

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

In re)	Chapter 9
)	
CITY OF DETROIT, MICHIGAN,)	Case No. 13-53846
)	
Debtor.)	Hon. Steven W. Rhodes
)	

**SYNCORA GUARANTEE INC. AND SYNCORA CAPITAL ASSURANCE
INC.'S MOTION TO EXCLUDE THE TESTIMONY OF JOHN W. HILL**

Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (“Syncora”) submit this motion (the “Motion to Exclude”) to exclude the expert testimony of John W. Hill which was disclosed in his expert report and during his deposition.¹ In support of their motion, Syncora respectfully states as follows:

INTRODUCTION

1. The City has designated its Chief Financial Officer, John W. Hill, to offer two narrow expert opinions: (1) that revenue estimates in the baseline Ernst & Young forecast for FY 2014-2016 are “consistent with” estimated revenues in the City’s Revenue Consensus Conference Report and (2) that certain estimates of projected expenses and revenues for the restructuring and reinvestment initiatives

¹ The expert report of Mr. Hill is attached as Exhibit 6A. The relevant excerpts from the deposition of Mr. Hill are attached as Exhibit 6B.

are “reasonable.”² But Mr. Hill testified that he could not explain the details of the Ernst & Young forecasts and did not know how the restructuring and reinvestment numbers were calculated. While Mr. Hill may testify as a fact witness regarding the contents of the Consensus Revenue Report his staff put together, he has no reliable basis to testify as an “expert” on the Ernst & Young forecasts (or whether those forecasts are “consistent with” the consensus forecast) under Rule 702 and *Daubert*.

2. Moreover, the City has already designated several individuals who actually created the Ernst & Young forecasts to testify as experts. Mr. Hill’s proposed “expert” testimony seeks to improperly vouch for these experts’ opinions and would only be cumulative. In addition, to the extent he is simply opining that the FY 2014-2016 revenue numbers in the baseline forecast are somehow similar in magnitude to the consensus conference numbers, it is difficult to see how that will aid the Court, which can look at the two numbers and judge whether they are close.

3. Accordingly, for the reasons stated herein, the Court should exclude Mr. Hill’s proposed expert testimony that (1) revenue estimates in the baseline Ernst & Young forecast for FY 2014-2016 are consistent with estimated revenues in the City’s Revenue Consensus Conference Report and (2) certain estimates of

² Ex. 6A Hill. Report at 3-6, ¶¶ 4-6, 8.

projected expenses and revenues for the restructuring and reinvestment initiatives are reasonable.

JURISDICTION

4. The Court has jurisdiction over this matter under 38 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

RELIEF REQUESTED

5. Syncora respectfully moves the Court to exclude John W. Hill's expert testimony that (1) revenue estimates in the baseline Ernst & Young forecast for FY 2014-2016 are consistent with estimated revenues in the City's Revenue Consensus Conference Report and (2) certain estimates of projected expenses and revenues for the restructuring and reinvestment initiatives are reasonable, and enter an order substantially in the form of Exhibit 1 attached hereto.

BACKGROUND

6. John Hill was hired as the City's CFO in November 2013 after the City's prior CFO, Jim Bonsall, resigned abruptly.³ Though currently serving as CFO, Mr. Hill must leave when Mr. Orr's tenure expires, unless subsequently appointed by the Mayor and approved by the City Council and the Control Board.⁴

³ Ex. 6B, Hill Dep. at 13:14–16, 23:16–23, 38:8–10; Ex. 6A, Hill Report at 1.

⁴ Ex 6B, Hill Dep. at 110:7–112:8.

7. The City has designated Mr. Hill as both an expert and fact witness. Mr. Hill submitted a brief expert report that discusses the most recent Revenue Consensus Conference Report prepared by the City in March 2014 and compares the revenue estimates in that report to the baseline revenue projections produced by Ernst & Young for fiscal years 2014-2016.

8. As Mr. Hill acknowledges in his report, the consensus revenue estimates do “not project revenues derived as a result of the proposed restructuring and reinvestment initiatives.”⁵ As the Court-appointed expert, Ms. Kopacz likewise observed, unlike Ernst & Young, the City has not attempted to project revenues from the restructuring and reinvestment initiatives or incorporated such estimates into its official budget.⁶

9. Accordingly, Mr. Hill offers no opinion that the Ernst & Young projections for the restructuring scenario are “consistent with” the consensus revenue estimates — he acknowledges they are not. Nor does the consensus revenue report forecast City expenses.⁷ It is limited to revenue only, and thus Mr. Hill makes no comparison regarding Ernst & Young’s estimation of City

⁵ Ex. 6A, Hill Report at 4, n.1.

⁶ Ex. 6C, Kopacz Report at 27 (“The projections in the POA have not been harmonized with the City’s budget that was passed by the City Council on June 5, 2014.”).

