

October 30, 2018
Formal Agenda

**BUDGET,
FINANCE, AND
AUDIT STANDING
COMMITTEE**



**OFFICE OF CONTRACTING
AND PROCUREMENT**

October 24, 2018

HONORABLE CITY COUNCIL:

The Purchasing Division of the Finance Department recommends a Contract with the following firm(s) or person(s):

2890777 100% City Funding – AMEND 2 – To Provide eCivis User Software and Counseling for Grants Management. – Contractor: eCivis, Inc. – Location: 418 N. Fair Oaks, Suite 301, Pasadena, CA 91103 – Contract Period: Upon City Council Approval through October 8, 2020 – Contract Increase: \$162,760.00 – Total Contract Amount: \$477,150.00. **OFFICE OF THE CHIEF FINANCIAL OFFICER – GRANTS** *(This Amendment is for an Increase of Funds and Time.)*

Respectfully submitted,

Boysie Jackson, Chief Procurement Officer
Office of Contracting and Procurement

BY COUNCIL MEMBER **AYERS**

RESOLVED, that Contract No. 2890777 referred to in the foregoing communication dated October 24, 2018, be hereby and is approved.



2

City of Detroit

CITY COUNCIL

MARY SHEFFIELD
COUNCIL PRESIDENT PRO TEM
DISTRICT 5

MEMORANDUM

TO: Janice Winfrey, Detroit City Clerk
FROM: Council President Pro Tem Mary Sheffield *MS*
TRHU: Council Member Ayers, Chair, Budget Finance & Audit Standing Committee
DATE: October 24, 2018
RE: Homeowners Property Tax Assistance Program (HPTAP) Ordinance

This is to request that the HPTAP Ordinance be referred to the Budget Finance & Audit Standing Committee for consideration. Please see the attached ordinance and supporting documents.

CITY CLERK 2018 OCT 24 PM 12:35

S U M M A R Y

AN ORDINANCE to amend Chapter 18 of the 1984 Detroit City Code, *Finance and Taxation*; Article IX, *Taxation Generally*, by adding Division 9, *Homeowners Property Tax Assistance Program*, to include Sections 18-9-131 through 18-9-141, to set forth the purpose of the program; to establish ownership and occupancy of the property is required; to require an annual application; to set forth the time of submission of the application; to set for the content of the application and its availability; to remove the notary requirement of the application; to create a short form affidavit; to require guidelines be promulgated; to provide the appropriate relief; to require notice of the program be forwarded with annual assessment notices; to preserve the ability of an applicant to appeal an assessment; and to set forth tax bill requirements.

1 **BY COUNCIL MEMBER** _____;

2 **AN ORDINANCE** to amend Chapter 18 of the 1984 Detroit City Code, *Finance and*
3 *Taxation*; Article IX, *Taxation Generally*, by adding Division 9, *Homeowners Property Tax*
4 *Assistance Program*, to include Sections 18-9-131 through 18-9-141, to set forth the purpose of
5 the program; to establish ownership and occupancy of the property is required; to require an annual
6 application, to set forth the time of submission of the application; to set for the content of the
7 application and its availability; to remove the notary requirement of the application; to create a
8 short form affidavit; to require guidelines be promulgated; to provide the appropriate relief; to
9 require notice of the program be forwarded with annual assessment notices; to preserve the ability
10 of an applicant to appeal an assessment; and to set forth tax bill requirements.

11 **IT IS HEREBY ORDAINED BY THE PEOPLE OF THE CITY OF DETROIT THAT:**

12 **Section 1.** Chapter 18 of the 1984 Detroit City Code, *Finance and Taxation*; Article IX,
13 *Taxation Generally*, be amended by adding Division 9, *Homeowners Property Tax Assistance*
14 *Program*, to consist of Sections 18-9-131 through 18-9-141, to read as follows:

15 **CHAPTER 18. FINANCE AND TAXATION**

16 **ARTICLE. IX. TAXATION GENERALLY**

17 **Division 9. Homeowners Property Tax Assistance Program**

18 **Sec. 18-9-131. Purpose.**

19 To set forth the procedures and standards for the submission and review of applications for
20 property tax exemptions, in whole or in part, for persons who in the judgment of the Board of
21 Review, by reason of poverty, are unable to contribute toward the public charges.

1 **Sec. 18-9-132. Ownership and occupancy required.**

2 The Applicant must be an owner and occupy as a principal residence the property for which
3 the exemption is requested.

4 **Sec. 18-9-133. Annual application required; time of submission.**

5 (a) The Applicant must submit a new application each year to qualify for the exemption
6 provided for in the Homeowners Property Tax Assistance Program.

7 (b) The application for an exemption shall be filed after January 1 but prior to the last
8 day of the December Board of Review.

9 **Sec. 18-9-134. Application for Homeowners Property Tax Assistance Program; availability.**

10 (a) Homeowners Property Tax Assistance Program applications shall be available to
11 the general public at the Office of the Assessor, City of Detroit Recreation Centers, Department of
12 Neighborhood Offices and on all of the City's website under all webpages that reference property
13 taxes or the payment of property taxes.

14 (1) The Office of the Assessor shall post a notice near the Homeowners Property Tax
15 Assistance Program applications and on the Property Assessment Documents page
16 that advises residents that the Applicant may speak with a representative of the
17 Board of Review if they have any questions about the application.

18 (2) The Board of Review shall maintain and provide upon request, a resource list of
19 organizations that will assist in the completion of the Homeowners Property
20 Assistance Program application.

21 (b) An application for Homeowners Property Tax Assistance Program made pursuant
22 to MCL 211.7u, shall be made by the property owner on a form that is provided by the Assessor's

1 Office as set forth in Subsection (a) of this section. In addition to other required information, the
2 application shall include a place to identify the following:

3 (1) Information regarding ownership of the property including:

4 a. Name of Applicant;

5 b. All names listed on the recorded document;

6 c. Address of the property; and

7 d. Parcel number of the property.

8 (2) All Members of the household including minor children residing at the address.

9 (3) Marital status of Applicant.

10 (4) All sources of income.

11 (5) Itemized assets.

12 (6) Itemized Debts.

13 (7) A list of all tax credits and rebates.

14 (8) An alternative contact person.

15 (c) The Applicant shall produce with the application:

16 (1) A deed, land contract, or any other recorded proof of ownership, including but not
17 limited to, a probate order or judgment of divorce.

18 (2) A valid driver's license, or any unexpired government issued identification so long
19 as it includes the applicant's picture and address.

20 (3) Documentation providing proof of marital status which may include a judgment of
21 divorce, order of separation, order of desertion or a statement made by the
22 Applicant attesting to the fact of the divorce, separation or desertion and that the
23 spouse no longer resides with the Applicant. The Board retains the right to request

1 additional information from the Applicant in support of this statement of divorce,
2 separation or desertion.

3 (4) Documentation that establishes the residency for all minors at the address including
4 but not limited to, federal or state tax returns, Department of Health and Human
5 Services statements, Friend of the Court statements, school report cards, school
6 transcripts and Social Security statements.

7 (5) Complete federal and state income tax returns, including schedules, for all adult or
8 the current year.

9 a. Tax returns are not required for a person residing in the principal residence
10 if that person was not required to file a federal tax return in the tax year in
11 which at the exemption is claimed or in the immediately preceding tax year,
12 instead, an affidavit on a form provided for by the state tax commission may
13 be accepted.

14 b. The Board of Review retains the right to request additional documentation
15 if there is a reasonable basis to believe certain income is not reflected on the
16 tax return.

17 c. For Applicants who are not required to file a tax return, the Board shall
18 accept W2 forms, Social Security statements, or any other reasonable proof
19 including, but not limited to, documents showing current enrollment in any
20 government program that has the same or lower income requirements.

21 (6) Documents providing proof of property tax credits. For those Applicants who are
22 not required to file tax returns, the Board of Review reserves the right to request
23 the Applicant to list all prior year tax rebates or tax credits.

1 (d) The Applicant shall not be required to provide utility bills to support the claim of
2 occupancy of the subject property.

3 (e) The application shall not include a requirement for notarization, but may include a
4 signing statement acknowledging the applicant's submission under penalty of perjury and the
5 potential criminal liability for false or fraudulent applications and statement of prosecutorial intent
6 with respect to false or fraudulent applications.

7 (f) The application shall not include a deadline for submission, but shall state that all
8 applications will be considered if postmarked or submitted in person prior to the last day of the
9 December Board of Review. The application shall state that the Board of Review "strongly
10 encourages homeowners to apply as soon as possible and that any application not submitted prior
11 to the last day of the December Board of Review cannot be considered for the current year."

12 (g) The application shall include a document checklist of all items needed for the
13 application to be considered by the Board of Review.

14 (h) The application shall include a space for the Applicant to document extraordinary
15 circumstances and explain why they are seeking an exemption.

16 **Sec. 18-9-135. Short Form Affidavit.**

17 (a) An Applicant may submit a short form affidavit if all the following requirements
18 are met:

19 (1) The Applicant has received a property tax exemption for three consecutive years;

20 (2) The Applicants income for the most recent tax year did not increase from the
21 previous tax year beyond the applicable income guideline for the type of property
22 tax exemption that was granted;

1 (3) The Applicants assets for the most recent tax year did not increase from the
2 previous tax year beyond the applicable asset threshold for the type of property tax
3 exemption that was granted;

4 (4) The Applicants ownership of the residential property has not changed from the
5 previous tax year for which the property tax exemption was granted; and

6 (5) The Applicant is either unable to complete the City of Detroit Board of Review's
7 Homeowner Property Tax Assistance Application or doing so would be an undue
8 hardship for the Applicant.

9 (b) In addition to other requested information, the short form affidavit shall require:

10 (1) The applicant's name and address;

11 (2) A copy of the Applicant's current identification;

12 (3) A copy of the recorded proof of ownership; and

13 (4) An attestation that the information that the information on the short form affidavit
14 is accurate.

15 (c) The short form affidavit shall be filed with the Office of the Assessor along with
16 the petition prior to the last day of the December Board of Review for consideration for the current
17 tax year.

18 **Sec. 18-9-136. Guidelines.**

19 (a) City Council shall determine and make available to the public the policy and
20 guidelines that the City uses for the granting of exemptions.

21 (1) The guidelines shall include but not be limited to specific income levels for property
22 tax exemption for the applicant, specifically, that Applicants seeking a full
23 exemption must have income at or below 138% of the Federal Poverty Level and

1 Applicants seeking a partial exemption must have income at or below 160% of the
2 Federal Poverty Level.

3 (2) The guidelines shall include asset levels of the claimant and total household income
4 to be considered in the granting of a property tax exemption. Applicants who have
5 less than \$12,000 in assets need not list assets, instead they can provide an
6 affirmative statement attesting to the value of assets owned.

7 (b) The Board of Review shall submit the proposed guidelines to City Council by
8 October 15th for consideration and adoption via resolution for the next tax year.

9 (c) The policy and guidelines shall include the appeal process for Applicants that are
10 denied relief.

11 (d) The Board of Review shall not require applicants whose income falls below the
12 eligible threshold to document their expenses or debts. Those whose income is above the eligible
13 threshold may list debts and expenses to offset their higher income.

14 (e) As provided in MCL 211. 1 et. seq., *The General Property Tax Act*, the Board of
15 Review shall follow the policy and guidelines of the City in granting or denying an exemption
16 unless the Board of Review determines there are substantial and compelling reasons why there
17 should be a deviation from the policy and guidelines and the substantial and compelling reasons
18 are communicated in writing to the claimant.

19 **Sec. 18-9-137. Relief.**

20 The Board of Review shall provide a partial, 50% tax exemption and up to a full, 100% tax
21 exemption, based on the guidelines referenced in Section 18-9-136 of this Code.

1 **Sec. 18-9-138. Notice of the Homeowners Property Tax Assistance Program; outreach.**

2 (a) The City shall include on the Notice of Assessment mailed to homeowners the
3 second week in January, that the Homeowners Property Tax Assistance Program help is available
4 and contact information to request or obtain an application.

5 (b) The City shall provide and maintain easily accessible information on its' website
6 that describes the Homeowners Property Tax Assistance Program, the program guidelines and the
7 process to apply.

8 **Sec. 18-9-139. Decision letter.**

9 (a) All applicants for the Homeowners Property Tax Assistance Program shall receive
10 a written notification of the Board's decision within 10 days after the close of the Board of Review.

11 (b) If the Board of Review denies an application the notice shall include the reasons
12 for denial and provide the process and timeline for the appeal.

13 (c) If the Board of Review fails to consider an application the notice shall include
14 information as to the inadequacy or untimeliness of the application.

15 **Sec. 18-9-140. Appeal of assessment preserved.**

16 A person is not prohibited from also appealing the assessment on the same property before
17 the Board of Review in the same year if they are an Applicant for the Homeowners Property Tax
18 Assistance Program.

19 **Sec. 18-9-141. Tax bill.**

20 (a) Tax payers that receive a partial or complete property tax exemption will be issued
21 a revised tax bill within 30 days after the close of the July or December Board or review, whichever
22 is applicable.

1 **(b)** Except for a partial exemption, the revised tax bill will reflect the amount of the
2 reduced solid waste fee.

3 **Secs. 18-9-142 -- 18-9-150. Reserved.**

4 **Section 2.** This ordinance is hereby declared necessary to preserve the public peace, health,
5 safety, and welfare of the People of the City of Detroit.

6 **Section 3.** All ordinances, or parts of ordinances, that conflict with this ordinance are repealed.

7 **Section 4.** The division added by this ordinance has been enacted as comprehensive local
8 legislation. It is intended to be the sole and exclusive law regarding its subject matter, subject to
9 provisions of state law.

10 **Section 5.** In the event this ordinance is passed by two-thirds (2/3) majority of City Council
11 Members serving, it shall be given immediate effect and become effective upon publication in
12 accordance with Section 4-118 of the 2012 Detroit City Charter. Where this ordinance is passed
13 by less than a two-thirds (2/3) majority of City Council Members serving, it shall become effective
14 on the thirtieth (30) day after enactment, or on the first business day thereafter, in accordance with
15 Section 4-118 of the 2012 Detroit City Charter.

Approved as to form:

Lawrence T. García
Corporation Counsel

HPATAP ORDINANCE REPORT



**FOR MARY SHEFFIELD
DETROIT CITY COUNCIL PRO TEM**

Contents

| | |
|--|-----------|
| I. – REMOVING THE NOTARIZATION REQUIREMENT | 2 |
| II. – LETTERS OF SUPPORT | 4 |
| <i>i) ACLU</i> | <i>4</i> |
| <i>ii) Quicken Loans Community Fund.....</i> | <i>9</i> |
| <i>iii) United Community Housing Coalition & Michigan-Legal Services</i> | <i>10</i> |
| <i>iv) Detroit Action Commonwealth.....</i> | <i>11</i> |
| <i>v) Neighbors Building Brightmoor.....</i> | <i>13</i> |
| <i>vi) Central Detroit Christian</i> | <i>15</i> |
| III. – ADJUNCTIVE ELIGIBILITY..... | 16 |

I. – REMOVING THE NOTARIZATION REQUIREMENT

MEMORANDUM

To: Hon. Mary Sheffield
From: Coalition to End Unconstitutional Tax Foreclosures
Re: Notarization of the Homeowner Property Tax Assistance Program (HPTAP) Application
Date: October 10, 2018

QUESTION PRESENTED

Is the notary requirement necessary to prosecute individuals who provide false statements on the HPTAP application or to otherwise deter individuals from making false statements?

SHORT ANSWER

No.

ANALYSIS

Notarization is not necessary to verify an applicant's identity.

Unlike notarization, the HPTAP's ID requirement verifies both identity and residency. For a notarial act, a notary must establish a person's identity before administering an oath. A person's identity can be established by: (i) the notary's personal knowledge of the person, (ii) an oath or affirmation of a credible witness known by the notary, (iii) presentation of a valid, government-issued photo identification *with signature*, or (iv) an identity proofing service that is a part of a remote electronic notarization platform. See MCL 55.285(6). A notary can, in addition to non-documentary proofs, accept non-address bearing government-issued IDs, e.g. passports or alien registration cards ("green cards") to establish identity. Thus, notarization does not require the presentation and examination of government-issued photo ID with an address.

In contrast, HPTAP requires the production of a valid, government-issued photo ID *with an address* in all instances. To receive such an ID, an applicant must have proved both identity and residency by presenting proofs to the issuing agency. Therefore, the HPTAP's requirement to present an ID with an address alone satisfies the City's dual goals of identity and residency verification. Further, the HPTAP's other documentation requirements—tax returns and minor residency proofs—provide further verification of both an individual's identity and address.

Notarization is not necessary to prosecute applicants who make false claims.

The General Property Tax Act has enforcement mechanisms for false or fraudulent claims. MCL 211.120 provides up to four counts for each false or fraudulent statements in the HPTAP application as well as the accompanying principal residency exemption application and property transfer affidavit. The statute also provides for enforcement against anyone who aided or abetted in making the false or fraudulent statements. Two of the counts are punishable by imprisonment of not more than one year and punishable by a fine of not more than \$5,000.00 or public service of not more than 1,500 hours, or both; two are punishable by a fine of not more than \$1,000.00 or public service of not more than 500 hours, or both.

MCL 211.120(3) establishes a count of perjury for a person who falsely or fraudulently “swears to or verifies” an affidavit under MCL 211.7cc (principal residency exemption, which is necessary for the HPTAP). A simple signing statement—e.g. “I certify, under penalty of perjury, that the statements made in this application are true and correct.”—is sufficient to satisfy the oath requirement for a charge of perjury. *See People v. Thompson*, 193 Mich. App 58 (1992), *overruled on other grounds*.

Notarization is not necessary to signal to applicants the seriousness of the undertaking.

One perceived benefit of notarization is that the oath signals to the applicant that they are undertaking a serious act and they can be prosecuted if they lie. One study examined the practices of 220 notaries in 22 cities in New York and concluded that “91.7 percent failed to administer an oath of any form.” *See Alfred E. Piombino, Notary Public Handbook* 71 (1996) at xxii. Consequently, there are more effective ways of communicating the seriousness of the undertaking. What we recommend is the above-mentioned signing statement presented in bold, all caps, and enlarged font with a restatement of penalties under MCL 211.120, and a statement of intent to prosecute.

CONCLUSION

The requirement to notarize HPTAP applications should be removed because it does nothing to deter the submission of fraudulent applications nor does it strengthen the City’s ability to prosecute bad actors. In a follow up submission, we will provide affidavits from several community organizations who have been leading efforts to enroll Detroit residents in HPTAP, which attest to the unnecessary hardship that notarization places on applicants.

II. – LETTERS OF SUPPORT

i) ACLU



State Headquarters
290 Woodward Avenue
Detroit, MI 48201
Phone 313 578 6800
Fax 313 578 6811
E-mail info@aclumichigan.org
www.aclumichigan.org

Legislative Office
P.O. Box 18022
Lansing, MI 48901-8022
Phone 517 372 8503
Fax 517 372 5121
E-mail info@aclumichigan.org
www.aclumichigan.org

West Michigan Regional Office
1514 Wealthy St. SE, Suite 242
Grand Rapids, MI 49508
Phone 616 301 0939
Fax 616 301 0640
E-mail info@aclumichigan.org
www.aclumichigan.org

October 14, 2018

Hon. Mary Sheffield
Detroit City Council
2 Woodward Avenue, Suite 1340
Detroit, MI 48226

Re: Barrier posed by HIPAP Application's Notary Requirement

Dear Councilwoman Sheffield:

I have been asked to explain my understanding of how the notary requirement for the poverty tax exemption application poses a barrier for qualified applicants. As you know, the ACLU worked for several years to reform the poverty tax exemption process, including litigating the *MorningSide v. Salvea* lawsuit, which was settled this summer.

After speaking with large numbers of Detroit homeowners who were eligible for the poverty exemption, as well as many advocates who serve these homeowners, we at the ACLU concluded that the notary requirement posed a substantial barrier to accessing a program that could have saved thousands of homes. A small percentage of eligible homeowners were employed and, even if they were, hardly any of them worked for an employer that had a notary onsite. Unlike many communities, few of the eligible Detroit homeowners lived in near a bank that has notaries on duty. The majority of eligible homeowners lacked transportation to drive to where they could have their documents notarized. Large numbers of eligible homeowners were elderly and/or had a disability and lived in an area where public transportation was unreliable and/or very slow.

Without getting into the confidential details of the settlement negotiations of the *MorningSide* case, the parties were able to address the notary requirement for some, but not all, eligible homeowners. An exception to the notary requirement was made for only three categories of people: (1) the elderly, (2) the physically disabled, and (3) those whose caretaking abilities made it difficult to sign the application materials in front of a notary. Homeowners who fell into those three categories could dispense with the notary requirement by simply signing a declaration "under the penalty of perjury" that the notary requirement posed a hardship.

However, eligible homeowners who do not fall in one of these categories cannot apply without a notarized affidavit no matter how severe their hardship and no matter how much of a barrier the notary requirement causes. In my view, there is no reason why the City cannot dispense with the notary requirement for all applicants.

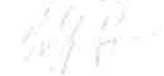
Presumably, the reason some officials hope to keep notary requirement is because they think signing in front of a notary would impress upon the applicants the need to tell the truth. However, as the legal analysis attached to this letter makes clear, so long as the application

includes a statement stating that the applicants are signing under "penalty of perjury," the applicant is guilty of a crime for lying. (See Appendix A)

In short, given the barriers the notary requirement still poses for many HPTAP applicants, and given that there is no legal reason to impose this requirement, I strongly support replacing the notary requirement with a requirement that the applicant attest to the truth of the statements in the application under penalty of law.

Please feel free to contact me if you have any questions.

Very truly yours,



Michael J. Steinberg, Legal Director
American Civil Liberties Union of Michigan
2966 Woodward Avenue
Detroit, Michigan 48201
(313) 578-6814
msteinberg@aclumich.org

APPENDIX A

THERE IS NO LEGAL JUSTIFICATION FOR THE NOTARY REQUIREMENT BECAUSE APPLICANTS WHO LIE ON THEIR APPLICATIONS MAY BE PROSECUTED WITHOUT THE APPLICATION BEING NOTARIZED

A. Applicants who lie on their applications can be prosecuted for perjury under Michigan law.

Michigan law recognizes two types of perjury—that committed in courts, which is prosecuted under MCL 750-422; and that committed outside of court, which is prosecuted under MCL 750-423. *People v. Ramos*, 430 Mich 544, 575, 424 NW2d 509, 524 (1988) (BOYLE, J., dissenting). Prior to 2012, a person was not guilty of committing perjury in an out-of-court statement unless he or she specifically made a verbal oath in front of a notary or other authorized official. As the Michigan Supreme Court stated in reversing a conviction of a man who filed a false welfare application, a person did not commit perjury under MCL 750-423 for simply signing a statement affirming the veracity of the application “under penalty of perjury.” *See Ramos*, 430 Mich at 555 (opinion of the Court).

The *Ramos* Court explicitly distinguished the Michigan perjury statute from federal law and several other state laws⁶ that explicitly criminalized false statements signed “under penalty of perjury.” *Id.* at 555–56. However, the court explicitly acknowledged that the Legislature could fix the problem and “dispense[] with the oath by specifying the mere signing of an application, stating that the signing is under the penalties of perjury, constitutes the offense of perjury.” *Id.* at 561.⁷

In 2012, the Legislature essentially accepted the invitation of the *Ramos* court by amending MCL 750-423 through 2012 PA 360. As the bill’s legislative analysis made clear

Currently, a person authorized under state law to take an oath or required to do so, who willfully swears falsely in regard to any matter or thing respecting which the oath is authorized or required is guilty of perjury punishable by imprisonment for up to 15 years.

The bill would apply the above provision and penalty to a person who willfully makes a false declaration in a record that is signed by the person given under penalty of perjury.

⁶ Including California, Washington, and Wyoming.
⁷ At the time *Ramos* was decided, MCL 750-421 read as follows:

Definition—Any person authorized by any statute of this state to take an oath, or any person of whom an oath shall be required by law, who shall willfully (s) swear falsely, in regard to any matter or thing, respecting which such oath is authorized or required, shall be guilty of perjury, a felony, punishable by imprisonment of the state prison not exceeding 15 years.

House Legislative Analysis, SB 688 (November 25, 2012) (emphasis added).

The bill was intended as a “complementary amendment” in the Michigan Penal Code to a tie-barred bill adopting the Uniform Unsworn Foreign Declaration Act. That bill “establish[ed] a procedure by which a person living or traveling outside of the United States who must sign a sworn statement could make that statement under penalty of perjury without having to take an oath before a U.S. consular officer.” *Id.* (emphasis added)

The amended version of MCL 750.423, which added subsection (2), now reads as follows:

(1) Any person authorized by a statute of this state to take an oath, or any person of whom an oath is required by law, who willfully swears falsely in regard to any matter or thing respecting which the oath is authorized or required is guilty of perjury, a felony punishable by imprisonment for not more than 15 years.

(2) Subsection (1) applies to a person who willfully makes a false declaration in a record that is signed by the person and given under penalty of perjury. As used in this subsection:

(a) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(b) “Signed” means the person did either of the following to authenticate or adopt the record:

(i) Executed or adopted a tangible symbol

(ii) Attached to or logically associated with the record an electronic symbol, sound, or process

MCL 750.423 (2012) (effective April 1, 2013) (emphasis added)

In other words, under the current statute, any person who lies in a document for which s/he is authorized or required to take an oath (subsection 1), is guilty of perjury if that person either takes an oath (subsection 1) or signs an unsworn “declaration” under “the penalty of perjury” (subsection 2)

Applying MCL 750.423 to the present case, a person commits the crime of perjury to “swear falsely” in connection with any proceedings set forth in the act governing real estate taxes, including the poverty tax exemption section.⁷ Specifically, MCL 211.118 provides:

Any person who, under any of the proceedings required or permitted by this act shall willfully swear falsely, shall be guilty of perjury and subject to its penalties.

Further, the poverty tax exemption application process is a proceeding specifically authorized by the act. See MCL 211.70.

⁷ MCL 211.71 sets forth the procedure for establishing eligibility for the poverty exemption.

Since state law prohibits "swearing" falsely on a poverty exemption application, and since MCL 750.423(2) establishes penalties for those who sign a declaration under penalty of perjury in lieu of an oath, those who sign a declaration are, in fact, guilty of perjury if they willfully lie on a poverty exemption application. There is no longer a requirement that an applicant sign in the presence of a notary after being placed under an oral oath.

B. To the extent the federal government has jurisdiction to prosecute applicants for false HPTAP applications, notarization is not required for such prosecution.

Notarization is not required for prosecution under federal perjury laws. Under 28 USC 1746, whenever federal law requires or permits a matter to be supported by a sworn oath, the matter can also be supported by a signed statement with language indicating the statement is made under penalty of perjury. Under this law, a person who signs a false statement under penalty of perjury is subject to the same perjury charges as if he had made a sworn oath. See, e.g., *Dickinson v. Wainwright*, 626 F.2d 1184, (CA 5, 1980). Thus, notarization is irrelevant to whether or not a person can be prosecuted under federal law for false statements made in an HPTAP application.

There remains a question of whether there is federal jurisdiction to prosecute someone who lied on an HPTAP application. 18 USC 1001 criminalizes false statements knowingly and willfully made "in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States." However, under this statute, "jurisdiction" is not limited to its narrow or technical meaning. See, e.g., *Brison v. United States*, 396 U.S. 64, 8 S.Ct. 355 (1969). Nor must false statements be made directly to a federal agency to fall within its jurisdiction. See *United States v. Minoz*, 397 F.Supp. 183 (E.D. Mich. 1974), *aff'd* without op., *Minoz v. United States*, 529 F.2d 526 (CA 6, 1975) (denying motion to quash where defendant defrauded a Detroit jobs program funded by a national organization that was in turn funded by the Department of Labor).

