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June 18, 2019

Treasurer Rachael Eubanks
Michigan Department of Treasury
Lansing, Michigan 48922

Dear Treasurer Eubanks:

Pursuant to the Michigan Financial Review Commission Act 181 of 2014, I hereby designate the City of Detroit Chief Financial Officer, David Massaron, to serve on my behalf on the Financial Review Commission.

Sincerely,

Michael E. Duggan
Mayor



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 24, 2019
TO: Financial Review Commission Members
FROM: Patrick Dostine, Departmental Specialist, Treasury
SUBJECT: Year-Two Waiver of Direct FRC Oversight of City of Detroit

Executive Summary

The Financial Review Commission is required to certify that the statutory conditions of Sec 8(2) of the Michigan Financial Review Commission Act, Act 181 of 2014 are met to grant a waiver under the Act. Throughout the first waiver-year, the city has been diligent in providing the Financial Review Commission with timely submissions of information and monthly, quarterly and annual reports as required in Section 3 of Resolution 2018-13. Exhibit A in Resolution 2019-2 details the city's compliance with the statutory conditions and identifies the supporting documentation outlining the city's compliance with the Act. Based upon a review of the city's financial information, submitted reports and discussions during the finance and contracts subcommittee meetings, staff recommends the Financial Review Commission certify the city of Detroit has met the statutory conditions of Sec. 8(2) and grant the city of Detroit the year-two waiver.

Background

Public Act 181 of 2014 (Act 181) provides for the active oversight of the city of Detroit for not less than 13 years. The Financial Review Commission's (FRC) duties and powers in active oversight are detailed in Sections 6 and 7, respectively, of Act 181. Section 8 sets forth the conditions which, if all are met, require the FRC to annually adopt a resolution granting the waiver and the conditions which, should one occur, require the FRC to rescind the waiver.

Act 181 established the FRC on December 10, 2014 to monitor the city's compliance with the plan of action (POA) and provide oversight of the city's financial and operational activities.

The FRC granted the city of Detroit a waiver from active oversight on April 30, 2018. The year-one waiver will expire on June 30, 2019 and, therefore, the year-two waiver is now before the FRC for its consideration. In order for the FRC to certify all the statutory conditions are met to grant the year-two waiver, the city's (i) Revenues, (ii) Adopted/Adhered to Deficit-Free Budgets, (iii) Adopted Four-Year Financial Plan FY 2020-2023, (iv) Municipal Securities/Debt Obligations, (v) Legacy Costs and the Retirement Protection Fund (RPF), and Rainy Day Fund are discussed below to supplement the compliance documents listed in Exhibit A.

i. Revenues

The city's revenue projections for its adopted four-year financial plan (FY2020-FY2023) are based on the February 2019 Revenue Estimating Conference as required by Public Act 182 of 2014. As shown in Table 1, FY 2020 anticipates revenues of \$1,077.7 million, an increase of \$15 million from FY 2019. Overall, the city anticipates conservative increases to revenues over the course of the four-year plan. Table 1 shows the estimates by major taxes and other revenues.

The city emphasized at the revenue estimating conference that conservative assumptions were used in the forecasting exercises. The estimates were unanimously adopted as presented.

Risks that were discussed included a slowdown in the national economy. Conference participants agreed that the national economy will continue to grow over the next year but then begin to slow. Other potential risks to the revenue estimates listed were reductions in statutory state revenue sharing, legislation adding limitations on local revenues, uncertainty over the county's property tax foreclosure process, reductions in federal aid, and reductions in casino revenues due to competition and/or gaming substitutes.

**Table 1: February 2019 Revenue Estimates, City of Detroit
General Fund**

February 2019 Revenue Estimates, General Fund (in millions)									
	FY19 Est	FY20 Est	% Change	FY21 Est	% Change	FY22 Est	% Change	FY23 Est	% Change
Major Taxes									
Income Tax	\$ 317.5	\$ 324.3	2.1%	\$ 332.7	2.6%	\$ 343.0	3.1%	\$ 352.2	2.7%
State Revenue Sharing	203.2	204.5	0.6%	202.2	-1.1%	204.0	0.9%	205.9	0.9%
Wagering Tax	182.5	184.3	1.0%	186.2	1.0%	188.0	1.0%	189.9	1.0%
Property Tax	125.8	126.5	0.6%	127.6	0.9%	128.6	0.8%	129.6	0.8%
Tax Increment Financing Capture	(11.0)	(11.2)	1.8%	(11.5)	2.7%	(11.8)	2.6%	(12.1)	2.5%
Net Property Tax	114.8	115.3	0.4%	116.1	0.7%	116.8	0.6%	117.5	0.6%
Utility Users Tax	42.4	43.8	3.3%	44.1	0.7%	44.5	0.9%	45.2	1.6%
To Public Lighting Authority	(12.5)	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%	(12.5)	0.0%
Net Utility Users Tax	29.9	31.3	4.7%	31.6	1.0%	32.0	1.3%	32.7	2.2%
Subtotal, Major Taxes	\$ 847.9	\$ 859.7	1.4%	\$ 868.8	1.1%	\$ 883.8	1.7%	\$ 898.2	1.6%
Other Revenues	\$ 214.8	\$ 218.0	1.5%	\$ 218.9	0.4%	\$ 219.0	0.0%	\$ 220.4	0.6%
Grand Total, General Fund	\$ 1,062.7	\$ 1,077.7	1.4%	\$ 1,087.7	0.9%	\$ 1,102.8	1.4%	\$ 1,118.6	1.4%

ii. Adopted/Adhered to Deficit-Free Budgets

Sec. 8 (2)(a) of Act 181 requires the FRC 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.

On April 30, 2018, the FRC certified (Resolution 2018-12) the city complied with Sec. 8(2)(a). The resolution certified budget fiscal-years 2015, 2016, 2017.

For fiscal year 2018, staff from Treasury's Community Engagement and Finance Division reviewed the city's FY 2018 Comprehensive Annual Financial Report (CAFR) for funds with unrestricted deficits. For funds using modified accrual, "unrestricted" fund balance equals the sum of committed, assigned and

unassigned balances. The city's FY 2018 CAFR was reviewed independently by two Treasury staff who arrived at the same conclusion: there were nine funds with unrestricted deficits; however, in accordance with Treasury's [Numbered Letter \(NL\) 2016-1](#), no deficit elimination plans are required. See Table 2.

Table 2: Treasury Review of 2018 CAFR for Deficits

Fund Name	Fund Type	Audit Page	Comments
Transportation	Enterprise	27-28	DEP not required because Current Assets > Current Liabilities. NL 2016-1 pages 2-4.
Detroit Public Library	Component Unit	34	
Detroit Transportation Corporation	Component Unit	34	
Eastern Market Corporation	Component Unit	34	
Local Development Finance Authority	Component Unit	35	
Museum of African American History	Component Unit	35	
Detroit Employment Solutions Corporation	Component Unit	35	
Airport	Enterprise	172-173	DEP not required because Deferred Inflows of Resources > Unrestricted Deficit. NL 2016-1 page 1.
General Grants	Special Revenue	144	

The audited general fund balance in FY 2018 was \$611 million, up from \$593 million in FY 2017, and the audited unrestricted fund balance was \$419 million, down from \$499 million in FY 2017.

