David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Carolyn Nelson
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood
Ashley A. Wilson

TO: Honorable Detroit City Council

FROM: David Whitaker, Director DW
Legislative Policy Division Staff

DATE: November 12, 2019

RE: Responses to Demolition Bond and Recession Questions raised by Council Member Scott Benson

In a memorandum dated November 8, 2019, Council Member Benson indicated that many economist and financial experts are forecasting an imminent recession in the near future. As a result, he is concerned that a recession could have a negative impact on Detroit's ability to service our bonds and meet impending pension obligations.

Council Member Benson has requested that the Office of the Chief Financial Officer (OCFO) and the Legislative Policy Division (LPD) respond to questions he raised regarding his above concerns. Council Member Benson has raised these questions in light of the fact that the OCFO/Administration is proposing a demolition bond to address blight remediation.

The demolition bond refers to the proposed issuance of to $250 million in Unlimited Tax General Obligation (UTGO) bonds[1] to finance the cost of eliminating blight in the City of Detroit through demolition and other blight remediation activities, including the demolition of the remaining abandoned houses and the rehabilitation of some houses ("blight elimination/demolition program") by end of fiscal year (FY) 2025. In addition, the OCFO proposed placing this bond issue on the March 2020 Presidential Ballot for voter approval. The up to $250 million in UTGO blight bonds, if approved by City Council and the citizens of

[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. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City's general fund and are <u>not</u> paid for out of property taxes based on the property tax debt millage.

Detroit, would be paid off from property taxes based on the City of Detroit's property tax debt millage.

Attachment I represents the OCFO's responses to Council Member Benson's questions. The following represents LPD's responses to Council Member Benson's questions:

Question 1: Please identify how a recession would impact the City's ability to meet all of its financial obligations, including servicing bonds and the 2024 pension obligation.

LPD's response follows:

Definition of a Recession

A recession refers to a significant decline in general economic activity in a designated region. It is typically recognized after two consecutive quarters of economic decline, as reflected by GDP (Gross National Product) in conjunction with monthly indicators like employment[2].

Attachment II represents a more detailed discussion about recessions, their causes, and recession periods over the last six decades.

Impact of a Recession on the City of Detroit's Ability to meet its Financial Obligations, including the FY 2024 Pension Obligation

A recession will adversely impact the City's revenues. Income tax, State revenue sharing and property taxes are susceptible to decreases during a recession. Detroit generally experiences higher unemployment during a recession than the region, State and country. As a result, it impacts the tax revenue collected. Recessions also cause a greater demand for public services which can drive up the City's operating costs. Attachment III represents provides additional comments regarding the impact of a recession on the City of Detroit.

Attachment IV represents a spreadsheet showing total General Fund revenues from FY 1975 through FY 2018, based on actual numbers, and from FY 2019 through FY 2024, based on projected numbers. The recession years of 1975, 1980-1982, 1990-1991, 2001, and 2007-2009 are identified. Attachment V shows the annual amount of General Fund surpluses and deficits from 1950 through 2018. It is no surprise that the City of Detroit experienced sizable deficits during the recession years.

Attachment VI shows what the impact of a mild or a severe recession on the City of Detroit may look like. Fortunately, it appears that most economists that are quoted in the several articles LPD have read on an impending recession feel that the next recession should be a mild recession, since the Federal Reserve and businesses appear to be bracing for a pending recession. Recent releases of economic data for the U.S. have not supported an impending recession in the near term, although there is evidence of weakness in underlying gross domestic product (GDP) data[3].

---

[2] Source: Article entitled "What is a Recession?" by Jim Chappelow, dated May 6, 2019, from the www.investopedia.com website.

[3] Source: "Economic Conditions and Outlook" section of the City of Detroit September 2019 Revenue Estimating Conference Report. This report can found on the City of Detroit's website under the OCFO/Financial Reports related links.

Based on LPD's calculations and assumptions as illustrated in Attachment VI, we show the following:

- A FY 2020 mild recession (defined as a 1% drop in total General Fund revenues, based on historical data) could show an $11 million reduction in FY 2022 total General Fund revenues (there is usually a two year lag before a recession impacts a city's revenues).

- A FY 2020 severe recession (defined as a 13% drop in total General Fund revenues, based on historical data) could show a $144 million reduction in FY 2022 total General Fund revenues.

- Similarly, a FY 2022 mild recession could show an $11.2 million drop in total General Fund revenues in FY 2024.

- And, a FY 2022 severe recession could show a $145.5 million drop in total General Fund revenues in FY 2024.

Obviously, it was very prudent for City Council to agree with Mayor Duggan during the FY 2020 budget process to increase the Budget Reserve (Rainy Day Fund) from a balance of $62.3 million to a balance of $107.3 million to better withstand any impending recession, mild or severe in nature. However, a severe recession could be devastating on the City's financial condition which could lead to cost cutting measures, especially since the City of Detroit is limited by State law to raise new revenues.

Attachment VII represents the City of Detroit's General Fund Budget Reserve Policy. This policy wisely requires that the Budget Director and CFO provide City Council a report 1) explaining the cause of a need to use the General Fund Budget Reserve, 2) explaining the rationale for using General Fund Budget Reserve over any other potential solution, 3) explaining the plan for replenishing the reserve, and 4) showing any other information requested by the CFO.

It is also important to note that the General Fund Budget Reserve Policy also indicates that the reserve shall not be utilized if the a budget shortfall can be otherwise addressed, without harming mandated and essential City programs and services, through routine budgetary controls, another budget amendment or transfer, or the line-item veto procedure provided under the Home Rule City's Public Act 279 of 1909, as amended by PA 182 of 2014.

Regarding the projected pension obligation spike of $163 million in FY 2024, the City of Detroit would more easily be able to address this spike if the City experiences a mild recession rather than a severe one in FY 2024. Fortunately, the City has been putting monies to the side in a Retiree Protection Trust Fund to further mitigate the impact of the pension obligation spike in FY 2024.

<u>Impact of a Recession on the City of Detroit's Ability to meet its UTGO Bond Debt Payments</u>

The debt service (principal and interest) payments on UTGO bond debt, including the up to $250 million in UTGO blight bond debt, if approved by City Council and the voters of the City of

Detroit, would be paid from property tax revenues generated by the debt millage (currently at 9 mills), and therefore will NOT impact the General Fund.

A recession could cause greater delinquent property taxes in the City of Detroit. However, it is important to remind the Council that the Wayne County Treasurer (the "Treasurer") is required by the General Property Tax Law, as amended, to collect delinquent real property taxes levied by the City. Under the act, the Treasurer pays the City in full for delinquent real property taxes owed according to the delinquent tax roll transferred to the Treasurer. Taxes eligible for payment include all delinquent taxes, except taxes on personal property, due and payable to the City. The Treasurer is then responsible for the collection of the outstanding delinquent taxes. The County retains all interest and penalties generated by the delinquent taxes to offset its tax collection costs. Real property taxes not collected within two years after the sale to the County are charged back to the City[4].

Impact of a Recession on the City of Detroit's Ability to meet its LTGO Bond Debt Payments

The debt service payments associated with Limited Tax General Obligation (LTGO) bond debt are paid out of General Fund revenues and NOT paid from property tax revenues generated by the debt millage. LTGO bonds are also non-voter bonds.

As a result, a recession would put a strain on the City's General Fund revenues, making it more difficult to pay the debt service on the LTGO bonds. However, the only time the City defaulted on making bond payments (and pension payments) was in 2013 leading up to filing for bankruptcy.

It is important to note that the combination of LTGO bond debt and pension obligation payments will start to represent approximately 15% of the General Fund's budget in FY 2024 up to 25% by FY 2038, as depicted on page 9 of the FY 2020 Long-Term Forecast for Legacy Pension Plans and Debt Obligations report prepared by the OCFO, dated March 29, 2019 (Attachment VIII). It is imperative that the City grow revenues and population, while maintaining austere budgetary practices, to address this growing cost while providing essential City services for its citizens and businesses.

It is also important for the City to maintain balanced operations to withstand the emergence of the Detroit Financial Review Commission's full oversight role over the City of Detroit finances[5].

Question 2: Please identify how taking on $250M in debt will impact employment opportunities for Detroiters if a recession hits in the year 2021.

LPD's response: LPD feels a benefit of the UTGO blight bonds is that they should act as a fiscal stimulus for the local economy, especially if more Detroiters are involved in the demolitions. This will increase employment opportunities for Detroiters. For example, President Obama's American Recovery and Reinvestment Act of 2009 fiscal stimulus program, which included

[4] Source: the 2018 City of Detroit Comprehensive Annual Financial Report (CAFR), page 49.

[5] LPD's report entitled "City of Detroit Reporting Requirements to the Detroit Financial Review Commission while the Commission is dormant", dated May 10, 2018, explains that the FRC could rescind its waiver of full oversight if a "financial distress" is detected, such as the City's failure to pay debt service on its bonds, the City incurs a budget deficit equal to more than 5% of total expenditures, the City violates the Plan of Adjustment, among other items.

infrastructure and transportation projects that created jobs, is credited to help end the Great Recession.

In a sense, the jobs created by the $250 million UTGO blight bonds will be "recession proof jobs" since during the a recession the City will have bond proceeds in a bank to pay for demolition costs, including the wages earned by the demolition workers.

Attachment IX represents a spreadsheet showing the estimated level of income taxes generated from existing demolition contractors and the estimated incremental income tax revenue generated if 5 or 10 new demolition businesses are created a year. The spreadsheet shows the assumptions LPD used to make these calculations. LPD thanks the Office of Contracting and Procurement (OCP) and the Detroit Employment Solutions Corporation (DESC) for providing information to help us create this spreadsheet.

There are currently 22 demolition contractors. They employ around 640 employees, of which around 200 are Detroiters. These demolition workers generate approximately $280,000 a year in income tax revenue. Five more demolition contractors, employing 100 employees, could generate another $50,000 annually in income taxes. Ten more demolition contractors, employing 200 employees, could generate another $100,000 annually in income taxes. With these additional income tax revenues, the City could hire another 3 or 4 police officers or fire fighters.

In addition, an increase in demolition businesses in the City would generate more corporate income tax, utility users' tax and property tax revenues for the City.

LPD notes that demolition jobs are decent paying jobs. According to the DESC, a demolition Laborer/Helper can earn $12-$18 per hour. Estimated wages of Heavy Equipment Operators range from $25-$30 to start. Current labor market shortages have reportedly driven wages as high as $70/hour based on current demand. The DESC notes that all wage estimates are based on preliminary results from an employer survey (discussed below) and OCP estimates. They have requested and expect to receive more information directly from contractors.

The DESC's training & hiring initiatives regarding demolition contractors include:

- The Detroit at Work team has already started outreach to contractors to support their hiring needs by marketing job openings and referring qualified candidates. They are still surveying contractors to fully understand the requirements of current and anticipated jobs.

- Detroit at Work stands ready to support hiring needs through targeted marketing, demolition industry recruitment events, training for relevant credentials (e.g., CDL, pre-apprenticeship training for union positions), and candidate screening and referrals, subject to the availability of federal, state and city funding.

- In partnership with OCP and the DBA, Detroit at Work issued a survey to the City's current demolition contractors to better understand current and future hiring needs and inform relevant training programs.

In addition, the OCFO indicates in its response to this question (Attachment I) that the DWSD and DPW will have $970 million in capital projects planned over the five years of the proposed blight remediation/demolition program that will continue to have work available where Detroit companies get an edge in procurement. This coupled with the $250 million UTGO blight bond proceeds represents almost $1.3 billion in spending within the City of Detroit that could create a significant amount of jobs in the City that could help mitigate the impact of a recession.

Question 3: Provide a spreadsheet that quantifies the impact of a recession on the City's ability to meet, or not meet the above financial obligations

LPD's response: Attachment VI shows what a mild or a severe recession impact on the City of Detroit may look like. LPD feels the City has an adequate General Fund budget reserve, along with prudent fiscal policies, to withstand a recession. However, as stated previously, a severe recession could cause the Mayor and the City Council make very difficult budgetary decisions, including cost cutting measures, to maintain balanced budgets during a severe recession.

Question 4: During the administration's verbal response to my questions regarding the City's debt policy, no one was able to identify Detroit's exact debt level ratio after taking on $250M of new debt. Please provide the new debt ratio and evidence that another $250M in debt will not take Detroit out of compliance with the City's adopted debt policy.

LPD's responses: LPD feels the OCFO's response to this question sufficiently addresses it and we therefore have nothing to add to their response.

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

Attachments

cc: David Massaron, Chief Financial Officer
John Naglick, Chief Deputy CFO Finance Director
Katherine Hammer, Chief Deputy CFO Policy & Administration Director
Tanya Stoudemire, OCFO-Deputy CFO, Budget Director
Office of the Auditor General
Stephanie Washington, Mayor's Office

Attachment I

OCFO Responses to Council Member Scott Benson regarding concerns of impending recession and demolition bonds

Office of the Chief Financial Officer
CITY OF DETROIT

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313-628-2535
Fax: 313-224-2135
www.detroitmi.gov

MEMORANDUM

TO: Council Member Scott Benson

FROM: David Massaron, Chief Financial Officer, City of Detroit
Arthur Jemison, Group Executive for Planning, Housing and Development

DATE: November 8, 2019

RE: Responses to Questions from November 7, 2019

Many economist and financial experts are forecasting an imminent recession in the near future. I am concerned that a recession could have a negative impact on Detroit's ability to service our bonds and meet impending pension obligations.

1. Please identify how a recession would impact the City's ability to meet all of its financial obligations, including servicing bonds and the 2024 pension obligation.

I share your concerns about the impact of a recession, and we are taking steps, in collaboration with City Council, to prepare the City's finances accordingly. In fact, one of my two priorities for the year is that "We have created a financial infrastructure that can withstand the next recession,"

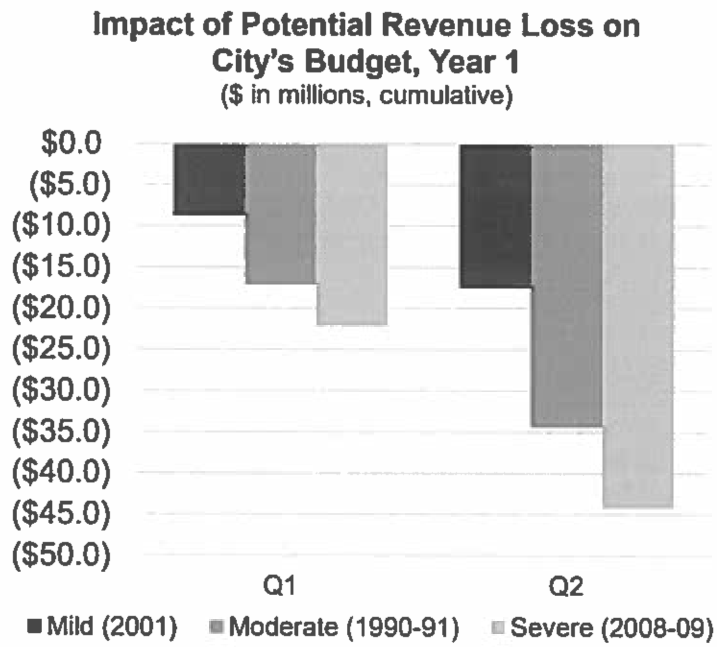
This year, the OCFO modeled potential revenue losses from multiple recession scenarios (see graph below). We found that:

- Abrupt Income Tax withholding losses would be an early warning sign.
- Additional reserves were needed to absorb initial losses and protect City services without dropping below the 5% minimum budget reserve required by State law.
- Recession analysis indicated a potential loss up to $45M.

