
Financial and Operating Plan

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Emergency Manager

June 10, 2013

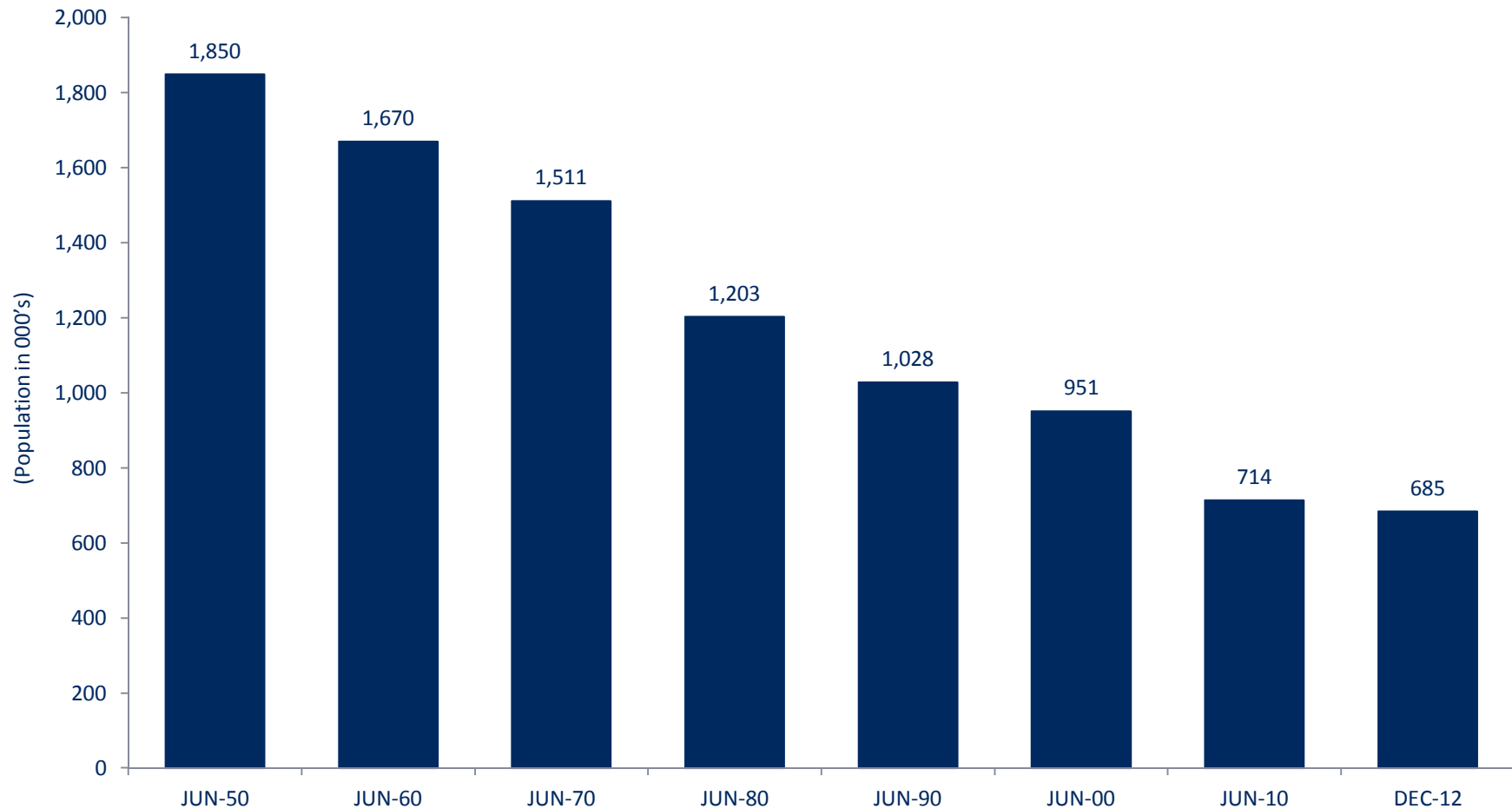


Detroit spends more than it takes in – it is insolvent. It has borrowed hundreds of millions of dollars and has deferred just as much in obligations in order to support City operations.

This path is not sustainable.



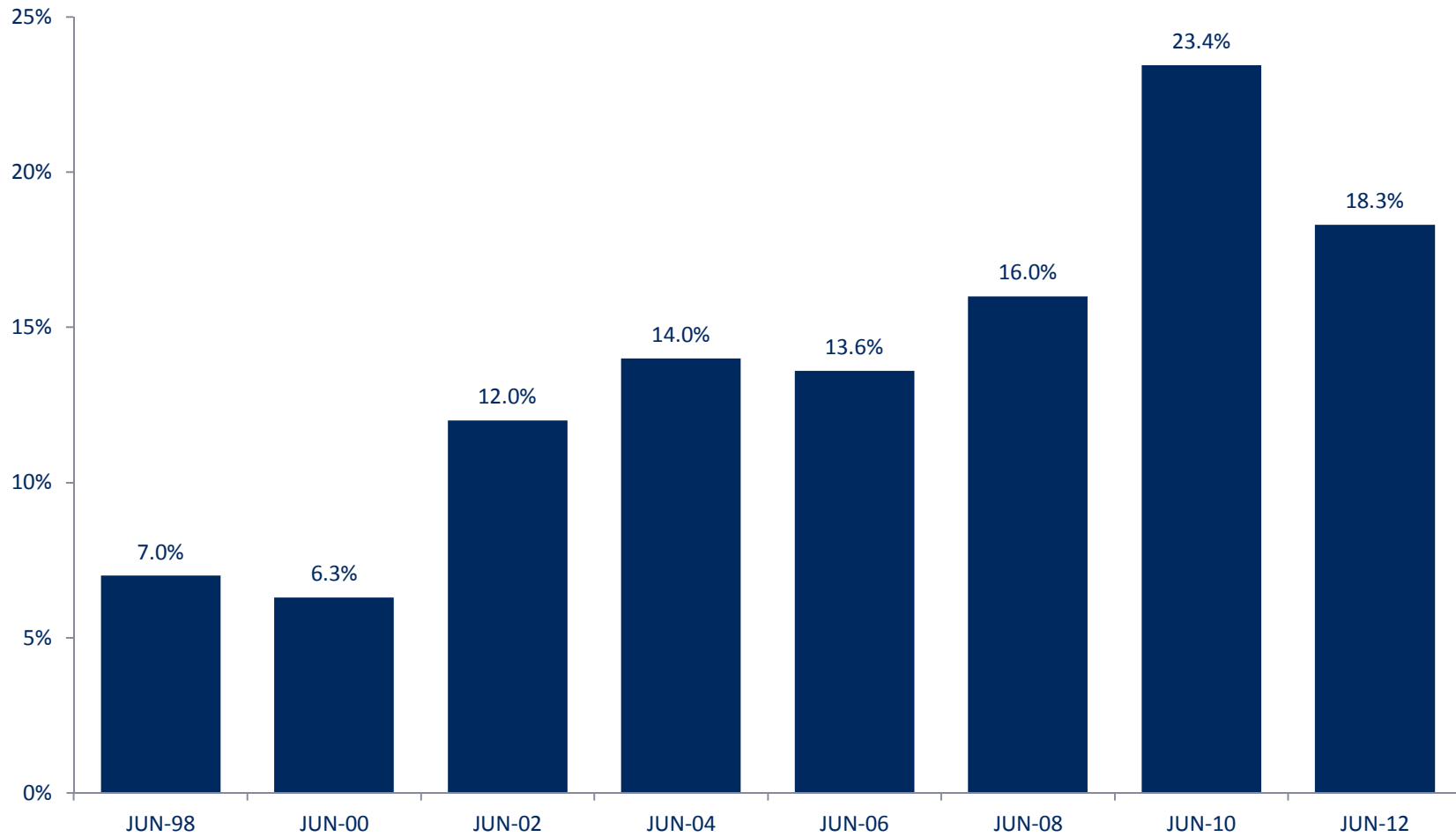
Over the past several decades, the City's population has declined over 60%



