



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

RESOLUTION 2020-04

**APPROVING THE CITY'S REQUEST
TO ISSUE \$80 MILLION IN UTGO CAPITAL BONDS**

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 June 29, 2020 in Resolution 2020-03 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, at the Commission meeting on August 31, 2020, the City presented its planned \$80 million in UTGO capital bonds to fund the continuation of the City's existing capital investment program (the "2020 UTGO Bonds")

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

1. That the City's request to issue the 2020 UTGO Bonds, as presented to the Commission on August 31, 2020, is hereby approved.

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

3. This Resolution shall have immediate effect.



Planned Sale of \$80M UTGO Bonds

Presentation to the Financial Review Commission Finance
Subcommittee

August 19, 2020

Overview

- As identified in the Bankruptcy Plan of Adjustment, the City of Detroit must make investments in capital and blight removal to improve the City's critical assets for providing services and quality of life in the city.
- The City of Detroit is planning an \$80 million capital bond issue for fall and a \$175 million Neighborhood Improvement Bond for winter 2020/2021 if voters approve the ballot issue in November.
- These investments are affordable under the City's strengthened debt policy and within the City's current debt millage.
- The City has developed processes to manage bond proceeds, ensuring they are spent timely and in tax compliance.

Long-term Plan for Capital and Blight

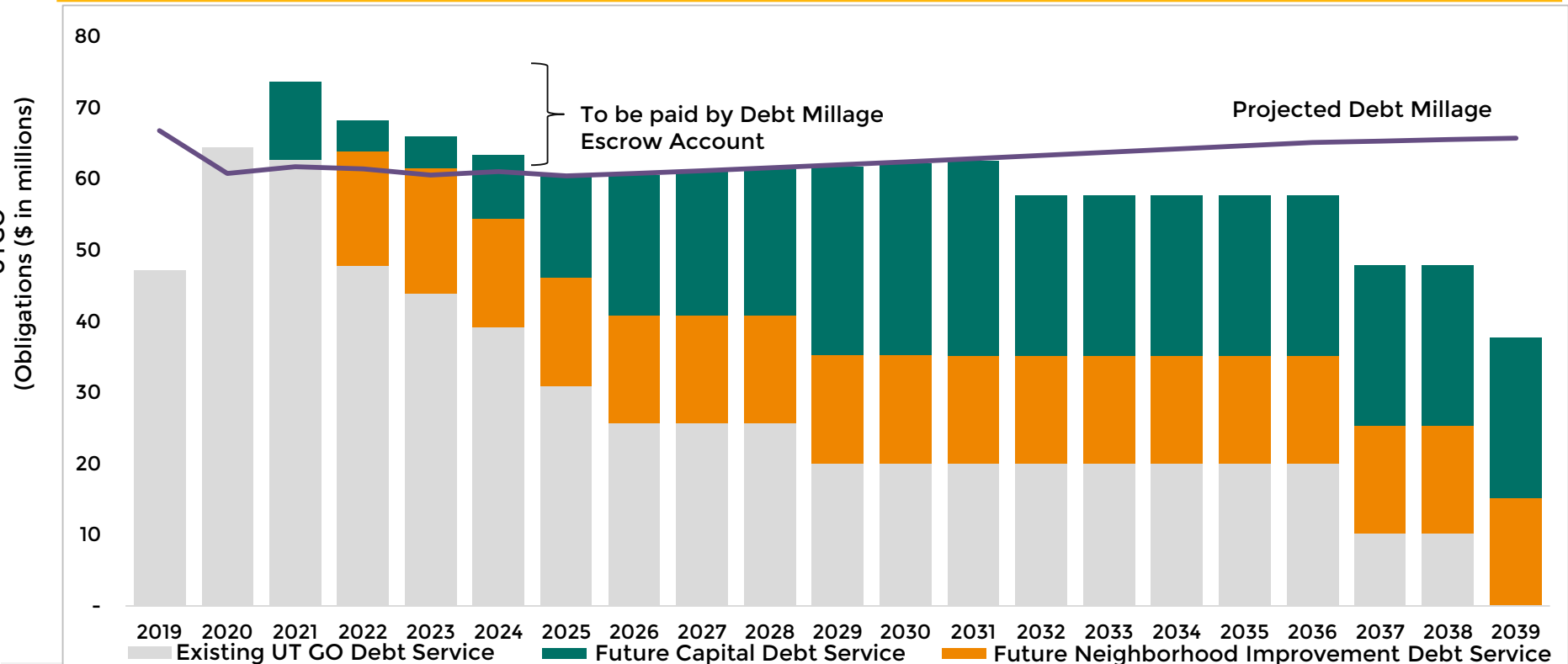
- The City of Detroit plans to return to the market this fall to borrow \$80 million for public safety and recreation capital projects.
- If voters approve the Neighborhood Improvement Bond Ballot Question in November, the City will plan a \$175 million borrowing in winter 2020/2021.
- In planning for these borrowings, the OCFO wanted to make sure we continued to have capacity for capital investments without raising the current debt millage.

Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
\$'s in thousands											(20-29) ¹
Neighborhood Improvement UTGO Bonds	\$-	\$175,000	\$50,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$225,000
Future Capital UTGO Bonds	-	80,000	-	80,000	-	70,000	-	70,000	-	70,000	370,000
Total	\$-	\$255,000	\$50,000	\$80,000	\$-	\$70,000	\$-	\$70,000	\$-	\$70,000	\$595,000

1) Totals represent amount through 10 year planning horizon.



Planned investments will not raise taxes



OCFO to issue strengthened debt policy

In advance of the proposed borrowings, the OCFO will publish a strengthened debt policy to meet the following goals:

- Focus the policy on debt service affordability within governmental revenues and the General Fund.
- As legacy General Fund debt service reduces, use that operating budget capacity to support legacy pension obligations.
- Supports the City's needed investments in capital and blight removal through the debt millage without an tax increase while legacy General Fund debt is repaid
- Align the debt policy metrics with our ratings agency metrics, and our targets for future improvements in bond ratings.

New Debt Affordability Limits

The City has strengthened our debt policy by setting new debt service limits and targets that will be measured and limit any future borrowings.

	Target Level	Maximum Level
All Funds Debt Service to Governmental Funds Expenditures	10%	15%
General Fund Debt Service to General Fund Expenditures	8%	10%

- The All Funds limit aligns with the S&P score card.
- The General Fund Limit and Target free up General Fund capacity to support future Retiree Protection Fund payments.



Other Debt Metrics to Track

The OCFO is focusing the City's other debt metrics to make them more meaningful and aligned with our goals.

	Target Level
All Funds Debt to Governmental Funds Revenue	120%
All Funds Debt to Full Value	<10%

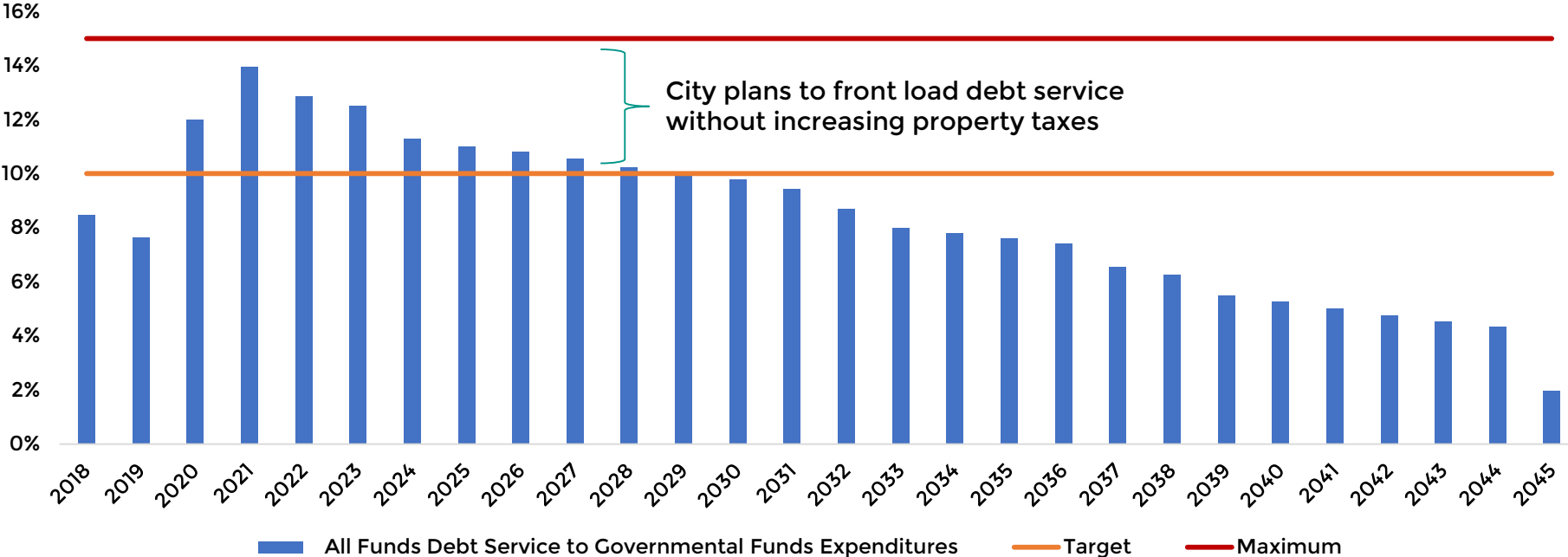
- These metrics are consistent with S&P and Moody's scorecards.
- With several years of property value growth, the City's Debt to Full Value ratio has already reduced below the target.