The federal courts have found jurisdiction to prosecute perjury for statements made to a state or nongovernmental organization when these entities are funded by the federal government. See, e.g., *Minoz*, 397 F.Supp. 183; *United States v. Lanza*, 528 F.2d 1280, 1287 n.11 (CA 5, 1976). We are not certain whether the City receives HUD funding or other federal funding for HPTAP. To the extent it does receive federal funding, there is a strong argument that perjury on the HPTAP application could be prosecuted under federal law.

ii) Quicken Loans Community Fund



1050 Woodward,
Detroit, MI 48226
www.QuickenLoans.org

To the Honorable Mary Sheffield, Detroit City Council President Pro Tem,

The Quicken Loans Community Fund recognizes the City of Detroit's Homeowners Property Tax Assistance Program (HPTAP) as a critical tool in the collective work to keep Detroit homeowners in their homes, and out of tax foreclosure. We applaud recent efforts to make the HPTAP accessible to more Detroit residents.

While improvements to the HPTAP are welcome, our experience suggests that the need for applications to be notarized remains a difficult hurdle for many eligible applicants and the inclusion of the notarization requirement warrants further consideration.

Since December of 2017, the Quicken Loans Community Fund has sponsored 80 workshops across Detroit where homeowners can get help completing their HPTAP applications. Those 80 workshops have helped more than 1,200 Detroit residents.

At each workshop, we ensure a notary is on hand to notarize completed HPTAP applications. However, residents at these workshops are frequently missing a document or two that make their HPTAP application incomplete, and unable to be notarized.

This creates an added step: Residents must either return to a workshop the following month, find notary services at a bank, or go downtown to have their application notarized. All of these options can create additional cost, hardship, and reduce the likelihood that an otherwise eligible resident is granted a much-needed HPTAP exemption.

Since June 2018, 655 Detroit residents have attended Quicken Loans Community Fund-sponsored HPTAP workshops. 384 residents submitted completed and notarized applications, while 232 applications were missing documents that prevented notarization.

While every effort is made to bring these residents back to a workshop for notary services, it is difficult for residents, especially those experiencing poverty, to make the investment of time and resources that is needed to get back to a third-party location. But for the notarization requirement many of these homeowners would be able to go home with an otherwise-complete HPTAP application, locate their missing documents, and immediately mail in their HPTAP application.

We hope that this information is useful to this honorable body as you consider next steps regarding the HPTAP requirements.

Thank you.

Laura Grannemann, Vice President of Quicken Loans Community Fund

Alex Alsop, Director of Housing Stability, Quicken Loans Community Fund

iii) United Community Housing Coalition & Michigan Legal Services



October 17, 2018

Council President Pro Tempore: Mary Sheffield

We are writing to add our voice in support of the proposed changes to remove the notarization requirement in the Homeowner Poverty Tax Exemption Program (HPTAP) on behalf of UCHC (United Community Housing Coalition) and Michigan Legal Services (MLS).

As you know, UCHC sees thousands of low-income homeowners each year, and we complete hundreds of HPTAP applications each year for our clients, many of whom seek our help because they cannot complete these applications on their own. Completing the HPTAP applications is a challenge for our office in terms of staff and other resources. We have had to go from 2-3 notaries on staff to now, 8-10.

We find that many of our clients would have qualified for HPTAP in previous years but did not receive them. We feel that notarization is one factor that reduces the likelihood that a qualified homeowner will succeed in having their exemption granted. Many low-income residents do not have a known resource for free notarization. The most troubling situations where notarization serves as an obstacle are in the cases of homebound, elderly individuals, and those with lack of transportation.

We wish to make special note of the need to remove the notarization requirement for HPTAP renewal or short-form applications. They currently require two notarizations. There are very rare under current use but we hope and expect for their use to expand. However, because they are most commonly in use for seniors, who are most likely to have mobility issues, we find the notarization to be particularly difficult.

We note that the state law does not require notarization on this application, and that there are many other municipalities that require signatures, but not notarization. Notarization is not required for Principle Residence Exemptions (PREs), property reassessment requests, or other related issues.

We hope that the city will consider that the challenges posed by notarization and remove this requirement from the HPTAP applications in the future.

Sincerely,

Ted Phillips

Mabele Overholzer

Marilyn Mullane

United Community Housing Coalition & Michigan Legal Services

2727 Second Ave., Suite 315, Mailbox 34, Detroit, MI 48207

UCHC: (313) 963-3310 / MLS: (313) 964-4130

www.uchcdetroit.org | www.milegalservices.org



...organizing to build power, advance justice, promote opportunity

October 12, 2018

Dear Council President Pro Tem Sheffield:

We are members of Detroit Action Commonwealth, an organization of more than 5,000 Detroiters, most of them low-income.

We understand and support the City's responsibility to make sure that people who apply for a poverty property-tax exemption are truly eligible for it. But the City also has a responsibility to make sure that people who are eligible for the exemption are not denied one. This has been the far greater problem in Detroit.

Many low-income Detroiters have not gotten the property tax exemption they're eligible for, in part because the HPTAP application process is needlessly difficult. Thousands of them have lost their homes to tax foreclosure as a result. When that happens, it not only hurts them. It hurts the entire neighborhood, and the entire city.

The application's notarization requirement adds an unnecessary step to an already burdensome process. Many Michigan cities do not require it. Many low-income homeowners are elderly, disabled, or lack transportation. They have a hard enough time compiling the necessary documents and completing the application before the deadline, which often requires them to travel to various offices for assistance. Notarization further complicates this process and acts as a barrier that restricts access to the exemption.

We ask that the City of Detroit remove the notarization requirement from the HPTAP application.

Yours truly,

Jacquita Watts
Jasmine Prochard
Tahira Burke
Tawana Young
Kierstyn Zursel
Simeon Johnson
Michael Johnson
Isaac Hall
Gene Hill
Dante Hill

Theresa Davis
Kwanza Smith
Michael Walker
Dorell Harris
Laurie P. Brown
Sandy George
Clark Washington
Sedraia Bolden
Alan Robert McFarlane
Felicia Montgomery
Brady Bowie

Detroit Action Commonwealth 4800 Grand River Ave. Detroit, MI 48208 www.detroitaction.org



organizing to build power, advance justice, promote opportunity

Sina M. Burke

Frederick W. Rosecrance

Terina Houston

Carl Berger

Roderick Bilmes

Steffanie Jones

Michael Lewis

Arthur Anderson

Scott Anderson

Chantelle Gattis

Richmond Smith

Al. Cedric L. Gurnell

Ellie K... ..

Jacqueline Davis

Debra S. Henry Taylor

Aracelis Bryant Jones

Melton Watts

Rodney Martin

Maurice Albin

James Long

William Anderson

Roderick Bilmes

Michael Warren

Cynthia Southport

Thos Miller

Franc Moore

David DAVIS

Amy Lawrence

Benita Moore

John Coleman

Theresa Davis

1233 - Randy Bowie

Stacy

Quetta Blount

Adriana

Mary Jones

v) Neighbors Building Brightmoor



October 11, 2013

Dear Council Member Pro Tem Sheffield,

Thanks for your attention to this matter and for your service on Council. I appreciate what you're doing for Detroit. My service to Detroit has had a much narrower scope: I have focused on foreclosure prevention (and on inspiring others to do the same).

During the three years Neighbors Building Brightmoor has been doing door-to-door foreclosure prevention outreach, organizing workshops, and helping neighbors with their applications for property tax exemptions, I have been most touched by the heavy blanket of despair and distrust that weighs down so many.

Their stories are all personal and different, but they share a common thread. They remind me of the Charlie Brown cartoon where Charlie Brown is ready to kick the football and Lucy pretends to hold it, but moves it every single time—and he lands flat on his back. So many neighbors have been offered hope (in various guises) and had it yanked off-on from under them right when they needed it most. They are tired and trying not to be defeated, but are understandably wary.

How does this relate to the hurdle of getting an HPTAP application notarized in Brightmoor? Well, let's start with how few people own cars to get to a notary. If they even know where one is. Many of my neighbors—particularly the ones most in need of the exemption—do not have bank accounts, so it's not a "simple" matter of going to the bank.

Of course we provide notaries when we organize workshops, but let's look at some numbers. Last November we knocked on over 500 doors in Brightmoor—doors of people we knew qualified for what was then called the Poverty Tax Exemption and were about to lose their homes. Of those 500, only about 30 got the benefit of the notary we provided at the workshop. So what about the other 470? I do not know the story of every one of those neighbors, but I do know the story of one.

My neighbor across the street is the perfect example of someone the exemption was designed to help. He'd recently had a severe injury and was suddenly unable to work. I gave him the application, told him about the workshop, assured him he would qualify, and he stood in with him whenever our paths crossed. He didn't show up at the workshop and I assumed he'd just filled out the form on his own and submitted it. Later that year, when he and I were clearing snow in front of our homes, I asked if he'd received his exemption yet. Imagine my dismay when he replied that he hadn't sent it in because he didn't know how

to get something notarized. It broke my heart. In my efforts to keep my nose out of his financial business, I did not follow up until the deadline had passed. And I failed him. He'd given up on the exemption when he couldn't figure out how to meet one of its requirements.

I try not to get caught up in "what if" thought spirals, but sometimes I can't help myself. I imagine that if my neighbor could not bring himself to ask me about notarization, that there are many many more who don't happen to live on the same street as the "property tax lady" who also give up for the same reason.

I am grateful that you are willing to consider helping fix this problem. My efforts can only help a few people at a time; your efforts can help so very many more.

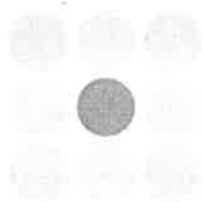
With deep appreciation,



Louella Pizzuti
Neighbors Building Brighton or board member
11918 Lamphere
Detroit, MI 48223
707-782-6362

PS I drove my neighbor to a notary and he got the exemption for 2013.

vi) *Central Detroit Christian*



CENTRAL DETROIT CHRISTIAN
COMMUNITY DEVELOPMENT

October 11, 2018

Councilwoman Mary Sheffield
Detroit City Council
CAYMC
1 Woodward Avenue
Suite 1300
Detroit, MI 48226

RE: Notarization Burden

Dear Councilwoman Sheffield:

I am writing you as a housing counselor for Central Detroit Christian CDC who is actively involved in helping families with their Property Tax Exemption applications. The requirement of the application of needing a notary is cumbersome for the applicant. Banks typically have notary services available, but many if not most of our clients are not bankable and therefore cannot use the bank's notary. Other notary services require some type of fee and that is a burden as well.

We solicit your help and request that you release the requirement of a notary on the Property Tax Exemption form.

Thank you in advance,

Dottie Foster
Lead Housing Counselor

III. – ADJUNCTIVE ELIGIBILITY

MEMORANDUM

To: Hon. Mary Sheffield
From: Coalition to End Unconstitutional Tax Foreclosures
Re: Allowing Adjunctive Eligibility for HPTAP
Date: October 14, 2018

Currently, anyone applying for the Homeowners Property Tax Assistance Program (HPTAP) who was not required to file a tax return must demonstrate income by providing supporting documentation. Since the City's settlement with the ACLU, non-tax filing applicants can demonstrate income by submitting W2s, Social Security Statements, or any other reasonable proofs. Besides accepting these proofs, the Board of Review should also allow applicants to demonstrate their income eligibility by submitting documentation showing current enrollment in any government program that has the same or lower income requirements (for example, Medicaid or WIC)—a process known as *adjunctive eligibility*. Adjunctive eligibility is a common, well-accepted practice that benefits the Board of Review by relieving administrative burden, and benefits applicants by allowing for a more streamlined application process.

Adjunctive Eligibility is Common Practice

The Board of Review would not be unique in allowing adjunctive eligibility for HPTAP. Adjunctive eligibility was originally adopted to increase enrollment in children's health insurance programs, but since then the practice has expanded to many government programs.¹ For example, in order to streamline the application process and reduce administrative errors and costs, Congress established adjunctive eligibility for the Women, Infants, and Children (WIC) program in 1989, which allows applicants to demonstrate eligibility by showing participation in Medicaid, Food Stamps, or TANF.² In addition, 42 CFR § 435.120 dictates that enrollment in Supplemental Security Income (SSI) automatically establishes a person's eligibility for Medicaid in most states.³ Michigan's courts also use adjunctive eligibility. Specifically, demonstrating receipt of public assistance entitles a defendant to a rebuttable presumption of indigency for the purposes of appointed counsel in a criminal case under MCL 780.991 and MCR 6.005(B), and for a waiver of court cost and fees under MCL 600.8371 and MCR 2.002(C)-(D). Finally, many utility affordability programs—such as the Low Income Home Energy Assistance Program or Pennsylvania's Customer Assistance Program through the Public Utility Commission—also use adjunctive eligibility in their application process.⁴

¹ Colton, R. (n.d.). *A Water Affordability Program for the Detroit Water and Sewerage Department (DWSD)* (Rep.). Retrieved from http://www.fsconline.com/downloads/Papers/2005_01_Detroit_Water.pdf, p. 8

² *Ibid*; Carlson, S., Neuberger, Z., & Rosenbaum, D. (2017, July 19). *WIC Participation and Costs Are Stable* (Rep.). Retrieved <https://www.cbpp.org/research/food-assistance/wic-participation-and-costs-are-stable>.; for a detailed description of how adjunctive eligibility works in Michigan's WIC program, see Appendix A.

³ Colton, R. (n.d.). *A Water Affordability Program for the Detroit Water and Sewerage Department (DWSD)* (Rep.). Retrieved from http://www.fsconline.com/downloads/Papers/2005_01_Detroit_Water.pdf, p. 8

⁴ *Ibid*; Benefits.gov. (n.d.). Low Income Home Energy Assistance Program. Retrieved from <https://www.benefits.gov/benefit/623>

Adjunctive Eligibility is Beneficial for Applicants and the Board of Review

Clearly, adjunctive eligibility is beneficial for the applicant. Instead of collecting and producing multiple proofs of income, adjunctive eligibility would allow applicants to submit only one piece of documentation, for example, a copy of proof of enrollment in Medicaid. Putting the applicant aside, adjunctive eligibility has significant administrative benefits for the Board of Review. As mentioned above, other government agencies established adjunctive eligibility specifically to reduce errors and relieve administrative burdens through decreased paperwork and lower resource expenditure on income determination and fraud detection. This last point is particularly important for the Board of Review. By offloading income determination and oversight to the better resourced state or federal government, the Board can focus its resources on determining eligibility and detecting fraud for the more unique and challenging aspects of the application, such as confirming home ownership and principle residency.

Conclusion

Given that adjunctive eligibility is a well-established and common governmental practice, and that it creates significant benefits for both applicants and the Board of Review, the City of Detroit should pass legislation that establishes adjunctive eligibility for HPTAP.

APPENDIX A – ADJUNCTIVE ELIGIBILITY FOR MI-WIC

MI-WIC POLICY

Eligibility/Certification

2.0 Eligibility/Certification

Effective Date: 2/15/18

2.06 Adjunct Income Eligibility

PURPOSE: To allow adjunct/automatic income eligibility for WIC Program applicants determined to be adjunctively income eligible

A. POLICY

1. WIC applicants are adjunctively income eligible if they receive one of the following
 - a. Services from the following Medicaid Programs:
 - i. Medicaid
 - ii. Healthy Kids
 - iii. MICHild
 - iv. Maternity Outpatient Medical Services (MOMS)
 - v. Healthy Michigan Plan (HMP)
 - vi. Emergency Services Only (ESO) (i.e., Healthy Kids-ESO, MICHild-ESO)

Note: Medicaid Deductible (formerly known as "Spendedown") Beneficiaries are not adjunctively income eligible for WIC. Their income must be used to determine eligibility. (See Policy 2.04.)
 - b. Food Assistance Program (FAP) benefits [i.e., Supplemental Nutrition Assistance Program (SNAP)/Food Stamps, Food Distribution Program on Indian Reservation (FDPIR), The Emergency Food Assistance Program (TEFAP)]
 - c. Family Independence Program (FIP) Temporary Assistance to Needy Families (TANF) benefits
2. Applicants are adjunctively income eligible if they are an infant of a woman who received Medicaid during her pregnancy.
3. Applicants are adjunctively income eligible if they are a member of a family that have one of the following:
 - a. A pregnant woman or infant receiving Medicaid
 - b. Food Assistance Program (FAP) benefits
 - c. Family Independence Program (FIP) benefits
4. To determine adjunctive eligibility enrollment, one of the following forms of documentation is required
 - a. Medicaid

MI-WIC POLICY

Eligibility/Certification

- i. A current acceptance letter to Medicaid, Healthy Kids, MICHild, MOMS, HMP or LSO Program
 - ii. A current Mihealth account number (Medicaid ID) verified by:
 - a. MI-WIC
 - b. CHAMPS (Community Health Automated Medicaid Processing System)
 - c. Other State of Michigan websites/verification systems (See Guidance.)
- b. Food Assistance Program (FAP)
- i. Current Food Assistance Program approval letter with expiration date
 - ii. Confirmed deposit to Michigan Bridge Card FAP account for the current month
 - iii. Other State of Michigan websites/verification systems (See Guidance.)
- c. Family Independence Program (FIP)/Temporary Assistance to Needy Families (TANF)
- i. Current FIP benefits approval letter with expiration date
 - ii. Confirmed deposit to Michigan Bridge Card cash benefit account for the current month
 - iii. Other State of Michigan websites/verification systems (See Guidance.)
- d. Children's Special Health Care Services (CSHCS) form MSA-07-38 showing income calculation does not exceed 185% of poverty level
- e. Current acceptance letter to a state or federally funded program where income has been determined not to exceed 185% of poverty level for the family (i.e., free or reduced-price school meals)
5. Upon approval of adjunct income eligibility, applicants must verbally declare their income (for reporting purposes only).

B. Guidance

1. The following State of Michigan websites/systems can aid in verification of adjunct income eligibility:
 - a. MiBridges <https://www.mibridges.michigan.gov> (Medicaid, FAP and FIP)
 - b. CHAMPS: MILogin (Medicaid)

MEMORANDUM

TO: Mary Sheffield, Council Member Pro Tempore
FROM: Coalition to End Unconstitutional Tax Foreclosures
SUBJECT: Poverty Tax Exemption (PTE) Ordinance
DATE: August 16, 2018

The purpose of this memo is to propose an ordinance, which ensures that Detroit homeowners have access to the City’s Homeowners Property Tax Assistance Program (HPTAP), also known as the Poverty Tax Exemption (PTE)¹. The Michigan Constitution states that no property should be assessed at more than 50 percent of its market value.² From 2009 and 2015, between 55 and 85 percent of Detroit homes have been unconstitutionally assessed.³ As a result, approximately 1 in 4 Detroit properties were foreclosed from 2011 to 2015, which resulted in massive displacement of residents, an increase in blighted properties, and vastly reduced home values. In 2016, nearly 40,000 owner-occupied households – or 32% of all Detroit homeowners – qualified for the HPTAP,⁴ but the vast majority did not receive it either because they were not aware it existed or because the process was too burdensome. This ordinance aims to codify the requirements stipulated by the 2018 *Morningside v. Sabree* settlement order (hereafter referred to as the settlement), and propose additional changes that will prevent further hardship to Detroit homeowners by ensuring the HPTAP is readily available, easily obtainable, and equitably provided to all who qualify.

Part I: HPTAP Application Requirements

Below is the documentation the state of Michigan requires localities to collect in order to grant an exemption under MCL 211.7u, the actual requirements currently present in the HPTAP application, the changes introduced by the settlement, and the Coalition’s recommendation for how to revise the requirements to ensure the application’s integrity is upheld without overly burdening applicants.

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----------|---|--|------------------------------|-----------------------|
| 1. | <u>Owner-occupied, principal residence</u> —Legally mandated by the Michigan Tax Act. MCL 211.7u(2)(a) | Applicants must have a Property Transfer Affidavit (PTA) and a Principal Residence Exemption (PRE) Affidavit certified by the City Assessor. | Not addressed in settlement. | None. |

¹ Mich. Comp. Laws § 211.7(u)

² MICH. CONST. art. IX, § 3; Mich. Comp. Laws § 211.27(a)(1) (2013).

³ Bernadette Atuahene & Timothy R. Hodge, *Statecraft*, 91 S. CAL. L. REV. 263 (2018)

⁴ U.S. Census Bureau; American Community Survey (ACS), Five-Year Estimates (2012-2016), Tables B25118 and B25010

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|----|---|--|---|--|
| 2. | <u>Identification</u> —Discretionary under the Michigan Tax Act. | Page 8 of the current HPTAP application requires an applicant to submit a copy of his or her driver’s license or state-issued identification | The Board must accept <u>any</u> form of govt. issued ID as long as it includes applicant’s picture and address. This must be explicitly stated in the application. – Settlement Order, section 2.,i,(1). | The settlement change should be codified in the ordinance. In addition, the HPTAP application should list specific examples of accepted IDs (e.g. Detroit Municipal ID, military ID, Consulate ID, Tribal ID, etc.) |
| 3. | <u>Deed production</u> —Discretionary under the Michigan Tax Act. | Page 7 of the current HPTAP application requires the applicant to submit a copy of the recorded deed or other evidence of ownership (including land contracts). | The Board must accept <u>any</u> recorded proof of ownership (e.g. deed, land contract, probate order, or divorce judgment). The application must explicitly state that any recorded proof is acceptable – Settlement Order, section 2,i,(2). | The ordinance should state that as long as the Chief Assessor requires a deed to file a PTA, the applicant does not need to produce a deed. ⁵ In anomalous cases where additional proof of ownership may be necessary, the Board of Review can access it internally from the Wayne County Register of Deeds. Similarly, if the Assessor stops requiring a deed as part of the PTA, then the BOR can access it internally. |
| 4. | <u>Utility bills</u> —Not legally required. | Page 7 of the HPTAP application requires an applicant to provide a copy of water, gas, and electric bills “to support [the claim of] occupancy of the subject property.” | Not addressed in settlement. | The applicant should only provide a DTE bill that is under the applicant’s name. If the DTE bill is under any other person’s name, then the applicant must provide an explanatory statement.” ⁶ |

⁵ To apply for HPTAP, an applicant must have a PTA on file. While a deed is not legally mandated when filing a PTA, Chief Assessors have routinely required a recorded deed to accompany the filing. It is therefore redundant to require an applicant produce a deed again when filing for HPTAP.

⁶ If the Board of Review finds the PRE insufficient to demonstrate occupancy, it can access the applicant’s water bill internally.

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|----|--|--|---|---|
| 5. | <u>ID for all residents</u> – Not legally required. | Page 8 of the HPTAP application requires the resident to provide a current Driver’s License or State ID for all adults over 18 in the home. | The Board shall accept <u>any</u> form of govt. issued ID as long as it includes applicant’s picture and address. This must be explicitly stated in the application – Settlement Order, section 2,i,(3). | This should be codified in the ordinance with explicit examples of acceptable ID listed. |
| 6. | <u>Minors in household</u> – Not legally required. | Page 8 of the HPTAP application requires the resident to provide a report card, transcript, or other government document for any children under 18 in the home. | The settlement states that the Board may require applicants provide proof for the number of minors in the household, but it cannot ask for any specific type of proof. Instead, it may list a non-exhaustive list of acceptable proofs – Settlement Order, section 2,i,(4). | This should be codified in the ordinance. Further, the application should state that if an applicant’s household income falls below the single-household poverty guideline threshold, they need not provide any proof of minors living in the home. |
| 7. | <u>Tax returns</u> –Prior year federal and state tax returns for all adults residing in the home, unless the party is not required to file–Legally mandated by the Michigan Tax Act. | The HPTAP currently requires an applicant to submit a copy of complete Federal and State Tax Returns. For all applicants or residing persons who are not required to file income tax returns, the HPTAP requires a signed IRS Form 4506-T and Michigan Treasury Form 4988 Poverty Exemption Affidavit. | Not addressed in settlement. | None. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|---|--|---|
| 8. | <u>Poverty guidelines</u> —An applicant must meet federal poverty guidelines or whatever guidelines the local governing body adopts, so long as the alternative guidelines do not preclude anyone who meets the federal poverty guidelines – Legally mandated by the Michigan Tax Act. | The HPTAP establishes maximum income eligibility guidelines, beginning at \$16,660 for a single-person household. The whole table is found on page 3 of the HPTAP Application | Not addressed in settlement. | The Board currently adopts income guidelines that are more generous than the federal poverty guidelines. ⁷ The ordinance should codify the current standards (i.e. the current guideline as percentage of the federal guidelines) so that this relief remains accessible to those living near, and not just below, the federal poverty line. |
| 9. | <u>Asset test</u> — There must be an asset test, but how this is satisfied is discretionary— Legally mandated by the Michigan Tax Commission. ⁸ | Page 7 of the HPTAP application requires an applicant to list all assets and all debts. | Applicants who have less than \$12k in assets no longer need to list assets. Instead, they can simply make an affirmative statement attesting to this fact. – Settlement Order, section 2,i,(7). | The settlement change should be codified in the ordinance. Also, to avoid confusion, the asterisks (*) should be removed from the asset section of the application. |
| 10. | <u>Listing debts</u> – Only an asset test and not a listing of debts—legally mandated by the Michigan Tax Commission | Page 7 of the HPTAP application requires an applicant to list all debts. | The Board shall not require applicants whose income falls below the eligible threshold to document their expenses or debts. – Settlement Order, section 2,i,(5). | The settlement change should be codified in the ordinance. |

⁷ For example: for a single-person household, the guideline for a full exemption is 137% of FPL and 158% for a partial exemption. For a four-person household the respective guidelines are 102% and 112%, respectively.

⁸ State Tax Commission Bulletin 6 of 2017 states that the local unit must include an asset test, and that it “*should* require claimants provide a list of assets” [emphasis added]. The permissive language allows the ‘affirmative statement’ provision in the settlement to satisfy the asset test requirement.

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|---|---|--|
| 11. | <u>Providing past year's income</u> —Not legally mandated | Page 6 of the HPTAP application, the applicant is required to provide all sources of income for the past year with documentation. | The Board may continue to require that applicants provide proof of income for the prior year. While an applicant may fulfil this requirement by submitting their tax return, the Board retains the right to request additional documentation if they have a reasonable basis to believe certain income is not reflected in the return. For applicants who were not required to file a tax return, the Board shall accept W2 forms, Social Security statements, or any other reasonable proof – Settlement Order, section 2,i,(6). | For applicants who are not required to file tax return, the Board shall allow applicants to submit documentation that shows they are currently part of any government program that has the same or lower income requirements (e.g. the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, recent State Emergency Relief (SER) approval, Medicaid or Supplemental Security Income statement). ⁹ No additional documentation should be necessary. For applicants who file a tax return, the ordinance should stipulate that the Board shall not request any additional documentation. |
| 12. | <u>Listing Credits and Rebates</u> —Legally mandated under the Michigan Tax Act. | Page 8 of the HPTAP application requires an applicant to list all tax rebates and credits. | The HPTAP application may request that applicants who are not required to file tax returns list all tax rebates and credits in the prior year. Applicants who submit their tax return shall not be required to list rebates or credits – Settlement Order, section 2,j. | For those not required to file tax returns, if necessary and on a case by case basis, the board shall reserve the right to request that applicants list all tax rebates and credits in the prior year. |

⁹ This method to determine eligibility—known as ‘adjunctive eligibility’—is common practice in various means tested government programs, including WIC.

