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TO: Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: October 22, 2018

RE: Resolution (1) Authorizing the Issuance of Not to Exceed $255,000,000 in Unlimited Tax General Obligation Bonds, Series 2018 for the Purpose of Paying the Costs of Certain Public Improvements; and (2) Authorizing the Issuance of Not to Exceed $500,000,000 in Limited Tax General Obligation Refunding Bonds for the Purpose of Refunding All or a Portion of the City of Detroit's Outstanding Financial Recovery Bonds, Series 2014B, Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014A, and Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014B

Introduction

The Office of the Chief Financial Officer (OCFO) proposes issuing up to $255 million in Unlimited Tax General Obligation (UTGO) bonds[1] to finance capital projects and make investments that help improve the quality of life for Detroiters and spur the City's economic growth. The UTGO bonds would be issued under voter-authorized UTGO capacity from 2004 and 2009.

In addition, the OCFO proposes issuing up to $500 million in Limited Tax General Obligation (LTGO) bonds[2] for the purpose of refunding or refinancing all or a portion of the City's

[1] Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit's property tax debt millage.

[2] Limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the general fund and are <u>not</u> paid for out of property taxes based on the property tax debt millage. LTGO bonds are generally supported by the full faith and credit of the City. However, to make the City's LTGO bonds more attractive to bond investors, the City has pledged revenue streams such as distributable state aid (DSA) (i.e., state revenue sharing) and income taxes as added security to certain LTGO bonds.

outstanding LTGO bonds. The City's outstanding LTGO bonds include: $245 million of income tax bonds, $360 million of 1st and 3rd lien DSA bonds and $632 million of B Notes.

Attachment I represents the bond resolution currently before City Council regarding the aforementioned bonds. Exhibit A on page A-1 of Attachment I represents the list of capital projects the UTGO bond sale would finance.

Attachment II represents the OCFO's presentation to City Council on the UTGO financing and LTGO debt restructuring. Attachment III represents the OCFO's presentation to Council on the voter authorization categories approved by voters in 2004 and 2009, bond authorization available, suggested usage and recommended capital projects over five fiscal years: 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23.

The Legislative Policy Division (LPD) submitted a number of questions regarding the aforementioned bond sales. Attachment IV represents our list of questions with responses. We are extremely appreciative receiving these responses to our questions from the OCFO. Where appropriate, LPD will reiterate or speak to responses throughout this report.

Need for UTGO Bond Sale for Capital Projects

Old General Obligation Bond Dollars

LPD recalled City Council approving the re-programming of approximately $50 million in old general obligation bond dollars (these were UTGO bond dollars) for capital projects about two years ago. According to the Administration, all of the approximate $50 million in old general obligation bond dollars has been spent or programmed to be spent on capital projects, and that these capital projects do not overlap with the capital projects being proposed for the new UTGO bond sale. Attachment V represents $33.5 million in capital projects that have been funded from the approximate $50 million in old general obligation bond dollars. Council may want to request from the Administration a list of the approximate $16.5 million in capital projects that have been programmed by the Administration that are not on the list represented by Attachment V.

Exit Financing/Quality of Life Dollars

Similarly, LPD recalled the City has spent almost $233 million in exit financing/quality of life (QOL) dollars on various capital projects (LPD understands that $27.5 million has been set aside in a debt service reserve account[3] and that only approximately $4 million is remaining to be programmed to be spent). According to the Administration, the capital projects funded by QOL dollars do not overlap with the capital projects being proposed for the new UTGO bond sale. Attachment VI represents the list of capital projects that have been funded from QOL dollars.

[3] It is typical for a City issuing bond debt to establish a debt service reserve account or fund from the bond transaction. Funds amounting to six months or one-year's debt service (principal and interest) on the bonds are placed in a debt service reserve fund to be applied to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The monies in a debt service reserve account could be used for additional capital projects when the bonds are paid off.

Purpose of Proposed UTGO Bond Sale and the City's case to re-enter the bond market as a stand- alone credit

The OCFO proposes issuing UTGO bonds to pay for capital projects otherwise funded from the general fund in order to improve the City's fund balance and free up money for other City needs while improving the quality of life for the City of Detroit's citizens. The OCFO further explains that not borrowing for capital is viewed as a sign of weakness by the rating agencies and given the amount of capital needs that most Cities have, depending solely on budget surpluses or fund balance is not a viable long-term strategy and potentially compromises the budget process. In addition, rating agencies are concerned that in a future recession, City revenues could drop and deferring capital spending has long-term negative consequences.

The OCFO feels the City of Detroit can make a strong case as to why it should re-enter the bond market to issue UTGO bonds unenhanced as a stand-alone credit for the following reasons:

- The City of Detroit has made significant strides in improving its financial condition by incurring budget surpluses, exiting heavy state oversight, and funding a plan to tackle a looming hike in pension contributions.

- Given the current volatility in the stock market, there is demand among bond investors in the municipal bond market place for high yield investments ("high yield" meaning below investment grade credit requiring higher interest rates). Also due to the volatility in the stock market, investors may seek to cash out and invest in bonds. The OCFO's financial advisor has advised that although the credit markets have seen a rise in interest rates amid the general market volatility, the market still remains attractive for the City to access. 2018 has seen strong demand amid lower supply – especially in the higher yielding markets (which the City's UTGO would be accessing). The City's credit fundamentals have improved markedly since the exit from bankruptcy, providing a strong base from which to re-launch into the public markets.

- The OCFO feels it has robust marketing program to reintroduce the City to the bond markets. The credit-consortium that will be marketing the City's bonds includes Goldman Sachs, City bank and Siebert.

As articulated in a June 2018 Bond Buyer article[4], the OCFO feels the City of Detroit's ability to achieve bond market access without the support of state aid or some other mechanism is the next big step for the junk-rated city to signal it has come full circle from its historic 2013 Chapter 9 bankruptcy filing. The OCFO noted when the City exited bankruptcy in late 2014, it had the cash needed for capital projects from its exit financing, grant dollars, and other secured sources to show the rating agencies it could fund capital needs, but the day has come in the not-to-distant future where the City bond for capital like any other normal government. The OCFO further noted that market access on its own is eventually needed to relieve pressure on the general fund which will be relied on to cover higher pension contributions which begin in 2024 and a $25 million spike in debt service in 2025.

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[4] Bond Buyer article entitled "How a bond market return would seal Detroit's comeback", by Nora Colomer, date June 26, 2018.

Although now the City is almost at the half way point in the 10 year Plan of Adjustment coming out of bankruptcy, given the reasons articulated above, coupled with OCFO's recent establishment of strong financial and budgetary policies and procedures and a new forecasting and economic modeling unit within the OCFO that will help the City in its revenue consensus process and long range financial planning process, LPD agrees with the OCFO's assessment that now is a good time for the City of Detroit to access the municipal bond market as a standalone credit for the issuance of new UTGO bonds. With the Federal Reserve increasing interest rates and the outlook for higher bond interest rates, the City must issue the new bonds soon (time is of the essence) to obtain favorable rates.

Proposed Capital Projects to be funded by Proposed UTGO Bond Sale

Attachment VII represents the Administration's recommended capital projects to be funded by the proposed UTGO bonds over five fiscal years: 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23. This list of recommended projects is the same list that is a part of Exhibit A of the proposed bond resolution (Attachment I). OCFO indicated that these capital projects fall within already approved 2004 and 2009 voter bond authorizations.

The up to $255 million in UTGO bonds would fund a total of $235.4 million in recommended capital projects over the five year period as indicated in Attachment VII.[5] Of the $235.4 million, a first series of $109.4 million in bonds would be issued in 2018 and a second series of $126.0 million would be issued at a later date. The OCFO indicates that municipalities frequently authorize multiple series of bonds under a single bond resolution, particularly when there is a known set of projects to be financed over a period of years. In this case, the bonds authorized under this resolution are essentially a single financing, layered over a period of years and is a component of the City's overall capital plan.[6] This approach is also done to ensure that the City has adequate funding to finish projects it starts and so the City can, at closing of any series of bonds, certify that it intends to spend 85% of the proceeds within three years of issuance (a Federal tax requirement).

The Administration indicates it explored alternative funding sources for some of the recommended capital projects. For example, the insurance proceeds are insufficient to cover the full costs of rebuilding the Detroit Department of Transportation (DDOT) Coolidge Terminal facility which suffered from a large fire in 2017 and the proceeds from the new bond sale would cover the funding gap for the Coolidge facility.

In determining the recommended capital projects, the Administration used the following process:

> All of the projects first had to align with the voter approved purposes. The Administration used a thorough process to recommend projects for the UTGO bond resolution. This included collaboration among the OCFO, Operations, General Services Department (GSD), Detroit Building Authority (DBA), Department of Innovation and Technology (DOIT),

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[5] The OCFO indicates that the approximate difference of $20 million between the $255 million not to exceed UTGO bond sale amount and the $235 million in capital projects is not intended to be just bond issuance costs (legal, underwriters, bond insurance-if purchased, auditing). It is also intended to provide a cushion which may also be applied to capitalized interest or original issue discount, if appropriate, when selling the bonds.

[6] The OCFO indicates that the recommended projects to be funded by the up to $255 million bond sale will be a part of the Capital Agenda that will be presented by the Administration to Council on or before November 1, 2018.

Public Safety, Jobs and Economic Team (JET), Planning and Development Department (PDD) and other operating departments. The Administration looked at a number of factors to determine the need for funding through the UTGO bond authorization:

- Facilities ranked for highest need improvement/repair by both the operating departments, GSD and DBA.
- Crime reduction initiatives that require capital investment, such as expansion of the successful green light program.
- Opportunities to leverage significant outside investment and provide a transformative impact on neighborhoods such as park projects.
- Economic development and jobs for Detroiters.
- Return on investment opportunities such as the lease consolidations or reduction of energy use.
- Improvements to cultural facilities serving Detroiters, such as the Charles H. Wright Museum of African American History and the Aretha Franklin Park.

The facilities steering committee reviewed and approved the final list of facilities projects. The Vehicle Steering Committee has developed the FY 2019 vehicle replacement list and will continue to review prioritization.

The OCFO also considered known Council capital improvement priorities when establishing the capital projects list.

Some Councilmembers have expressed their desire to have the opportunity to modify the list of recommended projects that is a part of the bond resolution so that the list of capital projects would be more reflective of Council's priorities before Council's vote on the bond resolution. John Hill, CFO, provided LPD the following regarding this issue:

There are two tests to make sure that projects are in accord with borrowing. They have to fit both the purposes of the voter authorization and the requirements of capital in the IRS regulations. To price the bonds we have to match the length of bonds to the useful life of the projects and this is a real balancing act that has already been done for these projects. If we issue bonds under this authority and then change out projects it can be done but a lot of work will have to go into making sure the new or substitute projects meet the three requirements. We simply do not have the time to do that and make a Dec 31 date which is important for all the reasons we provided earlier.

The approval of the resolution would not lock in projects for the next 2 years. However some of these projects are multi year and we would not want to start them if we did not know we had the authority to finish them. The rating agencies and investors will be looking for those assurances as well.

The council has a couple of opportunities to affect the projects that are worked on. Clearly they will have the Capital Agenda in front of them on Nov 1 and are able to express their support or priority for various projects during that process[7]. They also have control over all the Contracts that come out of the bond sale as they will have to be approved by the body. We heard the Council prior to this process and accordingly included a number of projects the Council expressed concern with our finding funding to support. We did that because of the lead time necessary to validate the projects as I have explained above. I believe the process that was used incorporated a number of different priorities and was respectful to concerns of the Council.

There is money left over in bond authorization[8] for Council priorities.

Need for a Budget Amendment

LPD recalls when the Administration in the past sold general obligation bonds on a regular basis, after the bonds were sold, the capital projects for a given fiscal year were either already a part of the budget for that given fiscal year, or the Administration had to present a budget amendment to Council to budget the capital projects and the proceeds of the bond sale as the source of the capital projects.

The FY 2019 budget does not contain any capital projects being funded by a general obligation bond sale. The $52.2 million that is in the FY 2019 budget for capital projects is being funded by general fund surplus dollars. In addition, the proposed bond resolution does not contain any language that appropriates capital dollars being funded by the proceeds of the proposed UTGO bond sale.

If Council approves the bond resolution and the proposed UTGO bonds are sold by December of this year, then LPD feels it is necessary for the Administration to provide a budget amendment to Council subsequent to the sale of the bonds to appropriate the list of capital projects amounting to $48.2 million for FY 2019 that are on the capital project list (Attachment VII) with proceeds from the proposed UTGO bond sale as the source of those capital projects.

When the budget amendment is before you, then City Council could modify the list of capital projects that are designated for FY 2019, keeping in mind as Mr. Hill indicated previously, that any capital project that is added to substitute a current one on the list first, fits the purpose of the voter authorization, secondly, meets the requirements of capital in the IRS regulations, and thirdly, ensures that the life of the capital project matches the useful life of the bonds.

In addition, when the Mayor presents his proposed FY 2020 budget to Council in March of 2019, that budget would need to contain his proposed capital projects that would also be funded by the proceeds of the UTGO bond sale for Council's consideration and deliberation. Again, any project Council substitutes for one proposed by the Mayor would need to meet the three requirements previously mentioned.

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[7] It is important to remind the Council that the Capital Agenda is a planning document and not a capital budget.

[8] Attachment III indicates there would be approximately $28.9 million remaining in bond authorization for public safety and recreation/libraries/museums/zoo type capital projects, if Council approves the proposed bond resolution currently before you.

Reprogramming of Capital Projects funded by Surplus Dollars in Current Year's Budget

Section 1002 of the proposed bond resolution that is before Council does contain specific language authorizing the Administration to amend the FY 2019 budget by decreasing appropriation 20507 CoD Capital Projects 2019 by $13,099,618 and increasing appropriation 20253 Blight Remediation by $13,099,618 due to the fact that a portion of the recommended capital projects (Attachment VII) were previously funded with appropriation 20507 CoD Capital Projects 2019 using general fund surplus dollars. Attachment VIII represents the capital projects that are being funded by surplus dollars in the current year's FY 2019 budget via appropriation 20507.

Attachment IX represents the list of approximately $13 million in capital projects the Administration looks to fund from the proceeds of the proposed UTGO bonds instead from surplus dollars, if Council approves the proposed bond resolution.

LPD feels it would be premature for the Administration to process the budget amendment per Section 1002 of the proposed bond resolution without first providing City Council with a budget amendment to appropriate the $48.2 million in capital projects for FY 2019 being funded by proceeds of the proposed UTGO bond as discussed previously, if Council approves the bond resolution and the bonds are successfully sold by December. If Council were to modify the list of projects in the budget amendment for FY 2019, then the budget amendment per Section 1002 of the proposed bond resolution may not work.

When LPD inquired about the need for more dollars for blight remediation and whether or not this money would be used for blight remediation in addition to Detroit Land Bank Authority (DLBA) blight remediation projects, the OCFO indicated that the Demo team has successfully increased the rate at which they are demolishing residential and commercial buildings. At their current rate, the Administration projects that the City will commit the remaining Hardest Hit Fund dollars in 2019. While that will be a significant accomplishment, the City will still have residential and commercial structures in need of demolition. The City will need to continue to invest its own resources in demolition at an increasing rate to continue to meet the residents' needs. In addition, this money would be used for both residential and commercial blight remediation. The commercial blight remediation would target commercial corridors in the neighborhoods.

Features of the Proposed UTGO Bond Sale

Repayment Source for Proposed UTGO Bonds

The debt service (principal and interest) payments associated with the proposed UTGO bonds would be paid from property taxes based on the property tax debt millage and therefore will not impact the City's general fund. The OCFO informed LPD that the issuance of the first and second series of these bonds would raise the debt millage from the 7 mills to around 9.5 mills. The City's debt millage rate was 9.5 mills in 2016; 8.24 mills in 2017; and 7 mills for 2018. The OCFO would like to maintain UTGO borrowing and the debt millage at around 9.5 mills.

LPD inquired what impact would the increase in the debt mills from 7 to 9.5 mills would have on the average homeowner in the City of Detroit. The OCFO indicated that the City's debt millage was 9.5 mills in 2016 and as a result of the City's debt restructuring approved by City Council, the City was able to lower the debt millage. One mill equates to $1 of tax for each $1,000 in taxable value of the property owned by the homeowner. So, a home with $40,000 in assessed value would result in a taxable value of $20,000. A debt millage of 9.5 mills would increase the homeowners' annual tax bill by approximately $50.00.

Interest Rate associated with Proposed UTGO Bonds

Knowing that the 10 year Plan of Adjustment period hasn't ended yet, and the fact that the Plan of Adjustment excludes new money bonds for capital improvements, LPD wondered if the City would pay an exorbitant interest rate on any new money UTGO bonds at this time. The document presented to LPD shows the City would presently pay 5.50 to 6.00% on the proposed UTGO bonds, and LPD wondered is that considered an excessive interest rate range at this time in the market.

The OCFO indicated this rate range would not be considered excessive given the nature of the proposed UTGO offering (non- investment grade ratings and first unenhanced offering post-bankruptcy). The interest rate that the City will pay on these bonds will be determined on the day of pricing and will depend on the overall investor demand for the bonds. The current [30-year] MMD (municipal market data) AAA long term interest rate was 3.41% last week. Given that the City is not rated AAA, the City will have to pay a significant spread above this rate. In addition, LPD should also note that the Plan of Adjustment assumed much lower pension contributions starting in FY 2024. As a result, the City has had to fund pensions via the Retirement Protection Fund now in order to prepare for pension contributions beginning in FY 2024 that were higher than the Plan of Adjustment assumed. The City would have had more available funding for capital projects if the pension contributions were not higher than what the Plan of Adjustment assumed.

The OCFO indicated that the interest rate would be fixed and issued on a tax-exempt basis. Selling taxable bonds would be costly to the City and, currently, it is more economical for the City to use fund balance for capital projects that would be considered taxable.

Maturity of Proposed UTGO Bonds

According to the proposed bond resolution, the proposed bonds would mature based on the weighted average of the useful life of the capital projects, but not to exceed 30 years.

Enhancement of Proposed UTGO Bonds

The OCFO indicated no credit enhancement, such as letters of credit, bond insurance, and other public or private credit enhancements would be used to improve the marketability of the proposed UTGO bonds. The OCFO also feels no additional security, such as distributed state aid (state revenue sharing) or income taxes, is needed to ensure debt service payment.

City's Debt Policy and Debt Metrics

The City issues bonds in accordance with its Debt Policy. Attachment X represents a copy of the Debt Policy.

The City's Debt Policy speaks to debt affordability. LPD inquired what is the City's current: 1) overall debt as a % of assessed valuation (total debt should be about 1.5% of full market value); 2) debt service as a % of the general fund (required annual debt service expenditures should be at about 10-15% of the City's general fund); 3) overall debt per capita (real debt per capita should not rise significantly); 4) ten-year payout ratio (a faster payout is considered a positive credit attribute); and 5) per capital to per capita income (total debt outstanding and annual amounts proposed should not cause the ratio of per capita to per capita income to rise significantly above approximately 5%)? How would the proposed UTGO bond sale impact these ratios?

Attachment XI represents the updated metrics as a result of the first UTGO new money bond issuance provided by the OCFO. The benchmarks in the CFO Directive is what the City should be targeting over the long-term and is benchmarked to a credit rating higher than the credit rating the City has today.

It appears the issuance of the first series in proposed UTGO bonds will not have a significant impact on key debt metrics. The ratio of outstanding direct debt over operating revenues is alarming however, and this metrics needs to be periodically monitored.

Risks associated with the Proposed UTGO bonds

LPD inquired as to the risk associated with the proposed UTGO bonds. The OCFO's responses are provided.

1. The bonds may price higher than anticipated due to rising interest rates.
OCFO's response: We have a generous spread already factored into our analyses to take this into account. To be clear, we have been modeling the new UTGO debt service under a stress case scenario @ (+75 bps higher)

2. There may not be the level of bond investors available to purchase these bonds.
OCFO's response: The market has a very large demand. While there are no guarantees, the team of Goldman Sachs, Citibank and Siebert project that there will be considerable interest in this deal and expect to be oversubscribed.

3. As a result of the two previous points, the bond sale for the first series may be smaller than anticipated.
OCFO's response: Doubtful, as the underwriting team projects they will be oversubscribed which should push the rate down. The market for storied and improving credits (such as Detroit) has tremendous appetite. And in the event something were to occur that leads to a smaller transaction, the difference could be made up in the next Series.

4. Not being able to access the market could be a trigger to bring the FRC back. However, the fact that the City sold exit financing and refunding bonds two years ago, albeit with an income tax

pledge on the exit financing and a DSA pledge on the refunding bonds, demonstrated the City's ability to access the market, correct?
<u>OCFO's responses:</u> The State Treasurer and City CFO both certified access to the market upon exit from FRC active oversight. We have already satisfied this FRC condition multiple times. We sold the exit financing in the summer of 2015, did a $600M refunding in the summer of 2016 and did a private placement of ACT 51 bonds in the summer of 2017.

LTGO Refunding Bonds

The OCFO has indicated that the rating agencies have been concerned about the City of Detroit's debt cliff with debt service requirements going up significantly from FY 2024 to FY 2025. The OCFO feels the reason this is significant now because the City will have to incorporate FY 2025 in upcoming budgets in a couple of years. The OCFO feels that restructuring the debt that comes due over the next 10 to 15 years will create a more manageable debt service profile as other City liabilities are concurrently increasing.

The OCFO indicated there may be an opportunity to repurchase and refinance a portion of outstanding City LTGO bonds. The OCFO hopes the sale of 2018 LTGO refunding bonds will generate economic savings, address the debt cliff in FY 2025, put the City in a better position to absorb higher pension costs, demonstrate continued management focus on long-term challenges, and set the stage for additional rating agency upgrades.

The City's LTGO debt service spikes in FY 2025 since for the first ten years coming out of bankruptcy the City was required to pay interest only with payment of principal and interest starting in FY 2025. LTGO debt is paid out of the general fund, so this impacts the general fund.

The proposed bond resolution and the City's Debt Policy requires the City to achieve net present value savings to sell the LTGO refunding bonds.