How our targets measure up

	As of June 30, 2020 (Unaudited)	As of June 30, 2021* (Post UTGO Issuances)	Impact of Planned Capital and Proposed Neighborhood Improvement Borrowings
DETROIT DEBT POLICY: DEBT AFFORDABILITY LIMITS			
General Fund Debt Service as % of General Fund Expenditures (Maximum Cap: 10%. Target: 8% or less)	8.93%	9.52%	
Overall Debt Service as % of Governmental Expenditures (Maximum Cap: 15%. Target: 10% or less)	12.01%	13.96%	
S&P scorecard for this sub-factor	4	4	No impact
TRACKING OF DEBT METRICS:			
Debt as % of Full Value (Target: 10% or less)	9.40%	9.29%	
Moody's scorecard for this sub-factor	Baa	Baa	No Impact
Overall Debt as a % of Governmental Funds Revenue (Target: 120% or less)	142.92%	166.35%	
S&P scorecard for this sub-factor	4	4	No Impact

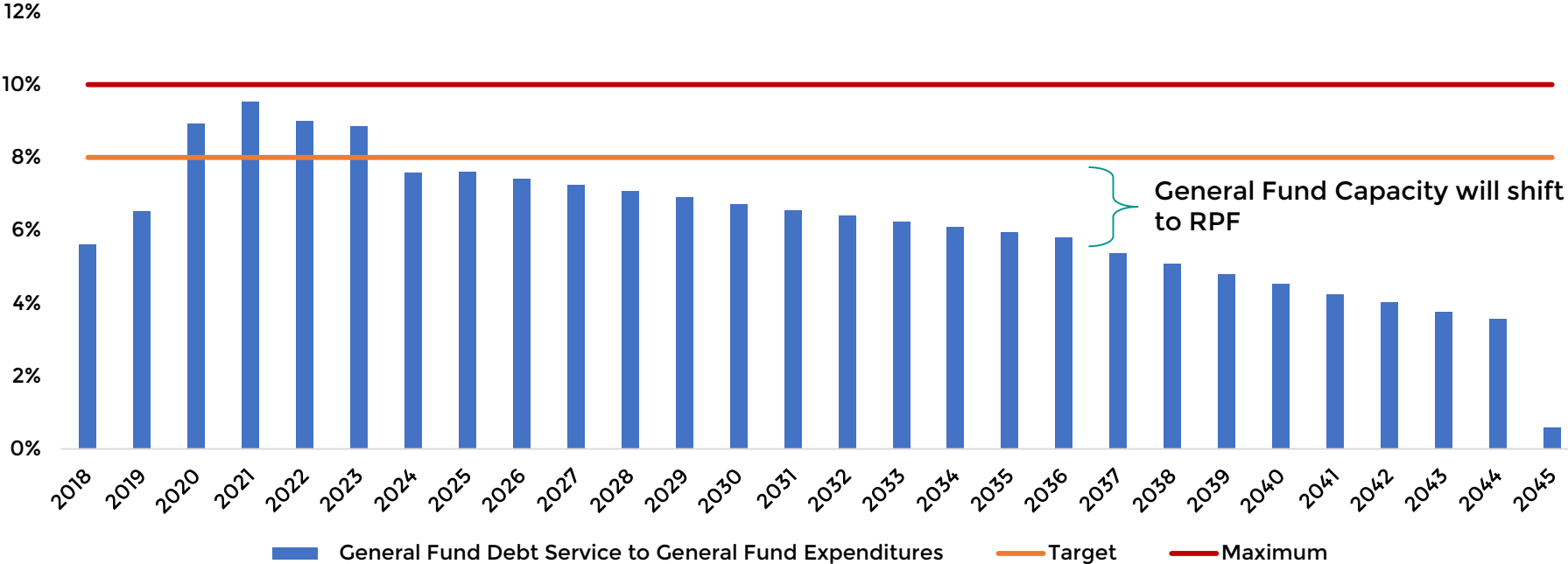
New Debt Affordability Limits

