing.
- 6.3.2. The Office of the Treasury shall be responsible for administering the Major Revenues.

6.4. Departmental Revenues

- 6.4.1. The City's Departmental Revenues comprise of all City revenues related to departmental operations and activities.
- 6.4.2. Department Directors shall ensure applicable departmental operations are designed in a manner that allows for efficient and effective billing and collection processes.
- 6.4.3. The Office of Departmental Financial Services (ODFS) shall be responsible for invoicing and recording the Departmental Revenues.
- 6.4.4. Department Directors and the ODFS shall periodically review and update departmental fees and charges in accordance with the City's policies regarding user fees and charges and other applicable law.

6.5. All Other Revenues

- 6.5.1. All Other Revenues comprise of any City revenues other than the Major Revenues and Departmental Revenues and shall be administered by OCFO divisions as determined by the CFO.

6.6. Billing and Collection Practices

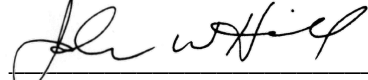
- 6.6.1. Department Directors shall ensure applicable operations are designed in a manner that provides complete and accurate information to enable efficient and effective billing.
- 6.6.2. Accounts receivables shall be established for services that are billed. Invoices or payments may be billed and / or collected either before or after services are provided, as determined by the ODFS.
- 6.6.3. Unless otherwise required by ordinance, resolution, or other authority, all invoices shall have established terms (e.g., due 30 days from the date of issuance).
- 6.6.4. Where feasible, language shall be included on invoices to explicitly state the penalties and interest to be charged and the timeframe for which they will be charged.
- 6.6.5. Where necessary, procedures shall be adopted for billing adjustments.

6.7. Accounts Receivable Management

- 6.7.1. The accounts receivable module in the City's financial management system shall be utilized to the greatest extent feasible. Tax and revenue sub-systems, where possible, must interface with the accounts receivable module. All delinquent revenues, where possible, must be in the accounts receivable module to enable the efficient and effective collections of delinquent revenues.

- 6.7.2. Whenever articles or services are furnished by City departments, such departments shall collect for such articles or services in advance or on a cash on delivery basis whenever possible, as administered by the ODFS in accordance with applicable law and policy.
- 6.7.3. Collection of delinquent revenue shall adhere to established law, as applicable.
- 6.8. Bad Debts, Write-Offs and Adjustments
 - 6.8.1. Processes regarding bad debts, write-offs, and adjustments shall adhere to established law, as applicable.
 - 6.8.2. No less than annually, the Office of the Treasury and the Corporation Counsel shall conduct a Citywide review of all delinquent (120 days or more past due) accounts receivable and make recommendations to City Council in accordance with established law, as applicable.
 - 6.8.3. Upon City Council approval of a write-off, the Office of the Controller and other OCFO divisions shall take the necessary steps to write-off the uncollectable accounts receivable. An accounting adjustment resulting in a write-off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt and is still payable to the City by the debtor.

APPROVED



John W. Hill

Chief Financial Officer, City of Detroit