OFFICIAL PROCEEDINGS
CITY COUNCIL
CITY OF ESCANABA, MICHIGAN
Regular Council Meeting
Thursday, June 19, 2014

The meeting was called to order by the Honorable Mayor Marc D. Tall at 7:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Marc D. Tall, Council Members, Patricia A. Baribeau, Ronald J. Beauchamp, Ralph B. Blasier, and Michael R. Sattem

Absent: None

Also Present: City Manager James V. O'Toole, City Department Heads, media, and members of the public.

City Clerk Robert S. Richards gave the invocation and led Council in the Pledge of Allegiance.

Blasier moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve Regular Meeting Minutes from June 5, 2014, and Special Meeting Minutes from May 29, 2014, as submitted.

ADJUSTMENTS TO THE AGENDA

Representative Ed McBroom was added to the Council Agenda, and was invited to speak on the City of Detroit Bailout.

Beauchamp moved, Sattem seconded, **CARRIED UNANIMOUSLY**, to approve the City Council Agenda as amended.

CONFLICT OF INTEREST DECLARATION – None

BRIEF PUBLIC COMMENT - None

UNFINISHED BUSINESS – None

Council invited Representative Ed McBroom to comment on the City of Detroit bailout. Representative McBroom spoke on his vote in favor of the City of Detroit bailout and presented Council Members a summary discussion document entitled, City of Detroit, Plan for the Adjustment of Debts (See Attachment – A). Mr. McBroom also reviewed the following:

- Briefly reviewed bankruptcy details and "Grand Bargain" bill, granting Detroit $195 million in state appropriations;
- Representative McBroom advised funds would not be just given to the City of Detroit. Detroit would have to work for the funds by meeting certain progress criteria, such as restructured pension boards. An established oversight

committee would be in control of the funds, and would not disperse funds to the City of Detroit until changes were made;

- Representative McBroom advised it would cost State taxpayers more to settle the Detroit bankruptcy. Without the $195 million, taxpayers state-wide, would have to pay a higher rate of debt milleage, pay more for bankruptcy attorneys, and also pay more for lawsuits against the State;
- Representative McBroom further advised all parties in the bankruptcy settlement will agree lawsuits cannot be pursued. If the $195 million bailout did not go through, and lawsuits took place, the State of Michigan would be held liable for the employee's pensions. If the State ended up putting those individuals on public assistance, the cost over 20 years could be in excess of $300 million;
- After further discussion, Michigan's $195 million bailout settlement package for the City of Detroit from its bankruptcy was the best cost-effective option for all State of Michigan taxpayers.

Council Members thanked Representative McBroom for his information and explanation on the City of Detroit bailout.

PUBLIC HEARINGS

Public Hearing – Industrial Facilities Exemption Certificate – Bell's Brewery, Inc. – 3525 Airport Road.

Bell's Brewery, Inc., an eligible business, requested an IFT exemption for new construction and personal property pursuant to PA 198 of 1974 for their property located at 3525 Airport Road.

City Assessor Daina Norden reviewed the Bell's Brewery IFT application and their location at the Delta County Airport Renaissance Zone. Administration recommended approval.

This being a public hearing, Mayor Tall asked if there was any public comment.

Hearing no public comment, Mayor Tall closed the public hearing.

PH-1 "By Council Member Blasier, seconded by Council Member Beauchamp;

**CITY OF ESCANABA RESOLUTION APPROVING
THE APPLICATION
OF BELL'S BREWERY, INC.
FOR A NEW FACILITY EXEMPTION**

WHEREAS, Pursuant to Public Act No. 198 of 1974, MCL 207.551 et seq., after a duly noticed public hearing held on October 17, 2013, this City Council, by resolution, established Bell's Industrial Development; and

WHEREAS, Bell's Brewery, Inc., has filed an application for an Industrial Facilities Exemption Certificate with respect to a new facility to be acquired and installed within the Bell's Industrial Development District; and

WHEREAS, Before acting on said application, the City of Escanaba held a hearing on June 19, 2014, at the City Hall, 410 Ludington Street, in Escanaba at 7:00 p.m., at which hearing the applicant, assessor, and a representative of the affected taxing units were given written notice and were afforded an opportunity to be heard on said application; and

WHEREAS, Construction of the facility had begun earlier than six (6) months before May 19, 2014, the date of the acceptance of the application for the Industrial Facilities Exemption Certificate and installation of new machinery and equipment had not begun earlier than six (6) months before May 19, 2014, the date of the acceptance of the application for the Industrial Facilities Exemption Certificate; and

WHEREAS, Completion of the facility is calculated to and will at the time of issuance of the certificate have the reasonable likelihood to retain, create, or prevent the loss of employment in the City of Escanaba; and

WHEREAS, The aggregate State Equalized Valuation (SEV) of real and personal property exempt from ad valorem taxes within the City of Escanaba, after granting this certificate, will not exceed five percent (5%) of an amount equal to the sum of the SEV of the unit, plus the SEV of personal and real property exempted.

NOW, THEREFORE, BE IT RESOLVED by the City Council of Escanaba that:

1. The City Council finds and determines that the granting of the Industrial Facilities Exemption Certificate considered, together with the aggregate amount of certificates previously granted and currently in force under Act No. 198 of the Public Acts of 1974 shall not have the effect of substantially impeding the operation of the City of Escanaba or impairing the financial soundness of a taxing unit which levies ad valorem property taxes in the City of Escanaba.

2. The application of Bell's Brewery, Inc., for an Industrial Facilities Exemption Certificate with respect to a new facility to be acquired and installed on the following described parcel of real property situated within the Bell's Industrial Development District to wit:

Bell's Industrial Development District – FROM THE NE CORNER OF NW1/4 OF SW1/4 OF SECTION 1 T.38N.,R.23W. THENCE MEASURE S.89°55'21"W. ALONG THE NORTH LINE OF SAID NW1/4 OF SW1/4 A DISTANCE OF 710.30 FEET, THENCE MEASURE S.00°41'57"W. PARALLEL WITH THE WEST LINE OF SAID NW1/4 OF SW1/4 A DISTANCE OF 86.33 FEET TO THE SOUTH RIGHT-OF-WAY LINE OF AIRPORT ROAD AND THE POINT OF BEGINNING OF THE LAND HEREIN DESCRIBED, THENCE S.89°06'02"E. ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 135.50 FEET TO THE WESTERLY LINE OF A WETLANDS AREA, THENCE S.09°20'13"E. A DISTANCE OF 36.99 FEET, THENCE S.28°46'04"E. A DISTANCE OF 80.56 FEET, THENCE S.77°29'10"E. A DISTANCE OF 106.93 FEET,

THENCE N.61°47'07"E. A DISTANCE OF 35.82 FEET, THENCE S.43°43'24"E. A DISTANCE OF 41.59 FEET, THENCE S.36°45'14"E. A DISTANCE OF 85.24 FEET, THENCE S.15°17'47"E. A DISTANCE OF 35.35 FEET, THENCE S.21°31'28"W. A DISTANCE OF 84.55 FEET, THENCE S.43°53'55"E. A DISTANCE OF 64.64 FEET, THENCE N.89°47'34"E. A DISTANCE OF 66.98 FEET, THENCE S.76°06'20"E. A DISTANCE OF 45.69 FEET, THENCE S.42°53'58"E. A DISTANCE OF 87.77 FEET, THENCE S.62°06'28"E. A DISTANCE OF 48.71 FEET, THENCE S.09°29'02"E. A DISTANCE OF 58.89 FEET, THENCE S.16°23'59"E. ALL BEING ALONG SAID WESTERLY LINE A DISTANCE OF 26.28 FEET, THENCE N.89°06'02"W. PARALLEL WITH SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 657.05 FEET, THENCE N.00°41'57"E. PARALLEL WITH SAID WEST LINE A DISTANCE OF 544.00 FEET TO THE POINT OF BEGINNING. CONTAINING 5.10 ACRES. (3525 AIRPORT ROAD)
Be and the same is hereby approved.

3. The Industrial Facilities Exemption Certificate, when issued, shall be and remain in force and effect for a period of twelve (12) years.

Ayes: Blasier, Beauchamp, Baribeau, Sattem, Tall
Nays: None

RESOLUTION DECLARED ADOPTED.

Approval – Ordinance No. 1153 – Appropriations Ordinance Amendment.

Administration recommended the City Council amend the current Appropriations Ordinance for the fiscal year ending June 30, 2014. An amendment was needed to balance out over and under expenditures within various departmental budgets for the 2013-14 fiscal year. The action was mandated by State law and adjusted budget accounts to help ensure that no individual line items were overrun.

City Controller Dewar briefly reviewed adjustments in the proposed Appropriations Amendment.

This being a public hearing, Mayor Tall asked if there was any public comment.

Hearing no public comment, Mayor Tall closed the public hearing.

PH-1 "By Council Member Sattem, seconded by Council Member Baribeau;

Resolved, That Ordinance No. 1153, the Appropriations Ordinance Amendment, given its public hearing at this meeting, be and is hereby adopted and that it be published in accordance with the requirements of the City Charter."

Upon a call of the roll, the vote was as follows:

Ayes: Sattem, Baribeau, Blasier, Beauchamp, Tall
Nays: None

RESOLUTION DECLARED ADOPTED.