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|------------|--|--|---|---|
| 13. | <u>Reference</u> –Not legally required. | Page 5 of the HPTAP application requires an applicant to list a Detroit resident that the Board may contact. | The Board must not require applicants to list a reference, but may request an optional ‘alternative contact person’ – Settlement Order, section 2,k | The settlement change should be codified in the ordinance. |
| 14. | <u>Notarization</u> –Not legally required. | Page 5 of the HPTAP application contains a notarization requirement. | The Board may require the HPTAP application be notarized, but if so shall allow applicants to fulfil the requirement in two ways: 1) having the application notarized; or 2) declaring, under penalty of perjury, that having the application notarized presents a hardship due to their advanced age, their limited physical mobility, or because they are a caretaker for a dependent, a person of advanced of age, or a person with limited mobility – Settlement Order, section 2,m | The ordinance should remove the notarization requirement from the application. Instead, the application will contain explicit language listing the maximum penalty for fraudulent misrepresentations. ¹⁰ |

¹⁰ Section 2,n, along with the permissive language in section 2,m, indicates that the settlement order poses no barrier for removing the notarization requirement. There is no other legal obligation requiring notarization. For a comprehensive legal argument for the removal of the notarization requirement, see the Coalition’s Memorandum re: Notarization Requirement on PTE (<https://tinyurl.com/y77agoay>)

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|--|--|--|
| 15. | <u>Marital Status</u> –Not legally required. | Page 6 of the HPTAP application requires an applicant to disclose his or her marital status and submit a Judgment of Divorce or Separation Agreement if the spouse is no longer living in the residence. | The Board may continue to require applicants provide proof of divorce, legal separation, or desertion, but must explicitly state that acceptable forms of proof include: a divorce judgement, order of separation, order of desertion, or a statement by the applicant – Settlement Order, section 2,i,(8) | The settlement change should be codified in the ordinance. |

Part II: HPTAP Administration

Below are changes to HPTAP administration procedures that should be required by the ordinance. These changes include those introduced by the settlement, as well as additional requirements that will ensure broader program access.

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|--|------------------------------|--|
| 16. | <u>Extent of Relief Offered</u> – It is legally required that an exemption be made available to owner-occupants who meet federal guidelines, but the law allows the chief assessor and board of review discretion over the extent of the relief it offers. ¹¹ | The Board currently offers a full (100%) and partial (50%) exemptions, according to income guidelines specified on Page 4 of the HPTAP. The solid waste fee is not subject to exemption. | Not addressed in settlement. | The ordinance should codify the availability of a full (100%) and partial (50%) exemptions, according to the poverty guidelines addressed in recommendation #8 of this memo. |

¹¹ Mich. Comp. Laws § 211.7(u)(1) states “The principal residence of persons who, in the judgment of the supervisor and board of review, by reason of poverty, are unable to contribute toward the public charges is eligible for exemption in whole or in part from taxation under this act.”

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|---|---|---|
| 17. | <u>Homeowner Outreach</u> –Not legally required. | In 2018 the City mailed a flyer describing the HPTAP to each delinquent homeowner in the City. | The settlement requires that the City shall mail a flyer within 30 days after the Board accepts the assessment roll to every taxpayer with a residential homestead ("homeowner"), whose taxable value is \$95,000 or below, describing the HPTAP program. The flyer shall refer the homeowner to call or visit the City of Detroit's website for more information about the exemption. The statement to be used is attached as Exhibit A of the settlement. | The settlement change should be codified in the ordinance. If the statement provided as Exhibit A of the settlement must be changed, the ordinance should require that the revised statement be reviewed by community members prior to mailing so that it the language is clear and accessible to residents. |
| 18. | <u>Website Reform</u> –Not legally required. | Aside from a short description at http://www.detroitmi.gov/How-Do-I-Appeal-Property-Assessment-FAQs there is no page that describes the HPTAP program and the process to apply. | The settlement requires that, within 28 days of the order, the City shall create and maintain a separate page on the City's website that describes the HPTAP, the program guidelines, and the process to apply. The page should include links to download the current year's HPTAP application, as well as a list of free services that are available to assist homeowners in completing the HPTAP application such as, but not limited to, the United Community Housing Coalition (UHC). | The settlement change should be codified in the ordinance, which should also ensure that the page is easily located on the City's website. Under the http://www.detroitmi.gov/How-Do-I/ domain, there should be a link on the left-hand side specifically for "Property Tax Assistance". The HPTAP information page will appear by entering "HPTAP" "poverty exemption" "property tax help" "property tax assistance" or other relevant statements into the search option. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|---|--|---|
| 19. | <u>Application Accessible at Office of the Assessor. Online & at District Centers</u> –Not legally required. | Hard copies of the HPTAP application can be requested by mail, by phone, or in-person at the Assessor’s office. The HPTAP application is also available online at http://www.detroitmi.gov/How-Do-I-Property-Assessment-Documents . | The settlement requires that HPTAP applications must be available to the public for pick up in the Office of the Assessor with no prerequisites or requirements and that the City shall post a sign near the HPTAP applications that encourages homeowners to speak with a representative of the Assessor’s office if they have questions about the application. It also dictates that the application continues to be available online under the Property Assessment Documents portion of the city’s website or other similarly located page. | The settlement change should be codified in the ordinance. Additionally, it should require that the application be made available at each of the seven neighborhood District Centers. |
| 20. | <u>Application Assistance Available at District Centers</u> –Not legally required. | The City does not currently advertise or offer direct assistance to residents with the application. In the absence of these services, non-profit organizations throughout city take on this responsibility. | Not addressed in settlement. | The ordinance should require that the Department of Neighborhoods promote the HPTAP and offer designated office hours for regular application assistance at each District Manager’s office. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|---|---|--|--|
| 21. | <u>HPTAP Application Mailed to Previous Applicants and Delinquent Homeowners</u> –Not legally required. | HPTAP applications are automatically mailed to individuals who received a poverty exemption in the previous year. | The settlement requires that the HPTAP application is automatically mailed to individuals who applied for a poverty exemption in the previous year, whether or not they were granted the exemption, on or before February 15th of each year. It also requires that the application be mailed to homeowners that are delinquent for the tax roll in a given tax year. | The settlement changes should be codified in the ordinance, which should also specify that the application be mailed to delinquent owners on or before September 15th. |
| 22. | <u>Trained Officials Available for Assistance</u> –Not legally required. | The Board currently holds trainings with staff, but no standards are publicly available. | Exhibit B of the settlement outlines general guidelines used to conduct trainings of any staff in the Assessor’s Office involved in the exemption process, and requires that no new hires be permitted to interact with customers until they have been trained. | The settlement change should be codified in the ordinance, which should also specify that all Tax Assessor personnel, BOR members, and BOR support staff engage in an annual training program that provides an update on any application changes and enables them to answer any questions that taxpayers may have about the application process. In addition, the BOR will also be required to conduct an annual forum where community members and organizations can ask questions and interact directly with officials. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|--|---|---|
| 23. | <u>Actual Due Dates Used on Application</u> –Not legally required, but the application for an exemption shall be filed after January 1 but before the last day of the board of review. | Hard copies of the HPTAP application request that the application be returned by a specified date that is before the next BOR sitting but after the application is issued. | The settlement requires that the HPTAP application does not include a deadline, and shall state that all applications will be considered if postmarked or submitted in person prior to the last day of the December BOR. The application may encourage homeowners to apply two weeks in advance of the March, July, and December BOR sittings, as well as language “strongly encouraging” homeowners to apply as soon as possible, and emphasize that applications that are not considered at the December BOR meeting cannot be considered for the current year. | The settlement change should be codified in the ordinance, which should also require that the specific dates of each review period are provided in the application, including the latest possible date the application may be received. |
| 24. | <u>Document checklist included with application</u> – Not legally required. | The “HPTAP Application Guide and Document Requirements,” specifies necessary supporting paperwork but is not in the format of a checklist. | Not addressed in settlement. | The ordinance should require that the application includes a clear “document checklist” of the items needed for the application to be considered. This can allow applicants to keep track of their progress, reduce the number of incomplete applications that are submitted, and facilitate more efficient processing of applications. |
| 25. | <u>Space in the Application to Explain Personal Circumstances</u> – Not legally required. | The “HPTAP Statement Form” allows a space for individuals to document extraordinary circumstances and explain why they are seeking an exemption. | Not addressed in settlement. | The ordinance should codify the Board’s current practice. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|--|--|---|---|
| 26. | <u>Application Tracking and Review Procedures</u> —No legal requirement. | Standards for the Board's internal procedures are not publicly available. | Exhibit B of the settlement specifies procedures and timelines for tracking when and for whom applications are requested, mailed, returned, and assigned to a BOR committee for review and decision. It dictates standards for contacting residents if information is missing or follow-up is needed. It requires that review be limited to whether the applicant has submitted all of the required documentation and meets the relevant income threshold for a partial or complete exemption, and, if not, whether any extenuating circumstances exist to support a decision to deviate from the guidelines and grant an exemption. It also dictates timelines and tracking procedures for submitting recommendations to the full BOR, recording BOR decisions, and printing and mailing decision letters. | The settlement change should be codified in the ordinance. Timelines and procedures for requesting and reviewing additional information should be specified (i.e. number of attempts to contact resident, letter used to request information, how to track information that is received). |
| 27. | <u>Short Form Affidavit Used for Qualifying Residents</u> — Not legally required, but applicants must file a claim on a form provided by the local assessing unit for each year the exemption is sought. | A known subset of vulnerable residents who have received the exemption for three consecutive years may complete a "Short form affidavit," an abridged application that requires minimal documentation (proof of ownership, ID). Notarization is mandatory. | Not addressed in settlement. | The ordinance should codify the Board's current practice but also extend the opportunity for a Short Form Affidavit to all taxpayers who are on a fixed income and have been approved for three consecutive years. Current paperwork and notarization requirements should be removed. |

| | Legal Requirement | Current HPTAP | Settlement Changes | Recommendation |
|-----|---|--|--|---|
| 28. | <u>Communicating BOR Decisions to Applicants</u> —No legal requirement. | Persons with exemptions granted at the March BOR receive a March Board of Review Decision Letter, and persons with exemptions granted after July are communicated to residents by a numerical code issued on the City’s “Correction of Affidavit” form, which can be difficult for residents to read and understand. | The settlement requires that individuals who apply for the exemption receive a written notification of the Board’s decision by mail within ten days after the close of the BOR. If the BOR denies a homeowner’s application, this notice will include the reasons for denial and provide the process and timeline for appeal. | The settlement change should be codified in the ordinance. In addition, the ordinance should require that approval letters be easy for residents to comprehend. In instances where no decision is rendered, this must also be communicated to residents in writing. |
| 29. | <u>Accurate Tax Bills Reflecting Exemption</u> —Not legally required. | Persons with exemptions granted at the March BOR receive an accurate summer tax bill that reflects the exemption. Persons with exemptions granted in after July receive tax bills that do not reflect the exemption. | The settlement requires that taxpayers who are granted an exemption at the March BOR receive a tax bill for that year that reflects the exemption. This bill will have the amount of the reduced solid waste fee on it (unless the taxpayer is issued a partial exemption). Taxpayers who are granted an exemption at either the July or December BOR will receive a tax bill at the full ad-valorem value. An adjusted tax bill will be mailed after the close of the July or December BOR. | The settlement change should be codified in the ordinance. In addition, the ordinance should require that updated tax bills be issued within two weeks from when the exemption was granted. This will clarify that their tax bills have been officially reduced, eliminating confusion and delinquent tax payments. |

**STATE OF MICHIGAN
WAYNE COUNTY CIRCUIT COURT**

MORNINGSIDE COMMUNITY
ORGANIZATION, et al.,

Plaintiffs,

v.

ERIC SABREE, et al.,

Defendants.

Case No. 16-008807-CH
Hon. Robert J. Colombo, Jr.

**STIPULATION AND ORDER OF
SETTLEMENT AND DISMISSAL**

Counsel for Plaintiffs:

Michael J. Steinberg (P43085)
Daniel S. Korobkin (P72842)
Mark P. Fancher (P56223)
Kimberly Buddin (P79126)
Bonsitu Kitaba (P78822)
AMERICAN CIVIL LIBERTIES UNION FUND
OF MICHIGAN
2966 Woodward Avenue
Detroit, MI 48201
(313) 578-6814

Marne Lenox*
NAACP LEGAL DEFENSE AND EDUCATIONAL
FUND, INC.
40 Rector Street, 5th Floor
New York, NY 10006
(212) 965-2200

Coty Montag*
Ajmel Quereshi*
NAACP LEGAL DEFENSE AND EDUCATIONAL
FUND, INC.
1444 I Street NW, 10th Floor
Washington, DC 20005
(202) 682-1300

*Counsel for Defendants Eric Sabree and
Wayne County:*

Zenna Elhasan (P67961)
Wayne County Corporation Counsel
Davidde A. Stella (P69948)
Jacob S. Ghannam (P30572)
Assistant Corporation Counsel
500 Griswold St., 30th Floor
Detroit, MI 48226
(313) 224-5030

*Counsel for Defendants City of Detroit and
Detroit Citizens Board of Review:*

Charles N. Raimi (P29746)
City of Detroit Law Department
2 Woodward Ave., Suite 500
Coleman A. Young Municipal Center
Detroit, MI 48226-3437
(313) 237-5037

Sonal H. Mithani (P51984)
Miller, Canfield, Paddock and Stone, P.L.C.
101 North Main Street, Seventh Floor
Ann Arbor, MI 48104
(734) 663-7786

Shankar Duraiswamy*
Donald J. Ridings, Jr.*
Sarah E. Tremont (P73809)
Amia L. Trigg*
Jason Grimes*
Wesley Wintermyer*
Marta Cook*
Luis Urbina*
COVINGTON & BURLING LLP
One CityCenter
850 Tenth Street NW
Washington, DC 20001-4656
(202) 662-6000

Lara Kapalla-Bondi (P67667)
James L. Woolard (P77493)
Miller, Canfield, Paddock and Stone, P.L.C.
150 W. Jefferson, Suite 2500
Detroit, MI 48226
(313) 496-7573

*Admitted pro hac vice

STIPULATION AND ORDER OF SETTLEMENT AND DISMISSAL

Plaintiffs and Defendants City of Detroit and Detroit Citizens Board of Review (the “City Defendants”) (together, “the Parties”), have, through this Stipulation, reached a mutually-agreeable resolution, subject to the approval of the Detroit City Council, addressing the disputed claims asserted against the City Defendants in the Second Amended Complaint, and the Court finds that this Stipulation sets forth proper terms and conditions of settlement and dismissal.

NOW, THEREFORE, upon the Parties’ agreement, IT IS HEREBY ORDERED as follows:

1. This Court has subject matter jurisdiction over this action and personal jurisdiction over the Parties.
2. The City Defendants shall make the following changes to the City’s administration of the Homeowners Property Tax Assistance Program (“HPTAP”), formerly known as the poverty tax exemption program:
 - a. The City has informed Plaintiffs that in 2018 it mailed a flyer describing the HPTAP and the availability of an exemption from payment of property taxes by reason of poverty (the “poverty exemption” or “exemption”) to each delinquent

16-008807-CH FILED IN MY OFFICE Cathy M. Garrett WAYNE COUNTY CLERK 7/13/2018 9:29 AM MATTHEW JOHNSON

homeowner in the City. Every tax year, beginning with the 2019 tax year, the City shall mail a flyer to every homeowner with a residential homestead (“homeowner”) with a taxable value of \$95,000 or below describing the HPTAP program within 30 days after the Board of Review accepts the assessment roll. The flyer shall refer the homeowner to call or visit the Assessor’s office, or the City of Detroit’s website, for more information about the exemption. The statement to be used is attached as Exhibit A.

- b. Within 28 days of the entry of this Order, the City Defendants shall create and maintain a separate page on the City’s website that describes the HPTAP, the program guidelines, and the process to apply. The same description of the program used in Exhibit A shall be used to describe the program on the City’s website. The page on the City’s website shall include links to download the current year’s HPTAP application, as well as a list of free services that are available to assist homeowners in completing the HPTAP application such as, but not limited to, services provided by the United Community Housing Coalition (“UCHC”).
- c. The City Defendants shall continue to automatically mail HPTAP applications to the previous year’s poverty exemption recipients.
- d. Beginning with the 2018 tax year, the City Defendants shall automatically mail HPTAP applications to homeowners who applied for a poverty exemption in the previous year but who did not receive an exemption.
- e. Beginning in the 2018 tax year, the City Defendants shall mail HPTAP applications to homeowners on the delinquent tax roll for that tax year.

- f. Within 7 days of the entry of this Order, the City Defendants shall make the HPTAP applications available to the public for pick up in the Assessor's office with no prerequisites or requirements. The City Defendants shall post a sign near the HPTAP applications that encourages homeowners to speak with a representative of the Assessor's office if they have any questions about the application.
- g. The guidelines attached as Exhibit B shall at all times govern the manner in which staff in the City of Detroit's Assessor's Office manage the HPTAP application process. The City of Detroit shall provide to Plaintiffs a report of how the Assessor's Office is tracking and managing the HPTAP application process on an annual basis for the first three years after the entry of this Order.
- h. The City Defendants shall use the guidelines attached as Exhibit B to conduct trainings of any staff in the Assessor's Office involved in the exemption process. The City Defendants shall not permit new hires to the Assessor's Office to interact with customers until they have been trained on the guidelines attached as Exhibit B.
- i. Beginning with the 2019 HPTAP application, the City Defendants shall not require applicants to submit any supporting documents with their poverty exemption application other than the following:
 - (1) Homeowner's Identification: The City Defendants shall accept any form of government-issued identification as long as the identification includes the applicant's picture and address. The HPTAP application shall state

- that any government-issued identification with the applicant's picture and address will be accepted.
- (2) Proof of Ownership: The City Defendants shall accept any recorded proof of ownership such as the recorded deed, a land contract, a probate order, or a divorce judgment. The HPTAP application shall state that any form of recorded proof of ownership will be accepted.
- (3) Identification for Property's Residents Over the Age of 18: The City Defendants shall accept any form of government-issued identification as long as the identification includes the resident's picture and address. The HPTAP application shall state that any government-issued identification with the resident's picture and address will be accepted.
- (4) Proof of the Number of Dependents in the Household: The HPTAP application may include a statement informing applicants that they are required to identify the number of residents under the age of 18 living in the household, and to provide proof of that number. The application shall not require any specific type of proof, but may list a non-exhaustive list of acceptable documentation.
- (5) Proof of Income: The City Defendants may require HPTAP applicants to prove the household income. For applicants whose incomes exceed the maximum income eligibility guidelines, the City Defendants shall permit such applicants to list appropriate expenses and debts, along with supporting documentation, which may be used to offset their income. The City Defendants shall not require HPTAP applicants whose incomes

fall below the income level qualifying them for a full poverty exemption to provide documentation of their expenses or debts. However, the HPTAP application may state that the Board of Review retains the right to request additional information from the applicant to support their statement of income.

- (6) Proof of Past Year's Income: The City Defendants may require the applicant to provide proof of the household income for the prior year. HPTAP applicants may provide tax returns to establish proof of income; however, the City Defendants retain the right to request additional documentation to prove the prior year's household income if they have a reasonable factual basis to conclude that certain income is not reflected in the tax return. For applicants who are not required to file tax returns, the City shall accept W2 forms, Social Security statements, or any other document that provides reasonable proof of the prior year's household income.
- (7) Proof of Assets: For HPTAP applicants who have less than \$12,000 in assets, the City Defendants shall permit such applicants to satisfy the asset requirement with an affirmative statement attesting to this fact.
- (8) Proof of Divorce, Legal Separation, or Desertion: The HPTAP application may require the applicant to provide proof of divorce, legal separation, or desertion if applicable. The application shall state that acceptable forms of proof include: a divorce judgment, order of separation, order of desertion, or a statement by the applicant attesting to

the fact of the divorce, separation, or desertion and that the spouse no longer resides with the applicant. The HPTAP application may state that the Board of Review retains the right to request additional information from the applicant to support their statement of divorce, separation or desertion.

- j. The HPTAP application may state that applicants who are not legally required to file taxes are required to list tax rebates and credits received in the prior year. Applicants who do provide tax returns shall not be required to list all tax rebates and credits received in the prior year.
- k. The City Defendants shall not require applicants to list a reference but may request applicants to list an optional Alternative Contact Person.
- l. The HPTAP application shall not include a deadline. Instead, the application shall state that all applications will be considered if postmarked or submitted in person prior to the last day of the Board of Review (pursuant to MCL 211.7u (3)), and that homeowners are encouraged to apply two weeks in advance of the March, July and December Board of Review sittings. The application may also contain language strongly encouraging homeowners to apply as soon as possible, and emphasizing that applications that are not considered at the December Board of Review meeting cannot be considered for the current year.
- m. The City Defendants may require HPTAP applications to be notarized, but if so shall allow applicants to fulfill the requirement in one of two ways: (1) having the application notarized; or (2) declaring, under penalty of perjury, that having the application notarized presents a hardship because of their advanced age, their

limited physical mobility, or because they provide caretaker services for a dependent, a person of advanced age, or a person with limited physical mobility. The City Defendants will also include a statement in the Application Guidelines informing applicants that if they are unable to have their application notarized elsewhere, the Assessor's Office can provide notary services. The City Defendants may list additional places an HPTAP applicant may go to obtain notarization services.

- n. Nothing in this stipulated order would prevent the City and the Board of Review from eliminating the notary requirement for all HPTAP applicants in the future.
- o. If the Board of Review denies a homeowner's HPTAP application, the City Defendants shall use the template denial letter attached as Exhibit C to communicate the decision by mail.

3. The City Defendants will provide Plaintiffs' counsel with a copy of the 2019 HPTAP application, and the Parties will work together to ensure that the 2019 application complies with the terms of this Order before it is printed for distribution.

4. In an effort to provide relief to low-income homeowners who were affected by the prior HPTAP process, the City of Detroit shall exercise its right of first refusal authority under state law in 2018, 2019, and 2020 to purchase foreclosed residential properties in the City of Detroit, subject to the following conditions:

- a. The City of Detroit's obligation under this paragraph applies to qualifying residential properties, defined as follows:
 - (1) The deed-holder occupies the home;

- (2) The deed-holder could have qualified for the HPTAP exemption in 2014, 2015, 2016 and/or 2017, but did not receive the exemption in one or more of those years;
- (3) The deed-holder was assessed property taxes for the year(s) in which he or she qualified for the HPTAP exemption, and some or all of those taxes were not paid; and
- (4) The deed-holder either:
 1. Received an HPTAP exemption one or more times between 2014 and the year the City of Detroit exercises its right of first refusal;
 2. Qualifies for an HPTAP exemption in the year that the City of Detroit exercises its right of first refusal and completes and submits the affidavit attached as Exhibit D; or
 3. Establishes that (a) they could have qualified for the HPTAP exemption in 2014, 2015, 2016 and/or 2017, and (b) they could have qualified for the HPTAP exemption for at least one additional year between 2014 and 2017, inclusive, by submitting the affidavit attached as Exhibit D. For purposes of this subsection, a deed-holder may establish that they could have qualified for the HPTAP exemption in at least one of 2014, 2015, 2016, and/or 2017 by submitting an HPTAP application and the required supporting documents to establish their eligibility for the exemption in at least one of those years, to a non-profit organization approved by the City. The non-profit organization will then review that deed-

holder's documentation and submit it to the City, along with a recommendation as to whether the deed-holder would have qualified for the HPTAP exemption in at least one of those years. The City of Detroit will then make a final determination as to the deed-holder's eligibility.

- b. The City of Detroit shall purchase qualifying residential properties through its right of first refusal to the full extent that third-party funding is available to a non-profit organization jointly approved by the parties, to purchase such properties from the City of Detroit for the amount the City expended to exercise its right of first refusal.
- c. The City of Detroit shall transfer title of the residential properties it purchased through its right of first refusal in 2018, 2019, and 2020 to a non-profit organization within those respective years provided that third-party funding is available to that non-profit organization to purchase such properties and the non-profit organization agrees to transfer title of such properties to the original deed-holder for a fee of \$1000.00 to be paid by the deed-holder at the time of transfer or in installments agreed upon by the non-profit organization and the deed-holder. If an individual deed-holder owes less than \$1000.00 to the County in fees and taxes, the deed-holder shall be charged no more than the amount owed.
- d. In 2018, the City of Detroit shall contribute two hundred seventy five thousand dollars (\$275,000.00) to a non-profit organization to facilitate the re-purchase of property outlined in the previous two paragraphs and shall not require the non-profit organization to repay that amount at any point.

- e. The Parties shall make good faith efforts to continue to raise third-party funding to enable a non-profit organization to purchase the residential properties from the City of Detroit in 2018, 2019, and 2020 to benefit as many low-income City of Detroit deed-holders as possible.
- f. Within 28 days of the entry of this Order, the City shall mail a flyer describing the Michigan State Housing Development Authority's Step Forward Michigan program to every homeowner in the City who is delinquent on their tax payments. Within 30 days after the close of the March 2019 and March 2020 Boards of Review, the Office of the Assessor shall mail to all residential homeowners who were delinquent in their prior year property taxes information regarding the Michigan State Housing Development Authority's Step Forward Program.
5. Within 45 days of the entry of this Order, the City Defendants shall pay \$5,000 to each of the five individual Plaintiffs named in section IX of the Second Amended Complaint.
6. This Stipulation shall become effective, binding and enforceable upon it being approved, signed and entered by the Court, but subject to the approval of the Detroit City Council. The City will use all possible efforts to present the settlement for approval at the Detroit City Council's July 3, 2018 session. This Stipulation is subject to applicable state and federal law.
7. Subject to and as consideration for the terms, conditions and promises set forth above, Plaintiffs stipulate to dismissal, with prejudice and without costs or fees, of the claims asserted in their Second Amended Complaint, and as such it is the order of the Court pursuant to MCR 2.504(A)(2) that this action shall be dismissed immediately upon the filing of notice from the City's counsel that the Detroit City Council has approved the settlement.

16-008807-CH FILED IN MY OFFICE Cathy M. Garrett WAYNE COUNTY CLERK 7/3/2018 9:29 AM MAUREW JOHNSON



8. This Court retains jurisdiction to (i) enforce the terms of this Stipulation and Order, or (ii) modify or amend its terms either by further stipulation of the parties, or pursuant to MCR 2.612(C). Absent such modification or amendment, the Order shall terminate five years after its entry, except for paragraph 2, which shall terminate after eight years. In the event of an alleged violation of this Stipulation and Order by the City Defendants, plaintiffs shall provide written notice of the alleged violation. The parties shall engage in good faith negotiations to resolve the alleged violation prior to commencement of any court proceeding.

This is a final order that disposes of the last pending claim and closes the case.

IT IS SO ORDERED.

Date: 7/3/2018

/s/ Robert J. Colombo, Jr.
Wayne County Circuit Judge

We stipulate to the above terms and to the entry of the above order.