<u>*Security for the payment of the proposed LTGO refunding bonds*</u>

The proposed bond resolution anticipates these bonds will be secured by a lien on DSA (state revenue sharing) revenues. The LTGO refunding bonds would be issued through the Michigan Finance Authority (MFA). The OCFO indicates that State law provides that bonds secured by DSA issued through the MFA have the benefit of statutory protection and credit enhancements that are important for investors and marketing of bonds.

<u>*Maturity of proposed LTGO refunding bonds*</u>

The OCFO does not intend to "kick the can further down the road" by extending the maturity date of the outstanding LTGO bonds beyond FY 2044, through the up to $500 million LTGO refunding bond sale.

Recommendation

The OCFO believes that the resolution serves the purpose of amending the budget for the bond appropriation and the capital projects to be funded.[9] As a result, there will be no budget amendment in FY 2019 for the new bonds and the capital projects to be funded. City Council needs assurance from the Law Department or Bond Counsel that the list of recommended capital projects that is represented by Exhibit A of the proposed bond resolution does not require an amendment to the City's FY 2019 budget, and that a budget amendment should **not** be forth coming from the Administration to Council to appropriate the FY 2019 portion of the capital projects, if Council approves this bond resolution and after the bonds are successfully sold. LPD strongly advocates that the Administration amend the FY 2019 budget for the new bond proceeds and capital projects to be funded.

If Council is satisfied with this assurance, then LPD recommends that your Honorable Body approve the proposed bond sale authorizing resolution.

Please let us know if we can provide any more information.

Attachments

cc: John Hill, Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director
John Hageman, Chief of Staff-OCFO
Tanya Stoudemire, OCFO-Deputy CFO, Budget Director
Stephanie Washington, Mayor's Office

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Per the OCFO's response to our question: If Council approves the new money UTGO bond sale, will the OCFO present to Council a budget amendment to appropriate the bonds in the City's FY 2019 budget and show the impact on the four-year financial plan? **The Resolution itself serves this purpose.**

Attachment I

Bond Resolution Authorizing up to $255 Million UTGO Bond Sale and up to $500 Million LTGO Refunding Bond Sale

CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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October 12, 2018

The Honorable Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Bond Authorizing Resolution – UTGO Bonds, Series 2018 and Refunding Bonds

Dear Honorable Detroit City Council Members:

The CFO's Office respectfully submits the proposed Bond Authorizing Resolution – UTGO Bonds, Series 2018 and Refunding Bonds. The City's credit profile has been improving and there are strong market conditions that support a return to the capital markets at this time. A UTGO financing will provide the City with the necessary capital to make needed investments that will improve the quality of life for Detroiters and help spur economic growth. In addition, there may be an opportunity for the City to repurchase and refinance a portion of outstanding LTGO bonds that will create savings and help the City proactively address rising debt service costs.

Should you have any questions, please do not hesitate to contact me or my office.

Best regards,

John W. Hill
Chief Financial Officer

Att: Bond Authorizing Resolution – UTGO Bonds, Series 2018 and Refunding Bonds

Cc: Mayor Michael E. Duggan
David P. Massaron, Chief Operating Officer and Senior Counsel to the Mayor
Katie Hammer, Deputy Chief Operating Officer
John Naglick, Chief Deputy CFO/Finance Director
John H. Hageman, Chief of Staff to the Chief Financial Officer
Tanya Stoudemire, Deputy CFO/Budget Director
Christa McLellan, Deputy CFO/Treasurer
Stephanie Washington, City Council Liaison

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN: (1) AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $255,000,000 UNLIMITED TAX GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES FOR THE PURPOSE OF PAYING THE COSTS OF CERTAIN PUBLIC IMPROVEMENTS; (2) AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $500,000,000 FINANCIAL RECOVERY REFUNDING BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF PAYING THE COSTS OF REFUNDING ALL OR A PORTION OF THE CITY'S OUTSTANDING FINANCIAL RECOVERY BONDS, SERIES 2014B, FINANCIAL RECOVERY INCOME TAX REVENUE AND REFUNDING BONDS, SERIES 2014A, AND FINANCIAL RECOVERY INCOME TAX REVENUE AND REFUNDING BONDS, SERIES 2014B (FEDERALLY TAXABLE); (3) AUTHORIZING THE REPURCHASE BY TENDER OR NEGOTIATED PURCHASE OF SUCH PRIOR FINANCIAL RECOVERY BONDS; (4) AUTHORIZING AND DELEGATING TO THE AUTHORIZED OFFICERS THE AUTHORITY TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE REPURCHASE OF SUCH PRIOR FINANCIAL RECOVERY BONDS; (5) AUTHORIZING EXECUTION OF DOCUMENTS AND AGREEMENTS NECESSARY TO EFFECTUATE THE ISSUANCE OF AND SECURITY FOR SAID BONDS; AND (6) AUTHORIZING AND DELEGATING TO THE AUTHORIZED OFFICERS THE AUTHORITY TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND DELIVERY OF SAID BONDS.

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RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN: (1) AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $255,000,000 UNLIMITED TAX GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES FOR THE PURPOSE OF PAYING THE COSTS OF CERTAIN PUBLIC IMPROVEMENTS; (2) AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $500,000,000 FINANCIAL RECOVERY REFUNDING BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF PAYING THE COSTS OF REFUNDING ALL OR A PORTION OF THE CITY'S OUTSTANDING FINANCIAL RECOVERY BONDS, SERIES 2014B, FINANCIAL RECOVERY INCOME TAX REVENUE AND REFUNDING BONDS, SERIES 2014A, AND FINANCIAL RECOVERY INCOME TAX REVENUE AND REFUNDING BONDS, SERIES 2014B (FEDERALLY TAXABLE); (3) AUTHORIZING THE REPURCHASE BY TENDER OR NEGOTIATED PURCHASE OF SUCH PRIOR FINANCIAL RECOVERY BONDS; (4) AUTHORIZING AND DELEGATING TO THE AUTHORIZED OFFICERS THE AUTHORITY TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE REPURCHASE OF SUCH PRIOR FINANCIAL RECOVERY BONDS; (5) AUTHORIZING EXECUTION OF DOCUMENTS AND AGREEMENTS NECESSARY TO EFFECTUATE THE ISSUANCE OF AND SECURITY FOR SAID BONDS; AND (6) AUTHORIZING AND DELEGATING TO THE AUTHORIZED OFFICERS THE AUTHORITY TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND DELIVERY OF SAID BONDS.

BY COUNCIL MEMBER: ______________________________:

WHEREAS, at elections held on November 2, 2004 (the "2004 Election") and February 24, 2009 (the "2009 Election," and together with the 2004 Election, the "Prior Elections"), the qualified electors of the City of Detroit, County of Wayne, State of Michigan (the "City") authorized the issuance and sale of unlimited tax general obligation bonds of the City to finance certain public improvements of the City as more particularly described herein; and

WHEREAS, pursuant to the authorizations provided by the 2004 Election, the City Charter, Act 279, Public Acts of Michigan, 1909, as amended ("Act 279") and Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), the City issued certain unlimited tax general obligation bonds (collectively, the "Prior UTGO Bonds"); and

WHEREAS, as a result of the issuance of the portion of the Prior UTGO Bonds, the City has $58,288,829 of remaining authorization pursuant to the 2004 Election (the "2004 Authorization") to issue its unlimited tax general obligation bonds for purposes described in the 2004 Ballot Proposals (the "2004 Voter Authorized Purposes"); and

WHEREAS, the City has $228,000,000 of remaining authorization pursuant to the 2009 Election (the "2009 Authorization," and together with the 2004 Authorization, the "Voter

Authorization") to issue its unlimited tax general obligation bonds for the purposes described in the 2009 Ballot Proposals (the "2009 Voter Authorized Purposes," and together with the 2004 Voter Authorized Purposes, the "Voter Authorized Purposes"); and

WHEREAS, the Council deems it advisable and necessary at this time to authorize the issuance of bonds in one or more series (hereinafter defined as the "UTGO Bonds") to finance certain of the Voter Authorized Purposes in accordance with the Voter Authorization, including reimbursement of funds spent by the City prior to the issuance of the UTGO Bonds, in an amount not to exceed $255,000,000 (the "UTGO Bonds Maximum Principal Amount"), bearing interest as determined by an Authorized Officer (as defined herein) within the parameters of this Resolution and confirmed at the time of sale of such bonds in a UTGO Sale Order (as defined herein); and

WHEREAS, on March 1, 2013, the Governor of the State of Michigan (the "State") determined that a financial emergency existed within the City pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended; and

WHEREAS, on July 18, 2013, the Emergency Manager of the City (the "Emergency Manager") filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on October 22, 2014, the Emergency Manager filed on behalf of the City an Eighth Amended Plan of Adjustment of the Debts of the City of Detroit (now and as subsequently amended, the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, on December 10, 2014, in accordance with the Plan of Adjustment and pursuant to Section 36a of Act 279, the City issued $631,964,145 of its Financial Recovery Bonds, Series 2014B (the "Series 2014B Bonds") secured by and payable from the limited tax pledge of the City, $134,725,000 of its Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014A (the "Series 2014A Income Tax Bonds"), and $140,275,000 of its Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Income Tax Bonds," and together with the Series 2014B Bonds and the Series 2014A Income Tax Bonds, the "Prior Bonds")); and

WHEREAS, Act 182, Public Acts of Michigan, 2014 amended Act 279 by creating the position of Chief Financial Officer with certain powers, including but not limited to the power to supervise all financial and budget activities of the City, and coordinate the City's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis and compliance with the budget and financial plan of the City; and

WHEREAS, the Council deems it advisable and in the best interest of the City to authorize the repurchase of all or a portion of the outstanding Prior Bonds and the issuance of the Refunding Bonds (as defined herein) in one or more series in the aggregate principal amount of not to exceed Five Hundred Million Dollars ($500,000,000) (the "Refunding Bonds Maximum

Principal Amount"), bearing interest at rates within the parameters of this Resolution and determined at the time of sale of such bonds in a Refunding Sale Order (as defined herein) for the purpose of providing funds for the repurchase of all or a portion of the outstanding Prior Bonds; and

WHEREAS, the Council deems it advisable and necessary at this time to authorize, at a time and in an amount to be determined by the Chief Financial Officer of the City: (i) the extension of an invitation to the holders of the Prior Bonds to tender such Prior Bonds to the City for repurchase, or the negotiation of one or more private repurchases from such holders of such Prior Bonds (such Prior Bonds actually repurchased by the City pursuant to a tender or private purchase, collectively, the "Repurchased Bonds"), (ii) the repurchase by the City of the Repurchased Bonds, and (iii) the issuance of the Refunding Bonds to provide funds to pay all or a portion of the costs of repurchasing the Repurchased Bonds; and

WHEREAS, based on the recommendation of the Chief Financial Officer of the City, the Council has determined to sell (i) the UTGO Bonds by negotiated sale to the Underwriters (as defined herein) pursuant to one or more bond purchase contracts between the City and the Underwriters and (ii) the Refunding Bonds by negotiated sale either to (a) the Michigan Finance Authority, which will sell its bonds (secured by the Refunding Bonds) to the Underwriters or (b) directly to the Underwriters pursuant to one or more bond purchase contracts between the City and the Underwriters; and

WHEREAS, the Council desires to authorize the submission of disclosure information in connection with the distribution of one or more preliminary official statements (together with any supplements thereto, each a "Preliminary Official Statement") and final official statements (together with any supplements thereto, each an "Official Statement") in connection with the offering for sale of the Bonds.

WHEREAS, the Underwriters will require, as a condition precedent to purchasing the Bonds or the MFA Bonds (as defined herein), that the City agree to provide continuing disclosure as required by Section (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended; and

WHEREAS, the Council desires to delegate to the Authorized Officers the authority to make certain determinations with respect to the Bonds, if necessary, within the parameters of this Resolution and to take such other actions and make such other determinations as may be necessary to accomplish the delivery of the Bonds and the transactions contemplated by this Resolution, as shall be confirmed in one or more UTGO Sale Orders and/or Refunding Sale Orders.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DETROIT, WAYNE COUNTY, MICHIGAN, PURSUANT TO THE CHARTER, ACT 34 AND ACT 279 AS FOLLOWS:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Resolution shall have the meanings ascribed therein or herein to them unless a different meaning clearly appears from the context:

"2004 Authorization" means the $58,288,829 of remaining authorization pursuant to the 2004 Election.

"2004 Ballot Proposals" means the ballot proposals included in the 2004 Election identified on the ballot as Proposal N, Proposal S, Proposal R and Proposal T.

"2004 Election" means the election held in the City on November 2, 2004.

"2004 Voter Authorized Purposes" means the purposes described purposes described in the 2004 Ballot Proposals.

"2009 Authorization" means the $228,000,000 of remaining authorization pursuant to the 2009 Election.

"2009 Ballot Proposals" means the ballot proposals included in the 2009 Election identified on the ballot as Proposal C, Proposal N, Proposal S and Proposal T.

"2009 Election" means the election held in the City on February 4, 2009.

"2009 Voter Authorized Purposes" means the purposes described in the 2009 Ballot Proposals.

"2009 Voter Authorized Purposes" means

"Act 34" means Act 34, Public Acts of Michigan, 2001, as amended.

"Act 80" means Act 80, Public Acts of Michigan, 1981, as amended.

"Act 181" means Act 181, Public Acts of Michigan, 2014.

"Act 284" means Act 284, Public Acts of Michigan, 1964, as amended.

"Act 279" means Act 279, Public Acts of Michigan, 1909, as amended.

"Additional Security" means, individually, collectively or in any combination, Distributable State Aid, Income Tax Revenues, any other source of additional security pledged for the payment of principal of and interest on the Bonds.

"Authorized Officers" means the Mayor, the Chief Financial Officer and the Chief Deputy CFO/Finance Director of the City, and "Authorized Officer" means any of them.

"Ballot Proposal" means a 2004 Ballot Proposal or 2009 Ballot Proposal, and shall be used herein in connection with provisions which apply to any of the 2004 Ballot Proposals or 2009 Ballot Proposals.

"Board" means the Local Emergency Financial Assistance Loan Board established pursuant to Act 243

"Bond Counsel" means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

"Bondholder", "Bondowner", "Owner" or "Registered Owner" means, with respect to any Bond, the person in whose name such Bond is registered in the Bond Registry.

"Bond Insurer" means the issuer of a Municipal Bond Insurance Policy with respect to the Bonds, if any, named in the Sale Order.

"Bond Purchase Agreement" means each purchase contract between the City and the Underwriters providing for the terms and conditions of the purchase of the Bonds.

"Bond Registry" means the books for the registration of Bonds maintained by the applicable Transfer Agent.

"Bonds" means, collectively, the UTGO Bonds and the Refunding Bonds.

"Charter" means the Home Rule Charter of the City, as amended from time to time.

"Chief Financial Officer" means the chief financial officer of the City or his/her designee.

"City" means the City of Detroit, County of Wayne, State of Michigan.

"Code" means the Internal Revenue Code of 1986, as amended.

"Constitution" means the Constitution of the State of Michigan of 1963, as amended.

"Construction Fund" means the fund so designated and established under Section 501 hereof.

"Council" means the City Council of the City of Detroit, Michigan.

"Distributable State Aid" has the meaning given it in Act 80.

"Fiscal Year" means the fiscal year of the City as in effect from time to time.

"Income Tax Revenues" means revenues collected by the City from a levy of an excise tax on income pursuant to Act 284 or pursuant to any other applicable State or local law.

"Initial Refunding Issuance" the initial series of Refunding Bonds issued pursuant to this Resolution.

"Initial UTGO Issuance" the initial series of UTGO Bonds issued pursuant to this Resolution.

"Mayor" means the mayor of the City or the designee thereof.

"MFA" means the Michigan Finance Authority, as successor to the Michigan Municipal Bond Authority.

"MFA Bonds" means bonds issued by the MFA, secured by the Municipal Obligation.

"Municipal Bond Insurance Policy" means one or more policies of municipal bond insurance, if any, issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds determined to be insured as set forth in a Sale Order.

"Municipal Obligation" means the Refunding Bonds, in the event any of the Refunding Bonds are sold to the MFA.

"Non-Arbitrage and Tax Compliance Certificate" means each Non-Arbitrage and Tax Compliance Certificate of the City regarding rebate requirements and other tax responsibilities of the City relating to the Bonds under the Code.

"Prior Bonds" means, collectively, the Series 2014B Income Tax Bonds, the Series 2014B Bonds and the Series 2014A Income Tax Bonds.

"Projects" mean those projects set forth in Exhibit A hereto and any additional projects constituting Voter Authorized Purposes.

"Purchase Contract" means the purchase contract between the City and the MFA providing for the terms and conditions of the delivery of the Municipal Obligation to the MFA in connection with the refunding of the Repurchased Bonds.

"Refunding Bond Issuance Fund" means the fund so designated and established under Section 601 hereof.

"Refunding Bonds" means the City's Financial Recovery Refunding Bonds, authorized by Article III of this Resolution.

"Refunding Bonds Interest Payment Date" has the meaning given such term in Section 305.

"Refunding Bonds Maximum Interest Rate" means a rate of interest not to exceed the maximum rate permitted by law.

"Refunding Bonds Maximum Principal Amount" means an amount not to exceed Five Hundred Million Dollars ($500,000,000).

"Refunding Sale Order" means the order or orders executed by both the Mayor and the Chief Financial Officer approving the sale of any series of Refunding Bonds and making certain determinations and/or confirming the final details of such Refunding Bonds upon the sale thereof in accordance with the parameters of this Resolution and the terms of the Bond Purchase Agreement.

"Regular Record Date" has the meaning given such term in Section 304.

"Repurchased Bonds" has the meaning given such term in Section 202.

"Repurchase Agent" means any broker-dealer, dealer-manager, tender agent, repurchase agent or similar party facilitating the repurchase of the Repurchased Bonds.

"Repurchase Agreement" means, collectively, one or more repurchase agreements, broker-dealer agreements, dealer-manager agreements, tender agent agreements or equivalent agreements executed by both the Mayor and Chief Financial Officer in connection with the repurchase of any Repurchased Bonds.

"Repurchase Escrow Agreement" has the meaning given such term in Section 604.

"Repurchase Escrow Fund" means the fund so designated and established under Section 601 hereof.

"Repurchase Escrow Trustee" has the meaning given such term in Section 604.

"Resolution" means this Resolution, as supplemented by one or more Sale Orders.

"Sale Order" means a Refunding Sale Order or a UTGO Sale Order, and shall be used herein in connection with provisions which apply to either a Refunding Sale Order or a UTGO Sale Order.

"Series 2014B Bonds" means the City's Financial Recovery Bonds, Series 2014B, issued on December 10, 2014 in the original principal amount of $631,964,145.

"Series 2014A Income Tax Bonds" means the City's Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014A, issued on December 10, 2014 in the original principal amount of $134,725,000.

"Series 2014B Income Tax Bonds" means the City's Financial Recovery Income Tax Revenue Bonds, Series 2014B (Federally Taxable), issued on December 10, 2014 in the original principal amount of $140,275,000.

"State" means the State of Michigan.

"State Treasurer" means the Treasurer of the State.

"Transfer Agent" means a bank or trust company to be selected by the City to serve as the transfer agent or paying agent, or as trustee if any of the Bonds shall be sold through the MFA, for each series of the Bonds.

"Trustee" means U.S. Bank National Association or such other bank or trustee company selected by the City to serve as trustee for any series of Bonds sold to the MFA.

"Underwriters" means Goldman Sachs & Co. LLC, as representative on behalf of itself, Citigroup Global Markets Inc. and Siebert Cisneros Shank & Co., L.L.C.; or such financial institution or institutions as shall be determined by an Authorized Officer to serve as underwriter or underwriters for any series of the Bonds.

"UTGO Bond Issuance Fund" means the fund so designated and established under Section 501 hereof.

"UTGO Bonds" means the City's Unlimited Tax General Obligation Bonds authorized by Article III of this Resolution, or bonds bearing such other designations as determined by an Authorized Officer, evidencing the unlimited tax full faith and credit general obligation of the City, authorized to be issued pursuant to Act 279, Act 34, this Resolution and the Sale Order relating thereto.

"UTGO Bonds Interest Payment Date" has the meaning given such term in Section 304 hereof.

"UTGO Bonds Maximum Interest Rate" means a rate of interest not to exceed the maximum rate permitted by law.

"UTGO Bonds Maximum Principal Amount" means the amount not to exceed $255,000,000.

"UTGO Sale Order" means the order or orders executed by both the Mayor and the Chief Financial Officer approving the sale of any series of UTGO Bonds and making certain determinations and/or confirming the final details of such UTGO Bonds upon the sale thereof in accordance with the parameters of this Resolution and the terms of the Bond Purchase Agreement.

"Voter Authorized Purposes" means, collectively, the 2004 Voter Authorized Purposes and the 2000 Voter Authorized Purposes.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Resolution.

(d) The terms "hereby, "hereof", "hereto", "herein", "hereunder" and any similar terms as used in this Resolution, refer to this Resolution as a whole unless otherwise expressly stated.

ARTICLE II
DETERMINATIONS

Section 201. (a) UTGO Bonds: Finding, and Declaration of Need to Borrow. The Council hereby finds and declares that it is necessary for the City to borrow hereunder such sum as shall be determined by an Authorized Officer not in excess of the UTGO Bonds Maximum Principal Amount, provided that the amount thereof allocated to Projects authorized by the 2004 Voter Authorized Purposes shall not exceed the 2004 Authorization, and the amount thereof allocated to Projects authorized by the 2009 Voter Authorized Purposes shall not exceed the 2009 Authorization, and to evidence such borrowing by the issuance of the UTGO Bonds not in excess of the UTGO Bonds Maximum Principal Amount, in minimum denominations of $1,000 or such greater minimum denominations as determined by an Authorized Officer, pursuant to and in accordance with the provisions of Act 34 and Act 279, for the purposes of providing funds to finance the Projects, including reimbursement to the City for amounts spent prior to the issuance of the UTGO Bonds and capitalized interest, if any, to pay for a Municipal Bond Insurance Policy, if necessary, and to pay legal, financial, advisory, accounting, printing and other expenses related to the issuance of the UTGO Bonds, all as finally confirmed by an Authorized Officer in the UTGO Sale Order.