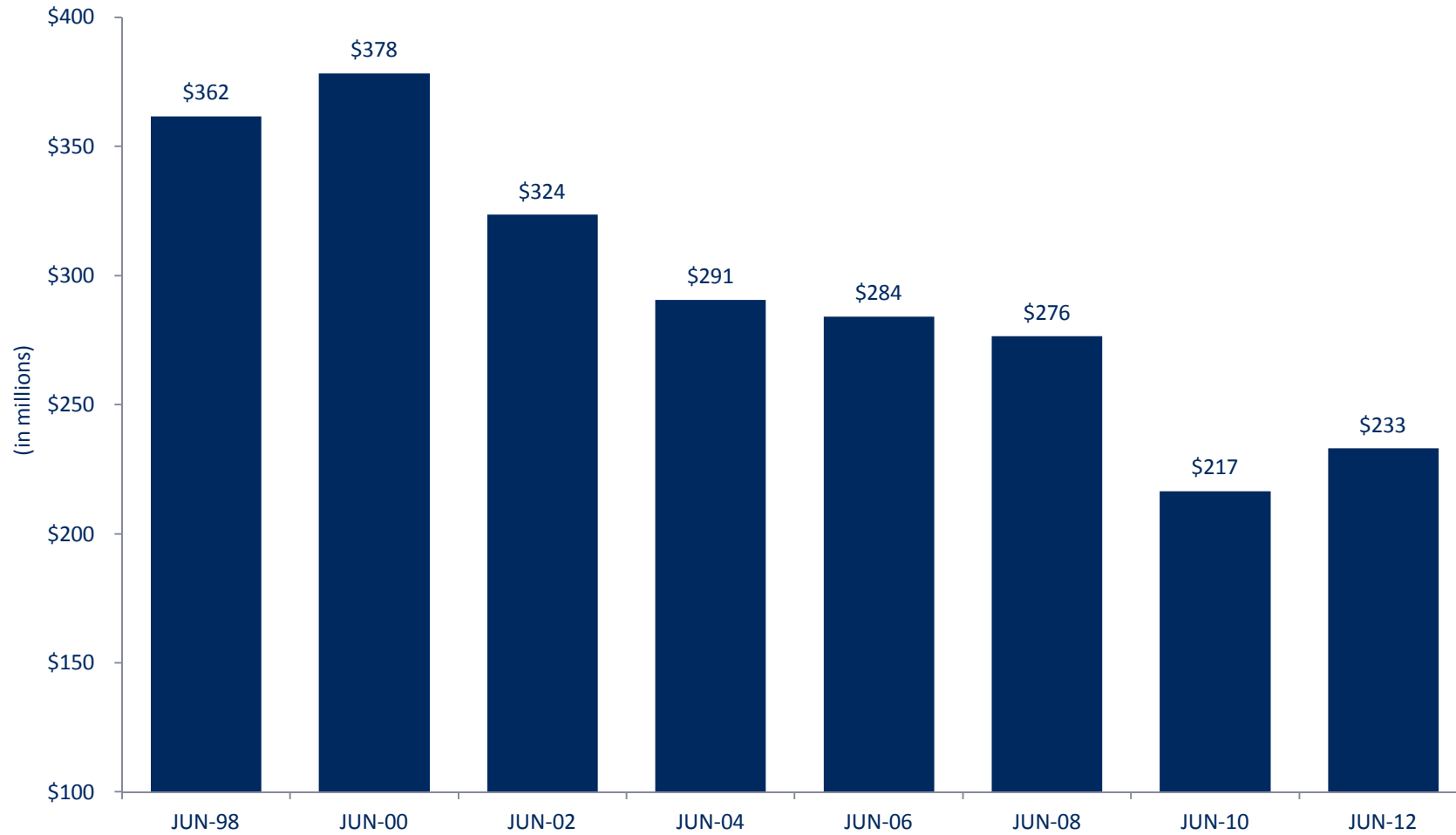
Note: December 2012 population estimate based on SEMCOG's December 2012 Report on Population and Household Estimates.



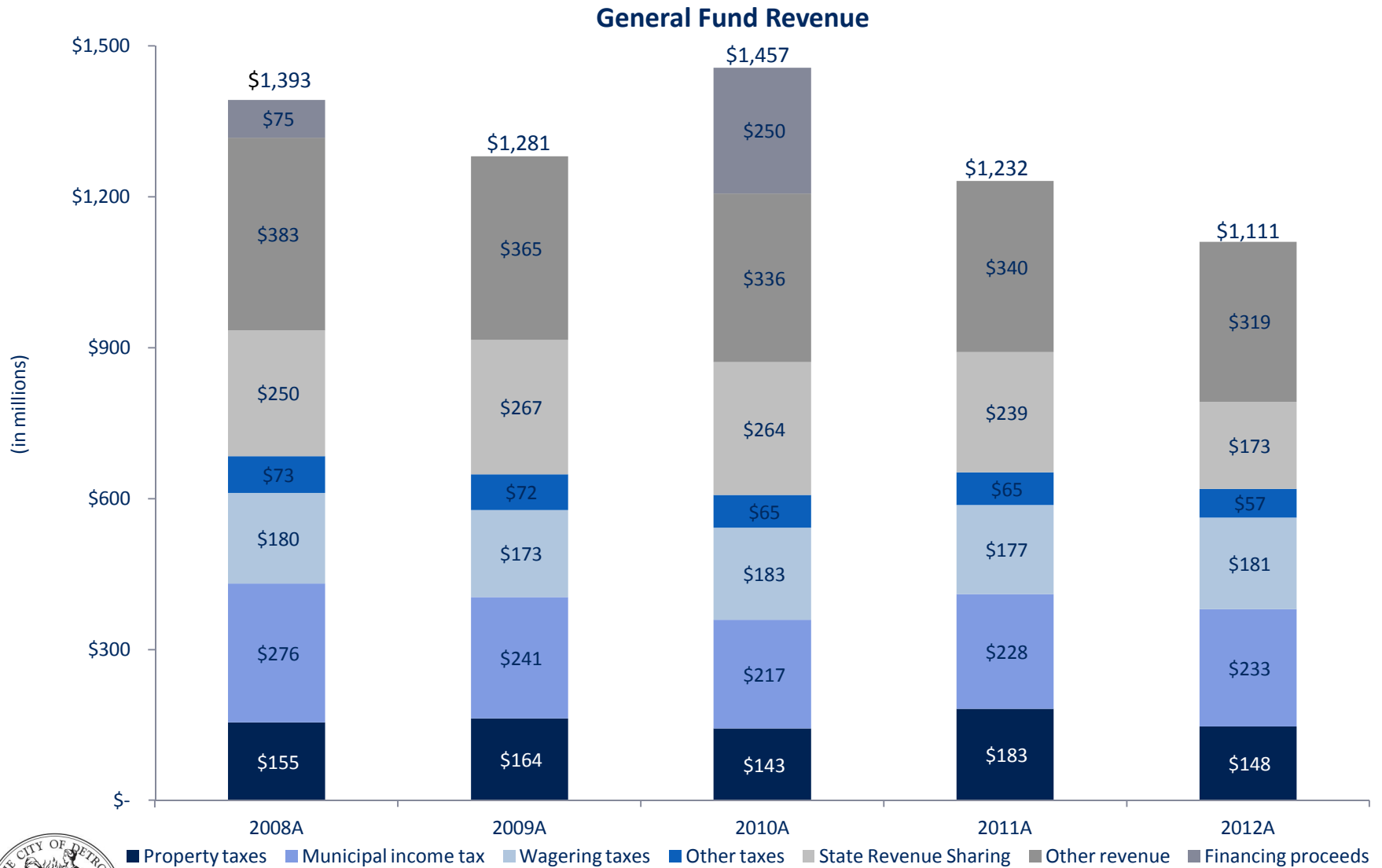
While unemployment has improved recently, it is still significantly higher than historical levels



