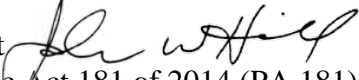




CFO MEMORANDUM
No. 2018-101-011

TO: Financial Review Commission
FROM: John W. Hill, Chief Financial Officer, City of Detroit 
SUBJECT: Certification of the City's Compliance with Public Act 181 of 2014 (PA 181), Section 6(3); Certification that the City has met the Waiver Conditions in PA 181, Section 8(2)
ISSUANCE DATE: April 25, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 181, Section 6(3) states the Financial Review Commission (FRC) shall ensure that the City of Detroit complies with the provisions of various State laws, as applicable, and may request verification of compliance.
- 1.2. State of Michigan Public Act 181, Section 8(1) states the FRC shall, by resolution, waive the oversight requirements designated in Sections 6 and 7 of PA 181 if certain conditions are met as provided in Section 8(2) of PA 181.

2. OBJECTIVE

- 2.1. The FRC has requested the Chief Financial Officer (CFO) to verify that the City is in compliance with the provisions in PA 181, Section 6(3).
- 2.2. The FRC has requested the CFO to verify that the City has met all the waiver conditions in Section 8(2) of PA 181.

3. PURPOSE

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

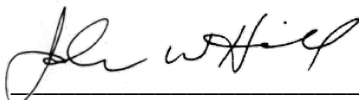
4. SCOPE

- 4.1. This Memorandum is intended solely to satisfy the FRC's request for verification of compliance with the provisions in PA 181, Section 6(3) and for verification that the City has met the waiver conditions of Section 8(2) of PA 181.

5. STATEMENT

- 5.1. In accordance with Section 6(3) of PA 181, the City is in compliance with the following provisions:
 - 5.1.1. Section 8 of the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.568.
 - 5.1.2. Sections 4i, 4p, and 4s of the home rule city act, 1909 PA 279, MCL 117.4i, 117.4p, and 117.4s.
 - 5.1.3. Section 4t of the home rule city act, 1909 PA 279, MCL 117.4t.
 - 5.1.4. The revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.
 - 5.1.5. The uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

- 5.2. In accordance with Section 8(2) of PA 181, the City has met the following conditions:
- 5.2.1. Adopted and adhered to deficit-free budgets for 3 consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.
 - 5.2.2. Both of the following conditions related to municipal securities:
 - 5.2.2.1. All municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City during that period.
 - 5.2.2.2. There is a substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year and the immediately succeeding fiscal year in amounts sufficient to substantially satisfy all of the capital and other financial requirements of the City during those periods in accordance with the City's financial plan, as applicable.
 - 5.2.3. Financial plan projects a balanced budget for the current and succeeding 3 fiscal years using generally accepted accounting principles and in accordance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and section 4t of the home rule city act, 1909 PA 279, MCL 117.4t.
 - 5.2.4. Sufficient ability to borrow in the municipal securities market.
 - 5.2.5. Did not violate the Plan of Adjustment (the "POA") in the immediately preceding fiscal year, as applicable, and is not in violation in the current fiscal year.
 - 5.2.6. Compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.
 - 5.2.7. Substantial compliance with PA 181.
 - 5.2.8. Currently only offers the retirement plans as provided in the POA, which do not include contributions to individual employee retirement accounts.
 - 5.2.9. Implemented a program in which all contracts awarded by the City are posted on the City's public website within 30 days of the contract award, including the identity of the parties to the contract, the dollar amount of the contract, and a brief description of the goods or services provided by the contract.

CERTIFIED

John W. Hill

Chief Financial Officer, City of Detroit



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2018-12

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

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

WHEREAS, 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 8 of the Act provides a mechanism whereby the Commission waives the duties and obligations of the City to the Commission enumerated in Sections 6 and 7 of the Act if and when the conditions enumerated in Section 8 have been satisfied; and

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

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

WHEREAS, at the Commission meeting on April 30, 2018, documentation of the City's (i) adoption and adherence to deficit-free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421, and (ii) compliance with the Act from September 1, 2017 through April 16, 2018, attached as **Exhibit A** to this Resolution, were presented for consideration.

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

1. That the Commission hereby certifies that the City has adopted and adhered to deficit-free budgets for three consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421; provided, however that the deficits of the City's proprietary funds in fiscal year 2015 and fiscal year 2016 were less than the unrestricted General Fund balance in each such year and therefore, the City's financial position as a whole was not in a deficit position at the end of the fiscal year 2015 or fiscal year 2016 and such deviations in the fiscal year 2015 and fiscal year 2016 budgets were previously approved and accepted by the Michigan Department of Treasury and the Commission.
2. That the Commission hereby certifies that the City is in substantial compliance with the provisions of the Act for the period from September 1, 2017 through April 16, 2018.
3. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
4. This Resolution shall have immediate effect.