Herewith Ordinance No. 1153 adopted by title:

"AN ORDINANCE TO AMEND ORDINANCE NO. 1134 ENTITLED AN ORDINANCE TO MAKE APPROPRIATIONS AND CORRESPONDING REVENUES FOR THE YEAR ENDED JUNE 30, 2014."

Full text in Ordinance Record "K".

NEW BUSINESS

Approval – Request to Reserve Ludington Park Band Shell for Summer Concerts.

Blues for a Cause sought Council approval to utilize the Ludington Park Band Shell for a series of summer concerts on Mondays from July 7th to August 4th from 6:00 p.m. to 9:00 p.m. Administration recommended approval provided 1) proper insurance was provided to the City naming the City of Escanaba as an additional insured and 2) event sponsors provide all labor material and clean up at the conclusion of the event.

Event Organizer Wendy Pepin briefly reviewed the event with Council Members.

NB-1 Blasier moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve a request from Blues for a Cause to utilize the Ludington Park Band Shell for a series of summer concerts on Mondays from July 7th to August 4th from 6:00 p.m. to 9:00 p.m., provided 1) proper insurance was provided to the City naming the City of Escanaba as an additional insured and 2) event sponsors provide all labor material and clean up at the conclusion of the event.

Approval – Service Contract for Menards Tax Tribunal Representation – Assessor's Office

Administration sought Council approval to retain Mr. Miles Anderson to assist in an upcoming Michigan Tax Tribunal hearing involving the Menards store located within the City limits of Escanaba.

City Assessor briefly reviewed the proposed Menards Tax Tribunal and requested a consultant, Miles Anderson, an Assessor Level IV to help represent the City with his expertise.

NB-2 Blasier moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve to retain Mr. Miles Anderson to assist in an upcoming Michigan Tax Tribunal hearing involving the Menards store located within the City limits of Escanaba for an amount up to $11,000.00

Upon a call of the roll, the vote was as follows:

Ayes: Blasier, Beauchamp, Sattem, Baribeau, Tall
Nays: None

MOTION CARRIED.

Approval – Street Paving – Department of Public Works.

On May 12, 2014, four (4) invitations to submit bids for street paving were sent out to area vendors. Additionally, a request for bid was advertised in the Escanaba Daily Press. A bid opening was conducted on May 29, 2014, with one (1) received. After review and consideration by the Administration, the bid from Payne and Dolan, of Gladstone, Michigan, was recommended for approval at the given unit prices. This work has been budgeted in the upcoming fiscal year budget.

Public Works Director Bill Farrell briefly reviewed the street bid and upcoming Sheridan Road reconstruction.

NB-3 Sattem moved, Blasier seconded, to approve a street paving bid from Payne and Dolan, of Gladstone, Michigan, at the given unit prices.

Upon a call of the roll, the vote was as follows:

Ayes: Sattem, Blasier, Baribeau, Beauchamp, Tall
Nays: None

MOTION CARRIED.

Approval – Worker's Compensation Third Party Administrator Renewal.

Administration requested authorization to renew the City's Service Agreement with Comprehensive Risk Services, Inc. of Novi, MI as outlined in their submitted renewal agreement.

City Treasurer/Human Resource Director Robert Valentine provided a brief overview of the worker's compensation renewal.

NB-4 Blasier moved, Beauchamp seconded, to renew the City's Service Agreement with Comprehensive Risk Services, Inc. of Novi, MI as outlined in their submitted renewal agreement.

Upon a call of the roll, the vote was as follows:

Ayes: Blasier, Beauchamp, Baribeau, Sattem, Tall
Nays: None

MOTION CARRIED.

Update – Sale of the Power Plant – City Manager's Office.

Manager O'Toole updated Council and public on the latest developments related to the sale of the Escanaba generating facility. He advised Escanaba Green Energy (EGE) met with their Escrow Company and advised all documents for the flow of funds have been approved and signed. Proof of funds would be forwarded to the City from the Escrow agency stating the funds were available to complete the loan. EGE would forward the proof of funds and the closing schedule documentation to the City, when received.

Reaffirm – Council Actions of City Council and Electrical Advisory Committee.

Administration requested Council reaffirm their approval to retain Power System Engineering of Minneapolis, Minnesota, to continue assistance in completing such things as load forecasting, power purchasing option analysis and other technical services as needed. Additionally, Administration requested Council reaffirm their approval to enter into an SSR Agreement with MISO for the period of June 15, 2014, through June 14, 2015.

NB-6a Beauchamp moved, Baribeau seconded, **CARRIED UNANIMOUSLY**, to reaffirm continuation of the professional services agreement with Power System Engineering of Minneapolis, MN for continued assistance on an as needed basis for one year, ending June 2015, to complete such things as load forecasting, power purchasing option analysis and other technical services as needed.

NB-6b Blaiser moved, Sattem seconded, **CARRIED UNANIMOUSLY**, to enter into an SSR agreement with MISO for the period of June 15, 2014 through June 14, 2015.

APPOINTMENT(S) TO CITY BOARDS, COMMISSIONS, AND COMMITTEES – None

Mayor Tall issued a Proclamation congratulating the 2014 Gladstone Braves Girls Softball MHSAA Division 3 State Champions, and 2014 Gladstone Braves Boys Baseball MHSAA Division 3 and Regional Champions.

BOARD, COMMISSION, AND COMMITTEE REPORTS

Council Members reviewed City Board and Commission meetings each attended since the last City Council Meeting.

GENERAL PUBLIC COMMENT

Representative Ed McBroom spoke more on the Detroit bailout and Title restrictions on the City of Detroit Art. Representative McBroom also spoke on various legislative issues he was working on such as Michigan MERIT Curriculum, Road Warranty, Road Bill issues, the Big Box issue which he stated the State needed to create a legislative solution, City Bands legislation, Mental Health care transfer, and a bill introduced to protect the name and title of State Fair.

Thomas Bernard spoke of the Ye Old Coin Shop and his issues with his Precious Metal License.

Steve Cummings, Bill Cassell, Tony Maturi, Bob Romie, Steve Marciniak, Roxanne Carter, and Dave Moyle spoke in support of Thomas Bernard and the Ye Old Coin Shop.

Public Safety Director Vanderlinden spoke of the accusations made and advised an internal investigation would be made. He advised currently the case was handed over to the County Prosecutor.

ANNOUNCEMENTS

- On June 28 and 29 a Dog Show was scheduled at the Fairgrounds.

Hearing no further public comment, the Council adjourned at 8:40 p.m.

Respectfully submitted

Robert S. Richards, CMC
City Clerk

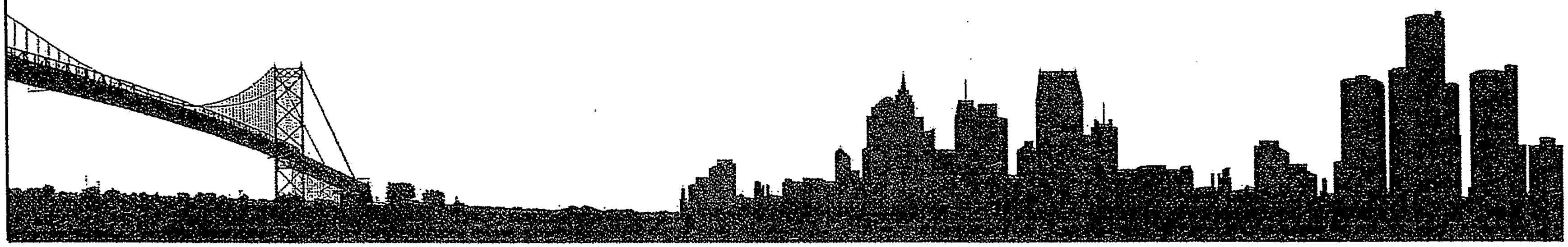
Approved: ______________________
Marc D. Tall, Mayor

CITY OF DETROIT

Plan for the Adjustment of Debts

Summary Discussion Document

May 8, 2014



Attachment - A

The Plan objectives include the revitalization of the City, the enhancement of core City services, and returning the City to fiscal stability in a sustainable fashion