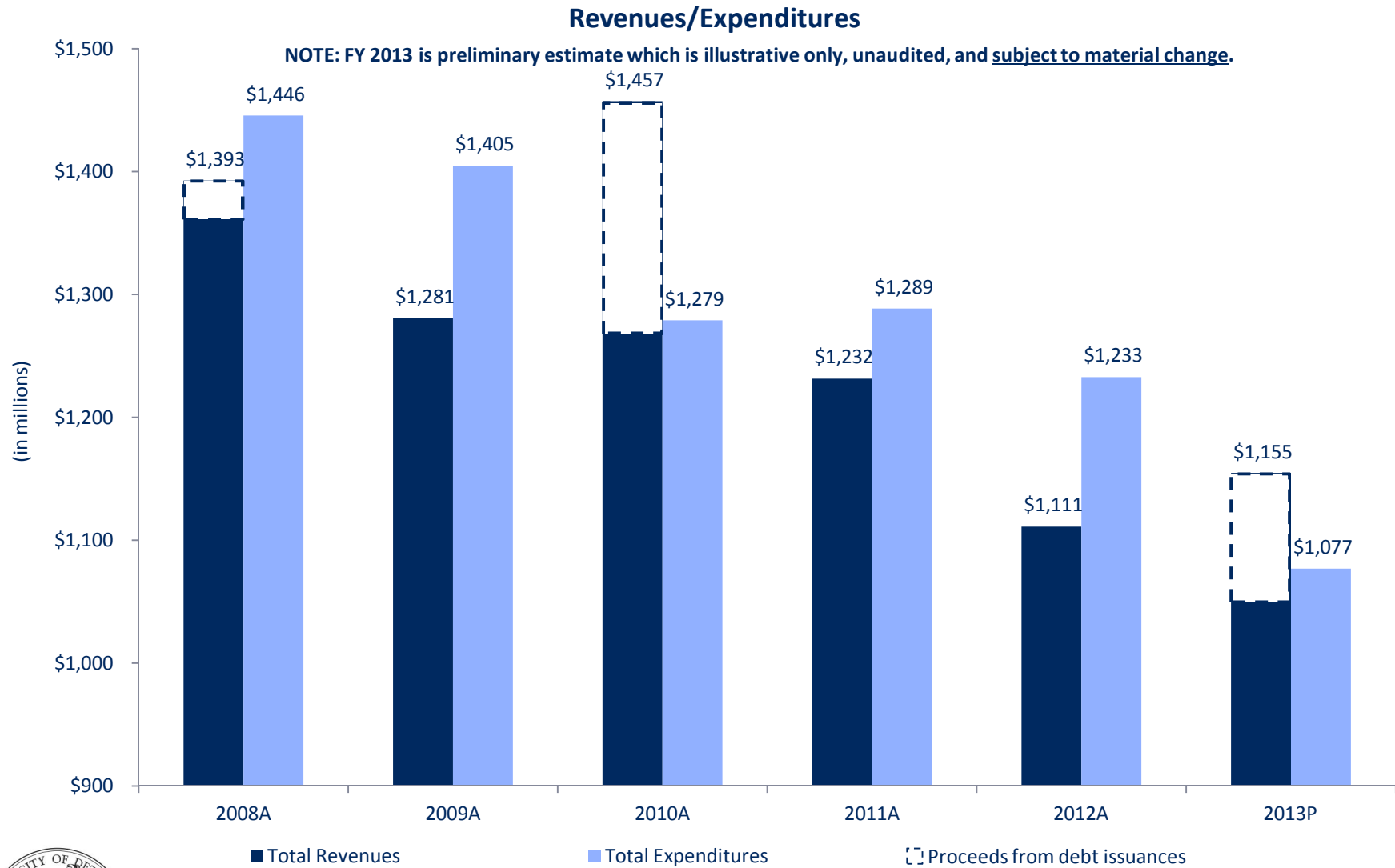
As a result, income tax revenue has declined almost 40% since 2000...