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

DETROIT FINANCIAL REVIEW COMMISSION

By _____
Darrell Burks, Detroit Financial Review Commission
Member

By _____
Michael Duggan, Detroit Financial Review
Commission Member

By _____
Stacy Fox, Detroit Financial Review Commission
Member

By _____
Brenda Jones, Detroit Financial Review Commission
Member

By _____
Nick A. Khouri, State Treasurer and Detroit Financial
Review Commission Member

By _____
William Martin, Detroit Financial Review
Commission Member

By _____
Ike McKinnon, Detroit Financial Review Commission
Member

By _____
David Nicolson, Detroit Financial Review
Commission Member

By _____
John Walsh, Detroit Financial Review Commission
Member

Date: _____
Detroit, Michigan



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

RESOLUTION 2018-13

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

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

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

WHEREAS, Section 8 of the Act provides a mechanism whereby the Commission waives the duties and obligations of the City to the Commission enumerated in Sections 6 and 7 of the Act if and when the conditions enumerated in Section 8 have been satisfied; and

WHEREAS, at the Commission meeting on April 30, 2018, documentation that the City has satisfied the conditions enumerated in Section 8, attached as **Exhibit A** to this Resolution, was presented for consideration.

WHEREAS, Section 8 of the Act further requires the Commission to continue to monitor the City’s financial condition and performance, and to determine on an annual basis whether to continue to provide a waiver of the City’s duties and obligations under Sections 6 and 7 of the Act,

using the same assessment as used for granting the initial waiver, including whether the City “has sufficient ability to borrow in the municipal securities market,” MCL 141.1638(2)(d); and

WHEREAS, the Act requires the City to continue to submit a 4-year financial plan, even after an initial waiver is granted, on an annual basis, “in a form and manner the Commission considers appropriate,” MCL 141.1637(b); and

WHEREAS, the Act also requires the Commission to monitor whether financial distress exists or there is a substantial likelihood of financial distress imminently occurring that would cause the Commission to rescind its waiver; and

WHEREAS, to adequately discharge its duties under the Act after granting the initial waiver, and to satisfy the Commission that the City will, among other things, remain able to “borrow in the municipal securities market,” MCL 141.1638(2)(d), the Commission will continue to need certain reports and information from the City after the initial waiver is granted; and

WHEREAS, the Mayor and Chief Financial Officer of the City have consulted with the Commission and support this resolution;

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

1. That the conditions set forth in Section 8(2) have been satisfied and therefore, the City’s duties and obligations to the Commission under Sections 6 and 7 of the Act are waived through and including June 30, 2019, subject to the terms and conditions of the Act, including Section 8.

2. That pursuant to its statutory obligations, the Commission will review the waiver annually and, by July 1 of each year, make a determination as to whether to renew the waiver for the subsequent year.

3. That this waiver, and any subsequent waivers, will be reviewed and acted upon by the Commission upon timely submission of the following information and reports to the Commission:

a. Within 45 days after the end of each month:

i. Current fiscal year-to-date actuals to budget and annualized projections, in the form provided to the Commission by the City during the twelve months prior to the commencement of the waiver period, as may be modified after consultation and approval by the Commission's Executive Director and the City's Chief Financial Officer.

ii. Monthly headcount analysis, in the form provided to the Commission by the City during the twelve months prior to the commencement of the waiver period, as may be modified after consultation and approval by the Commission's Executive Director and the City's Chief Financial Officer.

iii. Current fiscal year-to-date net cash flows, including a current ratio analysis, in the form provided to the Commission by the City during the twelve months prior to the commencement of the waiver period, as may be modified after consultation and approval by the Commission's Executive Director and the City's Chief Financial Officer.

b. Within 45 days of the end of each quarter, a report on the current status of bond debt, payments made to the City's pension plans, and payments made to the City's Section 115 Trust for its legacy pension obligations.

c. On an annual basis:

i. By March 31st of each year, (A) analysis and forecasts for the legacy pension plans in the form substantially similar to those previously provided to the Commission by the City prior to the waiver period, as may be

modified after consultation and approval by the Commission's Executive Director and the City's Chief Financial Officer; and (B) analysis that confirms the City's ability to pay its debt obligations through the period of time the City is subject to the Commission's oversight.

ii. By April 30th of each year, the City's adopted Budget and 4-Year Financial Plan.

4. That during any waiver period, the Commission will continue to meet monthly. At these monthly meetings, the Commission's Executive Director will make a presentation to the Commission addressing whether financial distress has or is about to occur as provided in the Act. If financial distress is detected, the Commission's Executive Director will recommend the waiver be rescinded. At the second regularly scheduled meeting after each quarter end, the City will provide a financial update to the Commission which shall include, at a minimum, the reporting requirements stated in Section 3(a) of this Resolution.