/s/ Michael J. Steinberg
Michael J. Steinberg (P43085)
American Civil Liberties Union Fund
of Michigan
2966 Woodward Avenue
Detroit, MI 48201
(313) 578-6814

Attorney for Plaintiffs

Dated: July 2, 2018

/s/ Charles N. Raimi (by consent)
Charles N. Raimi (P29746)
City of Detroit Law Department
2 Woodward Ave., Suite 500
Coleman A. Young Municipal Center
Detroit, MI 48226-3437
(313) 237-5037
raimic@detroitmi.gov

Attorney for Defendants City of
Detroit and Detroit Citizens Board of Review

Dated: July 2, 2018

CITY CLERK 2018 OCT 22 AM 10:05

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

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

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

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

TO: Detroit City Council
FROM: David Whitaker, Director 
Legislative Policy Division
DATE: October 22, 2018
RE: Report on Gaming Tax Revenue through September 2018

For Council's review, the attached schedules present the gaming tax revenue activity through September 2018 and prior fiscal years.

In the third month of the fiscal year the casinos reported a combined gross gaming receipts increase of 1.39% compared to the third month of the prior fiscal year. The first quarter shows a 3.17% increase over the same period in the prior year. Broken out by casino, MGM's gross receipts are up by 4.20%, Motor City's are up by 1.66% and Greektown's are up by 3.50%, compared with the first quarter of the prior fiscal year.

In the third month of the fiscal year, the City collected \$14.21 million in gaming tax revenue, which was 20.96 % lower than September 2017, as reflected in Chart 1. This is a result of MGM reaching the target of \$400 million in the prior month and receiving the revenue a month earlier. Chart 2 "Monthly Detroit Gaming Tax Collections" through a twelve-month moving average trend line shows a decrease of 0.40% since last September among the combined casino tax revenues. Based on existing data, there is projected to be surplus of \$4.14 million for the fiscal year for a gaming revenue total of \$184.92 million, a 3.32% increase over last year.

Adjusted gross casino gaming receipts were reported at \$115.22 million for the month of September 2018 as shown in Chart 1A. This represented a 1.39% gain compared with September 2017. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows growth of 1.81% among the combined casino receipts.

MGM and Motor City are each paying 12.9% of gross gaming receipts to the City, while Greektown Casino is paying 11.9% of gross gaming receipts and is broken out as follows. By state law, all casinos are now paying 10.9% of gross gaming receipts to the City as wagering tax. The casinos also have an additional 1% payment because of the 2002 amended development agreement with the City. Additionally, if a casino reaches \$400 million in receipts in a calendar year, like MGM and Motor City, then an additional 1% is paid to the City per the amended development agreement of 2002.

There is not a complete one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases when comparing prior years, due to two factors. First, there is the fact that MGM and Motor City casinos began paying the City 1% less due to the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the City is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. P.A. also allowed that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the City determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the City where the casino is being operated. Greektown continued to pay the 6% additional wagering tax – 4% to the state, 2% to the City – until its permanent status was agreed to by the Administration and approved by the State Gaming Commission, which occurred on March 9, 2010.

Second, the amended development agreement of August 2002 between the City and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the thirteenth year, MGM and Motor City are projected to exceed \$400 million in the calendar year and increase gaming tax collections by \$10.6 million between September and December. MGM reached \$400 million in August a month earlier than prior years and Motor City is projected to do so in October also a month sooner than prior years.

Attachments (5)

cc: Auditor General
John Hill, CFO
John Naglick, Finance Director
Tanya Stoudemire, Budget Director
Renee Short, Budget Manager
James George, Agency CFO
Stephanie Washington, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

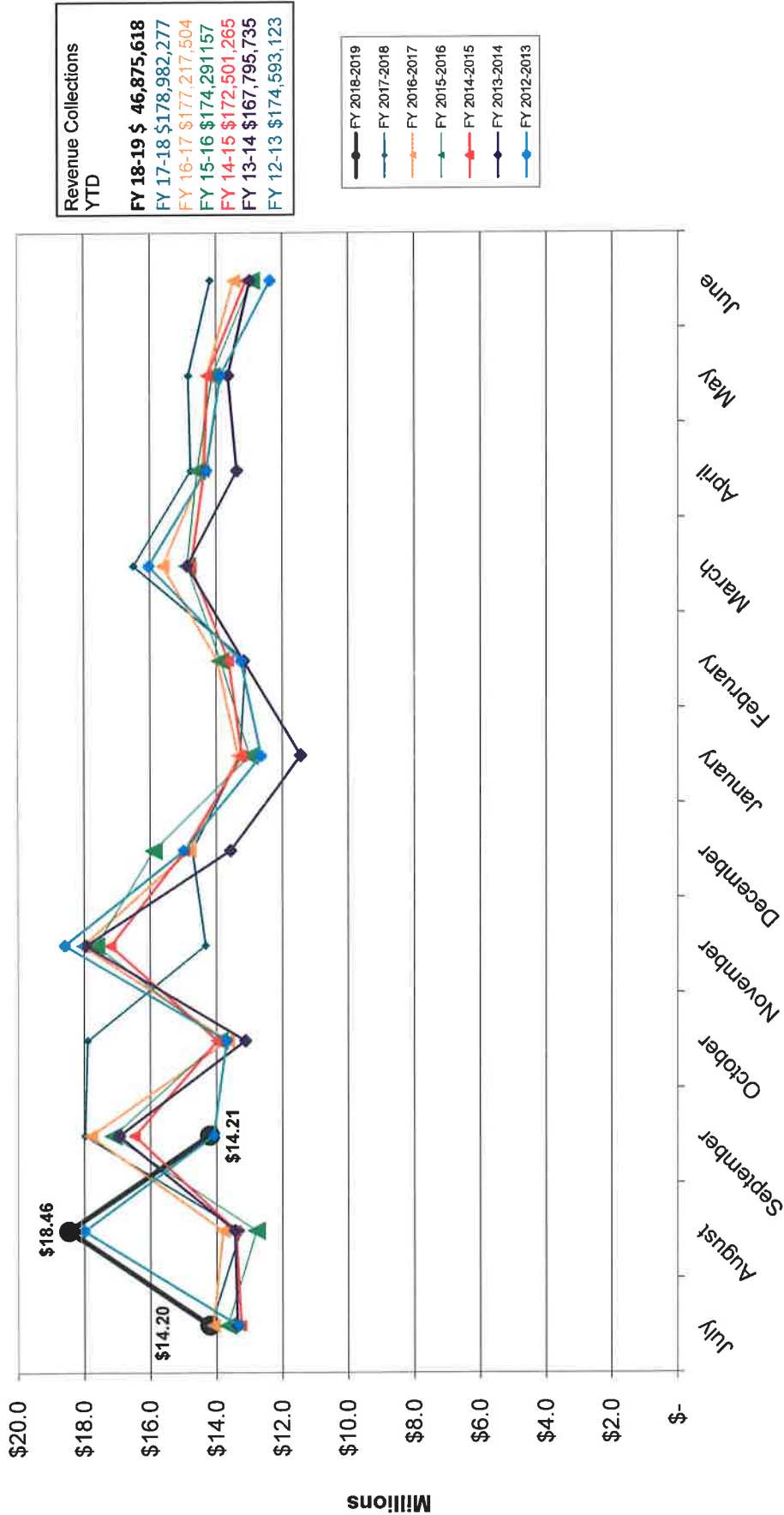


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

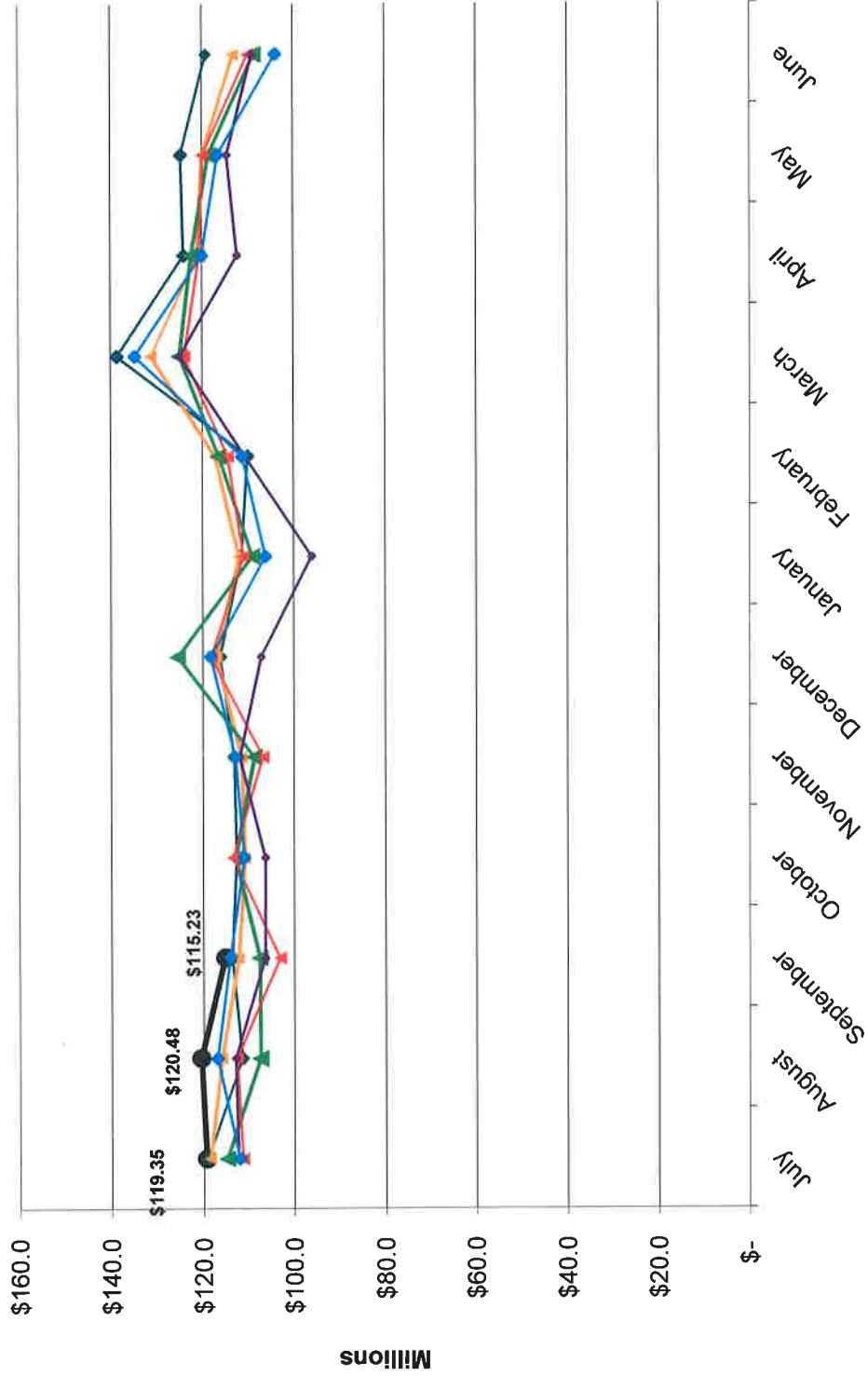


Chart 2

Monthly Detroit Gaming Tax Collection History

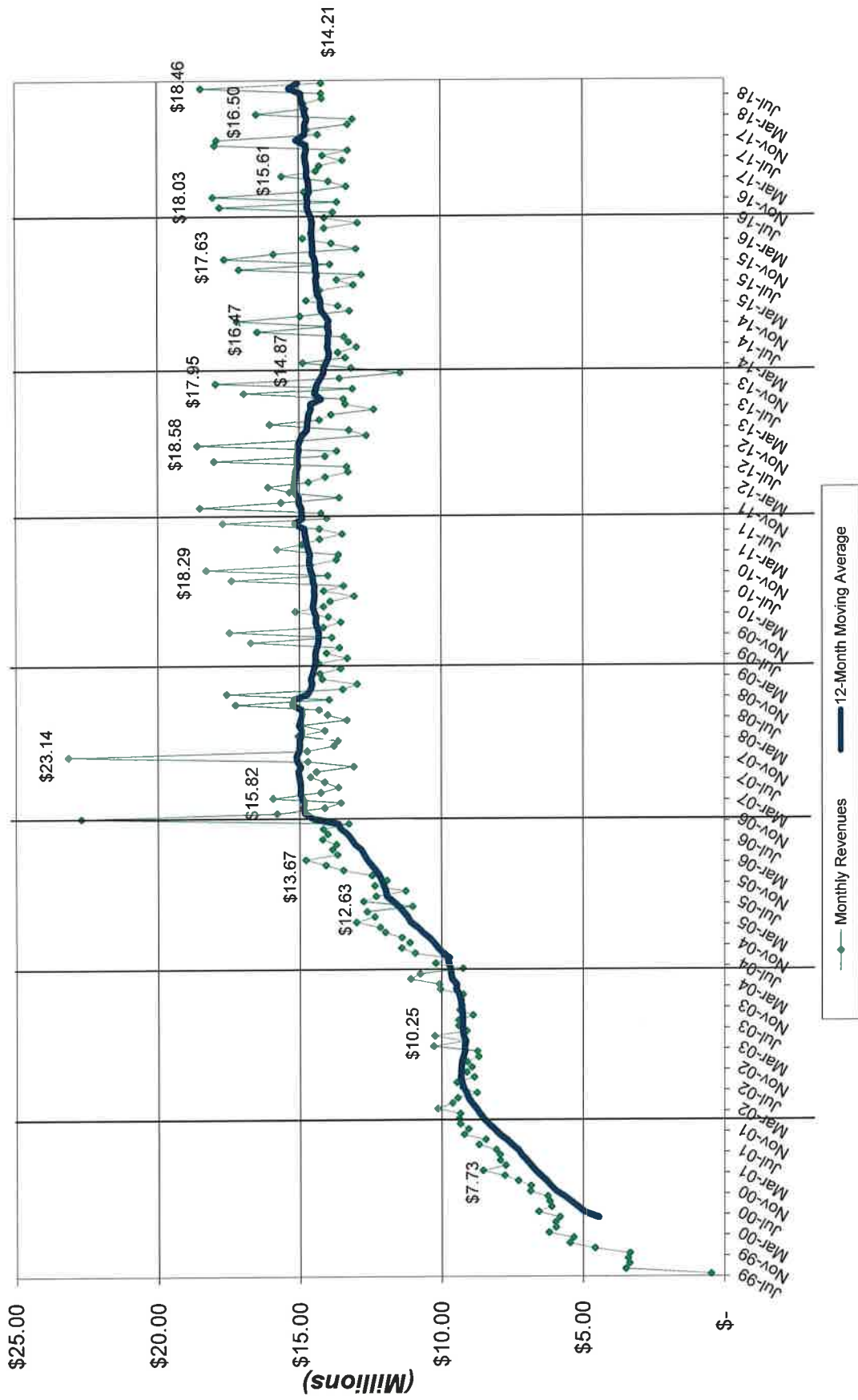


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipt History

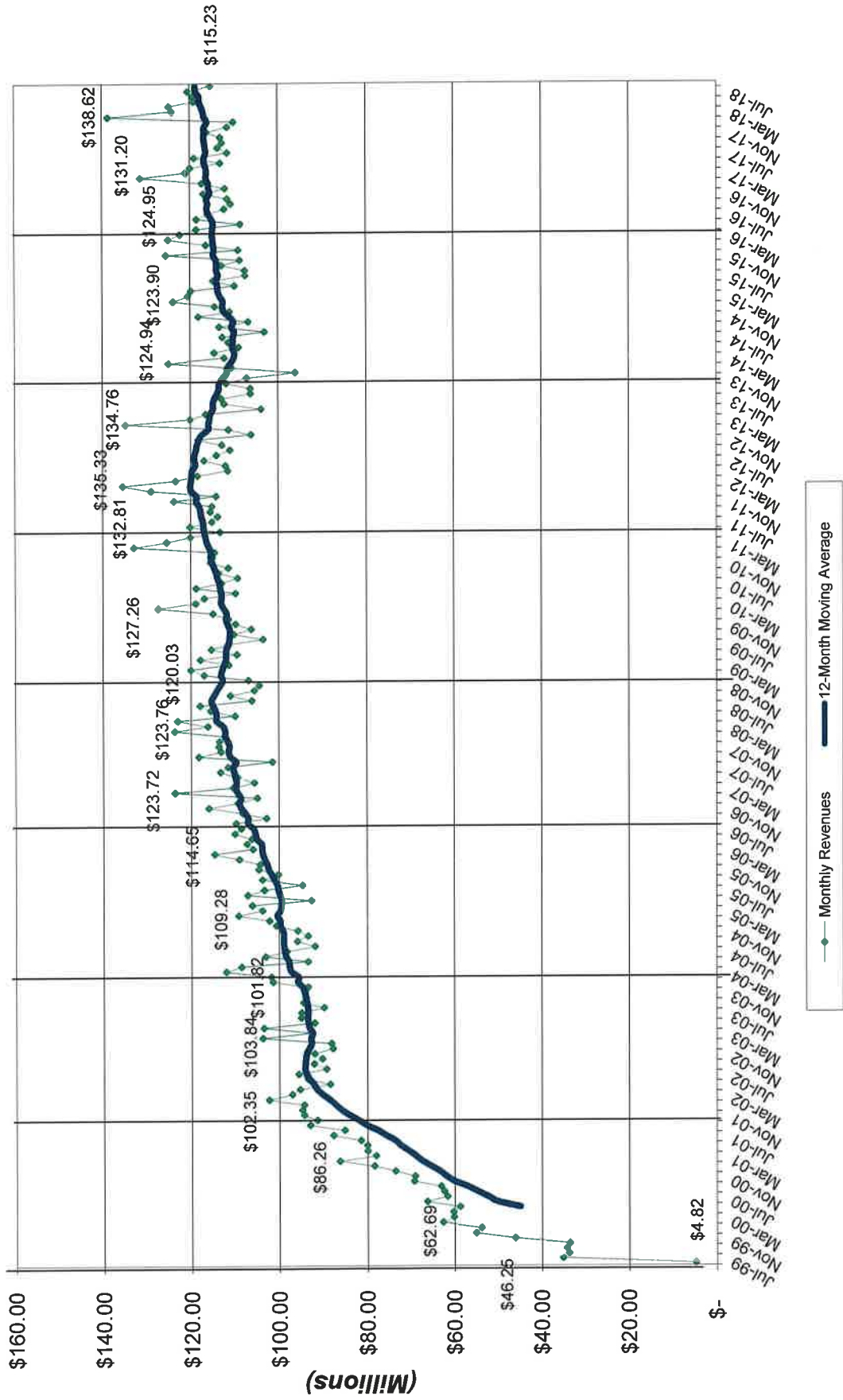


Table 1

Wagering Tax History and Tax Projections - All Casinos

| | Total Adjusted Gross Receipts | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior year |
|--|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | FY 13-14 | | FY 14-15 | | FY 15-16 | | FY 16-17 | | FY 17-18 | | FY 18-19 | |
| July | \$ 112,324,111.14 | 0.29% | \$ 111,335,628.63 | -0.88% | \$ 114,773,549.99 | 3.09% | \$ 118,462,544.37 | 3.21% | \$ 119,025,164.52 | 0.47% | \$ 119,352,251.03 | 0.27% |
| August | \$ 112,898,452.02 | -3.45% | \$ 112,662,906.77 | -0.21% | \$ 107,454,382.18 | -4.62% | \$ 115,902,952.67 | 7.86% | \$ 111,475,141.33 | -3.82% | \$ 120,481,280.32 | 8.08% |
| September | \$ 106,340,200.54 | -6.78% | \$ 103,111,649.21 | -3.04% | \$ 107,556,002.33 | 4.31% | \$ 112,167,563.98 | 4.29% | \$ 113,650,378.92 | 1.32% | \$ 115,227,814.05 | 1.39% |
| October | \$ 106,324,915.12 | -4.17% | \$ 113,375,138.17 | 6.53% | \$ 112,839,250.36 | -0.47% | \$ 110,737,995.50 | -1.86% | \$ 112,667,662.55 | 1.74% | \$ 113,084,415.06 | -100.00% |
| November | \$ 111,841,042.99 | -0.90% | \$ 106,779,739.55 | -4.53% | \$ 108,679,663.84 | 1.78% | \$ 111,502,032.31 | 2.60% | \$ 113,084,415.06 | 1.42% | \$ 113,084,415.06 | -100.00% |
| December | \$ 107,124,733.60 | -9.40% | \$ 118,134,341.40 | 10.28% | \$ 125,463,371.75 | 6.20% | \$ 116,907,871.10 | -6.82% | \$ 116,166,313.36 | -0.63% | \$ 111,494,603.74 | -100.00% |
| January | \$ 96,048,307.53 | -9.54% | \$ 111,021,844.76 | 15.59% | \$ 109,066,688.11 | -1.76% | \$ 112,004,791.29 | 2.69% | \$ 110,066,016.70 | -6.10% | \$ 110,066,016.70 | -100.00% |
| February | \$ 110,606,613.45 | -0.62% | \$ 114,422,344.27 | 3.45% | \$ 116,400,992.94 | 1.73% | \$ 117,241,823.84 | 0.72% | \$ 110,066,016.70 | -6.10% | \$ 110,066,016.70 | -100.00% |
| March | \$ 124,936,684.16 | -7.29% | \$ 123,903,906.42 | -0.83% | \$ 124,949,116.99 | 0.84% | \$ 131,203,575.63 | 5.01% | \$ 138,618,493.30 | 5.65% | \$ 138,618,493.30 | -100.00% |
| April | \$ 112,273,443.83 | -6.47% | \$ 120,548,875.91 | 7.37% | \$ 122,356,901.35 | 1.50% | \$ 120,997,540.75 | -1.11% | \$ 124,023,991.41 | 2.50% | \$ 124,023,991.41 | -100.00% |
| May | \$ 114,508,495.99 | -1.73% | \$ 119,815,053.34 | 4.63% | \$ 118,534,766.46 | -1.07% | \$ 119,945,966.90 | 1.19% | \$ 124,659,270.12 | 3.93% | \$ 124,659,270.12 | -100.00% |
| June | \$ 109,007,620.90 | 4.96% | \$ 109,930,191.80 | 0.85% | \$ 108,612,340.75 | -1.20% | \$ 113,073,887.16 | 4.11% | \$ 119,116,145.61 | 5.34% | \$ 119,116,145.61 | -100.00% |
| TOT RECEIPTS thru FY | \$ 1,324,236,621.27 | -3.88% | \$ 1,365,041,620.23 | 3.08% | \$ 1,376,687,027.05 | 0.85% | \$ 1,400,148,545.50 | 1.70% | \$ 1,414,067,616.62 | 0.99% | \$ 1,414,067,616.62 | -100.00% |
| Receipts thru Cal Yr | \$ 1,349,503,615.26 | -4.75% | \$ 1,332,762,569.59 | -1.24% | \$ 1,376,408,436.95 | 3.27% | \$ 1,385,601,766.53 | 0.67% | \$ 1,400,536,681.31 | 1.08% | \$ 1,083,059,866.28 | -100.00% |
| Wagering Tax - pre 9/2004 (State) | | | | | | | | | | | | |
| Wagering Tax - post 9/2004 (State) | | | | | | | | | | | | |
| Wagering Tax - post 1/2006 (Dev. Proj 1-7% after calendar year hits) | | | | | | | | | | | | |
| \$400 M (Dev. Agrmt) after permanent opens | | | | | | | | | | | | |
| Wagering Tax FYTD | \$ 157,584,157.93 | 1.00% | \$ 162,439,952.81 | 11.90% | \$ 163,825,756.22 | 0.85% | \$ 166,617,676.91 | 11.90% | \$ 168,274,046.38 | 11.90% | \$ 42,252,300.10 | 11.90% |
| Add' 1% after casino reaches \$400M during calendar year (Dev Agrmt) | \$ 10,211,576.83 | -4.08% | \$ 10,061,311.75 | -1.47% | \$ 10,465,401.23 | 4.02% | \$ 10,599,827.55 | 1.28% | \$ 10,708,230.46 | 1.02% | \$ 4,623,317.48 | 1.02% |
| Total Revenue FYTD | \$ 167,795,734.76 | -3.89% | \$ 172,501,264.56 | 2.80% | \$ 174,291,157.45 | 1.04% | \$ 177,217,504.46 | 1.68% | \$ 178,982,276.84 | 0.9958% | \$ 46,875,617.59 | 0.9958% |
| First 3 Months' Receipts | \$ 331,562,763.70 | -3.34% | \$ 327,110,184.61 | -1.34% | \$ 329,783,934.50 | 0.82% | \$ 346,533,061.02 | 5.08% | \$ 344,150,684.77 | -0.69% | \$ 355,061,345.40 | 3.17% |
| Last 9 Months' Receipts | \$ 992,673,857.57 | | \$ 1,037,931,435.62 | | \$ 1,046,903,092.55 | | \$ 1,053,615,484.48 | | \$ 1,069,916,931.85 | | \$ 1,083,059,866.28 | |
| Ratio of 3 Month to 9 Months est. last 9 months' receipts est. total annual receipts | 299.39% | | 317.30% | | 317.45% | | 304.04% | | 310.89% | | 312.42% | |
| Fiscal Year's Wagering Tax (est) | | | | | | | | | | | | |
| Budget | \$ 170,000,000.00 | | \$ 168,000,000.00 | | \$ 169,042,005.00 | | \$ 175,200,000.00 | | \$ 177,780,000.00 | | \$ 180,779,000.00 | |
| Surplus/Deficit | \$ (2,042,265.24) | | \$ 4,501,264.56 | | \$ 5,249,152.45 | | \$ 2,017,504.46 | | \$ 1,202,276.84 | | \$ 4,141,812.77 | |

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

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
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood

TO: Honorable Detroit City Council
FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: October 22, 2018

CITY CLERK 2018 OCT 22 PM 1:34

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

Introduction

The Office of the Chief Financial Officer (OCFO) proposes issuing up to \$255 million in Unlimited Tax General Obligation (UTGO) bonds¹ to finance capital projects and make investments that help improve the quality of life for Detroiters and spur the City's economic growth. The UTGO bonds would be issued under voter-authorized UTGO capacity from 2004 and 2009.

In addition, the OCFO proposes issuing up to \$500 million in Limited Tax General Obligation (LTGO) bonds² for the purpose of refunding or refinancing all or a portion of the City's

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

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

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

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

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

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

Need for UTGO Bond Sale for Capital Projects

Old General Obligation Bond Dollars

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

Exit Financing/Quality of Life Dollars

Similarly, LPD recalled the City has spent almost \$233 million in exit financing/quality of life (QOL) dollars on various capital projects (LPD understands that \$27.5 million has been set aside in a debt service reserve account³ and that only approximately \$4 million is remaining to be programmed to be spent). According to the Administration, the capital projects funded by QOL dollars do not overlap with the capital projects being proposed for the new UTGO bond sale. Attachment VI represents the list of capital projects that have been funded from QOL dollars.

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

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

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

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

- The City of Detroit has made significant strides in improving its financial condition by incurring budget surpluses, exiting heavy state oversight, and funding a plan to tackle a looming hike in pension contributions.
- Given the current volatility in the stock market, there is demand among bond investors in the municipal bond market place for high yield investments ("high yield" meaning below investment grade credit requiring higher interest rates). Also due to the volatility in the stock market, investors may seek to cash out and invest in bonds. The OCFO's financial advisor has advised that although the credit markets have seen a rise in interest rates amid the general market volatility, the market still remains attractive for the City to access. 2018 has seen strong demand amid lower supply – especially in the higher yielding markets (which the City's UTGO would be accessing). The City's credit fundamentals have improved markedly since the exit from bankruptcy, providing a strong base from which to re-launch into the public markets.
- The OCFO feels it has robust marketing program to reintroduce the City to the bond markets. The credit-consortium that will be marketing the City's bonds includes Goldman Sachs, City bank and Siebert.