⁷ Ex. 6B, Hill Dep. at 79:15–21.

expenditures. Finally, the consensus report attempts to project revenues for three years only — unlike the Ernst & Young report, which seeks to project revenues and expenses for 10 and 40 years.⁸ Accordingly, Mr. Hill’s opinion in this regard is limited to the first three years of the Ernst & Young forecast.

10. As a result, Mr. Hill opines only that the revenue estimate for the baseline (pre-bankruptcy) scenario created by Ernst & Young is “consistent with” the consensus revenue estimate for FY 2014-2016.⁹ As he explained in his deposition, “the revenues we were projecting came to within about 1 percent of the revenues Ernst & Young had projected.”¹⁰ Again, however, he acknowledges that the consensus estimate does not include significant revenue sources,¹¹ such as, “among other things,” non-General Fund grant revenues and proceeds from bond sales.¹² Moreover, the consensus report itself notes that “[o]ngoing improvements

⁸ Ex. 6B, Hill Dep. at 79:12–14, 308:4–18.

⁹ Ex. 6A, Hill Report at 3, ¶ 6.

¹⁰ Ex. 6B, Hill Dep. at 124:23–125:12.

¹¹ Ex. 6B, Hill Dep. at 88:18–21 (acknowledging that “the consensus revenue estimate didn’t attempt to forecast all of the City’s revenues”).

¹² Ex. 6A, Hill Report at 4 n.1. *See also* Ex. 6D, Revenue Consensus Conference Report at 3 (Mar. 18, 2014) (“The Consensus Estimates presented in this report do not include any departmental revenue initiatives or restructuring initiatives currently under discussion. Non-General Fund Grant Revenues; Unlimited Tax General Obligation Bonds millage revenues and proceeds from bond sales are not included in the Consensus Estimates/Projections presented in this report.”).

to collection efforts in FY 2013 should net additional income tax revenues not currently reflected in the consensus estimates” and that the consensus conference did not have access to, and therefore did not include, an estimate of delinquent accounts receivable owed to Detroit.¹³ Accordingly, Mr. Hill’s opinion is that the Ernst & Young baseline number is “consistent with” a consensus estimate that omits significant sources of revenue.

11. Mr. Hill offers these opinions as well as the opinion that estimates of certain restructuring and reinvestment initiatives are “reasonable,” despite the fact that — as he acknowledges — he cannot explain the details of the Ernst & Young forecast.¹⁴ Moreover, he acknowledged that he does not know how any of the numbers for the revenue initiatives he cites in his report were calculated.¹⁵

ARGUMENT

12. Under Rule 702 and *Daubert*, federal courts must serve as “gatekeep[ers]” to ensure that “any and all scientific testimony or evidence admitted is not only relevant, but reliable.”¹⁶ The party offering the expert

¹³ Ex. 6D, Revenue Consensus Conference Report at 11-12 (Mar. 18, 2014).

¹⁴ Ex. 6B, Hill Dep. at 86:13–16.

¹⁵ Ex. 6B, Hill Dep. at 91:4–92:9.

¹⁶ *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 589 (1993).

testimony bears the burden of satisfying each of Rule 702's requirements.¹⁷ Expert testimony must be based on “‘good grounds,’ based on what is known.”¹⁸ “An expert must substantiate his opinion; providing only an ultimate conclusion with no analysis is meaningless.”¹⁹ Mr. Hill's proposed expert testimony fails to meet these requirements.

I. The City Seeks to Offer Mr. Hill As An Expert on Matters He Admits He Cannot Explain.

13. Mr. Hill seeks to testify with respect to two narrow aspects of the City's forecasts — the comparability of Ernst & Young's baseline revenue forecast to the consensus revenue estimate for FY 2014-2016 and the “reasonableness” of sums estimated for certain restructuring and reinvestment initiatives. Mr. Hill, however, acknowledged that he could not “explain ... the details of the Ernst & Young projections or their methodology”:

Q. Okay. But can you explain to me the details of the Ernst & Young projections or their methodology?

A. No.²⁰

¹⁷ *Sigler v. Am. Honda Motor Co.*, 532 F.3d 469, 478 (6th Cir. 2000).

¹⁸ *Pomella v. Regency Coach Lines, Ltd.*, 899 F. Supp. 335, 342 (E.D. Mich. 1995) (quoting *Daubert*, 509 U.S. at 590).

¹⁹ *Clark v. Takata Corp.*, 192 F.3d 750, 757 (7th Cir. 1999).