For the current fiscal year 2019, the city is projecting a \$56.4 million operating surplus due mostly to vacancies (981 total city, as of April 2019) and small revenue changes.

iii. Adopted Four-Year Financial Plan FY 2020-2023

Sec. 8 (2)(c) of Act 181 requires the city's financial plan projects a balanced budget for the current fiscal year (FY 2020) and the succeeding three years using general accepted accounting principles and in accordance with the uniform budgeting and accounting act.

To date the city has submitted four, four-year financial plans with balanced budgets. The FRC approved them all.

- FY 2016-FY 2019, approved April 20, 2015;
- FY 2017-FY 2020, approved April 18, 2016;
- FY 2018-FY 2021, approved April 17, 2017;
- FY 2019- FY 2022, approved April 16, 2018.

Table 3 is the city's adopted Four-Year Financial Plan FY 2020-2023. It includes the adopted budget for FY 2020 plus three forecasted years (FY 2021, FY 2022, FY 2023) in accordance with the requirements of the Home Rule City Act and in compliance with Sec. 8(2)(c) of Act 181, utilizing revenue estimates from the February 2019 Revenue Estimating Conference.

**Table 3: FY 2020-FY 2023 Expenditures & Revenues by Major Classification
City of Detroit**

Budget Development – General Fund

	FY2018 Actual	FY2019 Adopted	FY2020 Adopted	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast
Expenditures						
Salaries & Wages	405,196,956	456,894,818	473,476,107	476,079,416	485,540,691	493,958,773
Employee Benefits	164,010,544	199,343,880	202,512,409	208,505,603	214,573,454	220,662,676
Professional & Contractual Services	66,135,095	76,578,268	83,221,412	78,690,209	78,560,912	78,560,912
Operating Supplies	55,147,354	45,799,081	38,964,735	38,038,657	38,038,657	38,038,657
Operating Services	76,023,238	90,693,222	102,181,376	99,036,219	98,754,849	98,765,688
Equipment Acquisition	11,809,923	2,165,024	188,109	185,709	185,709	185,709
Capital Outlays	593,071	175,000	175,000	175,000	175,000	175,000
Fixed Charges	109,032,083	69,417,551	79,763,090	84,778,427	85,617,643	85,898,678
Other Expenses	87,139,177	129,973,368	105,701,743	110,730,394	109,853,544	110,815,508
Total Expenditures - Recurring	975,087,441	1,071,040,212	1,086,183,981	1,096,219,634	1,111,300,459	1,127,061,601
Expenditures - Non-Recurring						
Reserves	-	-	57,100,000	-	-	-
One-Time Expenditures	-	2,558,279	-	-	-	-
Total Expenditures - Non-Recurring	-	2,558,279	57,100,000	-	-	-
Grand Total Expenditures	975,087,441	1,073,598,491	1,143,283,981	1,096,219,634	1,111,300,459	1,127,061,601
Revenues						
Grants, Shared Taxes, & Revenues	204,769,072	202,238,405	206,114,000	203,854,000	205,645,000	207,488,000
Revenues from Use of Assets	15,555,984	4,326,390	34,625,100	34,158,100	33,661,100	33,130,100
Sales of Assets & Compensation for Losses	3,570,936	2,502,000	1,742,000	122,000	122,000	122,000
Sales & Charges for Services	107,718,908	121,426,098	116,792,881	119,270,534	119,211,359	120,473,501
Fines, Forfeits, & Penalties	24,081,581	24,401,000	23,284,000	23,284,000	23,284,000	23,284,000
Licenses, Permits, & Inspection Charges	12,628,308	12,698,784	12,685,000	12,848,000	12,965,000	13,083,000
Taxes, Assessments, & Interest	637,193,678	660,827,000	664,965,000	676,429,000	689,849,000	702,575,000
Contributions & Transfers	26,268,115	17,200,000	17,100,000	17,100,000	17,100,000	17,100,000
Miscellaneous	12,980,364	25,420,535	8,876,000	9,154,000	9,463,000	9,806,000
Total Revenues - Recurring	1,044,766,946	1,071,040,212	1,086,183,981	1,096,219,634	1,111,300,459	1,127,061,601
Revenues - Non-Recurring						
Contributions and Transfers	-	2,558,279	57,100,000	-	-	-
Total Revenues - Non-Recurring	-	2,558,279	57,100,000	-	-	-
Grand Total Revenues	1,044,766,946	1,073,598,491	1,143,283,981	1,096,219,634	1,111,300,459	1,127,061,601

iv. Municipal Securities/Debt Obligations

Sec. 8 (2)(b) of Act 181 requires the state treasurer and the city's CFO to certify that (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 and (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.

Unlimited Tax General Obligation

In December 2018 the city sold \$135 million unlimited-tax general obligation bonds (UTGO). This marks the first time in two decades the city issued bonds against the city's own credit, demonstrating its ability to access capital markets at competitive borrowing rates. The new capital is directed at public investment projects citywide, alleviating some of the pressure on the city's general fund. Some of the key project areas the city has identified: public safety infrastructure; parks and recreation assets; city fleet; city computers; IT infrastructure; and future industrial development projects.

Limited Tax General Obligation

In December 2018 the city used the 2018 Distributable State Aid (DSA) bonds (\$176 million) to refinance debt. The refunding smooths out debt service cost thus creating ongoing savings in the general fund. The city has budgeted the savings (\$13 million) toward the FY 2024 pension ADC, currently at \$165 million.

For the reasons stated above, the city has sufficient ability to borrow in the municipal securities market, as required in Sec. 8(2)(d) of Act 181. Of significance, S&P Global Ratings raised the city's general obligation credit rating to a BB- from a B+. S&P said in its February 2019 report, *Detroit; General Obligation*: "The rating improvement to the BB category from the B category reflects our view that exposure to adverse business, financial, or economic conditions could impair the city's ability to meet financial commitments, but is not likely to."