As articulated in a June 2018 Bond Buyer article⁴, the OCFO feels the City of Detroit's ability to achieve bond market access without the support of state aid or some other mechanism is the next big step for the junk-rated city to signal it has come full circle from its historic 2013 Chapter 9 bankruptcy filing. The OCFO noted when the City exited bankruptcy in late 2014, it had the cash needed for capital projects from its exit financing, grant dollars, and other secured sources to show the rating agencies it could fund capital needs, but the day has come in the not-to-distant future where the City bond for capital like any other normal government. The OCFO further noted that market access on its own is eventually needed to relieve pressure on the general fund which will be relied on to cover higher pension contributions which begin in 2024 and a \$25 million spike in debt service in 2025.

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

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

Proposed Capital Projects to be funded by Proposed UTGO Bond Sale

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The council has a couple of opportunities to affect the projects that are worked on. Clearly they will have the Capital Agenda in front of them on Nov 1 and are able to express their

support or priority for various projects during that process⁷. They also have control over all the Contracts that come out of the bond sale as they will have to be approved by the body. We heard the Council prior to this process and accordingly included a number of projects the Council expressed concern with our finding funding to support. We did that because of the lead time necessary to validate the projects as I have explained above. I believe the process that was used incorporated a number of different priorities and was respectful to concerns of the Council.

There is money left over in bond authorization⁸ for Council priorities.

Need for a Budget Amendment

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

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

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

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

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

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

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

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

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

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

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

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

Features of the Proposed UTGO Bond Sale

Repayment Source for Proposed UTGO Bonds

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

LPD inquired what impact would the increase in the debt mills from 7 to 9.5 mills would have on the average homeowner in the City of Detroit. The OCFO indicated that the City's debt millage was 9.5 mills in 2016 and as a result of the City's debt restructuring approved by City Council,

the City was able to lower the debt millage. One mill equates to \$1 of tax for each \$1,000 in taxable value of the property owned by the homeowner. So, a home with \$40,000 in assessed value would result in a taxable value of \$20,000. A debt millage of 9.5 mills would increase the homeowners' annual tax bill by approximately \$50.00.

Interest Rate associated with Proposed UTGO Bonds

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

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

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

Maturity of Proposed UTGO Bonds

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

Enhancement of Proposed UTGO Bonds

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

City's Debt Policy and Debt Metrics

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

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

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

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

Risks associated with the Proposed UTGO bonds

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

1. The bonds may price higher than anticipated due to rising interest rates.

OCFO's response: We have a generous spread already factored into our analyses to take this into account. To be clear, we have been modeling the new UTGO debt service under a stress case scenario @ (+75 bps higher)

2. There may not be the level of bond investors available to purchase these bonds.

OCFO's response: The market has a very large demand. While there are no guarantees, the team of Goldman Sachs, Citibank and Siebert project that there will be considerable interest in this deal and expect to be oversubscribed.

3. As a result of the two previous points, the bond sale for the first series may be smaller than anticipated.

OCFO's response: Doubtful, as the underwriting team projects they will be oversubscribed which should push the rate down. The market for storied and improving credits (such as Detroit) has tremendous appetite. And in the event something were to occur that leads to a smaller transaction, the difference could be made up in the next Series.

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

pledge on the exit financing and a DSA pledge on the refunding bonds, demonstrated the City's ability to access the market, correct?

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

LTGO Refunding Bonds

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

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

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

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

Security for the payment of the proposed LTGO refunding bonds

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

Maturity of proposed LTGO refunding bonds

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

Recommendation

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

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

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

Attachments

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

9

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

Attachment I

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



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 1100
DETROIT, MICHIGAN 48226
PHONE: 313-224-3203
FAX: 313-224-2135
WWW.DETROITMI.GOV

October 12, 2018

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

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

Dear Honorable Detroit City Council Members:

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

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

Best regards,

John W. Hill
Chief Financial Officer

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

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

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

TABLE OF CONTENTS
(continued)

| | Page |
|---|-------------|
| ARTICLE V FUNDS AND ACCOUNTS; DISPOSITION OF BOND PROCEEDS | 27 |
| Section 501. Establishment of Accounts and Funds | 27 |
| Section 502. UTGO Debt Retirement Fund | 27 |
| Section 503. UTGO Bond Issuance Fund | 27 |
| Section 504. Construction Fund | 28 |
| Section 505. Investment of Monies in the UTGO Bonds Funds and Accounts | 28 |
| ARTICLE VI REFUNDING BONDS FUNDS AND ACCOUNTS; DISPOSITION OF REFUNDING BOND PROCEEDS | 29 |
| Section 601. Establishment of Accounts and Funds | 29 |
| Section 602. Refunding Bonds Debt Retirement Fund | 29 |
| Section 603. Refunding Bond Issuance Fund | 29 |
| Section 604. Repurchase Escrow Fund | 29 |
| Section 605. Investment of Monies in the Refunding Bonds Funds and Accounts | 30 |
| ARTICLE VII REPURCHASE OF THE PRIOR BONDS | 30 |
| Section 701. Method of Repurchase | 30 |
| Section 702. Authorization to Enter into Repurchase Agreement Approval of Initial Repurchase Agent | 31 |
| Section 703. Authorization of Actions in Connection with Repurchase | 31 |
| ARTICLE VIII DEFEASANCE | 31 |
| Section 801. Defeasance | 31 |
| ARTICLE IX REIMBURSEMENT PROVISIONS | 31 |
| Section 901. Advancement of Costs of the Projects | 31 |
| Section 902. Reimbursement Declarations | 32 |
| ARTICLE X OTHER PROVISIONS OF GENERAL APPLICATION | 32 |

TABLE OF CONTENTS
(continued)

| | Page |
|--|-------------|
| Section 1001. Credit Enhancement; Remarketing Agreement | 32 |
| Section 1002. Approval of Other Documents and Actions; Treasury Approval | 32 |
| Section 1003. Continuing Disclosure Undertaking | 33 |
| Section 1004. Delegation to the Authorized Officers | 33 |
| Section 1005. Approving Legal Opinions with Respect to the Bonds | 34 |
| Section 1006. Negotiated Sale; Award | 34 |
| Section 1007. Delivery of Bonds | 35 |
| Section 1008. Official Statement | 35 |
| Section 1009. Appointment of Bond Counsel; Engagement of Other Parties | 35 |
| Section 1010. No Recourse Under Resolution | 35 |
| Section 1011. Severability | 35 |
| Section 1012. Cover Page, Table of Contents and Article and Section Headings | 35 |
| Section 1013. Conflict | 36 |
| Section 1014. Governing Law and Jurisdiction | 36 |
| Section 1015. Resolution and Sale Order are a Contract | 36 |
| Section 1016. Effective Date | 36 |
| EXHIBIT A PROJECTS | A-1 |
| EXHIBIT B FORM OF CONTINUING DISCLOSURE UNDERTAKING | B-1 |

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

BY COUNCIL MEMBER: _____:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE I
DEFINITIONS AND INTERPRETATION

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

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

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

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

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

“2009 Authorization” means the \$228,000,000 of remaining authorization pursuant to the 2009 Election.

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

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

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

“2009 Voter Authorized Purposes” means

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

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

“Act 181” means Act 181, Public Acts of Michigan, 2014.

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

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

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

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

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

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

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

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

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

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

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

“Bonds” means, collectively, the UTGO Bonds and the Refunding Bonds.

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

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

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

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

“Council” means the City Council of the City of Detroit, Michigan.

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

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

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

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

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

“Mayor” means the mayor of the City or the designee thereof.

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

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

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

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

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

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

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

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

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

“Refunding Bonds” means the City’s Financial Recovery Refunding Bonds, authorized by Article III of this Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the State of Michigan.

“State Treasurer” means the Treasurer of the State.

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

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

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

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

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

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

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

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

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

“Voter Authorized Purposes” means, collectively, the 2004 Voter Authorized Purposes and the 2000 Voter Authorized Purposes.

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

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

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

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

ARTICLE II DETERMINATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unless waived by any Registered Owner of the UTGO Bonds to be redeemed, official notice of redemption shall be given by the Transfer Agent on behalf of the City. Such notice

shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where the UTGO Bonds called for redemption are to be surrendered for payment; and that interest on the UTGO Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

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

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

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

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

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

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

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

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

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

(c) The Refunding Bonds shall mature on such dates and shall bear interest at such rates on a fixed and/or variable and tax-exempt or taxable basis not in excess of the legal limit,

and payable on such dates (each a “Refunding Bonds Interest Payment Date”), all as shall be provided in Refunding Sale Order. Unless otherwise provided in a Sale Order, interest on the Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve, 30 day months. The Refunding Bonds shall be payable as to principal and interest in lawful money of the United States of America.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Form of Bond]

United States of America
State of Michigan
County of Wayne

CITY OF DETROIT
UNLIMITED TAX GENERAL OBLIGATION BOND, SERIES 2018

| | | | |
|-------------|--------------|-----------------------|--------------|
| Interest | Maturity | Date of | |
| <u>Rate</u> | <u>Date</u> | <u>Original Issue</u> | <u>CUSIP</u> |
| | [] 1, _____ | _____, 2018 | |

Registered Owner:

Principal Amount: _____ Dollars

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

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

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

[Insert any term bond provisions, if applicable]

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

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

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

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

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

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

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

CITY OF DETROIT

County of Wayne

State of Michigan

By _____

Its Mayor

(SEAL)

By _____

Its Finance Director

Certificate of Authentication

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

_____, Michigan
Transfer Agent

By _____
Its: Authorized Signature

Date of Authentication: _____, 2018

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

[Form of Refunding Bond]

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

United States of America
State of Michigan
County of Wayne

CITY OF DETROIT
FINANCIAL RECOVERY REFUNDING BOND
SERIES 20__

REGISTERED OWNER: [_____]

PRINCIPAL AMOUNT: _____ Dollars (\$____,000)

DATE OF ORIGINAL ISSUE: _____, 20__

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

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

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

Additional Interest

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

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

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

Security

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

[Additional Security provisions as applicable]

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

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

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

CITY OF DETROIT

County of Wayne
State of Michigan

By _____

Its Mayor

(SEAL)

By _____

Its Finance Director

SCHEDULE A

Debt Service Payment Schedule

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

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

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

ARTICLE IV SPECIAL COVENANTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 604. Repurchase Escrow Fund. If the repurchase of the Repurchased Bonds necessitates the establishment of an escrow fund, then after making the deposits required by Sections 602 and 603, there shall be deposited from the remainder of the proceeds of the sale of the Refunding Bonds and any moneys transferred by the City at the time of delivery of the Bonds from the debt retirement funds for the Repurchased Bonds, into the Repurchase Escrow Fund (which shall be maintained in cash or invested in direct obligations of or obligations guaranteed by the United States of America, not redeemable at the option of the issuer), an amount, as

hereinafter described, sufficient to pay the principal of and interest on the Repurchased Bonds as they become due and, except as otherwise herein provided, shall be used only for such purposes. The Repurchase Escrow Fund shall be irrevocably held by U.S. Bank National Association, Detroit, Michigan as repurchase escrow trustee (the "Repurchase Escrow Trustee") in trust pursuant to a repurchase escrow deposit agreement between the City and the Repurchase Escrow Trustee (the "Repurchase Escrow Agreement"), which Repurchase Escrow Agreement shall irrevocably direct the Repurchase Escrow Trustee to take all necessary steps to pay the principal of and interest on the Repurchased Bonds when due and to provide for the City's repurchase of the Repurchased Bonds in whole or in part, as and when specified in the Repurchase Escrow Agreement. The amounts, including the investments thereof, held in the Repurchase Escrow Fund shall be such that the cash and investments and income received thereon will be sufficient, without any reinvestment, to pay the purchase price of the Repurchased Bonds as required by this Section. Any balance remaining in the Repurchase Escrow Fund after payment in full of the purchase price of the Repurchased Bonds shall be transferred to the Refunding Bonds Debt Retirement Fund.

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

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

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

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

ARTICLE VII REPURCHASE OF THE PRIOR BONDS

Section 701. Method of Repurchase. Each Authorized Officer is hereby authorized to effect the repurchase of the outstanding Prior Bonds by means of one or more tenders, direct or indirect open market repurchases, exchanges of debt (including but not limited to exchanges involving some or all of the Bonds), other means of repurchase or any combination of the

foregoing. The repurchase of the outstanding Prior Bonds may be accomplished using the proceeds of the Refunding Bonds, funds on hand of the City, or both, in the discretion of an Authorized Officer.

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

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

ARTICLE VIII DEFEASANCE

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

ARTICLE IX REIMBURSEMENT PROVISIONS

Section 901. Advancement of Costs of the Projects. The City may advance certain costs of the Projects from the City's general fund prior to the issuance of the UTGO Bonds. The City intends to reimburse itself for any costs of the Projects paid or incurred by the City prior to the issuance of the UTGO Bonds with proceeds of the UTGO Bonds. The Internal Revenue Service has issued Treasury Regulation Section 1.150-2 pursuant to the Code, governing proceeds of tax-

exempt bonds used for reimbursement, pursuant to which the City must declare official intent to reimburse expenditures with bond proceeds as provided in Section 902 below.

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

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

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

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

ARTICLE X OTHER PROVISIONS OF GENERAL APPLICATION

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

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

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

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

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

(b) Pursuant to the authority of Section 315(1)(d) of Act 34, each Authorized Officer is hereby authorized to make the following determinations with respect to the Bonds within the parameters of this Resolution: (i) to determine the principal amounts of the Bonds to be issued on a fixed or variable interest rate basis and tax exempt or taxable basis; (ii) to determine the interest rate provisions, tender and other requirements for Bonds issued on a variable rate basis; (iii) to determine and allocate the amount of proceeds of the UTGO Bonds to the various Projects; (iv) to negotiate the terms for the sale of the Bonds to the Underwriters or MFA, as applicable; (v) to cause the Preliminary Official Statement and the final Official Statement for the Bonds to be prepared and circulated; (vi) to file an application or applications to the Department for prior approval to issue the Bonds, to file an application with the Department for a waiver of the refunding bonds savings requirement, to file an application with the Department for a waiver of the ratings requirement and to make such other filings with and to pay any post

issuance fees to the Department as required by Act 34; (vii) to request approval from the Treasurer of the State and the Emergency Loan Board established under Act 243, Public Acts of Michigan, 1980, as amended; and (viii) to take such other actions and make such other determinations as may be necessary to accomplish the sale and delivery of the Bonds and the transactions contemplated by this Resolution, as shall be confirmed in the Sale Order.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT A
PROJECTS
(Listed by applicable Ballot Proposals)

Recreation (2004 Proposal R; 2009 Proposal C)

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

Public Safety (2009 Proposal S)

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

Economic Development (2004 Proposal N; 2009 Proposal N)

- Land acquisition and preparation for future industrial development projects

Transportation Facilities (2004 Proposal T; 2009 Proposal T)

- Coolidge facility rebuild

EXHIBIT B
CONTINUING DISCLOSURE UNDERTAKING

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

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

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

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

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

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

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

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

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

- (2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.
- (3) Such additional financial information or operating data as may be determined by the City and its advisors as desirable or necessary to comply with the Rule.

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

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

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

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

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

- (12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

- (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.]

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

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

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

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

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

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

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

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

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

CITY OF DETROIT
County of Wayne
State of Michigan

By _____

Its

Dated: _____

Attachment II

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



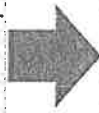
UTGO Financing and Debt Restructuring



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

Improved City Credit Profile

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



Return to the Capital Markets

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

Strong Market Conditions

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





UTGO Financing Has Important Benefits

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



Pro Forma UTGO Debt Service

Pro Forma UTGO Debt Service (\$000)

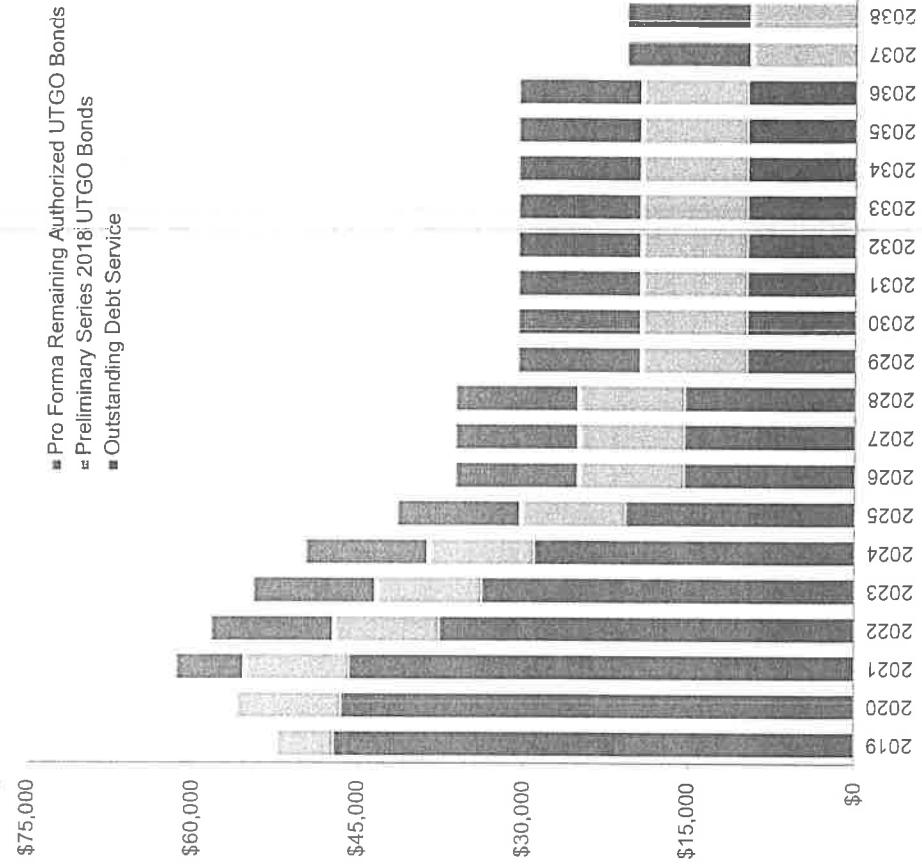
| FY | Outstanding Debt Service | Series 2018 Debt Service ¹ | Future Series Debt Service ² | Total Debt Service |
|------|--------------------------|---------------------------------------|---|--------------------|
| 2019 | \$ 47,201 | \$ 5,297 | | \$ 52,498 |
| 2020 | 46,493 | 9,630 | | 56,123 |
|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

Note: Dollars in thousands

¹ Current estimate based on approximately \$112 million Series 2018 issuance

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

Aggregate UTGO Debt Service Profile (\$000)





City's Current LTGO Debt

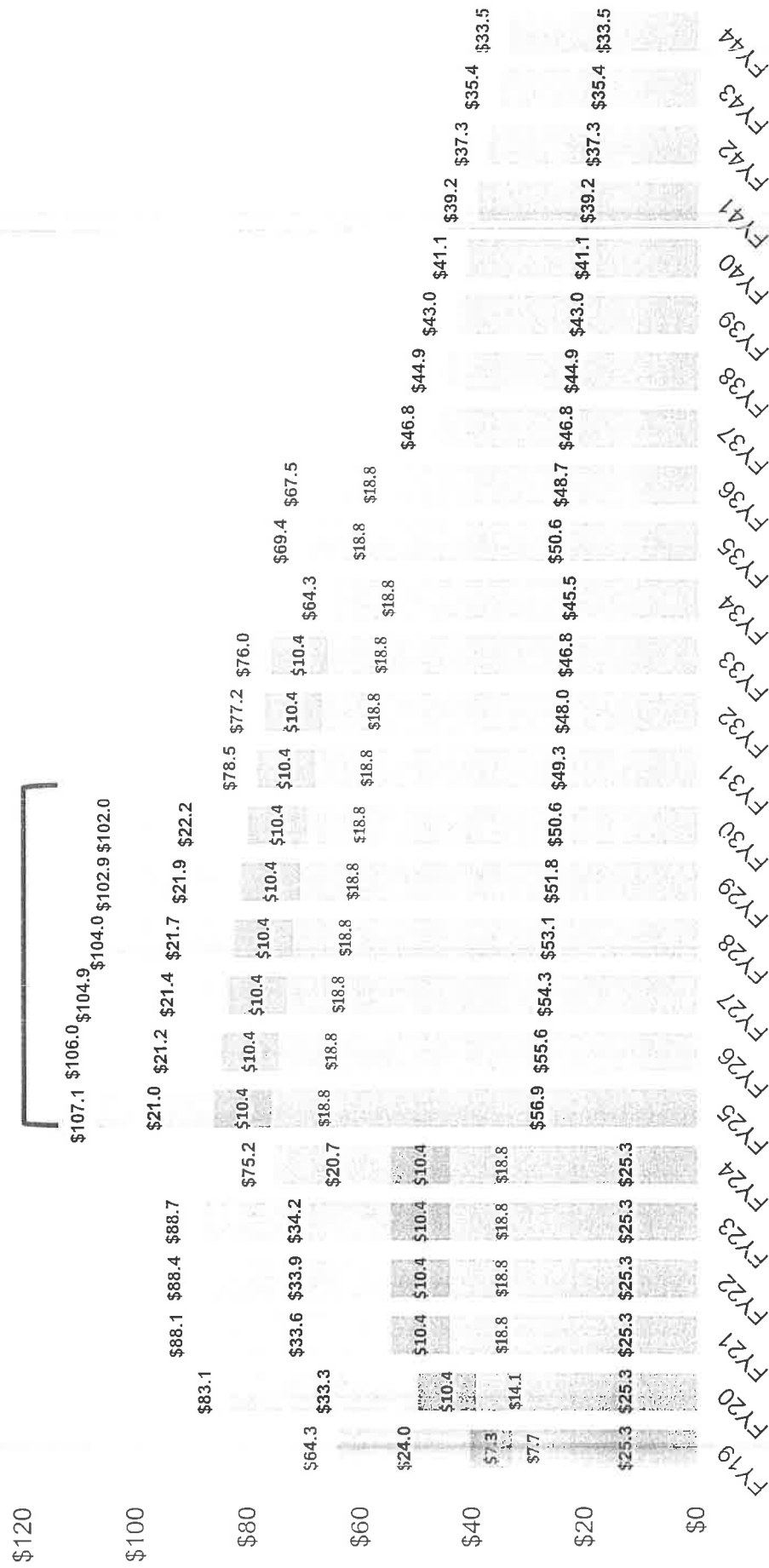
- The City's annual General Fund debt service includes the following borrowings:
 - \$245 million of Income tax bonds (LTGO)
 - \$360 million of 1st and 3rd Lien DSA bonds (LTGO)
 - \$632 million of B notes (LTGO)
- This excludes UTGO debt that does not impact the City's General Fund budget and \$173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



City's Current LTGO Debt

General Fund Debt Service

(\$ in millions)



-- B-Notes 1st Lien DSA 3rd Lien DSA Exit Financing



Debt Restructuring

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

Attachment III

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

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

Recommended Projects by Fiscal Year

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

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

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

Authorization Remaining

Ballot Language

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

Attachment IV

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

October 15, 2018

Questions from the Legislative Policy Division on the Upcoming Bond Issuance

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

Questions on the proposed new money bonds:

- About two years ago Council approved the re-appropriating of \$50 million in old general obligation bond dollars for capital projects. Have all of these bond dollars been spent or programmed to be spent? If not, could any of the remaining dollars be used to fund any of the capital projects on the list of capital projects that would be funded by the proceeds from the proposed \$255 million unlimited tax general obligation (UTGO)¹ bond sale? **Yes, all of the \$50m in old GO bond dollars for capital projects has been spent or programmed to be spent.**
- If available, please provide a list of capital projects that have been funded from the re-appropriating of \$50 million in old general obligation bonds for capital projects. The question here is if recent capital projects have been funded from these dollars, or will be funded by these dollars, is there still a need do some of the capital projects on the list of capital projects that are projected to be funded from the proposed \$255 million UTGO bond sale proceeds? **Attached is a list of capital projects that have been funded from the \$50m. There is no overlap with the projects being proposed for the new UTGO bond sale.**
- The City has spent almost \$233 million in exit financing/quality of life (QOL) dollars (LPD understands there's only about \$5 million remaining in unspent QOL dollars) on various capital projects. Similarly to the previous question, if recent capital projects have been funded from QOL dollars, is there still a need do some of the capital projects on the list of capital projects that are projected to be funded from the proposed \$255 million UTGO bond sale proceeds? **The list of projects being proposed for the new UTGO bond sale does not overlap. For instance, QOL dollars were used to purchase police scout cars. Yet, on the list of capital projects that would be funded from the proposed \$255 million UTGO bond sale proceeds, \$8 million would be allocated to a public safety vehicle purchase plan. Does the City really need to spend \$8 million on this plan when police scout cars were purchased within the last four years using QOL dollars? Has the life-cycle on the police scout cars purchased from QOL dollars already has ended, or is about to end? Of course, this scenario could be used for various types of capital projects. **Yes, the City needs to spend approximately \$8m per year on public safety vehicles in order to meet a replacement cycle that is consistent with best practices.****
- What process did the Administration use to determine the real need for the capital projects that are on the list of capital projects that would be funded from the proposed \$255 million UTGO

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

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

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

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

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

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

- Of the \$235.4 million of actual usage from the proposed new money UTGO bond sale, a first series of \$109.4 million in bonds would be issued in 2018 and a second series of \$126.0 million in bonds would be issued at a later date. LPD does not recall a bond resolution authorizing the Finance Director to issue bonds a multiple amount of times without having to come back to Council for approval. If it is anticipated that the second series would not be issued until a later date, like a year later, then the second series should come to Council under a separate bond resolution. Please explain. Municipalities frequently authorize multiple series of bond under a single bond resolution, particularly when there is a known set of projects to be financed over a period of years, identified sources of voter authorization, and a basic set of economic parameters established at the outset. In this case, the bonds authorized under this resolution are essentially a single financing, layered over a period of years and is a component of the City's overall capital plan. This approach is also done to ensure that the City has adequate funding to finish projects it starts and so the City can, at closing of any series of bonds, certify that it intends to spend 85% of the proceeds within three years of issuance (a Federal tax requirement).
- Has the Administration/OCFO explore alternative sources of funding for some of the capital projects that are a part of the list of capital projects that would be funded by proceeds from the proposed new money UTGO bond sale? For instance, couldn't insurance proceeds from the fire insurance associated with the Coolidge facility be used for the rebuild of that facility and reduce some of the anticipated \$36 million capital cost for the rebuild project? Yes, the Administration has explored alternative funding sources and the insurance proceeds are insufficient to cover the full costs. The proceeds from the new bond sale will cover the funding gap for the Cooledge facility.
- In September 2017, a Bond Buyer article indicated "In its bankruptcy plan of adjustment the city did not assume the need for market access in a traditional and predictable way, without added security layers, for at least ten years. That assessment remains the same as the city approaches the third anniversary of its exit from Chapter 9." The article quotes John Naglick saying: "Everything that we have been able to do since exiting bankruptcy has an attached revenue stream to it. You secure it and bond lawyers agonize over how that will be protected in the unlikely event of another bankruptcy because everyone has to ask the question now. Then there is a strong intercept mechanism that goes to a trustee like U.S. Bank where the bondholders now know this is absolutely secure."²

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

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

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

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

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

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

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

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

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

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

⁴ Ibid

⁵ Ibid

⁶ Ibid

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

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

4. Why would a robust marketing program to reintroduce the City's credit to the bond market, led by a consortium including Goldman Sachs, Citi and Siebert (Goldman Sachs & Co. LLC, Citigroup Global Markets Inc., and Siebert Cisneros Shank & Co. LLC, defined as the City's "underwriters" in the proposed bond resolution) be necessary to issue the new money UTGO bonds? Being the City's first foray back into the public markets on an unenhanced basis since bankruptcy and the first unenhanced GO in a decade, a proactive marketing plan to tell the City's story will be important to attract the broadest interest from the investor community. Having multiple firms market its bonds, the City's goal is to have an expanded outreach to municipal bond investors that are both familiar and unfamiliar with the City since bankruptcy. For a transaction of this type, it is conventional to have more than one firm to ensure that the City reaches the greatest possible number of potential interested investors – including conventional investor types as well as those who may view the City as an attractive way to meet their investment goals. The overall goal is to be oversubscribed by obtaining more orders for the bonds than we have available to sell, thereby minimizing the potential cost of the debt.
5. Why do the OCFO/City's financial advisors expect significant interest from investors on the City's new money UTGO bond deal? See responses above. In addition, the City's financial progress since bankruptcy has generated a lot of positive interest across the financial sector.
6. Is the City currently able to access the bond markets on its own without help from the Michigan Financing Authority (MFA)? Yes.
7. Would there be a state intercept feature to make the new money UTGO bonds more attractive to investors? A state intercept is not envisioned. Since the debt service on the UTGO bonds will come from the dedicated debt millage collected by the City, those funds are required by law to be sequestered and only used to pay the debt service on the UTGO bond.
8. Will a security interest to ensure debt payment such as revenue sharing be necessary for the issuance of the new money UTGO bonds? No, this is not anticipated. If so what is the anticipated security source (e.g., income tax)?
9. The debt service (principal and interest) payments associated with the new money UTGO bonds would be paid from property taxes based on the property tax debt millage and therefore will not impact the City's general fund. OCFO informed LPD that the issuance of the first and second series of these bonds would raise the debt millage from the 7 mills to approximately 9 mills. Specifically, LPD understands The City's debt millage rate was 9.5 mills in 2016; 8.24 mills in 2017; and 7 mills for 2018. The debt millage rate is expected to be back up to 9.5 mills with the new borrowing. The OCFO would like to maintain UTGO borrowing and the debt millage rate at around 9.5 mills. The City of Detroit citizen's have already voted to authorize the types of projects the City can issue this debt for. In addition, issuing debt is a result of a City's capital needs, not a desire to impose a certain debt millage rate. The

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

10. Will the City have to pay a premium to UTGO debt, which results in less dollars for capital projects? The City expects to pay a spread over the interest rate an 'AAA' rated obligation would yield – this is already factored into our analysis of the amount that will be available for capital projects. The higher level of interest rates (above the AAA-rated rates) does not reduce the amount of bond proceeds available for capital projects; but does, of course, increase the annual debt service costs.
11. Would a credit enhancement (such as letters of credit, bond insurance, cash or bond funded reserves, or other public or private credit enhancements) be used to improve the marketability of the new money UTGO bond sale? No.
12. If Council approves the new money UTGO bond sale, will the OCFO present to Council a budget amendment to appropriate the bonds in the City's FY 2019 budget and show the impact on the four-year financial plan? The Resolution itself serves this purpose.