All Funds Debt Service to Governmental Funds Expenditures



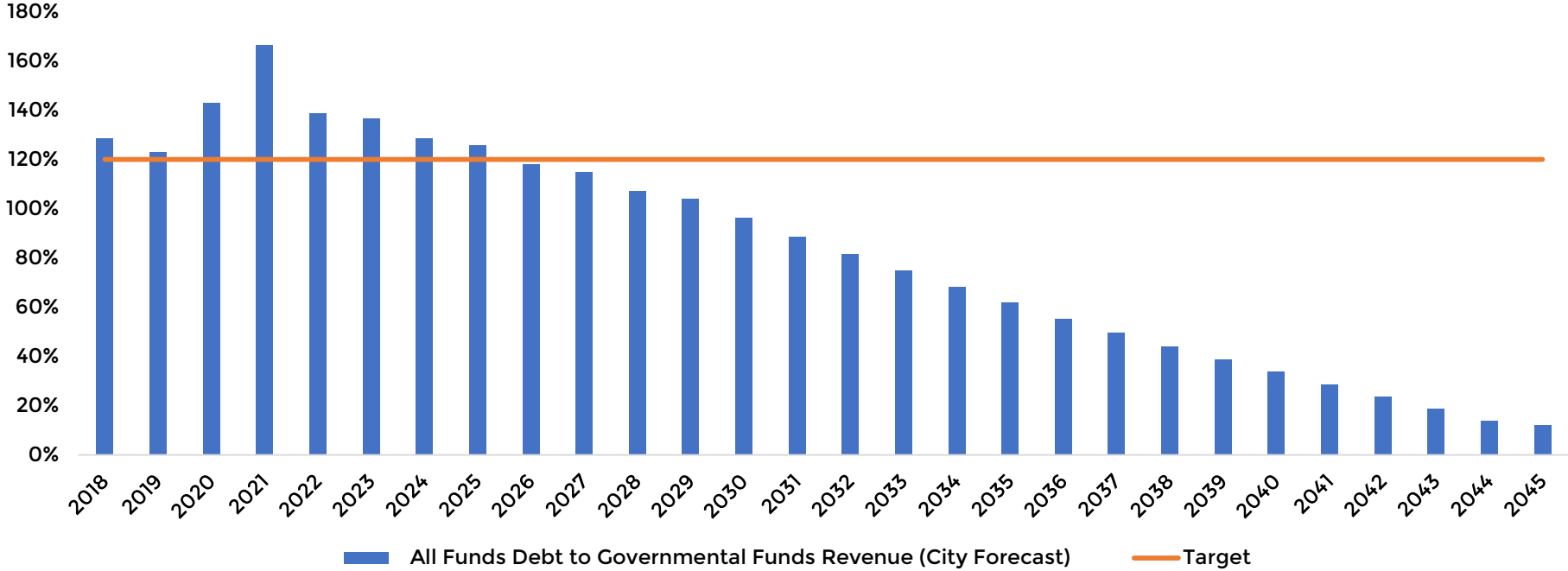
New Debt Affordability Limits

General Fund LTGO Debt Service to General Fund Expenditures



Debt Metrics Tracking

All Funds Debt to Governmental Funds Revenue



Debt Metrics Tracking

All Funds Debt to Full Value



Capital Planning

- As required by the City Charter, the OCFO proposed and the City Council approved the Fiscal Years 2020-2024 Capital Agenda.
- The Capital Agenda showed a long-term strategy to leverage city sources, state and federal funding, and philanthropy to make targeted investments to improve the City's critical infrastructure, expand economic growth, and continue to revitalize our neighborhoods.
- This Capital Agenda also planned the City's return to the bond market on its own credit in calendar year 2018 and 2020 in order to fund a portion of its public capital investments.