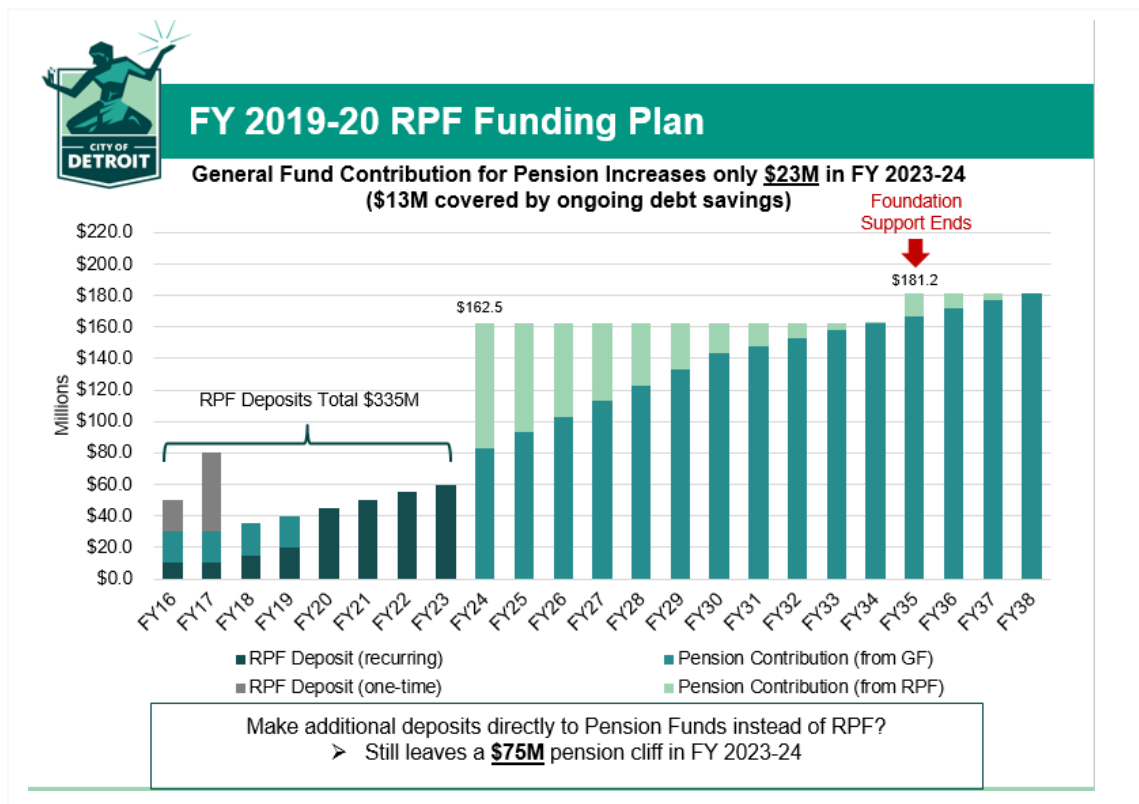
v. Legacy Costs and the Retirement Protection Fund (RPF)

The RPF has earned \$5,598,998 to date, which is an effective rate of return of 3.08%. The city reduced its expected rate of return from 4% to 3% last year and continued that in its FY 2020 budget plan.

The FY 2024 pension “cliff” – the city’s portion of the Actuarial Determined Contribution (ADC) – has been adjusted up to \$162.5 million in the FY 2020-2023 Four-Year Plan. The previous ADC was \$143.5 million.¹

The city is taking action today to address the increased calculated amount of the cliff in FY 2024. The city increased the general fund share of the FY 2024 pension contribution by an extra \$13 million. The city’s LTGO refunding in December 2018 reduces the debt service by \$13 million beginning FY 2024, thus, creating ongoing savings in the general fund to be utilized for the newly adjusted funding requirement. Last year’s funding plan already included a \$10 million increase beginning in FY 2024. The two amounts equal a \$23 million year-over-year increase. See Table 4.

Table 4: FY 2019-20 Retirement Protection Fund Funding Plan



The pension pressures will be a long-term budget challenge for the city. Thus, it is the city’s policy to reexamine the pension system and the concomitant RPF every year for future funding requirements and to adjust its funding plan as needed during the annual budget development process.

¹ The 2018 valuation FY 2024 ADC is \$164.3 million. The city explained that the 2018 valuation wasn’t completed in time for the city to utilize it in the adopted FY 2020 budget. But the city’s modeling got very close (\$162.5M) to the 2018 valuation figure (\$164.3).

vi. Rainy Day Fund

Act 182 requires the city of Detroit to maintain a 5% minimum budget reserve. The city currently exceeds that requirement.

The Office of the Chief Financial Officer directed staff to develop a plan in the event the nation was to experience an economic downturn or an event that could deplete a budget reserve and cause the waiver to be rescinded. In response, the city developed a Recession Scenario Recovery Plan. The city is also committed to utilizing its Fiscal Sustainability Working Group, going forward, to consider contingencies and to maintain balance budgets in future years. The city increased budget reserves in the FY 2019-20 budget adding nearly \$45 million to the city's reserves and increasing the budget reserves from 5% of the expenditures to nearly 10%. See Table 5.

Table 5: FY 2020 – 2023 Budget Reserve

BUDGET RESERVE SCHEDULE

City of Detroit Budget Reserve Schedule				
	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023
Beginning Balance	\$ 62,280,192	\$ 107,280,192	\$ 107,280,192	\$ 107,280,192
Transfer In/ (Out)	\$ 45,000,000	\$ -	\$ -	\$ -
Ending Balance	\$ 107,280,192	\$ 107,280,192	\$ 107,280,192	\$ 107,280,192
Minimum Balance (5% of appropriations)	\$ 54,952,463	\$ 54,849,246	\$ 55,603,287	\$ 56,391,344
PA 182 Sec 4t (1) (c) (vi)				
Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures				
equal to not less than 5% of projected expenditures for the fiscal year				

Conclusion

For the above-stated reasons, staff recommends the FRC certify the city of Detroit has met all of the statutory conditions required in Sec. 8(2) and grant the city of Detroit the year-two waiver.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 13, 2019

TO: State Budget Director Chris Kolb, Mayor Mike Duggan,
Council President Brenda Jones, Ike McKinnon, John Walsh

FROM: Patrick Dostine, Departmental Specialist, Executive Director
Financial Review Commission

SUBJECT: FRC City Finance Subcommittee May 13, 2019 Meeting Recap

The following is a recap of the FRC city finance subcommittee call on May 13, 2019. The finance subcommittee was reconstituted for the purpose of receiving an overview of the city's finances and operations as the city nears the end of its year-one waiver, which was granted April 2018. On June 24, the FRC will take up for consideration the extension of the waiver for another year.

The agenda and supporting materials are attached.

City of Detroit- Report to the Finance Subcommittee

The chief financial officer (CFO) gave a broad overview of the city's finances and operations which served to address questions the FRC provided to the OCFO beforehand.

OCFO Highlights

The CFO reported that Detroit continues to meet all the conditions of the FRC waiver pursuant to Resolution 2018-13 and that the city's finances are better today than they were when the first waiver was granted. The city is projecting a \$47.4 million fund balance in FY 2019 due mostly to vacancies and small revenue changes.

