



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: March 13, 2019

TO: State Senator Jim Stamas, Chair, Senate Subcommittee on General Government
State Representative Mark Huizinga, Chair, House Subcommittee on General Government
Christopher Harkins, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Chris Kolb, Director, State Budget Office

FROM: Shelbi Frayer, Executive Director
Patrick Dostine, Departmental Specialist
Chelan Burks-Andrews, Financial Specialist

SUBJECT: Financial Review Commission March 15, 2019 – Boilerplate Report

The Financial Review Commission (FRC) is responsible for oversight of the city of Detroit and the Detroit Public Schools Community District (DPSCD) pursuant to the Michigan Financial Review Commission Act (Public Act 181 of 2014). The FRC's powers and duties relative to the city of Detroit were waived April 2018. That said, data for the months of December 2017, and January 2018 through April 2018, before the waiver was granted, are reported. For DPSCD, the FRC is in full active oversight as the data in the report reflects.

This report is required by Section 949d (1) of Public Act 107 of 2017 and Public Act 207 of 2018, the General Omnibus Appropriation Acts which provide the following:

Sec. 949d. (1) From the funds appropriated in part 1 for financial review commission, the department of treasury shall continue financial review commission efforts in the current fiscal year. The purpose of the funding is to cover ongoing costs associated with the operation of the commission.

(2) The department of treasury shall identify specific outcomes and performance measures for this initiative, including, but not limited to, the department of treasury's ability to perform a critical fiscal review to ensure the city of Detroit does not reenter distress following its exit from bankruptcy and to ensure that the community district does not enter distress and maintains a balanced budget.

(3) The department of treasury must submit a report to the house and senate appropriations subcommittees on general government, the senate and house fiscal agencies, and the state budget office by March 15. The report must describe the specific outcomes and measures required in subsection (1) and provide the results and data related to these outcomes and measures.

Please see the table below which highlights these specific outcomes and measures regarding the operation of the commission from December 1, 2017 through December 31, 2018.

FRC Measures	City of Detroit Outcomes	Detroit Public Schools Community District Outcomes
The City and DPSCD must adopt a deficit free budget	<p>The City submitted 3 deficit free four-year financial plans through November 2017. FRC reviewed and approved all of them.</p> <p>In waiver: The FY 2020 four-year financial plan will be reviewed by the FRC in April 2019 upon submission. No approval required.</p>	DPSCD submitted 4 deficit free budgets to date, the FY 2018 capital projects fund budget, FY 2019 general fund budget, 2019 capital projects fund budget and 2019 food service fund budget. FRC reviewed and approved all of them.
The City and DPSCD have adhered to a deficit free budget	The City adhered to four consecutive deficit free budgets.	DPSCD adhered to two consecutive deficit free budgets. The third budget's compliance with this requirement will be confirmed upon release of the 2019 CAFR.
The City, DPSCD, and DPS have paid all principal and interest on outstanding debts when due.	The City certified that all principal and interest payments on outstanding debts have been paid when due.	Detroit Public Schools (DPS) certified that all principal and interest payments on outstanding debts have been paid when due. The new District, DPSCD has not issued any debt.
FRC review and approval of all applicable contracts	<p>The City submitted 688 applicable contracts and amendments through April 2018. FRC reviewed 688 applicable contracts and approved 687 of them.</p> <p>In waiver: FRC no longer reviews/approves contracts/amendments.</p>	DPSCD submitted 64 applicable contracts. FRC reviewed and approved all of them.
FRC review and approval of collective bargaining agreements	<p>The City submitted 8 collective bargaining agreements and amendments to date. FRC reviewed and approved all of them.</p> <p>In waiver: FRC no longer reviews/approves collective bargaining agreements.</p>	DPSCD submitted 1 collective bargaining agreement and 3 letters of agreement to date. FRC reviewed and approved all of them.
FRC review and approval of budget amendments	<p>The City submitted a total of 269 budget amendments through April 2018. FRC reviewed and approved all of them.</p> <p>In waiver: FRC no longer reviews/approves budget amendments.</p>	DPSCD submitted a total of 5 budget amendments to date. FRC reviewed and approved all of them.
FRC review and approval of requests to issue debt	<p>The City submitted 5 debt issuance requests through April 2018. FRC reviewed and approved all of them.</p> <p>In waiver: FRC no longer reviews/approves requests to issue debt.</p>	DPSCD has not submitted any requests to issue debt.

<p>FRC approval of Chief Financial Officer's appointment</p>	<p>The City submitted its appointment of its Chief Financial Officer. FRC approved the appointment on January 26, 2015.</p> <p>In waiver: Mayor appointed an interim CFO January 1, 2019. The City has 180 days (June 30, 2019) to appoint a permanent CFO, as required by statute.</p>	<p>DPSCD submitted its appointment of its Chief Financial Officer. FRC approved the appointment on November 20, 2017.</p>
<p>FRC approval to alter the DPSCD Superintendent's contract or to terminate the DPSCD Superintendent</p>	<p>N/A</p>	<p>FRC approved the proposed DPSCD Superintendent's contract on May 22, 2017.</p>