Office of the Chief Financial Officer
CITY OF DETROIT

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313-628-2535
Fax: 313-224-2135
www.detroitmi.gov



With this analysis, we worked with City Council to adopt increases "Rainy Day Fund" budget reserve from 5% to nearly 10%. The FY2020-2021 Budget:

- Increases reserve by $45M, from $62M to $107M.
- Provided from one-time fund balances in accordance with "Use of Non-Recurring Resources" policy.

For your background, the "Rainy Day Fund" is governed by City's "General Fund Budget Reserve" policy. The policy requires the City to exhaust budget management options, without harming essential services, before drawing on reserve. In addition, The Fiscal Sustainability Working Group is developing contingencies to maintain balanced budgets after the initial impact of a future recession.

As we look towards the future, the City issued its first annual Long-Term Forecast Report in March 2019, which:

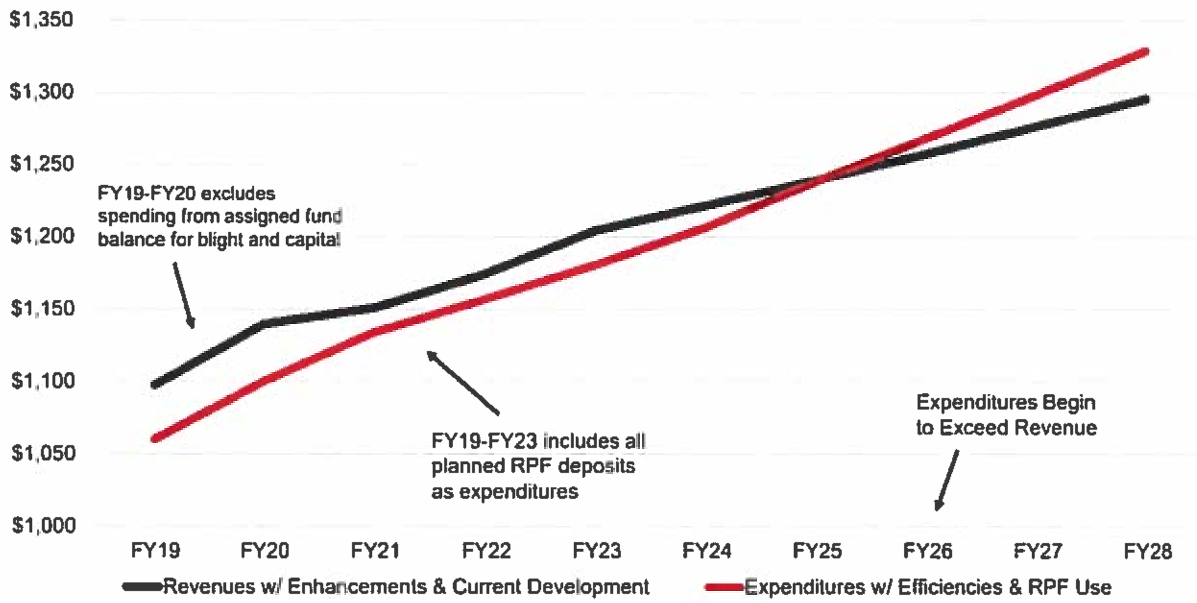
- Examines long-term liabilities and fiscal balance, including pension and debt.
- Includes new revenues and savings excluded from the City's more conservative budget assumptions to instead gauge the City's long-term path.
- Assists the City in developing strategies that help ensure long-term fiscal sustainability

Office of the Chief Financial Officer
CITY OF DETROIT

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313-628-2535
Fax: 313-224-2135
www.detroitmi.gov

Long Term Forecast
(in Millions)



The graph above shows that while we have made progress by restructuring our debt and saving for our long-term pension obligations through the Retiree Protection Fund, the City will still need to bring in economic development, maximize and diversify our revenues, and identify ways to operate more efficiently.

We believe the blight bonds will continue to drive value to our neighborhoods helping with this needed growth. Also, the blight bonds give us a guaranteed source of funding once an economic contraction begins. This means that if the budget needs to be cut or the City doesn't address needed surpluses the demolitions funded by the $250 million will continue even if the City is unable to fund the remainder of the demolition with surpluses.

For the debt millage, in analyzing the affordability of the $250 million proposed bond issue, we performed a stress test a to consider the impact of a recession. Under this scenario, we considered the impact of a 25 percent decrease of state equalized values, beginning in tax year 2020, over a three-year period (i.e., a decrease in taxable value of over $465 million). The primary impact under this scenario would be that the amount of Capital Bonds issued over the ten-year period would need to decrease from approximately $444 million to approximately $385 million. The debt millage levy needed to pay annual debt service for the life of the bonds would NOT increase. See "Scenario 4 (to consider impact of recession)" in the attached document.

2. Please identify how taking on $250M in debt will impact employment opportunities for Detroiters if a recession hits in the year 2021.

It is important to remember that we anticipate the bond will allow us to continue demolishing houses at the same rate that we have over the last 5 years, so there will not be a dramatic increase in new jobs, but it will allow for the jobs that have already been created to be maintained.. That said, there is decent turnover in demo contractors, and we are bringing in new contractors; with the proactive approach proposed by DESC, we believe we can work to backfill these positions with qualified Detroiters.

The City has a number of public projects underway that will hopefully serve to cushion, or as a floor, in the event of an economic contraction. This project will enable Detroit based and headquartered business to compete for $250 million in demolition projects, additionally DWSD and DPW have $970 million in capital projects planned over the five years that will continue to have work available where Detroit companies get an edge in procurement.

3. Provide a spreadsheet that quantifies the impact of a recession on the City's ability to meet, or not meet the above financial obligations.

For the debt millage, see Scenario 4 attached.

For the operating budget, see Attachment 2.

4. During the administration's verbal responses to my questions regarding the City's debt policy, no one was able to identify Detroit's exact debt level ratio after taking on $250M of new debt. Please provide the new debt ratio and evidence that another $250M in debt will not take Detroit out of compliance with the City's adopted debt policy.

The debt metric that John Naglick referenced - specifically the metric of net direct debt as a percent of governmental revenues - was included in the October 2, 2019, presentation to the Budget, Finance, and Audit Committee (see pdf page 142 of 204 in LPD's "UTGO Bonds Blight Elimination – Report and Attachments"). To reiterate, assuming the blight bonds are issued as proposed, the debt metric would change from 171% as of June 30, 2019, to 185% as of June 30, 2020. While Section 5.10.3 of the City's adopted debt policy requires the monitoring of this key debt metric, the policy does not specify a threshold that must be met. We are comforted by the fact that, under Moody's scorecard, with the issuance of the proposed blight bonds the City would continue to be in the A category for this subfactor.

This metric reproduced below. A description of how is calculated is also provided.

Office of the Chief Financial Officer
CITY OF DETROIT

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313-628-2535
Fax: 313-224-2135
www.detroitmi.gov

Detroit's debt affordability metrics are benchmarked above Detroit's current credit rating

	As of June 30, 2019	As of June 30, 2020* (Post UTGO Issuance)	Impact of Proposed June Borrowing
Debt as % of General Fund Revenues	171% (1.7X)	185% (1.85X)	No Impact
Moody's scorecard for this sub-factor	A	A	
Debt as % of Full Value	12.74%	10.55%	No Impact
Moody's scorecard for this sub-factor	Ba	Ba	

The "Debt as % of General Fund Revenues" debt metrics for June 30, 2019, and June 30, 2020 were calculated in the manner described below. Note that the June 30, 2020, metrics assume the issuance of the proposed debt and acknowledge payment of the regularly scheduled principal that occurred during FY20.

<u>As of June 30, 2019:</u>

Principal Outstanding:	**$1,868,757,789**
General Fund Revenues – Estimate:	**$1,095,523,599**
Principal Outstanding/GF Revenues (as Percent):	**171%**

(i.e., at June 30, 2019, the principal amount of the City's bonds was 171% of the City's annual general fund revenues)

Principal Outstanding/GF Revenues (as Ratio): 1.71X

(i.e., at June 30, 2019, the principal amount of the City's bonds outstanding was 1.71 times greater than the City's annual general fund revenues)

<u>As of June 30, 2020:</u>

Principal Outstanding:	**$2,049,001,789**
General Fund Revenues – Estimate:	**$1,110,200,000**
Principal Outstanding/GF Revenues (as Percent):	**185%**

(i.e., assuming the bonds are approved, at June 30, 2020, the principal amount of the City's bonds will be 185% of the City's annual general fund revenues)

Principal Outstanding/GF Revenues (as Ratio): 1.85X

(i.e., assuming the bonds are approved, at June 30, 2020, the principal amount of the City's bonds outstanding will be 1.85 times greater than the City's annual general fund revenues)

The detail regarding what comprises the principal outstanding amounts is provided below.

Office of the Chief Financial Officer
CITY OF DETROIT

Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

Phone: 313-628-2535
Fax: 313-224-2135
www.detroitmi.gov

	At June 30, 2019	At June 30, 2020
Proposed UTGO Blight Bonds (Series 2020)	$ -	$ 175,000,000
Proposed UTGO Capital Bonds (Series 2020)	$ -	$ 52,245,000
UTGO Bonds (Series 2018)	$ 135,000,000	$ 125,840,000
LTGO DSA First Lien Bonds (Series 2016B-1)	$ 240,965,000	$ 234,485,000
UTGO DSA Second Lien Bonds (Series 2010)	$ 89,390,000	$ 86,815,000
LTGO DSA Third Lien Bonds (Series 2016B-2)	$ 115,745,000	$ 108,875,000
UTGO DSA Fourth Lien Bonds (Series 2016A-1 and A-2)	$ 146,760,000	$ 117,190,000
LTGO DSA Fifth Lien Bonds (Series 2018)	$ 175,985,000	$ 175,985,000
LTGO Bonds (Series 2014 (Exit Financing))	$ 228,500,000	$ 205,610,000
LTGO (B-Notes)	$ 434,311,789	$ 434,311,789
MTF Bonds (Series 2017)	$ 85,000,000	$ 123,500,000
HUD Notes	$ 44,506,000	$ 39,925,000
Public Lighting Authority Bonds (Series 2014)	$ 172,595,000	$ 169,220,000
	$ 1,868,757,789	**$ 2,049,001,789**

The annual General Fund Revenue estimates are from the September 2019 Revenue Consensus Conference. Note that the estimated FY19 annual general fund revenue amount is the unaudited preliminary actual results (subject to change) used at the September conference.

SCENARIO 1 (BASE CASE):
$225 million in Blight Bonds (75% tax exempt/25% taxable)

Fiscal Year $'s in thousands	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total (20-29)[1]
Blight UTGO Bonds	$175,000	$-	$50,000	$-	$-	$-	$-	$-	$-	$-	$225,000
Future Capital UTGO Bonds	52,245	-	-	111,500	-	93,250	-	93,250	-	93,250	443,495
Total	$227,245	$-	$50,000	$111,500	$-	$93,250	$-	$93,250	$-	$93,250	$668,495
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		15,325	19,015	20,743	17,551	13,848	13,558	13,560	13,235	12,051	138,886
Future Capital UTGO DS		2,288	2,288	2,288	8,123	17,972	23,398	24,177	25,900	32,985	139,420
Aggregate Debt Service	$64,466	$80,270	$69,120	$67,022	$64,923	$62,747	$62,636	$63,413	$64,805	$65,085	$664,486
Actual and Projected Property Tax Collections	$54,325	$54,848	$54,766	$55,138	$55,536	$55,877	$57,127	$58,349	$59,602	$60,885	$566,454
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	4,000	4,000	4,000	3,600	3,240	2,916	2,624	2,362	2,126	1,913	30,781
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	2,280	17,803	6,851	4,875	2,848	782	(148)	(180)	360	(252)	35,219
Total Sources	$64,466	$80,270	$69,120	$67,022	$64,923	$62,747	$62,636	$63,413	$64,805	$65,085	$664,486

[1]Total represents amount through ten year planning horizon.

Highlights of Scenario 1
Capacity for $225 million in Blight Bonds
Capacity for $443.5 million in future Capital Bonds
Millage Rate remains at 9 mills

Assumptions for Blight UTGO Bonds
Tax-Status of Blight UTGO Bonds: 75% tax-exempt; 25% taxable
Estimated TIC: 4.683%
Average Annual Debt Service: $12.4 million
Term: 30 years
Debt Service: Level with accelerating principal amortization in first 4 years (with taxable bonds front loaded and TE bonds wrapped around)

Assumptions for Future Capital UTGO Bonds
Tax-Status of Capital UTGO Bonds: 100% tax-exempt
Estimated TIC: 5.313%
Average Annual Debt Service: $21.9 million
Term: 30 years
Debt Service: Level

SCENARIO 2 (to consider impact of improvement in taxable values): $250 million in Blight Bonds

Fiscal Year $'s in thousands	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total (20-29)[1]
Blight UTGO Bonds	$175,000	$-	$75,000	$-	$-	$-	$-	$-	$-	$-	$250,000
Future Capital UTGO Bonds	52,245	-	-	111,500	-	93,250	-	93,250	-	93,250	443,495
Total	$227,245	$-	$75,000	$111,500	$-	$93,250	$-	$93,250	$-	$93,250	$693,495
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		15,325	19,015	20,733	17,551	15,532	15,537	15,538	15,214	14,033	148,476
Future Capital UTGO DS		2,288	2,288	2,288	8,123	17,972	23,398	24,177	25,900	32,985	139,420
Aggregate Debt Service	$64,466	$80,270	$69,120	$67,012	$64,922	$64,430	$64,615	$65,391	$66,784	$67,067	$674,075
Actual and Projected Property Tax Collections	$54,325	$54,848	$54,766	$55,138	$55,536	$57,698	$58,992	$60,257	$61,554	$62,881	$575,996
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	4,000	4,000	4,000	3,600	3,240	2,916	2,624	2,362	2,126	1,913	30,781
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	2,280	17,803	6,851	4,865	2,847	645	(34)	(110)	388	(266)	35,267
Total Sources	$64,466	$80,270	$69,120	$67,012	$64,922	$64,430	$64,615	$65,391	$66,784	$67,067	$674,075

[1] Total represents amount through ten year planning horizon.