For the first time in five years the city completed its Comprehensive Annual Financial Report (CAFR) on time. (It was filed December 2018.) The CFO noted the FY 2018 audit marked the fourth-straight year of a balance budget and operating surpluses. The audited general fund balance was \$611 million, up from \$593 million in FY 2017, and the audited unassigned fund balance was \$131 million, down from \$169 million in FY 2017.

Another highlighted accomplishment noted by the CFO was that S&P Global Ratings raised the city's General Obligation credit rating to a BB- from a B+. Factors that caused the bump in credit rating were, among other things: the city's debt restructuring; the increases in general fund

balance and the Rainy Day fund; and the city's ability to access capital markets at competitive rates.

The city held the Revenue Estimating Conference in February and updated revenue estimates for the period FY 2018-2019 through FY 2022-23. Revenues increase through the forecast period, conservatively, starting in 2020, approximately 1% to 1.4% annually, mostly from income tax while the other major revenues remain relatively flat.

See the Appendix to review the CFO's entire presentation: *City of Detroit: Report to Financial Review Commission*.

General Fund Pressures

The city's FY 2018-2019 budget had to be adjusted. That's because the city's general fund revenues increased by \$34 million, while its fixed- and collective bargaining costs increased by \$35 million. Through the budget adjustment process, the city identified opportunities to tighten the general fund budget and find savings.

A conversation ensued about what kind of strategies could be implemented to mitigate -- what's likely to be -- recurring pressures on the general fund into the future. One strategy discussed was negotiating affordable increases in collective bargaining agreements. Other strategies discussed included: "incentivizing behavior" which result in efficiencies; focusing on baseline-budgeting and position-control budgeting; and utilizing the workforce development program to train new workers.

Rainy Day Fund and Recession Scenario Recovery Plan

State law requires the city of Detroit to maintain a 5% minimum budget reserve. The city currently exceeds that requirement. The CFO said he wanted the city to have a plan in the event the country were to experience an economic downturn, an event that could burn-through a budget reserve and cause the waiver to be rescinded.

The city developed a Recession Scenario Recovery Plan (detailed on page 12 in the deck-presentation in the Appendix). The city in the FY 2019-20 budget added nearly \$45 million to the city's reserves, increasing it from 5% of the expenditures to nearly 10%. It also is committed to utilizing the Fiscal Sustainability Working Group, going forward, to consider contingencies and to maintain balance budgets in future years.

Retiree Protection Fund

The FY 2024 pension "cliff" – the Actuarial Determined Contribution (ADC) – has been adjusted up to \$162.5 million in the FY 2020-2023 Four-Year Plan. The previous ADC was \$143.5 million. The 2018 valuation FY 2024 ADC is \$164.3 million. The city explained that the 2018 valuation wasn't completed in time for the city to utilize it in the adopted FY 2020 budget. But the city's modeling got very close (\$162.5M) to the 2018 valuation figure (\$164.3).

The RPF has earned \$5,598,998 to date, which is an effective rate of return of 3.08%. The city reduced its expected rate of return from 4% to 3% last year and is continuing that for its FY 2020 budget plan, going forward.

To address the recent increase in FY 2024 ADC (pension cliff) the city will increase its payment from the general fund beginning in FY 2024, compared to last year's plan. The city's LTGO refunding in December 2018 smooths out the debt service cost thus creating ongoing savings in the general fund to be utilized for the newly adjusted funding requirement.

The pension pressures will be a long-term budget challenge for the city. Thus, it is the city's policy to reexamine the pension system and the concomitant RPF every year for future funding requirements and to adjust its funding plan as needed during the annual budget development process.

The city is committed to adding a chart that crosswalks the year-over-year change in the city's RPF funding plan.



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: June 6, 2019

TO: State Treasurer Racheal Eubanks, Mayor Mike Duggan,
Council President Brenda Jones, State Budget Director Chris Kolb, Ike
McKinnon, David Nicholson, Stacy Fox, John Walsh, Ronald Rose

FROM: Patrick Dostine, Departmental Specialist
Financial Review Commission

SUBJECT: FRC-City Contracts Subcommittee June 6, 2019 Meeting Recap

The following is a recap of the FRC-city contracts subcommittee call on June 6, 2019. The contracts subcommittee was reconstituted for the purpose of receiving an overview and update of the city's procurement and internal control operations as the city nears the end of its year-one waiver, which was granted April 2018. On June 24, the FRC will take up for consideration the extension of the waiver for another year.

The agenda and supporting materials are attached.

City of Detroit- Report to the Contracts Subcommittee

The chief financial officer (CFO) along with city staff gave a broad overview of the city's internal control initiatives and procurement operations.

The CFO reported that the city, pre-bankruptcy, fundamentally lacked a centralized financial infrastructure along with the concomitant centralization of systems, internal controls, policies, procedures, and monitoring necessary for efficient and sound financial management. The CFO said the administration has been committed to and stridently addressing those challenges utilizing several initiatives.

The CFO pointed to the number of audit findings (98 in 2012) and questioned costs (\$18.5 million in 2013) in the recent past. In 2018, the number of audit findings decreased to 10 and, since 2016, there have been no questioned costs (\$0).

The city, the CFO said, is building on that progress and focusing attention now on systematically addressing: the recurring audit findings; revenue collection; procurement operations; financial planning including implementing position-control; and administrative issuance system.

Specific to internal controls, the CFO said the city wants to ensure long-term improvement. Toward that goal, the city has created a Governance Risk and Compliance Division within the

Office of the Controller. Among its many responsibilities is the performance of OCFO internal audits to evaluate the effectiveness of the city's internal controls and overall adherence to policies and procedures.

Grants and Internal Controls

In the course of the contracts committee meeting, the agenda item, grants and internal controls, was inadvertently missed by the city and the FRC committee members. I followed-up with the city to include this item in the memo. What follows is a brief summary of the information the city provided posthumously and CFO [Directive 2018-101-039](#): Development and Grants Management.

The city has an administrative issuance (OCFO Directive 2018-101-039: Development and Grants Management (ODG)) in place that provides policies and procedures for grants. Issued in December 2018, the Directive's objectives are to: ensure proper grant planning, coordination, implementation and evaluation to maximize grant outcomes; ensure grant funding is used in accordance with all grantor rules and regulations; ensure grantor requirements are met in accordance with grantor agreements; and enable city departments to establish fiduciary sponsorship with private entities (subrecipients) eligible to receive grant or donation funds to benefit city projects.

Per the Directive, the deputy CFO- director/chief development officer perform key internal control responsibilities in the administration of grants. Among the responsibilities are maintaining transparency of the city's grants portfolio including coordinating grant application and approvals, coordinating development and fundraising activities, reviewing and approving fiduciary sponsorships, providing summary reports and status for grants received, and monitoring grant implementation which includes coordinating the grant close-out process.