Capital Agenda Highlights

- Investments in our neighborhoods, commercial corridors, and parks will make sure that the City's growth and economic successes are experienced by all Detroiters
- Public safety and health infrastructure improvements, including new fire engines, police cars, and mobile clinics with expanded services which will allow the City to enhance public safety and the health of its residents
- The replacement and expansions of our bus infrastructure to deliver high quality transit service
- The Housing & Revitalization Department will expand affordable housing opportunities to continue Detroit's commitment that all residents, regardless of economic situation, have access to safe and affordable housing in every neighborhood

Parks and Recreation project selection

Parks and Recreation projects support the existing population and attract new residents and businesses into revitalized neighborhoods.

- Many park projects are funded in part by the Strategic Neighborhood Fund and leverage state grants
- Parks will get modern play equipment, safe walking paths, ample lighting, and inviting landscaping
- Recreation Center projects are improving the space to better support programming and services.
- Projects will continue to be made with extensive consultation with the residents impacted by that park and its amenities.
- The City is helping museums address immediate infrastructure needs in their facilities.

Public Safety project selection

Public Safety Departments are receiving capital investments in vehicles, information technology, and facilities.

- The continuation of the City's fleet replacement plan will see the entire Police and Fire fleets completely replaced by the end of this five-year plan period. This modernized and optimized public safety fleet will help ensure that police officers and firefighters are able to swiftly and reliably protect the public.
- Public safety information technology will undergo a massive modernization and replacement campaign. Everything from body cameras to servers, in-vehicle laptops to secured fiber optic cable between public safety facilities is targeted for investment.
- The City will continue the Police lease elimination strategy and make upgrades to fire and police facilities. The animal control facility will be expanded and renovated to better provide animal control services.

Planned Capital Projects

Authorization	Project	Series 2
Recreation	Improvements to catalytic parks, CIP parks, and soccer hubs	\$ 13,570,000
Recreation	Joe Louis Greenway	\$ 20,000,000
Recreation	Charles H. Wright	\$ 2,500,000
Recreation	Heilmann Recreation Center	\$ 2,000,000
Recreation	Detroit Historical Museum	\$ 1,000,000
Recreation	Patton Recreation Center	\$ 750,000
Recreation	Williams Recreation Center	\$ 2,550,000
Public Safety	Animal Control facility capital improvements	\$ 3,230,000
Public Safety	Capital improvements to Police facilities	\$ 7,700,000
Public Safety	Fire facilities repairs & energy efficiency upgrades	\$ 3,000,000
Public Safety	Inventory management system	\$ 500,000
Public Safety	Public Safety IT	\$ 8,174,255
Public Safety	Police light duty vehicles	\$ 5,650,000
Public Safety	Fire vehicles (light duty, apparatus, and EMS)	\$ 5,255,745
Public Safety	New animal control trucks	\$ 220,000
Public Safety	Lease Elimination Plan Part 1 - 13335 Lyndon renovation	\$ 1,500,000
Public Safety	Lease Elimination Plan Part 2 - 11631 Mt. Elliott renovation	\$ 1,700,000
Public Safety	Bulletproof vest replacements	\$ 700,000
		\$ 80,000,000

*As the City tracks projects, the OCFO may make adjustments to project budgets based on project speed, need and availability.