Highlights of Scenario 2

Assumes compound annual growth rate of 2.20% in taxable values over five years (i.e., from $5.95 billion in 2019 to $6.64 billion in 2024)
Capacity for Blight Bonds increases to $250 million
Capacity for future Capital Bonds remains at $443.5 million
Millage Rate remains at 9 mills

Assumptions for Blight UTGO Bonds

Tax-Status of Blight UTGO Bonds: 75% tax-exempt; 25% taxable
Estimated TIC: 4.781%
Average Annual Debt Service: $14.1 million
Term: 30 years
Debt Service: Level with accelerating principal amortization in first 4 years (with taxable bonds front loaded and TE bonds wrapped around)

Assumptions for Future Capital UTGO Bonds

Tax-Status of Capital UTGO Bonds: 100% tax-exempt
Estimated TIC: 5.313%
Average Annual Debt Service: $21.9 million
Term: 30 years
Debt Service: Level

SCENARIO 3 (to consider impact of all taxable Blight Bonds):
$225 million in Blight Bonds (100% taxable)

Fiscal Year $'s in thousands	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total (20-29)[1]
Blight UTGO Bonds	$175,000	$-	$50,000	$-	$-	$-	$-	$-	$-	$-	$225,000
Future Capital UTGO Bonds	52,245	-	-	107,500	-	83,000	-	83,000	-	83,000	408,745
Total	$227,245	$-	$50,000	$107,500	$-	$83,000	$-	$83,000	$-	$83,000	$633,745
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		14,360	18,206	19,710	16,692	16,689	16,688	16,692	16,691	16,694	152,421
Future Capital UTGO DS		3,158	3,159	3,163	9,157	15,153	20,137	21,034	22,520	28,420	125,901
Aggregate Debt Service	$64,466	$80,175	$69,181	$66,864	$65,097	$62,768	$62,505	$63,402	$64,881	$65,163	$664,502
Actual and Projected Property Tax Collections	$54,325	$54,848	$54,766	$55,138	$55,536	$55,877	$57,127	$58,349	$59,602	$60,885	$566,454
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	4,000	4,000	4,000	3,600	3,240	2,916	2,624	2,362	2,126	1,913	30,781
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	2,280	17,708	6,912	4,717	3,022	804	(279)	(190)	436	(174)	35,235
Total Sources	$64,466	$80,175	$69,181	$66,864	$65,097	$62,768	$62,505	$63,402	$64,881	$65,163	$664,502

[1]Total represents amount through ten year planning horizon

Highlights of Scenario 3
Assumes 100% of Blight Bonds are taxable (and therefore higher cost of funds
Capacity for $225 million in Blight Bonds
Capacity for future Capital Bonds decreases to $408.8 million
Millage Rate remains at 9 mills

Assumptions for Blight UTGO Bonds
Tax-Status of Blight UTGO Bonds: 100% taxable
Estimated TIC: 6.621%
Average Annual Debt Service: $16.0 million
Term: 30 years
Debt Service: Level with accelerating principal amortization in first three years

Assumptions for Future Capital UTGO Bonds
Tax-Status of Capital UTGO Bonds: 100% tax-exempt
Estimated TIC: 5.318%
Average Annual Debt Service: $20.5 million
Term: 30 years
Debt Service: Level

SCENARIO 4 (to consider impact of recession):
$225 million in Blight Bonds (75% tax-exempt/25% taxable)

Fiscal Year $'s in thousands	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total (20-29)[1]
Blight UTGO Bonds	$175,000	$-	$50,000	$-	$-	$-	$-	$-	$-	$-	$225,000
Future Capital UTGO Bonds	52,245	-	-	107,500	-	75,000	-	75,000	-	75,000	384,745
Total	$227,245	$-	$50,000	$107,500	$-	$75,000	$-	$75,000	$-	$75,000	$609,745
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		14,398	16,668	16,621	14,412	14,409	14,408	14,410	14,414	13,577	133,318
Future Capital UTGO DS		2,294	2,294	2,294	7,815	12,435	18,250	18,841	20,170	26,809	111,203
Aggregate Debt Service	$64,466	$79,350	$66,779	$62,906	$61,475	$57,771	$58,338	$58,926	$60,254	$60,435	$630,701
Actual and Projected Property Tax Collections	$54,325	$54,010	$52,357	$51,012	$51,370	$51,638	$52,786	$53,908	$55,059	$56,237	$532,701
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	4,000	4,000	4,000	3,600	3,240	2,916	2,624	2,362	2,126	1,913	30,781
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	2,280	17,720	6,920	4,885	3,566	46	(104)	(225)	352	(254)	35,187
Total Sources	$64,466	$79,350	$66,779	$62,906	$61,475	$57,771	$58,338	$58,926	$60,254	$60,435	$630,701

[1]Total represents amount through ten year planning horizon.

Highlights of Scenario 4
Assumes 25% decrease in state equalized values, beginning in tax year 2020, spread over three years before recovering (i.e., decrease in taxable value of over $465 million)
Capacity for $225 million in Blight Bonds
Capacity for future Capital Bonds decreases to $384.7 million
Millage Rate remains at 9 mills

Assumptions for Blight UTGO Bonds
Tax-Status of Blight UTGO Bonds: 75% tax-exempt; 25% taxable
Estimated TIC: 4.744%
Average Annual Debt Service: $12.7 million
Term: 30 years
Debt Service: Level with accelerating principal amortization in years 2 and 3 (with taxable bonds front loaded and TE bonds wrapped around)

Assumptions for Future Capital UTGO Bonds
Tax-Status of Capital UTGO Bonds: 100% tax-exempt
Estimated TIC: 5.296%
Average Annual Debt Service: $19.5 million
Term: 30 years
Debt Service: Level

Attachment 2 - Recession Scenario

$ in millions

	Year 1	Year 2	Year 3
Revenue Loss			
Mild	($17.5)	($18.6)	($20.9)
Moderate	($34.4)	($36.8)	($41.8)
Severe	($44.2)	($47.8)	($55.4)
Rainy Day Fund	$107.3	$63.1	$63.1
% of budget	10%	6%	6%
Severe Scenario			
Revenue Loss	($44.2)	($47.8)	($55.4)
Budget Correction			
Rainy Day Fund Use	$44.2	$0.0	$0.0
Budget Reductions	$0.0	$47.8	$55.4
Budget Balance	$0.0	$0.0	$0.0
Rainy Day Fund Balance	$63.1	$63.1	$63.1
% of budget	6%	6%	6%

By increasing Rainy Day Fund, City can stay above 5% minimum even after absorbing severe recession impact
City has time to implement budget reductions to stay balanced in Year 2

Attachment II

Recession Information

Recession Information

Note: LPD obtained the following article from the www.investopedia.com website

Recession

REVIEWED BY JIM CHAPPELOW, Updated May 6, 2019

What is a Recession?

A recession is a macroeconomic term that refers to a significant decline in general economic activity in a designated region. It is typically recognized after two consecutive quarters of economic decline, as reflected by GDP in conjunction with monthly indicators like employment. Recessions are officially declared in the U.S. by a committee of experts at the National Bureau of Economic Research (NBER), who determines the peak and subsequent trough of the business cycle which demonstrates the recession.

Recessions are visible in industrial production, employment, real income, and wholesale-retail trade. The working definition of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP), although the National Bureau of Economic Research (NBER) does not necessarily need to see this occur to call a recession, and uses more frequently reported monthly data to make its decision, so quarterly declines in GDP do not always align with the decision to declare a recession.

KEY TAKEAWAYS

- A recession is a period of declining economic performance across an entire economy, frequently measured as two consecutive quarters.
- Businesses, investors, and government officials track various economic indicators that can help predict or confirm the onset of recessions, but they're officially declared by the NBER.
- A variety of economic theories have been developed to explain how and why recessions occur.

Understanding Recessions

Since the Industrial Revolution, the long-term macroeconomic trend in most countries has been economic growth. Along with this long-term growth, however, have been short-term fluctuations when major macroeconomic indicators have shown slowdowns or even outright declining performance over time frames of six months, up to several years, before returning to their long-term growth trend. These short-term declines are known as recessions.

Economic expansions begin at the trough of a business cycle - its lowest point - and end at its peak, after which the economy begins to contract, kicking off an economic recession.

	From	To	Months
1	Jun, 2009	Jul, 2019	121
2	Mar, 1991	Mar, 2001	120

	From	To	Months
3	Feb, 1961	Dec, 1969	106
4	Nov, 1982	Jul, 1990	92
5	Nov, 2001	Dec, 2007	73
6	Mar, 1975	Jan, 1980	58
7	Oct, 1949	Jul, 1953	45
8	May, 1954	Aug, 1957	39
9	Oct, 1945	Nov, 1948	37
10	Nov, 1970	Nov, 1973	36
11	Apr, 1958	Apr, 1960	24
12	Jul, 1980	Jul, 1981	12

Note: The longest expansion, from June 2009 to July 2019, is still occurring, and may be adjusted at a later date.

Source: The National Bureau of Economic Research
Get the data Add this chart to your site
Investopedia

Recession is a normal, albeit unpleasant, part of the business cycle. Recessions are characterized by a rash of business failures and often bank failures, slow or negative growth in production, and elevated unemployment. The economic pain caused by recessions, though temporary, can have major effects that alter an economy. This can occur due to structural shifts in the economy as vulnerable or obsolete firms, industries, or technologies fail and are swept away; dramatic policy responses by government and monetary authorities, which can literally rewrite the rules for businesses; or social and political upheaval resulting from widespread unemployment and economic distress.

Recession Predictors and Indicators

There is no single way to predict how and when a recession will occur. Aside from two consecutive quarters of GDP decline, economists assess several metrics to determine whether a recession is imminent or already taking place. According to many economists, there are some generally accepted predictors that when they occur together may point to a possible recession.

First, are leading indicators that historically show changes in their trends and growth rates before corresponding shifts in macroeconomic trends. These include the ISM Purchasing Managers Index, the Conference Board Leading Economic Index, and the OECD Composite Leading Indicator. These are critically important to investors and business decision makers because they can give advance warning of a recession. Second are officially published data series from various government agencies that represent key sectors of the economy, such as housing starts and capital goods new orders data published by the US Census. Changes in these data may slightly lead or move simultaneously with the onset of recession, in part because they are used to calculate the components of GDP, which will ultimately be used to to define when a recession begins. Last are lagging indicators that can be used to confirm an economy's shift into recession after it has begun, such as a rise in unemployment rates.

What Causes Recessions?

Numerous economic theories attempt to explain why and how the economy might fall off of its long-term growth trend and into a period of temporary recession. These theories can be broadly categorized as based on real economic factors, financial factors, or psychological factors, with some theories that bridge the gaps between these.

Some economists believe that real changes and structural shifts in industries best explain when and how economic recessions occur. For example, a sudden, sustained spike in oil prices due to a geopolitical crisis might simultaneously raise costs across many industries or a revolutionary new technology might rapidly make entire industries obsolete, in either case triggering a widespread recession. Real Business Cycle Theory is the best modern example of these theories, explaining recessions as the natural reaction of rational market participants to one or more real, unanticipated negative shocks to the economy.

Some theories explain recessions as dependent on financial factors. These usually focus on either the overexpansion of credit and financial risk during the good economic times preceding the recession, or the contraction of money and credit at the onset of recessions, or both. Monetarism, which blames recessions on insufficient growth in money supply, is a good example of this type of theory. Austrian Business Cycle Theory, bridges the gap between real and monetary factors by exploring the links between credit, interest rates, the time horizon of market participants production and consumption plans, and the structure of relationships between specific kinds of productive capital goods.

Psychology-based theories of recession tend to look at the excessive exuberance of the preceding boom time or the deep pessimism of the recessionary environment as explaining why recessions can occur and even persist. Keynesian economics falls squarely in this category, as it points out that once a recession begins, for whatever reason, the gloomy "animal spirits" of investors can become a self-fulfilling prophecy of curtailed investment spending based on market pessimism, which then leads to decreased incomes that decrease consumption spending. Minskyite theories look for the cause of recessions in the speculative euphoria of financial markets and the formation of financial bubbles which inevitably burst, combining psychological and financial factors.

Recessions and Depressions

Economists say there have been 33 recession in the United States since 1854 through to 2018 in total. Since 1980, there have been four such periods of negative economic growth that were considered recessions. Well known examples of recessions include the global recession in the wake of the 2008 financial crisis and the Great Depression of the 1930s.

A depression is a deep and long-lasting recession. While no specific criteria exist to declare a depression, unique features of the the Great Depression included a GDP decline in excess of 10% and an unemployment rate that briefly touched 25%. Simply, a depression is a severe decline that lasts for many years.

Note: LPD obtained the following article from the www.investopedia.com website

A Review of Past Recessions

BY DAN BARUFALDI, Updated Jun 25, 2019

The Oil Crisis Recession: (November 1973 - March 1975)

- Duration: 16 months
- Magnitude:
    - GDP Decline: 3.6
    - Unemployment Rate: 8.8%
- Reasons and Causes: This long, deep recession was brought on by the quadrupling of oil prices and high government spending on the Vietnam War. This led to "stagflation" and high unemployment. Unemployment finally reached 9% in May of 1975. (For more on this see, *Stagflation, 1970s Style*.)

The Energy Crisis Recession: (January 1980 - July 1980)

- Duration: 6 months
- Magnitude:
    - GDP decline: 1.1%
    - Unemployment Rate: 7.8%
- Reasons and Causes: Inflation had reached 13.5% and the Federal Reserve raised interest rates and slowed money supply growth, which slowed the economy and caused unemployment to rise. Energy prices and supply were put at risk causing a confidence crisis as well as inflation.

The Iran/Energy Crisis Recession: (July 1981 - November 1982)

- Duration: 16 months.
- Magnitude:
    - GDP decline: 3.6%
    - Unemployment Rate: 10.8%
- Reasons and Causes: This long and deep recession was caused by the regime change in Iran; the world's second largest producer of oil at the time, the country came to regard the U.S. as a supporter of its ousted regime. The "New" Iran exported oil at inconsistent intervals and at lower volumes, forcing prices higher. The U.S. government enforced a tighter monetary policy to control rampant inflation, which had been carried over from the previous two oil and energy crises. The prime rate reached 21.5% in 1982.

The Gulf War Recession: (July 1990 - March 1991)

- Duration: 8 months
- Magnitude:
    - GDP Decline: 1.5%
    - Unemployment Rate: 6.8%
- Reasons and causes: Iraq invaded Kuwait. This resulted in a spike in the price of oil in 1990, which caused manufacturing trade sales to decline. This was combined with the impact of manufacturing being moving offshore as the provisions of North American Free Trade Agreement (NAFTA) kicked in. The leveraged buyout of United Airlines triggered a stock market crash.

The 9/11 Recession: (March 2001 - November 2001)

- Duration: 8 months
- Magnitude
    - GDP Decline: 0.3%
    - Unemployment Rate: 5.5%
- Reasons and Causes: The collapse of the dotcom bubble, the 9/11 attacks and a series of accounting scandals at major U.S. corporations contributed to this relatively mild contraction of the U.S. economy. In the next few months, GDP recovered to its former level. (For more information, read *Crashes: The Dotcom Crash*.)