(b) UTGO Bonds Declaration of Borrowing. The City shall borrow, under this Resolution on the authority of and in accordance with the provisions of the Charter, Act 34 and Act 279, a sum not to exceed the UTGO Bonds Maximum Principal Amount and the UTGO Bonds shall bear interest on a fixed and/or variable rate and tax-exempt or taxable basis as provided herein and in the UTGO Sale Order, and the City shall issue the UTGO Bonds as hereinafter provided and as finally confirmed by an Authorized Officer in the UTGO Sale Order, secured by the unlimited tax full faith, credit and resources of the City which will be payable from ad valorem taxes levied on all taxable property within the City without limitation as to rate or amount, to provide funds for the purposes stated herein.

Section 202. (a) Refunding Bonds: Finding, and Declaration of Need to Borrow. The Council hereby finds and declares that it is necessary for the City to borrow hereunder such sum as shall be determined by an Authorized Officer not in excess of the Refunding Bonds Maximum Aggregate Principal Amount and to evidence such borrowing by the issuance of the Refunding Bonds not in excess, in aggregate principal amount, of such Refunding Bonds Maximum Aggregate Principal Amount, in minimum denominations of $1,000 or such greater minimum denominations as determined by an Authorized Officer, pursuant to the Charter and in accordance with the provisions hereof, for the purposes of providing funds (i) to repurchase through tender or otherwise and refund all or portions of the outstanding Prior Bonds (such Prior Bonds to be repurchased and refunded, the "Repurchased Bonds"); and (ii) to pay legal, financial, advisory, brokerage, accounting, printing and other expenses related to the issuance of the Refunding Bonds and the repurchase of the Repurchased Bonds, all as finally confirmed by an Authorized Officer in the Refunding Sale Order.

(b) Refunding Bonds Declaration of Borrowing. The City shall, under this Resolution on the authority of and in accordance with the provisions of the Charter, Act 80, Act 181, and Act 279, issue the Refunding Bonds in a sum not to exceed the Refunding Bonds Maximum Aggregate Principal Amount; each series of Refunding Bonds shall bear interest on a fixed and/or variable rate and tax-exempt or taxable basis as provided herein and in the Refunding Sale

Order; and the City shall issue each series of Refunding Bonds as hereinafter provided and as finally confirmed by an Authorized Officer in the Refunding Sale Order, secured by the limited tax full faith, credit and resources of the City which will be payable from ad valorem taxes levied on all taxable property within the City, subject to applicable constitutional, statutory and Charter tax rate limitations.

ARTICLE III
AUTHORIZATION; PLEDGE; SECURITY; DESIGNATIONS; REDEMPTION OF THE BONDS

Section 301. Authorization of UTGO Bonds; Unlimited Tax Pledge; Security. (a) The City hereby authorizes the issuance of the UTGO Bonds in such series and in such principal amounts as shall be confirmed in the Sale Order, not in excess of the remaining Voter Authorization and UTGO Bonds Maximum Principal Amount. The City hereby pledges its unlimited tax full faith and credit for the prompt payment of the UTGO Bonds. All proceeds from taxes levied for the UTGO Debt Retirement Fund established under Section 501 hereof shall be deposited into the UTGO Debt Retirement Fund as collected. Commencing with the year 2019 (or such other year as shall be necessary to first levy taxes to pay debt service on any series of the UTGO Bonds), there shall be levied upon the tax rolls of the City for the purpose of the UTGO Debt Retirement Fund each year, in the manner required by the provisions of Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), an amount sufficient so that the estimated collection therefrom will be sufficient to promptly pay, when due, the principal of and interest on the UTGO Bonds becoming due prior to the next annual tax levy; provided, however, that if at the time of making any such annual tax levy there shall be other funds available or surplus moneys on hand in the UTGO Debt Retirement Fund for the payment of principal of and interest on the UTGO Bonds, then credit therefor may be taken against such annual levy for the UTGO Debt Retirement Fund. The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted and by the application of general principles of equity including those relating to equitable subordination.

(b) UTGO Bonds of the City in the aggregate principal amount of not to exceed the UTGO Bonds Maximum Principal Amount shall be issued for the purpose of financing certain portions of the costs of the City relating to the Voter Authorized Purposes and allocated to the 2004 Ballot Proposals and 2009 Ballot Proposals as shall be set forth in the Sale Order; provided, that the Initial UTGO Issuance shall not exceed One Hundred Thirty-Five Million Dollars ($135,000,000).

Each Authorized Officer is hereby authorized to allocate the proceeds of the UTGO Bonds to finance those Projects or portions thereof as he may determine, and to make such changes or cause such changes to be made in the allocation of the amount of the proceeds of the UTGO Bonds required for the respective purposes of the Projects as may become necessary and are permitted by law within the limitations of the authorizations of the Prior Elections and subject to previous or future appropriations of Council or both.

Section 302. Authorization of Refunding Bonds; Pledge; Security. The City hereby authorizes the issuance of the Refunding Bonds in such series and in such principal amounts as shall be confirmed in a Sale Order not exceeding the Refunding Bonds Maximum Principal Amount. The City hereby pledges its limited tax full faith and credit for the payment of the principal of and interest on the Refunding Bonds, including the proceeds of an annual levy of ad valorem taxes on all taxable property in the City, subject to applicable constitutional, statutory and Charter tax rate limitations.

As additional security for the payment of principal of and interest on the Refunding Bonds, the City may pledge (i) pursuant to the authorization provided in Act 227, Distributable State Aid payments that the City is eligible to receive, with such priority of lien and pursuant to such terms as shall be determined in each Sale Order; (ii) pursuant to Section 36a(7) of Act 279, Income Tax Revenues with such priority of lien and pursuant to such terms as shall be determined in each Sale Order and (iii) any Additional Security.

Each Authorized Officer is hereby authorized to negotiate and execute any indenture or indentures, or agreements for the pledge and intercept of Distributable State Aid, or such other agreements as shall be deemed necessary by an Authorized Officer and confirmed in a Sale Order for and on behalf of the City with U.S. Bank National Association, Detroit, Michigan, as Trustee, and, as applicable, the MFA and the State Treasurer, to provide for the pledge of Additional Security to secure payment of the Refunding Bonds.

Section 303. Tax Exempt Bonds; Taxable Bonds. The Authorized Officers are each hereby authorized and directed to determine whether all or any portion of the Bonds shall be sold as: (i) bonds the interest on which is excluded from gross income for federal income tax purposes ("Tax-Exempt Bonds"), or (ii) bonds the interest on which, if any, is included in gross income for federal income tax purposes under the Code (the "Taxable Bonds"), or any combination thereof.

Section 304. Designations, Dates, Interest Rates, Maturities, Redemption and Other Terms of the UTGO Bonds.

(a) The UTGO Bonds shall be issued in one or more series to be designated as "UNLIMITED TAX GENERAL OBLIGATION BONDS." The UTGO Bonds shall further bear a series designation corresponding to the year of issuance and other necessary identifying information as shall be provided in the UTGO Sale Order; shall be issued in fully registered form as serial bonds, term bonds, a combination thereof, or as single instrument bond, as provided in the UTGO Sale Order. Each series of UTGO Bonds shall be dated and issued in Authorized Denominations all as determined in the UTGO Sale Order.

(b) In making the determinations set forth in this Resolution with respect to the UTGO Sale Order, the Authorized Officers shall be limited to the parameters as follow:

(1) The first maturity date or mandatory sinking fund redemption date for each series of the UTGO Bonds shall not be later than five (5) years from the date of issuance, and the final maturity dates for the UTGO Bonds shall not be later than the earlier of (i) the last year of the weighted average estimated period

of usefulness of the improvements being financed through such series or (ii) 30 years from their dated date.

(2) The compensation to be paid to the Underwriters in connection with the Initial UTGO Issuance shall not exceed 0.75% of the original principal amount thereof, and for any series of UTGO Bonds thereafter, shall not exceed 0.85% of the original principal amount of the such series of UTGO Bonds.

(3) To the extent permitted by applicable law, each series of the UTGO Bonds may be sold with an original issue premium in an amount as determined by an Authorized Officer.

(4) The maximum rate of interest on the UTGO Bonds shall not exceed the UTGO Bonds Maximum Interest Rate.

(c) The UTGO Bonds shall mature on such dates and shall bear interest at such rates on a fixed and/or variable and tax-exempt or taxable basis not in excess of the legal limit, and payable on such dates (each a "UTGO Bonds Interest Payment Date"), all as shall be provided in the UTGO Sale Order. Unless otherwise provided by an Authorized Officer in a Sale Order, interest on the UTGO Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The UTGO Bonds shall be payable as to principal and interest in lawful money of the United States of America.

(d) Except as may be otherwise provided by an Authorized Officer in a Sale Order, interest on the UTGO Bonds shall be payable on each UTGO Bonds Interest Payment Date to the Registered Owner of record as of the 15th day of the month, whether or not a Business Day (a "Regular Record Date"), prior to each UTGO Bonds Interest Payment Date. Interest on the UTGO Bonds shall be payable to such Registered Owners by check or draft drawn on the Transfer Agent on each UTGO Bonds Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of $1,000,000 or more in aggregate principal amount of UTGO Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Transfer Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent UTGO Bonds Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Transfer Agent.

(e) The principal of the UTGO Bonds shall be payable to the Owners of the UTGO Bonds upon the presentation of the UTGO Bonds to the Transfer Agent at the principal corporate trust office of the Transfer Agent.

(f) The UTGO Bonds may be subject to redemption and/or tender for purchase prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be provided by an Authorized Officer in the Sale Order delivered in connection with the UTGO Bonds, provided that any premium payable in connection with the optional redemption of the UTGO Bonds shall not exceed 3%.

Unless waived by any Registered Owner of the UTGO Bonds to be redeemed, official notice of redemption shall be given by the Transfer Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where the UTGO Bonds called for redemption are to be surrendered for payment; and that interest on the UTGO Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Transfer Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 305. Designations, Dates, Interest Rates, Maturities, Redemption and Other Terms of the Refunding Bonds.

(a) The Refunding Bonds shall be issued in one or more series to be designated as "FINANCIAL RECOVERY REFUNDING BONDS." The Refunding Bonds shall further bear a series designation corresponding to the year of issuance and other necessary identifying information as shall be provided in the Refunding Sale Order; shall be issued in fully registered form as serial bonds, term bonds, a combination thereof, or as single instrument bond, as provided in the Refunding Sale Order. Each series of Refunding Bonds shall be dated and issued in Authorized Denominations all as determined in the Refunding Sale Order.

(b) In making the determinations set forth in this Resolution with respect to the Repurchase Agreement and Refunding Sale Order, the Authorized Officers shall be limited to the parameters as follow:

(1) The compensation to be paid to the Underwriters in connection with the Initial Refunding Issuance shall not exceed 0.50% of the original principal amount thereof, and for any series of Refunding Bonds thereafter, shall not exceed 0.60% of the original principal amount of the such series of Refunding Bonds.

(2) The compensation of the Repurchase Agent shall not exceed 0.25% of the principal amount of the Repurchased Bonds.

(3) To the extent permitted by applicable law, the Refunding Bonds may be sold with an original issue premium in an amount as determined by an Authorized Officer and confirmed in the Refunding Sale Order.

(4) The maximum rate of interest on the Refunding Bonds shall not exceed the Refunding Bonds Maximum Interest Rate.

(5) The issuance of the Refunding Bonds shall produce a net present value savings.

(c) The Refunding Bonds shall mature on such dates and shall bear interest at such rates on a fixed and/or variable and tax-exempt or taxable basis not in excess of the legal limit, and payable on such dates (each a "Refunding Bonds Interest Payment Date"), all as shall be provided in Refunding Sale Order. Unless otherwise provided in a Sale Order, interest on the Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve, 30 day months. The Refunding Bonds shall be payable as to principal and interest in lawful money of the United States of America.

Except as may be otherwise provided in a Sale Order, interest on the Refunding Bonds shall be payable on each Refunding Bonds Interest Payment Date to the Registered Owner of record as of the 15th day of the month, whether or not a Business Day (a "Regular Record Date"), prior to each Refunding Bonds Interest Payment Date. Interest on the Refunding Bonds shall be payable to such Registered Owners by check or draft drawn on the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA) on each Refunding Bonds Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of $1,000,000 or more in aggregate principal amount of Refunding Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA)to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Refunding Bonds Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA).

(f) The principal of the Refunding Bonds shall be payable to the Owners of the Refunding Bonds upon the presentation of the Refunding Bonds to the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA) at the principal corporate trust office of the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA).

(g) The Refunding Bonds may be subject to redemption and/or tender for purchase prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be provided in the Refunding Sale Order.

Unless waived by any Registered Owner of the Refunding Bonds to be redeemed, official notice of redemption shall be given by the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA) on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where the Refunding Bonds called for redemption are to be surrendered for payment; and that interest on the Refunding Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA) in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

(h) In connection with any sale of the Refunding Bonds to the MFA, the following additional provisions shall apply:

(1) Each series of Refunding Bonds shall be in the form of a single fully-registered, nonconvertible bond in the denomination of the full principal amount thereof, dated as of the date of delivery of the Refunding Bonds, payable in principal installments serially as finally determined at the time of sale of the Refunding Bonds and approved by the MFA and an Authorized Officer. Final determination of the principal amount of a series and the payment dates and amounts of principal installments of a series of Refunding Bonds shall be evidenced by execution of a Purchase Contract between the City and the MFA providing for sale of the Refunding Bonds, and an Authorized Officer shall negotiate the terms of, approve the form of and to execute and deliver the Purchase Contract when it is in final form and to make the determinations set forth above. An Authorized Officer shall approve of a series designation with respect to each series of Refunding Bonds.

(2) The Refunding Bonds or principal installments thereof will be subject to prepayment prior to maturity in the manner and at the prices and times as provided in the form of the Refunding Bonds contained in this Resolution or as may be approved by an Authorized Officer at the time of sale of the Refunding Bonds or by the MFA at the time of prepayment.

(3) The Refunding Bonds shall bear interest at the rates specified in the Purchase Contract and approved as evidenced by execution of the Purchase Contract, and an Authorized Officer shall deliver the Refunding Bonds in accordance with the delivery instructions of the MFA.

(4) The Refunding Bonds shall not be convertible or exchangeable into more than one fully-registered bond. Principal of and interest on the Refunding Bonds shall be payable as provided in the Refunding Bond form in this Resolution as the same may be amended to conform to MFA requirements.

(5) The Transfer Agent (or the Trustee if the Refunding Bonds are sold to the MFA) shall record on the registration books payment by the City of each installment of principal or interest or both when made and the cancelled checks or other records evidencing such payments shall be returned to and retained by the City Treasurer.

(6) Upon payment by the City of all outstanding principal of and interest on a Refunding Bond, the MFA shall deliver the respective Refunding Bond to the City for cancellation.

Section 306. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Mayor and the Finance Director and authenticated by the Transfer Agent, or a trustee if an indenture is executed in connection with the issuance of the Bonds, and the seal of the City (or a facsimile thereof) shall be impressed or imprinted on the Bonds. After the Bonds have been executed and authenticated for delivery to the original purchaser thereof, they shall be delivered to the purchasers thereof upon receipt of the purchase price.

Section 307. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended, and any other applicable law, if (i) any mutilated Bond is surrendered to the City, and the City receives evidence to its satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City such security or indemnity as may be required by it to save the City harmless, then, in the absence of notice to the City that such Bond has been acquired by a bona fide purchaser, the City shall execute and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds of like tenor issued under this Resolution.

Section 308. Form of the UTGO Bonds. The UTGO Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Resolution or permitted by the Sale Order or as approved by an Authorized Officer and Bond Counsel:

[Form of Bond]

United States of America
State of Michigan
County of Wayne

CITY OF DETROIT
UNLIMITED TAX GENERAL OBLIGATION BOND, SERIES 2018

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
	[____] 1, ____	_________, 2018	

Registered Owner:

Principal Amount: Dollars

The CITY OF DETROIT, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon (computed on the basis of a 360-day year consisting of twelve 30-day months) from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on _________ 1, 20__ and semiannually thereafter. Principal of this bond is payable at the corporate trust office of ____________________, ___________, _______________, or such other transfer agent as the City may hereafter designate by notice mailed to the registered owner not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable to the registered owner of record as of the fifteenth (15th) day of the month preceding the interest payment date as shown on the registration books of the City kept by the Transfer Agent by check or draft mailed to the registered owner of record at the registered address. For prompt payment of this bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

[This bond is one of a series of bonds aggregating the principal sum of $_____________, issued for the purpose of paying [a portion of the cost of acquiring, constructing and installing improvements ____________________________, paying capitalized interest] and paying costs incidental to the issuance of the bonds in pursuance of a vote of the qualified electors of the City voting thereon at certain elections duly held on November 2, 2004 and February 24, 2009.]

Bonds of this issue maturing in the years 20_ to _________, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds of this issue in multiples of $5,000 maturing in the year ______ and thereafter shall be subject to redemption prior to maturity, at the option of the City, in any order of maturity and by lot within any maturity, on any date on or after ________ 1, _______, at par and accrued interest to the date fixed for redemption.

[Insert any term bond provisions, if applicable]

In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent, upon presentation of the bond called in part for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owner of any bond or portion thereof called for redemption by mailing of such notice not less than thirty (30) days prior to the date fixed for redemption to the registered address of the registered owner of record. A bond or portion thereof so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the Transfer Agent to redeem said bond or portion thereof.

This bond is transferable only upon the registration books of the City kept by the Transfer Agent by the registered owner of record in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing this bond and upon the payment of the charges, if any, therein prescribed.

This bond, including the interest thereon, is payable out of the City's Debt Retirement Fund for this issue and the City is required to levy ad valorem taxes on all taxable property in the City for the payment thereof, without limitation as to rate or amount.

It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this bond and the series of bonds of which this is one, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the City, including this bond, does not exceed any constitutional, statutory or charter debt limitation.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City of Detroit by authority of its City Council, has caused this bond to be signed for and on its behalf and in its name by the manual or facsimile signature of the Mayor of the City and the manual or facsimile signature of its Finance Director and the official seal of the City to be impressed hereon, all as of the Date of Original Issue.

CITY OF DETROIT
County of Wayne
State of Michigan

By______________________________

Its Mayor

(SEAL)

By______________________________

Its Finance Director

Certificate of Authentication

This bond is one of the bonds described in the within-mentioned resolution.

____

_______________, Michigan
Transfer Agent

By____
Its: Authorized Signature

Date of Authentication: _______________, 2018

Section 309. Form of Refunding Bonds. The Refunding Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Resolution or permitted by the Sale Order or as approved by an Authorized Officer and Bond Counsel:

[Form of Refunding Bond]

[TO BE REVISED IF REFUNDING BONDS NOT ISSUED TO MFA]

United States of America
State of Michigan
County of Wayne

CITY OF DETROIT
FINANCIAL RECOVERY REFUNDING BOND
SERIES 20__

REGISTERED OWNER: [______________________________]

PRINCIPAL AMOUNT: ________________________________ Dollars ($___,000)

DATE OF ORIGINAL ISSUE: ________, 20__

The CITY OF DETROIT, County of Wayne, State of Michigan (the "City"), for value received, hereby promises to pay to the Michigan Finance Authority (the "MFA"), or registered assigns, the Principal Amount shown above, in lawful money of the United States of America, unless prepaid prior thereto as hereinafter provided. Capitalized terms used herein, but not defined herein, shall have the meanings ascribed to them in the Resolution, as hereinafter defined.

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth in Schedule A attached hereto and made a part hereof, or if a portion of the Principal Amount is prepaid as provided below, with interest on said principal installments from the [Date of Original Issue] shown above, until paid at the rate [of interest as set forth on the attached Schedule A] [of ________ percent (______%) per annum]. Interest is first payable on _________ 1, 20__, and semiannually thereafter on the first day of ________ and _______ of each year thereafter, and in the amounts, as set forth on Schedule A.

Notwithstanding any other provision of this bond, as long as the MFA is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at the corporate trust office of U.S. Bank National Association, Lansing, Michigan, or at such other place as shall be designated in writing to the City by the MFA (the "MFA's Depository"); (b) the City agrees that it will cause the Trustee to deposit with the MFA's Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds at least five business days prior to the date on which any such payment is due, whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this bond shall be given by the City and received by the MFA's Depository at least 40 days prior to the date on which such redemption is to be made.

Additional Interest

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the MFA's cost of providing funds (as determined by the MFA) to make payment on the bonds of the MFA issued to provide funds to purchase this bond, but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the MFA has been fully reimbursed for all costs incurred by the MFA (as determined by the MFA) as a consequence of the City's default. Such additional interest shall be payable on the interest payment date following demand of the MFA. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the MFA) the investment of amounts in the reserve account established by the MFA for the bonds of the MFA issued to provide funds to purchase this bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the MFA issued to fund such account, the City shall and hereby agrees to pay on demand only the City's pro rata share (as determined by the MFA) of such deficiency as additional interest on this bond.

This bond is a single, fully-registered, non-convertible bond in the principal sum of $___,000, issued pursuant to and in accordance with Act 80, Public Acts of Michigan, 1981, as amended, and Act 279, Public Acts of Michigan, 1909, as amended, Act 227, Public Acts of Michigan, 1985, as amended ("Act 227") and pursuant to and in accordance with a Resolution duly adopted by the City Council of the City on __________, 2018 and a Sale Order of the Authorized Officer of the City issued on _______, ____ (together, the "Resolution"). The Bonds are issued for the purpose of refunding [a portion of] the City's outstanding Financial Recovery Bonds, Series 2014[_].

[Optional and/or Mandatory Redemption provisions, as applicable]

Security

This Bond is payable out of the City's Debt Retirement Fund for this issue (which will be held by the Trustee), and the City is obligated to levy annually ad valorem taxes to provide for the payment of the principal of and interest on the bonds of this issue as they mature on all taxable property in the City, subject to applicable constitutional, statutory and Charter tax rate limitations.

[Additional Security provisions as applicable]

This bond is transferable only upon the registration books of the City by the Registered Owner of record in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the City duly executed by the Registered Owner or the Registered Owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing this bond and upon the payment of the charges, if any, therein prescribed.

