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June 14, 2021

Honorable Detroit City Council
Coleman A. Young Municipal Center
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Re: ARPA Fiscal Recovery Funds Budget Amendments

Honorable Detroit City Council Members:

The recently enacted American Rescue Plan Act of 2021 (“ARPA”) has provided the City of Detroit with an unparalleled opportunity to address the continuing impact of the Coronavirus (“COVID-19”) pandemic upon the City and its residents. COVID-19 dramatically interrupted the progress made to increase employment and reduce poverty within the City of Detroit. It also challenged our successful recovery from the City’s 2014 bankruptcy and interrupted our progress with implementation of the Plan of Adjustment of Debts of the City of Detroit (the “POA”) approved by the United States Bankruptcy Court (the “Bankruptcy Court”).

After careful review of the permitted purposes for use of the direct award provided under ARPA to the City, an evaluation of potential eligible uses of ARPA funds, and over 50 community meetings, we welcome the opportunity to continue our discussion with City Council. To inform those discussions, we are transmitting appropriation resolutions related to ARPA funds in draft form and without recommended amounts.

The draft appropriation resolutions amend both the fiscal year 2020-2021 and fiscal year 2021-2022 budgets. Those resolutions would accept the ARPA award, allocate ARPA funds between two accounts, and propose specific categorical appropriations for identifiable purposes as a first of a series of appropriations over the next 3 years. No transfers between appropriations would be authorized without City Council approval. All applicable procurement and contracting requirements would apply, and grants and contracts of these funds would continue to require City Council review and approval.

POA Obligations

The fiscal year 2020-2021 amendment proposes to allocate \$400 million and appropriate the first \$200 million to address POA obligations deferred by the COVID-19 revenue shortfalls.

As a condition to the approval of the POA, the Bankruptcy Court was required to determine that the POA was feasible. It engaged in an exhaustive effort to make that finding, including:

- Authorizing the development of Restructuring and Reinvestment Initiatives (“RRIs”) to define future investments and actions needed to assure the City’s future ability to comply with the obligations of the POA;

- Restructuring the terms and timing of the City’s pension contributions and reducing creditor payments, such as the payments owed to FGIC and Syncora, to assure the City had revenues available to implement the RRIs; and

Essential to the Bankruptcy Court’s finding the POA was feasible was testimony of city leaders of their commitment to implement the POA and invest in the RRIs. Council President Jones’ support was key to providing that assurance, astutely recognizing investments in the RRIs as “help[ing] the City restructure so that the citizens can receive adequate services”.

In its order confirming the POA, the Bankruptcy Court referenced the RRIs by stating “[A]bsent the Reinvestment Initiatives, the City cannot provide a sustainable level of services to its residents.” It further noted, in expressing the underlying principles of the RRIs, that:

“The City can arrest the reinforcing trends of population loss, declining property values and declining revenues if adequate services are restored, blight is remediated and the City becomes a more attractive place to live and work. The Reinvestment Initiatives will accelerate investment in the City by business, community and philanthropic organizations.”

An allocation of \$400.6 million, and the initial appropriation of \$200 million, of ARPA funds to address our budget shortfall is proposed to reaffirm the commitment of the City to comply with its obligations under the POA.

Detroit Future Fund

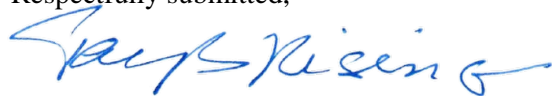
The fiscal year 2021-2022 amendment proposes to allocate \$426 million to the Detroit Futures Fund and appropriates the first \$200 million from this Fund for the following 6 specific purposes:

- Fighting intergeneration Poverty
- Restoring Neighborhoods
- Parks, Recreation & Cultural Facilities
- Improving Public Safety
- Reduction of the Digital Divide
- Small Business Assistance

Particular projects within each of these categories will be the topic of our discussions with Council in the next few weeks. Contracts and grants to implement each project, as well as contracts for compliance services and other central service supports, would be subject to City Council approval.

Detroit and its residents have been hit harder than most communities were by COVID-19. City residents and business are still experiencing the economic consequences and the reduction in City services caused by COVID-19. The City is poised to be a leader in assuring these funds will be immediately used to equitably address this harm. As a first-mover, we will position to restore stability to our community and make the first argument to the State and other partners for matching funds.

Respectfully submitted,



Jay B. Rising, CFO
City of Detroit