The deputy CFO- controller/chief accounting officer take the lead on, among other responsibilities, performing drawdowns on grants awarded to the city, reconciling all grant accounts on a monthly basis, including expenditures and revenues, the annual single audit, and performing financial and administrative subrecipient monitoring.

Operationalizing the Directive, the city has developed standard operating procedures for drawdowns, financial reporting and preparation of the schedule of expenditures of federal awards (SEFA). As noted in this memorandum, the city has reduced audit findings significantly and have eliminated questioned costs.

Other accomplishments/initiatives noted during the meeting were:

- The Office of the Treasurer's kiosk initiative. Kiosks have been installed around the city and even outside the city limits. From 2018 to 2019, the number of transactions has increased from 25,000 to over 40,000 (up 58%) and dollars collected have increased from \$9.4 million to \$17.2 million (up 82%).
- The Office of the Treasurer is focusing on streamlining and improving revenue collection from departments like fire (for EMS services), buildings (permits issued) and DDOT (fare collection), and other departments where collections and handling of revenue have

historically lagged behind income tax, state revenue sharing, wagering tax, and property tax collections.

- The city continues to consolidate bank accounts, from nearly 600 in 2016 to 175 as of June 1. Staff said this creates better control over cash activity, timelier reconciliations, and quicker turnaround for the posting and validation of transactions.
- The procurement office continues, post-FRC active oversight, to post all contracts on the city's website (as do the water and sewer department and the Detroit Building Authority) and, among other things, review with the mayor every contract greater than \$750,000 or longer than two years. Above all, the procurement director noted, the office continues utilizing the internal controls in place, which were developed in consonant with the Financial Review Commission and the subcontract subcommittee.
- For the first time the office of budget used procurement plans to inform the FY 2020 budget. The budget office was able to identify, forecast and fund the city's contractual obligations.
- The city believes its position-control initiative, designed to manage one of the biggest pressures on the general fund – salaries and benefits -- will be critical to managing costs, going forward. A two-step approval process culminates with the policy: no position can be posted or filled without approvals by the budget office, human resources, and the CFO.

See the Appendix to review the CFO's entire presentation: *City of Detroit: Report to Financial Review Commission Contracts Subcommittee*.



City of Detroit

Report to Financial Review Commission Contracts Subcommittee

Office of the Chief Financial Officer

June 6, 2019

Updated June 17, 2019

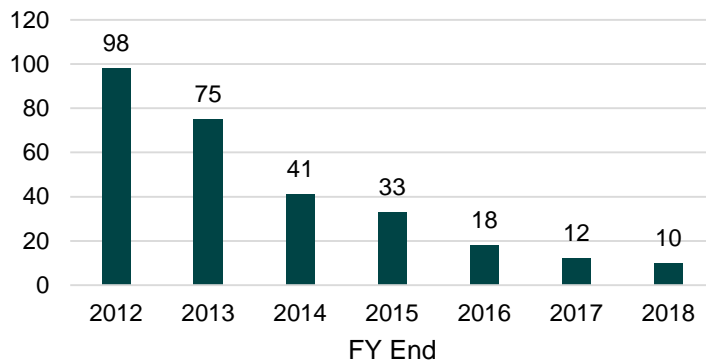


Background

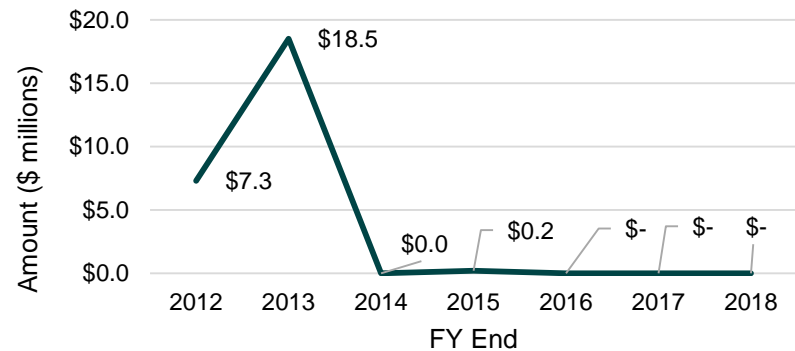
Over the past six years, the City has made tremendous strides in reducing Single Audit findings and Questioned Costs.

Year	2012	2013	2014	2015	2016	2017	2018
Federal Spend	\$ 293,393,583	\$ 200,166,706	\$ 129,869,289	\$ 202,630,590	\$ 157,676,621	\$ 101,588,163	\$ 112,429,426
Number of Findings	98	75	41	33	18	12	10
Amount of Questioned Costs	\$ 7,305,027	\$ 18,512,118	\$ 11,918	\$ 214,100	\$ -	\$ -	\$ -

Number of Findings



Amount of Questioned Costs





Improvements to Financial Controls and Planning

The City is building on that progress in the areas of:

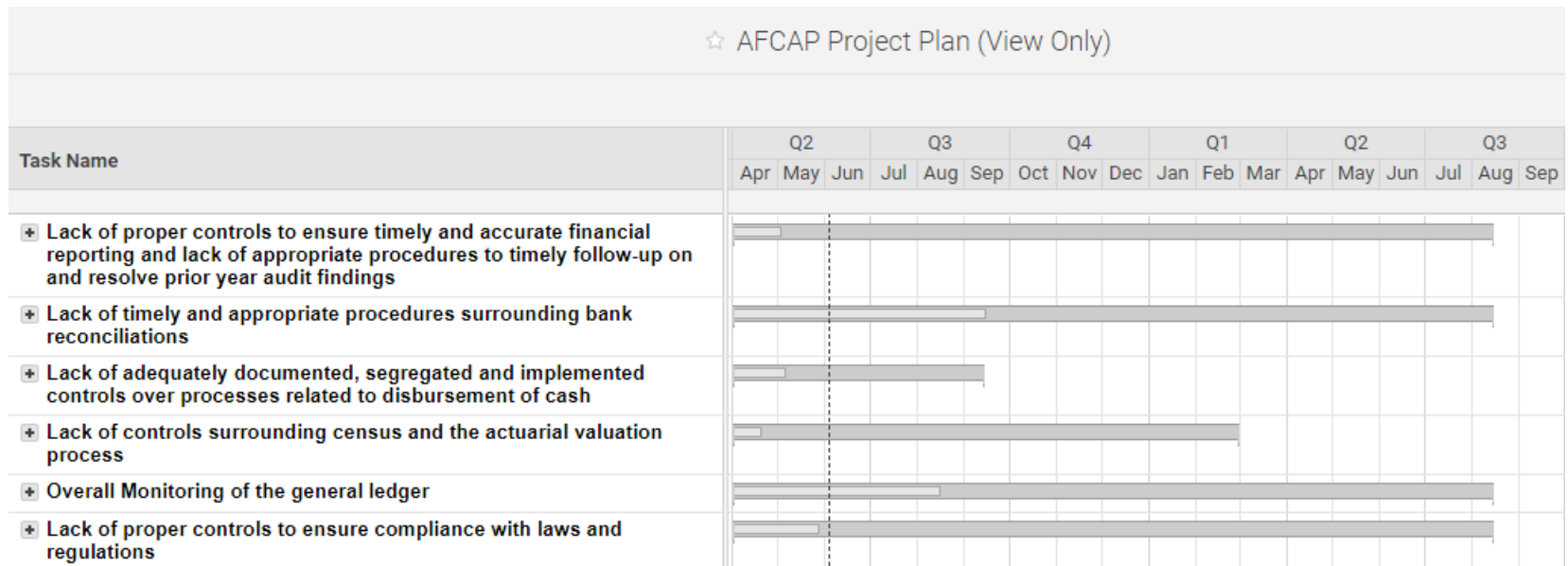
1. Systematically Addressing Audit Findings
2. Revenue Collections
3. Procurement Controls and Plans
4. Comprehensive Financial Planning
5. Position Control
6. Administrative Issuance System
7. *Update:* Grants Controls