...and overall City revenue has declined approximately 20% since 2008

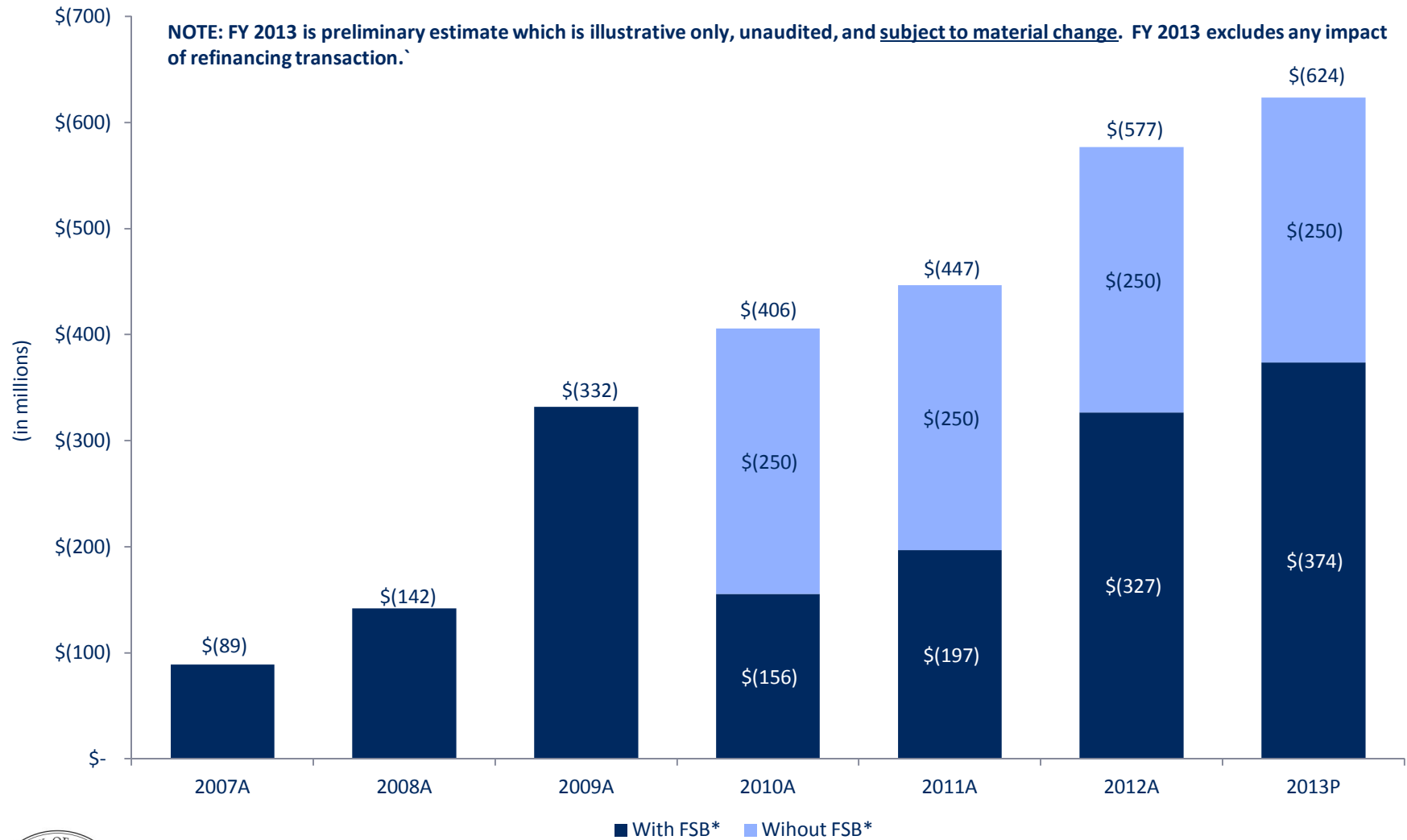


At the same time, the City of Detroit continues to incur expenditures in excess of revenue – *even despite recent cost-cutting measures*



The City's accumulated deficit has grown significantly since 2007...

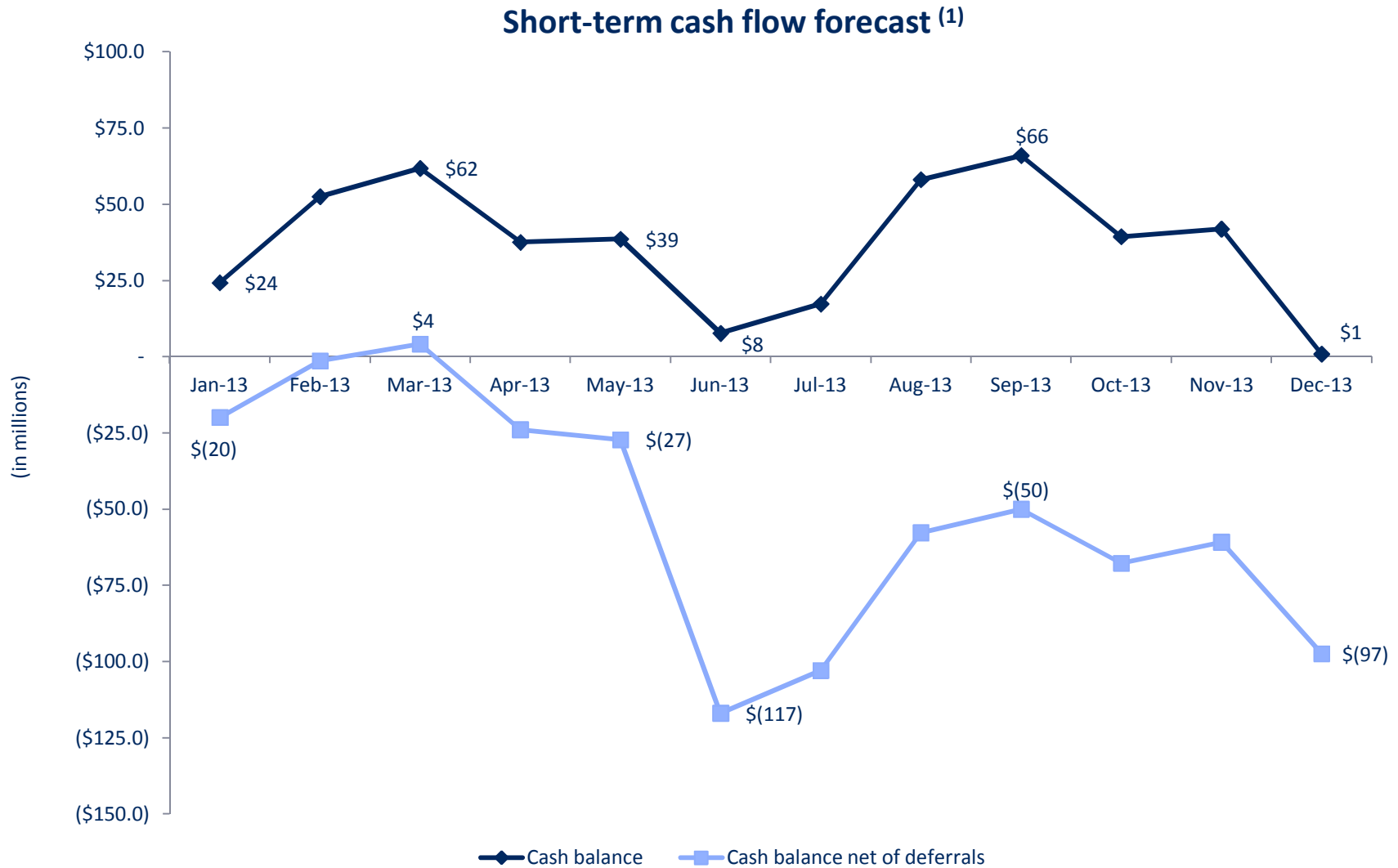
General Fund Accumulated Deficit



* Fiscal Stabilization Bonds ("FSB") were issued in FY 2010, which caused a one-time deficit reduction, but increased debt by \$250 million



... and the City's current cash flow outlook is very dire



(1) End of month balances, net of accumulated property tax distributions owed to other taxing authorities.