Conclusions

So what do all these very different recessions have in common? For one, oil price, demand and supply sensitivity appear to be consistent and frequent historical precursors to U.S. recessions. A spike in oil prices has preceded nine out of 10 post-WWII recessions. This highlights that while global integration of economies allows for more effective cooperative efforts between governments to prevent or mitigate future recessions, the integration itself ties the world economies more closely together, making them more susceptible to problems outside their borders. Better government safeguards should soften the effects of recessions as long as regulations are in place and enforced; better communications technology and sales & inventory tracking allows businesses and governments to have better transparency on a real time basis so that corrective actions are made to forestall the accumulation of factors and indicators contributing to or signaling a recession.

More recent recessions, such as the housing bubble, the resulting credit crisis and the subsequent government bailouts are examples of excesses not properly or competently regulated by the patchwork of government regulation of financial institutions. (For another perspective on credit crisis, see *The Bright Side of The Credit Crisis*.)

Contraction and expansion cycles of moderate amplitude are part of the economic system. World events, energy crises, wars and government intervention in markets can affect economies both positively and negatively, and will continue to do so in the future. Expansions have historically exceeded previous highs in economic growth trends if capitalist fundamentals applied within regulatory guidelines govern the markets.

Note: LPD obtained the following article from the www.investopedia.com website

The Great Recession: (December 2007 – June 2009)

- Duration: 19 months
- Magnitude
    - GDP Decline: 0.3% in 2008; 2.8% in 2009
    - Unemployment Rate: 10.0%

Reasons and Causes: See article below

The Great Recession

REVIEWED BY JIM CHAPPELOW, Updated Jul 25, 2019

What Was the Great Recession?
The Great Recession is a term that represents the sharp decline in economic activity during the late 2000s. This period is considered the most significant downturn since the Great Depression. The term Great Recession applies to both the U.S. recession, officially lasting from December 2007 to June 2009, and the ensuing global recession in 2009. The economic slump began when the U.S. housing market went from boom to bust, and large amounts of mortgage-backed securities (MBS's) and derivatives lost significant value.

KEY TAKEAWAYS

- The Great Recession refers to the economic downturn from 2007 to 2009 after the bursting of the U.S. housing bubble and the global financial crisis.
- The Great Recession was the most severe economic recession in the United States since the Great Depression of the 1930s.
- In response to the Great Recession, unprecedented fiscal, monetary, and regulatory policy was unleashed by federal authorities, which some, but not all, credit with the subsequent recovery.

Understanding the Great Recession
The term The Great Recession is a play on the term The Great Depression. The latter occurred during the 1930s and featured a gross domestic product (GDP)decline of more than 10% and an unemployment rate that at one point reached 25%. While no explicit criteria exist to differentiate a depression from a severe recession, there is a near consensus among economists that the downturn of the late-2000s, during which U.S. GDP declined by 0.3% in 2008 and 2.8% in 2009 and unemployment briefly reached 10%, did not reach depression status. However, the event is unquestionably the worst economic downturn in the intervening years.

Causes of the Great Recession

According to a 2011 report by the Financial Crisis Inquiry Commission, the Great Recession was avoidable. The appointees, which included six Democrats and four Republicans, cited several key contributing factors that they claimed led to the downturn.

First, the report identified failure on the part of the government to regulate the financial industry. This failure to regulate included the Fed's inability to curb toxic mortgage lending.

Next, there were too many financial firms taking on too much risk. The shadow banking system, which included investment firms, grew to rival the depository banking system but was not under the same scrutiny or regulation. When the shadow banking system failed, the outcome affected the flow of credit to consumers and businesses.

Other causes identified in the report included excessive borrowing by consumers and corporations and lawmakers who were not able to fully understand the collapsing financial system.

Great Recession Origins and Consequences
In the wake of the 2001 recession and the World Trade Center attacks of 9/11/2001, the U.S. Federal Reserve pushed interest rates to the lowest levels seen up to that time in the post-Bretton Woods era in an attempt to maintain economic stability. The Fed held low interest rates through mid-2004. Combined with federal policy to encourage home ownership, these low interest rates helped spark a steep boom in real estate and financial markets. Financial innovations such as new types of subprime and adjustable mortgages allowed borrowers, who otherwise might not have qualified otherwise, to obtain generous home loans based on expectations that interest rates would remain low and home prices would continue to rise indefinitely.

However, from 2004 through 2006, the Federal Reserve steadily increased interest rates in an attempt to maintain stable rates of inflation in the economy. As market interest rates rose in response, the flow of new credit through traditional banking channels into real estate moderated. Perhaps more seriously, the rates on existing adjustable mortgages and even more exotic loans began to reset at much higher rates than many borrowers expected or were led to expect. The result was the bursting of what was later widely recognized to be a housing bubble.

During the American housing boom of the mid-2000s, financial institutions had begun marketing mortgage-backed securities and sophisticated derivative products at unprecedented levels. When the real estate market collapsed in 2007, these securities declined precipitously in value. The credit markets that had financed the housing bubble, quickly followed housing prices into a downturn as a credit crisis began unfolding in 2007. The solvency of over-leveraged banks and financial institutions came to a breaking point beginning with the collapse of Bear Stearns in March 2008.

Things came to a head later that year with the bankruptcy of Lehman Brothers, the country's fourth-largest investment bank, in September 2008. The contagion quickly spread to other economies around the world, most notably in Europe. As a result of the Great Recession, the United States alone shed more than 8.7 millionjobs, according to the U.S. Bureau of Labor Statistics, causing the unemployment rate to double. Further, American households lost roughly

$19 trillion of net worth as a result of the stock market plunge, according to the U.S Department of the Treasury. The Great Recession's official end date was June 2009.

The Dodd-Frank Act enacted in 2010 by President Barack Obama gave the government control of failing financial institutions and the ability to establish consumer protections against predatory lending.

Recovery from the Great Recession

The aggressive monetary policies of the Federal Reserve and other central banks in reaction to the Great Recession, although not without criticism, are widely credited with preventing even greater damage to the global economy.

For example, the Fed lowered a key interest rate to nearly zero to promote liquidity and, in an unprecedented move, provided banks with a staggering $7.7 trillion of emergency loans, according to The Week, in a policy known as quantitative easing. Along with the inundation of liquidity by the Fed, the U.S. Federal government embarked on a massive program of fiscal policy to try to stimulate the economy in the form of the $787 billion in deficit spending under the American Recovery and Reinvestment Act, according to the Congressional Budget Office.

Not only did the government introduce stimulus packages into the financial system, but new financial regulation was also put into place. According to some economists, the repeal of the Glass-Steagall Act—the depression-era regulation—in the 1990s helped cause the recession. The repeal of the regulation allowed some of the United States' larger banks to merge and form larger institutions. In 2010, President Barack Obama signed the Dodd-Frank Act to give the government expanded regulatory power over the financial sector.

The U.S. Federal government spent $787 billion in deficit spending in an effort to stimulate the economy during the Great Recession under the American Recovery and Reinvestment Act, according to the Congressional Budget Office.

The Dodd-Frank Act

The act allowed the government some control over financial institutions that were deemed on the cusp of failing and to help put in place consumer protections against predatory lending.

However, critics of Dodd-Frank note that the financial sector players and institutions that actively drove and profited from predatory lending and related practices during the housing and financial bubbles were also deeply involved in both the drafting of the new law and the Obama administration agencies charged with its implementation.

Following these policies (some would argue, in spite of them) the economy gradually recovered. Real GDP bottomed out in the second quarter of 2009 and regained its pre-recession peak in the second quarter of 2011, three and a half years after the initial onset of the official recession. Financial markets recovered as the flood of liquidity washed over Wall Street first and foremost.

The Dow Jones Industrial Average (DJIA), which had lost over half its value from its August 2007 peak, began to recover in March 2009 and, four years later, in March 2013, broke its 2007 high. For workers and households, the picture was less rosy. Unemployment was at 5% at the end of 2007, reached a high of 10% in October 2009, and did not recover to 5% until 2015, nearly eight years after the beginning of the recession. Real median household income did not surpass its pre-recession level until 2016.

Critics of the policy response and how it shaped the recovery argue that the tidal wave of liquidity and deficit spending did much to prop up politically connected financial institutions and big business at the expense of ordinary people and may have actually delayed the recovery by tying up real economic resources in industries and activities that deserved to fail.

Attachment III

LPD's Comments on Recession Impact on the City of Detroit

LPD's Comments on Recession Impact on the City of Detroit

A recession will adversely impact the City's revenues. Income tax, State revenue sharing and property taxes are susceptible to decreases during a recession. Detroit generally experiences higher unemployment during a recession than the region, State and country. As a result, it impacts the tax revenue collected. Recessions also cause a greater demand for public services which can drive up the City's operating costs.

The State of Michigan limits its local government's ability to increase revenues. As a result, most local governments have few tools to combat a recession. Detroit would be forced to cut costs if its budget reserves/rainy day fund prove insufficient.

The bonds debt service will be spread over 30 years which lessens the vulnerability of the $250 million blight bonds to the economy. The bonds annual debt service will be paid from the property taxes debt millage. In the "Great Recession", the subprime mortgage crisis contributed to the foreclosure of approximately 100,000 homes in Detroit which adversely impacted property tax collections and contributed to the great loss in population and tax base ultimately leading to the bankruptcy. We don't see a crisis with the City's housing occurring like it did in the "Great Recession". As a result, the property tax revenues should not be as severely impacted.

Since we know a recession is coming it makes sense to increase the City's budget reserve/rainy day fund, which the administration is doing. They should be encouraged to set aside additional amounts in the reserve/rainy day fund.

It seems like Detroit is first in a recession and last out. Recessions hit the City hard likely due to the impact on the auto industry. Our recessions seem to last longer than in the general economy.

A benefit of the blight bonds is that they should act as a fiscal stimulus for the local economy, especially if more Detroiters are involved in the demolitions. This will increase employment opportunities for Detroiters.

Post-bankruptcy the City has very few options for raising revenue. The City is much leaner since the bankruptcy and has fewer options for cost cutting. The City has divested itself of Cobo Hall, Belle Isle, PLD, GDRRA, DIA, Zoo, DWDD, Human Services and other operations that were inefficient and costly to the General Fund. As a result, the City has to be fiscally conservative. Budgeted Revenues need to be realistic and carefully forecasted. The City cannot afford to inflate its expenses.

The pension and debt cliff in FY 2024 will be a huge fiscal challenge for the City even if the economy is booming. The City has been prudent in refinancing the debt and setting aside funds in the Retiree Protection Trust Fund to better be in a position to deal with these increased expenses in FY 2024.

The country's monetary policy of cutting interest rates and incurring large deficits does not bode well for the economy. In addition, the aging population will put a big strain on Medicare and social security. The country may have difficulty borrowing if it doesn't get the deficit under control. These issues will impact the liquidity of the country and adversely impact the economy.

The "Great Recession" ultimately led to the City's bankruptcy. The City was insolvent even before the Great Recession (2007-2009) and had run General Fund deficits from FY 2004 to FY 2014. The recession contributed to the population and tax base loss in the City. In addition, the State cut revenue sharing to balance its own budget. The City also borrowed since the 1990s to make ends meet. The collapse of the stock market in 2007-2008 contributed to the underfunding of the City's pension funds which led to higher pension costs. The borrowing led to hire debt service costs for the General Fund. The City got to a point that it could no longer provide basic services. The City was financially and service insolvent and bankrupt.

We don't expect this to happen in the next recession. However, the City's Administration needs to be fiscally prudent and not overextend the City.

It is imperative that Blight Bond proceeds be spent as efficiently and effectively as possible leading to a successful blight remediation/demolition program since the bonds will be a burden on future generations with costs incurred in the past. Likewise, General Fund surplus dollars committed to demolitions is a financial risk if not spent properly since surplus dollars could become scarcer in the future.

We suspect no other City has had to deal with such a large amount of blight and demolitions. It is unfair that the residents of Detroit, whom many are at the poverty level, and businesses of the City, to have to bear the costs of blight remediation/demolition without more federal and state aid to help address this dire condition.

Attachment IV

A Spreadsheet showing Total General Fund Revenues from FY 1975 through FY 2024 with Recession Years Identified

City of Detroit
Combining Statement of Revenues, Expenditures, AND Changes in Fund Balances
General Fund

General Fund	2024 (1)	2023 (1)	2022 (1)	2021 (1)	2020 (1)	2019 (1)	2018
REVENUES:							
Taxes:							
Property Taxes	119,900,000	119,200,000	119,200,000	118,500,000	117,300,000	114,900,000	119,137,004
Municipal Income Tax	364,200,000	354,100,000	344,000,000	333,500,000	325,000,000	364,900,000	310,205,258
Utility Users' tax	36,300,000	34,000,000	32,100,000	30,700,000	29,900,000	29,000,000	28,700,113
Wagering Taxes	193,300,000	191,300,000	189,400,000	187,600,000	185,800,000	183,800,000	178,982,277
Gas and Weight Tax	-	-	-	-	-	-	-
Other Taxes and Assessments	-	-	-	-	-	-	3,395,606
State Hotel and Liquor Tax	-	-	-	-	-	-	-
State Shared Taxes	203,500,000	202,300,000	201,100,000	199,900,000	203,100,000	202,600,000	199,899,929
Shared Taxes-Liquor and Beer Licenses	-	-	-	-	-	-	1,133,572
Interest and Penalties on Taxes	-	-	-	-	-	-	3,144,262
Licenses, Permits and Inspection Charges	-	-	-	-	-	-	13,278,160
Intergovernmental:	-	-	-	-	-	-	
Federal	-	-	-	-	-	-	2,810,496
State	-	-	-	-	-	-	-
State Equity Grant	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Sales and Charges for Services	-	-	-	-	-	-	72,972,064
Ordinance Fines	-	-	-	-	-	-	21,197,252
Revenue from Use of Assets	-	-	-	-	-	-	1,103,072
Investment Earnings	-	-	-	-	-	-	15,316,209
DIA amd foundation revenue	-	-	-	-	-	-	6,669,952
Other Revenue (2)	235,800,000	234,400,000	233,500,000	233,400,000	249,100,000	200,000,000	28,053,843
Total Revenues	1,153,000,000	1,135,300,000	1,119,300,000	1,103,600,000	1,110,200,000	1,095,200,000	1,005,999,069

(1) The 2019 through 2024 General Fund revenues numbers come from the City of Detroit September 2019 Revenue Estimating Conference Report
(2) For 2019 through 2024, "Other Revenue" line includes revenue from Sales and Charges for Services, Ordinance Fines, Revenue from Use of Assets, etc. in order to more quickly calculate the total revenue for the General Fund, which is the principal number for this analysis.