²⁰ Ex. 6B, Hill Dep. at 86:13–16. *See also id.* at 85:14–18 (“Q. Do you have an understanding of what the difference between the projections in the disclosure statement and the update in July is? A. I know some of the differences. I don't

Nor can he explain all of the assumptions used in the Ernst & Young projections.²¹

Indeed, he acknowledges that he has never personally done “any economic forecasting.”²²

14. Likewise, Mr. Hill could not explain how the figures for the restructuring initiatives that he cites in his report were calculated:

Q. And then you mention some figures here with a net revenue of over \$250 million. Do you see that?

A. Yes.

Q. Do you know who calculated that value?

A. It's a -- it's a mathematical calculation from the plan.

Q. I mean, there are some numbers in here. Can you explain to me how these revenue numbers are calculated?

A. Which revenue numbers?

know that I would know all of the differences.”); *id.* 85:19–24 (“Q. What differences are you aware of? A. There were changes in the July update on the -- on some of the reinvestment initiatives -- and I’m blanking on exactly which ones -- but there were changes in those numbers. But beyond that, I can’t really say.”).

²¹ Ex. 6B, Hill Dep. at 87:5–8 (“Q. Would it be fair to say you can’t explain all of the assumptions in the Ernst & Young projection? A. That’s fair.”).

²² Ex. 6B, Hill Dep. at 22:2–3 (“Q. Have you done any economic forecasting? A. Not me personally, no.”). *See also id.* 22:4–6 (“Q. Have you ever forecast wage growth rates? A. No.”); *id.* at 19:18–20 (“Q. Are you holding yourself out as an expert on economics? A. No.”); *id.* at 21:20–22 (“Q. Have you ever had to forecast municipal population levels before? A. No, I have not.”); *id.* 21:23–25 (“Q. Have you ever forecast inflation rates before? A. No.”); *id.* at 22:19–21 (Q. Do you personally do the tax forecasting for the City of Detroit? A. Personally, no.”).

Q. Well the 250 million. It gives examples, such as 76 million in collections after 2.8 million in costs. And then for additional fire marshal inspections in EMS fleet, 23.5 million after approximately 10.2 million in costs. And it lists other figures at the bottom of Page 5 and the top of Page 6. Do you see that?

A. Yeah. Those are -- those are coming from the Plan of Adjustment, and they would have been calculated by Conway MacKenzie -- because it's in the restructuring part of the Plan of Adjustment.

Q. Can you explain how the numbers on Page 5 and 6 of your expert report were calculated?

*A. I can explain some of the -- some of the factors that are involved in the calculation; but the exact calculation, no.*²³

Given these admissions, his opinions can hardly be considered “the product of reliable principles and methods.”²⁴

II. Mr. Hill’s Proposed Expert Testimony Would Be Cumulative and Would Amount To Improper Vouching for the Opinions of Other Experts.

15. But even if Mr. Hill did have a full understanding of the Ernst & Young projections, such expert testimony would still be improper. An expert cannot offer an opinion given “for the purpose of vouching for the truth of” another expert’s testimony.²⁵

²³ Ex. 6B, Hill Dep. at 91:4–92:9 (emphases added).

²⁴ See Fed. R. Evid. 702.

²⁵ *In re James Wilson Assocs.*, 965 F.2d 160, 173 (7th Cir. 1992) (excluding expert testimony in bankruptcy proceeding); see also, e.g., *Tunis Bros. Co., Inc. v. Ford Motor Co.*, 124 F.R.D. 95, 98 (E.D. Pa. 1989) (expert testimony is cumulative and inadmissible if the expert would “[m]erely . . . vouch for previous experts” or simply “restate [their] testimony”); *Hartle v. First Energy*

16. This kind of impermissible vouching, however, is precisely what the City seeks to have Mr. Hill do as a proposed expert who would opine that the projections and numbers created by the City's experts were "reasonable." When asked at his deposition what his "methodology" was for determining that the E&Y forecast was reasonable, Mr. Hill stated that he was simply relying on the fact that "the revenues that we were projecting came to within about 1 percent of the revenues that Ernst & Young had projected" under the baseline scenario for FY 2014-2016 and "information from E&Y as an expert and also Conway MacKenzie in terms of restructuring."²⁶

17. Such testimony is not only improper under Rule 702, but also unduly cumulative. The City has already designated multiple experts to discuss the

Generation Corp., —F. Supp. 2d—, 2014 WL 1007294, at *13 (W.D. Pa. Mar. 17, 2014) (excluding expert testimony that "amount[ed] to vouching" for another expert as "cumulative" and "unhelpful"); *Cooley v. Lincoln Elec. Co.*, 693 F. Supp. 2d 767, 781 n.27 (N.D. Ohio 2010) (an expert may not "simply parrot or recite the opinions and knowledge of other expert[s]."); *Hynix Semiconductor Inc. v. Rambus, Inc.*, 2008 WL 73689, at *14 (N.D. Cal. Jan. 5, 2008) (precluding expert from "spruc[ing] up the [party's] other experts' testimony at trial by vouching for its consistency or accuracy.").