Fiscal stability and sustainability

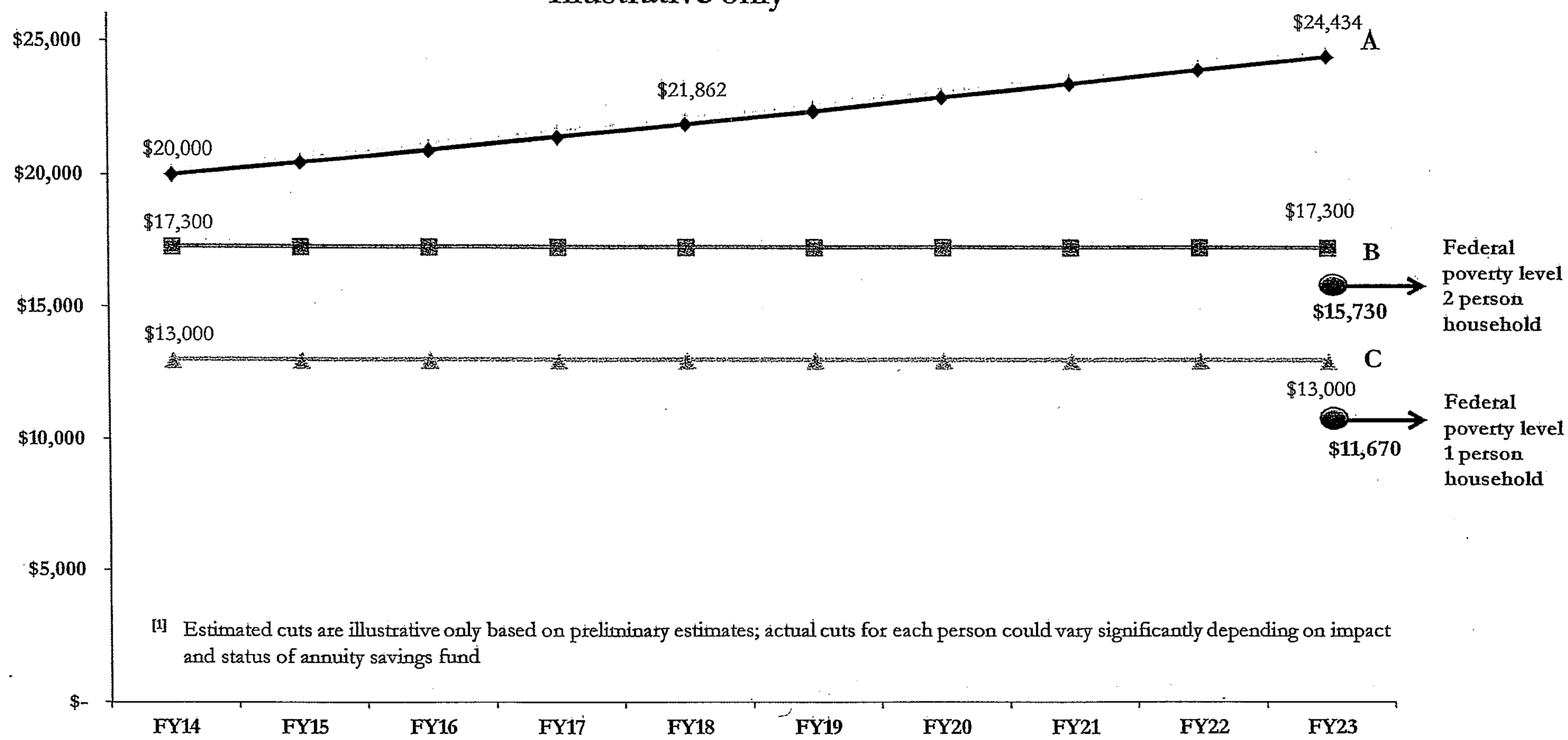
- Stabilize key revenue streams and forecast revenues that the City can reasonably achieve
- Reduce burden of debt, pension and healthcare related (OPEB) liabilities, while providing restructured benefits to actives and retirees
- Improve controls and daily operations

Revitalization of City of Detroit / Improvement of services for citizens

- Provide City with resources in order to reinvest, reinvent and grow within its own means
- Improve infrastructure
- Eliminate residential blight
- Public safety – reduce crime and improve response times
- Essential services – reinvest in street lighting and other City services
- Create the foundation to allow for a sustainable outcome for the City, residents, and stakeholders

Average 10-year impact of pension cuts based on average estimated GRS pension of $20,000

Illustrative only [1]



Label	Description	Average total pension over 10 years	10 year Impact	%
A	Pension without restructuring	$221,514	$ -	
B	Proposed pension cuts (including elim. of COLA)	$173,000	$(48,514)	(22%)
C	Additional cut without State Settlement	$130,000	$(91,514)	(41%)

Estimated impact of annuity savings fund ("ASF") excess earnings payouts on pension fund returns

ASF excess earning payouts means that General Retirement System beneficiaries earned over 11% investment returns when the Plan only earned 5.5%, which essentially transferred Plan assets over to retiree accounts

Fiscal Year Ending	Actual GRS Rate of Return	Amount Credited to ASF
June 30, 2003	3.3%	7.9%
June 30, 2004	15.6%	7.9%
June 30, 2005	9.2%	9.2%
June 30, 2006	11.6%	21.4%
June 30, 2007	18.9%	23.0%
June 30, 2008	(4.3%)	7.9%
June 30, 2009	(19.7%)	7.9%
June 30, 2010	4.5%	7.9%
June 30, 2011	20.2%	7.9%
June 30, 2012	0.5%	7.9%
Average Rate of Return (CAGR)[1]	5.5%	11.1%

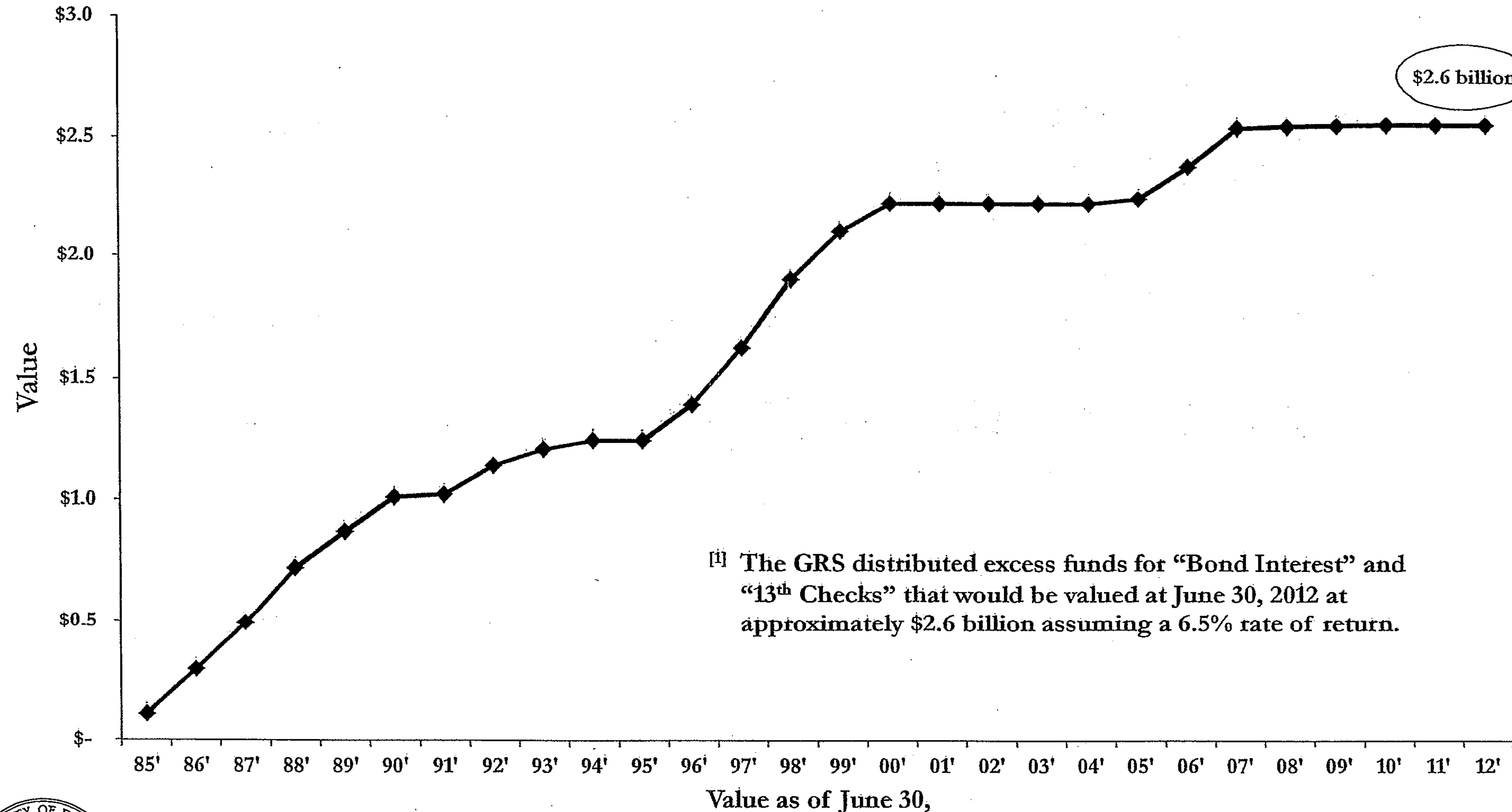
[1] Average rate of return credited to ASF was more than double the market rate of return over the nine-year period 2003 to 2012.