It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this bond and the series of bonds of which this is one, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the City, including this bond and the series of bonds of which this is one, does not exceed any constitutional, statutory or charter debt limitation.

IN WITNESS WHEREOF, the City of Detroit by authority of its Mayor, has caused this bond to be signed for and on its behalf and in its name by the manual or facsimile signature of the Mayor of the City and the manual or facsimile signature of its Finance Director and the official seal of the City to be impressed hereon, all as of the Date of Original Issue.

CITY OF DETROIT
County of Wayne
State of Michigan

By_______________________________

Its Mayor

(SEAL)

By_______________________________

Its Finance Director

SCHEDULE A

Debt Service Payment Schedule

Section 310. The MFA's Depository. Notwithstanding any other provision herein to the contrary, as long as the MFA is the owner of the Refunding Bonds, the Refunding Bonds are payable as to principal, premium, if any, and interest at the corporate trust office of U.S. Bank National Association, Detroit, Michigan, or such other qualified bank or financial institution as shall be designated in writing to the City by the MFA (the "MFA's Depository"). The City will deposit, or cause the Trustee, to deposit with the MFA's Depository payments of the principal of, premium, if any, and interest on the Refunding Bonds in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. Written notice of any redemption of the Refunding Bonds shall be given by the City and received by the MFA's Depository at least 40 days prior to the date on which such redemption is to be made.

Section 311. Sale of Refunding Bonds to Underwriters or Direct Purchaser. Notwithstanding the provisions of this Resolution setting forth the conditions and requirements of a sale of the Refunding Bonds to the MFA, any series of Refunding Bonds may, if deemed appropriate by an Authorized Officer, be sold to (i) the Underwriters pursuant to a bond purchase agreement or (ii) a bank or other financial institution qualified by law to purchase and take delivery of such Refunding Bonds for its own investment, pursuant to a purchase contract, in which case (A) such purchaser shall deliver an investor letter in a form acceptable to an Authorized Officer and (B) the City's obligations hereunder relating to the Preliminary Official Statement, Official Statement and Undertaking shall not apply.

Section 312. Act 279 Approvals of the Refunding Bonds. The Refunding Bonds shall neither be issued nor delivered unless and only so long as the issuance of the Refunding Bonds as provided herein shall have been authorized and approved by the Board and the State Treasurer in accordance with Section 36a of Act 279.

ARTICLE IV
SPECIAL COVENANTS

Section 401. Tax Exemption Covenant for Tax-Exempt Bonds. The City covenants that it will not take any action, or fail to take any action required to be taken, if taking such action or failing to take such action would adversely affect the general exclusion from gross income of interest on any Tax-Exempt Bonds, from federal income taxation under the Code.

Section 402. Arbitrage Covenant. (a) The City will not directly or indirectly (1) use or permit the use of any proceeds of any Tax-Exempt Bonds or other funds of the City or (2) take or omit to take any action required by Section 148(a) of the Code in order to maintain the exclusion from gross income of the interest on any Tax-Exempt Bonds for federal income tax purposes. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds and the requirements set forth in the Non-Arbitrage and Tax Compliance Certificate of the City.

(b) Without limiting the generality of subsection (a), above, the City agrees that there shall be paid by the City from time to time all amounts, if any, required to be rebated to the

United States pursuant to Section 148(f) of the Code. This covenant shall survive payment in full or defeasance of the Tax-Exempt Bonds.

(c) Notwithstanding any provision of this Section, if the City obtains an opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or that some further action is required, to maintain the exclusion from gross income of the interest of any Tax-Exempt Bonds for federal income tax purposes pursuant to Section 103 of the Code, the City may conclusively rely on such opinion in complying with the provisions hereof.

ARTICLE V
UTGO BONDS FUNDS AND ACCOUNTS; DISPOSITION OF UTGO BOND PROCEEDS

Section 501. Establishment of Accounts and Funds. The City hereby establishes and creates the following special, separate and segregated accounts and funds which shall be held for and on behalf of the City by a bank or banks or other financial institution which an Authorized Officer or City's Deputy Chief Financial Officer-Treasurer designates as depository or trustee of the City:

A. UTGO Debt Retirement Fund;
B. UTGO Bond Issuance Fund; and
C. Construction Fund.

Each Authorized Officer is hereby authorized to establish such accounts, subaccounts or funds as shall be required for the UTGO Bonds, if any, to accommodate the requirements of such series of UTGO Bonds, including, but not limited to, such accounts, subaccounts or funds necessary to facilitate the allocation and use of bond proceeds to finance the Projects or the purchase and payment of variable rate bonds. Each Authorized Officer is hereby authorized to allocate any net original issue premium, if any, received upon the sale of the UTGO Bonds to such accounts and in such amounts as permitted by applicable law and the Code.

Section 502. UTGO Debt Retirement Fund . From the proceeds of the sale of the UTGO Bonds there shall be set aside in the UTGO Debt Retirement Fund the accrued interest, if any, received from the purchasers of the UTGO Bonds at the time of delivery of the UTGO Bonds, together with capitalized interest. Proceeds of all taxes levied pursuant to Section 301 hereof and any amounts transferred from the Construction Fund under Section 504 hereof shall be used to pay the principal of and interest on the UTGO Bonds when due. The foregoing amounts shall be placed in the UTGO Debt Retirement Fund, and so long as the principal of or interest on the UTGO Bonds shall remain unpaid, no moneys shall be withdrawn from the UTGO Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the UTGO Debt Retirement Fund after payment in full of the UTGO Bonds shall be retained by the City to be used for any lawful purpose.

Section 503. UTGO Bond Issuance Fund. From the proceeds of the UTGO Bonds there shall be set aside in the Bond Issuance Fund a sum sufficient to pay the costs of issuance of the UTGO Bonds. Moneys in the Bond Issuance Fund shall be used solely to pay expenses of issuance of the related series of UTGO Bonds. Any amounts remaining in the Bond Issuance Fund after payment of issuance expenses shall be transferred to the Construction Fund. The

UTGO Sale Order for each series of UTGO Bonds shall set forth the allocation of proceeds of the UTGO Bonds set aside in the Bond Issuance Fund among the applicable 2004 Ballot Proposals and 2009 Ballot Proposals.

Section 504. Construction Fund. (a) After making the deposits required by Sections 502 and 503, the proceeds of the UTGO Bonds shall be deposited into the Construction Fund in a manner that provides for the tracking of the allocation of proceeds of the UTGO Bonds among Ballot Proposals corresponding to the applicable Projects.

(b) Except for investment pending disbursement and as hereinafter provided, moneys in the Construction Fund shall be used by the City solely and only to pay the costs of the Projects as such costs become due and payable, capitalized interest, if necessary, and, if necessary and upon the advice of Bond Counsel, moneys in either Construction Fund shall be used by the City to rebate arbitrage earnings earned on moneys deposited in the related Construction Fund, if any, to the United States Department of Treasury as required by the Code.

(c) Each Authorized Officer is hereby authorized to expend money from the Construction Fund and the accounts thereof established hereunder, for costs of the related Voter Authorized Purposes, including reimbursement to the City for moneys previously expended on the Projects, to the extent reimbursement for such expenditures has been properly induced by resolution of the City Council in accordance with the Code, if required.

(d) Gross proceeds or disposition proceeds, as defined in the regulations under Code Sections 141 and 148, respectively, resulting from any sale of any portion of the Projects financed with the proceeds of Tax-Exempt Bonds shall be deposited in separate accounts established in the Construction Fund and used in the discretion of an Authorized Officer to pay additional costs of such Projects or transferred to the Debt Retirement Fund and used to pay the principal of or interest on the Bonds. An Authorized Officer shall assure that such gross proceeds or disposition proceeds are invested and expended in accordance with the requirements specified in Section 505 hereof and in the Non-Arbitrage and Tax Compliance Certificate.

(e) Upon payment of all costs of the Projects, any balance in the Construction Fund shall be transferred to the UTGO Debt Retirement Fund or used in any other manner which in the opinion of nationally recognized bond counsel is permitted by law and which in the case of such balance allocable to Tax-Exempt Bonds will not cause the interest on any Tax-Exempt Bonds to become includible in gross income for federal income tax purposes.

Section 505. Investment of Monies in the UTGO Bonds Funds and Accounts. (a) An Authorized Officer shall direct the investment of monies on deposit in the Funds and Accounts established hereunder.

(b) Monies on deposit in the funds and accounts established under this Article V may be invested in such investments and to the extent permitted by applicable law.

ARTICLE VI
REFUNDING BONDS FUNDS AND ACCOUNTS; DISPOSITION OF REFUNDING BOND PROCEEDS

Section 601. Establishment of Accounts and Funds. (a) Each Authorized Officer is hereby authorized to establish such accounts, subaccounts or other funds as shall be required for the Refunding Bonds, including but not limited to:

A. Refunding Bonds Debt Retirement Fund;
B. Refunding Bond Issuance Fund; and
C. Repurchase Escrow Fund.

Each Authorized Officer is hereby authorized to establish such accounts, subaccounts or funds as shall be required for the repurchase of the Repurchased Bonds and the issuance and delivery of the Refunding Bonds, if any, to accommodate the requirements of such series of Refunding Bonds, including, but not limited to, such accounts, subaccounts or funds necessary to facilitate the purchase and payment of variable rate bonds. Each Authorized Officer is hereby authorized to allocate any net original issue premium, if any, received upon the sale of the Refunding Bonds to such accounts and in such amounts as permitted by applicable law.

Section 602. Refunding Bonds Debt Retirement Fund . From the proceeds of the sale of the Refunding Bonds there shall be set aside in the Refunding Bonds Debt Retirement Fund the accrued interest, if any, received from the purchaser of the Refunding Bonds at the time of sale and delivery of the Refunding Bonds. Any general funds of the City and proceeds of all taxes levied pursuant to Section 302 hereof deposited in the Refunding Bonds Debt Retirement Fund, monies constituting Additional Security, and any amounts transferred from the Repurchase Escrow Fund under Section 604 hereof shall be used to pay the principal of and interest on the Refunding Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Trustee, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Refunding Bonds shall be retained by the City to be used for any lawful purpose.

Section 603. Refunding Bond Issuance Fund. From the proceeds of the Refunding Bonds there shall be set aside in the Bond Issuance Fund a sum sufficient to pay the costs of issuance of the Refunding Bonds. Moneys in the Refunding Bond Issuance Fund shall be used solely to pay expenses of issuance of the Refunding Bonds. Any amounts remaining in the Refunding Bond Issuance Fund after payment of issuance expenses shall be transferred to the Refunding Bonds Debt Retirement Fund.

Section 604. Repurchase Escrow Fund. If the repurchase of the Repurchased Bonds necessitates the establishment of an escrow fund, then after making the deposits required by Sections 602 and 603, there shall be deposited from the remainder of the proceeds of the sale of the Refunding Bonds and any moneys transferred by the City at the time of delivery of the Bonds from the debt retirement funds for the Repurchased Bonds, into the Repurchase Escrow Fund (which shall be maintained in cash or invested in direct obligations of or obligations guaranteed by the United States of America, not redeemable at the option of the issuer), an amount, as hereinafter described, sufficient to pay the principal of and interest on the Repurchased Bonds as they become due and, except as otherwise herein provided, shall be used only for such purposes. The Repurchase Escrow Fund shall be irrevocably held by U.S. Bank National Association, Detroit, Michigan as repurchase escrow trustee (the "Repurchase Escrow Trustee") in trust pursuant to a repurchase escrow deposit agreement between the City and the Repurchase Escrow Trustee (the "Repurchase Escrow Agreement"), which Repurchase Escrow Agreement shall irrevocably direct the Repurchase Escrow Trustee to take all necessary steps to pay the principal of and interest on the Repurchased Bonds when due and to provide for the City's repurchase of the Repurchased Bonds in whole or in part, as and when specified in the Repurchase Escrow Agreement. The amounts, including the investments thereof, held in the Repurchase Escrow Fund shall be such that the cash and investments and income received thereon will be sufficient, without any reinvestment, to pay the purchase price of the Repurchased Bonds as required by this Section. Any balance remaining in the Repurchase Escrow Fund after payment in full of the purchase price of the Repurchased Bonds shall be transferred to the Refunding Bonds Debt Retirement Fund.

The Repurchase Escrow Trustee means and includes any company into which the Repurchase Escrow Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Repurchase Escrow Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to the Repurchase Escrow Trustee as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to the Repurchase Escrow Trustee without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

The Council hereby authorizes each Authorized Officer to approve the form of and to execute the Repurchase Escrow Agreement with the Repurchase Escrow Trustee for and on behalf of the City.

Section 605. Investment of Monies in the Refunding Bonds Funds and Accounts. (a) An Authorized Officer shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Transfer Agent and the Repurchase Escrow Trustee, upon written direction or upon oral direction promptly confirmed in writing an Authorized Officer, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the funds and accounts established under this Article VI may be invested in such investments and to the extent permitted by applicable law.

ARTICLE VII
REPURCHASE OF THE PRIOR BONDS

Section 701. Method of Repurchase. Each Authorized Officer is hereby authorized to effect the repurchase of the outstanding Prior Bonds by means of one or more tenders, direct or indirect open market repurchases, exchanges of debt (including but not limited to exchanges involving some or all of the Bonds), other means of repurchase or any combination of the foregoing. The repurchase of the outstanding Prior Bonds may be accomplished using the proceeds of the Refunding Bonds, funds on hand of the City, or both, in the discretion of an Authorized Officer.

Section 702. Authorization to Enter into Repurchase Agreement; Approval of Initial Repurchase Agent. In connection with the repurchase of all or any portion of the outstanding Prior Bonds, the Mayor and Chief Financial Officer are authorized to enter into one or more Repurchase Agreements with the Underwriters, which are hereby approved to serve collectively as the Repurchase Agent under the Repurchase Agreement for the initial repurchase of the Repurchased Bonds. Each Authorized Officer is to take all actions necessary to carry out the obligations of the City thereunder. The authorization to enter into the Repurchase Agreement and approval of the Repurchase Agreement shall not be construed to limit in any way the ability of the City to enter into subsequent or contemporaneous agreements with other parties related to the repurchase of any of the outstanding Prior Bonds.

Section 703. Authorization of Actions in Connection with Repurchase. Each Authorized Officer is hereby authorized to (i) approve and deliver any and all notices, solicitations and disclosures (including but not limited to invitations to tender and related information statements), (ii) negotiate, execute and deliver any and all agreements, (iii) file any and all documents with state or federal agencies, (iv) seek any and all approvals and (iv) take all other actions necessary or appropriate to accomplish the repurchase of the Repurchased Bonds as contemplated by this Article VII.

ARTICLE VIII
DEFEASANCE

Section 801. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Resolution (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Resolution for the benefit of such Bonds shall be discharged.

ARTICLE IX
REIMBURSEMENT PROVISIONS

Section 901. Advancement of Costs of the Projects. The City may advance certain costs of the Projects from the City's general fund prior to the issuance of the UTGO Bonds. The City intends to reimburse itself for any costs of the Projects paid or incurred by the City prior to the issuance of the UTGO Bonds with proceeds of the UTGO Bonds. The Internal Revenue Service has issued Treasury Regulation Section 1.150-2 pursuant to the Code, governing proceeds of tax-exempt bonds used for reimbursement, pursuant to which the City must declare official intent to reimburse expenditures with bond proceeds as provided in Section 902 below.

Section 902. Reimbursement Declarations. The City makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. Section 1.150-2 pursuant to the Code:

(a) The City reasonably expects to reimburse itself with proceeds of the Bonds for certain costs of the Projects which were paid or will be paid from funds of the City subsequent to sixty (60) days prior to the date hereof.

(b) The maximum principal amount of debt expected to be issued for the Projects, including issuance costs, is $255,000,000.

(c) A reimbursement allocation of the capital expenditures described above with the proceeds of the UTGO Bonds will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Projects are placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the City's use of the proceeds of the Bonds to reimburse the City for a capital expenditure made pursuant to this resolution.

ARTICLE X
OTHER PROVISIONS OF GENERAL APPLICATION

Section 1001. Credit Enhancement. There is hereby authorized to be obtained a Municipal Bond Insurance Policy or other credit enhancement or a combination thereof to secure the payment of all or part of the Bonds, if, and provided that, it shall be determined by an Authorized Officer that such cost of such Municipal Bond Insurance Policy or other credit enhancement or a combination thereof is less than the interest rate savings therefrom or otherwise that it is in the best interest of the City. In the event a commitment for a Municipal Bond Insurance Policy is obtained or a commitment for other credit enhancement is obtained, each Authorized Officer is hereby authorized to approve the terms, perform such acts and execute such instruments that shall be required, necessary or desirable to effectuate the terms of such commitment and the transactions described therein and in this Resolution and the Sale Order provided that such terms are not materially adverse to the City.

Section 1002. Approval of Other Documents and Actions; Treasury Approval. The Authorized Officers, the City Clerk and any other officers or employees of the City are hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Resolution, including amending the Fiscal Year 2018-2019 budget by decreasing appropriation 20507 CoD Capital Projects 2019 by $13,099,618 and increasing appropriation 20253 Blight Remediation by $13,099,618 due to the fact that a portion of the Projects were previously funded with appropriation 20507 CoD Capital Projects 2019. The Bonds shall neither be sold nor issued unless and only so long as the issuance of the Bonds as provided herein shall have been authorized and approved in accordance with the applicable provisions of Act 34 and Act 279.

Each Authorized Officer is hereby authorized to file applications with and to pay the related fees, if any, to the Michigan Department of Treasury (the "Department") at his discretion under Act 34 for an Order or Orders of Approval to issue all or a portion of the Bonds; to file applications with the Department for a waiver of the refunding bonds savings requirement and a waiver of the investment grade rating requirement; to enter into a supplement to or amendment of that certain Debt Millage Deposit Escrow Agreement between itself and U.S. Bank National Association, as escrow trustee, dated August 11, 2016, and to enter into one or more dealer-manager agreements, remarketing agreements, indentures, letters of credit and reimbursement agreements, agreements for the pledge and intercept of Distributable State Aid, and such waivers or other Treasury approvals as necessary to implement the sale, delivery and security for the Bonds, and as required by the Michigan Department of Treasury and Act 34. Each Authorized Officer is hereby authorized to pay any post-closing filing fees required by Act 34 to the Michigan Department of Treasury or other specified agency, as a cost of issuance or from other legally available funds.

Section 1003. Continuing Disclosure Undertaking. The City shall enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") for the benefit of the holders and beneficial owners of the Bonds (or, in the case of the Refunding Bonds, holders and beneficial owners of the MFA Bonds) as to which the Rule is applicable, as more specifically set forth in Exhibit B hereto (the "Undertaking"); provided, however, that the terms of the Undertaking are subject to completion and modification prior to delivery of the Bonds to such extent as an Authorized Officer shall deem necessary to comply with law or market requirements of the Underwriters. Each Authorized Officer is hereby authorized to execute and deliver the Undertaking after completion and modification as provided in this Resolution and the Sale Order.

Section 1004. Delegation to Authorized Officers. (a) Prior to the sale date or dates for the Bonds, an Authorized Officer shall cause the preparation and approve the form and distribution of necessary City disclosure for any Preliminary Official Statement or Official Statement and other offering materials to be used in conjunction with the sale or offering of the Bonds, and an Authorized Officer shall deem the City's disclosure "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission. An Authorized Officer shall also make such information available to the Repurchase Agent for use in solicitation materials in connection with the repurchase of the Repurchased Bonds.

(b) Pursuant to the authority of Section 315(1)(d) of Act 34, each Authorized Officer is hereby authorized to make the following determinations with respect to the Bonds within the parameters of this Resolution: (i) to determine the principal amounts of the Bonds to be issued on a fixed or variable interest rate basis and tax exempt or taxable basis; (ii) to determine the interest rate provisions, tender and other requirements for Bonds issued on a variable rate basis; (iii) to determine and allocate the amount of proceeds of the UTGO Bonds to the various Projects; (iv) to negotiate the terms for the sale of the Bonds to the Underwriters or MFA, as applicable; (v) to cause the Preliminary Official Statement and the final Official Statement for the Bonds to be prepared and circulated; (vi) to file an application or applications to the Department for prior approval to issue the Bonds, to file an application with the Department for a waiver of the refunding bonds savings requirement, to file an application with the Department for a waiver of the ratings requirement and to make such other filings with and to pay any post issuance fees to the Department as required by Act 34; (vii) to request approval from the Treasurer of the State and the Emergency Loan Board established under Act 243, Public Acts of Michigan, 1980, as amended; and (viii) to take such other actions and make such other determinations as may be necessary to accomplish the sale and delivery of the Bonds and the transactions contemplated by this Resolution, as shall be confirmed in the Sale Order.

(c) Each Authorized Officer is hereby authorized to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Resolution, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(d) Except as otherwise provided herein, all determinations and decisions of an Authorized Officer with respect to the issuance and sale of the Bonds as permitted or required by this Resolution shall be confirmed in a Sale Order or Sale Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of any Authorized Officer have been fulfilled.

Section 1005. Approving Legal Opinions with Respect to the Bonds. Sale of the Bonds shall be conditioned upon receiving, at the time of delivery, the approving opinion of Bond Counsel, approving legality of the Bonds and, with respect to Bonds determined by an Authorized Officer to be issued on a tax-exempt basis, the exclusion from gross income of the interest paid thereon from federal and State income taxation only.

Section 1006. Negotiated Sale; Award. (a) Pursuant to Section 309(1) of Act 34 the Council determines to sell the Bonds at a negotiated sale. The UTGO Bonds shall be sold by negotiated sale to the Underwriters pursuant to a Bond Purchase Agreement, at prices and on terms and conditions provided in the Bond Purchase Agreement approved by an Authorized Officer within the parameters established hereby, and confirmed in the Sale Order. Except as provided in Section 311, the Refunding Bonds shall be sold by negotiated sale to the MFA, all as determined by an Authorized Officer in the applicable Purchase Contract, at prices and on terms and conditions provided in the Purchase Contract approved by an Authorized Officer within the parameters established hereby, and confirmed in the Sale Order delivered in connection with such series of Bonds.