²⁶ Ex. 6B, Hill Dep. 124:23–125:12 (emphasis added). Mr. Hill also has a short paragraph in his report where he asserts that "it is important that the PFRS and GRS pension funding assumptions be set at consistently attainable levels." Ex. 6A, Hill Report at 7-8. To the extent Mr. Hill is attempting to suggest that the investment rates the City proposes are "reasonable" (even though they are at odds with the prior 20-year history of the plans), they again are duplicative of the opinions of other City experts such as Alan Perry and constitute improper vouching.

forecasts they created, including Guarav Malhotra, Robert Cline, and Caroline Sallee. Mr. Hill’s proposed “expert” testimony about projections he acknowledges he does not fully understand will add nothing beyond the testimony of the experts who actually created them.²⁷

18. While it may be permissible for Mr. Hill to testify as a fact witness regarding the contents of the Consensus Conference Report the City created, having him testify as another “expert” regarding projections created by other experts who are also slated to testify at the confirmation hearing would be unnecessarily cumulative.

III. Mr. Hill’s Testimony Would Not Aid The Court and Does Not “Fit” the Facts of this Case as Rule 702 Requires.

19. Finally, to the extent Mr. Hill is opining that the revenue projections for the first three years of Ernst & Young’s baseline scenario are “similar” to the consensus revenue numbers, such “expert” testimony is unnecessary and will not aid the Court. The Court does not need expert assistance to examine two numbers and determine whether they are “similar” or “comparable.” “Where the proffered

²⁷ See *In re Air Crash Disaster*, 86 F.3d 498, 527 (6th Cir. 1996) (“[A] court is free to exclude *any* expert testimony, including the testimony of an announced expert, if the testimony is cumulative or redundant[.]”) (emphasis in original); *Kendra Oil & Gas, Inc. v. Homco, Ltd.*, 879 F.2d 240, 243 (7th Cir. 1989) (expert properly excluded when expert did not add “a new angle or argument, as opposed to the refrain of ‘me too’.”); *Tunis Bros. Co., Inc.*, 124 F.R.D. at 98; *Hartle*, 2014 WL 1007294, at *13; Fed. R. Evid. 403.

expert offers nothing more than a ‘bottom line’ conclusion, he does not assist the trier of fact.”²⁸ Likewise, it is “[i]t is well established that an expert witness’s testimony is not helpful ‘where the [trier of fact] has no need for an opinion because it easily can be derived from common sense, common experience, [its] own perceptions, or simple logic.’”²⁹

20. In addition, because it is not clear how Mr. Hill’s opinions regarding the first three years of the baseline scenario are relevant to the issues before the Court, those opinions also do not “‘fit’ the facts of the case” as Rule 702 requires.³⁰

21. Mr. Hill does not, and cannot, compare the consensus report to Ernst & Young’s projections of revenue in the restructuring scenario (for the first three years or otherwise) because the consensus conference did not attempt to forecast

²⁸ *Clark*, 192 F.3d at 759.

²⁹ *Jones v. Pramstaller*, 874 F. Supp. 2d 713, 720 (W.D. Mich. 2012). *See also*, e.g., *Pelster v. Ray*, 987 F.2d 514, 526 (8th Cir. 1993) (trial court erred in admitting otherwise qualified expert when “any lay person has the ability to compare” information compared by expert); *Garcia v. Metro. Life Ins. Co.*, 859 F. Supp. 2d 1229, 1232 (D.N.M. 2012) (“When an expert’s testimony is offered on an issue that the trier of fact is capable of assessing for itself, the expert’s testimony is inadmissible.”); *U.S. Bank Nat’l Ass’n v. James*, 741 F. Supp. 2d 337, 343 (D. Me. 2010) (excluding expert’s opinion about the total sum of payments at issue because “[t]he arithmetic involved [in this conclusion] . . . is within the ken of a lay jury.”).

³⁰ *See Pride v. BIC Corp.*, 218 F.3d 566, 578 (6th Cir. 2000); *see also U.S. v. Langan*, 263 F.3d 613, 623 (6th Cir. 2001) (noting, in affirming an expert’s exclusion, that the district court “may admit the [expert opinion] evidence only if such testimony will assist the trier of fact in understanding the evidence or in determining a fact at issue.”).

these revenues. Moreover, it is not surprising that the number in the consensus report is “consistent with” the Ernst & Young baseline projection given that Ernst & Young was in the room with the consensus group when it was doing its work, while simultaneously performing its work in this bankruptcy proceeding (as were several of the City’s advisers from Conway MacKenzie).³¹ Indeed, at one point the City considered terminating the consensus meeting, but as internal email correspondence among Mr. Hill and his colleagues indicates, specifically decided not to do so because the conference would give Ernst & Young an opportunity “to keep the group on track with comparisons to the Plan of Adjustment” and “keep them from taking a totally different view from revenues in the plan.”³²

CONCLUSION

22. For the foregoing reasons, Syncora respectfully requests that the proposed expert testimony of John Hill be excluded.