Attachment - A

Future Value of GRS Distributed Excess Funds

($ in billions)

Future Value of GRS Excess Distributions [1]

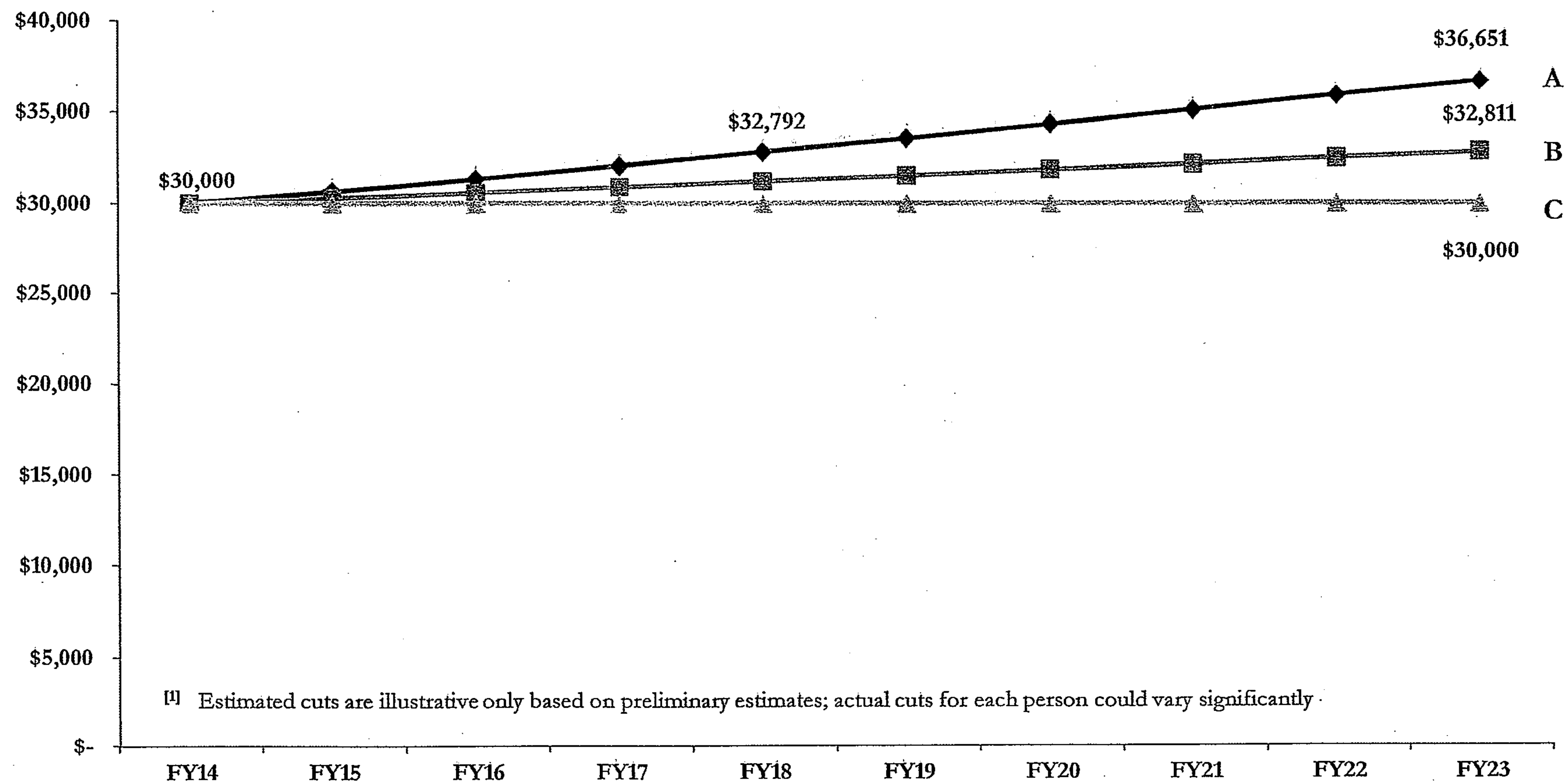


[1] The GRS distributed excess funds for "Bond Interest" and "13th Checks" that would be valued at June 30, 2012 at approximately $2.6 billion assuming a 6.5% rate of return.

Attachment - A

Average 10-year impact of pension cuts based on average estimated PFRS pension of $30,000

Illustrative only [1]



[1] Estimated cuts are illustrative only based on preliminary estimates; actual cuts for each person could vary significantly

Label	Description	Average total pension over 10 years	10 year Impact	%
A	Pension without restructuring	$332,271	$ -	
B	Proposed reduction in COLA	$313,866	$(18,405)	(6%)
C	Additional cut without State Settlement	$300,000	$(32,271)	(10%)

Attachment - A

Detroit Police and Fire Retirement System (PFRS) Mismanagement – Excess Distributions

($ in millions)

Fiscal Year Ending	To Actives [1]	To Retirees [2]	Totals
June 30, 1999	$27.7	$27.7	$55.4
June 30, 2000	$29.4	$29.4	$58.8
June 30, 2001	$52.3	$51.7	$104.0
Totals	$109.4	$108.8	$218.2
Future Value as of 2012 [3]			$338.3

[1] Amounts related to one-time retroactive bonus interest credited to active PFRS plan participant annuity savings accounts
[2] Amounts related to one-time retroactive 13th checks paid to retired plan PFRS participants
[3] Amounts based on combined bonus interest and 13th checks compounded annually at 5.0% (estimate). Total of $218.2 assumed to be disbursed in FYE June 30, 2003.

Attachment - A

Uniformed base wages comparison to other cities

	Detroit [1]		Average other cities [2]		Under compensated	
Rank	Min	Max	Min	Max	Min	Max
POLICE						
Police Officer	$29,352	$47,914	$45,465	$66,494	-35%	-28%
FIRE						
Fire Fighter [3]	$29,352	$47,914	$42,690	$62,168	-31%	-23%

[1] Current wages are shown after 10% wage cut, currently in effect
[2] Represents uniform wages from Michigan municipalities including Oakland County, Grand Rapids, Dearborn, and Troy
[3] Most of the fire fighters in the other cities used are EMT trained and have a 56 hour work week. City of Detroit fire fighters are not EMT trained and have a 48 hour work week.

Attachment - A

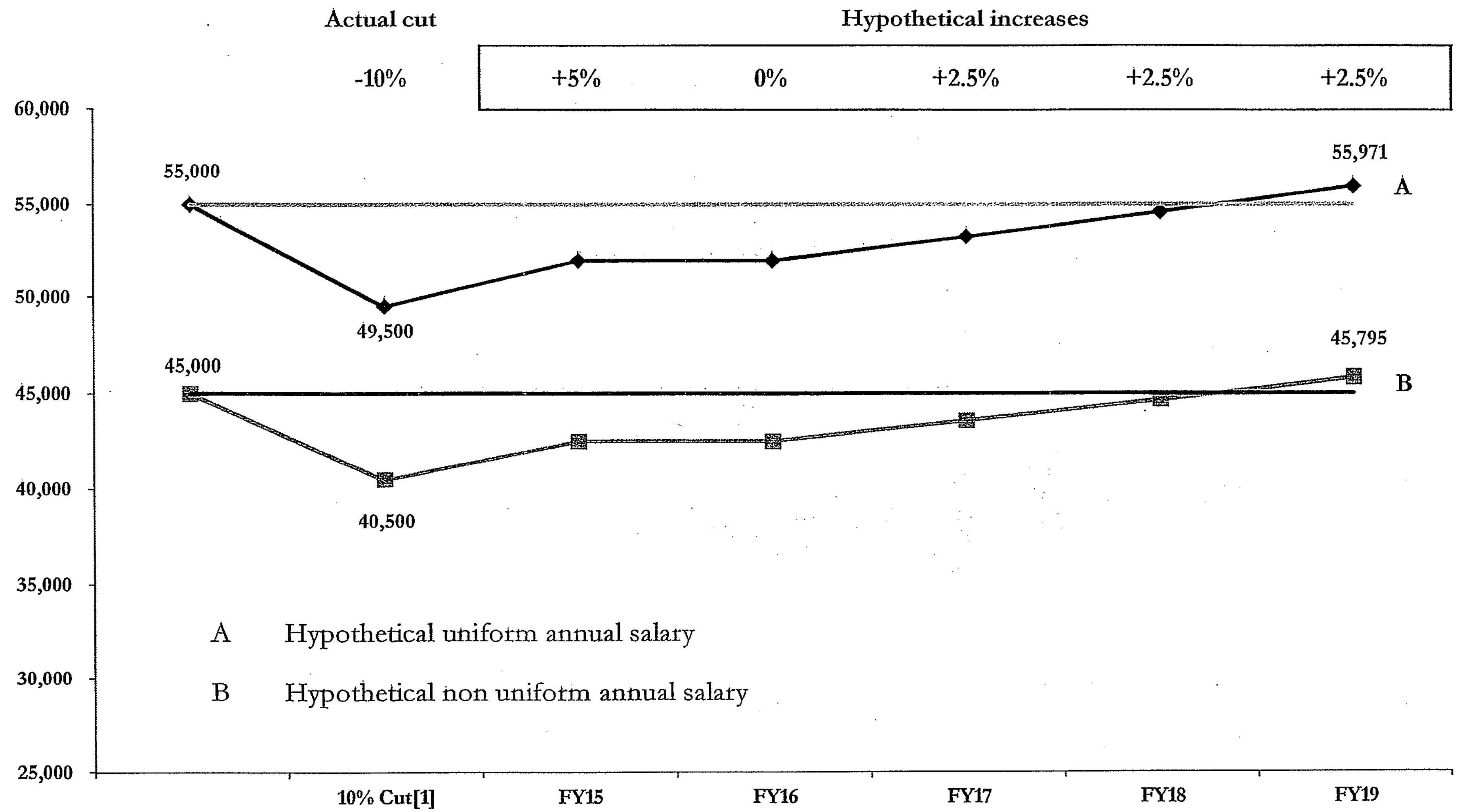
DWSD base wages comparison to other cities