Addressing Audit Findings

In 2019, the City launched the Audit Findings Corrective Action Plan (AFCAP) to address identified findings from the 2018 financial audit.

The City has a detailed project plan with over 50 tasks that roll up to the items below. Tasks will be complete when, controls are created and/or confirmed, policies & SOPs are revised, and training is executed.





Internal Controls

To ensure long-term improvement, the City created a Governance Risk and Compliance Division within the Office of the Controller. This division is responsible for:

- Performing OCFO internal audits to evaluate the effectiveness of our internal controls and overall adherence to policies and procedures
- Financial Risk Management for the City of Detroit
- Performing Grant Sub-recipient monitoring
- Assisting with the development of new OCFO policies and procedures
- Assisting with training for OCFO policies and procedures
- Recommending continuous improvement opportunities for the OCFO business processes



Centralized Accounts Receivable and Revenue Collections

Problem

- Many billing systems used throughout the City
- Collections are not centralized, leading to lack of a comprehensive system for reporting on collections and revenues
- Inaccurate billing

Solution

- City-wide use of lockbox
- Integration of 3rd party databases to Oracle AR
- Increased use of Oracle AR
- ODFS to assume responsibility for billing
- Development of Revenue Management Dashboard



Counter to Kiosk Initiative

Problem

- Mailed receipts are collected at different locations in City
- There are few dedicated cashiers and little continuity in payment channels
- Collections are not centralized, leading to lack of a comprehensive system for reporting on collections and revenues
- Citizens have to travel downtown to City municipal building, pay to park, and pay to travel just to make payments

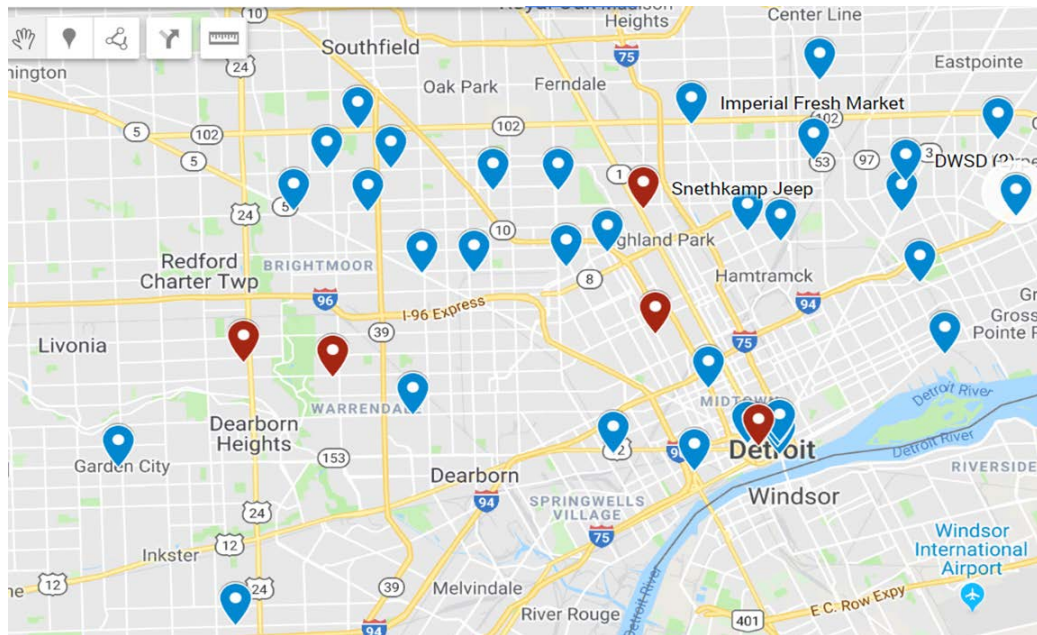
Solution

- Assessment of revenue streams and cash handling processes at each City Department/cash handling location
- Development and implementation of best solution
 - Counter to Kiosk wherever feasible – push databases to kiosk network where appropriate
 - Mobile App
 - Telephone Payments
 - Web Payments
- Development of Revenue Management Dashboard



Counter to Kiosk Initiative

Example: DivDat Kiosks in Detroit



City of Detroit Property Tax Kiosk Activity, 2018-2019

	2018	2019	Change
Number of Transactions	25,653	40,528	↑ 58%
Amount in Dollars	\$9,445,787	\$17,218,331	↑ 82%





Bank Account Management Initiative

- Continued consolidation of bank accounts

	Number of Bank Accounts
July 1, 2016	594
Transferred/removed/closed	(319)
July 1, 2017	275
Transferred/removed/closed	(74)
July 1, 2018	201
Transferred/removed/closed	(34)
Added	8
June 1, 2019	175

- Daily posting and validation of banking transactions
- More timely reconciliations
- Better control over cash activity



Results of Revenue Initiatives

- Safety of and control over the City's cash assets
 - All mailed payments sent to lockbox
 - Timely recording of receipts
 - Self-service kiosks where possible
- Safety of the City's employees and residents
 - Virtually eliminate cash handling by city employees
- Visibility into the City-wide revenue and receivables – **Better Reporting**
 - Revenue Management Dashboard showing revenue each day by department, and payment method – check, credit, cash
 - All City receivables in Oracle AR
- Increased collections
 - Centralization of city-wide AR and revenue collections
- Improved service
 - Reduce wait times
 - Reduce need for citizens to come to CAYMC
 - Free-up cashiers for customer service
 - City-wide payment platform for continuity



Procurement Controls

The City added controls on procurement in collaboration with Financial Review Commission Contracts Subcommittee.