The reasons for choosing a negotiated sale instead of a competitive sale include the belief of Council based on recommendation of the Chief Financial Officer that a negotiated sale will allow the Bonds to be offered to investors in the most efficient manner possible while also allowing sufficient flexibility to adjust to market structuring and timing demands in order to result in the lowest possible borrowing costs for the City.

Section 1007. Delivery of Bonds. Subject to the provisions of the Sale Order, each Authorized Officer is hereby authorized to deliver the Bonds to the Underwriters or MFA, as applicable, upon receiving the purchase price therefor in lawful money of the United States.

Section 1008. Official Statement. Each Authorized Officer is hereby authorized to execute the Official Statement or other offering materials with respect to the Bonds in the form approved by him with such changes as an Authorized Officer may authorize. Such Official Statement or other offering materials to be used in conjunction with the sale or offering of the Bonds are hereby authorized to be printed and used by the Underwriters in connection with the sale of the Bonds (or the MFA Bonds) to the public. Circulation of the Preliminary Official Statement, if any, or other preliminary offering materials by the Underwriters is hereby approved.

Section 1009. Appointment of Bond Counsel: Engagement of Other Parties. The appointment of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable as a cost of issuance from proceeds of the Bonds or other available funds in accordance with the letter of such firm on file with the City.

Each Authorized Officer is hereby authorized to engage other consultants, financial advisors, or other parties as he deems necessary and appropriate in connection with the sale, issuance and delivery of the Bonds and to pay the fees and expenses thereof from the proceeds of the Bonds or other available funds.

Section 1010. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Resolution shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 1011. Severability. If any one or more sections, clauses or provisions of this Resolution shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 1012. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of reference and do not constitute a part of this Resolution, and none of them shall affect its meaning, construction or effect.

Section 1013. Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 1014. Governing Law and Jurisdiction. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 1015. Resolution and Sale Order are a Contract. The provisions of this Resolution and the Sale Order shall constitute a contract between the City, the Bondholders (including in the case of MFA Bonds, the MFA), and the Bond Insurer, if any.

Section 1016. Effective Date. This Resolution shall take effect immediately upon its adoption by the Council.

EXHIBIT A
PROJECTS
(Listed by applicable Ballot Proposals)

Recreation (2004 Proposal R; 2009 Proposal C)
- Improvements to catalytic parks, CIP parks, and soccer hubs
- Joe Louis Greenway completion
- Computer replacement at recreation centers
- Recreation center capital improvements
- Belle Isle water line replacement and improvement
- Charles H. Wright Museum roof replacement
- Improvements to City golf courses
- Adams-Butzel Recreation Center
- Northwest Activities Center
- Heilmann Recreation Center
- Patton Recreation Center
- Williams Recreation Center
- Henderson Park
- Rouge Park Horse Stables
- Tindal Recreation Center - City share (partnered with Healthy Kidz, Inc.)
- Aretha Louise Franklin Amphitheatre and Park
- Studies for Riverside & Henderson Marinas, St. Jean Boat Launch, Hart Plaza, Spirit Plaza
- Spirit Plaza improvements
- Library reading rooms at recreation centers

Public Safety (2009 Proposal S)
- Public Safety vehicle purchase plan
- Health PC Replacements
- Police PC Replacements & technology upgrades
- Fire PC Replacements
- Relocation of Fire Apparatus garage
- Fire facilities improvements & energy efficiency upgrades
- Inventory management system
- Public Safety IT
- Police light duty vehicles
- Fire vehicles (light duty, apparatus, and EMS)
- Replace existing mobile clinic & expand fleet to 3
- New animal control trucks
- Teen pregnancy clinic
- Lease Elimination Plan Part 1 - 13335 Lyndon renovation
- Lease Elimination Plan Part 2 - 11631 Mt. Elliott renovation
- Construct new armory
- 20 Atwater renovations
- Grant match funds for camera expansion
- Expand RTCC to accommodate camera expansion
- Stand up two mini-RTCCs on east and west sides of City
- Bulletproof vest replacements
- Unmanned aerial vehicles

Economic Development (2004 Proposal N; 2009 Proposal N)
- Land acquisition and preparation for future industrial development projects

Transportation Facilities (2004 Proposal T; 2009 Proposal T)
- Coolidge facility rebuild

EXHIBIT B
CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the City of Detroit, County of Wayne, State of Michigan (the "City") in connection with the issuance of its ____________________ (the "Bonds"). The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions.* The following terms used herein shall have the following meanings:

"Audited Financial Statements" means the City's audited financial statements prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

"Bondholders" shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

"City" means the City of Detroit, County of Wayne, State of Michigan.

"Disclosure Representative" means the CFO of the City or his designee, or such other officer, employee, or agent as the City shall designate from time to time in writing.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access System.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"SEC" means the United States Securities and Exchange Commission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited by an individual or firm of independent certified public accountants.

(b) *Continuing Disclosure.* The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the ninth (9th) month following the end of the fiscal year of the City, commencing with the fiscal year ended June 30, 2018, in an electronic format as prescribed by the MSRB:

(1) Certain annual financial information and operating data reasonably available to the City in form and substance similar to the information appearing in the sections or tables in the [Main Body and Appendix III] of the Official Statement relating to the Bonds as described below:

[TO BE CONFORMED TO HEADINGS USED IN APPLICABLE OFFICIAL STATEMENT]

a. Historical Income Tax Rates;
b. Historical Income Tax Levies and Collections;

c. Historical Income Tax Revenue;
d. Revenues and Expenditures of the General Fund;
e. Distributable State Aid;
f. City of Detroit Two Year Budget Summary
g. State Equalized Valuations and Taxable Valuations;
h. Tax Rates and Levies;
i. Tax Levies and Collections;
j. Ten Largest Property Taxpayers;
k. Legal Debt Margins Subject to State Limitations;
l. Statement of Direct Tax-Supported and Revenue Indebtedness;
m. Direct Debt;
n. Annual City Contributions to the Retirement Systems; and
o. Largest Principal Employers.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.

(3) Such additional financial information or operating data as may be determined by the City and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the City or by specific reference to other documents available to the public through EMMA or filed with the SEC, including official statements of debt issues of the City or related public entities.

If the fiscal year of the City is changed, the City shall send notice of such change to the MSRB through EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose*. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, notice of a failure by the City to provide the Annual Financial Information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events*. The City agrees to provide or cause to be provided in a timely manner to the MSRB through EMMA, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds, if applicable, if material (each a "Material Event"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(7) modifications to rights of holders of the Bonds;
(8) Bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds; and
(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

[*FOR BONDS ISSUED ON OR AFTER FEBRUARY 27, 2019 ONLY, INSERT:*

(15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.]

(e) Materiality Determined Under Federal Securities Laws. The City agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) Termination of Reporting Obligation. The obligation of the City to provide Annual Financial Information and notices of Material Events, as set forth above, shall be terminated if and when the City no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) Benefit of Bondholders. The City agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds or under the Resolution.

(h) Amendments to the Undertaking. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed

necessary or appropriate in the judgment of the Disclosure Representative on behalf of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including, any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the City in preparing the Audited Financial Statements are modified, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

(i) *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking.

(i) *Municipal Advisory Council of the Michigan.* The City shall also file by electronic or other means any information of notice required to be filed with the MSRB through EMMA pursuant to this Undertaking in a timely manner with the Municipal Advisory Council of Michigan.

(j) *Governing Law.* This Undertaking shall be construed and interpreted in accordance with the laws of the State of Michigan (the "State"), and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; *provided*, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the City has caused this Undertaking to be executed by its authorized officer.

CITY OF DETROIT
County of Wayne
State of Michigan

By______________________________

Its

Dated: ____________________

32161007.11 022765-00224

Attachment II

OCFO's Presentation to City Council on UTGO Financing and LTGO Debt Restructuring

CITY OF DETROIT

UTGO Financing and Debt Restructuring

Conditions Are Favorable for a Reintroduction of Detroit's Credit to the Marketplace

Improved City Credit Profile

- Positive credit trajectory (rating exceeds March 2012)
- City management has acted to improve finances
- FY15 – FY18 executed balanced budgets, FY19 expected
- Strong fund balance
- Growing economy highlighted by large and tangible projects and major philanthropic/business investment

Strong Market Conditions

- Moderate supply in the municipal market coupled with healthy demand
- Credit spreads have compressed, particularly for lower rated credits
- Investors continue to search for municipal bonds with yield

Return to the Capital Markets

- Authorization of $255 million of Unlimited Tax General Obligation Bonds ("UTGO")
  - Projects in first Issuance in 2018 total approximately $110 million
- Robust marketing program to reintroduce the credit
  - Consortium includes Goldman Sachs, Citi and Siebert
- Expect significant interest from investors
- Current estimated all-in borrowing costs of 5.50-6.00%

UTGO Financing Has Important Benefits

- Citizens already provided authorization
  - Bonds to be issued under voter-authorized UTGO capacity from 2004, 2009
- Provide capital to make investments that help improve the quality of life for Detroiters and spur the City's economic growth
- Pay for projects otherwise funded from the General Fund
  - Improve the City's fund balance and free up money for other needs
- Demonstrate to the rating agencies that the City has access to the capital markets
  - Help set groundwork for further ratings improvement
  - Lay out the City's long-term capital plan
- Resulting debt millage consistent with historical amounts, no material increase

Pro Forma UTGO Debt Service

Pro Forma UTGO Debt Service ($000)

FY	Outstanding Debt Service	Series 2018 Debt Service[1]	Future Series Debt Service[2]	Total Debt Service
2019	$ 47,201	$ 5,297		$ 52,498
2020	46,493	9,630		56,123
2021	45,745	9,631	$ 6,128	61,504
2022	37,595	9,632	11,144	58,372
2023	33,773	9,634	11,146	54,553
2024	29,029	9,630	11,147	49,806
2025	20,708	9,631	11,147	41,486
2026	15,460	9,631	11,145	36,236
2027	15,457	9,634	11,145	36,236
2028	15,450	9,630	11,143	36,223
2029	9,828	9,632	11,147	30,608
2030	9,824	9,631	11,147	30,603
2031	9,826	9,631	11,147	30,604
2032	9,829	9,634	11,146	30,609
2033	9,825	9,630	11,146	30,600
2034	9,824	9,632	11,147	30,603
2035	9,827	9,632	11,143	30,602
2036	9,825	9,634	11,142	30,601
2037		9,633	11,144	20,777
2038		9,632	11,144	20,776
2039			11,147	11,147
2040			11,146	11,146

Note: Dollars in thousands

[1] *Current estimate based on approximately $112 million Series 2018 issuance*

[2] *Assumed Series 2020 issuance of remaining authorized amount ($126 million project fund) based on 2018 tax-exempt interest rates*

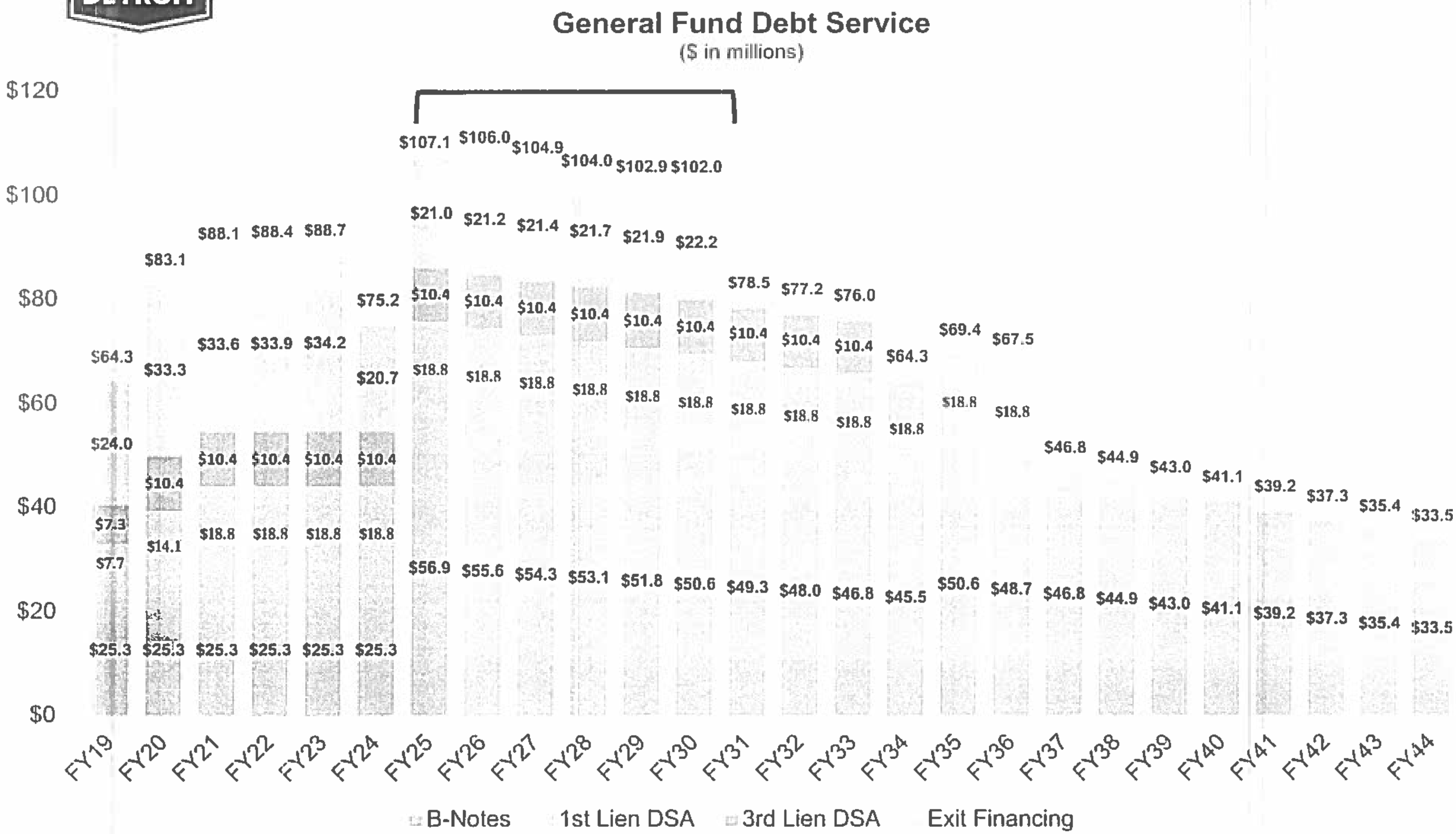
Aggregate UTGO Debt Service Profile ($000)

CITY OF DETROIT

City's Current LTGO Debt

- The City's annual General Fund debt service includes the following borrowings:
  - $245 million of Income tax bonds (LTGO)
  - $360 million of 1st and 3rd Lien DSA bonds (LTGO)
  - $632 million of B notes (LTGO)
- This excludes UTGO debt that does not impact the City's General Fund budget and $173 million of Public Lighting Authority (PLA) bonds
- Annual debt service spikes beginning in FY2025
- In addition, higher pension payments will commence in FY2024
- In October 2020, the City will need to begin budgeting for the debt service cliff in the four-year plan covering FY 2022 – FY 2025
- **Restructuring debt that comes due over the next 10 to 15 years will create a more manageable debt service profile as other liabilities are concurrently increasing**

City's Current LTGO Debt



Debt Restructuring

- Approving and preparing for a restructuring transaction now would allow the City to execute on this strategy swiftly if conditions are right
- Potential benefits:
  - Generate economic savings
  - Address the debt cliff beginning in FY2025
  - Put the City in better position to absorb higher pension costs
  - Demonstrate continued management focus on long-term fiscal pressures
  - Set the stage for additional rating upgrades
- **The City will make the decision to proceed only if it can meet its financial goals**

Attachment III

OCFO's Presentation to City Council on Voter Authorization Categories, Bond Authorization Available, Suggested Usage and Recommended Capital Projects by Fiscal Years 2018-19 through 2022-23

Voter Authorization	Authorization Available	Suggested Usage	Remaining
Public Safety	104,714,819	103,484,819	1,230,000
Recreation/Libraries/Museums/Zoo	97,000,000	69,310,628	27,689,372
Economic Development	26,072,161	26,072,161	-
Transportation	36,501,849	36,501,849	-
TOTAL	**264,288,829**	**235,369,457**	**28,919,372**

Recommended Projects by Fiscal Year

Voter Authorization	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Public Safety	16,947,264	32,633,300	23,938,300	26,615,955	3,350,000
Recreation/Libraries/Museums/Zoo	5,132,628	28,578,000	13,050,000	12,550,000	10,000,000
Economic Development	26,072,161	-	-	-	-
Transportation	-	-	18,000,000	18,501,849	-
TOTAL	**48,152,053**	**61,211,300**	**54,988,300**	**57,667,804**	**13,350,000**

First series	109,363,353	Second Series	126,006,104

Authorization	Department(s)	Project	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	5 Year Total
Public Safety	Police & Fire	Public Safety vehicle purchase plan	8,000,000					8,000,000
Public Safety	Health	Health PC Replacements	80,464					80,464
Public Safety	Police	Police PC Replacements & technology upgrades	2,196,526					2,196,526
Public Safety	Fire	Fire PC Replacements	390,000					390,000
Public Safety	Fire	Relocation of Fire Apparatus garage				4,712,655	3,000,000	7,712,655
Public Safety	Fire	Fire facilities repairs & energy efficiency upgrades		3,675,000	3,000,000	3,000,000		9,675,000
Public Safety	Fire	Inventory management system				1,500,000		1,500,000
Public Safety	DoIT	Public Safety IT	2,565,274	4,380,800	4,080,800	4,080,800		15,107,674
Public Safety	Police	Police light duty vehicles		7,400,000	6,425,000	6,650,000		20,475,000
Public Safety	Fire	Fire vehicles (light duty, apparatus, and EMS)		7,562,500	6,717,500	6,267,500		20,547,500
Public Safety	Health	Replace existing mobile clinic & expand fleet to 3	300,000	600,000				900,000
Public Safety	Health	New animal control trucks	165,000	165,000	165,000	55,000		550,000
Public Safety	Health	Teen pregnancy clinic	1,000,000					1,000,000
Public Safety	Police	Lease Elimination Plan Part 1 - 13335 Lyndon renovation		2,000,000	1,500,000			3,500,000
Public Safety	Police	Lease Elimination Plan Part 2 - 11631 Mt. Elliott renovation		2,000,000	1,700,000			3,700,000
Public Safety	Police	Construct new armory		500,000				500,000
Public Safety	Police	20 Atwater renovations	800,000					800,000
Public Safety	Police	Grant match funds for camera expansion	1,100,000					1,100,000
Public Safety	Police	Expand RTCC to accommodate camera expansion		2,000,000				2,000,000
Public Safety	Police	Stand up two mini-RTCCs on east and west sides of City		2,000,000				2,000,000
Public Safety	Police	Bulletproof vest replacements		350,000	350,000	350,000	350,000	1,400,000
Public Safety	Police	Unmanned aerial vehicles	350,000					350,000
Economic Dev	PDD	Land preparation for future industrial development projects	26,072,161					26,072,161
Recreation	GSD	Improvements to catalytic parks, CIP parks, and soccer hubs	700,000	8,400,000	8,300,000			17,400,000
Recreation	PDD	Joe Louis Greenway completion				10,000,000	10,000,000	20,000,000
Recreation	DoIT & GSD	Computer replacement at recreation centers	246,528					246,528
Recreation	GSD	Recreation center capital improvements	1,686,100					1,686,100
Recreation	GSD	Belle Isle water line replacement and repair	500,000					500,000
Recreation	Charles H. Wright	Charles H. Wright Museum roof replacement	1,000,000	700,000				1,700,000
Recreation	GSD	Improvements to City golf courses		2,000,000	2,000,000			4,000,000
Recreation	GSD	Adams-Butzel Recreation Center		3,450,000				3,450,000
Recreation	GSD	Northwest Activities Center		3,750,000				3,750,000
Recreation	GSD	Heilmann Recreation Center		1,000,000	2,000,000			3,000,000
Recreation	GSD	Patton Recreation Center			750,000			750,000
Recreation	GSD	Williams Recreation Center				2,550,000		2,550,000
Recreation	GSD	Henderson Park		2,250,000				2,250,000
Recreation	GSD	Rouge Park Horse Stables		190,000				190,000
Recreation	GSD	Tindal Recreation Center - City share (partnered with Healthy Kidz, Inc.)		338,000				338,000
Recreation	GSD	Aretha Louise Franklin Amphitheatre and Park	1,000,000	4,000,000				5,000,000
Recreation	GSD	Studies for Riverside & Henderson Marinas, St. Jean Boat Launch, Hart Plaza, Spirit Plaza		1,000,000				1,000,000
Recreation	GSD	Spirit Plaza improvements		1,000,000				1,000,000
Recreation	GSD	Library reading rooms at recreation centers		500,000				500,000
Transportation	DDOT	Coolidge facility rebuild			18,000,000	18,501,849		36,501,849

Authorization Remaining		Ballot Language
Public Safety (2004)	32,714,819	"for the purpose of paying the cost of acquisition, construction, renovation, or rehabilitation of public safety projects relating to Police (including projects required by the Department of Justice Consent Decree), Fire, Emergency Medical Services (EMS), and Health facilities"
Public Safety (2009)	72,000,000	"for the purpose of paying the cost of acquisition, construction, renovation, or rehabilitation of public safety projects relating to, Police, Fire, Emergency Medical Services (EMS), Health facilities and other municipal facilities public safety improvements"
Mus/Lib/Rec/Other (2009)	97,000,000	"for the purpose of paying the cost of acquisition, construction, renovation, or rehabilitation of City of Detroit Museums, Detroit Public Library Facilities, Recreation, and other Cultural facilities"
Econ Dev (2004)	1,072,161	"for the purpose of paying the cost of improvements to various neighborhood redevelopment and housing rehabilitation programs, and for economic development projects"
Econ Dev (2009)	25,000,000	"for the purpose of paying the cost of improvements to various neighborhood redevelopment and housing rehabilitation projects, and for economic development projects"
Transportation (2004)	24,501,849	"for the purpose of paying the cost of acquisition, construction, renovation, or rehabilitation of Detroit transportation facilities, and the procurement of vehicles"
Transportation (2009)	12,000,000	"for the purpose of paying the cost of acquisition, construction, renovation, or rehabilitation of Detroit transportation facilities"

Attachment IV

LPD's Questions Regarding the Proposed UTGO Bond Sale and LTGO Refunding Bond Sale

October 15, 2018

Questions from the Legislative Policy Division on the Upcoming Bond Issuance

The OCFO responses are below and are noted in bold and red.