	Detroit [1]		Average other cities[2]		Under compensated	
Rank	Min	Max	Min	Max	Min	Max
DWSD						
Head Accountant	$53,900	$55,700	$63,555	$93,722	-15%	-41%
Water Plant Manager	$58,800	$82,300	$90,643	$132,034	-35%	-38%
Sewage Plant Operator	$39,700	$40,900	$46,437	$60,127	-15%	-32%
Sr. Sewage Plant Operator	$45,000	$46,600	$52,701	$68,554	-15%	-32%
Office Assistant	$27,500	$31,700	$32,288	$45,658	-15%	-31%

[1] Current wages are shown before 10% wage cut, currently in effect
[2] Source: Fox Lawson Wage Study

Attachment - A

Hypothetical wage increases will bring employees back to 2012 wage levels by 2019



[1] 10% reduction was implemented at various points in time depending on union contracts

Attachment - A

Medical plan design for actives has changed significantly since 2012

	City of Detroit		
	2012 Plan	2014 Plan	State (NSHP) [3]
PPO plan[1]			
Employee premium contribution	10% - 20%	20% for all plans	20% for all plans
Plan deductible	$175/$350	$750/$1,500	$400/$800
Co-insurance %	10%	20%	10%
Co-insurance maximum (OOP max)	$825/$1,650	$1,500/$4,500	$1,500/$3,000
Office visit	$10	$25	$20
Urgent care co-pay	$10	$25	$20
Emergency room co-pay [2]	$75	$100	$200
Hospital co-pay [2]	$75	$100	$200
Rx drug plan			
Co-pay (retail; mail=2x for 90 day supply)	$5/$15	$10/$35/$50	$10/$30/$60
Mandatory mail	no	after 34 days	after 34 days
Mandatory generic	no	yes	yes
Traditional generic step therapy	no	yes	yes
Exclusion of certain lifestyle drugs	no	yes	yes

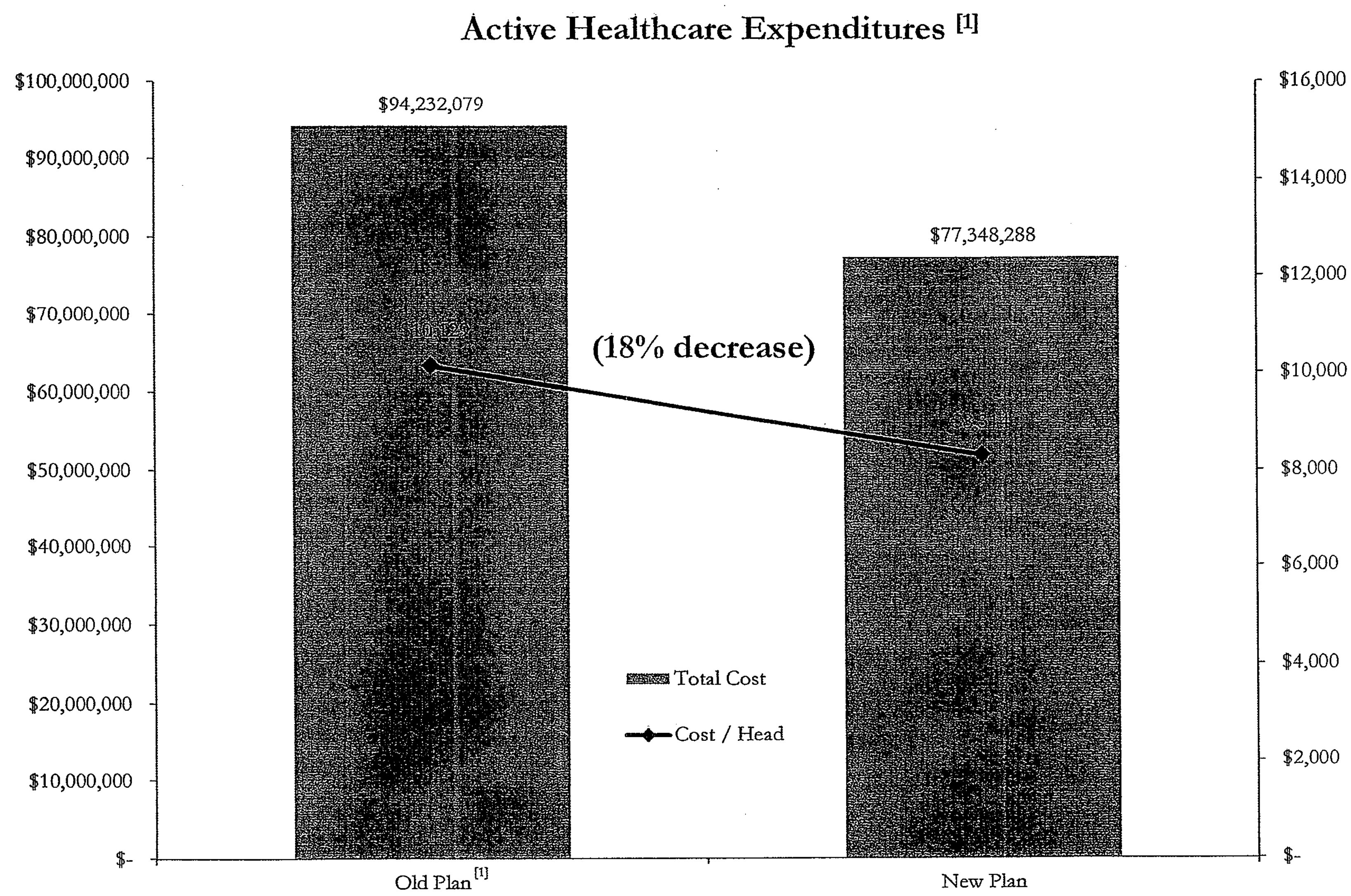
Notes:

[1] Information herein represents in-network costs of PPO plans; out-of-network costs are generally twice the cost of in-network

[2] Co-pay waived if admitted

[3] New State Health Plan (NSHP) details represent BCBS PPO for employees hired on or after April 1, 2010; prescriptions covered under Participating ID Card Plan

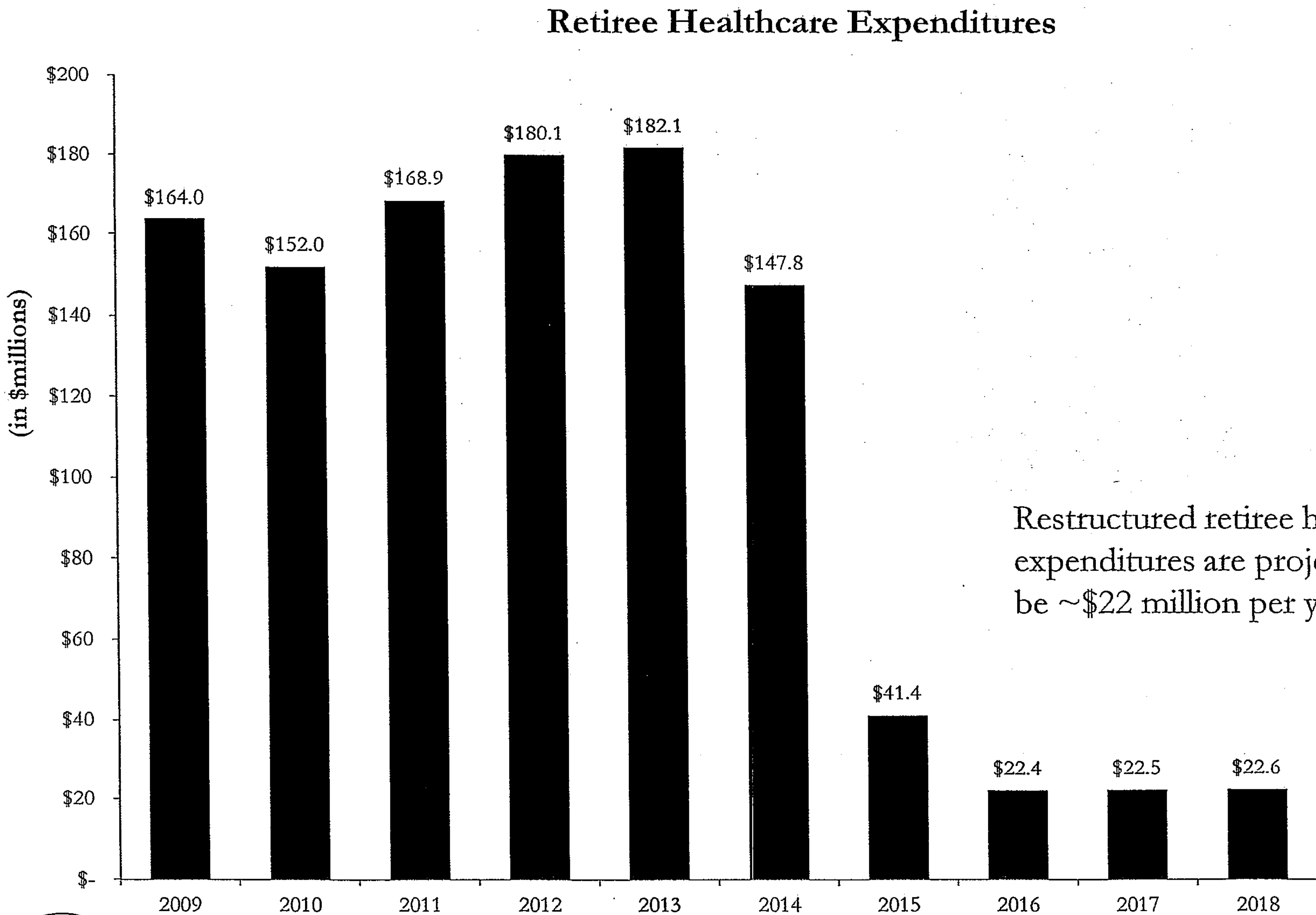
Active healthcare costs are projected to be lower than FY 2012 levels despite significant inflation