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³¹ Ex. 6B, Hill Dep. at 305:4–8, 308:19–25; Ex. 6D, Revenue Consensus Conference Report at 14 (Mar. 18, 2014) (listing among the conference participants Shavi Sarna and Juan Santambroglo from Ernst & Young and Chris Gannon, Emily Mclain Petrovski, Kevin Hand, Todd Eddy, and Jeffrey Addison from Conway MacKenzie). Indeed, the vast majority of the conference participants were either employees of, or consultants to, the City.

³² Ex. 6E, 2/4/14 email (POA00123860).

Dated: August 22, 2014

Respectfully submitted,

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Summary of Exhibits

Exhibit 1 - Proposed Order

Exhibit 2 - Notice of Motion and Opportunity to Object

Exhibit 3 - None [Brief Not Required]

Exhibit 4 - None [Separate Certificate of Service to be Filed]

Exhibit 5 - None

Exhibit 6 A - Expert Report of John Hill

Exhibit 6 B - Excerpts July 18, 2014 J. Hill Deposition Transcript

Exhibit 6 C - Excerpts Expert Report of Martha Kopacz

Exhibit 6 D - Revenue Consensus Conference Report (3/18/14)

Exhibit 6 E - 2/4/14 Email from J. Naglick re: FAB Detroit Revenue Conference (POA00123860)

Exhibit 1
Proposed Order

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

In re)
) Chapter 9
)
CITY OF DETROIT, MICHIGAN,) Case No. 13-53846
)
Debtor.) Hon. Steven W. Rhodes
)

**ORDER GRANTING SYNCORA’S MOTION TO EXCLUDE
THE TESTIMONY OF JOHN W. HILL**

This matter having come before the Court on the motion of Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (“Syncora”) for the entry of an order excluding John W. Hill’s opinions and testimony that (1) revenue estimates in the baseline Ernst & Young forecast for FY 2014-2016 are consistent with estimated revenues in the City’s Revenue Consensus Conference Report and (2) certain estimates of projected expenses and revenues for the restructuring and reinvestment initiatives are reasonable, the Court having reviewed Syncora’s motion; and the Court having determined that the legal and factual bases set forth in the motion establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. Syncora’s Motion to Exclude the Testimony of John W. Hill is GRANTED.

2. The Debtor, the City of Detroit (the “City”), is precluded from introducing testimony or opinions from Mr. Hill that (1) revenue estimates in the baseline Ernst & Young forecast for FY 2014-2016 are consistent with estimated revenues in the City’s Revenue Consensus Conference Report and (2) certain estimates of projected expenses and revenues for the restructuring and reinvestment initiatives are reasonable.

3. Syncora is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the motion.

4. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

5. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

IT IS SO ORDERED.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

In re)
) Chapter 9
)
CITY OF DETROIT, MICHIGAN,) Case No. 13-53846
)
Debtor.) Hon. Steven W. Rhodes
)

**NOTICE OF SYNCORA GUARANTEE INC.
AND SYNCORA CAPITAL ASSURANCE INC.'S
MOTION TO EXCLUDE THE TESTIMONY OF JOHN W. HILL**

PLEASE TAKE NOTICE that on August 22, 2014 Syncora Capital Assurance Inc. and Syncora Guarantee Inc. ("Syncora") filed the *Syncora Guarantee Inc. and Syncora Capital Assurance Inc.'s Motion to Exclude the Testimony of John W. Hill* (the "Motion") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") seeking entry of an order to to exclude the expert testimony of John W. Hill which was disclosed in his expert report and during his deposition.

PLEASE TAKE FURTHER NOTICE that your rights may be affected by the relief sought in the Motion. You should read these papers carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult one.

PLEASE TAKE FURTHER NOTICE that if you do not want the Bankruptcy Court to grant the Syncora's Motion or you want the Bankruptcy Court to consider your views on the Motion, by **September 5, 2014**, you or your attorney must:

File with the Court a written response to the Motion explaining your position with the Bankruptcy Court electronically through the Bankruptcy Court's electronic case filing system in accordance with the Local Rules of the Bankruptcy Court or by mailing any objection or response to:¹

United States Bankruptcy Court
Theodore Levin Courthouse
231 West Lafayette Street
Detroit, MI 48226

You must also serve a copy of any objection or response upon:

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If an objection or response is timely filed and served, the clerk will schedule a hearing on the Motion and you will be served with a notice of the date, time and location of the hearing.

PLEASE TAKE FURTHER NOTICE that if you or your attorney do not take these steps, the court may decide that you do not oppose the relief sought in the Motion and may enter an order granting such relief.

¹ A response must comply with F. R. Civ. P. 8(b), (c) and (e).