Questions on the proposed new money bonds:

- About two years ago Council approved the re-appropriating of $50 million in old general obligation bond dollars for capital projects. Have all of these bond dollars been spent or programmed to be spent? If not, could any of the remaining dollars be used to fund any of the capital projects on the list of capital projects that would be funded by the proceeds from the proposed $255 million unlimited tax general obligation (UTGO)[1] bond sale? **Yes, all of the $50m in old GO bond dollars for capital projects has been spent or programmed to be spent.**

- If available, please provide a list of capital projects that have been funded from the re-appropriating of $50 million in old general obligation bonds for capital projects. The question here is if recent capital projects have been funded from these dollars, or will be funded by these dollars, is there still a need do some of the capital projects on the list of capital projects that are projected to be funded from the proposed $255 million UTGO bond sale proceeds? **Attached is a list of capital projects that have been funded from the $50m. There is no overlap with the projects being proposed for the new UTGO bond sale.**

- The City has spent almost $233 million in exit financing/quality of life (QOL) dollars (LPD understands there's only about $5 million remaining in unspent QOL dollars) on various capital projects. Similarly to the previous question, if recent capital projects have been funded from QOL dollars, is there still a need do some of the capital projects on the list of capital projects that are projected to be funded from the proposed $255 million UTGO bond sale proceeds? **The list of projects being proposed for the new UTGO bond sale does not overlap.** For instance, QOL dollars were used to purchase police scout cars. Yet, on the list of capital projects that would be funded from the proposed $255 million UTGO bond sale proceeds, $8 million would be allocated to a public safety vehicle purchase plan. Does the City really need to spend $8 million on this plan when police scout cars were purchased within the last four years using QOL dollars? Has the life-cycle on the police scout cars purchased from QOL dollars already has ended, or is about to end? Of course, this scenario could be used for various types of capital projects. **Yes, the City needs to spend approximately $8m per year on public safety vehicles in order to meet a replacement cycle that is consistent with best practices.**

- What process did the Administration use to determine the real need for the capital projects that are on the list of capital projects that would be funded from the proposed $255 million UTGO

[1] Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit's property tax debt millage.

bond sale proceeds? Were agencies interviewed? Which steering committees were used in this process? Is there a matrix available showing capital projects that were recently funded by old general obligation dollars, QOL dollars, and the need for the capital projects on the list of capital projects that would be funded from the proposed $255 million UTGO bond sale proceeds? **All of the projects first had to align with the voter approved purposes. The Administration used a thorough process to recommend projects for the UTGO bond resolution. This included collaboration among the OCFO, Operations, GSD, DBA, DoIT, Public Safety, JET, Planning and other operating departments. The Administration looked at a number of factors to determine the need for funding through the UTGO bond authorization:**

- **Facilities ranked for highest need improvement/repair by both the operating departments, GSD and DBA.**
- **Crime reduction initiatives that require capital investment**
- **Opportunities to leverage significant outside investment and provide a transformative impact on neighborhoods such as park projects.**
- **Economic development and jobs for Detroiters.**
- **Return on investment opportunities such as the lease consolidations or reduction of energy use.**
- **Improvements to cultural facilities serving Detroiters.**

The facilities steering committee reviewed and approved the final list of facilities projects. The Vehicle Steering Committee has developed the FY19 vehicle replacement list and will continue to review prioritization.

- Will the upcoming Capital Agenda assume this new money UTGO bond sale? **Yes.**

- The proposed new money UTGO bond sale is not to exceed $255 million. It is anticipated that the actual usage would be $235.4 million, leaving almost $20 million for bond issuance cost. This seems excessive, please explain. Specifically, what are the anticipated issuance costs (for e.g., legal, underwriters, bond insurance, auditing) for the proposed new money UTGO borrowing? **The approximate $20 million difference is not intended to be just bond issuance costs. It is also intended to provide a cushion which may also be applied to capitalized interest or original issue discount, if appropriate, when selling the bonds. The estimated bond issuance costs are provided below for the initial offerings:**

	New Money	Tender/Restructuring
- Man'gt Fee	$1.50/$1000 bond	$0.75/$1000 bond
- Avg. Takedown	$5.04/$1000 Bond	$4.25/$1000 Bond
- Syndicate expenses	$1.315/Bond	$0.182/1000 Bond
- Tender-Manager Fee	$ - 0 -	$1.77/$1000 Bond
- Bond Counsel Fees	$204,000	$261,000
- Financial Advisor	$126,500	$270,000

- Of the $235.4 million of actual usage from the proposed new money UTGO bond sale, a first series of $109.4 million in bonds would be issued in 2018 and a second series of $126.0 million in bonds would be issued at a later date. LPD does not recall a bond resolution authorizing the Finance Director to issue bonds a multiple amount of times without having to come back to Council for approval. If it is anticipated that the second series would not be issued until a later date, like a year later, then the second series should come to Council under a separate bond resolution. Please explain. **Municipalities frequently authorize multiple series of bond under a single bond resolution, particularly when there is a known set of projects to be financed over a period of years, identified sources of voter authorization, and a basic set of economic parameters established at the outset. In this case, the bonds authorized under this resolution are essentially a single financing, layered over a period of years and is a component of the City's overall capital plan. This approach is also done to ensure that the City has adequate funding to finish projects it starts and so the City can, at closing of any series of bonds, certify that it intends to spend 85% of the proceeds within three years of issuance (a Federal tax requirement).**

- Has the Administration/OCFO explore alternative sources of funding for some of the capital projects that are a part of the list of capital projects that would be funded by proceeds from the proposed new money UTGO bond sale? For instance, couldn't insurance proceeds from the fire insurance associated with the Coolidge facility be used for the rebuild of that facility and reduce some of the anticipated $36 million capital cost for the rebuild project? **Yes, the Administration has explored alternative funding sources and the insurance proceeds are insufficient to cover the full costs. The proceeds from the new bond sale will cover the funding gap for the Cooledge facility.**

- In September 2017, a Bond Buyer article indicated "In its bankruptcy plan of adjustment the city did not assume the need for market access in a traditional and predictable way, without added security layers, for at least ten years. That assessment remains the same as the city approaches the third anniversary of its exit from Chapter 9." The article quotes John Naglick saying: "Everything that we have been able to do since exiting bankruptcy has an attached revenue stream to it. You secure it and bond lawyers agonize over how that will be protected in the unlikely event of another bankruptcy because everyone has to ask the question now. Then there is a strong intercept mechanism that goes to a trustee like U.S. Bank where the bondholders now know this is absolutely secure."[2]

  Remarkably, in June 2018, a Bond Buyer article indicated "With Detroit's budget solidly in the black, its exit from state oversight complete, and a funding plan in place to tackle a looming hike in pension contributions, **Detroit is beginning to eye a return to the bond market on its own.** 'Achieving bond market access without the support of state aid or some other mechanism is the next big step for the junk-rated city to signal it has come full circle from its historic 2013 Chapter

[2] Bond Buyer article entitled "Why Detroit still can't access the bond market as a standalone borrower", by Nora Colomer, dated September 26, 2017.

9 bankruptcy filing' said the city's chief deputy chief financial officer and finance director, John Naglick, Jr."[3] (Emphasis added)

The June 2018 Bond Buyer article continues, "When the city exited bankruptcy in late 2014 it had the cash needed for capital projects from its exit financing, grant dollars, and other secured sources to show the rating agencies it could fund capital needs, **'but the day has to come in the not-to-distant future where we bond for capital like any other normal government,'** Naglick said in an interview after a panel discussion at The Bond Buyer's Midwest Municipal Market Conference last week".[4] (Emphasis added)

The June 2018 Bond Buyer article continues, "Market access on its own is eventually needed to relieve pressure on the general fund which will be relied on to cover higher pension contributions which begin in 2024 and a $25 million spike in debt service in 2025. **'If we can't bond for capital it's going to be a drag on the general fund because obviously in the future the general fund is going to have to cover existing debt and pension contributions,' Naglick said. 'We need to get back to bonding for capital.'"**[5] (Emphasis added)

Lastly, the June 2018 continues, "'**As Chicago Public Schools' recent sale showed, there is an appetite out there for yield even if it means buying debt that you are well aware is speculative in nature and carries public ratings well outside of investment grade territory,'** said Tom Schuette, a partner at Gurtin Municipal Bond Management. 'I think investors who jump in on any future Detroit bonds that don't carry some sort of state intercept mechanism need to do so with eyes wide open about the risks that those bonds carry absent a broad economic and demographic recovery for the city.'CPS carries three junk ratings but saw strong demand in a $560 million May deal."[6] (Emphasis added)

LPD also recognizes the conundrum the City faces: the need to set aside from surpluses monies into the Retiree Protection Trust Fund when those monies could be used for reinvestment and service improvement for the City. In addition, as future surplus dollars shrink, the City's ability to fund one-time capital spending with these dollars may also lessen.

The Office of the Chief Finance Officer (OCFO) presented a document to LPD entitled "Conditions Are Favorable for a Reintroduction of Detroit's Credit to the Marketplace", which echo many of the comments in the June 2018 Bond Buyer article referenced previously. Based on this document, LPD raises the following questions on the City's return to the bond market on its own:

1. Why do rating agencies frown upon a City's inability to issue new money UTGO bonds for capital purposes? **Not borrowing for capital is viewed as a sign of weakness and given the amount of capital needs that most Cities have, depending solely on budget surplus or fund**

[3] Bond Buyer article entitled "How a bond market return would seal Detroit's comeback", by Nora Colomer, dated June 26, 2018.
[4] Ibid
[5] Ibid
[6] Ibid

balance is not a viable long-term strategy and potentially compromises the budget process. In addition, rating agencies are concerned that in a future recession, City revenues could drop and deferring capital spending has long term negative consequences.

2. The OCFO feels the following "Strong Market Conditions" warrant the City's return to the bond market: 1) moderate supply in the municipal market coupled with healthy demand; 2) credit spreads have compressed, particularly for lower rated credits; and 3) investors continue to search for municipal bonds with yield. Although LPD is fairly convinced it is now the time for the City to reenter the bond market given the size of the potential capital projects that is needed, we would appreciate the City's bond counsel and/or financial advisors elaborating some more on the three previous points. **The CFO's recommendation takes into consideration advice from the City's Financial Advisor and the Underwriters; it is not Bond Counsel's role to provide market advice. Although the credit markets have seen a rise in interest rates amid the general market volatility, the market still remains attractive for the City to access. 2018 has seen strong demand amid lower supply – especially in the higher yielding markets (which the City's UTGO would be accessing). The City's credit fundamentals have improved markedly since the exit from bankruptcy, providing a strong base from which to re-launch into the public markets.** Knowing that the 10 year Plan of Adjustment period hasn't ended yet, and the fact that the Plan of Adjustment excludes new money bonds for capital improvements, LPD wonders if the City would pay an exorbitant interest rate on any new money UTGO bonds at this time. The document presented to LPD shows the City could pay 5.50 to 6.00% on the proposed new money UTGO bonds-is that considered an excessive interest rate range at this time in the market? **The OCFO would like to correct one point made by LPD – the document presented to LPD shows the City *presently would* pay 5.50 to 6.00% on the proposed new money UTGO bond. This rate range would not be considered excessive given the nature of the proposed UTGO offering (non-investment grade ratings and first unenhanced offering post-bankruptcy). The interest rate that the City will pay on these bonds will be determined on the day of pricing and will depend on the overall investor demand for the bonds. The current [30-year] MMD (municipal market data) AAA long term interest rate was 3.41% last week. Given that the City is not rated AAA, the City will have to pay a significant spread above this rate. In addition, LPD should also note that the Plan of Adjustment assumed much lower pension contributions starting in FY2024. As a result, the City has had to fund pensions via the RPF now in order to prepare for pension contributions beginning in FY2024 that were higher than the Plan of Adjustment assumed. The City would have had more available funding for capital projects if the pension contributions were not higher than what the Plan of Adjustment assumed.**

3. Would the interest rate associated with the new money UTGO bonds be a fixed interest rate? Would the interest be tax-exempt? Why would it be advantageous to sell the new money UTGO bonds on a tax exempt basis as a way to make them more marketable/attractive to bond investors? **The interest will be fixed and issued on a tax-exempt basis. Selling taxable bonds would be costly to the City and, currently, it more economical for the City to use fund balance for projects that would be considered taxable.**

4. Why would a robust marketing program to reintroduce the City's credit to the bond market, led by a consortium including Goldman Sachs, Citi and Siebert (Goldman Sachs & Co. LLC, Citigroup Global Markets Inc., and Siebert Cisneros Shank & Co. LLC, defined as the City's "underwriters" in the proposed bond resolution) be necessary to issue the new money UTGO bonds? **Being the City's first foray back into the public markets on an unenhanced basis since bankruptcy and the first unenhanced GO in a decade, a proactive marketing plan to tell the City's story will be important to attract the broadest interest from the investor community. Having multiple firms market its bonds, the City's goal is to have an expanded outreach to municipal bond investors that are both familiar and unfamiliar with the City since bankruptcy. For a transaction of this type, it is conventional to have more than one firm to ensure that the City reaches the greatest possible number of potential interested investors – including conventional investor types as well as those who may view the City as an attractive way to meet their investment goals. The overall goal is to be oversubscribed by obtaining more orders for the bonds than we have available to sell, thereby minimizing the potential cost of the debt.**

5. Why do the OCFO/City's financial advisors expect significant interest from investors on the City's new money UTGO bond deal? **See responses above. In addition, the City's financial progress since bankruptcy has generated a lot of positive interest across the financial sector.**

6. Is the City currently able to access the bond markets on its own without help from the Michigan Financing Authority (MFA)? Yes.

7. Would there be a state intercept feature to make the new money UTGO bonds more attractive to investors? **A state intercept is not envisioned. Since the debt service on the UTGO bonds will come from the dedicated debt millage collected by the City, those funds are required by law to be sequestered and only used to pay the debt service on the UTGO bond.**

8. Will a security interest to ensure debt payment such as revenue sharing be necessary for the issuance of the new money UTGO bonds? **No, this is not anticipated.** If so what is the anticipated security source (e.g., income tax)?

9. The debt service (principal and interest) payments associated with the new money UTGO bonds would be paid from property taxes based on the property tax debt millage and therefore will not impact the City's general fund. OCFO informed LPD that the issuance of the first and second series of these bonds would raise the debt millage from the 7 mills to approximately 9 mills. Specifically, LPD understands The City's debt millage rate was 9.5 mills in 2016; 8.24 mills in 2017; and 7 mills for 2018. The debt millage rate is expected to be back up to 9.5 mills with the new borrowing. The OCFO would like to maintain UTGO borrowing and the debt millage rate at around 9.5 mills. **The City of Detroit citizen's have already voted to authorize the types of projects the City can issue this debt for. In addition, issuing debt is a result of a City's capital needs, not a desire to impose a certain debt millage rate. The**

OCFO conveyed to LPD that, as a result of a City's regular issuance for its capital needs, the level of debt mills usually stays fairly constant. What impact would the increase in debt mills to 9.5 mills would have on the average homeowner in the City of Detroit? The City's debt millage was 9.5 mills in 2016 and as a result of the City's debt restructuring approved by City Council, the City was able to lower the debt millage. One mill equates to $1 of tax for each $1,000 in taxable value of the property owned by the homeowner. So, a home with $40,000 in assessed value would result in a taxable value of $20,000. A debt millage of 9.5 mills would increase the homeowners' annual tax bill by approximately $50.00.

10. Will the City have to pay a premium to UTGO debt, which results in less dollars for capital projects? The City expects to pay a spread over the interest rate an 'AAA' rated obligation would yield – this is already factored into our analysis of the amount that will be available for capital projects. The higher level of interest rates (above the AAA-rated rates) does not reduce the amount of bond proceeds available for capital projects; but does, of course, increase the annual debt service costs.

11. Would a credit enhancement (such as letters of credit, bond insurance, cash or bond funded reserves, or other public or private credit enhancements) be used to improve the marketability of the new money UTGO bond sale? No.

12. If Council approves the new money UTGO bond sale, will the OCFO present to Council a budget amendment to appropriate the bonds in the City's FY 2019 budget and show the impact on the four-year financial plan? The Resolution itself serves this purpose.

    LPD understands that if Council approves the new money UTGO bond sale, the City in connection with the bond sales will amend the FY 2019 budget to move approximately $13.1 million from appropriation 20507 (Capital Projects) to appropriation 20253 (Blight remediation). Please explain the need to move more money for blight remediation. Would this money be used for blight remediation in addition to Detroit Land Bank Authority (DLBA) blight remediation projects? The Demo team has successfully increased the rate at which they are demolishing residential and commercial buildings. At their current rate, the Administration projects that the City will commit the remaining Hardest Hit Fund dollars in 2019. While that will be a significant accomplishment, the City will still have residential and commercial structures in need of demolition. The City will need to continue to invest its own resources in demolition at an increasing rate to continue to meet the residents' needs. Would this money be used for both residential and commercial blight remediation? Yes, both commercial and residential.

- What is the projected amount of surplus the City could use for upcoming capital/infrastructure projects? Consistent with years past, the amount that could be used for capital projects will be determined after the City's audit is complete and during the budget development process.

Questions on the proposed refunding (refinancing) bonds:

- The OCFO proposes to issue a refunding bond not to exceed $500 million to look at opportunities to repurchase or refinance a portion of the outstanding City limited tax general obligation (LTGO) bonds.[7] Specifically, there are $245 million in outstanding exit financing income tax bonds (LTGO), $360 million in outstanding 1st and 3rd lien distributable state aid (DSA) bonds (LTGO) and $632 million in outstanding B notes (LTGO) that could be partially repurchased or refinanced to achieve interest savings or restructure the repayment streams. Since the annual debt service on the LTGO bonds spikes in FY 2025, what are some strategies the OCFO will explore to reduce this spike through the refunding bonds? **The first part of the strategy will be to repurchase bonds from their current owners at a price attractive to the City that would generate savings. The second part of the strategy is to then finance the required amount of money to repurchase the bond via a new LTGO debt issue secured by Distributable State Aid (DSA), to obtain the lowest interest rate possible. The City's DSA backed debt is rated as investment grade by both Moody's and S&P. The City will apply savings in a manner that reduces this spike.**

- According to CFO directive No. 2018-101-007 entitled "Debt Issuance and Management" (Debt Policy), the aggregate new present value savings (on a refunding bond issuance) should achieve a level of 3% or above. The Debt Policy also indicates the CFO will consider a refunding only when one or more of the following considerations are met: 1) lower interest rates resulting in debt service cost savings; eliminate restrictive or burdensome bond covenants; or 3) when there is a financial benefit to the City as determined by the CFO. Please provide any information on what the 2018 refunding bonds could achieve in aggregate new present value savings, including OCFO's expectation of interest rates the City can achieve on the upcoming refunding bonds. **The Bond Resolution requires a net present value savings. The OCFO would be glad to further discuss the impact of the proposed restructuring with LPD.**

- Would the refunding LTGO bonds be tax exempt or taxable bonds? Wouldn't taxable bonds charge a higher interest rate? If so, what would be the advantage of taxable LTGO refunding bonds? **The Internal Revenue Code requires that the bond will be taxable if repurchasing taxable bonds and tax-exempt if repurchasing tax-exempt bonds. It is true that taxable bonds have a higher interest rate than tax exempt bonds for a similar credit.**

- Why does the OCFO feel the bond market is relatively appealing, thus making it a good time to sell DSA refunding bonds? **Please see prior responses.**

- Currently, the City's outstanding LTGO bonds mature in FY 2044. Would the OCFO extend the maturity date beyond FY 2044 (i.e., increase the payback period of the current LTGO bonds) through the refunding bonds? **No, the plan is to not extend the term.**

[7] Limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the general fund and not paid for out of property taxes based on the property tax debt millage. LTGO bonds are generally supported by the full faith and credit of the City. However, to make the City's LTGO bonds more attractive to bond investors, the City has pledged revenue streams such as distributable state aid (i.e., state revenue sharing) and income taxes as added security to certain LTGO bonds.

- Will a security interest to ensure debt payment such as revenue sharing be necessary for the issuance of the refunding bonds? If so what is the anticipated security source (e.g., DSA, income tax)? **The Bond Resolution anticipates these bonds to be backed by DSA revenues.**

- Will these proposed refunding bonds be issued through the Michigan Financing Authority (MFA)? **Yes.** If so, why does MFA make the proposed refunding bonds more attractive? **State law provides that bonds secured by DSA issued through the MFA have the benefit of statutory protections and credit enhancements that are important for investors and marketing the bonds.**

- Would there be a state intercept feature to make the LTGO refunding bonds more attractive to investors? **The City plans to secure the LTGO refunding bonds with DSA on an intercept basis, which adds to the security in a significant way.**

- What are the anticipated issuance costs (for e.g., legal, underwriters, insurance, auditing) for the proposed LTGO refunding borrowing? **Please see prior response.**

Questions on the bond authorization resolution that will formally be before Council during Formal Session on Tuesday, October 16h:

- A document presented to LPD indicates the authorization available from 2004 and 2009 elections is $264.28 million. However, the second and third whereas clauses indicate $286.28 million in remaining bond authorization. Please explain. **The Bond Resolution total of $286.29 million includes the public lighting voter authorization category – there are no proposed projects within that voter authorization category.**

- Section 201. (a): Does the City anticipate using any of the bond proceeds from the sale of the new money UTGO bond sale to reimburse itself for amounts spent on capital projects prior to the issuance of the 2018 UTGO bonds? **Not at this time; however, this is a common clause in line with best practice that gives the City financial flexibility in the event the City has to advance operating funds unexpectedly.**

General questions on the proposed bond sales:

- Regarding the City's process for the new money and refunding bonds, LDP understands OCFO wants to present the new borrowing to the BF&A Committee on Wednesday, October 17, 2018 and have it voted on. Than they would like it to go before the Formal Council on October 23, 2018. The borrowing will be announced by the City on November 19, 2018. The City's Capital Agenda is expected to be issued on November 1, 2018. The CAFR is expected to be issued by the deadline date of December 31, 2018. The OCFO would like to close on the new bonds around the middle of December 2018. Is that correct? **Yes, that is the plan.**

- The City's Debt Policy speaks to debt affordability. What is the City's current: 1) overall debt as a % of assessed valuation (total debt should be about 1.5% of full market value); 2) debt service as a % of the general fund (required annual debt service expenditures should be at about 10-15% of the City's general fund); 3) overall debt per capita (real debt per capita should not rise significantly); 4) ten-year payout ratio (a faster payout is considered a positive credit attribute); and 5) per capital to per capita income (total debt outstanding and annual amounts proposed should not cause the ratio of per capita to per capita income to rise significantly above approximately 5%)? How would the proposed new money UTGO bond sale and the refunding LTGO bond sale impact these ratios? Attached are the updated metrics as a result of the first UTGO new money bond issuance. The benchmarks in the CFO Directive is what the City should be targeting over the long-term and is benchmarked to a credit rating higher than the credit rating the City has today. The OCFO would be glad to discuss the impact of the proposed restructuring with LPD.