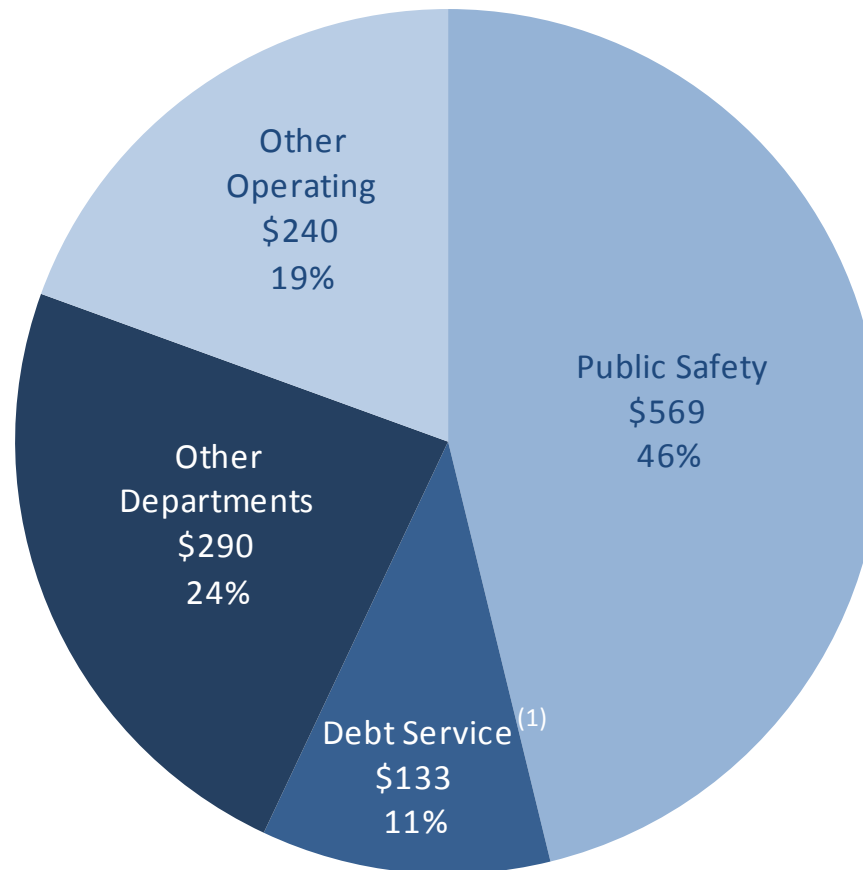
Since his appointment on March 25, 2013, the Emergency Manager has focused on developing a comprehensive restructuring plan to ensure that the City of Detroit is able to:

- Provide or procure governmental services necessary and essential to the public health, safety and welfare of its citizens
- Assure the fiscal accountability and stability of the City
- Promote private investment in the City and revitalization of the community in a sustainable fashion



Public Safety spending represented 46% of FY 2012 expenditures

FY 2012 General Fund Expenses
(in millions)

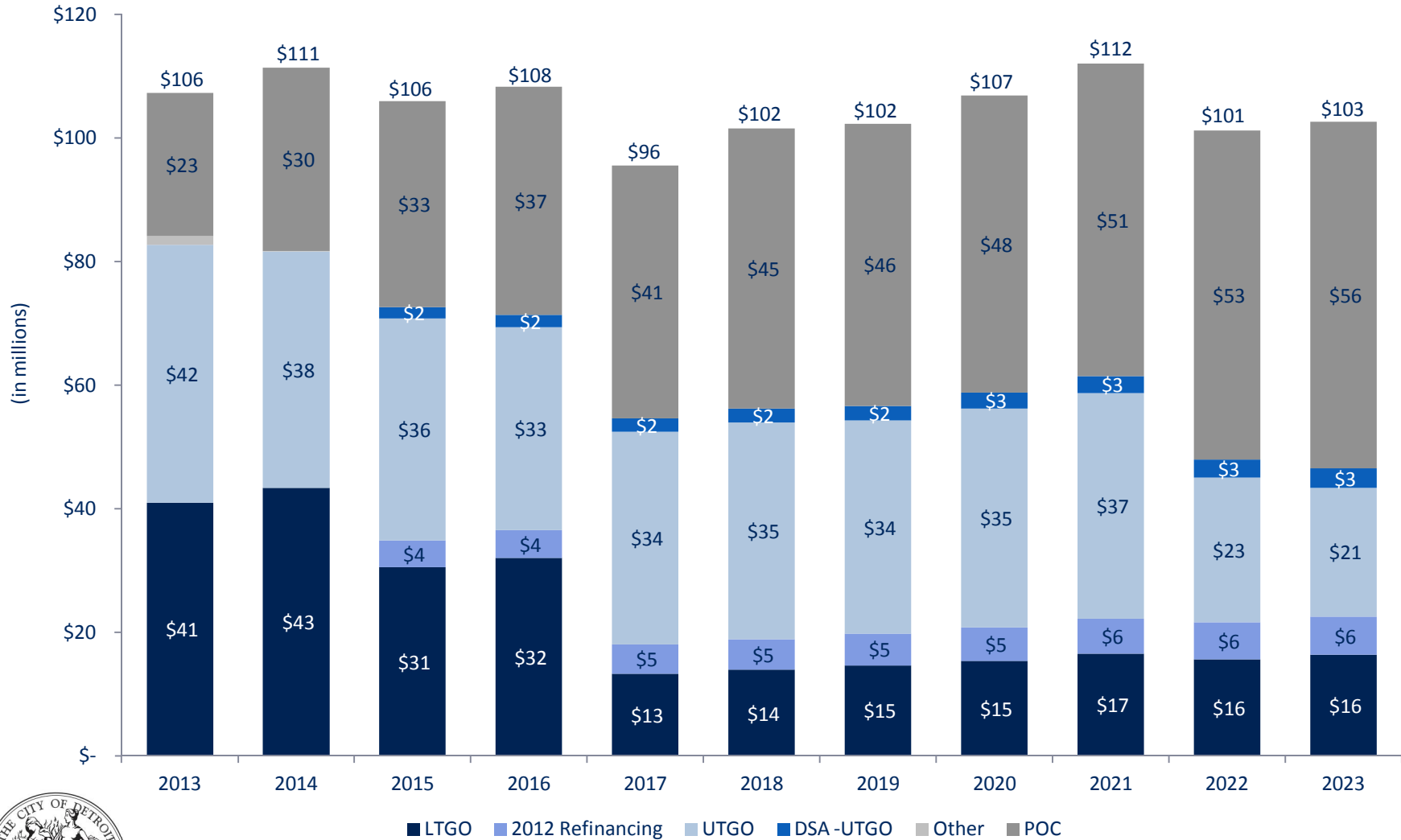


(1) Debt service excludes UTGO debt service and enterprise portion of pension obligation certificates, which are reported separately



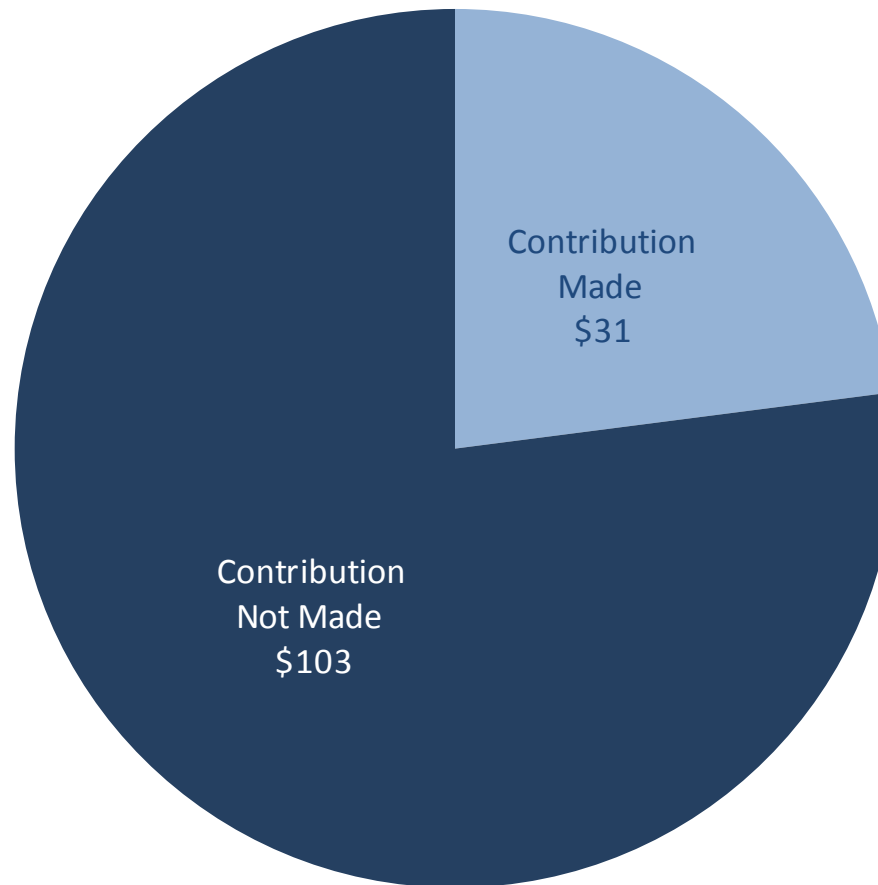
While the General Fund will experience some short-term debt service relief, principal payments will begin to increase again in 2018