[1] "Old Plan" figures are based on FY 2012 healthcare plans. For purposes of comparison, "Old Plan" figures have been inflation adjusted assuming a 5% trend factor in medical costs and are shown based on FY 2015 projected headcount figures, ~9,300 City wide, which is down from FY 2012 levels of ~10,500 employees

Attachment - A

Restructured retiree healthcare expenditures (OPEB) will be significantly reduced



Restructured retiree healthcare expenditures are projected to be ~$22 million per year

Note: **Reductions in retiree healthcare expenditures will reduce average cost per employee from over $18,000 in FY 2013 to approximately $2,000 in FY 2016**

Retiree healthcare transition plan (OPEB liability transition)

1. **The City of Detroit has reached a 1-year settlement with the ~20,000 retirees receiving healthcare:**
   - Full health coverage continued since the bankruptcy filing through February 28, 2014
   - Effective March 1, 2014, the City no longer sponsors healthcare plans for retirees
   - In lieu of providing healthcare coverage, the City agreed to pay monthly stipends
     - Monthly stipends generally range from $125-$400 per retiree per month (depending on circumstances)
     - Monthly stipends will continue through December 31, 2014

2. **After 12/31/2014, the City will no longer be in the retiree healthcare business**
   - As part of the Plan of Adjustment, the retirees have an unsecured healthcare (OPEB) claim of ~$4.3 billion
   - The retiree class will receive a 30-year note with a $450 million face value, as defined under the Plan of Adjustment
   - Proceeds paid in connection with this note will be placed into the VEBA trust, managed by the retirees, from which they can purchase or supplement insurance coverage

3. **The City of Detroit will no longer have an OPEB liability**

The Grand Bargain is a key component of the City's Plan of Adjustment

The Grand Bargain has the following benefits:

- Reduces cuts to pensioners
- Preserves art for the benefit of entire State of Michigan
- Provides mechanism for ensuring proper post-bankruptcy governance and oversight
- Ensures the Plan is feasible and the City can execute and deliver under the terms of the Plan
- Puts City in position to continue in a sustainable fashion in accordance with PA 436
- Provides a full release to State of Michigan from pension litigation

Attachment - A

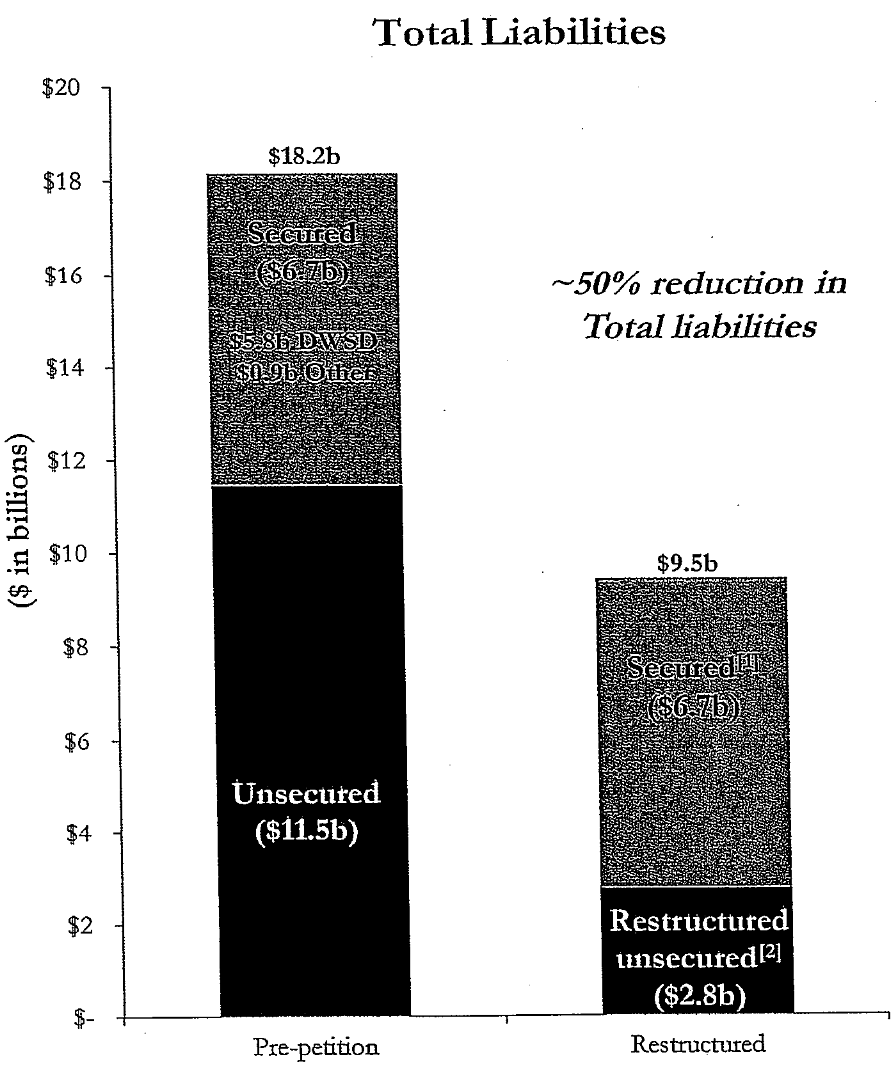
Without the Grand Bargain, the City's Plan of Adjustment is in jeopardy

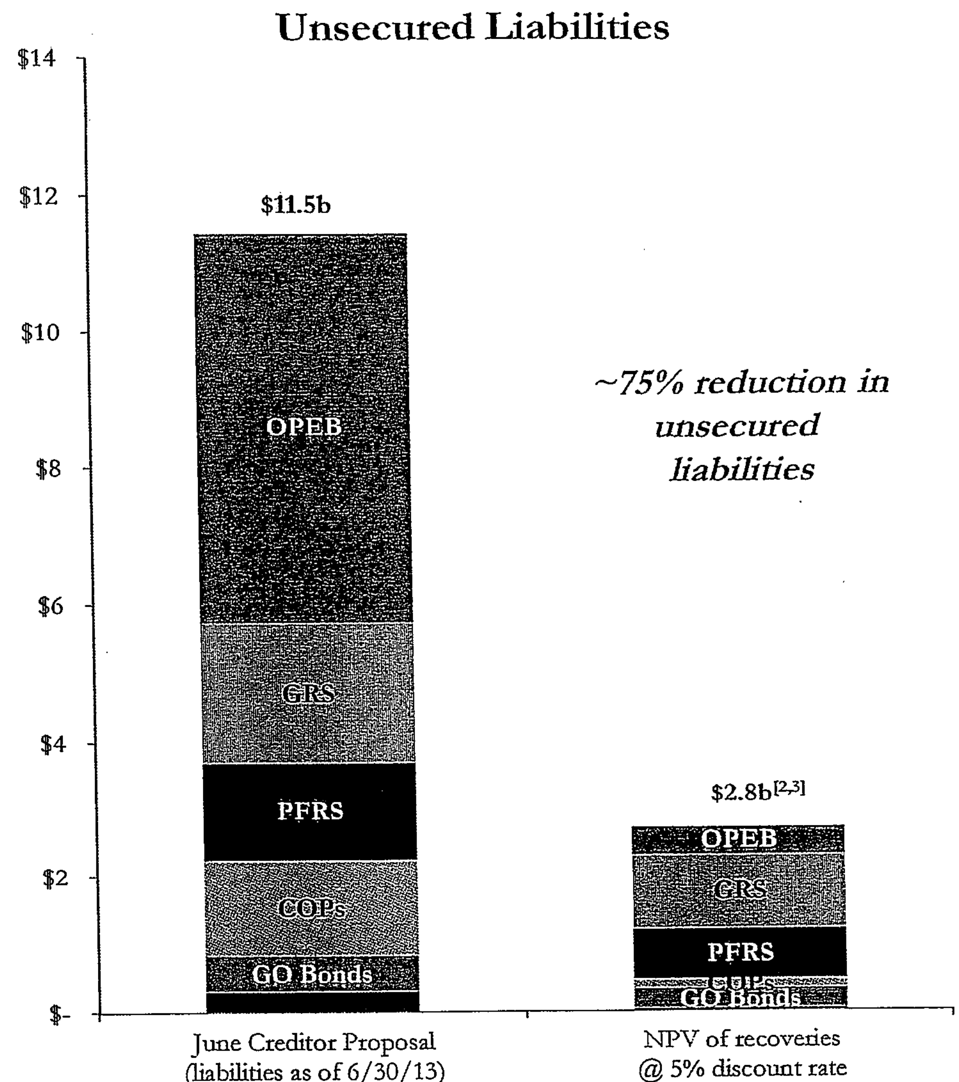
No Grand Bargain results in the following risks:

