

CITY OF DETROIT FINANCIAL ADVISORY BOARD

MARCH 11, 2013 - 2:00 P.M.
MINUTES

Members Present:

Sandy Pierce
W. Howard Morris
Eddie Munson

Glenda Price
Ronald E. Goldsberry

Darrell Burks
Kenneth Whipple

Members Absent:

Robert Bowman

Mary Beth Kuderik

I. CALL TO ORDER

Ms. Pierce called the meeting to order at 2:01 P.M. Six Financial Advisory Board members were present, a quorum.

Roll Call – Eddie Munson, Ronald Goldsberry, Sandy Pierce, Darrell Burks, Kenneth Whipple, Howard Morris. FAB Member Glenda Price arrived at 2:12PM

Members Absent: Robert Bowman, Mary Beth Kuderik

By motion made and supported, the Board unanimously voted 6-0 to approve today's agenda and to remove the Closed Session portion of the agenda.

II. APPROVAL OF BOARD MEETING MINUTES

By motion made and supported, the Board unanimously voted 6-0 (via roll call vote) to approve the February 11, 2013, regular Board meeting minutes.

III. PRESENTATIONS: CITY OF DETROIT

A. CASH AND FINANCIAL UPDATES: Presented by Jack Martin

FAB Chair Pierce: Referring to refinancing proceeds which came in January and the State escrow dollars scheduled for the end of February, Member Pierce asked since the milestones for this period were met why didn't the City receive the \$20M. Mr. Martin responded stated we have not received it but expect to before the end of this month.

State Treasurer Andy Dillon: Stated the State is preparing to send the 20M by the end of March 2013.

FAB Chair Pierce: Asked about the status of the City having an agreement with the Pension Board for the \$28M. Mr. Martin responded stating the agreement with the Board takes us to the end of the year and the Police and Fire agreement will be up at the end of this month.

FAB Munson: Will this forward payment include any of the 28M deferral pension contribution. Mr. Martin responded saying no. This is all assumed to be paid in fiscal 2014 and we have agreement with pension trustees.

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FAB Burks: The City have 18.9 M in structural changes, the Review Team requested 35-45M by March 31, 2013, starting at the low end that's 90M and you are at 18M; that's 20 percent of what the charge is, 80 percent of the 97M is related to short term onetime runoffs. The City of Detroit has a deficit cash flow of 90-100M; 18M was taken down structurally, the rest comes from short term deferrals, 80 percent of the fix will come back. When do we pay it back, in 2014 or push it into 2015? This is a short-term fix. For the record, 20 percent of what we requested had been fixed. Mr. Martin responded saying for the record, there are other items that are not reflected such as, asset sales and lease consolidated payments.

FAB Goldsberry: Regarding pension deferral of 26.3M and forecast of 25.9, is this definite and was there Pension Board approval? Mr. Martin responded stating it's a total of 52.2 with the Pension Board approval a definite but need a payment plan.

FAB Chair Pierce: Asked if a payment plans has been worked out. Mr. Martin replied stating no, this will have to be worked out with the Trustees.

FAB Burks: Asked if the Pension Board was ok with the deferral. Mr. Martin responded yes.

FAB Chair: Is this another 52M in addition to the 80M? Mr. Martin responded yes.

B. ERNST & YOUNG (E&Y), FINANCIAL RESTRUCTURING ADVISOR: Presented by Gaurau Malhotra.

E&Y: Lead Advisors in long term forecast. Presenter stated that progress is being made timely. They are dedicated to the successful outcome of City's restructuring efforts. The critical thing to know is that the City's ten-year plan and the following goals:

- Blocking and Tackling - Dealing and interacting with stake holders to ensure City won't run out of cash.
- Being proactive about forth coming risk.
- Implementing counter measures.

FAB Chair Pierce: Asked when will the 10 year plan be available for FAB to review – E&Y responded saying if not the next FAB meeting it will be available at the following.

FAB Munson: Regarding pension funds

1.) What governance adjustments can be initiated at the general city level without the control by the Pension Board itself? Answer: Adjustment cost/ liabilities should not be under take in a 6 month plan to fix it and redo it in another 6 months; it need to be a long term focused effort of a 30 year plan to last 30 more, there is an extreme focus on fixing the governance issues in a collaborative way.

2.) Are there structural changes that can be considered? Answer: Yes

3.) Do you have to have Pension buy-in before the changes can be made? Answer: yes

C. CONWAY MACKENZIE (CM), OPERATIONAL RESTRUCTURING ADVISOR:

FAB Munson: Regarding the planning phase, what level of involvement departments will have and, will this be a shared or consultant driven project? CM responded saying we are leveraging with lack of leadership in the departments and there may need to be some temporary assistants but the project has to be driven by the individual departments.

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CM will determine what is necessary for each department to work effectively and eliminate inefficiencies and redundancies: labor, systems and hard assets /equipment

FAB Morris: Regarding the Public Lighting Authority, will CM be offering operational support as opposed to E&Y's financial advice for an accelerated deadline plan. Mr. Andrews responded saying yes.

FAB Goldsberry: Stated in regards to prioritizations, inefficiencies are another factor that needs to be balanced. There are huge gaps in service levels of Police and Fire departments. How do you incorporate this into our prioritizations and will it be through an action plan going forward? CM stated yes, it will be through an action plan and being visible to the residence will make it a quick hit in terms of priority.

D. MILLER BUCKFIRE (MB), INVESTMENT BANKER: Presented by James Doak

MB stated an investment banker and financial advisor. Their role is to assist city leaders and the other advisors in preparing plans, as larger solutions, resources and information to conduct a dialog with citizens, creditors and employees of Detroit to make them understand the challenges the City is facing the size, the depth and cost and best possible solution of shared sacrifice. MB move anticipates more of a front role in working through proposals and ideals for constituents and stake holders in the process.

MB is assisting the City in conducting the RFP process for restructuring legal counsel.

FAB Munson: How do you spend your time in the capital markets giving the whole scope of services? MB stated it is very limited, stating one third of twenty percent is accurate representation.

Munson asked does your program include classes of asset property that are not on the books and can they be identified and monetized? MB responded that the program does include these type as under-utilized property and underutilized can be monetized in proper circumstances.

FAB Chair Pierce: What is status on payment defaults of the swaps and of the counterparts? MB stated the technical defaults are piling on. However, there are no payment defaults. The City continues to honor it obligation with the counterparties making required interest payments.

FAB Chair Pierce: How many counter parts are there? MB replied there are four principal banks who are all participating in negotiations.

IV. BOARD ACTION AND/OR DISCUSSION ITEMS

FAB Chair Pierce stated E&Y will bring in more information on their ten year plan by departments on revenues and expenditures.

Reminded CM to also bring information on April 8, 2013 or definitely by May 13th, 2012.

V. PUBLIC PARTICIPATION/COMMENTS

There was three individual who addressed the Board:

Valerie Glenn

Mark Young

Detroit City Council Pro Tem Gary Brown

VI. MOTION TO ADJOURN

There being no further business, and by motion and second, FAB Chair Pierce adjourned the meeting at 3:35 P.M.

Date Approved: April 8, 2013