- What is the City's current legal debt margin and total amount available that can be borrowed? Please see attached.

- Is the bankruptcy issued debt and any subsequent defeasment/refinancing exempt from the legal debt margin requirements? Financial recovery bonds are exempt from the 10% limit and subject to their own limit.

- Is it legal in the State of Michigan to issue UTGO (Unlimited Tax General Obligation) bonds to fund non-capital purposes such as the defeasment/refinancing of any of the outstanding LTGO bonds? If so, please explain the pros and cons of using UTGO issued bonds to refinance any of the outstanding LTGO bonds? Please discuss the need for Voter approval of UTGO bonds, legal debt margin limitations, high millage tax rates and time constraints to obtain favorable interest rates. It may be legal to do so, but at a minimum would require a voter authorization to do so. The benefit of issuing UTGO bonds is that the debt service is paid through a debt millage levied on property owners as opposed to LTGO debt which is paid through a general fund appropriation.

Prior GO Bond Projects
New/additional bus shelters & improvements to Rosa Parks Transit Center
Young, Farwell, & Williams Recreation Centers Capital Improvements 2018-2019
Precincts 6, 10, and 11 Capital Improvements 2018-2019
Fire Facilities Capital Improvements 2018-2019
Park Lighting Improvements
Capital Improvements to Thirteen Parks 2018-2019
Animal Control Facility Capital Improvements 2018-2019
TPP Clinic Buildouts
Detroit Historical Museum Capital Improvements
Bridging Neighborhoods Contribution
Uniroyal Riverfront Promenade - City of Detroit Contribution
Rosa Parks/Clairmount Neighborhood Plan
Islandview/Greater Villages Neighborhood Plan
Northwest/Grand River Neighborhood Plan
Livernois/McNichols Neighborhood Plan
West Vernor/Southwest Neighborhood Plan
East English Village Neighborhood Study
Greater Corktown Neighborhood Study - G.O. Bond - Neighborhood
DPSH Buildouts - Arson Interview Rooms
8th Precinct Capital Improvements (incl. annex)
Merrill Plaisance Capital Improvements
Charles H. Wright Museum facilities improvements - roof, façade, electrical

City of Detroit
Debt Metrics as of 6/30/18
Reported pursuant to *CFO Directive No. 2018-101-007 Debt Issuance and Management*
- With Estimated Impact of Proposed $117 Million UTGO Bond Issue

MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3)		As of 6/30/2018 (Unaudited)
FULL VALUE PER CAPITA		
City of Detroit 2018 Assessed Value	$	8,108,041,000
City of Detroit Population - 2017 Estimate[1]		673,104
Assessed Value Per Capita	$	12,046
FUND BALANCE AS PERCENT OF REVENUES		
General Fund Balance - Estimate[2]	$	135,000,000
General Fund Revenues - Estimate[2]	$	1,057,900,000
General Fund Balance as Percent of Revenues		13%
NET DIRECT DEBT/OPERATING REVENUES		
Principal Outstanding	$	1,588,396,146
Less MTF Bonds and HUD 108 Loans Outstanding at 6-30-18		(83,567,000)
	$	1,504,829,146
General Fund Revenues - Estimate[2]		1,057,900,000
Net Direct Debt as Percent of General Fund Revenues		142%
NET DIRECT DEBT/FULL VALUE		
Net Direct Tax-Supported Debt	$	1,504,829,146
City of Detroit 2018 Assessed Value	$	8,108,041,000

MEASURES OF DEBT AFFORDABILITY (Section 5.4.3)		As of 6/30/2018 (Unaudited)		Estimated Impact of Proposed $117M Bond Issue - STRESS TEST (+75bps)[3]
OVERALL DEBT AS PERCENT OF ASSESSED VALUE				
Net Direct Tax-Supported Debt	$	1,504,829,146	$	1,621,759,146
City of Detroit 2018 Assessed Value[2]	$	8,108,041,000	$	8,108,041,000
Net Direct Tax-Supported Debt as Percent of Assessed Value		18.56%		20.00%
CFO Directive: *"Total debt should be kept at about 15% of full market value"* [4]				
DEBT SERVICE AS PERCENT OF GENERAL FUND				
Debt Service for Net Direct Debt Paid During Fiscal Year	$	100,905,848	$	106,202,978
General Fund Revenues - Estimate[2]	$	1,057,900,000		1,057,900,000
Net Direct Tax-Supported Debt Service as Percent of General Fund Revenues		9.54%		10.04%
CFO Directive: *"Required annual debt service expenditures should be kept at about 10-15% of the City's General Fund"*				
OVERALL DEBT PER CAPITA				
Net Direct Tax-Supported Debt	$	1,504,829,146		1,621,759,146
City of Detroit Population - 2017 Estimate[1]		673,104		673,104
Net Direct Tax-Supported Debt/Capita	$	2,236	$	2,409
CFO Directive: *"Total debt outstanding and annual amounts issued should not cause real debt per capita to rise significantly"*				
TEN YEAR PAYOUT RATIO				
Percent of Principal (Net Direct Debt) Paid over Next Ten Fiscal Years		47.90%		47.17%
CFO Directive: *"The rate of repayment of bond principal should be kept at highest affordable level possible given other budget priorities"*				
PER CAPITA DEBT TO PER CAPITA INCOME				
Net Direct Tax-Supported Debt/Capita	$	2,236		2,409
Income Per Capita Estimate[5]	$	40,110	$	40,110
Per Capita Debt to Per Capita Income		5.57%		6.01%
CFO Directive: *"Total debt outstanding and annual amounts proposed should not cause the ratio of per capita to per capita income to rise significantly above 5%"*				

[1]Source: US Census 2017 Population Estimate

[2]Source: 8-15-18 OCFO Monthly Financial Report for the Twelve Months ended June 30, 2018. For GF Revenue Estimate, used total ($1,283.7M) less Adjust for Prior Year Carry-forward ($120.8M) less Use of Fund Balance for one time spending ($105.0M). For GF Balance Estimate, used FY18 Est. unassigned fund balance

[3]Includes $117 million tax-exempt bonds to be repaid over 20 years. 75 basis points are added to a base case interest rate scenario as "stress test"

[4]A typographical error in the CFO Directive stating "1.5%" instead of "15%" is being corrected by the OCFO in accordance with established policies and procedures

[5]Using Income Per Capita (Wayne County, 2016). Source: US Bureau of Economic Analysis, Local Area Personal Income

MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3)	FY17	FY16	FY15
FULL VALUE PER CAPITA			
City of Detroit Assessed Value	$ 7,441,692,233	$ 7,372,078,752	$ 7,593,512,803
City of Detroit Population[1]	675,480	678,250	681,499
Assessed Value Per Capita	$ 11,017	$ 10,869	$ 11,142
FUND BALANCE AS PERCENT OF REVENUES			
Unassigned General Fund Balance	$ 168,966,674	$ 143,047,758	$ 70,922,574
General Fund Revenues	$ 988,938,222	$ 1,065,117,770	$ 1,059,791,820
General Fund Balance as Percent of Revenues	17%	13%	7%
NET DIRECT DEBT/OPERATING REVENUES			
Net Direct Tax-Supported Debt	$ 1,474,360,733	$ 1,531,060,530	$ 1,611,809,817
General Fund Revenues	988,938,222	1,065,117,770	1,059,791,820
Net Direct Debt as Percent of General Fund Revenues	149%	144%	152%
NET DIRECT DEBT/FULL VALUE			
Net Direct Tax-Supported Debt	$ 1,474,360,733	$ 1,531,060,530	$ 1,611,809,817
City of Detroit Assessed Value	$ 7,441,692,233	$ 7,372,078,752	$ 7,593,512,803
Net Direct Tax-Supported Debt/Assessed Value	20%	21%	21%

[1] 2016, 2015 and 2014 estimates from US Census 2017 Population Estimates.

City of Detroit, Michigan
Legal Debt Margin Information*
Last Ten Fiscal Years
(Dollars in Thousands)
(Unaudited)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	$ 1,772,934	$ 1,726,304	$ 1,716,899	$ 1,464,359	$ 1,587,704	$ 1,558,064	$ 1,033,010	$ 1,218,147	$ 1,218,793	$ 1,388,266
*Total net debt applicable to limit	627,865	663,695	592,169	832,580	1,034,669	1,039,011	957,128	1,033,233	919,650	820,400
Legal debt margin	$ 1,145,069	$ 1,062,609	$ 1,124,730	$ 631,779	$ 553,035	$ 519,053	$ 75,882	$ 184,914	$ 299,143	$ 567,866
Total net debt applicable to the limit as a percentage of debt limit	35.41%	38.45%	34.49%	56.86%	65.17%	66.69%	92.65%	84.82%	75.46%	59.10%

*Notes: Only UTGO and LTGO DSA bonds are applicable debt. Request for certification of LCSA reimbursement by Michigan Treasury still pending.

Source: City of Detroit - OCFO, Office of the Treasury

Attachment V

List of Capital Projects funded by the Approximate $50 Million in Old General Obligation Bond Dollars

Prior GO Bond Project	Project Description	Project Budget
Transportation improvements	3 new DDOT coaches; new garbage cans at Northland; Improvements to Rosa Parks Transit Center (restroom upgrades, exterior site improvements)	2,467,742
Young, Farwell, & Williams Recreation Centers Capital Improvements 2018-2019	Fire alarm system upgrades	200,000
Precincts 6, 10, & 11	mantrap doors, glass & window upgrades, renovation of lobby, renovation of locker rooms, flooring replacement, air system balancing, upgrade of HVAC controls, gate & fence improvements, parking lot improvement, interior lighting upgrade, electrical circuit upgrade, general plumbing upgrades, security system installation, Niagara building control system, sewer line improvements, renovation of old gun range at Pct 11	3,700,000
Fire Facilities Capital Improvements 2018-2019 (see note below)	Capital improvements include: masonry tuck pointing, sewer line replacement, generators, roof repairs, electrical system improvements including lighting and additional circuits, renovate restrooms and showers, replace exterior doors, bay door repairs, ACM abatements as needed	3,000,000
Park Lighting Improvements	Funding available for additional lighting in an estimated 30 city parks for increased safety for residents	2,657,706
Capital Improvements to Thirteen Parks 2018-2019	O'Hair, Palmer, Jayne Playfield, Maheras, Pingree, Riverside, Romanowski, Rouge, Stoepel No. 2, Butzel Family, Clark, Tolan, and Chandler	8,367,838
Animal Control Facility Capital Improvements 2018-2019	Building expansion and major system upgrades to accommodate expansion; will allow for more kennel space	1,385,025
TPP Clinic Buildouts	Space buildout in Health Department clinics to expand teen pregnancy prevention and wellness programs	204,460
Detroit Historical Museum Capital Improvements	Replace HVAC chiller, repair loading dock, repair public address system, renovate 3rd floor restroom	480,087
Bridging Neighborhoods Contribution	Additional City contribution to Bridging Neighborhoods program for Gordie Howe Bridge related relocations	1,500,000
Uniroyal Riverfront Promenade - City of Detroit Contribution	City share of Uniroyal's riverfront promenade project that will connect the east riverfront to the main riverwalk	250,000
Rosa Parks/Clairmount Neighborhood Plan	City funds for implementing Rosa Parks/Clairmount SNF projects	500,000
Islandview/Greater Villages Neighborhood Plan	City funds for implementing Islandview/Greater Villages SNF projects	500,000
Northwest/Grand River Neighborhood Plan	City funds for implementing Northwest/Grand River SNF projects	500,000
Livernois/McNichols Neighborhood Plan	City funds for implementing Livernois/McNichols SNF projects	500,000
West Vernor/Southwest Neighborhood Plan	City funds for implementing West Vernor/Southwest SNF projects	500,000
~~Spirit Plaza Capital Improvements~~ Additional Park Improvement Funds	PDD transferred these project funds to GSD for supplemental funding for the above mentioned parks	500,000
East English Village Neighborhood Study	Study to determine neighborhood needs for future Strategic Neighborhood work	400,000
Greater Corktown Neighborhood Study	Study to determine neighborhood needs for future Strategic Neighborhood work	100,000
DPSH Buildouts - Arson Interview Rooms	Buildout of additional space for Fire Department to conduct arson interviews and arson investigation operations	520,200
8th Precinct Capital Improvements (incl. annex)	Completion of the 8th Precinct capital project, including improvements to the annex building required by the historical designation	3,552,555
Merrill Plaisance Capital Improvements	Completing office space buildouts to pull Police operations out of leased facilities	1,546,749
Charles H. Wright Museum facilities improvements	Roof & façade repairs, electrical improvements	171,798
	Revised Prior GO Bond Project Budget Total	**33,504,160**

Fire facilities: Engine 9, Engine 31, Engine 40, Engine 42, Engine 52, Engine 53, Engine 59, Engine 17, Squad 3, Ladder 14, and Ladder 22

Attachment VI

List of Capital Projects funded by the Approximate $233 Million in Exit Financing/Quality of Life Dollars

Fund 3100 Project Detail

Agency	Case	Fund	Case Description	Cost Center	Approved - Operating	Approved - Capital	APPROVED	FY19 Amended Budget (Pro Forma)
					APPROVED BC DETAIL		APPROVED / ITD 10/8/18 / Various Sources / $205,684,723.79	FY19 BUDGET PF / FY 2019 / Amended Budget / $29,461,500.19 / CALC
23 OCFO	2	3100	Citywide Reappraisal - Amendment #1	230130		-	-	$846,461.00
23 OCFO	2	3100	Citywide Reappraisal	350861	8,859,031.99	-	8,859,031.99	$34.00
23 OCFO	2	3100	Citywide Reappraisal - Amendment #1	230120	2,472,304.10	-	2,472,304.10	$632,912.00
47 GSD	5	3100	Lease Consolidation Initiative	350357	2,191,574.15	1,479,329.01	3,670,903.16	-
28 HR	7	3100	Training	350176	230,044.80	107,505.17	337,549.97	-
28 HR	8	3100	Recruitment and Retention	350201	609,327.00		609,327.00	-
24 Fire	11	3100	FY14 Partial Fleet Replacement	350355	11,134.85		11,134.85	-
24 Fire	11	3100	FY14 Partial Fleet Replacement	350371	[illegible]	[illegible]	14,303,324.15	$718,456.51
24 Fire	11	3100	FY14 Partial Fleet Replacement	350379		3,509,049.00	3,509,049.00	$209,062.62
24 Fire	11	3100	FY14 Partial Fleet Replacement	240100	123,416.03	9,568,569.29	9,691,985.32	$1,606,170.87
47 GSD	12	3100	Park Site Amenities	350173	79,834.00	1,384,353.60	1,464,187.60	-
47 GSD	13	3100	Seas. Grounds Maint. Staffing	352111			-	-
47 GSD	14	3100	Grounds Maint. Equip	350353		672,555.80	672,555.80	-
47 GSD	17	3100	Dangerous Tree Removal	350362	1,290,099.10	28,706.00	1,318,805.10	-
47 GSD	18	3100	Fleet Mgmt Reorganization	350340	286,074.22		286,074.22	-
47 GSD	19	3100	Vacant Lot Maintenance	350358	3,014,967.67	-	3,014,967.67	-
47 GSD	20	3100	Building Maintenance Staff	350392	67,745.00	-	67,745.00	-
47 GSD	21	3100	Staffing	352041	120,006.37	-	120,006.37	-
47 GSD	23	3100	Facilities Capital GSD & DPD	350136	221,495.00	3,165,413.12	3,386,908.12	-
47 GSD	26	3100	Fleet Maintenance Telematics	350399	16,489.94	702,555.30	719,045.24	-
20 DDOT	27	3100	Transit Police	350391	1,738,026.15	17,955.75	1,755,981.90	-
47 GSD	32	3100	Vehicle Acq. - Grants Match (2)	350366	542,588.00	11,444.85	554,032.85	$150,920.00
37 Police	33	3100	IT Infrastructure	352054		7,500,000.00	7,500,000.00	-
37 Police	35	3100	Fleet Replacement	350305	691.06	9,474,755.94	9,475,447.00	$366,665.86
36 PDD	37	3100	Master Plan Revision	350352	94,106.73		94,106.73	-
24 Fire	39	3100	Grant Match	350139	9,116.17	209.99	9,326.16	$15.56
24 Fire	41	3100	Apparatus Repair	350367	292,001.18	847,021.21	1,139,022.39	-
23 OCFO	42	3100	Grants Reform	350365	1,354,972.38	286,299.82	1,641,272.20	-
37 Police	43	3100	Promotions & New Positions	350364			-	-
37 Police	44	3100	Civilianization Plan	350366	2,305,155.43		2,305,155.43	-
32 Law	45	3100	Recruitment	350363	1,037,231.54	92,484.00	1,129,715.54	-
31 DoIT	47	3100	System Upgrades	350369	1,448,649.76	2,580,504.19	4,029,153.95	-
29 Human Rights	49	3100	Business Compliance	350389			-	-
35 Non Departmental	50	3100	Residential Blight Removal	350388	13,000,000.00		13,000,000.00	-
47 GSD	51	3100	Custodial Contracting	350359	623,957.04		623,957.04	-
37 Police	52	3100	Lease Consolidation (AMENDMENT - 3rd Precinct)	352130	638,498.02	890,779.40	1,529,277.42	$42,459.31
37 Police	52	3100	Lease Consolidation (AMENDMENT - 3rd Precinct)	352130			-	-
38 Police	52	3100	Lease Consolidation (AMENDMENT - 3rd Precinct)	3A0677		3,000,000.00	3,000,000.00	-
24 Fire	59	3100	EMS Equipment	350462	314.00	686,605.06	686,919.06	-
19 BSEED	60	3100	Electronic Licenses & Permits Application	352106	1,237,566.54	3,127,115.88	4,364,682.42	$19,157.09
23 OCFO	61	3100	ERP System	350377	16,078,561.47	13,138,402.59	29,216,986.06	-
23 OCFO	63	3100	ERP System (Procurement Assistance)	2A0480	390,800.00	-	390,800.00	$45,676.45
23 OCFO	63	3100	ERP System (Managed Services RFP)	2A0...	1,611,236.38		1,611,236.38	$495,171.38
13 Mayor's Office	64	3100	3-1-1 / See Click Fix	350141			-	-
24 Fire	66	3100	Medical First Responder Training	350115	366,924.65		366,924.65	-
23 OCFO	67	3100	Restructuring Labor - Finance Administration	350117	156,337.78		156,337.78	-
23 OCFO	67	3100	Restructuring Labor - Treasury	350116	1,481,741.12		1,481,741.12	-
23 OCFO	67	3100	Restructuring Labor - Purchasing	350119	38,015.86		38,015.86	-
23 OCFO	67	3100	Restructuring Labor - General Accounting	350131	445,957.48		445,957.48	-
31 DoIT	67	3100	Restructuring Labor - Training	350132		-	-	-
23 OCFO	67	3100	Training	350133	497,024.62		497,024.62	$14,746.40
23 OCFO	67	3100	Restructuring Labor - OCFO Administration	350137	189,893.49	-	189,893.49	-
23 OCFO	67	3100	OCFO Space Improvements	350409		902,043.00	902,043.00	$70,529.59
24 Fire	68	3100	FY15 Equipment Replacement	352048		2,065,902.00	2,065,902.00	$989,180.16
23 OCFO	70	3100	Actuarial Analysis	350134	79,686.18		79,686.18	-
23 OCFO	71	3100	GASB 53 Derivative Analysis	350136	2,000.00		2,000.00	-
23 OCFO	73	3100	[illegible] Software	350142	463,622.00	1,384,200.00	1,847,822.00	-
24 Fire	74	3100	Facilities Repair	350143	645,768.17	1,331,061.42	1,976,829.59	$11,193.35
31 DoIT	75	3100	Network Infrastructure Upgrade	352077	121,476.47	1,839,331.18	1,960,807.65	-
31 DoIT	76	3100	DPSH IT Buildout	352112	25,635.00	774,365.00	800,000.00	$800,000.00
47 GSD	80	3100	Graffiti Removal	352114	160,378.70	350,064.00	510,442.70	-
39 Recreation	81	3100	Brennan Pool	352103		1,247,437.53	1,247,437.53	-
35 Non Departmental	83	3100	Fire Insurance Escrow	352107	4,649,557.84		4,649,557.84	$1,236.00
35 Non Departmental	84	3100	Commercial Properties	352108	3,388,071.41		3,388,071.41	$134,527.65
35 Non Departmental	85	3100	Emergency Residential Demolition	352109	1,668,935.38		1,668,935.38	$1,295.00
47 GSD	90	3100	DPS Property Maintenance	352113	216,091.17	373,000.00	589,091.17	-
24 Fire	93	3100	Training (Change Mgmt)	352115			-	-
37 Police	96	3100	911 Dispatch Buildout	352064	439,409.11	864,117.89	1,303,527.00	$274,684.65

und 3100 Project Detail

					APPROVED BC DETAIL		APPROVED	FY19 BUDGET PF
							ITD 10/1/18	FY 2019
							Various Sources	Amended Budget
							$205,684,723.79	$29,461,500.19
								CALC
gency	Case	Fund	Case Description	Cost Center	Approved - Operating	Approved - Capital	APPROVED	FY19 Amended Budget (Pro Forma)
1 DOIT	99	3100	Integrated Public Safety System	350049	434,850.41	7,617,560.59	8,052,411.00	$471,965.12
1 DOIT	1[illegible]	3100	DoIT Reorganization	N/A			-	-
7 GSD	121	3100	Park Site Amenities - PRP - Phase I	352110			-	-
7 GSD	123	3100	Park Site Amenities - PRP - Phase II	352110	234,922.00	11,565,077.00	11,800,000.00	$503,691.19
1 DPW	1[illegible]	3100	[illegible] Street Project	350049	66,149.65	136,329.41	202,479.06	$34.76
3 DCFO	132	3100	Citizen Tax Center	730074	144,445.00	3,146,712.00	3,291,157.00	$3,134,180.87
3 DCFO	143	3100	E-Cash Payment	730135	81,380.00		81,380.00	-
1 Mayor's Office	145	3100	EITC Expansion Initiative	350049	210,120.00		210,120.00	$210,120.00
3 DCFO	146	3100	Financial Analysis and Modeling Projects	230010	1,220,000.00		1,220,000.00	$97,676.73
3 DCFO	153	3100	Payroll Operations Center Buildout	2[illegible]		757,274.00	757,274.00	$757,274.00
3 DCFO	155	3100	Payroll Operations Center Buildout	2[illegible]			-	-
1 DOIT	1[illegible]	3100	DoIT Imagery	360010	81,967.00	241,140.00	323,107.00	$299,949.00
7 Police	161	3100	DPD CSS	370020	161,010.01	179,158.99	340,169.00	$340,169.00
5 Non Departmental	162	3100	FAST Digital Enhancement	450010	1,098,000.00		1,098,000.00	$1,098,000.00
7 GSD	163	3100	Buildings/Fence Removal Only	870010	730,054.00	2,298,321.00	3,028,375.00	$1,778,401.51
3 DODOT	166	3100	Advanced Tech Solutions	2[illegible]0010		4,714,898.40	4,714,898.40	$4,714,898.40
3 DCFO		3100	Mischarged to base cost center	350049			-	-
3 DCFO		3100	PFF Interest Payments	350048	2,356,861.75	[illegible]	2,762,948.13	-
5 Non Departmental		3100	MOU Installment Payment(s)	350048	1,500,000.00		1,500,000.00	-
Recreation		3100	Shed 5 - Eastern Market	795150		6,517.21	6,517.21	-
7 GSD		3100	GSD capital reimbursement			3,300,000.00	3,300,000.00	$1,300,000.00
4 Parking		3100	Joe Louis Arena garage improvement			2,700,000.00	2,700,000.00	$2,700,000.00
	TOTAL	3100			$ 84,948,297.04	$ 117,908,318.56	$ 202,856,615.60	[illegible]
Allocated Funding		3100		350049	$1,371,592.65	$1,456,515.54	$2,828,108.19	$3,956,239.69
OTAL EXIT FINANCING					$ 86,319,889.69	$ 119,364,834.10	$205,684,723.79	$29,461,500.19