- Pension creditors (the largest singe group of creditors) would likely not approve the plan without the grand bargain
- Proceeds expected from the DIA and foundations would be lost, worsening the proposed recoveries for all creditors
- DIA art and other City assets would be at risk of loss and sale; value would be lost in a disorderly fire-sale of the art
- Proceeds from art would need to be split between all creditors, to the detriment of the pension systems
- State could be exposed to pension litigation (PFRS and GRS unfunded liabilities are estimated at ~$3.1 billion)
  - The outcome of any pension related litigation would set a precedent for other distressed municipalities
- All other settlements with other creditor groups would be at risk, sending Detroit back to square one in the Chapter 9 process

Attachment - A

The City POA assumes ~50% reduction in total liabilities and ~75% reduction in unsecured liabilities





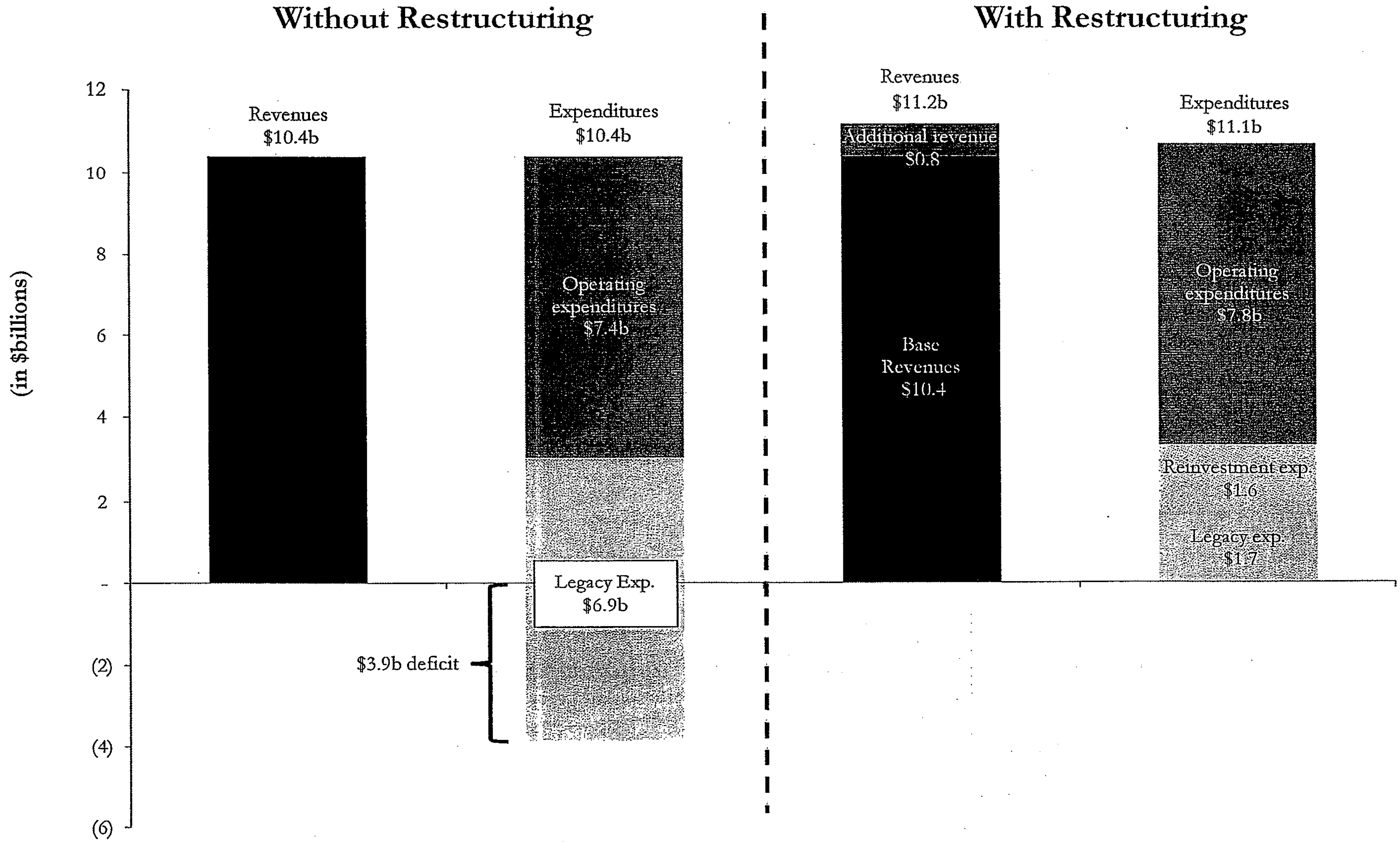
[1] Prepetition liabilities are based on CAFR and June 14th Creditor Proposal, actual claim amounts may differ. Treatment of DWSD and other secured debt to be determined

[2] Represents net present value of cash flows to unsecured creditors discounted at 5%. Actual liabilities at emergence are estimated to be slightly lower

[3] Hypothetical treatment of unsecured creditors is subject to on-going discussions and could change materially

Attachment - A

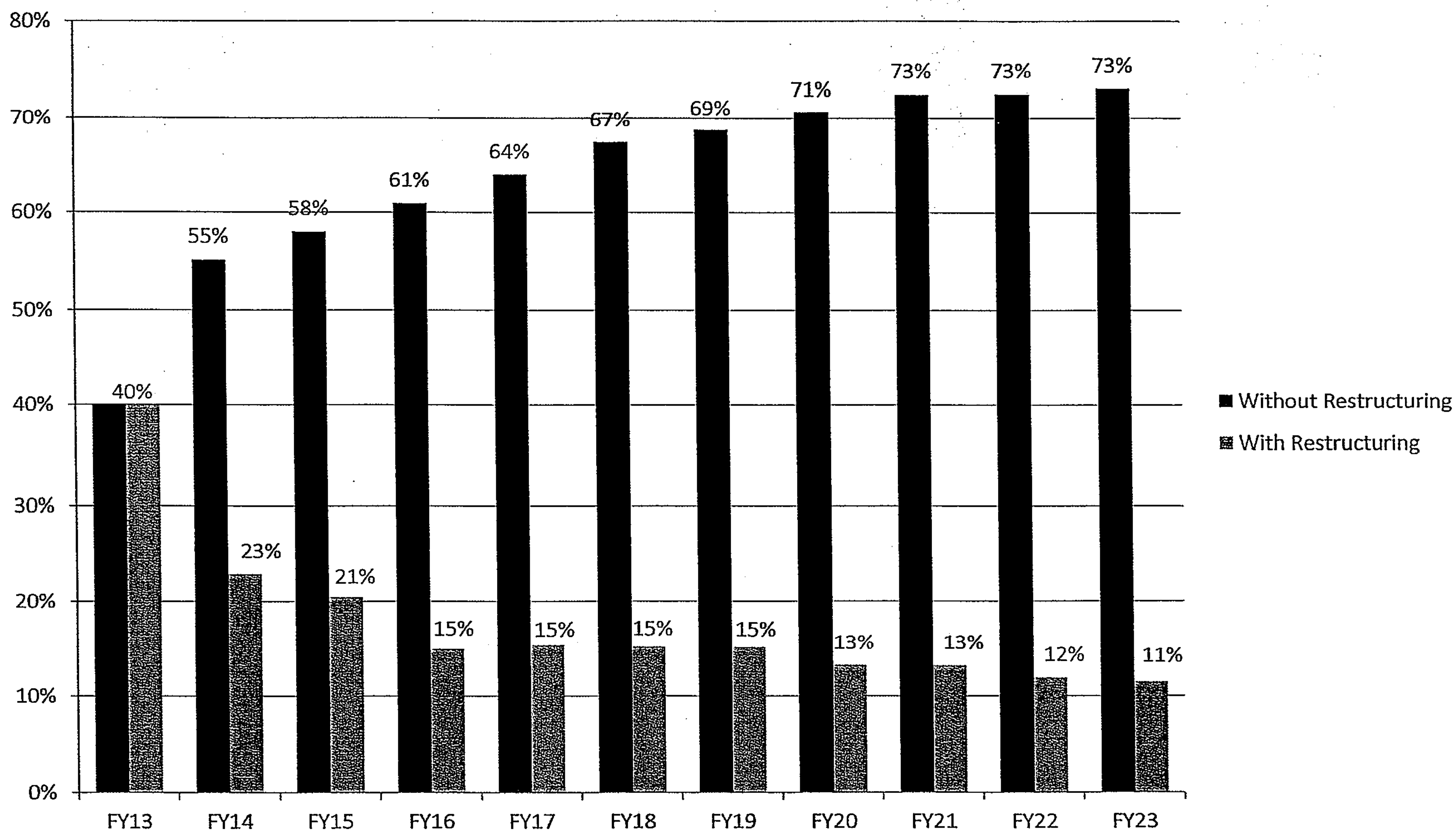
Projected ten year deficit of $3.9b absent restructuring is avoided under current proposed POA