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

6. That this Resolution shall have immediate effect and the terms of this Resolution will remain in effect until the earliest of (i) the rescission of a waiver pursuant to Section 8(3) of the Act; (ii) the expiration of the initial waiver or any subsequent waiver and no renewal of the waiver is granted under Section 8(2) of the Act; (iii) the release of the City from oversight of the Commission after 10 consecutive years of waivers pursuant to Section 12(3) of the Act; or (iv) the Commission's dissolution after 10 consecutive years of waivers pursuant to Section 12(1) of the Act.

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

DETROIT FINANCIAL REVIEW COMMISSION

By _____
Darrell Burks, Detroit Financial Review Commission
Member

By _____
Michael Duggan, Detroit Financial Review
Commission Member

By _____
Stacy Fox, Detroit Financial Review Commission
Member

By _____
Brenda Jones, Detroit Financial Review Commission
Member

By _____
Nick A. Khouri, State Treasurer and Detroit Financial
Review Commission Member

By _____
William Martin, Detroit Financial Review
Commission Member

By _____
Ike McKinnon, Detroit Financial Review Commission
Member

By _____
David Nicolson, Detroit Financial Review
Commission Member

By _____
John Walsh, Detroit Financial Review Commission
Member

Date: _____
Detroit, Michigan

DETROIT FINANCIAL REVIEW COMMISSION

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

For the Period April 16, 2018 through June 30, 2019

Presented on April 30, 2018

Requirement	FRC Act Sec. No.	Compliance
The commission certifies the City has adopted and adhered to deficit-free budgets for 3 consecutive years that comply with generally accepted accounting principles and are in accordance with the uniform budgeting and accounting act, MCL 141.421.	8(2)(a)	See FRC resolution 2018-12 for the FRC’s certification.
The State treasurer and the City’s CFO certify that (a) all municipal securities or debt obligations sold by or for the benefit of the City in the general public market during the immediately preceding fiscal year and current fiscal year satisfied the capital and other financial requirements of the City, and (b) there is a substantial likelihood that municipal securities or debt obligations can be sold by the City in the general public market during the remainder of the current fiscal year.	8(2)(b)	See Treasurer’s and City’s attached verification of compliance.
The City’s financial plan projects a balanced budget for the current and succeeding 3 fiscal years using general accepted accounting principles and in accordance with the Uniform Budgeting and Accounting Act.	8(2)(c)	The City has submitted 4 four-year financial plans with balanced budgets. The FRC has approved them all: <ul style="list-style-type: none"> • FY 2016-FY 2019 plan (approved April 20, 2015) • FY 2017-FY 2020 plan (approved April 18, 2016) • FY 2018-FY 2021 plan (approved April 17, 2017) • FY 2019-FY 2022 plan (approved April 16, 2018)
The City has demonstrated to the FRC’s satisfaction that the City has sufficient ability to borrow in the municipal securities market.	8(2)(d)	On November 16, 2017 the Michigan Finance Authority issued \$124.5 million in revenue bonds on behalf of the City. In October 2017, the city received a credit rating increase from Moody’s Investors Services from B1 to B2 and also assigned a positive outlook. In December 2017, S&P Global increased the City’s credit rating from B to B+ with a stable outlook.
The City did not violate the Plan of Adjustment (“POA”) in the immediately preceding fiscal year and is not in violation in the current fiscal year.	8(2)(e)	See City’s attached verification of compliance.

FRC City Resolution 2018-13
Exhibit A

The State Treasurer certifies that the City is in compliance with the Uniform Budgeting and Accounting Act.	8(2)(f)	See Treasurer’s attached verification of compliance.
The FRC certifies that the City is in substantial compliance with the Act.	8(2)(g)	See FRC resolution 2018-12 for the FRC’s certification.
The City has established as a system of compensation for employees retirement plans in which the City contributes no more than 7% of an individual’s base pay, excluding payment for overtime services, 1-time lump sum payments and the cost of fringe benefits, to an employee’s retirement account.	8(2)(h)	See City’s attached verification of compliance.
The City has implemented a program in which all contracts award by the City are posted on the City’s public website within 30 days of the contract award including the identity of the parties to the contract, the dollar amount of the contract and a brief description of the goods or services provided by the contract.	8(2)(i)	<p>As reported by the FRC Executive Director at the March 26, 2018 FRC meeting, on March 8th 2018, FRC staff met with the City to review the City’s process for posting contracts to the City’s website. As part of the City’s presentation:</p> <ul style="list-style-type: none"> • FRC staff confirmed contracts are being posted online. • The City has documented the process. • The City also has an internal audit process to ensure the integrity of the online posting. • Contracts designated for one-time purchases will remain on the website for a minimum of one year before being purged from the website.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: April 26, 2018
TO: Financial Review Commission
FROM:  Nick A. Khouri, Treasurer
SUBJECT: FRC Certifications on the City of Detroit

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

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

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