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

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

Questions on the proposed refunding (refinancing) bonds:

- The OCFO proposes to issue a refunding bond not to exceed \$500 million to look at opportunities to repurchase or refinance a portion of the outstanding City limited tax general obligation (LTGO) bonds.⁷ Specifically, there are \$245 million in outstanding exit financing income tax bonds (LTGO), \$360 million in outstanding 1st and 3rd lien distributable state aid (DSA) bonds (LTGO) and \$632 million in outstanding B notes (LTGO) that could be partially repurchased or refinanced to achieve interest savings or restructure the repayment streams. Since the annual debt service on the LTGO bonds spikes in FY 2025, what are some strategies the OCFO will explore to reduce this spike through the refunding bonds? The first part of the strategy will be to repurchase bonds from their current owners at a price attractive to the City that would generate savings. The second part of the strategy is to then finance the required amount of money to repurchase the bond via a new LTGO debt issue secured by Distributable State Aid (DSA), to obtain the lowest interest rate possible. The City's DSA backed debt is rated as investment grade by both Moody's and S&P. The City will apply savings in a manner that reduces this spike.
- According to CFO directive No. 2018-101-007 entitled "Debt Issuance and Management" (Debt Policy), the aggregate new present value savings (on a refunding bond issuance) should achieve a level of 3% or above. The Debt Policy also indicates the CFO will consider a refunding only when one or more of the following considerations are met: 1) lower interest rates resulting in debt service cost savings; eliminate restrictive or burdensome bond covenants; or 3) when there is a financial benefit to the City as determined by the CFO. Please provide any information on what the 2018 refunding bonds could achieve in aggregate new present value savings, including OCFO's expectation of interest rates the City can achieve on the upcoming refunding bonds. The Bond Resolution requires a net present value savings. The OCFO would be glad to further discuss the impact of the proposed restructuring with LPD.
- Would the refunding LTGO bonds be tax exempt or taxable bonds? Wouldn't taxable bonds charge a higher interest rate? If so, what would be the advantage of taxable LTGO refunding bonds? The Internal Revenue Code requires that the bond will be taxable if repurchasing taxable bonds and tax-exempt if repurchasing tax-exempt bonds. It is true that taxable bonds have a higher interest rate than tax exempt bonds for a similar credit.
- Why does the OCFO feel the bond market is relatively appealing, thus making it a good time to sell DSA refunding bonds? Please see prior responses.
- Currently, the City's outstanding LTGO bonds mature in FY 2044. Would the OCFO extend the maturity date beyond FY 2044 (i.e., increase the payback period of the current LTGO bonds) through the refunding bonds? No, the plan is to not extend the term.

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

- Will a security interest to ensure debt payment such as revenue sharing be necessary for the issuance of the refunding bonds? If so what is the anticipated security source (e.g., DSA, income tax)? The Bond Resolution anticipates these bonds to be backed by DSA revenues.
- Will these proposed refunding bonds be issued through the Michigan Financing Authority (MFA)? Yes. If so, why does MFA make the proposed refunding bonds more attractive? State law provides that bonds secured by DSA issued through the MFA have the benefit of statutory protections and credit enhancements that are important for investors and marketing the bonds.
- Would there be a state intercept feature to make the LTGO refunding bonds more attractive to investors? The City plans to secure the LTGO refunding bonds with DSA on an intercept basis, which adds to the security in a significant way.
- What are the anticipated issuance costs (for e.g., legal, underwriters, insurance, auditing) for the proposed LTGO refunding borrowing? Please see prior response.

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

- A document presented to LPD indicates the authorization available from 2004 and 2009 elections is \$264.28 million. However, the second and third whereas clauses indicate \$286.28 million in remaining bond authorization. Please explain. The Bond Resolution total of \$286.29 million includes the public lighting voter authorization category – there are no proposed projects within that voter authorization category.
- Section 201. (a): Does the City anticipate using any of the bond proceeds from the sale of the new money UTGO bond sale to reimburse itself for amounts spent on capital projects prior to the issuance of the 2018 UTGO bonds? Not at this time; however, this is a common clause in line with best practice that gives the City financial flexibility in the event the City has to advance operating funds unexpectedly.

General questions on the proposed bond sales:

- Regarding the City's process for the new money and refunding bonds, LDP understands OCFO wants to present the new borrowing to the BF&A Committee on Wednesday, October 17, 2018 and have it voted on. Then they would like it to go before the Formal Council on October 23, 2018. The borrowing will be announced by the City on November 19, 2018. The City's Capital Agenda is expected to be issued on November 1, 2018. The CAFR is expected to be issued by the deadline date of December 31, 2018. The OCFO would like to close on the new bonds around the middle of December 2018. Is that correct? Yes, that is the plan.
- The City's Debt Policy speaks to debt affordability. What is the City's current: 1) overall debt as a % of assessed valuation (total debt should be about 1.5% of full market value); 2) debt service as a % of the general fund (required annual debt service expenditures should be at about 10-15% of

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

- What is the City's current legal debt margin and total amount available that can be borrowed? Please see attached.
- Is the bankruptcy issued debt and any subsequent defeasment/refinancing exempt from the legal debt margin requirements? Financial recovery bonds are exempt from the 10% limit and subject to their own limit.
- Is it legal in the State of Michigan to issue UTGO (Unlimited Tax General Obligation) bonds to fund non-capital purposes such as the defeasment/refinancing of any of the outstanding LTGO bonds? If so, please explain the pros and cons of using UTGO issued bonds to refinance any of the outstanding LTGO bonds? Please discuss the need for Voter approval of UTGO bonds, legal debt margin limitations, high millage tax rates and time constraints to obtain favorable interest rates. It may be legal to do so, but at a minimum would require a voter authorization to do so. The benefit of issuing UTGO bonds is that the debt service is paid through a debt millage levied on property owners as opposed to LTGO debt which is paid through a general fund appropriation.

Prior GO Bond Projects

New/additional bus shelters & improvements to Rosa Parks Transit Center

Young, Farwell, & Williams Recreation Centers Capital Improvements 2018-2019

Precincts 6, 10, and 11 Capital Improvements 2018-2019

Fire Facilities Capital Improvements 2018-2019

Park Lighting Improvements

Capital Improvements to Thirteen Parks 2018-2019

Animal Control Facility Capital Improvements 2018-2019

TPP Clinic Buildouts

Detroit Historical Museum Capital Improvements

Bridging Neighborhoods Contribution

Uniroyal Riverfront Promenade - City of Detroit Contribution

Rosa Parks/Clairmount Neighborhood Plan

Islandview/Greater Villages Neighborhood Plan

Northwest/Grand River Neighborhood Plan

Livernois/McNichols Neighborhood Plan

West Vernor/Southwest Neighborhood Plan

East English Village Neighborhood Study

Greater Corktown Neighborhood Study - G.O. Bond - Neighborhood

DPSH Buildouts - Arson Interview Rooms

8th Precinct Capital Improvements (incl. annex)

Merrill Plaisance Capital Improvements

Charles H. Wright Museum facilities improvements - roof, façade, electrical

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

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

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

¹Source: US Census 2017 Population Estimate

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

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

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

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

| MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3) | FY17 | FY16 | FY15 |
|--|------------------|------------------|------------------|
| FULL VALUE PER CAPITA | | | |
| City of Detroit Assessed Value | \$ 7,441,692,233 | \$ 7,372,078,752 | \$ 7,593,512,803 |
| City of Detroit Population ¹ | 675,480 | 678,250 | 681,499 |
| Assessed Value Per Caplta | \$ 11,017 | \$ 10,869 | \$ 11,142 |
| FUND BALANCE AS PERCENT OF REVENUES | | | |
| Unassigned General Fund Balance | \$ 168,966,674 | \$ 143,047,758 | \$ 70,922,574 |
| General Fund Revenues | \$ 988,938,222 | \$ 1,065,117,770 | \$ 1,059,791,820 |
| General Fund Balance as Percent of Revenues | 17% | 13% | 7% |
| NET DIRECT DEBT/OPERATING REVENUES | | | |
| Net Direct Tax-Supported Debt | \$ 1,474,360,733 | \$ 1,531,060,530 | \$ 1,611,809,817 |
| General Fund Revenues | 988,938,222 | 1,065,117,770 | 1,059,791,820 |
| Net Direct Debt as Percent of General Fund Revenues | 149% | 144% | 152% |
| NET DIRECT DEBT/FULL VALUE | | | |
| Net Direct Tax-Supported Debt | \$ 1,474,360,733 | \$ 1,531,060,530 | \$ 1,611,809,817 |
| City of Detroit Assessed Value | \$ 7,441,692,233 | \$ 7,372,078,752 | \$ 7,593,512,803 |
| Net Direct Tax-Supported Debt/Assessed Value | 20% | 21% | 21% |
| ¹ 2016, 2015 and 2014 estimates from US Census 2017 Population Estimates. | | | |

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Debt limit | \$ 1,772,934 | \$ 1,726,304 | \$ 1,716,899 | \$ 1,464,359 | \$ 1,587,704 | \$ 1,558,064 | \$ 1,033,010 | \$ 1,218,147 | \$ 1,218,793 | \$ 1,388,266 |
| *Total net debt applicable to limit | <u>627,868</u> | <u>663,698</u> | <u>592,109</u> | <u>812,540</u> | <u>1,034,669</u> | <u>1,039,011</u> | <u>987,128</u> | <u>1,031,233</u> | <u>919,650</u> | <u>820,400</u> |
| Legal debt margin | <u>\$ 1,145,066</u> | <u>\$ 1,062,606</u> | <u>\$ 1,124,790</u> | <u>\$ 651,819</u> | <u>\$ 553,035</u> | <u>\$ 519,053</u> | <u>\$ 75,882</u> | <u>\$ 184,914</u> | <u>\$ 299,143</u> | <u>\$ 567,866</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 35.41% | 38.45% | 34.49% | 56.36% | 65.17% | 66.69% | 92.65% | 84.82% | 75.46% | 59.10% |

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

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

Attachment V

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

| Prior GO Bond Project | Project Description | Project Budget |
|---|---|-------------------|
| Transportation Improvements Young, Farwell, & Williams Recreation Centers Capital Improvements 2018-2019 | 3 new DDOT coaches; new garbage cans at Northland; Improvements to Rosa Parks Transit Center (restroom upgrades, exterior site improvements) | 2,467,742 |
| Precincts 6, 10, & 11 | Fire alarm system upgrades maintrap doors, glass & window upgrades, renovation of lobby, renovation of locker rooms, flooring replacement, air system balancing, upgrade of HVAC controls, gate & fence improvements, parking lot improvement, interior lighting upgrade, electrical circuit upgrade, general plumbing upgrades, security system installation, Niagara building control system, sewer line improvements, renovation of old gun range at Pct 11 | 200,000 |
| Fire Facilities Capital Improvements 2018-2019 (see note below) | Capital improvements include: masonry tuck pointing, sewer line replacement, generators, roof repairs, electrical system improvements including lighting and additional circuits, renovate restrooms and showers, replace exterior doors, bay door repairs, ACM abatements as needed | 3,700,000 |
| Park Lighting Improvements | Funding available for additional lighting in an estimated 30 city parks for increased safety for residents | 3,000,000 |
| Capital Improvements to Thirteen Parks 2018-2019 | O'Hair, Palmer, Jayne Playfield, Maheras, Pingree, Riverside, Romanowski, Rouge, Stoepel No. 2, Butzel Family, Clark, Tolan, and Chandler | 2,657,706 |
| Animal Control Facility Capital Improvements 2018-2019 | Building expansion and major system upgrades to accommodate expansion, will allow for more kennel space | 8,367,838 |
| THP Clinic Buildouts | Space buildout in Health Department clinics to expand teen pregnancy prevention and wellness programs | 1,385,025 |
| Detroit Historical Museum Capital Improvements | Replace HVAC chiller, repair loading dock, repair public address system, renovate 3rd floor restroom | 204,460 |
| Bridging Neighborhoods Contribution | Additional City contribution to Bridging Neighborhoods program for Gordie Howe Bridge related relocations | 480,087 |
| Unroyal Riverfront Promenade - City of Detroit Contribution | City share of Unroyal's riverfront promenade project that will connect the east riverfront to the main riverwalk | 1,500,000 |
| Rosa Parks/Clairmount Neighborhood Plan | City funds for implementing Rosa Parks/Clairmount SNF projects | 250,000 |
| Islandview/Greater Villages Neighborhood Plan | City funds for implementing Islandview/Greater Villages SNF projects | 500,000 |
| Northwest/Grand River Neighborhood Plan | City funds for implementing Northwest/Grand River SNF projects | 500,000 |
| Livernois/McNichols Neighborhood Plan | City funds for implementing Livernois/McNichols SNF projects | 500,000 |
| West Vernor/Southwest Neighborhood Plan | City funds for implementing West Vernor/Southwest SNF projects | 500,000 |
| SPH+P+H Capital Improvements Additional Park Improvement Funds | PDD transferred these project funds to GSD for supplemental funding for the above mentioned parks | 500,000 |
| East English Village Neighborhood Study | Study to determine neighborhood needs for future Strategic Neighborhood work | 500,000 |
| Greater Corktown Neighborhood Study | Study to determine neighborhood needs for future Strategic Neighborhood work | 400,000 |
| DP5H Buildouts - Arson Interview Rooms | Buildout of additional space for Fire Department to conduct arson interviews and arson investigation operations | 100,000 |
| 8th Precinct Capital Improvements (incl. annex) | Completion of the 8th Precinct capital project, including improvements to the annex building required by the historical designation | 520,200 |
| Merrill Plaisance Capital Improvements | Completing office space buildouts to pull Police operations out of leased facilities | 3,552,555 |
| Charles H. Wright Museum facilities improvements | Roof & facade repairs, electrical improvements | 1,546,749 |
| Fire facilities: Engine 9, Engine 31, Engine 40, Engine 42, Engine 52, Engine 53, Engine 59, Engine 17, Squad 3, Ladder 14, and Ladder 22 | | 171,798 |
| | Revised Prior GO Bond Project Budget Total | 33,504,160 |

Attachment VI

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

Fund 3100 Project Detail

| Agency | Case | Fund | Case Description | Cost Center | APPROVED - Operating | APPROVED - Capital | APPROVED - Various Sources | FY19 Amended Budget (pro Forma) |
|--------|------|------|--|-------------|----------------------|--------------------|----------------------------|---------------------------------|
| 3100 | 106 | 3100 | Intergovernmental Public Safety System | 350044 | 444,858.13 | 2,817,560.53 | 3,682,418.66 | 4,272,979.19 |
| 3100 | 107 | 3100 | Doit Reorganization | 350044 | | | | |
| 3100 | 108 | 3100 | Park Site Amenities - Phase 1 | 352118 | 11,565,917.00 | | 31,000,000.00 | |
| 3100 | 109 | 3100 | Park Site Amenities - Phase 1 | 352118 | 186,349.41 | | 202,479.06 | 563,691.18 |
| 3100 | 110 | 3100 | Lineman Street Project | 350049 | 144,445.19 | | 3,291,157.00 | 574.75 |
| 3100 | 111 | 3100 | Clifton Gas Center | 236074 | 81,360.00 | | 81,360.00 | 31,134,333.33 |
| 3100 | 112 | 3100 | E-Cue Payment | 230135 | 210,120.00 | | 210,120.00 | |
| 3100 | 113 | 3100 | EIC Expansion Initiative | 350049 | 1,210,000.00 | | 1,210,000.00 | 210,120.00 |
| 3100 | 114 | 3100 | Financial Analysis and Modeling Projects | 230010 | | 75,274.00 | | 521,120.00 |
| 3100 | 115 | 3100 | Payroll Operation Center Buildout | 230060 | | | | 271,274.00 |
| 3100 | 116 | 3100 | Payroll Operation Center Buildout | 230060 | | | | |
| 3100 | 117 | 3100 | Doit Inquiry | 310010 | 81,367.00 | | 329,107.00 | 5,275,341.00 |
| 3100 | 118 | 3100 | DPD CSS | 370020 | 161,030.01 | 175,138.99 | 340,169.00 | 5,845,116.00 |
| 3100 | 119 | 3100 | FAST Light Enforcement | 450010 | 1,096,000.00 | | 1,096,000.00 | 5,100,000.00 |
| 3100 | 120 | 3100 | Boilers/Fence Removal Only | 470010 | 730,054.00 | 2,298,321.00 | 3,028,375.00 | 5,177,401.33 |
| 3100 | 121 | 3100 | Advanced Tech Initiatives | 200010 | | 4,714,898.40 | | 3,474,898.40 |
| 3100 | 122 | 3100 | Recharged to base cost center | 350049 | | | | |
| 3100 | 123 | 3100 | PPF Internal Payments | 350048 | 1,356,861.25 | | 2,762,348.13 | |
| 3100 | 124 | 3100 | MCHU Equalment Payment(s) | 350048 | 1,350,000.00 | | 1,500,000.00 | |
| 3100 | 125 | 3100 | March 31 Equipment Make | 000100 | | 6,517.21 | | |
| 3100 | 126 | 3100 | Strategic Investment | | 1,300,000.00 | | 1,300,000.00 | |
| 3100 | 127 | 3100 | Joe Louis Arena Garage Improvement | | 2,431,000.00 | | 2,700,000.00 | |
| 3100 | 128 | 3100 | | | | | | |
| 3100 | 129 | 3100 | | | | | | |
| 3100 | 130 | 3100 | | | | | | |
| 3100 | 131 | 3100 | | | | | | |
| 3100 | 132 | 3100 | | | | | | |
| 3100 | 133 | 3100 | | | | | | |
| 3100 | 134 | 3100 | | | | | | |
| 3100 | 135 | 3100 | | | | | | |
| 3100 | 136 | 3100 | | | | | | |
| 3100 | 137 | 3100 | | | | | | |
| 3100 | 138 | 3100 | | | | | | |
| 3100 | 139 | 3100 | | | | | | |
| 3100 | 140 | 3100 | | | | | | |
| 3100 | 141 | 3100 | | | | | | |
| 3100 | 142 | 3100 | | | | | | |
| 3100 | 143 | 3100 | | | | | | |
| 3100 | 144 | 3100 | | | | | | |
| 3100 | 145 | 3100 | | | | | | |
| 3100 | 146 | 3100 | | | | | | |
| 3100 | 147 | 3100 | | | | | | |
| 3100 | 148 | 3100 | | | | | | |
| 3100 | 149 | 3100 | | | | | | |
| 3100 | 150 | 3100 | | | | | | |
| 3100 | 151 | 3100 | | | | | | |
| 3100 | 152 | 3100 | | | | | | |
| 3100 | 153 | 3100 | | | | | | |
| 3100 | 154 | 3100 | | | | | | |
| 3100 | 155 | 3100 | | | | | | |
| 3100 | 156 | 3100 | | | | | | |
| 3100 | 157 | 3100 | | | | | | |
| 3100 | 158 | 3100 | | | | | | |
| 3100 | 159 | 3100 | | | | | | |
| 3100 | 160 | 3100 | | | | | | |
| 3100 | 161 | 3100 | | | | | | |
| 3100 | 162 | 3100 | | | | | | |
| 3100 | 163 | 3100 | | | | | | |
| 3100 | 164 | 3100 | | | | | | |
| 3100 | 165 | 3100 | | | | | | |
| 3100 | 166 | 3100 | | | | | | |
| 3100 | 167 | 3100 | | | | | | |
| 3100 | 168 | 3100 | | | | | | |
| 3100 | 169 | 3100 | | | | | | |
| 3100 | 170 | 3100 | | | | | | |
| 3100 | 171 | 3100 | | | | | | |
| 3100 | 172 | 3100 | | | | | | |
| 3100 | 173 | 3100 | | | | | | |
| 3100 | 174 | 3100 | | | | | | |
| 3100 | 175 | 3100 | | | | | | |
| 3100 | 176 | 3100 | | | | | | |
| 3100 | 177 | 3100 | | | | | | |
| 3100 | 178 | 3100 | | | | | | |
| 3100 | 179 | 3100 | | | | | | |
| 3100 | 180 | 3100 | | | | | | |
| 3100 | 181 | 3100 | | | | | | |
| 3100 | 182 | 3100 | | | | | | |
| 3100 | 183 | 3100 | | | | | | |
| 3100 | 184 | 3100 | | | | | | |
| 3100 | 185 | 3100 | | | | | | |
| 3100 | 186 | 3100 | | | | | | |
| 3100 | 187 | 3100 | | | | | | |
| 3100 | 188 | 3100 | | | | | | |
| 3100 | 189 | 3100 | | | | | | |
| 3100 | 190 | 3100 | | | | | | |
| 3100 | 191 | 3100 | | | | | | |
| 3100 | 192 | 3100 | | | | | | |
| 3100 | 193 | 3100 | | | | | | |
| 3100 | 194 | 3100 | | | | | | |
| 3100 | 195 | 3100 | | | | | | |
| 3100 | 196 | 3100 | | | | | | |
| 3100 | 197 | 3100 | | | | | | |
| 3100 | 198 | 3100 | | | | | | |
| 3100 | 199 | 3100 | | | | | | |
| 3100 | 200 | 3100 | | | | | | |
| 3100 | 201 | 3100 | | | | | | |
| 3100 | 202 | 3100 | | | | | | |
| 3100 | 203 | 3100 | | | | | | |
| 3100 | 204 | 3100 | | | | | | |
| 3100 | 205 | 3100 | | | | | | |
| 3100 | 206 | 3100 | | | | | | |
| 3100 | 207 | 3100 | | | | | | |
| 3100 | 208 | 3100 | | | | | | |
| 3100 | 209 | 3100 | | | | | | |
| 3100 | 210 | 3100 | | | | | | |
| 3100 | 211 | 3100 | | | | | | |
| 3100 | 212 | 3100 | | | | | | |
| 3100 | 213 | 3100 | | | | | | |
| 3100 | 214 | 3100 | | | | | | |
| 3100 | 215 | 3100 | | | | | | |
| 3100 | 216 | 3100 | | | | | | |
| 3100 | 217 | 3100 | | | | | | |
| 3100 | 218 | 3100 | | | | | | |
| 3100 | 219 | 3100 | | | | | | |
| 3100 | 220 | 3100 | | | | | | |
| 3100 | 221 | 3100 | | | | | | |
| 3100 | 222 | 3100 | | | | | | |
| 3100 | 223 | 3100 | | | | | | |
| 3100 | 224 | 3100 | | | | | | |
| 3100 | 225 | 3100 | | | | | | |
| 3100 | 226 | 3100 | | | | | | |
| 3100 | 227 | 3100 | | | | | | |
| 3100 | 228 | 3100 | | | | | | |
| 3100 | 229 | 3100 | | | | | | |
| 3100 | 230 | 3100 | | | | | | |
| 3100 | 231 | 3100 | | | | | | |
| 3100 | 232 | 3100 | | | | | | |
| 3100 | 233 | 3100 | | | | | | |
| 3100 | 234 | 3100 | | | | | | |
| 3100 | 235 | 3100 | | | | | | |
| 3100 | 236 | 3100 | | | | | | |
| 3100 | 237 | 3100 | | | | | | |
| 3100 | 238 | 3100 | | | | | | |
| 3100 | 239 | 3100 | | | | | | |
| 3100 | 240 | 3100 | | | | | | |
| 3100 | 241 | 3100 | | | | | | |
| 3100 | 242 | 3100 | | | | | | |
| 3100 | 243 | 3100 | | | | | | |
| 3100 | 244 | 3100 | | | | | | |
| 3100 | 245 | 3100 | | | | | | |
| 3100 | 246 | 3100 | | | | | | |
| 3100 | 247 | 3100 | | | | | | |
| 3100 | 248 | 3100 | | | | | | |
| 3100 | 249 | 3100 | | | | | | |
| 3100 | 250 | 3100 | | | | | | |
| 3100 | 251 | 3100 | | | | | | |
| 3100 | 252 | 3100 | | | | | | |
| 3100 | 253 | 3100 | | | | | | |
| 3100 | 254 | 3100 | | | | | | |
| 3100 | 255 | 3100 | | | | | | |
| 3100 | 256 | 3100 | | | | | | |
| 3100 | 257 | 3100 | | | | | | |
| 3100 | 258 | 3100 | | | | | | |
| 3100 | 259 | 3100 | | | | | | |
| 3100 | 260 | 3100 | | | | | | |
| 3100 | 261 | 3100 | | | | | | |
| 3100 | 262 | 3100 | | | | | | |
| 3100 | 263 | 3100 | | | | | | |
| 3100 | 264 | 3100 | | | | | | |
| 3100 | 265 | 3100 | | | | | | |
| 3100 | 266 | 3100 | | | | | | |
| 3100 | 267 | 3100 | | | | | | |
| 3100 | 268 | 3100 | | | | | | |
| 3100 | 269 | 3100 | | | | | | |
| 3100 | 270 | 3100 | | | | | | |
| 3100 | 271 | 3100 | | | | | | |
| 3100 | 272 | 3100 | | | | | | |
| 3100 | 273 | 3100 | | | | | | |
| 3100 | 274 | 3100 | | | | | | |
| 3100 | 275 | 3100 | | | | | | |
| 3100 | 276 | 3100 | | | | | | |
| 3100 | 277 | 3100 | | | | | | |