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	2017	2016	2015	2014	2013	2012	2011
REVENUES:							
Taxes:							
Property Taxes	129,532,472	147,372,374	126,394,573	129,413,195	132,755,307	147,789,938	182,674,686
Municipal Income Tax	284,467,414	263,178,629	263,376,804	253,769,874	248,017,356	233,035,540	228,303,884
Utility Users' tax	27,068,555	24,036,395	37,939,463	42,386,549	35,299,844	39,828,340	44,640,365
Wagering Taxes	177,217,497	180,228,993	172,523,054	167,924,023	174,599,992	181,443,475	176,899,280
Gas and Weight Tax							-
Other Taxes and Assessments	10,362,346	5,378,658	4,783,208	6,480,150	11,689,666	13,052,673	12,596,707
State Hotel and Liquor Tax							-
State Shared Taxes	197,831,755	194,705,498	194,757,659	189,756,901	182,454,314	172,704,390	239,320,847
Shared Taxes-Liquor and Beer Licenses	799,306		606,690	607,547	604,206	587,832	21,262
Interest and Penalties on Taxes	3,482,208	4,269,148	1,106,744	896,735	924,928	4,264,747	7,554,054
Licenses, Permits and Inspection Charges	11,350,678	11,699,590	11,080,804	8,685,443	10,665,160	7,406,093	8,564,187
Intergovernmental:							
Federal	162,389	27,734,509	43,347,186	39,930,125	47,517,680	61,644,180	65,442,865
State		8,687,812	14,128,494	24,333,026	6,202,375	14,939,729	8,648,374
State Equity Grant							-
Other			157	223,381	2,788,419	4,397,406	1,944,009
Sales and Charges for Services	78,092,332	69,957,150	86,786,156	157,377,149	138,617,705	149,233,014	154,857,679
Ordinance Fines	23,448,184	22,403,525	20,608,519	15,946,936	18,941,254	14,466,579	16,457,040
Revenue from Use of Assets	1,176,838	1,218,314	14,277,845	7,568,498	12,017,348	2,069,012	3,595,798
Investment Earnings	15,248,604	16,867,686	(3,144,590)	180,623	(532,986)	1,295	498,079
DIA amd foundation revenue	5,730,109	54,079,327					-
Other Revenue (2)	22,967,535	33,300,162	71,222,054	64,735,592	20,750,950	55,386,328	68,238,977
Total Revenues	988,938,222	1,065,117,770	1,059,794,820	1,110,215,747	1,043,313,518	1,102,250,571	1,220,258,094

(1) The 2019 through 2024 General Fund revenues numl
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue f

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	2010	2009 Recession	2008 Recession	2007 Recession	2006	2005	2004
REVENUES:							
Taxes:							
Property Taxes	143,015,072	163,683,140	155,155,928	183,780,826	185,318,391	178,957,463	184,765,334
Municipal Income Tax	216,522,405	240,824,363	276,485,035	278,309,191	284,111,220	282,501,875	290,614,837
Utility Users' tax	44,190,132	49,900,667	51,590,599	53,768,977	60,019,626	52,939,839	50,473,815
Wagering Taxes	183,338,299	173,026,122	180,365,237	179,763,570	156,588,917	137,970,347	116,145,598
Gas and Weight Tax	-	-	-				
Other Taxes and Assessments	11,309,943	10,907,867	10,547,778	13,695,037	11,312,655	10,962,886	12,004,503
State Hotel and Liquor Tax	-	-	-	-	-	-	-
State Shared Taxes	263,060,088	266,032,168	249,027,299	272,084,669	279,467,063	282,914,217	286,479,535
Shared Taxes-Liquor and Beer Licenses	578,629	591,342	573,613	550,391	1,351,158	602,582	528,355
Interest and Penalties on Taxes	9,332,781	10,696,529	10,857,112	10,342,478	9,181,155	11,491,470	13,969,136
Licenses, Permits and Inspection Charges	8,684,484	6,688,369	8,959,356	6,917,962	7,141,326	11,061,055	9,390,863
Intergovernmental:							
Federal	51,282,710	45,832,335	50,152,843	52,256,906	9,399,170	26,522,887	3,066,675
State	22,073,579	7,739,117	12,719,575	12,703,782	61,168,848	23,511,241	51,477,038
State Equity Grant	-	-				1,076,931	982,701
Other	4,262,665	11,552,774	589,446	4,464,013	7,072,108	16,346,773	24,026,485
Sales and Charges for Services	154,085,415	167,433,937	193,251,964	243,533,764	184,409,155	178,109,203	176,033,663
Ordinance Fines	15,579,347	19,946,618	17,640,789	21,446,496	19,098,767	23,273,726	23,433,745
Revenue from Use of Assets	4,541,853	25,185,260	10,700,617	35,168,939	20,608,855	16,265,923	26,136,815
Investment Earnings	352,523	2,875,776	12,108,402	10,992,170	6,049,157	2,380,653	1,467,561
DIA amd foundation revenue	-	-					
Other Revenue (2)	55,767,166	65,454,767	62,704,105	107,656,317	98,574,416	100,134,090	104,070,617
Total Revenues	1,187,977,092	1,268,371,151	1,303,429,698	1,487,435,488	1,400,871,987	1,357,023,161	1,375,067,276

(1) The 2019 through 2024 General Fund revenues numl
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue f

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	2003	2002	2001 Recession	2000	1999	1998	1997
REVENUES:							
Taxes:							
Property Taxes	166,287,590	169,675,894	152,810,738	155,665,928	145,459,046	144,067,977	140,446,673
Municipal Income Tax	310,935,044	323,515,510	341,003,997	378,256,650	370,417,475	361,603,692	332,899,906
Utility Users' tax	55,329,177	52,105,772	54,270,230	54,504,747	50,924,267	50,144,609	54,641,394
Wagering Taxes	111,341,292	109,461,713	85,793,174	53,429,861			
Gas and Weight Tax							
Other Taxes and Assessments	13,533,086	13,359,502	12,499,740	10,819,623	9,195,526	6,973,339	6,960,812
State Hotel and Liquor Tax							
State Shared Taxes	319,055,457	333,763,510	333,318,615	332,662,624	332,003,165	330,115,576	328,507,496
Shared Taxes-Liquor and Beer License:	538,537	529,987	547,690	532,816	529,002	514,570	528,998
Interest and Penalties on Taxes	9,311,836	10,783,829	8,030,323	9,362,673	7,841,692	8,263,677	8,103,906
Licenses, Permits and Inspection Charges	8,431,008	9,192,474	10,061,177	29,828,990	24,426,007	23,726,467	20,722,144
Intergovernmental:							
Federal	6,708,193	17,177,864	54,199,190	72,367,277	55,284,508	53,162,951	61,597,589
State	49,190,519	41,144,492	3,551,318	1,926,712	3,546,856	3,869,575	9,760,531
State Equity Grant	2,066,684	-					
Other	8,017,687	15,952,960	19,542,437	11,209,388	12,363,788	10,071,438	1,546,909
Sales and Charges for Services	171,070,989	197,989,386	185,856,472	176,947,615	150,481,902	148,216,907	141,088,917
Ordinance Fines	20,571,308	24,505,375	18,520,006	16,647,402	16,066,842	15,553,945	14,466,671
Revenue from Use of Assets	29,583,763	20,055,435	27,301,222	17,600,273	16,175,129	15,920,678	15,222,064
Investment Earnings	1,556,451	10,161,113	13,708,668	11,579,636	11,328,628	20,398,784	15,876,808
DIA amd foundation revenue							
Other Revenue (2)	96,412,047	121,086,004	47,869,914	47,497,759	61,480,420	67,550,830	67,107,338
Total Revenues	**1,379,940,668**	**1,470,460,820**	**1,368,884,911**	**1,380,839,974**	**1,267,524,253**	**1,260,155,015**	**1,219,478,156**

(1) The 2019 through 2024 General Fund revenues numl
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue f

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	1996	1995	1994	1993	1992	1991 Recession	1990 Recession
REVENUES:							
Taxes:							
Property Taxes	128,617,493	128,628,234	122,717,732	125,355,656	128,796,462	119,879,456	118,682,602
Municipal Income Tax	335,755,153	312,710,316	296,888,378	279,697,020	272,445,502	273,173,278	267,685,618
Utility Users' tax	53,906,871	49,632,997	53,593,661	48,650,320	50,583,264	48,271,755	56,295,133
Wagering Taxes							
Gas and Weight Tax							
Other Taxes and Assessments	13,404,379	9,149,932	9,197,951	9,600,589	8,490,591	7,175,743	14,327,221
State Hotel and Liquor Tax							
State Shared Taxes	316,055,989	291,159,098	266,369,531	256,186,342	279,145,924	266,091,970	282,210,803
Shared Taxes-Liquor and Beer Licenses	1,103,070		565,086	587,375	504,387	718,263	629,012
Interest and Penalties on Taxes	9,184,650	5,629,842	3,926,820	4,545,435	4,734,369	3,575,276	6,894,552
Licenses, Permits and Inspection Charges	17,959,870	18,507,762	15,383,253	15,407,909	15,707,905	15,751,213	16,352,953
Intergovernmental:							
Federal	51,607,226	49,290,690	42,458,767	42,746,365	37,474,125	39,447,007	32,489,194
State	16,688,905	13,545,513	20,164,100	20,131,770	20,279,736	28,880,700	34,187,595
State Equity Grant							
Other	8,445,416	7,185,203	5,984,585	5,120,096	4,730,729	8,024,205	8,757,854
Sales and Charges for Services	131,684,362	131,854,019	139,246,861	140,309,959	138,615,868	142,488,568	136,422,085
Ordinance Fines	14,562,885	14,207,354	12,058,919	16,514,531	13,969,234	15,608,772	16,649,083
Revenue from Use of Assets	12,587,691	10,587,447	10,080,761	8,537,799	8,993,074	8,062,748	8,196,378
Investment Earnings	14,688,270	8,479,810	2,614,373	3,055,196	5,180,583	9,388,940	18,761,811
DIA amd foundation revenue							
Other Revenue (2)	59,895,246	25,278,776	14,585,002	17,502,256	26,136,932	9,835,147	22,483,119
Total Revenues	1,186,147,476	1,075,846,993	1,015,835,780	993,948,618	1,015,788,685	996,373,041	1,041,025,013

(1) The 2019 through 2024 General Fund revenues num
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue f

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	1989	1988	1987	1986	1985	1984
REVENUES:						
Taxes:						
Property Taxes	119,876,137	118,200,532	115,533,726	114,249,620	116,737,995	116,985,862
Municipal Income Tax	283,749,003	273,655,479	268,478,865	262,432,114	247,896,411	232,102,368
Utility Users' tax	51,228,062	50,393,292	49,886,243	56,478,564	51,520,574	54,410,052
Wagering Taxes						
Gas and Weight Tax						
Other Taxes and Assessments	21,480,723	6,495,541	6,640,409	5,348,945	5,173,821	4,869,725
State Hotel and Liquor Tax						
State Shared Taxes	263,336,813	247,890,740	239,666,363	219,932,484	192,087,892	161,778,057
Shared Taxes-Liquor and Beer License:	633,479	643,795	688,056	710,056	724,413	760,632
Interest and Penalties on Taxes	4,377,823	3,638,149	3,942,928	3,982,315	3,526,455	3,648,641
Licenses, Permits and Inspection Charges	15,217,326	16,214,863	13,990,743	13,952,748	12,798,327	13,094,364
Intergovernmental:						
Federal	28,593,808	25,501,381	25,221,217	24,483,299	25,381,439	25,076,528
State	34,564,200	34,497,573	34,364,200	34,164,200	32,164,200	21,964,200
State Equity Grant						
Other	14,312,123	19,895,087	12,356,795	10,352,842	17,283,403	9,559,401
Sales and Charges for Services	112,719,261	114,787,032	114,197,148	116,600,876	117,950,029	116,325,932
Ordinance Fines	15,444,766	14,674,619	12,409,983	10,066,093	9,339,637	9,729,528
Revenue from Use of Assets	6,847,447	25,460,548	7,519,071	6,254,989	6,088,014	5,127,583
Investment Earnings	21,496,811	19,729,932	17,383,410	20,760,264	19,391,030	11,234,179
DIA amd foundation revenue						
Other Revenue (2)	7,296,465	7,936,839	6,505,739	9,612,410	4,405,093	5,608,471
Total Revenues	**1,001,174,247**	**979,615,402**	**928,784,896**	**909,381,819**	**862,468,733**	**792,275,523**

(1) The 2019 through 2024 General Fund revenues numl
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue t

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	1983	1982 Recession	1981 Recession	1980 Recession	1979	1978	1977
REVENUES:							
Taxes:							
Property Taxes..............	119,618,050	120,288,130	116,020,436	112,655,936	107,923,524	108,505,579	115,663,363
Municipal Income Tax..............	215,879,426	216,665,528	133,101,571	137,829,675	141,726,549	132,767,664	124,032,802
Utility Users' tax..............	47,234,580	47,178,503	43,378,769	37,440,887	33,286,606	32,458,264	30,378,484
Wagering Taxes..............							
Gas and Weight Tax..............							
Other Taxes and Assessments..............	4,767,764	3,910,720	2,537,499	3,225,951	2,804,534	1,280,952	921,437
State Hotel and Liquor Tax..............							
State Shared Taxes..............	123,442,045	128,753,106	137,934,758	153,954,330	137,392,847	120,394,991	96,939,018
Shared Taxes-Liquor and Beer Licenses	669,098	804,217	900,198	783,741	851,233	848,133	855,706
Interest and Penalties on Taxes..............	3,121,507	3,469,960	2,973,029	3,380,364	3,015,289	2,083,524	2,060,715
Licenses, Permits and Inspection Charges..............	11,060,510	11,923,252	11,878,347	13,812,433	10,587,671	10,250,553	10,516,354
Intergovernmental:							
Federal..............	22,227,982	20,618,526	29,668,457	17,537,369	28,069,012	38,202,506	30,109,770
State..............	20,490,119	16,342,579	12,257,000	11,742,000	7,842,000	5,091,000	4,202,000
State Equity Grant..............							
Other..............	6,863,578	8,567,475		3,530,313	5,290,105	5,861,532	5,310,273
Sales and Charges for Services..............	110,314,314	106,643,371	96,856,369	73,414,515	61,136,108	59,637,225	59,953,105
Ordinance Fines..............	12,041,935	11,933,719	7,668,705	6,964,316	8,061,727	7,651,507	6,603,160
Revenue from Use of Assets..............	5,150,830	6,711,539	6,603,342	6,192,024	3,345,872	3,616,373	3,616,713
Investment Earnings..............	10,068,047	15,945,723	9,376,100	12,835,140	11,400,126	7,130,445	6,032,714
DIA amd foundation revenue							
Other Revenue (2)..............	7,994,472	7,302,426	8,267,298	10,729,209	12,097,639	7,980,075	8,290,435
Total Revenues	720,944,257	727,058,774	619,421,878	606,028,203	574,830,842	543,760,323	505,486,049

(1) The 2019 through 2024 General Fund revenues numl
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue f