Attachment - A

Legacy costs as a percentage of revenues will be significantly reduced through the Chapter 9 process

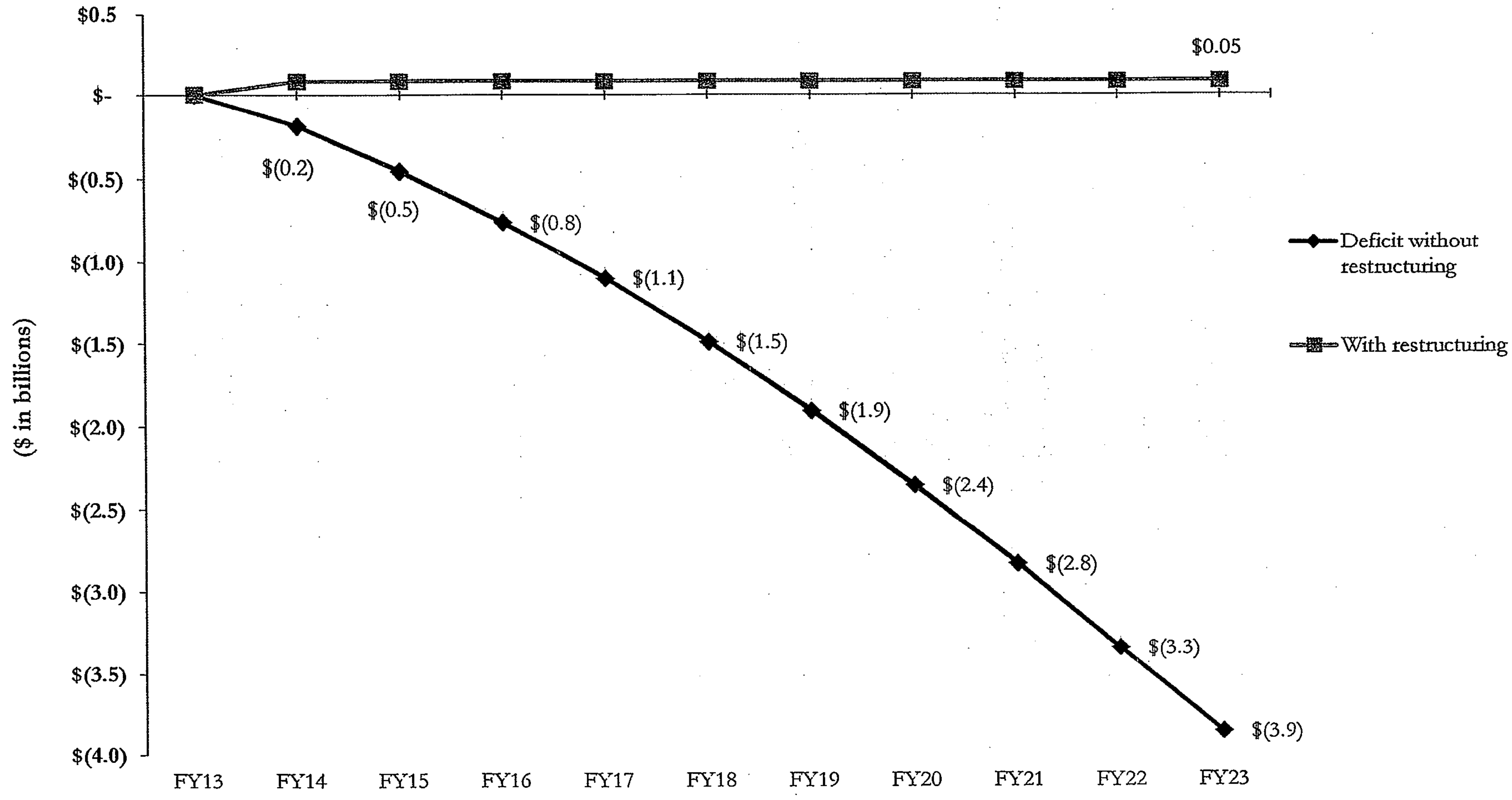
Legacy costs as a % of General Fund revenue



Attachment - A

Accumulated deficit would be $3.9b over ten year period absent restructuring

Cumulative sustainable balanced budget[1]



[1] Represents the cumulative surplus/deficit over the 10 year period, assuming beginning surplus/deficit balance of zero

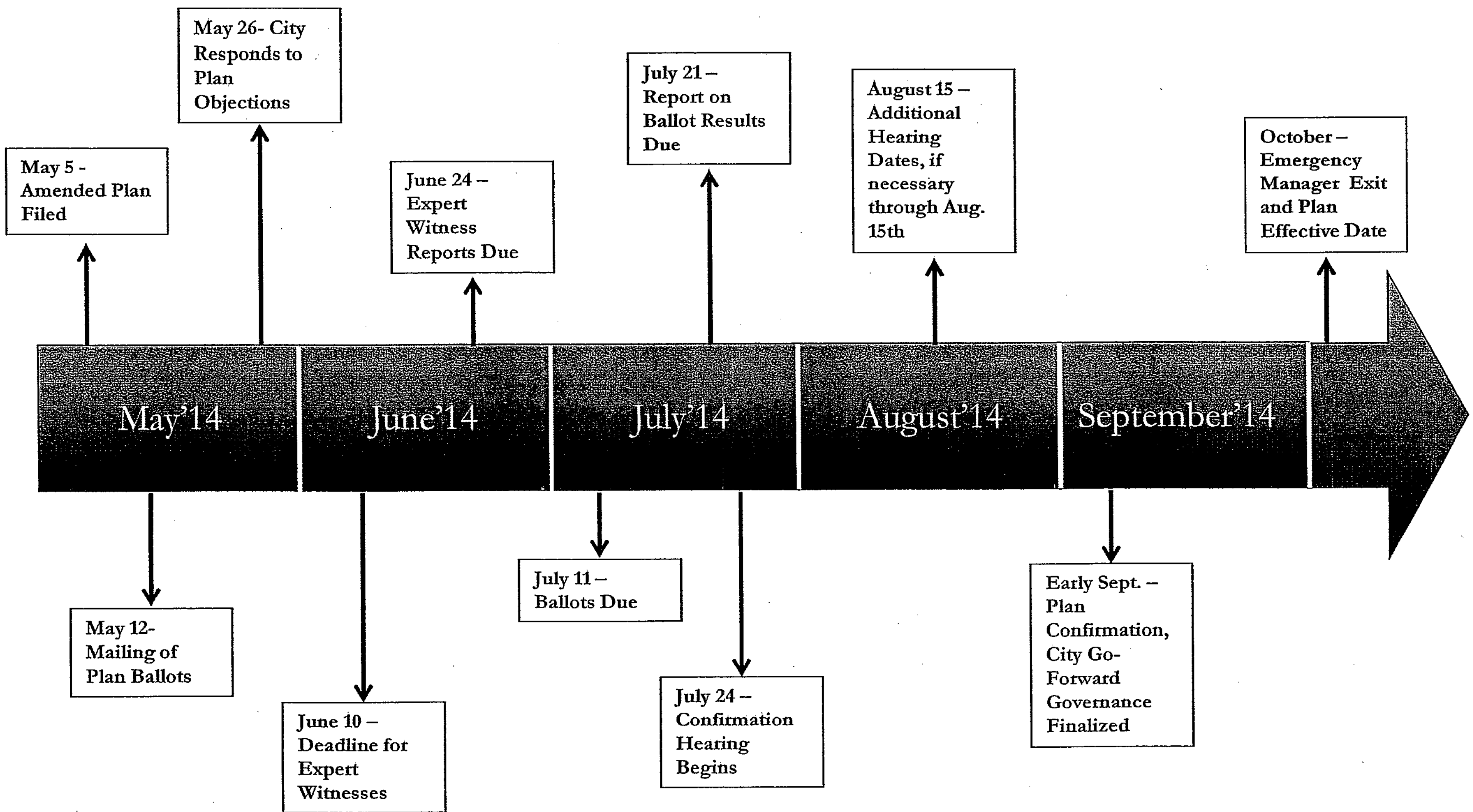
Attachment - A

City of Detroit – Post-Bankruptcy Governance

The City of Detroit will benefit from continued oversight following bankruptcy:

- Such oversight will help to:
  - Ensure long-term fiscal stability including affordable debt service and adequate borrowing capacity
  - Protect against imprudent financial decision-making or improper practices going forward
  - Give credit markets confidence regarding the City's future
  - Safeguard the intent and benefit of the Grand Bargain
  - Satisfy the conditions of foundations; State and DIA benefactors necessary to fund the Grand Bargain
- This oversight is expected to take three forms:
  - Following the model of New York's Municipal Advisory Committee, an advisory oversight board will be established of qualified individuals to review the City's budget, expenditures, and monitor financings and performance against the Plan of Adjustment
  - The federal bankruptcy court will retain jurisdiction over the post-emergence bankruptcy case and may establish its own monitoring and reporting function for the City to confirm adherence to the Plan of Adjustment
  - The capital markets will play an important role going forward on requiring prudent fiscal practices as the City rebuilds its credit rating and capacity to issue municipal bonds at competitive rates

City of Detroit – Current Bankruptcy Time line



Attachment - A