Attachment VII

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

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

Totals 48,152,053 61,211,300 54,988,300 57,667,804 13,350,000 235,369,457

Attachment VIII

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

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

| APPROPRIATIONS: | FY2018 Adopted Budget | FY19-19 Recommended | FY19-20 Forecast | FY20-21 Forecast | FY21-22 Forecast | FOUR-YEAR PLAN TOTAL |
|--|--------------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|
| GENERAL CITY | | | | | | |
| DEPARTMENT OF INNOVATION & TECHNOLOGY | | | | | | |
| Enterprise Asset Management System | \$ - | \$ 6,000,000 | \$ 3,250,000 | \$ 3,250,000 | \$ - | \$ 12,500,000 |
| Enterprise Document Management System | - | 2,500,000 | 2,500,000 | - | - | 5,000,000 |
| Enterprise Records Management System | - | 2,500,000 | - | - | - | 2,500,000 |
| Network Infrastructure Improvements | 1,777,924 | 539,687 | 539,687 | 539,687 | 539,687 | 2,158,748 |
| Technology Upgrades - Software | 1,740,242 | - | - | - | - | - |
| Acquisition - Public Safety Technology | 2,150,000 | - | - | - | - | - |
| Citywide PC Replacement | 5,036,008 | 880,000 | 880,000 | 880,000 | 880,000 | 3,520,000 |
| Total DOIT | \$ 10,704,174 | \$ 12,419,687 | \$ 7,169,687 | \$ 4,669,687 | \$ 1,419,687 | \$ 25,678,748 |
| EASTERN MARKET | | | | | | |
| Infrastructure Improvements - CBDG | \$ 240,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| FIRE | | | | | | |
| Technology Improvement | \$ - | \$ 390,000 | \$ - | \$ - | \$ - | \$ 390,000 |
| FLEET MANAGEMENT | | | | | | |
| Municipal Fleet Replacement - General Fund | \$ 9,295,826 | \$ 15,000,000 | \$ - | \$ - | \$ - | \$ 15,000,000 |
| GENERAL SERVICES DEPARTMENT | | | | | | |
| City Service Yards Improvements | \$ - | \$ 6,715,485 | \$ - | \$ - | \$ - | \$ 4,715,485 |
| Recreation Facilities Improvements | - | 2,186,100 | - | - | - | 2,186,100 |
| Election Facility Improvements | - | 387,000 | - | - | - | 387,000 |
| Belle Isle - DWSD Improvement | - | 500,000 | - | - | - | 500,000 |
| Median Renovations - Street Fund | 593,000 | - | - | - | - | - |
| Total GSD | \$ 593,000 | \$ 9,788,585 | \$ - | \$ - | \$ - | \$ 7,788,585 |
| PLANNING & DEVELOPMENT | | | | | | |
| Neighborhood Studies & Acquisitions | \$ 1,150,000 | \$ 5,345,000 | \$ - | \$ - | \$ - | \$ 1,345,000 |
| Total Planning & Development | \$ 1,150,000 | \$ 5,345,000 | \$ - | \$ - | \$ - | \$ 1,345,000 |
| POLICE | | | | | | |
| Acquisition-Information Technology | \$ 2,111,531 | \$ - | \$ - | \$ - | \$ - | \$ - |
| PC Replacement | - | 2,196,625 | - | - | - | 2,196,625 |
| Total Police | 2,111,531 | 2,196,625 | - | - | - | 2,196,625 |
| DEPARTMENT OF PUBLIC WORKS - STREET FUND | | | | | | |
| Equipment | \$ 1,516,000 | \$ 3,002,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 7,502,000 |
| Highway Bridges | 2,530,700 | 1,977,000 | 2,025,750 | - | - | 4,002,750 |
| Roads and Bridges, Operation | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 2,000,000 |
| Street Resurfacing | 9,635,474 | 10,878,709 | 16,676,970 | 12,924,444 | 18,606,909 | 59,087,032 |
| Traffic Control Improvements | 3,307,000 | 2,586,000 | 2,050,000 | 2,050,000 | 2,050,000 | 8,736,000 |
| Traffic Control Improvements - State | 1,120,000 | 1,683,000 | 1,000,000 | 4,000,000 | 1,000,000 | 7,683,000 |
| Traffic Control Roadways (Fed Aid) | 4,550,000 | 5,773,000 | 3,350,000 | 3,350,000 | 3,350,000 | 15,823,000 |
| Debt Service | - | 1,205,755 | 3,160,973 | 13,785,557 | 13,731,376 | 31,883,661 |
| Total DPW | \$ 23,159,174 | \$ 27,605,464 | \$ 30,263,693 | \$ 38,110,001 | \$ 40,738,285 | \$ 136,717,443 |

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

| APPROPRIATIONS: | FY2018 Adopted Budget | FY18-19 Recommended | FY19-20 Forecast | FY20-21 Forecast | FY21-22 Forecast | FOUR-YEAR PLAN TOTAL |
|--|-----------------------------|------------------------|---------------------|---------------------|---------------------|-------------------------|
| ENTERPRISE AGENCIES | | | | | | |
| AIRPORT | | | | | | |
| Aviation FAA - Engineering Study | \$ 80,000 | | \$ - | \$ - | \$ - | \$ - |
| BUILDINGS, SAFETY ENGINEERING & ENVIRONMENTAL | | | | | | |
| Buildout for Development Resource Center - One Stop Shop | \$ 633,266 | | \$ - | \$ - | \$ - | \$ - |
| DETROIT DEPARTMENT OF TRANSPORTATION | | | | | | |
| Fixed-Route Vehicle Replacement/Expansion | \$ - | \$ 3,018,565 | \$ 3,018,565 | \$ 1,164,732 | \$ 1,448,998 | \$ 8,650,860 |
| Non-Revenue Vehicle Replacement/Expansion | - | 161,534 | 165,572 | 169,711 | 173,954 | 670,771 |
| Mid-life Vehicle Acquisition/Overhaul | - | 5,169,075 | 5,298,302 | 7,014,731 | 6,726,222 | 24,208,330 |
| Facility Improvements | - | 5,169,075 | 5,169,075 | 5,169,075 | 5,169,075 | 20,676,300 |
| Information Technology | - | 250,000 | 250,000 | 250,000 | 250,000 | 1,000,000 |
| Operations Equipment | - | 1,000,000 | 1,000,000 | - | - | 2,000,000 |
| Total DDOT ¹ | \$ - | \$ 14,768,249 | \$ 14,901,514 | \$ 13,768,249 | \$ 13,768,249 | \$ 57,206,261 |
| DETROIT WATER & SEWERAGE DEPARTMENT-RETAIL | | | | | | |
| WATER | | | | | | |
| Water Field Services | \$ 67,200,000 | \$ 74,086,000 | \$ 58,970,000 | \$ 41,000,000 | \$ 37,500,000 | \$211,556,000 |
| Metering | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 16,000,000 |
| General Purpose | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 8,000,000 |
| Water Central Services: Fleet | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 8,000,000 |
| Water Central Services: Facilities | 2,500,000 | 2,500,000 | 2,500,000 | 2,000,000 | 2,000,000 | 9,000,000 |
| Water Central Services: Information Technology | 875,000 | 793,000 | 1,993,000 | 120,000 | 1,000,000 | 3,906,000 |
| Total DWSD - Water | \$ 78,575,000 | \$ 85,379,000 | \$ 71,463,000 | \$ 51,120,000 | \$ 48,500,000 | \$256,462,000 |
| SEWER | | | | | | |
| Sewer Field Services | \$ 42,500,000 | \$ 47,500,000 | \$ 57,500,000 | \$ 37,500,000 | \$ 37,500,000 | \$180,000,000 |
| Green Infrastructure | 12,225,000 | 14,350,000 | 6,000,000 | 10,000,000 | 10,000,000 | 40,350,000 |
| Pump Stations | | | | | | |
| Sewer Centralized Services: Fleet | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 8,000,000 |
| Sewer Centralized Services: Facilities | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 10,000,000 |
| Sewer Centralized Services: Information Technology | 875,000 | 793,000 | 1,993,000 | 120,000 | 1,000,000 | 3,906,000 |
| Total DWSD - Sewer | \$ 60,100,000 | \$ 67,143,000 | \$ 69,993,000 | \$ 52,120,000 | \$ 53,000,000 | \$242,256,000 |
| NON DEPARTMENTAL | | | | | | |
| City of Detroit Capital Share | \$ - | \$ 3,060,103 | - | - | - | \$ 3,060,103 |
| Transportation Improvements-District 3 | \$ - | \$ 4,000,000 | - | - | - | \$ 4,000,000 |
| APPROPRIATION TOTALS | | | | | | |
| REVENUES: | | | | | | |
| Revenues from Operations | \$138,675,000 | \$ 152,522,000 | \$141,456,000 | \$103,240,000 | \$101,500,000 | \$498,718,000 |
| Federal and State Grant Funds | 4,214,797 | 14,768,249 | 14,901,514 | 13,768,249 | 13,768,249 | 57,206,261 |
| General Fund Prior Years' Surplus - Capital | 20,000,000 | 52,200,000 | - | - | - | 52,200,000 |
| Street Fund Reimbursement - Gas & Weight Taxes | 23,752,174 | 27,605,464 | 30,263,693 | 38,110,001 | 40,738,285 | 136,717,443 |
| REVENUE TOTALS | | | | | | |

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

Attachment IX

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

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

13,099,618

Attachment X

The City of Detroit's Debt Policy

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

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

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

¹Source: US Census 2017 Population Estimate

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

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

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

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

Attachment XI

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

| MEASURES OF KEY CREDIT/DEBT INDICATORS (Section 5.10.3) | FY17 | FY16 | FY15 |
|--|------------------|------------------|------------------|
| FULL VALUE PER CAPITA | | | |
| City of Detroit Assessed Value | \$ 7,441,692,233 | \$ 7,372,078,752 | \$ 7,593,512,803 |
| City of Detroit Population ¹ | 675,480 | 678,250 | 681,499 |
| Assessed Value Per Capita | \$ 11,017 | \$ 10,869 | \$ 11,142 |
| FUND BALANCE AS PERCENT OF REVENUES | | | |
| Unassigned General Fund Balance | \$ 168,966,674 | \$ 143,047,758 | \$ 70,922,574 |
| General Fund Revenues | \$ 988,938,222 | \$ 1,065,117,770 | \$ 1,059,791,820 |
| General Fund Balance as Percent of Revenues | 17% | 13% | 7% |
| NET DIRECT DEBT/OPERATING REVENUES | | | |
| Net Direct Tax-Supported Debt | \$ 1,474,360,733 | \$ 1,531,060,530 | \$ 1,611,809,817 |
| General Fund Revenues | 988,938,222 | 1,065,117,770 | 1,059,791,820 |
| Net Direct Debt as Percent of General Fund Revenues | 149% | 144% | 152% |
| NET DIRECT DEBT/FULL VALUE | | | |
| Net Direct Tax-Supported Debt | \$ 1,474,360,733 | \$ 1,531,060,530 | \$ 1,611,809,817 |
| City of Detroit Assessed Value | \$ 7,441,692,233 | \$ 7,372,078,752 | \$ 7,593,512,803 |
| Net Direct Tax-Supported Debt/Assessed Value | 20% | 21% | 21% |
| ¹ 2016, 2015 and 2014 estimates from US Census 2017 Population Estimates. | | | |

5

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

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

Deborah Goldstein
Christopher Gulock
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Analine Powers, PhD
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood

LaKisha Barclift, Esq.
M. Rory Bolger, PhD, AICP
Timothy Boscarino, AICP
Elizabeth Cabot, Esq.
Janese Chapman
Tasha Cowen
Richard Drumb
George Etheridge

TO: Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: October 24, 2018

RE: **Report on Homeowner Property Tax Assistance Program**

The Legislative Policy Division (LPD) has been requested by City Council President Pro-Tempore Mary Sheffield to report on the legal necessity of having a notary requirement¹ within the newly drafted amended ordinance regarding the application form of the Homeowner Property Tax Assistance Program (HPTAP).²

Before directly addressing the question, it is important to consider the placement of the notary block on this hardship application. Just above the current notary block on the signature page of the HPTAP application is the following language:

Any person who knowingly makes a false statement, omission, or misrepresentation may not be considered for this assistance program and may be prosecuted to the fullest extent of the law. Any/All applications are subject to random home inspection for compliance with the City of Detroit Guidelines.

¹ A notary public is an officer commissioned by the Michigan Secretary of State to serve as an unbiased and impartial witness. The most common function of the notary is to prevent fraud by attesting to the identity of a person signing a document. Notarization on a document certifies that the person whose signature is entered on the document personally appeared before the notary, established his or her identity, and personally signed the document in the presence of the notary.

² A similar question presented was addressed by Coalition to End Unconstitutional Tax Foreclosures (Coalition): Is the notary requirement necessary to prosecute individuals who provide false statements on the HPTAP application or to otherwise deter individuals from making false statements? (See attached) The answer that the Coalition provided will be discussed below.

I, _____, say under penalty of perjury that the statements made in this application are true and that I/we have no money, income or assets other than that mentioned here, and grant the Board of Review permission to review all Federal, State or City of Detroit income tax records and further grant permission to contact all financial institutions and creditors regarding account balance in order to process this application.

Consequently the applicant when signing the application (with/without the notary block) currently states under penalty of perjury that the information provided in the application is true. The application then provides a notary signature block in which a notary certifies that the person signing has presented the requisite information to affirm they are the person signing the document. At issue is whether the language requiring the signature be notarized is legally required?

LPD has looked into the question presented. LPD has not been able to identify any law requiring the signature on the HPTAP application be notarized per se. With regard to the criminal prosecution of individuals who provide false statements on the application, LPD has affirmed that under Public Act 206 of 1893, General Property Tax Act MCL 211.120(5), only the attorney general or the prosecuting attorney of each county have been granted the power to enforce the Act:

(5) The attorney general and the prosecuting attorney of each county of this state have concurrent power to enforce this act.

As set forth in the statute, it is the attorney general and the county prosecutor who can bring criminal prosecution for fraudulent acts under the Act. Because the authority of the Board of Review to provide a tax exemption is provided pursuant to the General Property Tax Act and the Act enumerates who can enforce its provisions, the City of Detroit's Law Department is exempt from taking actions for criminal prosecution.³ The decision of whether to undertake the criminal prosecution of the fraudulent act is left to the discretion of those two enumerated agencies. Any civil prosecution for providing false or misleading statements on the HPTAP application may be handled by the Law Department's authority pursuant to the City Charter Section 7.5-203 *Civil Litigation*.

It is understandable that the Law Department would want to preserve all the evidentiary tools necessary to best effectuate the case in both civil and criminal prosecutions, and may be the rationale for their opposition to removing the notary requirement. As indicated by the Michigan Secretary of State, the most common function of the notary is to prevent fraud by attesting to the identity of a person signing a document. It is the ability of the notary to testify as to who signed the document before them that is of value in the prosecution and prevention of fraud.

However, there can be prosecutions for fraud⁴ and perjury where the underlying document has

³ LPD notes that if the State had authorized other local municipalities with the ability to undertake prosecutions for fraud under the Act the Law Department would be able to take on criminal prosecutions pursuant to the City Charter 7.5-204, *Penal Matters*, " (1) Institute and conduct, on behalf of the people, all cases arising from the provisions of this Charter or city ordinances and, when authorized to do so by law, cases arising under state law."

⁴ In Michigan, the general rule is that to constitute actionable fraud it must appear: (1) That defendant made a material representation; (2) that it was false; (3) that when he made it he knew that it was false, or made it

not been notarized. Cases of perjury can be brought under Public Act 328 of 1931, MCL 750.423(2). A person who signs a document under penalty of perjury is subject to prosecution whether notarized or not.⁵ The statute does not require the signed record or document be notarized. In either instance (Public Act 206 or Public Act 328) it is not whether the prosecution can be undertaken without the notarized document, but what proofs are put forth to show the person being held responsible is the person who executed the document. While this burden of proof can be established by the notary, testifying as to the manner in which they identified the person who signed the document and that the person is the respondent, there are certainly other reasonable ways to meet this burden.

The decision as to whether the notarized signature is required appears to be more of a policy decision rather than a legal one. The issue is whether the burden placed upon the indigent seeking tax relief having to go through the difficulty of finding and/or obtaining a notarized signature to submit their application, is greater than the convenience of being able to establish the proof that a person submitted a fraudulent application by using the notary's testimony to identify the person as the signer. If there are a large number of fraudulent cases being prosecuted then consideration of maintaining the notary requirement may be justified as a policy decision.⁶ If not, maybe the better policy decision would be to do away with the requirement and rely on other means of proof to effectuate the prosecution of fraudulent claims.

LPD reviewed the Coalition's memorandum dated October 10, 2018, signifying that the notarization of the applicant's signature is not necessary to verify an applicant's identity. The Coalition indicates that in order for a notary to act, the notary must first establish the identity of the person before administering the oath in which the person swear or affirms who they are. The notary can establish identity in the manner set forth by law under MCL 55.285(6).⁷ The

recklessly, without any knowledge of its truth and as a positive assertion; (4) that he made it with the intention that it should be acted upon by plaintiff; (5) that plaintiff acted in reliance upon it; and (6) that he thereby suffered injury. Each of these facts must be proved with a reasonable degree of certainty, and all of them must be found to exist; the absence of any one of them is fatal to a recovery. U. S. Fidelity and Guaranty Co. v. Black 412 Mich. 99, 114, 313 N.W.2d 77 (1981).

⁵ MCL 750.423 provides: (1) Any person authorized by a statute of this state to take an oath, or any person of whom an oath is required by law, who willfully swears falsely in regard to any matter or thing respecting which the oath is authorized or required is guilty of perjury, a felony punishable by imprisonment for not more than 15 years. (2) Subsection (1) applies to a person who willfully makes a false declaration in a record that is signed by the person and given under penalty of perjury. As used in this subsection: (a) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form. (b) "Signed" means the person did either of the following to authenticate or adopt the record: (i) Executed or adopted a tangible symbol. (ii) Attached to or logically associated with the record an electronic symbol, sound, or process.

⁶ LPD notes that at the time of this report LPD was unable to identify any HPTAP prosecutions on behalf of the city by the Michigan Attorney General, the Wayne County Prosecutor, or the Law Department; however, policy considerations are the province of the City Council to both reckon with and to decide.

⁷ MCL 55.285(6) provides: A notary public has satisfactory evidence that an individual is the individual whose signature is on a record if that individual is any of the following: (a) Personally known to the notary public. (b) Identified upon the oath or affirmation of a credible witness personally known by the notary public and who personally knows the individual. (c) Identified on the basis of a current license, identification card, or record issued by a federal or state government that contains the individual's photograph and signature. (d) With regard to a notarial act performed under section 26b, identified and verified through an identity proofing process or service that is part of a remote electronic notarization platform approved under section 26b(1), and the person presents an identity

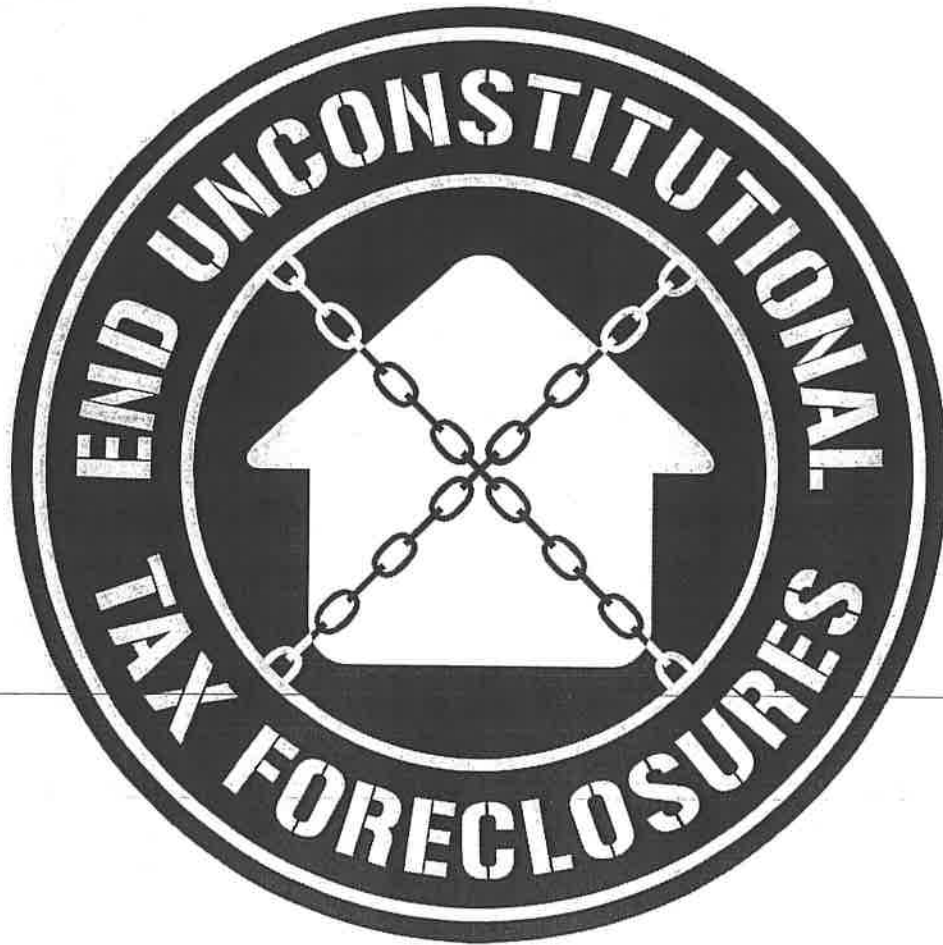
Coalition's position is that the HPTAP identification requirement verifies both identity and residency in requiring the production of a valid, government-issued photo ID with an address in all instances, in addition to the production of tax returns and minor residency proofs. The Coalition also indicates that the notarization is not necessary to prosecute applicants who make false claims because the law has established misdemeanor penalties for such actions. MCL 211.120 provides misdemeanor penalties for anyone who intends to falsely or fraudulently obtain or attempts to obtain an exemption; knowingly swears to or verifies an affidavit with a false or fraudulent statement with the intent to aid and abet or assist in the fraud being perpetrated. The Coalition further believes the notarization is not necessary to signal to applicants the seriousness of the undertaking and that by presenting a signing statement in bold and conspicuous letters with the restatement of the penalties under law and a statement of the intent to prosecute, the message will be sent. The Coalition's memorandum is supported by the ACLU, Michigan Legal Services, and other organizations that support its position. As indicated above, LPD can not dispute the rationale offered by the Coalition in its memo.

If we can be of further assistance, please advise.

Attachment:

document described in subdivision (c) that is verified through a credential analysis process or service that is part of a remote electronic notarization platform approved under section 26b(1).

HPATAP ORDINANCE REPORT



FOR MARY SHEFFIELD
DETROIT CITY COUNCIL PRO TEM

Contents

I. – REMOVING THE NOTARIZATION REQUIREMENT 2

II. – LETTERS OF SUPPORT 4

i) ACLU 4

ii) Quicken Loans Community Fund..... 9

iii) United Community Housing Coalition & Michigan Legal Services..... 10

iv) Detroit Action Commonwealth..... 11

v) Neighbors Building Brightmoor 13

vi) Central Detroit Christian 15

III. – ADJUNCTIVE ELIGIBILITY 16

I. – REMOVING THE NOTARIZATION REQUIREMENT

MEMORANDUM

To: Hon. Mary Sheffield
From: Coalition to End Unconstitutional Tax Foreclosures
Re: Notarization of the Homeowner Property Tax Assistance Program (HPTAP) Application
Date: October 10, 2018

QUESTION PRESENTED

Is the notary requirement necessary to prosecute individuals who provide false statements on the HPTAP application or to otherwise deter individuals from making false statements?

SHORT ANSWER

No.

ANALYSIS

Notarization is not necessary to verify an applicant's identity.

Unlike notarization, the HPTAP's ID requirement verifies both identity and residency. For a notarial act, a notary must establish a person's identity before administering an oath. A person's identity can be established by: (i) the notary's personal knowledge of the person, (ii) an oath or affirmation of a credible witness known by the notary, (iii) presentation of a valid, government-issued photo identification *with signature*, or (iv) an identity proofing service that is a part of a remote electronic notarization platform. See MCL 55.285(6). A notary can, in addition to non-documentary proofs, accept non-address bearing government-issued IDs, e.g. passports or alien registration cards ("green cards") to establish identity. Thus, notarization does not require the presentation and examination of government-issued photo ID with an address.

In contrast, HPTAP requires the production of a valid, government-issued photo ID *with an address* in all instances. To receive such an ID, an applicant must have proved both identity and residency by presenting proofs to the issuing agency. Therefore, the HPTAP's requirement to present an ID with an address alone satisfies the City's dual goals of identity and residency verification. Further, the HPTAP's other documentation requirements—tax returns and minor residency proofs—provide further verification of both an individual's identity and address.

Notarization is not necessary to prosecute applicants who make false claims.

The General Property Tax Act has enforcement mechanisms for false or fraudulent claims. MCL 211.120 provides up to four counts for each false or fraudulent statements in the HPTAP application as well as the accompanying principal residency exemption application and property transfer affidavit. The statute also provides for enforcement against anyone who aided or abetted in making the false or fraudulent statements. Two of the counts are punishable by imprisonment of not more than one year and punishable by a fine of not more than \$5,000.00 or public service of not more than 1,500 hours, or both; two are punishable by a fine of not more than \$1,000.00 or public service of not more than 500 hours, or both.

MCL 211.120(3) establishes a count of perjury for a person who falsely or fraudulently “swears to or verifies” an affidavit under MCL 211.7cc (principal residency exemption, which is necessary for the HPTAP). A simple signing statement—e.g. “I certify, under penalty of perjury, that the statements made in this application are true and correct.”—is sufficient to satisfy the oath requirement for a charge of perjury. *See People v. Thompson*, 193 Mich. App 58 (1992), *overruled on other grounds*.

Notarization is not necessary to signal to applicants the seriousness of the undertaking.

One perceived benefit of notarization is that the oath signals to the applicant that they are undertaking a serious act and they can be prosecuted if they lie. One study examined the practices of 220 notaries in 22 cities in New York and concluded that “91.7 percent failed to administer an oath of any form.” *See Alfred E. Piombino, Notary Public Handbook 71* (1996) at xxii. Consequently, there are more effective ways of communicating the seriousness of the undertaking. What we recommend is the above-mentioned signing statement presented in bold, all caps, and enlarged font with a restatement of penalties under MCL 211.120, and a statement of intent to prosecute.