City of Detroit
Combining Statement of Revenues, Expenditures, AND
General Fund

	1976	1975 Recession
REVENUES:		
Taxes:		
Property Taxes	115,862,394	113,723,812
Municipal Income Tax	109,021,084	102,659,923
Utility Users' tax	24,805,085	21,789,636
Wagering Taxes		
Gas and Weight Tax		
Other Taxes and Assessments	533,780	360,152
State Hotel and Liquor Tax		
State Shared Taxes	67,472,129	59,302,270
Shared Taxes-Liquor and Beer Licenses	967,727	992,750
Interest and Penalties on Taxes	1,601,747	914,597
Licenses, Permits and Inspection Charges	7,906,174	7,607,943
Intergovernmental:		
Federal	14,796,787	49,875,311
State		
State Equity Grant		
Other	3,707,866	26,420,917
Sales and Charges for Services	42,042,709	84,019,577
Ordinance Fines	6,847,471	7,039,874
Revenue from Use of Assets	3,548,726	7,627,007
Investment Earnings	7,737,016	11,150,604
DIA amd foundation revenue		
Other Revenue (2)	4,024,888	4,839,441
Total Revenues	410,875,583	498,323,814

(1) The 2019 through 2024 General Fund revenues num
(2) For 2019 through 2024, "Other Revenue" line includ
etc. in order to more quickly calculate the total revenue

Attachment V

A Spreadsheet showing Annual General Fund Surpluses and Deficits from FY 1950 through FY 2018

City of Detroit General Fund Surplus/(Deficit)
Fiscal Years 1950 to 2018

Fiscal Year	Surplus	Deficit	
1950		1,634,762	
1951		4,120,932	
1952		2,612,585	
1953	563,119		
1954	1,128,446		
1955		3,037,555	
1956		2,698,698	
1957		5,323,062	
1958		7,291,135	
1959		852,351	
1960		4,731,593	
1961		8,983,770	
1962		34,573,824	
1963		19,444,564	
1964		8,445,815	
1965	2,309,454		
1966	5,458,103		
1967		10,944,199	
1968		15,373,380	
1969		14,666,271	
1970		19,810,943	
1971		20,459,407	
1972		22,566,341	
1973	11,978,304		
1974	14,445,768		
1975		16,352,461	
1976		36,884,556	
1977	11,564,185		
1978		8,532,542	
1979		19,884,806	
1980		80,866,366	
1981		115,692,131	
1982	3,178,339		
1983		45,682,445	
1984		27,320,553	
1985	47,934,576		
1986	58,306,015		
1987	14,573,189		
1988	24,430,492		
1989	6,813,959		
1990		46,516,523	
1991		105,928,296	
1992		106,089,304	
1993		26,203,862	
1994		53,388,747	
1995	19,976,648		
1996	28,990,000	10,551,947	(1)
1997	12,418,161		
1998	13,380,061		
1999	1,655,874		
2000	2,301,976		
2001		26,395,130	
2002	1,555,594		
2003		69,063,211	
2004		95,032,523	
2005		155,404,035	
2006		173,678,707	
2007		155,575,800	
2008		219,158,137	
2009		331,925,012	
2010		155,692,159	
2011		196,577,910	
2012		326,641,557	
2013		132,560,895	
2014		145,907,582	
2015	70,922,574		
2016	143,047,758		
2017	168,966,674		
2018	131,458,405		

Source: City of Detroit Comprehensive Annual Finance Reports (CAFRs)
Note: Each year's result is cumulative for all prior years.
(1) In FY 1996, the City of Detroit issued $28,990,000 in Limited Tax General Obligation Bonds (LTGO Bonds), Series 1996. Since the LTGO Bonds inured to the benefit of the General Fund, the bonds proceeds were treated as general fund surplus dollars. However, operationally, the City of Detroit experienced a $10,551, 947 deficit in FY 1996. So the net surplus for FY 1996 is $18,438,053.

Attachment VI

A Spreadsheet showing What a Mild or Severe Recession on the City of Detroit may look like

Impact of a Mild or Severe Recession on the City of Detroit

Note: Economists feel that there is a one to three year lag time of when a recession impacts a municipality.

Recession Period	Recession Type	Fiscal Year	Total General Fund Revenues (1)	Lag Time	Amount of Change from Last Year of Recession Period	Percentage Change from Last Year of Recession Period	Comments
1973-1975	Severe	1975	498,323,814				
		1976	410,875,583	1 year	(87,448,231)	-17.5%	In 1976, the City received $35 M less in Federal Aid; also Sales and Charges for Services dropped by $42 M.
		1977	505,486,049	2 years	7,162,235	1.4%	
		1978	543,760,323	3 years	45,436,509	9.1%	
1980-1982	Severe	1980	606,028,203				
		1981	619,421,878				
		1982	727,058,774				City's income tax rate increases to 3% to combat impact of the 1980-1982 recession, which is the primary reason for increase in revenues in 1982.
		1983	720,944,257	1 year	(6,114,517)	-0.8%	
		1984	792,275,525	2 years	65,216,751	9.0%	
		1985	862,468,733	3 years	135,409,959	18.6%	
1990-1991	Moderate	1990	1,041,025,013				
		1991	996,373,041				
		1992	1,015,788,685	1 year	19,415,644	1.9%	
		1993	993,948,618	2 years	(2,424,423)	-0.2%	
		1994	1,015,835,780	3 years	19,462,739	2.0%	
2001	Mild	2001	1,368,884,911				
		2002	1,470,460,820	1 year	101,575,909	7.4%	
		2003	1,379,940,668	2 years	11,055,757	0.8%	
		2004	1,375,067,276	3 years	6,182,365	0.5%	
2007-2009	Severe	2007	1,487,435,488				
		2008	1,303,429,698				
		2009	1,268,371,151				
		2010	1,187,977,092	1 year	(80,394,059)	-6.3%	

	2011	1,220,258,094	2 years	(48,113,057)	-3.8%	
	2012	1,102,250,571	3 years	(166,120,580)	-13.1%	In 2012, property taxes dropped by $36 M from 2011; also, state revenue sharing dropped by $67 M to help balance the State's budget.

Prediction of the impact of a mild or severe recession using percentage drops based on past history:
Assumptions: mild recession percentage drop: 1% drop; severe recession percentage drop: 13% drop; lag time: 2 years

Scenario 1: recession hits in FY 2020:
Impact on City of Detroit General Fund Revenues

	2020	1,110,200,000			
Mild recession	2022	1,099,098,000	2 years	(11,102,000)	-1.0%
Severe recession	2022	965,874,000	2 years	(144,326,000)	-13.0%

Scenario 2: recession hits in FY 2022:
Impact on City of Detroit General Fund Revenues

	2022	1,119,300,000			
Mild recession	2024	1,108,107,000	2 years	(11,193,000)	-1.0%
Severe recession	2024	973,791,000	2 years	(145,509,000)	-13.0%

(1) Total General Fund Revenues amount is from spreadsheet on history of revenues per Attachment III.

Attachment VII

City of Detroit's Budget Reserve Policy

CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 1100
DETROIT, MICHIGAN 48226
PHONE: 313-628-2535
FAX: 313-224-2135
WWW.DETROITMI.GOV

CFO DIRECTIVE
No. 2018-101-004

SUBJECT: General Fund Budget Reserve
ISSUANCE DATE: February 23, 2018
EFFECTIVE DATE: February 23, 2018

---

1. AUTHORITY

   1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall 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.

   1.2. State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014, states the City's annual four-year financial plan shall include and comply with the following requirements:

      1.2.1. Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both.

      1.2.2. Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to no less than 5% of the projected expenditures for the fiscal year.

2. OBJECTIVES

   2.1. To ensure the City has adequate reserves for the continued delivery of mandated and essential City programs and services in the event of an actual or projected budget shortfall in the General Fund.

3. PURPOSE

   3.1. To establish the City's General Fund Budget Reserve, in accordance with State law.

   3.2. To provide policies and procedures for funding and utilizing the General Fund Budget Reserve.

4. SCOPE

   4.1. This Directive applies to the City's General Fund Budget Reserve required by State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014.

5. RESPONSIBILITIES

   5.1. The Deputy CFO- Budget Director shall be responsible for administration and oversight of the General Fund Budget Reserve and this Directive.

   5.2. The Deputy CFO- Treasurer shall be custodian of the cash account(s) for the General Fund Budget Reserve, which shall be invested in accordance with the City's investment management policy.

6. POLICY

6.1. The General Fund Budget Reserve shall be established and maintained as both a budgetary and cash reserve. Cash shall be segregated in a separate bank account.

6.2. Interest earnings on the General Fund Budget Reserve shall not be retained in the General Fund Budget Reserve, unless otherwise appropriated to the General Fund Budget Reserve.

6.3. In each year of the adopted four-year financial plan, the General Fund Budget Reserve shall be funded and maintained at no less than 5% of appropriations for ongoing expenditures (the "required reserve level") for each fiscal year included in the four-year financial plan. Amounts above the required reserve level may be recommended by the Chief Financial Officer (CFO) for consideration during the budget approval process.

6.4. Utilization of the General Fund Budget Reserve shall adhere to the procedures outlined in Section 7 of this CFO Directive.

6.5. Should the General Fund Budget Reserve be utilized and fall below the required reserve level in any given fiscal year, it shall be replenished to the required reserve level. First from any available surplus in the current year, and thereafter, and in full, from revenues in the first fiscal year of the next adopted four-year financial plan.

6.6. The General Fund Budget Reserve shall not be utilized if the budget shortfall can be otherwise addressed, without harming mandated and essential City programs and services, through routine budgetary controls, another budget amendment or transfer, or the line-item veto procedure provided under Section 117.4t(f) of State of Michigan Public Act 279 of 1909, as amended by Public Act 182 of 2014.

7. PROCEDURE

7.1. Upon identifying a need to utilize the General Fund Budget Reserve, the Deputy CFO- Budget Director shall submit a report to the CFO that includes the following:

7.1.1. Cause of the need

7.1.2. Rationale for using General Fund Budget Reserve over any other potential solution

7.1.3. The plan for replenishing the reserve

7.1.4. Any other information requested by the CFO

7.2. If the CFO agrees with and certifies the report (the "Certified Report"), the CFO shall submit it to the Mayor for consideration.

7.3. Upon the Mayor's approval, the CFO shall submit the Certified Report to the City Council for consideration.

7.4. Upon approval by the City Council, the Deputy CFO- Budget Director and Deputy CFO- Treasurer shall take the appropriate actions to utilize the General Fund Budget Reserve and replenish it pursuant to the Certified Report.

8. DEFINITIONS

8.1. *Certified Report*: the report prepared by the Deputy CFO- Budget Director and certified by the CFO on why the General Fund Budget Reserve needs to be utilized and the plan for replenishing it.

8.2. *General Fund Budget Reserve*: the City's general fund budget reserve fund established by this Directive and required by State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014.

APPROVED

John W. Hill
Chief Financial Officer, City of Detroit

Attachment VIII

OCFO's FY 2020 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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

March 29, 2019

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

Re: First FY 2020 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Dear Honorable City Council Members:

The Office of the Chief Financial Officer (OCFO) respectfully submits its annual Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations. The OCFO also publishes this report on the City's website.

This report is provided in accordance with the requirements included in Detroit Financial Review Commission (FRC) Resolution 2018-13, which granted the City its waiver of active FRC oversight through June 30, 2019. The OCFO is pleased to issue this report for the first time under the FRC Resolution. It includes long-term forecasts for the City's legacy pension plans, debt obligations, revenues and expenditures, and the assumptions used for the analysis.

Best regards,

David P. Massaron
Acting Chief Financial Officer

Att: City of Detroit Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Cc: Mayor Michael E. Duggan, City of Detroit
Hakim Berry, Acting Chief Operating Officer and Labor Relations Director
John Naglick, Chief Deputy CFO/Finance Director
Christa McLellan, Deputy CFO/Treasurer
Tanya Stoudemire, Deputy CFO/Budget Director
Stephanie Washington, City Council Liaison

CITY OF DETROIT

FY 2020 Long-Term Forecast Report

For Legacy Pension Plans and Debt Obligations

Office of the Chief Financial Officer

March 29, 2019

Table of Contents

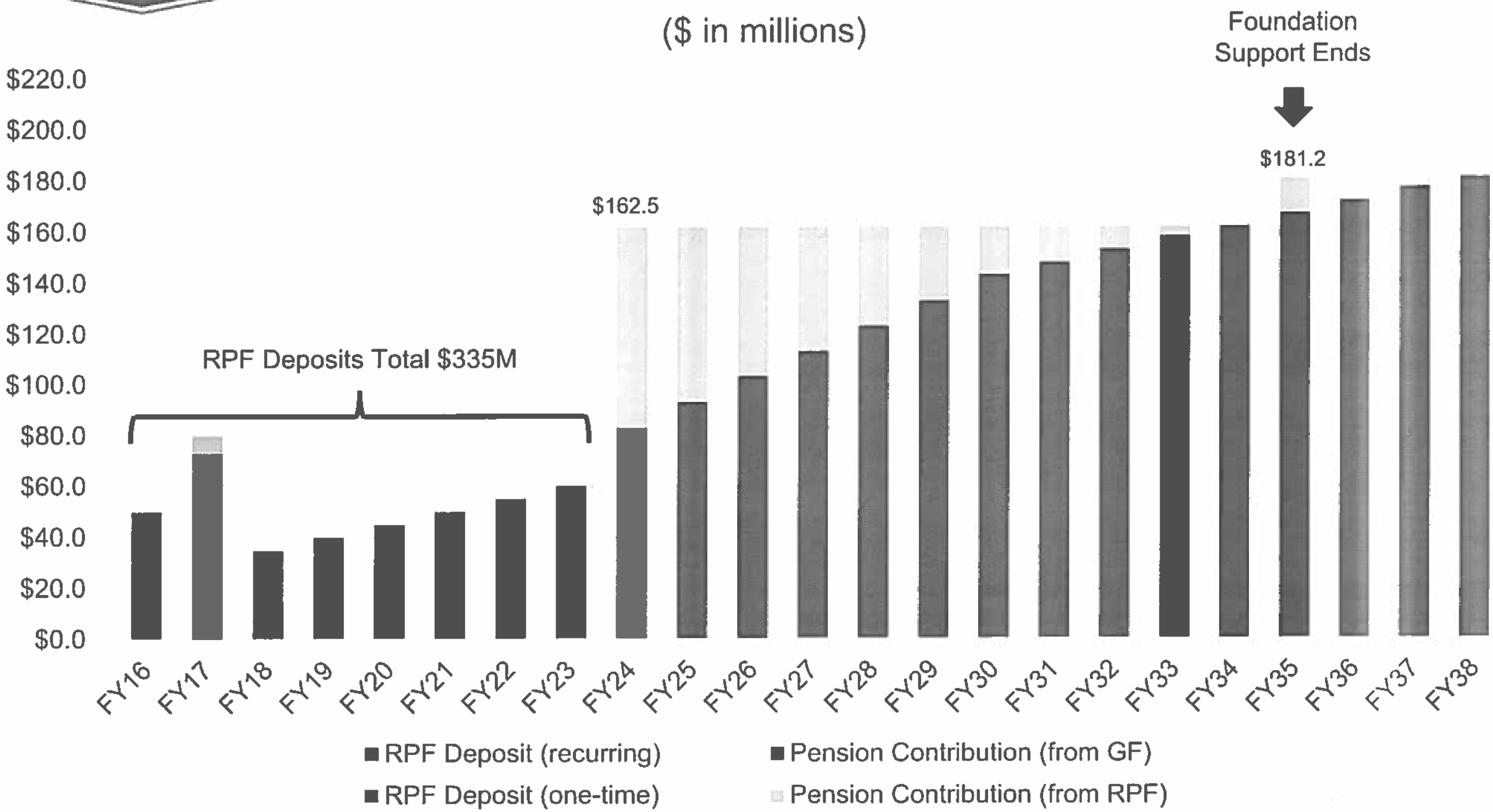
Legacy Pension Plans – Retiree Protection Fund

- In 2017, the City adopted a funding strategy for its frozen legacy pension plan obligations
  - Set aside $335M more in funding by FY 2023 than required by the Plan of Adjustment
  - Deposit funding into an irrevocable trust (the Retiree Protection Fund, "RPF")
  - Build up RPF assets plus investment earnings to be used to partially offset annual required legacy pension contributions that resume in FY 2024
  - Allows the City to begin gradually building up its budget capacity now to meet the annual required contributions in the future
  - Review the funding plan annually based on updated information and revise if needed during the annual budget and planning process

- In 2017, the City enacted an ordinance to establish the RPF as an irrevocable Internal Revenue Code Section 115 trust fund exclusively for satisfying its legacy pension obligations.