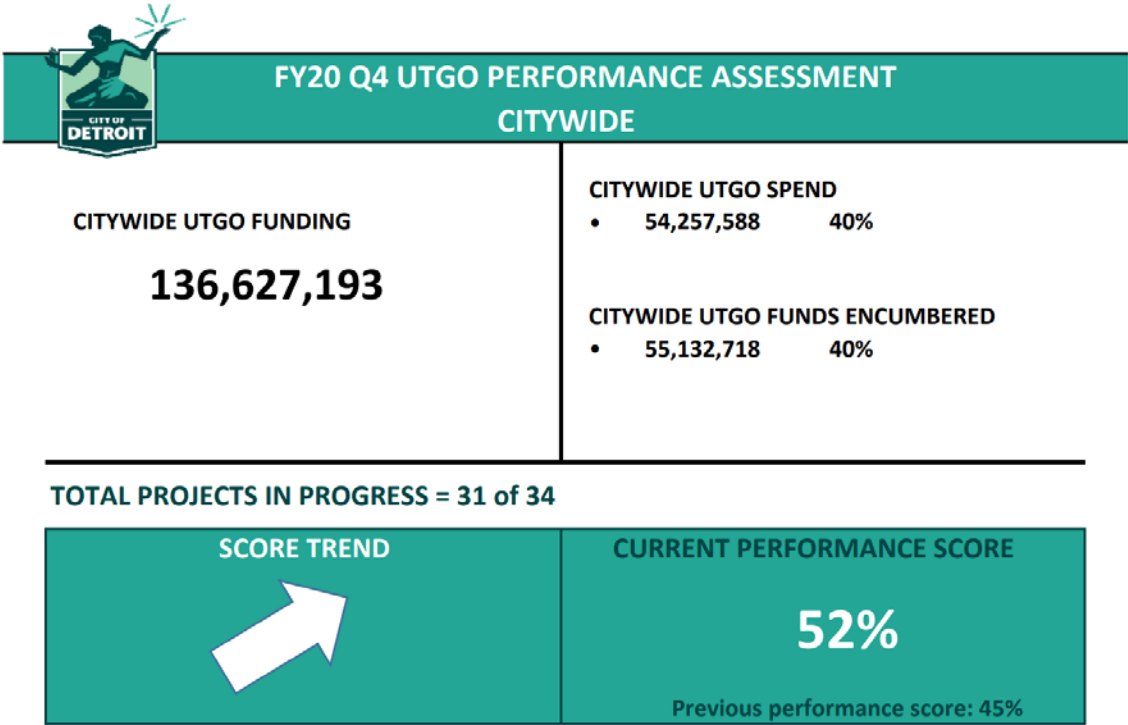
Impact on the Operating Budget

- The Office of Budget measures and plans for the impact of capital projects on the Operating Budget, in accordance with GFOA best practices.
- Some capital investments will provide long-term savings for the operating budget. For example,
 - The OCFO projects vehicle maintenance savings due to the regular replacement plan for the city's vehicles.
- Other projects require planning for operating impacts. For example:
 - The City is working with the corporate and philanthropic community on a long-term plan for maintenance of the Joe Louis Greenway.
 - DDOT is making decisions about the size and scope of the Coolidge facility replacement based on future need and operating budget.