- Competitive bidding:
 - Requisition required with approved funding
 - Transparency of bids (through BidSync, newsletters, websites)
- Cross-functional consensus evaluation and selection process
- Contract sign-off by: requesting department, supplier, Law Department, and OCP
- Contracts approved by:
 - City Council, for contracts greater than \$25,000
 - Chief Procurement Officer, for contracts less than \$25,000
- Mayoral Post FRC Review:
 - Contracts greater than \$750,000 or longer than 2 years
- All contracts posted on the City's OCP website, per statutory requirement
- OCP Audit & Compliance division performs audits



Procurement Controls

Chief Procurement Officer approval of exceptions include:

- Sole sources
- Emergencies
- Renewal & extensions

E-Procurement system controls include:

- Separation of duties
- Approval amount
- Workflow hierarchy

Report monitoring controls include:

- Contract expiration
- Agreements without a purchase order
- Requisitions

Metrics in place:

- Cost savings/avoidance
- Procurement cycle time
- Certified business contract award (DHB, DBB, DSB, DRB)



Procurement Plans

For the first time, the Office of Budget used procurement plans to inform the FY2020 Budget.

Office of Contracting and Procurement

Oversees procurement planning



Office of Budget

Oversees capital planning, long-term financial planning, economic forecasting, revenue estimating and preparation, and development and monitoring of Adopted Budget and Four-Year Financial Plan.

- ✓ For the 2019-20 Adopted Budget and Four-Year Financial Plan, the Procurement Plan was used to provide detailed information on the City's purchasing requirements.

- ✓ This enabled the Office of Budget to identify, forecast and fund the City's contractual obligations.



Comprehensive Financial Planning

CFO Directive No. 2018-101-002: Comprehensive Financial Planning

Objectives: To ensure the efficient and effective deployment of resources to meet the approved objectives of the City's elected officials and ensure that the City continues to plan for future financial needs and opportunities.

Policy: City shall prepare and implement short-term and long-term integrated plans to guide the budget process.

Workstreams

Pre-Planning

- Provide Economic/Financial Overview to the Departments
- Perform departmental planning
- Perform procurement planning
- Perform grants planning
- Perform recruitment and staffing planning
- Perform technology planning
- Perform capital planning
- Perform budget instructions
- Complete PBCS refresher training
- Preparation of the public budget meeting

Financial Planning

- Update economic forecast
- Complete revenue estimation
- Update long term financial plan
- Refine procurement plan
- Refine grants plan
- Refine recruitment and staffing plan
- Refine technology plan
- Complete debt affordability analysis
- Complete tax statements

Budget Development

- Review and analysis
- Agency budget meetings
- Mayor's meetings with departments
- Recommendation/approval (CFO/Mayor)
- Agency budget briefing
- City Council hearings and approval
- Complete additional 4-year plan requirements
- CFO certification
- FRC approval (if applicable)
- Complete Citizen's Budget
- Complete debt issuance plan

Budget Execution and Monitoring

- Budget load
- Budget monitoring
- Carry-forward
- Allotments
- Opening budget periods
- Position control
- Budget vs. actual review
- Ad hoc budget analysis
- Year-end budget close

Budget Lifecycle



Position Control

In a budget where people and benefits account for over 60% of total General Fund appropriations, Position Control will be critical to managing costs.

The City is implementing a 2-step approval process:

- Request to Post Process – Before a vacant position can be posted it has be approved by the Office of Budget, HR and CFO.
- Request to Fill Process – Before a candidate can be hired into a vacant position or an employee promoted/demoted/transferred into a vacant position, the recommended final compensation has to be approved by the Office of Budget, HR and CFO.

No position can be posted or filled, without OCFO approval.



Administrative Issuance System

As the OCFO completes changes and updates to policies, Directives and Orders are systematically revised and issued through the Administrative Issuance System.

Objective

- To provide for the efficient, effective, and transparent management through the standardized administration of CFO **authority, functions, policies, procedures, statements, opinions**, and other governance.

Policy

- All **authorities, functions, policies, procedures, statements, opinions**, and other governance of the OCFO shall be established and disseminated through a Document.



Result is going from over 200 policies to approximately 30 comprehensive Directives and Orders governing all of the work across OCFO.

[All policies are easily accessible on the City's public website.](#)



Grants Controls

- On December 21, 2018, the OCFO issued Directive [2018-101-039: Development and Grants Management](#), which codified the roles and responsibilities of all key grant staff, including the Department, the Office of Development and Grants (ODG), and the Controller's Office.
- CFO Directive 2018-101-039 provides a clear outline of entity-wide grant policies. These expectations and requirements are shared with assigned project managers during the initial meeting with ODG, along with an overview of key procedures that will govern implementation of the specific grant. Any individual grant policies and procedures are established and documented during kick-off, saved as part of ODG's centralized grant file, and shared with relevant teams within OCFO.
- The purpose, procedural expectations, key deliverables, and responsibilities for each grant are reviewed and documented as part of the grant kick-off. The assigned project manager and ODG meet to review the grant not less than twice within the project period. These Department-ODG meetings include review and assurance that:
 - key project metrics are being met,
 - all files are saved appropriately,
 - upcoming procurements are within scope and proceeding as planned.
- In addition, all procurement requests are reviewed by ODG for allowability as they occur; reports of expenditures to grantors are also reviewed by ODG and grants accounting for completeness, accuracy, and conformance to grant requirements prior to submission to the grantor.



Grants Controls

Perform drawdowns of grant funds on a periodic basis consistent with the funder's schedule (e.g. monthly, quarterly or semi-annual)

- Written standard operating procedures were developed for drawdowns
- Drawdown requests are reconciled to the general ledger, ensuring expenditures are allowable under the grant.
 - ✓ Grant activity is maintained at the individual grant level using 42-digit account string
 - ✓ Systematic budgetary controls are established to prevent expenditures from exceeding the budget
 - ✓ Ledger expenses charged to the grant are compared to the expenses deemed allowable by Office of Development and Grants (ODG). This is accomplished through review of ODG authorized voucher packages or ODG expense approvals
 - ✓ Drawdown requests are prepared by the grant accountant and approved by the supervisor
 - ✓ Supervisors (separate from daily transactions) perform the drawdown within the funder's system



Grants Controls

Financial Status Reporting (FSR)

- Written standard operating procedures were developed for financial reporting
- FSR are completed according to funder's schedule (e.g. monthly, quarterly, semi-annually)
 - ✓ Monthly reconciliations are prepared by the grant accountant
 - ✓ Supporting information is maintained with the grant reconciliation, including drawdowns, bank deposit and general ledger
 - ✓ Supervisors review the FSR package, which includes the reconciliation, general ledger and other supporting documentation
 - ✓ Upon review by the supervisor, the FSR package is submitted to the Manager for approval.
 - ✓ Upon approval by Manager, the FSR is submitted to the funding source