- As of June 30, 2018, RPF assets totaled $103.3M. The City deposited an additional $20M appropriated in FY 2019 as planned.

FY 2020 RPF Funding Recommendation



FY 2020 RPF Funding Recommendation

- Maintain FY 2019 funding plan's recurring RPF deposits from General Fund:
  - FY 2020 - $45M
  - FY 2021 - $50M
  - FY 2022 - $55M
  - FY 2023 - $60M

- Increase General Fund share of FY 2024 pension contribution by an extra $13M, for a $23M year-over-year increase
  - Debt service decreases by $13M in FY 2024 and became an ongoing savings once FY 2025 debt cliff was eliminated by refunding bonds issued in December 2018
  - FY 2024 already included a $10M increase in last year's funding plan

- General Fund share of ongoing pension contributions continues to grow $5M to $10M per year until General Fund covers the full contribution in FY 2038 without RPF or foundation support

RPF Updated Assumptions / Inputs

Input	FY 2019 Funding Plan	FY 2020 Funding Plan
Actuarial Valuation	FY 2016	FY 2017
Latest Plan Returns	FY 2017 (14.1% GRS, 12% PFRS)	FY 2018 (6.5% GRS, 8.2% PFRS)
Future Plan Returns	6.75%	6.75%
Amortization(1)	30-year level dollar	30-year level dollar
FY 2024 Contribution	$166.6M gross ($23.2M) foundations/non-GF $143.4M net from GF	$188.0M gross ($25.5M) foundations/non-GF $162.5M net from GF
Latest RPF Returns	Not yet established	FY 2018 (-1.8%)(2)
Future RPF Returns	3%	3%

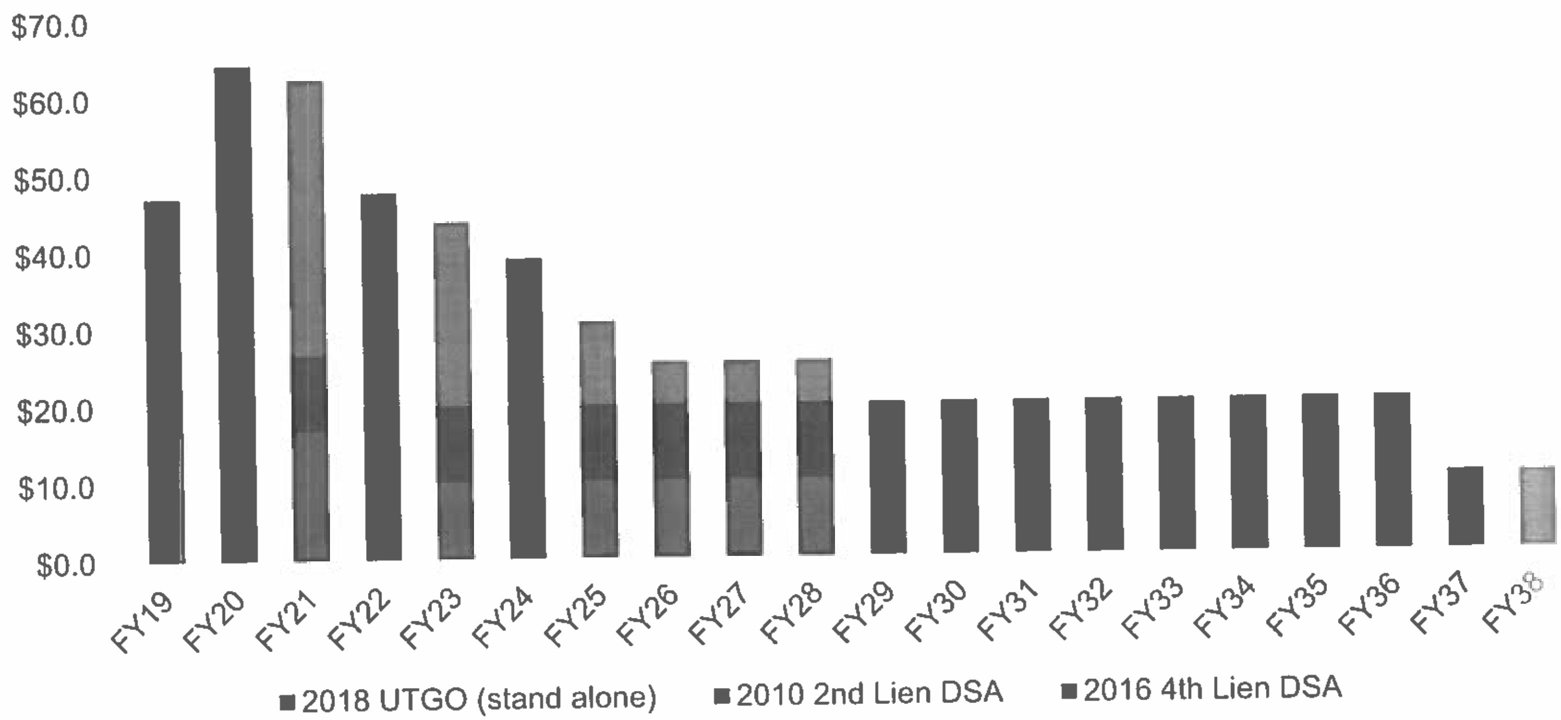
(1) The Retirement Systems have not yet established funding policies for the annual required contributions that resume in FY 2024.

(2) Portfolio repositioned during FY 2018 to achieve 3% future returns, resulting in initial loss.

UTGO Debt Service

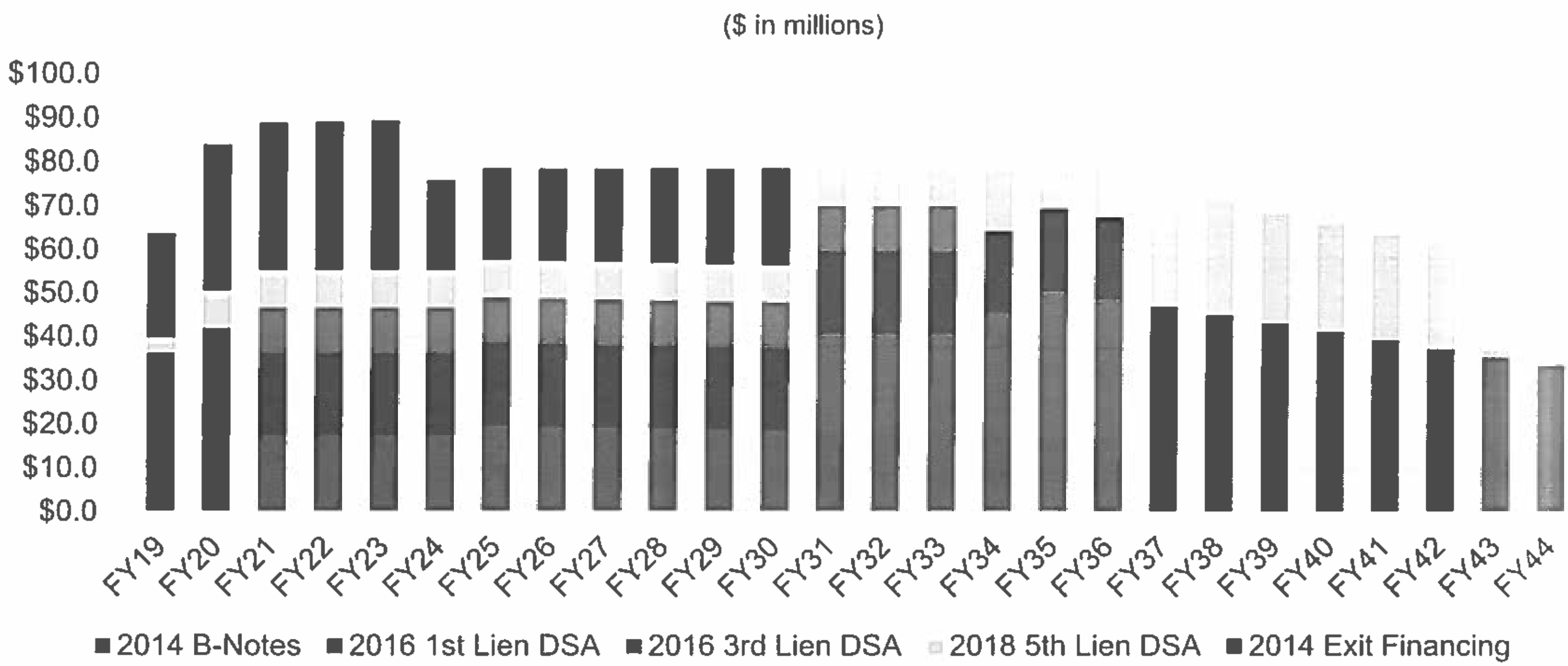
- Unlimited Tax General Obligation (UTGO) bonds are backed by the full faith and credit of the City of Detroit.
- The UTGO bonds are authorized by the voters through ballot proposals
  - UTGO debt service is repaid from dedicated property taxes from the City's debt millage (Debt Service Fund).
  - The 2010 and 2016 Distributable State Aid (DSA) bonds are secured by State Revenue Sharing payments.
  - The 2018 UTGO bonds were the first issued solely against the City's own credit in over 20 years.
- The UTGO bonds support capital improvements throughout Detroit and the refunding of prior indebtedness at more favorable terms.

($ in millions)



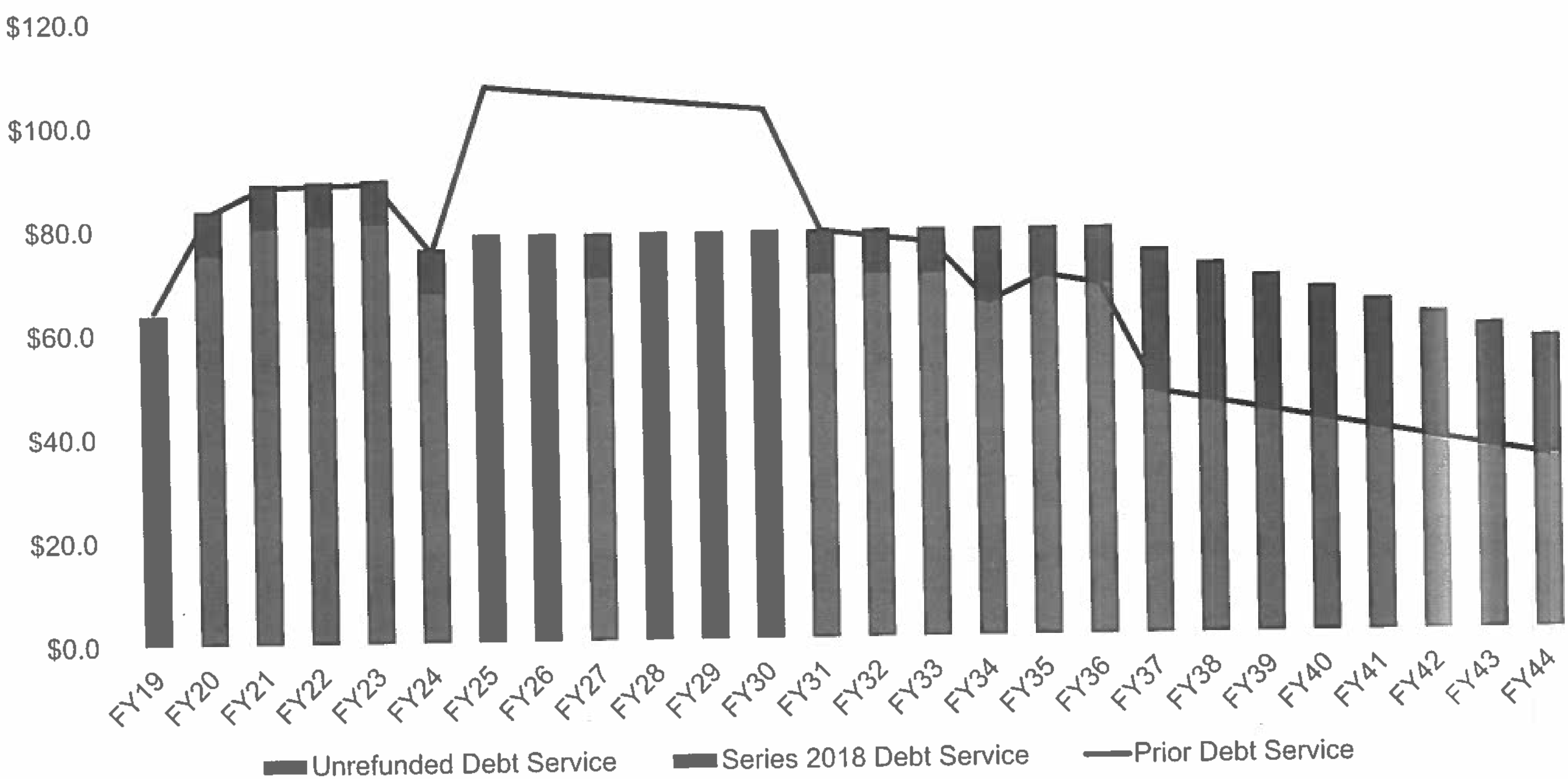
LTGO Debt Service

- Limited Tax General Obligation (LTGO) bonds are backed by the full faith and credit of the City of Detroit.
  - LTGO debt service is primarily repaid from the City's General Fund revenues (approx. 20% of B-Notes are repaid from Enterprise Fund revenues).
  - The 2014 Exit Financing bonds are secured by the City's Income Tax revenue.
  - The 2016 and 2018 Distributable State Aid (DSA) bonds are secured by State Revenue Sharing payments.
- The LTGO bonds supported payments to creditors and the funding of reinvestment projects upon the City's exit from bankruptcy. They also supported the restructuring of prior indebtedness at more favorable terms and capital improvements throughout Detroit.
  - The City used the 2018 DSA bonds to refinance debt to achieve savings and eliminate a debt cliff in FY 2025.