Dated: August 22, 2014

Respectfully submitted,

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Exhibit 3

None [Brief Not Required]

Exhibit 4

Certificate of Service [To be filed separately]

Exhibit 5
Affidavits
[Not Applicable]

Exhibit 6A

Expert Report of John Hill

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

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	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
	:	
-----	x	

EXPERT REPORT OF JOHN HILL

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, the City of Detroit (the “City” or “Detroit”) submits this report regarding the anticipated expert testimony of John Hill in support of the City’s Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014) (Docket No. 4392) (the “Plan”).

I. INTRODUCTION

1. John Hill is the Chief Financial Officer (“CFO”) for the City, appointed by the City’s Emergency Manager (the “EM”) in November 2013. Mr. Hill reports directly to the EM and oversees a staff of over 250. Mr. Hill also

coordinates with, among others, the City's financial and operational restructuring advisors, Ernst & Young LLP ("EY") and Conway MacKenzie, Inc. ("Conway").

2. As CFO, Mr. Hill manages and controls all financial and budgetary aspects of the City. Moreover, as required by section 2.2(a) of the April 10, 2012, Financial Stability Agreement between the State of Michigan and the City, Mr. Hill is in the process of establishing the Office of the Chief Financial Officer within the government to advise the EM and Mayor "on all strategic and tactical matters as they relate to budget management, fiscal management, financial reporting, cost benefit analysis, forecasting needs, the securing of new funding, and adherence to the Budget and the Triennial Budget." Mr. Hill is also in the midst of implementing (i) the City's new financial management systems and (ii) certain of the restructuring and reinvestment initiatives proposed in the Plan. Mr. Hill is also responsible for providing Mayor Duggan with any financial data he needs to make or support operational decisions for the City.

3. It is the City's intention to call Mr. Hill to testify about the City's revenues, forecasts of certain of its expenses, and its ability to pay for the restructuring and reinvestment programs contemplated in the Plan and related Disclosure Statement. *See* Fourth Amended Disclosure Statement with respect to the Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 4391) (the "Disclosure Statement").

II. OPINIONS

A. Revenue Forecasts

4. For City FY 2014 through 2016, the City is projected to have revenues as set forth on page 3 of 14 (POA00318656) of the Revenue Consensus Conference Report, dated March 18, 2014, attached as Exhibit 1 hereto.

5. The assumptions underlying the Revenue Consensus Conference Report are reasonable.

6. These estimates are consistent with the baseline scenario revenue projections made by EY for those years, as set forth in Exhibit J to the Disclosure Statement, as updated. *See* July 2, 2014 update at POA 00706519 – 706600 (Ten-Year Financial Projections).

i. **Methodology**

7. In reaching his opinions, Mr. Hill used the following methodology:

(a) Between November 2013 and January 2014, Mr. Hill along with the Directors of the City's Finance Department, Budget Department, Office of the Auditor General, and City Council Legislative Division, and their various staff members (collectively, the "Conference Participants") met to discuss and project the City's revenues for FY 2014, 2015, and 2016.

- First, the Conference Participants considered economic forecasts for the City, State and nation, as presented by Dr. Eric Scorsone of Michigan State University. This data primarily focused on wage and salary growth factors, real gross domestic product, unemployment rates,

and the consumer price index for the United States and the City. The Conference Participants also considered the City's past revenue trends and collection rates in addition to comparisons of past actual revenues versus projections. *See* Exhibit 2 at pp. 4 – 9; POA 00002045 - 2050.

- Second, each Conference Participant independently from each other and from EY projected the City's five primary General Fund revenue streams: (i) income taxes, (ii) property taxes, (iii) state revenue sharing; (iv) casino wagering taxes, and (v) utility users taxes (collectively, the "Primary Revenue Streams"). As shown in Exhibit 2 at pp. 4 – 9; POA 00002045 - 2050, each Conference Participant used a different methodology for projecting each Primary Revenue Stream.
- Third, during the meetings between November 2013 and February 2014, the Conference Participants discussed non-Primary Revenue Streams, consisting of (i) departmental revenues resulting from sales and charges for services and (ii) revenues from enterprise funds that have an impact on the City's General Fund revenue, such as the Detroit City Airport, the City's Building, Safety, Engineering and Environmental Department, the Detroit Department of Transportation, and municipal parking.¹
- Other significant assumptions underlying each revenue stream in the Revenue Consensus

¹ Conference Participants did not project revenues derived as a result of the proposed restructuring and reinvestment initiatives. They also omitted from this analysis, among other things, non-General Fund grant revenues, unlimited tax general obligation bonds millage revenues and proceeds from bond sales.

Report are detailed in the February 19, 2014, City of Detroit Comparison of Assumptions, Revenue Consensus and Plan of Adjustment. See POA 00002054 - 2056.