General Fund Debt Principal



In recent years, tens of millions of dollars of pension funding and other payments have been deferred

FY 2013 Required Contributions (General Fund)
(\$ in millions)



NOTE: FY 2013 figures above is a preliminary estimate which is illustrative only, unaudited, and subject to material change.

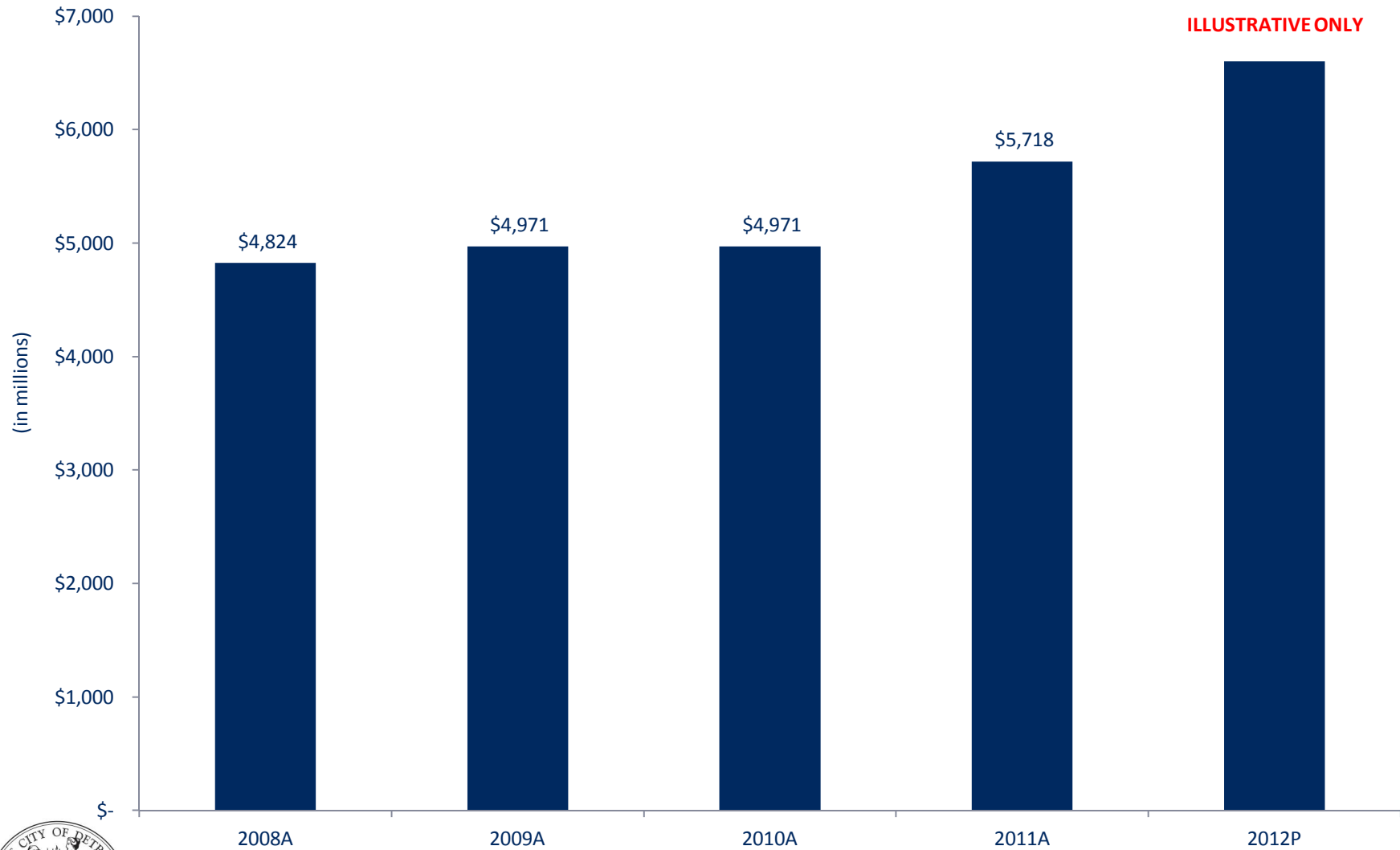


The City is currently evaluating options to adjust its funded debt obligations to better fit its projected cash flow profile, which may include a range of alternatives that could include, among other things:

- Rescheduling principal amortization without reduction in principal
- Permanently reducing the principal amount of debt outstanding
- Reducing interest rates, as appropriate, to achieve targeted cost savings or compensate for lost/extended principal
- Issuing new debt to provide certain cash recoveries to creditors