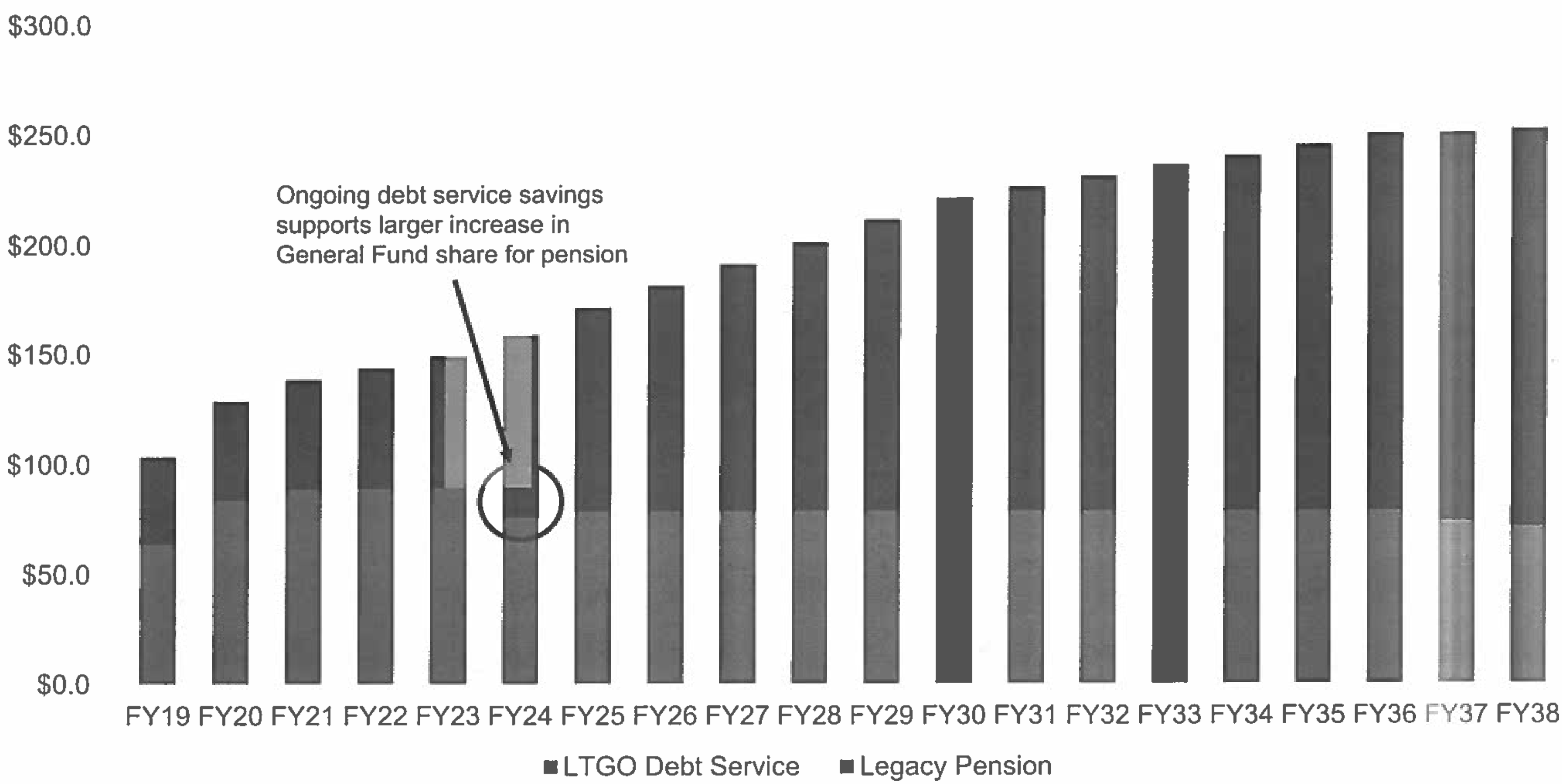
Debt Restructuring Eliminated Prior Debt Cliff

($ in millions)



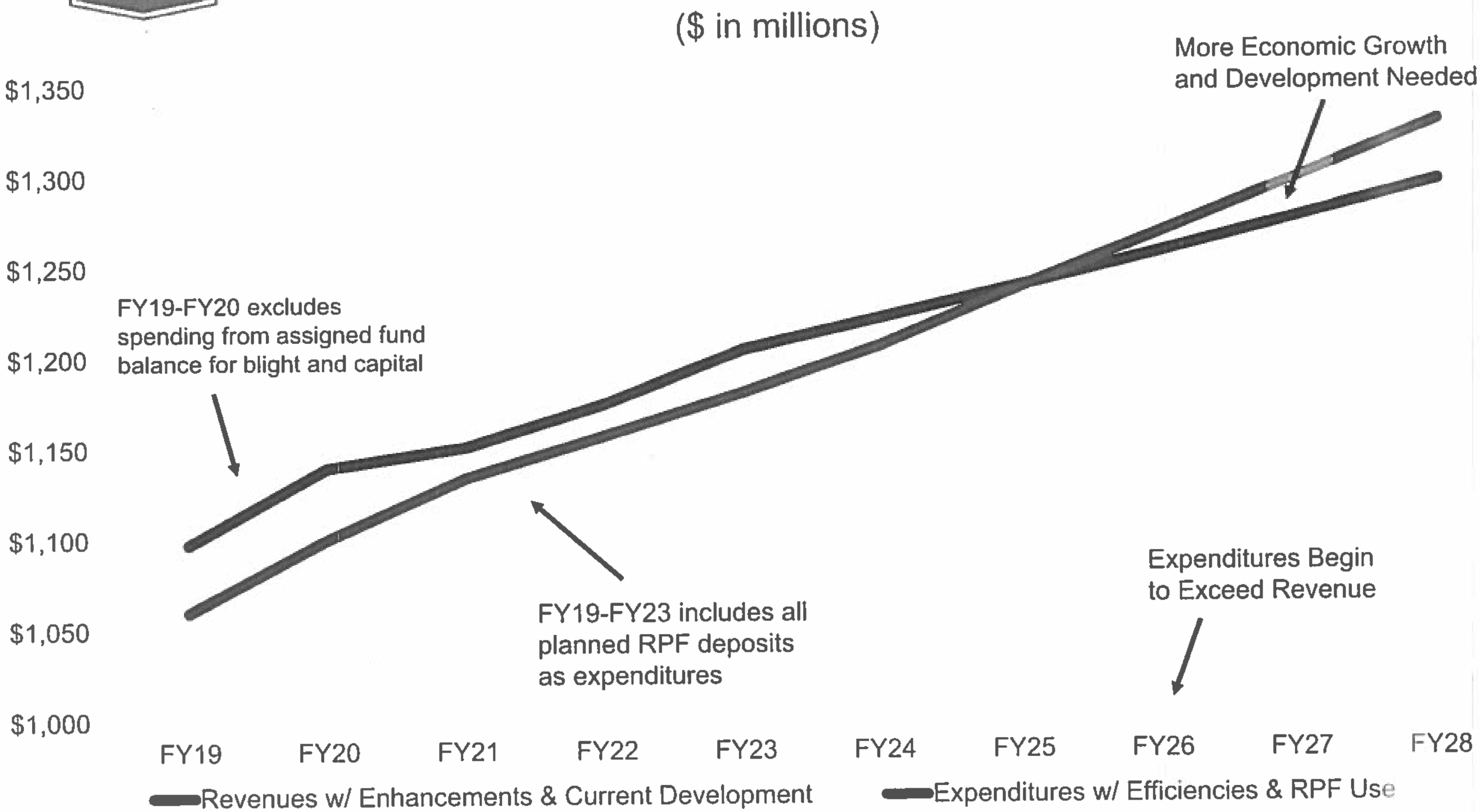
LTGO Debt Service and Legacy Pension

($ in millions)



* Includes LTGO debt service paid by enterprise funds (approx. 20% of B-Note debt service).

Long-Term Forecast



Long-Term Forecast Baseline Assumptions

Revenues

- February 2019 Revenue Conference results through FY 2023
- Major revenue growth continues along revenue conference trends after FY 2023
- Other revenue growth generally held at 2% after FY 2023

Expenditures

- Based on current workforce with ramp-up through FY 2021
- Annual wage increases consistent with current labor agreements and inflationary increases thereafter
- Legacy Pension is based on FY 2020 Retiree Protection Fund plan
- Debt Service based on current schedule (includes 2018 restructuring)
- Other operating expenditures include 2% inflationary growth
- Does not include additional blight and capital beyond recommended FY 2020 appropriations (contingent on available fund balance)

Potential Opportunities Added to Forecast

- **The forecast includes potential revenue and expenditure opportunities above the baseline for long-term planning and potential targets for action.**

- **Due to their uncertainty, these opportunities are not included in the City budget and four-year financial plan until achieved in the actuals.**

- **Economic Growth and Development**
  - Construction and ongoing jobs from current projects announced and underway
    - e.g., Flex-N-Gate, Hudson's Site, Monroe Blocks, Ford Corktown Campus, Fiat Chrysler Assembly Plants (preliminary)
  - Does not assume population growth or potential future development projects

- **Revenue Enhancements**
  - Proposed statutory State Revenue Sharing increase, State-shared marijuana excise taxes
  - EMS billing improvements, metered parking initiatives

- **Operational Reform and Efficiencies**
  - Overtime management, savings to offset future labor contracts (per current policy)

Attachment IX

LPD's Spreadsheet on the Estimated Income Tax Revenue generated by Demolition Contractors

Prequalified Demolition Contractors	City	D-BB	D-RB	D-HB	D-DSB	D-DMBC	MBE	Total Employees	Amount of Laborers	Amount of Heavy Equip Operators	Detroit Employees	Amount of Detroit Laborers	Amount of Detroit Heavy Equip Operators	Amount of Estimated Annual Income Tax Revenue from Non-Detroiters	Amount of Estimated Annual Income Tax Revenue from Detroiters	Total Amount of Estimated Annual Income Tax Revenue from Total Employees
ABLE DEMOLITION INC	Shelby Twp	No	No	No	No	No	No	20	13	7	3	2	1	5,630	1,987	7,617
ADAMO DEMOLITION COMPANY	Detroit	Yes	No	Yes	No	No	No	72	48	24	15	10	5	18,878	9,936	28,813
BLUE STAR INC	Warren	No	No	No	No	No	No	21	14	7	8	5	3	4,305	5,299	9,604
Den-Man Contractors, Inc.	Warren	No	No	No	No	No	No	32	21	11	4	3	1	9,273	2,649	11,923
Detroit Demolition & Environmental	Detroit	Yes*	Yes*	Yes*	Yes*	No	No	17	11	6	9	6	3	2,649	5,961	8,611
Detroit Dismantling	Detroit	Yes	No	Yes	No	No	No	48	32	16	5	3	2	14,241	3,312	17,553
Detroit Next	Detroit	Yes	No	Yes	Yes	No	Yes	13	9	4	13	9	4	0	8,611	8,611
DMC CONSULTANTS INC	Detroit	Yes	Yes	Yes	No	No	Yes	39	26	13	25	17	8	4,637	16,559	21,196
DORE & ASSOCIATES CONTRACTING INC	Bay City	No	No	No	No	No	No	11	7	4	3	2	1	2,649	1,987	4,637
FARROW GROUP INC	Detroit	Yes	No	Yes	Yes	No	Yes	8	5	3	3	2	1	1,656	1,987	3,643
GAYANGA CO	Detroit	Yes	Yes	Yes	Yes	No	Yes	55	37	18	45	30	15	3,312	29,807	33,119
HOMRICH WRECKING INC	Detroit	Yes	No	No	No	No	No	27	18	9	9	6	3	5,961	5,961	11,923
Inner City Construction	Detroit	Yes	No	Yes	Yes	No	Yes	5	3	2	5	3	2	0	3,312	3,312
J Keith Construction	Detroit	Yes	Yes	Yes	No	Yes	Yes	10	7	3	9	6	3	331	5,961	6,293
Junior Jrs	Detroit	Yes*	Yes*	Yes*	Yes*	No	No	24	16	8	15	10	5	2,981	9,936	12,916
LEADHEAD CONSTRUCTION LLC	Detroit	Yes	No	No	Yes	No	Yes	7	5	2	7	5	2	0	4,637	4,637
North American	Lapeer	No	No	No	No	No	No	75	50	25	0	0	0	24,839	0	24,839
RDC CONSTRUCTION SERVICES	Southfield	No	No	No	No	No	No	5	3	2	2	1	1	994	1,325	2,318
RICKMAN ENTERPRISE GROUP, LLC	Detroit	Yes	No	Yes	No	No	Yes	20	13	7	8	5	3	3,974	5,299	9,273
Salenbien Trucking and Excavating, Inc.	Dundee	No	No	No	No	No	No	93	62	31	0	0	0	30,800	0	30,800
SC Environmental**	Detroit	Yes*	No	Yes*	Yes*	No	No	25	17	8	3	2	1	7,286	1,987	9,273
SMALLEY CONSTRUCTION INC	Jackson	No	No	No	No	No	No	14	9	5	12	8	4	662	7,948	8,611
Total								641	427	214	203	135	68	145,059	134,461	279,520

Certified

Non-Certified

Scenario 1: 5 new demolition businesses created in a year

3 demolition companies	Detroit			Yes				60	40	20	30	20	10	9,936	19,872	29,808
2 demolition companies	Outside of Detroit							40	27	13	20	13	7	6,480	13,392	19,872
Total								100	67	33	50	33	17	16,416	33,264	49,680

Scenario 2: 10 new demolition businesses created in a year

7 demolition companies	Detroit			Yes				140	93	47	70	47	23	23,328	46,224	69,552
3 demolition companies	Outside of Detroit							60	40	20	30	20	10	9,936	19,872	29,808
Total								200	133	67	100	67	33	33,264	66,096	99,360

Yes* - intending to certify/undergoing certification

** - relocating headquarters to Detroit; working with City to increase number of employees that are residents

D-DSB must have been in existence and operating for at least one (1) year prior to the date of application

Assumptions:

1. Based on information from the DESC, laborers earn an average hourly rate of $15; heavy equipment operators an average hourly rate of $27.50. There are two laborers for every one heavy equipment operator.
2. Laborers and heavy equipment operators work 9 months during a year, or 1,440 hours per year.
3. Income tax rate on non-Detroiters is 1.2%; 2.4% for Detroiters
4. Assume 5 and 10 new demolition contractors created a year with 20 employees per contractor with half Detroiters and half non-Detroiters with 75% of demolition businesses located in the City of Detroit and 25% located outside the City of Detroit.