- (b) On February 7, 2014, the Conference Participants unanimously approved the “Revenue Consensus Conference Report” and submitted it to the Finance Committee of the Financial Advisory Board (“FAB”) for its review and consideration. A copy of these materials are available at POA 00002042 – 2052; 2053; 2054 – 2056; 2057 – 2059; 2060; 2061 – 2073; 2074 – 2077.
- (c) On February 27, 2014, the FAB Finance Committee unanimously approved the Revenue Consensus Conference Report and transmitted it to the full FAB for its review and consideration.
- (d) On March 18, 2014, the full FAB unanimously approved the Revenue Consensus Conference Report, a copy of which is attached hereto as Exhibit 1, POA 00318653 - 318667.

B. Restructuring and Reinvestment Initiatives

8. Certain of the restructuring and reinvestment initiatives are likely to increase the revenues the City receives in the coming years. In particular, over the course of the next ten years, the City expects to generate additional net revenue of over \$250 million from restructuring and reinvestment initiatives such as:

- (i) improved collections and improved past-due collections from the 36th District Court (approximately \$76 million after approximately \$2.8 million in costs); (ii) increased collections from additional Fire Marshall inspections and EMS fleet (approximately \$23.5 million after approximately \$10.2 million in costs); and (iii)

tax and other revenue collection enhancements within the Finance Department (approximately \$43 million after approximately \$4.5 million in costs). The July 2, 2014, revised projections, available at POA 00706519 – 706600 (Ten-Year Financial Projections); POA 00706603 – 706611 (40-Year Projections); POA 00706449 – 00706518 (Ten-Year Plan of Adjustment Restructuring and Reinvestment Initiatives), reflect reasonable expense projections and assumptions regarding the additional revenues the City should receive from these restructuring and reinvestment initiatives.

9. Certain of the restructuring and reinvestment initiatives are also likely to reduce the City's operational expenses in the next ten years. In particular, over the course of the next ten years, the City expects to realize net expense reductions of over \$250 million in cost savings from restructuring and reinvestment initiatives such as greater efficiencies from training and other employee related costs associated with the Detroit Fire Department (approximately \$34.9 million in savings after \$25.8 million in costs) and process related enhancements, consolidation of vendors, and other purchasing division restructuring initiatives within the Finance Department (approximately \$30.3 million in savings after \$5.7 million in costs). The July 2, 2014, revised projections, available at POA 00706519 – 706600 (Ten-Year Financial Projections); POA 00706603 – 706611 (40-Year Projections); POA 00706449 – 00706518 (Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives), reflect reasonable cost saving projections and assumptions regarding the reduced expenses the City should achieve as a result of these restructuring and reinvestment initiatives.

10. The City is likely to implement these restructuring and reinvestment initiatives on a schedule that would result in these additional revenues and reduced operating expenses in the amounts and in the FY as reflected in the July 2, 2014, revised projections, available at POA 00706519 – 706600 (Ten-Year Financial Projections); POA 00706603 – 706611 (40-Year Projections); POA 00706449 – 00706518 (Ten-Year Plan of Adjustment Restructuring and Reinvestment Initiatives). To the extent there will be deferrals of any restructuring and reinvestment initiatives, these deferrals will not materially change the additional revenue and cost savings associated with the restructuring and reinvestment initiatives.

C. Accrued Pension Liabilities

11. Mr. Hill also analyzed the financial ability of the City to fund the accrued pension liabilities of Detroit Police & Fire Retirement System (“PFRS”) and Detroit General Retirement System (“GRS”). Unlike other municipalities, the City’s financial resources in the coming years are likely to remain constrained and the City will not be in a position to take risks that more financially sound municipalities could potentially take. In other words, the City probably will not

be able to adjust its budget to meet unanticipated annual pension funding contributions. The City would be required to make such unanticipated contributions every time PFRS and GRS investment returns fall short of the investment return assumptions. Consequently, it is important that the PFRS and GRS pension funding assumptions be set at consistently attainable levels.

III. DOCUMENTS AND OTHER MATERIALS CONSIDERED IN FORMING THE OPINIONS IN THIS EXPERT REPORT

12. Attached as Exhibit 3 is a list of the materials Mr. Hill considered in reaching his opinion. Mr. Hill also considered discussions he had with City employees and elected officials, as well as the City's third-party consultants and contractors, including EY and Conway. The information in this report is presented as of the date of this report and is based upon projections contained within the Disclosure Statement, as such were updated on July 2, 2014, and are available at POA 00706519 – 706600 (Ten-Year Financial Projections); POA 00706603 – 706611 (40-Year Projections); POA 00706449 – 00706518 (Ten-Year Plan of Adjustment Restructuring and Reinvestment Initiatives).

IV. QUALIFICATIONS

13. Mr. Hill holds a B.S. in Accounting from the University of Maryland. In 1977, Mr. Hill became a Certified Public Accountant. Significantly, from June 1995 through April 1999, Mr. Hill served as the Executive Director of the District

of Columbia Financial Responsibility and Management Assistance Authority.