CONCLUSION

The requirement to notarize HPTAP applications should be removed because it does nothing to deter the submission of fraudulent applications nor does it strengthen the City’s ability to prosecute bad actors. In a follow up submission, we will provide affidavits from several community organizations who have been leading efforts to enroll Detroit residents in HPTAP, which attest to the unnecessary hardship that notarization places on applicants.

II. – LETTERS OF SUPPORT

i) ACLU



State Headquarters
2901 Woodward Avenue
Detroit, MI 48202
Phone: 313.578.8800
Fax: 313.578.8811
E-mail: info@aclumichigan.org
www.aclumichigan.org

Legislative Office
P.O. Box 13022
Lansing, MI 48901-8022
Phone: 517.372.8503
Fax: 517.372.5121
E-mail: policy@aclumichigan.org
www.aclumichigan.org

West Michigan Regional Office
1314 GrandPré St. SE, Suite 242
Grand Rapids, MI 49506
Phone: 616.301.0900
Fax: 616.301.0640
E-mail: info@aclumichigan.org
www.aclumichigan.org

October 14, 2018

Hon. Mary Sheffield
Detroit City Council
2 Woodward Avenue, Suite 1340
Detroit, MI 48226

Re: Barrier posed by HPLAP Application's Notary Requirement

Dear Councilwoman Sheffield:

I have been asked to explain my understanding of how the notary requirement for the poverty tax exemption application poses a barrier for qualified applicants. As you know, the ACLU worked for several years to reform the poverty tax exemption process, including litigating the *MorningSide v. Sabree* lawsuit, which was settled this summer.

After speaking with large numbers of Detroit homeowners who were eligible for the poverty exemption, as well many advocates who serve these homeowners, we at the ACLU concluded that the notary requirement posed a substantial barrier to accessing a program that could have saved thousands homes. A small percentage of eligible homeowners were employed and, even if they were, hardly any of them worked for an employer that had a notary onsite. Unlike many communities, few of the eligible Detroit homeowners lived in near a bank that has notaries on duty. The majority of eligible homeowners lacked transportation to drive to where they could have their documents notarized. Large numbers of eligible homeowners were elderly and/or had a disability and lived in an area where public transportation was unreliable and/or very slow.

Without getting into the confidential details of the settlement negotiations of the *MorningSide* case, the parties were able to address the notary requirement for some, but not all, eligible homeowners. An exception to the notary requirement was made for only three categories of people: (1) the elderly, (2) the physically disabled, and (3) those whose caretaking abilities made it difficult to sign the application materials in front of a notary. Homeowners who fell into those three categories could dispense with the notary requirement by simply signing a declaration "under the penalty of perjury" that the notary requirement posed a hardship.

However, eligible homeowners who do not fall in one of these categories cannot apply without a notarized affidavit no matter how severe their hardship, and no matter how much of a barrier the notary requirement causes. In my view, there is no reason why the City cannot dispense with the notary requirement for all applicants.

Presumably, the reason some officials hope to keep notary requirement is because they think signing in front of a notary would impress upon the applicants the need to tell the truth. However, as the legal analysis attached to this letter makes clear, so long as the information

includes a statement stating that the applicants are signing under "penalty of perjury," the applicant is guilty of a crime for lying. (See Appendix A)

In short, given the barriers the notary requirement still poses for many HPTAP applicants, and given that there is no legal reason to impose this requirement, I strongly support replacing the notary requirement with a requirement that the applicant attest to the truth of the statements in the application under penalty of law.

Please feel free to contact me if you have any questions.

Very truly yours,



Michael J. Steinberg, Legal Director
American Civil Liberties Union of Michigan
2960 Woodward Avenue
Detroit, Michigan 48201
(313) 578-6814
msteinberg@aclumich.org

APPENDIX A

THERE IS NO LEGAL JUSTIFICATION FOR THE NOTARY REQUIREMENT BECAUSE APPLICANTS WHO LIE ON THEIR APPLICATIONS MAY BE PROSECUTED WITHOUT THE APPLICATION BEING NOTARIZED

A. Applicants who lie on their applications can be prosecuted for perjury under Michigan law.

Michigan law recognizes two types of perjury: that committed in courts, which is prosecuted under MCL 750.422, and that committed outside of court, which is prosecuted under MCL 750.423. *People v. Ramos*, 430 Mich 544, 575; 424 NW2d 509, 524 (1988) (Boyle, J., dissenting). Prior to 2012, a person was not guilty of committing perjury in an out-of-court statement unless he or she specifically made a verbal oath in front of a notary or other authorized official. As the Michigan Supreme Court stated in reversing a conviction of a man who filed a false welfare application, a person did not commit perjury under MCL 750.423 for simply signing a statement affirming the veracity of the application "under penalty of perjury." See *Ramos*, 430 Mich at 555 (opinion of the Court).

The *Ramos* Court explicitly distinguished the Michigan perjury statute from federal law and several other state laws that explicitly criminalized false statements signed "under penalty of perjury." *Id.* at 555-56. However, the court explicitly acknowledged that the Legislature could fix the problem and "dispense[] with the oath by specifying the mere signing of an application, stating that the signing is under the penalties of perjury, constitutes the offense of perjury." *Id.* at 561.²

In 2012, the Legislature essentially accepted the invitation of the *Ramos* court by amending MCL 750.423 through 2012 PA 360. As the bill's legislative analysis made clear

Currently, a person authorized under state law to take an oath or required to do so, who willfully swears falsely in regard to any matter or thing respecting which the oath is authorized or required is guilty of perjury punishable by imprisonment for up to 15 years.

The bill would apply the above provision and penalty to a person who willfully makes a false declaration in a record that is signed by the person given under penalty of perjury.

² Including California, Washington, and Wyoming.

³ At the time *Ramos* was decided, MCL 750.423 read as follows:

Definitions. Any person authorized by any statute of this state to take an oath, or any person of whom an oath shall be required by law, who shall willfully swear falsely in regard to any matter or thing respecting which such oath is authorized or required, shall be guilty of perjury, a felony punishable by imprisonment in the state prison for not more than 15 years.

House Legislative Analysis, SB 688 (November 25, 2012) (emphasis added).

The bill was intended as a “complementary amendment” in the Michigan Penal Code to a re-billed bill adopting the Uniform Unsworn Foreign Declaration Act. That bill “establish[ed] a procedure by which a person living or traveling outside of the United States who must sign a sworn statement could make that statement under penalty of perjury without having to take an oath before a U.S. consular officer.”¹⁷ (emphasis added).

The amended version of MCL 750.423, which added subsection (2), now reads as follows:

(1) Any person authorized by a statute of this state to take an oath, or any person of whom an oath is required by law, who willfully swears falsely in regard to any matter or thing respecting which the oath is authorized or required is guilty of perjury, a felony punishable by imprisonment for not more than 15 years.

(2) Subsection (1) applies to a person who willfully makes a false declaration in a record that is signed by the person and given under penalty of perjury. As used in this subsection:

(a) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(b) “Signed” means the person did either of the following to authenticate or adopt the record:

(i) Executed or adopted a tangible symbol;

(ii) Attached to or logically associated with the record an electronic symbol, sound, or process.

MCL 750.423 (2012) (effective April 1, 2013) (emphasis added)

In other words, under the current statute, any person who lies in a document for which she is authorized or required to take an oath (subsection 1), is guilty of perjury if that person either takes an oath (subsection 1) or signs an unsworn “declaration” under “the penalty of perjury” (subsection 2).

Applying MCL 750.423 to the present case, a person commits the crime of perjury to “swear falsely” in connection with any proceedings set forth in the act governing real estate taxes, including the poverty tax exemption section.¹⁸ Specifically, MCL 211.118 provides,

Any person who, under any of the proceedings required or permitted by this act shall willfully swear falsely, shall be guilty of perjury and subject to its penalties.

Further, the poverty tax exemption application process is a proceeding specifically authorized by the act. *See* MCL 211.7a.

¹⁷ MCL 261.7a sets forth the procedure for establishing consular jurisdiction.

Since state law prohibits "swearing" falsely on a poverty exemption application, and since MCL 750.423(2) establishes penalties for those who sign a declaration under penalty of perjury in lieu of an oath, those who sign a declaration are, in fact, guilty of perjury if they willfully lie on a poverty exemption application. There is no longer a requirement that an applicant sign in the presence of a notary after being placed under an oral oath.

B. To the extent the federal government has jurisdiction to prosecute applicants for false HPTAP applications, notarization is not required for such prosecution.

Notarization is not required for prosecution under federal perjury laws. Under 28 USC 1746, whenever federal law requires or permits a matter to be supported by a sworn oath, the matter can also be supported by a signed statement with language indicating the statement is made under penalty of perjury. Under this law, a person who signs a false statement under penalty of perjury is subject to the same perjury charges as if he had made a sworn oath. See, e.g., *Dickinson v. Bainwright*, 626 F.2d 1184, (CA 5, 1980). Thus, notarization is irrelevant to whether or not a person can be prosecuted under federal law for false statements made in an HPTAP application.

There remains a question of whether there is federal jurisdiction to prosecute someone who lied on an HPTAP application. 18 USC 1001 criminalizes false statements knowingly and willfully made "in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States." However, under this statute, "jurisdiction" is not limited to its narrow or technical meaning. See, e.g., *Byrson v. United States*, 396 US 64, 5 Cl. 355 (1969). Nor must false statements be made directly to a federal agency to fall within its jurisdiction. See *United States v. Munoz*, 397 F. Supp. 183 (FD Mich, 1974), aff'd without op., *Munoz v. United States*, 529 F.2d 526 (CA 6, 1975) (denying motion to quash where defendant defrauded a Detroit jobs program funded by a national organization that was in turn funded by the Department of Labor).

The federal courts have found jurisdiction to prosecute perjury for statements made to a state or nongovernmental organization when these entities are funded by the federal government. See, e.g., *Munoz*, 397 F. Supp. 183; *United States v. Lange*, 528 F.2d 1280, 1287 n.11 (CA 5, 1976). We are not certain whether the City receives HUD funding or other federal funding for HPTAP. To the extent it does receive federal funding, there is a strong argument that perjury on the HPTAP application could be prosecuted under federal law.

ii) *Quicken Loans Community Fund*

Quicken Loans
Community Fund

1050 Woodward,
Detroit, MI 48226
www.QuickenLoans.org

To the Honorable Mary Sheffield, Detroit City Council President Pro Tem,

The Quicken Loans Community Fund recognizes the City of Detroit's Homeowners Property Tax Assistance Program (HPTAP) as a critical tool in the collective work to keep Detroit homeowners in their homes, and out of tax foreclosure. We applaud recent efforts to make the HPTAP accessible to more Detroit residents.

While improvements to the HPTAP are welcome, our experience suggests that the need for applications to be notarized remains a difficult hurdle for many eligible applicants and the inclusion of the notarization requirement warrants further consideration.

Since December of 2017, the Quicken Loans Community Fund has sponsored 80 workshops across Detroit where homeowners can get help completing their HPTAP applications. Those 80 workshops have helped more than 1,200 Detroit residents.

At each workshop, we ensure a notary is on hand to notarize completed HPTAP applications. However, residents at these workshops are frequently missing a document or two that make their HPTAP application incomplete, and unable to be notarized.

This creates an added step. Residents must either return to a workshop the following month, find notary services at a bank, or go downtown to have their application notarized. All of these options can create additional cost, hardship, and reduce the likelihood that an otherwise eligible resident is granted a much needed HPTAP exemption.

Since June 2018, 653 Detroit residents have attended Quicken Loans Community Fund-sponsored HPTAP workshops. 384 residents submitted completed and notarized applications, while 232 applications were missing documents that prevented notarization.

While every effort is made to bring these residents back to a workshop for notary services, it is difficult for residents, especially those experiencing poverty, to make the investment of time and resources that is needed to get back to a third-party location. But for the notarization requirement many of these homeowners would be able to go home with an otherwise complete HPTAP application, locate their missing documents, and immediately mail in their HPTAP application.

We hope that this information is useful to this honorable body as you consider next steps regarding the HPTAP requirements.

Thank you,

Laura Grannemann, Vice President of Quicken Loans Community Fund



Alex Wilson, Director of Housing Stability, Quicken Loans Community Fund



iii) United Community Housing Coalition & Michigan Legal Services



October 12, 2018

Council President Pro Tempore Mary Sheffield

We are writing to add our voice in support of the proposed changes to remove the notarization requirement in the Homeowner Poverty Tax Exemption Program (HPTAP) on behalf of UCHC (United Community Housing Coalition) and Michigan Legal Services (MLS).

As you know, UCHC sees thousands of low-income homeowners each year, and we complete hundreds of HPTAP applications each year for our clients, many of whom seek our help because they cannot complete these applications on their own. Completing the HPTAP applications is a challenge for our office in terms of staff and other resources. We have had to go from 2-3 notaries on staff to, now, 8-10.

We find that many of our clients would have qualified for HPTAP in previous years but did not receive them. We feel that notarization is one factor that reduces the likelihood that a qualified homeowner will succeed in having their exemption granted. Many low-income residents do not have a known resource for free notarization. The most troubling situations where notarization serves as an obstacle are in the cases of homebound, elderly individuals, and those with lack of transportation.

We wish to make special note of the need to remove the notarization requirement for HPTAP renewal or short-form applications. They currently require two notarizations. There are very rare under current use, but we hope and expect for their use to expand. However, because they are most commonly in use for seniors, who are most likely to have mobility issues, we find the notarization to be particularly difficult.

We note that the state law does not require notarization in this application, and that there are many other municipalities that require signatures, but not notarization. Notarization is not required for Principle Residence Exemptions (PREs), property reassessment requests, or other related issues.

We hope that the city will consider that the challenges posed by notarization and remove this requirement from the HPTAP applications in the future.

Sincerely,

[Signature]
Ted Phillips

[Signature]
Mary Sheffield

[Signature]
Mary Sheffield

United Community Housing Coalition & Michigan Legal Services
2747 Beaudin Ave., Suite 111, Detroit, MI 48207
UCHC: 313.963.0410, MLS: 313.963.4100
www.uchc.org | www.milegalservices.org

iv) Detroit Action Commonwealth



organizing to build power, advance justice, promote opportunity

October 12, 2018

Dear Council President Pro Tem Sheffield:

We are members of Detroit Action Commonwealth, an organization of more than 5,000 Detroiters, most of them low-income.

We understand and support the City's responsibility to make sure that people who apply for a poverty property-tax exemption are truly eligible for it. But the City also has a responsibility to make sure that people who are eligible for the exemption are not denied one. This has been the far greater problem in Detroit.

Many low-income Detroiters have not gotten the property tax exemption they're eligible for, in part because the HPTAP application process is needlessly difficult. Thousands of them have lost their homes to tax foreclosure as a result. When that happens, it not only hurts them, it hurts the entire neighborhood, and the entire city.

The application's notarization requirement adds an unnecessary step to an already burdensome process. Many Michigan cities do not require it. Many low-income homeowners are elderly, disabled, or lack transportation. They have a hard enough time compiling the necessary documents and completing the application before the deadline, which often requires them to travel to various offices for assistance. Notarization further complicates this process and acts as a barrier that restricts access to the exemption.

We ask that the City of Detroit remove the notarization requirement from the HPTAP application.

Yours truly,

Jacqueline Watts
Jessamine Pinchard
Falisha Barks
Tawana Young
Kierstyn Zuerdel
Tawana Barks
Tawana Barks
Tawana Barks
Tawana Barks
Tawana Barks
Tawana Barks

Theresa Davis
Theresa Davis
Theresa Davis
Dorell Harris
Laura Barks
Sandra Cooper
Paul Webster
Sedrick Bolden
Theresa Davis
Theresa Davis
Theresa Davis

Detroit Action Commonwealth 4100 Grand River Ave Detroit MI 48204 www.detroitaction.org

DETROIT ACTION



organizing to hold power, advance justice, promote opportunity

Jim M. Burk
 Leeland M. Kennedy
 Iona Hoodon
 Carl Briggs
 Roderick Bilups
 Steffan Jones
 Michael Lewis
 Arthur Anderson
 Joseph Henderson
 Chantelle Gaddis
 Richmond Smith

Rotering Martin
 Russell Allen
 Lawrence Long
 William Williams
 Roderick Bilups
 William Wain
 Cynthia Lockhart
 Henry Miller
 Prince Moore
 David DAVIS
 Amy Lawrence
 Renita Moore
 John Coleman

Mr. Curtis L. Carrill
 Eric Boyette
 Jacqueline Boyd
 Dennis P. Henry
 Amanda Bryant
 Gailore Little

Theresa Davis
 1133 - Judy Bowie
 Susan
 Cynthia
 Adlene
 Mary Jones

Detroit Action Center/2400 Grand River Ave. Detroit, MI 48206 www.detroitaction.org

v) Neighbors Building Brightmoor



October 11, 2013

Dear Council Member Pro Tem Sheffield,

Thanks for your attention to this matter and for your service on Council. I appreciate what you're doing for Detroit. My service to Detroit has had a much narrower scope: I have focused on foreclosure prevention (and on inspiring others to do the same).

During the three years Neighbors Building Brightmoor has been doing door-to-door foreclosure prevention outreach, organizing workshops, and helping neighbors with their applications for property tax exemptions, I have been most touched by the heavy blanket of despair and distrust that weighs down so many

Their stories are all personal and different, but they share a common thread. They remind me of the Charlie Brown cartoon where Charlie Brown is ready to kick the football and Lucy pretends to hold it, but moves it every single time—and he lands flat on his back. So many neighbors have been offered hope (in various guises) and had it yanked out from underneath them right when they needed it most. They are tired and trying not to be defeated, but are understandably wary.

How does the practice of getting an HRA AP application notarized in Brightmoor? Well, let's start with how few people own cars to get to a notary. If they even know where one is. Many of my neighbors—particularly the ones most in need of the exemption—do not have bank accounts, so it's not a "simple" matter of going to the bank.

Of course we provide notaries when we organize workshops, but let's look at some numbers. Last November we knocked on over 500 doors in Brightmoor—doors of people we knew qualified for what was then called the Poverty Tax Exemption and were about to lose their homes. Of those 500, only about 300 got the benefit of the notary we provided at the workshop. So what about the other 470? I do not know the story of every one of those neighbors, but I do know the story of one.

My neighbor across the street is the perfect example of someone the exemption was designed to help. He'd recently had a severe injury and was unable to work. I got his application, told him about the workshop, assured him he would qualify, and checked in with him as we never our paths crossed. He didn't show up at the workshop and I assumed he'd just filed out on his own and resorted and submitted it. Later that year, when he and I were clearing snow in front of our homes, I asked if he'd received his exemption yet. Imagine my dismay when he replied that he hadn't seen it yet because he didn't know how

to get something notarized. It broke my heart. In my efforts to keep my nose out of his financial business, I did not follow up until the deadline had passed. And I called him. He'd given up on the exemption when he couldn't figure out how to meet one of its requirements.

I try not to get caught up in "what if" thoughts, but sometimes I can't help myself. I imagine that if my neighbor could not bring himself to ask me about notarization, that there are many, many more who don't happen to live on the same street as the "property tax lady" who also give up for the same reason.

I am grateful that you are willing to consider helping fix this problem. My efforts can only help a few people and a tiny your efforts can help so very many more.

With deep appreciation,



Lonella Pizzuti
Neighbors Building Brighton board member
14913 Lamphere
Detroit, MI 48223
707-732-6362

PS I do see my neighbor is a notary and he got the exemption for 2013.

vi) *Central Detroit Christian*



CENTRAL DETROIT CHRISTIAN
COMMUNITY DEVELOPMENT

October 11, 2018

Councilwoman Mary Sheffield
Detroit City Council
CAYMC
1 Woodward Avenue
Suite 1300
Detroit, MI 48226

RE: Notarization Burden

Dear Councilwoman Sheffield:

I am writing you as a housing counselor for Central Detroit Christian CDC who is actively involved in helping families with their Property Tax Exemption applications. The requirement of the application of needing a notary is cumbersome for the applicant. Banks typically have notary services available, but many if not most of our clients are not bankable and therefore cannot use the bank's notary. Other notary services require some type of fee and that is a burden as well.

We solicit your help and request that you release the requirement of a notary on the Property Tax Exemption form.

Thank you in advance,

Dottie Foster
Lead Housing Counselor

III. – ADJUNCTIVE ELIGIBILITY

MEMORANDUM

To: Hon. Mary Sheffield
From: Coalition to End Unconstitutional Tax Foreclosures
Re: Allowing Adjunctive Eligibility for HPTAP
Date: October 14, 2018

Currently, anyone applying for the Homeowners Property Tax Assistance Program (HPTAP) who was not required to file a tax return must demonstrate income by providing supporting documentation. Since the City's settlement with the ACLU, non-tax filing applicants can demonstrate income by submitting W2s, Social Security Statements, or any other reasonable proofs. Besides accepting these proofs, the Board of Review should also allow applicants to demonstrate their income eligibility by submitting documentation showing current enrollment in any government program that has the same or lower income requirements (for example, Medicaid or WIC)—a process known as *adjunctive eligibility*. Adjunctive eligibility is a common, well-accepted practice that benefits the Board of Review by relieving administrative burden, and benefits applicants by allowing for a more streamlined application process.

Adjunctive Eligibility is Common Practice

The Board of Review would not be unique in allowing adjunctive eligibility for HPTAP. Adjunctive eligibility was originally adopted to increase enrollment in children's health insurance programs, but since then the practice has expanded to many government programs.¹ For example, in order to streamline the application process and reduce administrative errors and costs, Congress established adjunctive eligibility for the Women, Infants, and Children (WIC) program in 1989, which allows applicants to demonstrate eligibility by showing participation in Medicaid, Food Stamps, or TANF.² In addition, 42 CFR § 435.120 dictates that enrollment in Supplemental Security Income (SSI) automatically establishes a person's eligibility for Medicaid in most states.³ Michigan's courts also use adjunctive eligibility. Specifically, demonstrating receipt of public assistance entitles a defendant to a rebuttable presumption of indigency for the purposes of appointed counsel in a criminal case under MCL 780.991 and MCR 6.005(B), and for a waiver of court cost and fees under MCL 600.8371 and MCR 2.002(C)-(D). Finally, many utility affordability programs—such as the Low Income Home Energy Assistance Program or Pennsylvania's Customer Assistance Program through the Public Utility Commission—also use adjunctive eligibility in their application process.⁴

¹ Colton, R. (n.d.). *A Water Affordability Program for the Detroit Water and Sewerage Department (DWSD)* (Rep.). Retrieved from http://www.fsconline.com/downloads/Papers/2005_01_Detroit_Water.pdf, p. 8

² *Ibid*; Carlson, S., Neuberger, Z., & Rosenbaum, D. (2017, July 19). *WIC Participation and Costs Are Stable* (Rep.). Retrieved <https://www.cbpp.org/research/food-assistance/wic-participation-and-costs-are-stable>; for a detailed description of how adjunctive eligibility works in Michigan's WIC program, see Appendix A.

³ Colton, R. (n.d.). *A Water Affordability Program for the Detroit Water and Sewerage Department (DWSD)* (Rep.). Retrieved from http://www.fsconline.com/downloads/Papers/2005_01_Detroit_Water.pdf, p. 8

⁴ *Ibid*; Benefits.gov. (n.d.). Low Income Home Energy Assistance Program. Retrieved from <https://www.benefits.gov/benefit/623>

Adjunctive Eligibility is Beneficial for Applicants and the Board of Review

Clearly, adjunctive eligibility is beneficial for the applicant. Instead of collecting and producing multiple proofs of income, adjunctive eligibility would allow applicants to submit only one piece of documentation, for example, a copy of proof of enrollment in Medicaid. Putting the applicant aside, adjunctive eligibility has significant administrative benefits for the Board of Review. As mentioned above, other government agencies established adjunctive eligibility specifically to reduce errors and relieve administrative burdens through decreased paperwork and lower resource expenditure on income determination and fraud detection. This last point is particularly important for the Board of Review. By offloading income determination and oversight to the better resourced state or federal government, the Board can focus its resources on determining eligibility and detecting fraud for the more unique and challenging aspects of the application, such as confirming home ownership and principle residency.

Conclusion

Given that adjunctive eligibility is a well-established and common governmental practice, and that it creates significant benefits for both applicants and the Board of Review, the City of Detroit should pass legislation that establishes adjunctive eligibility for HPTAP.

APPENDIX A – ADJUNCTIVE ELIGIBILITY FOR MI-WIC

MI-WIC POLICY

Eligibility/Certification

2.0 Eligibility/Certification
2.06 Adjunct Income Eligibility

Effective Date: 2/15/18

PURPOSE: To allow adjunct automatic income eligibility for WIC Program applicants determined to be adjunctively income eligible.

A. POLICY

1. WIC applicants are adjunctively income eligible if they receive one of the following:

- a. Services from the following Medicaid Programs:
 - i. Medicaid
 - ii. Healthy Kids
 - iii. MICHild
 - iv. Maternity Outpatient Medical Services (MOMS)
 - v. Healthy Michigan Plan (HMP)
 - vi. Emergency Services Only (ESO) (i.e., Healthy Kids-ESO, MICHild-ESO)

Note: Medicaid Deductible (formerly known as "Spendedown") Beneficiaries are not adjunctively income eligible for WIC. Their income must be used to determine eligibility. (See Policy 2.04.)

- b. Food Assistance Program (FAP) benefits [i.e., Supplemental Nutrition Assistance Program (SNAP)/Food Stamps, Food Distribution Program on Indian Reservation (FDPIR), The Emergency Food Assistance Program (TEFAP)].
- c. Family Independence Program (FIP)/Temporary Assistance to Needy Families (TANF) benefits.

2. Applicants are adjunctively income eligible if they are an infant of a woman who received Medicaid during her pregnancy.

3. Applicants are adjunctively income eligible if they are a member of a family that have one of the following:

- a. A pregnant woman or infant receiving Medicaid
- b. Food Assistance Program (FAP) benefits
- c. Family Independence Program (FIP) benefits

4. To determine adjunctive eligibility, enrollment, one of the following forms of documentation is required:

- i. Medicaid

MI-WIC POLICY

Eligibility/Certification

- i. A current acceptance letter to Medicaid, Healthy Kids, MICHild, MIOMS, HMP or ESCI Program;
 - ii. A current Mihealth account number (Medicaid ID) verified by:
 - a. MI-WIC
 - b. CHAMPS (Community Health Automated Medicaid Processing System)
 - c. Other State of Michigan websites/verification systems (See Guidance.)
 - b. Food Assistance Program (FAP)
 - i. Current Food Assistance Program approval letter with expiration date
 - ii. Confirmed deposit to Michigan Bridge Card FAP account for the current month
 - iii. Other State of Michigan websites/verification systems (See Guidance.)
 - c. Family Independence Program (FIP)/Temporary Assistance to Needy Families (TANF)
 - i. Current FIP benefits approval letter with expiration date
 - ii. Confirmed deposit to Michigan Bridge Card cash benefit account for the current month
 - iii. Other State of Michigan websites/verification systems (See Guidance.)
 - d. Children's Special Health Care Services (CSHCS) form MSA-0738 showing income calculation does not exceed 185% of poverty level
 - e. Current acceptance letter to a state or federally funded program where income has been determined not to exceed 185% of poverty level for the family (i.e., free or reduced-price school meals)
5. Upon approval of adjusted income eligibility, applicants must verbally declare their income (for reporting purposes only).

B. Guidance

- I. The following State of Michigan websites systems can aid in verification of adjusted income eligibility:
 - a. MiBridges: <https://www.mibridges.michigan.gov> (Medicaid, FAP and FIP)
 - b. CHAMPS: MIlog.michigan.gov (Medicaid)