Grants Controls

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) Preparation

- Written standard operating procedures were developed for SEFA preparation
- Final year-end reconciliation is completed by the grant accountant along with year end forms
 - ✓ The supervisors review the reconciliation, ensuring accuracy and completeness of the reconciliation
 - ✓ The reconciliation is agreed to the ledger and approved by the supervisor
 - ✓ The year-end reconciliations are summarized and used to populate the SEFA
 - ✓ Completeness checks are performed by comparing grants to external data
 - ✓ CFDA numbers are reviewed for accuracy
 - ✓ Final SEFA draft is reviewed by Manager for accuracy and completeness
 - ✓ Upon completion, Manager submits the SEFA to Controller for review and approval
 - ✓ Upon approval, SEFA is submitted to the external auditors

Single Audit Findings and Questioned Costs

Year	2012	2013	2014	2015	2016	2017	2018
Federal Spend	\$ 293,393,583	\$ 200,166,706	\$ 129,869,289	\$ 202,630,590	\$ 157,676,621	\$ 101,588,163	\$ 112,429,426
Number of Findings	98	75	41	33	18	12	10
Amount of Questioned Costs	\$ 7,305,027	\$ 18,512,118	\$ 11,918	\$ 214,100	\$ -	\$ -	\$ -



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

RESOLUTION 2019-1

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, the Commission granted a waiver to the City pursuant to Section 8 of the Act on April 30, 2018 in Resolution 2018-13 and is currently in a period of decreased oversight; and

WHEREAS, both the Act and the conditions of waiver approved by the Commission in Resolution 2018-13 contemplate continued monitoring of the City’s financial status, even though the Commission is no longer providing day to day oversight of the City’s finances; and

WHEREAS, one such condition is found in Section 8(2)(a) of the Act which requires the Commission to certify annually 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 certify annually that the City is in substantial compliance with the provisions of the Act; and

WHEREAS, at the Commission meeting on May 20, 2019, 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 since the adoption of Resolution 2018-13, was 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.
2. That the Commission hereby certifies that the City is in substantial compliance with the provisions of the Act since the adoption of Resolution 2018-13.
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: _____
Michael Duggan, Detroit Financial Review
Commission Member

By: _____
Rachael Eubanks, State Treasurer and Detroit
Financial Review Commission Member

By: _____
Stacy Fox, Detroit Financial Review Commission
Member

By: _____
Brenda Jones, Detroit Financial Review Commission
Member

By: _____
Chris Kolb, Detroit Financial Review Commission
Member

By: _____
Ike McKinnon, Detroit Financial Review
Commission Member

By: _____
David Nicholson, Detroit Financial Review
Commission Member

By: _____
Ron Rose, Detroit Financial Review Commission
Member

By: _____
John Walsh, Detroit Financial Review Commission
Member

Date: _____
Detroit, Michigan



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, MI 48226
Phone: (313) 628-2535
Fax: (313) 224-2135
E-Mail: OCFO@detroitmi.gov

CFO MEMORANDUM
NO. 2019-101-008

TO: Detroit Financial Review Commission
FROM: David P. Massaron, Chief Financial Officer, City of Detroit
SUBJECT: Certification that the City has met the Waiver Conditions in PA 181, Section 8(2)
DATE: June 5, 2019

1. AUTHORITY

1.1. 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. 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 verify that the City has met the waiver conditions of Section 8(2) of PA 181.

5. STATEMENT

5.1. In accordance with Section 8(2) of PA 181, the City has met the following conditions:

5.1.1. 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.

5.1.2. Both of the following conditions related to municipal securities:

5.1.2.1. 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.

5.1.2.2. 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.

5.1.3. 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.

- 5.1.4. Sufficient ability to borrow in the municipal securities market.
- 5.1.5. 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.
- 5.1.6. Compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.
- 5.1.7. Substantial compliance with PA 181.
- 5.1.8. Currently only offers the retirement plans as provided in the POA, which do not include contributions to individual employee retirement accounts.
- 5.1.9. 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

David P. Massaron

Chief Financial Officer, City of Detroit



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

RESOLUTION 2019- 2

EXTENDING WAIVER GRANTED 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, the Commission granted a waiver to the City pursuant to Section 8 of the Act on April 30, 2018 in Resolution 2018-13 and is currently in a period of decreased oversight; and

WHEREAS, both the Act and the conditions of waiver approved by the Commission in Resolution 2018-13 contemplate continued monitoring of the City’s financial status, even though the Commission is no longer providing day to day oversight of the City’s finances; and

WHEREAS, Resolution 2018-13 also requires the City to provide the Commission certain information and reports to the Commission during the period of decreased oversight; and

WHEREAS, the City has timely provided the Commission with the information and reports required by Resolution 2018-13; and

WHEREAS, at the Commission meeting on June 24, 2019, documentation that the City has satisfied the conditions enumerated in Section 8, attached as **Exhibit A** to this Resolution, was presented for consideration; and

WHEREAS, the Mayor and CFO 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, 2020, subject to the terms and conditions of the Act, including Section 8.

2. All other provisions and obligations of the City under Resolution 2018-13 remain in full force and effect.

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. That 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: _____
Michael Duggan, Detroit Financial Review
Commission Member

By: _____
Rachael Eubanks, State Treasurer and Detroit
Financial Review Commission Member

By: _____
Stacy Fox, Detroit Financial Review Commission
Member

By: _____
Brenda Jones, Detroit Financial Review Commission
Member

By: _____
Chris Kolb, Detroit Financial Review Commission
Member

By: _____
Ike McKinnon, Detroit Financial Review
Commission Member

By: _____
David Nicholson, Detroit Financial Review
Commission Member

By: _____
Ron Rose, Detroit Financial Review Commission
Member

By: _____
John Walsh, Detroit Financial Review Commission
Member

Date: _____
Detroit, Michigan

DETROIT FINANCIAL REVIEW COMMISSION

Considerations for Extension of Waiver for 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 June 24, 2019

Requirement	FRC Act Sec. No.	Compliance
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 2019- 1 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 attached verification and City’s attached certification.
The City’s financial plan projects a balanced budget for the current and succeeding 3 fiscal years using general accepted accounting principals and in accordance with the Uniform Budgeting and Accounting Act	8(2)(c)	The City has submitted the requisite four-year financial plans with balanced budgets.
The City has demonstrated to the FRC’s satisfaction the City has sufficient ability to borrow in the municipal securities market.	8(2)(d)	See City’s attached certification.
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 certification.
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.
The FRC certifies that the City is in substantial compliance with the Act.	8(2)(g)	See FRC Resolution 2019- 1.
The City has established a system of compensation for employees retirement plans in which the City contributes no	8(2)(h)	See City’s attached certification.

more than 7% of an individuals' base pay, excluding payment for overtime services, 1-time lump sum payments and the costs of fringe benefits, to an employee's retirement account.		
The City has 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 foods or services provided by the contract.	8(2)(i)	See City's attached certification.



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: June 24, 2019
TO: Financial Review Commission
FROM: Rachael Eubanks, Treasurer *RE*
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.