Other Post-Employment Benefits (OPEB) Unfunded Liability

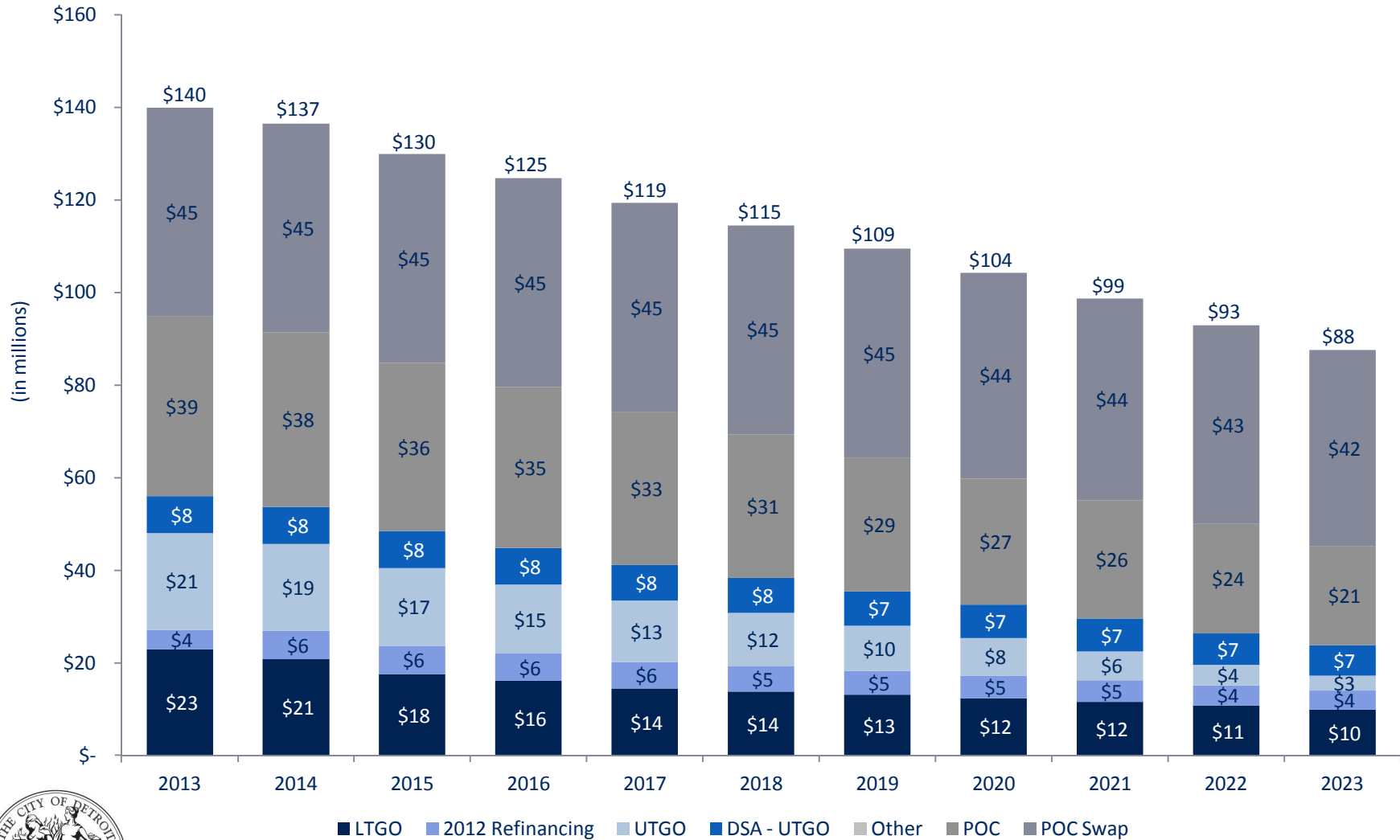


NOTE: FY 2012 column is illustrative only; latest actuarial OPEB valuation was performed as of June 30, 2011 (FY 2011)