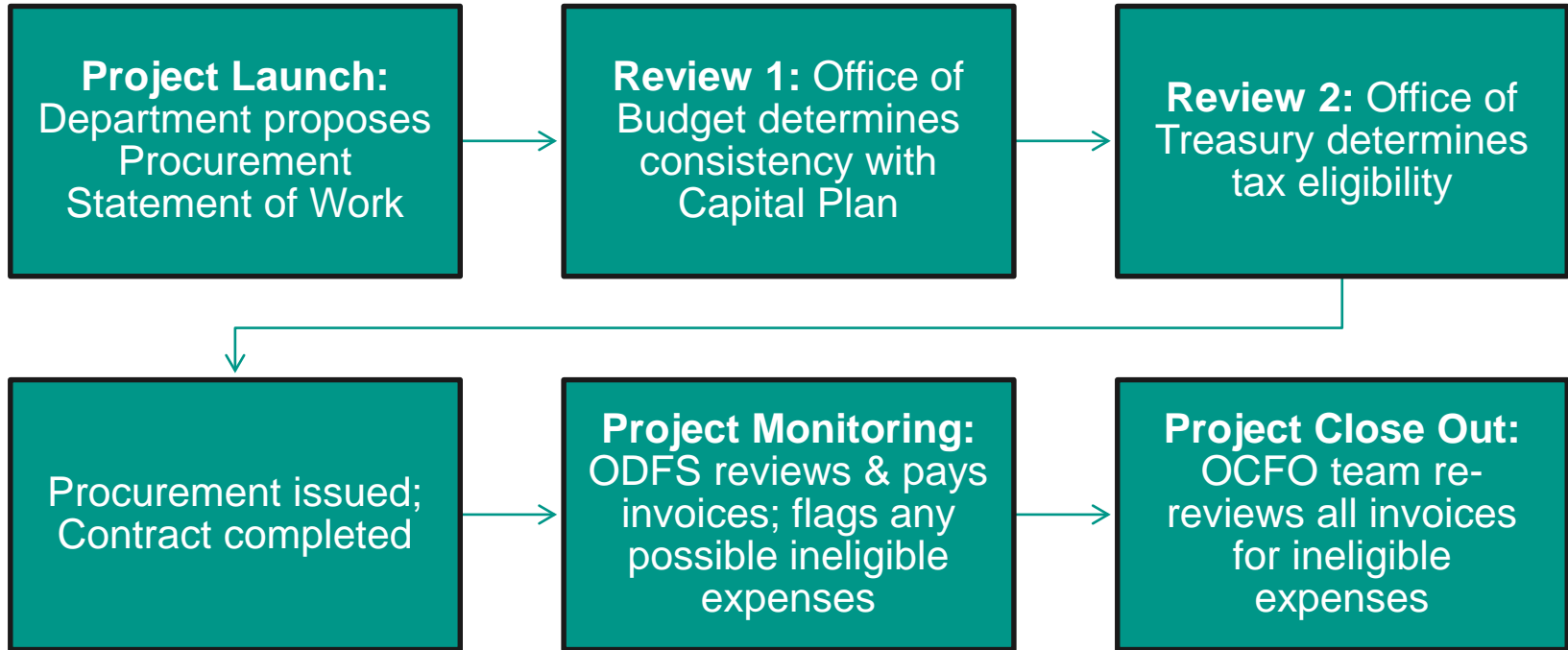
Managing bond proceeds

The OCFO developed a financial and operational dashboard to track capital project process.

Decision-makers use this tracker to intervene on off-track projects or make reallocation decisions.



Managing bond proceeds



Procurement controls

For UTGO projects, the City will continue the use of competitive bidding, including:

- Transparency of bids (through Oracle Cloud, Outreach, Websites)
- Cross-functional consensus evaluation and selection process

All contracts greater than \$25,000 will be approved by:

- Requesting Department, Supplier, Office of Treasury for tax clearance, Law Department, and OCP
- City Council and Chief Procurement Officer

OCP will maintain transparency, compliance and metrics:

- All contracts posted on the City's OCP website, per statutory requirement
- OCP Audit & Compliance division performs audits of agreements for policy, procedure and compliance requirements
- The City will measure:
 - Cost savings/avoidance
 - Procurement cycle time
 - Certified business contract award

Procurement inclusion initiatives

- The City of Detroit ordinance applies equalization factors for Detroit-based, Detroit-headquartered, Detroit resident, Detroit small and Detroit micro businesses, and allows for set asides for certified vendors by the Chief Procurement Officer.
- The City will apply Executive Order 2016-1 to encourage employment of Detroiters:
 - EO 2016-1 requires that Publicly Funded Construction projects over \$3M shall include a provision that 51% of the workforce on the project shall be residents.
 - If the workforce target is not met, the contractor makes a “required contribution” to the City’s Workforce Training Fund.
- OCP will complete extensive outreach and procurement strategies to attract new Detroit vendors.
- OCP will connect Detroit At Work with major new construction, demolition and skilled trade contractors. Detroit At Work will meet with these contractors to determine their hiring needs to inform training and recruitment strategies.

Professional team to manage the sale

- JP Morgan and Siebert Williams Shank were selected as co-senior managers as a result of evaluation of respondents to the underwriter RFP.
- Public Resources Advisory Group (PRAG) is the City's financial advisor and was selected in a prior RFP for these services.
- Miller Canfield is bond counsel and was authorized by City Council as part of the \$255 million bond authorizing resolution that was presented to City Council prior to the December 2018 bond issuance.

Closing and Questions