Attachment VII

List of recommended Capital Projects to be funded by the proposed UTGO Bond Sale over five fiscal years 2018-19 through 2022-23

Authorization	Department(s)	Project	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	5 Year Total
Public Safety	Police & Fire	Public Safety vehicle purchase plan	8,000,000					8,000,000
Public Safety	Health	Health PC Replacements	80,464					80,464
Public Safety	Police	Police PC Replacements & technology upgrades	2,196,526					2,196,526
Public Safety	Fire	Fire PC Replacements	390,000					390,000
Public Safety	Fire	Relocation of Fire Apparatus garage				4,712,655	3,000,000	7,712,655
Public Safety	Fire	Fire facilities repairs & energy efficiency upgrades		3,675,000	3,000,000	3,000,000		9,675,000
Public Safety	Fire	Inventory management system				1,500,000		1,500,000
Public Safety	DoIT	Public Safety IT	2,565,274	4,380,800	4,080,800	4,080,800		15,107,674
Public Safety	Police	Police light duty vehicles		7,400,000	6,425,000	6,650,000		20,475,000
Public Safety	Fire	Fire vehicles (light duty, apparatus, and EMS)		7,562,500	6,717,500	6,267,500		20,547,500
Public Safety	Health	Replace existing mobile clinic & expand fleet to 3	300,000	600,000				900,000
Public Safety	Health	New animal control trucks	165,000	165,000	165,000	55,000		550,000
Public Safety	Health	Teen pregnancy clinic	1,000,000					1,000,000
Public Safety	Police	Lease Elimination Plan Part 1 - 13335 Lyndon renovation		2,000,000	1,500,000			3,500,000
Public Safety	Police	Lease Elimination Plan Part 2 - 11631 Mt. Elliott renovation		2,000,000	1,700,000			3,700,000
Public Safety	Police	Construct new armory		500,000				500,000
Public Safety	Police	20 Atwater renovations	800,000					800,000
Public Safety	Police	Grant match funds for camera expansion	1,100,000					1,100,000
Public Safety	Police	Expand RTCC to accommodate camera expansion		2,000,000				2,000,000
Public Safety	Police	Stand up two mini-RTCCs on east and west sides of City		2,000,000				2,000,000
Public Safety	Police	Bulletproof vest replacements		350,000	350,000	350,000	350,000	1,400,000
Public Safety	Police	Unmanned aerial vehicles	350,000					350,000
Economic Dev	PDD	Land preparation for future industrial development projects	26,072,161					26,072,161
Recreation	GSD	Improvements to catalytic parks, CIP parks, and soccer hubs	700,000	8,400,000	8,300,000			17,400,000
Recreation	PDD	Joe Louis Greenway completion				10,000,000	10,000,000	20,000,000
Recreation	DoIT & GSD	Computer replacement at recreation centers	246,528					246,528
Recreation	GSD	Recreation center capital improvements	1,686,100					1,686,100
Recreation	GSD	Belle Isle water line replacement and repair	500,000					500,000
Recreation	Charles H. Wright	Charles H. Wright Museum roof replacement	1,000,000	700,000				1,700,000
Recreation	GSD	Improvements to City golf courses		2,000,000	2,000,000			4,000,000
Recreation	GSD	Adams-Butzel Recreation Center		3,450,000				3,450,000
Recreation	GSD	Northwest Activities Center		3,750,000				3,750,000
Recreation	GSD	Heilmann Recreation Center		1,000,000	2,000,000			3,000,000
Recreation	GSD	Patton Recreation Center			750,000			750,000
Recreation	GSD	Williams Recreation Center				2,550,000		2,550,000
Recreation	GSD	Henderson Park		2,250,000				2,250,000
Recreation	GSD	Rouge Park Horse Stables		190,000				190,000
Recreation	GSD	Tindal Recreation Center - City share (partnered with Healthy Kidz,		338,000				338,000
Recreation	GSD	Aretha Louise Franklin Amphitheatre and Park	1,000,000	4,000,000				5,000,000
Recreation	GSD	Studies for Riverside & Henderson Marinas, St. Jean Boat Launch,		1,000,000				1,000,000
Recreation	GSD	Spirit Plaza improvements		1,000,000				1,000,000
Recreation	GSD	Library reading rooms at recreation centers		500,000				500,000
Transportation	DDOT	Coolidge facility rebuild			18,000,000	18,501,849		36,501,849
Totals			48,152,053	61,211,300	54,988,300	57,667,804	13,350,000	235,369,457

Attachment VIII

List of Capital Projects that are funded by the surplus dollars in the current fiscal year 2019 budget

CITY OF DETROIT
FY18 BUDGET AND FY19-22 FOUR-YEAR PLAN
CAPITAL IMPROVEMENTS

APPROPRIATIONS:	FY2018 Adopted Budget	FY18-19 Recommended	FY19-20 Forecast	FY20-21 Forecast	FY21-22 Forecast	FOUR-YEAR PLAN TOTAL
GENERAL CITY						
DEPARTMENT OF INNOVATION & TECHNOLOGY						
Enterprise Asset Management System	$ -	$ 6,000,000	$ 3,250,000	$ 3,250,000	$ -	$ 12,500,000
Enterprise Document Management System	-	2,500,000	2,500,000	-	-	5,000,000
Enterprise Records Management System	-	2,500,000	-	-	-	2,500,000
Network Infrastructure Improvements	1,777,924	539,687	539,687	539,687	539,687	2,158,748
Technology Upgrades - Software	1,740,242	-	-	-	-	-
Acquisition - Public Safety Technology	2,130,000	-	-	-	-	-
Citywide PC Replacement	5,036,008	880,000	880,000	880,000	880,000	3,520,000
Total DOIT	$ 10,704,174	$ 12,419,687	$ 7,169,687	$ 4,669,687	$ 1,419,687	$ 25,678,748
EASTERN MARKET						
Infrastructure Improvements - CBDG	$ 240,000	$ -	$ -	$ -	$ -	$ -
FIRE						
Technology Improvement	$ -	$ 390,000	$ -	$ -	$ -	$ 390,000
FLEET MANAGEMENT						
Municipal Fleet Replacement - General Fund	$ 9,295,826	$ 15,000,000	$ -	$ -	$ -	$ 15,000,000
GENERAL SERVICES DEPARTMENT						
City Service Yards Improvements	$ -	$ 6,715,485	$ -	$ -	$ -	$ 4,715,485
Recreation Facilities Improvements	-	2,186,100	-	-	-	2,186,100
Election Facility Improvements	-	387,000	-	-	-	387,000
Belle Isle - DWSD Improvement	-	500,000	-	-	-	500,000
Median Renovations - Street Fund	593,000		-	-	-	
Total GSD	$ 593,000	$ 9,788,585	$ -	$ -	$ -	$ 7,788,585
PLANNING & DEVELOPMENT						
Neighborhood Studies & Acquisitions	$ 1,150,000	$ 5,345,000	$ -	$ -	$ -	$ 1,345,000
Total Planning & Development	$ 1,150,000	$ 5,345,000	$ -	$ -	$ -	$ 1,345,000
POLICE						
Acquisition- Information Technology	$ 2,111,531	$ -	$ -	$ -	$ -	$ -
PC Replacement	-	2,196,625	-	-	-	2,196,625
Total Police	2,111,531	2,196,625	-	-	-	2,196,625
DEPARTMENT OF PUBLIC WORKS - STREET FUND						
Equipment	$ 1,516,000	$ 3,002,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 7,502,000
Highway Bridges	2,530,700	1,977,000	2,025,750	-	-	4,002,750
Roads and Bridges, Operation	500,000	500,000	500,000	500,000	500,000	2,000,000
Street Resurfacing	9,635,474	10,878,709	16,676,970	12,924,444	18,606,909	59,087,032
Traffic Control Improvements	3,307,000	2,586,000	2,050,000	2,050,000	2,050,000	8,736,000
Traffic Control Improvements - State	1,120,000	1,683,000	1,000,000	4,000,000	1,000,000	7,683,000
Traffic Control Roadways (Fed Aid)	4,550,000	5,773,000	3,350,000	3,350,000	3,350,000	15,823,000
Debt Service	-	1,205,755	3,160,973	13,795,557	13,731,376	31,883,661
Total DPW	$ 23,139,174	$ 27,605,464	$ 30,263,693	$ 38,110,001	$ 40,738,285	$136,717,443

CITY OF DETROIT
FY18 BUDGET AND FY19-22 FOUR-YEAR PLAN
CAPITAL IMPROVEMENTS

APPROPRIATIONS:	FY2018 Adopted Budget	FY18-19 Recommended	FY19-20 Forecast	FY20-21 Forecast	FY21-22 Forecast	FOUR-YEAR PLAN TOTAL
ENTERPRISE AGENCIES						
AIRPORT						
Aviation FAA - Engineering Study	$ 80,000		$ -	$ -	$ -	$ -
BUILDINGS, SAFETY ENGINEERING & ENVIRONMENTAL						
Buildout for Development Resource Center - One Stop Shop	$ 633,266		$ -	$ -	$ -	$ -
DETROIT DEPARTMENT OF TRANSPORTATION						
Fixed-Route Vehicle Replacement/Expansion	$ -	$ 3,018,565	$ 3,013,565	$ 1,164,732	$ 1,443,998	$ 8,650,860
Non-Revenue Vehicle Replacement/Expansion	-	161,534	165,572	169,711	173,954	670,771
Mid-life Vehicle Acquisition/Overhaul	-	5,169,075	5,298,302	7,014,731	6,726,222	24,208,330
Facility Improvements	-	5,169,075	5,169,075	5,169,075	5,169,075	20,676,300
Information Technology	-	250,000	250,000	250,000	250,000	1,000,000
Operations Equipment	-	1,000,000	1,000,000	-	-	2,000,000
Total DDOT [1]	$ -	$ 14,768,249	$ 14,901,514	$ 13,768,249	$ 13,768,249	$ 57,206,261
DETROIT WATER & SEWERAGE DEPARTMENT- RETAIL						
WATER						
Water Field Services	$ 67,200,000	$ 74,086,000	$ 58,970,000	$ 41,000,000	$ 37,500,000	$211,556,000
Metering	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	16,000,000
General Purpose	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Water Central Services: Fleet	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Water Central Services: Facilities	2,500,000	2,500,000	2,500,000	2,000,000	2,000,000	9,000,000
Water Central Services: Information Technology	875,000	793,000	1,993,000	120,000	1,000,000	3,906,000
Total DWSD - Water	$ 73,575,000	$ 85,379,000	$ 71,463,000	$ 51,120,000	$ 48,500,000	$256,462,000
SEWER						
Sewer Field Services	$ 42,500,000	$ 47,500,000	$ 57,500,000	$ 37,500,000	$ 37,500,000	$180,000,000
Green Infrastructure	12,225,000	14,350,000	6,000,000	10,000,000	10,000,000	40,350,000
Pump Stations						
Sewer Centralized Services: Fleet	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Sewer Centralized Services: Facilities	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
Sewer Centralized Services: Information Technology	875,000	793,000	1,993,000	120,000	1,000,000	3,906,000
Total DWSD - Sewer	$ 60,100,000	$ 67,143,000	$ 69,993,000	$ 52,120,000	$ 53,000,000	$242,256,000
NON DEPARTMENTAL						
City of Detroit Capital Share	$ -	$ 3,060,103	-	-	-	$ 3,060,103
Transportation Improvements-District 3	$ -	$ 4,000,000	-	-	-	$ 4,000,000
APPROPRIATION TOTALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

REVENUES:	FY2018 Adopted Budget	FY18-19 Recommended	FY19-20 Forecast	FY20-21 Forecast	FY21-22 Forecast	FOUR-YEAR PLAN TOTAL
Revenues from Operations	$138,675,000	$ 152,522,000	$141,456,000	$103,240,000	$101,500,000	$498,718,000
Federal and State Grant Funds	4,214,797	14,768,249	14,901,514	13,768,249	13,768,249	57,206,261
General Fund Prior Years' Surplus - Capital	20,000,000	52,200,000	-	-	-	52,200,000
Street Fund Reimbursement - Gas & Weight Taxes	23,752,174	27,605,464	30,263,693	38,110,001	40,738,285	136,717,443
REVENUE TOTALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] DDOT grants are awarded after the City's budget development period. Capital projects for the current and proposed fiscal year are submitted as a budget amendment upon receipt of the grant award.

Attachment IX

List of $13 Million in Capital Projects that would be funded by proceeds of the proposed UTGO bond sale instead of from surplus dollars in the current fiscal year 2019 budget

Authorization	Department(s)	Project	FY18-19
Public Safety	Police & Fire	Public Safety vehicle purchase plan (FY19 Fund Balance swap)	8,000,000
Public Safety	Health	PC Replacements (FY19 Fund Balance swap)	80,464
Public Safety	Police	PC Replacements & technology upgrades (FY19 Fund Balance swap)	2,196,526
Public Safety	Fire	PC Replacements (FY19 Fund Balance swap)	390,000
Recreation	DoIT & GSD	Computer replacement at recreation centers (FY19 Fund Balance swap)	246,528
Recreation	GSD	Recreation center capital improvements (FY19 Fund Balance swap)	1,686,100
Recreation	GSD	Belle Isle water line replacement and repair (FY19 Fund Balance swap)	500,000
			13,099,618

Attachment X

The City of Detroit's Debt Policy

City of Detroit
Debt Metrics as of 6/30/18
Reported pursuant to *CFO Directive No. 2018-101-007 Debt Issuance and Management*
- With Estimated Impact of Proposed $117 Million UTGO Bond Issue

MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3)		As of 6/30/2018 (Unaudited)
FULL VALUE PER CAPITA		
City of Detroit 2018 Assessed Value	$	8,108,041,000
City of Detroit Population - 2017 Estimate[1]		673,104
Assessed Value Per Capita	**$**	**12,046**
FUND BALANCE AS PERCENT OF REVENUES		
General Fund Balance - Estimate[2]	$	135,000,000
General Fund Revenues - Estimate[2]	$	1,057,900,000
General Fund Balance as Percent of Revenues		**13%**
NET DIRECT DEBT/OPERATING REVENUES		
Principal Outstanding	$	1,588,396,146
Less MTF Bonds and HUD 108 Loans Outstanding at 6-30-18		(83,567,000)
	$	**1,504,829,146**
General Fund Revenues - Estimate[2]		1,057,900,000
Net Direct Debt as Percent of General Fund Revenues		**142%**
NET DIRECT DEBT/FULL VALUE		
Net Direct Tax-Supported Debt	$	1,504,829,146
City of Detroit 2018 Assessed Value	$	8,108,041,000

MEASURES OF DEBT AFFORDABILITY (Section 5.4.3)		As of 6/30/2018 (Unaudited)		Estimated Impact of Proposed $117M Bond Issue - STRESS TEST (+75bps)[3]
OVERALL DEBT AS PERCENT OF ASSESSED VALUE				
Net Direct Tax-Supported Debt	$	1,504,829,146	$	1,621,759,146
City of Detroit 2018 Assessed Value[2]	$	8,108,041,000	$	8,108,041,000
Net Direct Tax-Supported Debt as Percent of Assessed Value		**18.56%**		**20.00%**
CFO Directive: *"Total debt should be kept at about 15% of full market value"*[4]				
DEBT SERVICE AS PERCENT OF GENERAL FUND				
Debt Service for Net Direct Debt Paid During Fiscal Year	$	100,905,848	$	106,202,978
General Fund Revenues - Estimate[2]	$	1,057,900,000		1,057,900,000
Net Direct Tax-Supported Debt Service as Percent of General Fund Revenues		**9.54%**		**10.04%**
CFO Directive: *"Required annual debt service expenditures should be kept at about 10-15% of the City's General Fund"*				
OVERALL DEBT PER CAPITA				
Net Direct Tax-Supported Debt	$	1,504,829,146		1,621,759,146
City of Detroit Population - 2017 Estimate[1]		673,104		673,104
Net Direct Tax-Supported Debt/Capita	**$**	**2,236**	**$**	**2,409**
CFO Directive: *"Total debt outstanding and annual amounts issued should not cause real debt per capita to rise significantly"*				
TEN YEAR PAYOUT RATIO				
Percent of Principal (Net Direct Debt) Paid over Next Ten Fiscal Years		**47.90%**		**47.17%**
CFO Directive: *"The rate of repayment of bond principal should be kept at highest affordable level possible given other budget priorities"*				
PER CAPITA DEBT TO PER CAPITA INCOME				
Net Direct Tax-Supported Debt/Capita	$	2,236		2,409
Income Per Capita Estimate[5]	$	40,110	$	40,110
Per Capita Debt to Per Capita Income		**5.57%**		**6.01%**
CFO Directive: *"Total debt outstanding and annual amounts proposed should not cause the ratio of per capita to per capita income to rise significantly above 5%"*				

[1]Source: US Census 2017 Population Estimate

[2]Source: 8-15-18 OCFO Monthly Financial Report for the Twelve Months ended June 30, 2018. For GF Revenue Estimate, used total ($1,283.7M) less Adjust for Prior Year Carry-forward ($120.8M) less Use of Fund Balance for one time spending ($105.0M). For GF Balance Estimate, used FY18 Est. unassigned fund balance

[3]Includes $117 million tax-exempt bonds to be repaid over 20 years. 75 basis points are added to a base case interest rate scenario as "stress test"

[4]A typographical error in the CFO Directive stating "1.5%" instead of "15%" is being corrected by the OCFO in accordance with established policies and procedures

[5]Using Income Per Capita (Wayne County, 2016). Source: US Bureau of Economic Analysis, Local Area Personal Income

Attachment XI

The City of Detroit's Debt Metrics as of June 30, 2018

MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3)		FY17		FY16		FY15
FULL VALUE PER CAPITA						
City of Detroit Assessed Value	$	7,441,692,233	$	7,372,078,752	$	7,593,512,803
City of Detroit Population[1]		675,480		678,250		681,499
Assessed Value Per Capita	**$**	**11,017**	**$**	**10,869**	**$**	**11,142**
FUND BALANCE AS PERCENT OF REVENUES						
Unassigned General Fund Balance	$	168,966,674	$	143,047,758	$	70,922,574
General Fund Revenues	$	988,938,222	$	1,065,117,770	$	1,059,791,820
General Fund Balance as Percent of Revenues		**17%**		**13%**		**7%**
NET DIRECT DEBT/OPERATING REVENUES						
Net Direct Tax-Supported Debt	$	1,474,360,733	$	1,531,060,530	$	1,611,809,817
General Fund Revenues		988,938,222		1,065,117,770		1,059,791,820
Net Direct Debt as Percent of General Fund Revenues		**149%**		**144%**		**152%**
NET DIRECT DEBT/FULL VALUE						
Net Direct Tax-Supported Debt	$	1,474,360,733	$	1,531,060,530	$	1,611,809,817
City of Detroit Assessed Value	$	7,441,692,233	$	7,372,078,752	$	7,593,512,803
Net Direct Tax-Supported Debt/Assessed Value		**20%**		**21%**		**21%**

[1] 2016, 2015 and 2014 estimates from US Census 2017 Population Estimates.