



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.