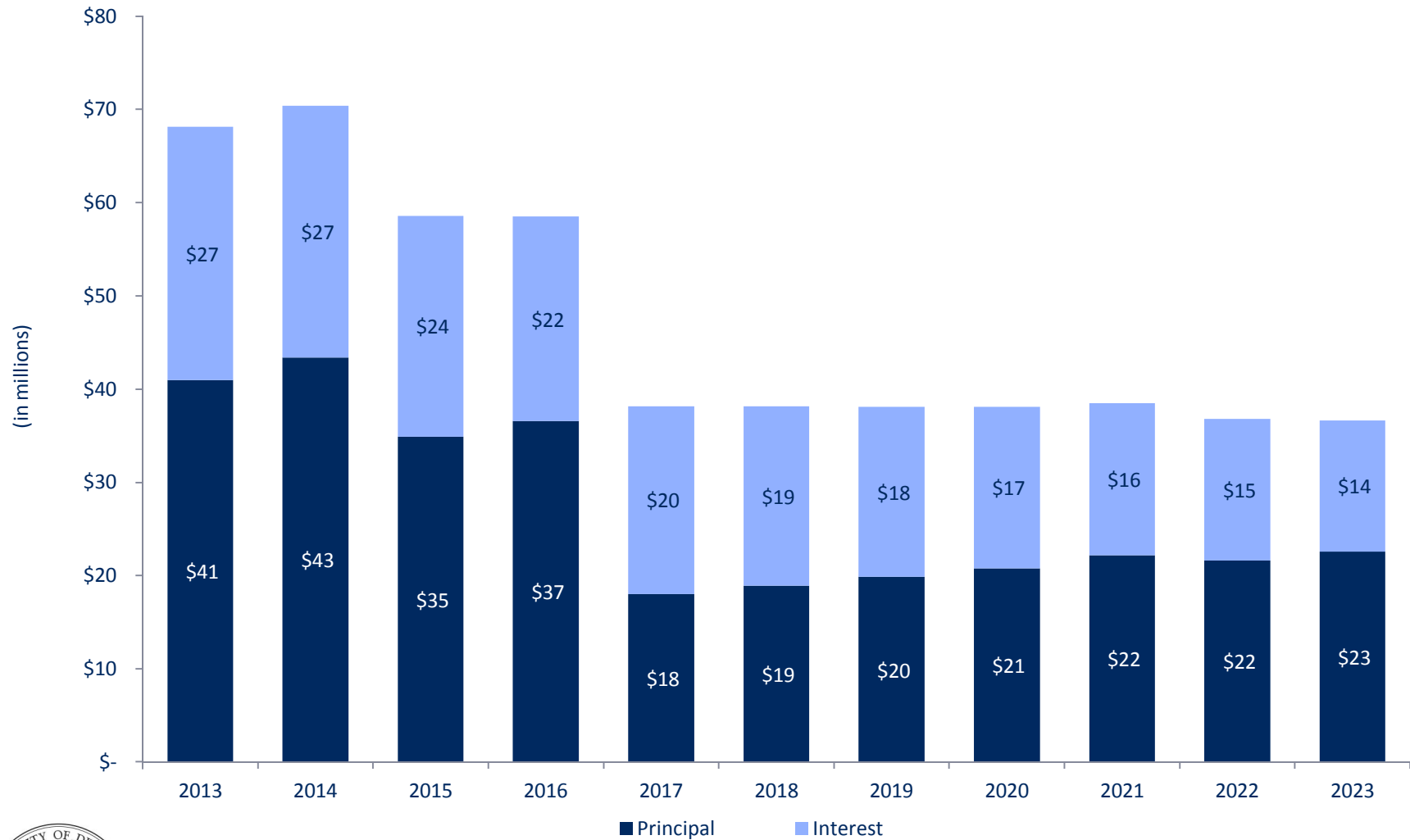


POC's (including Swaps) represent the largest component of interest payments

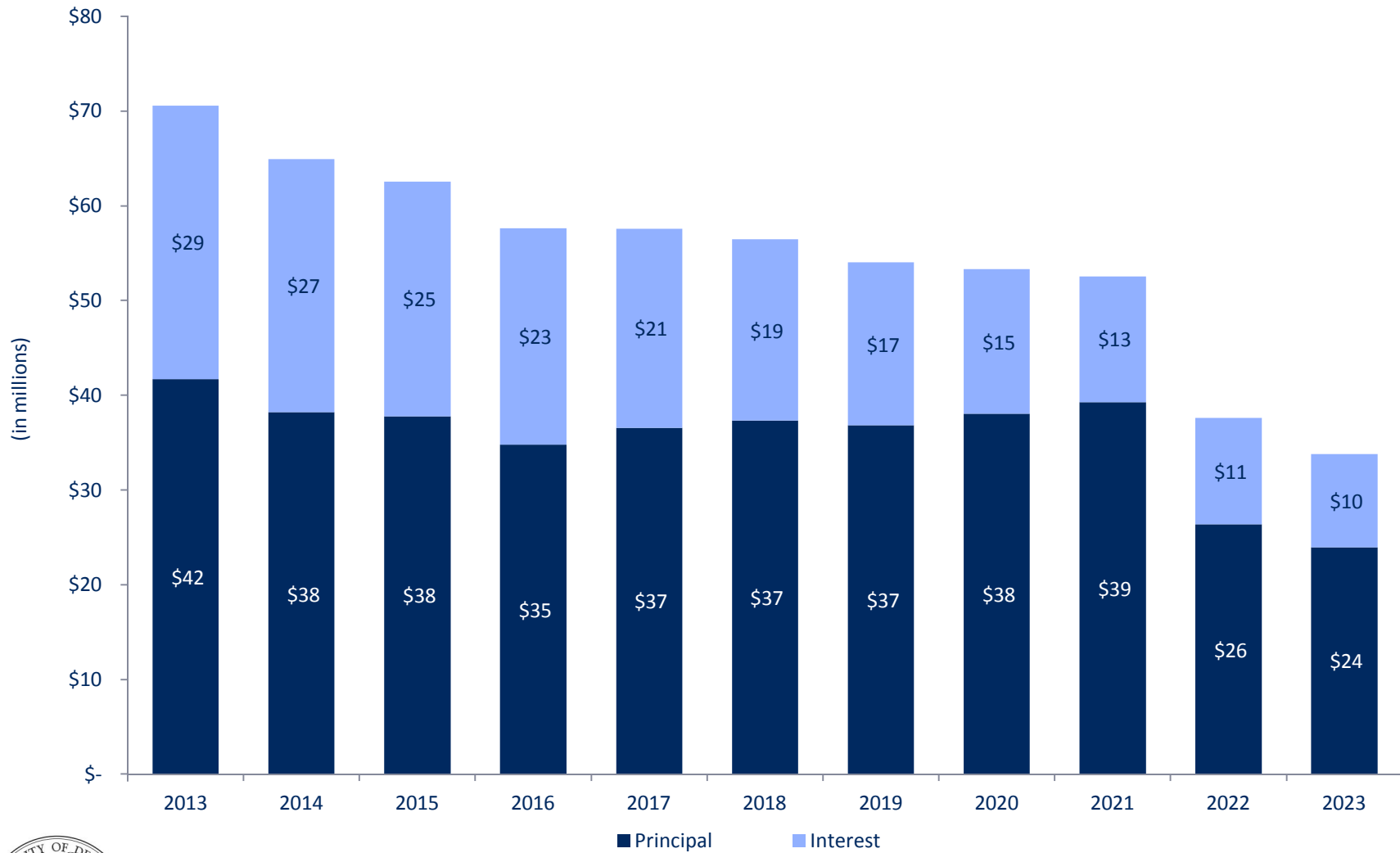
General Fund Debt Interest



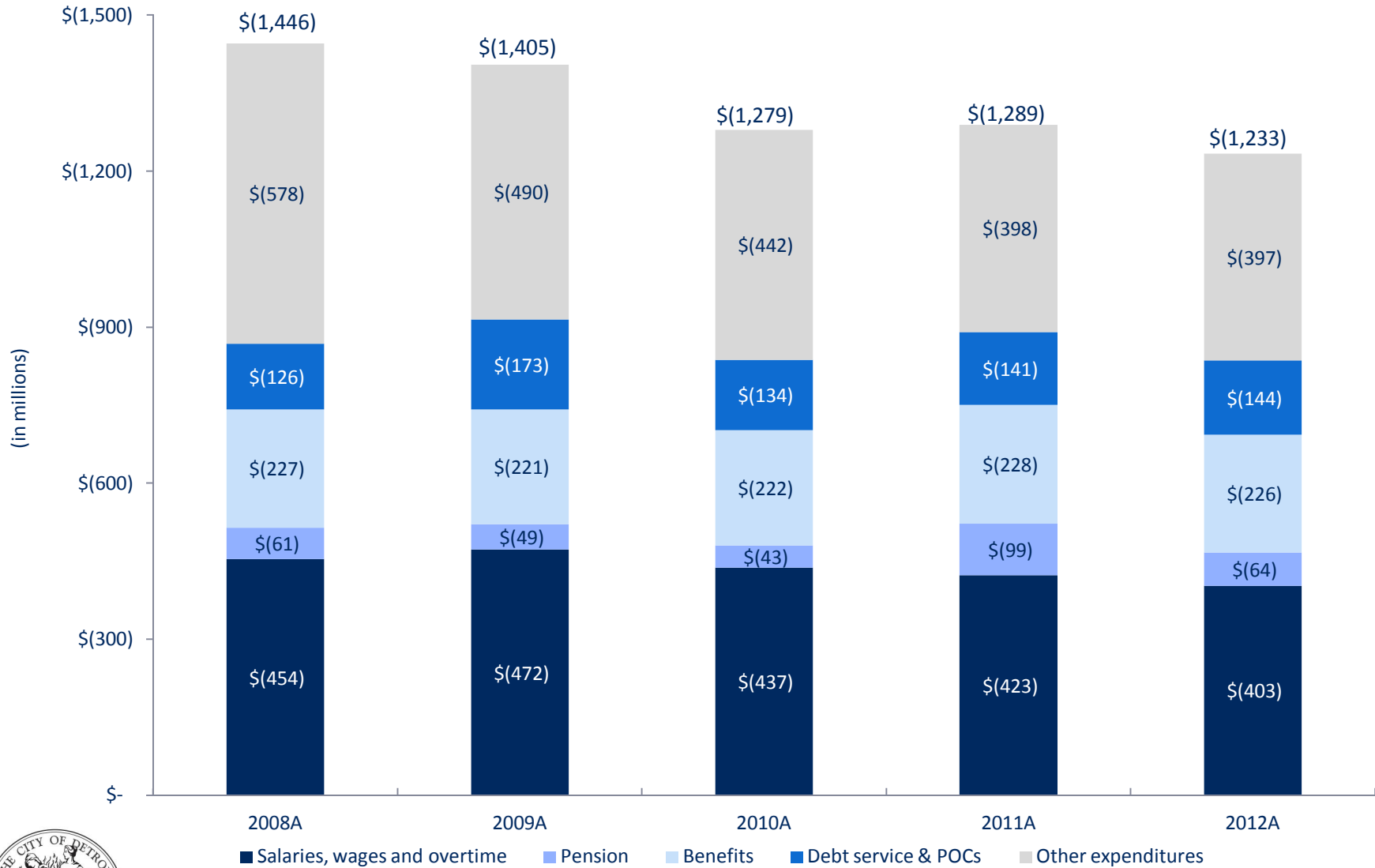
Limited-Tax General Obligation (LTGO) Debt Service (including FY 2013 Refinancing)



Unlimited-Tax General Obligation (UTGO) Debt Service



General Fund Expenditures



The City must develop an operating budget that allows it not only to operate on sound financial footing, but to restore the City to a vibrant, thriving and safe metropolis that can attract residents and new business. That path will require painful sacrifices from all interested parties.

It is a necessary path to save an iconic American city.



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