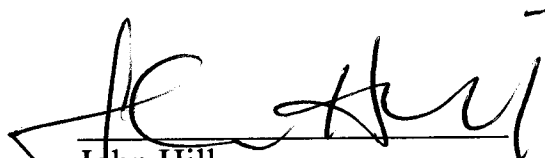
Attached as Exhibit 4 is the most recent copy of Mr. Hill's curriculum vitae.

V. BASIS OF COMPENSATION

14. Mr. Hill is not separately compensated by the City for this Expert Report or the opinions expressed herein. The only compensation the Mr. Hill receives from the City is for his work as the CFO, which is based on a non-employment, personal services contract.

Date:

7/8/14

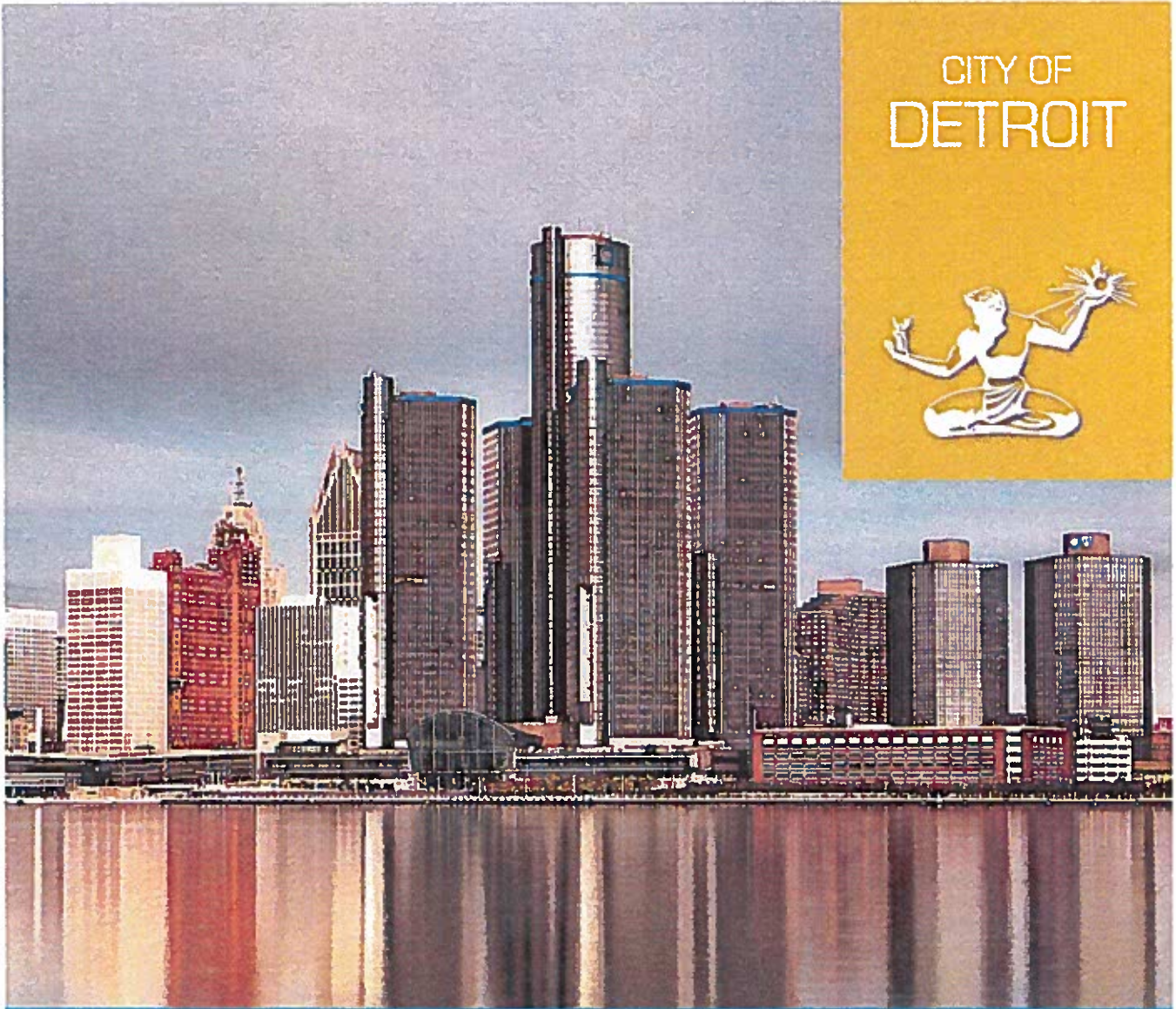


John Hill
Chief Financial Officer
City of Detroit, Michigan

Exhibit 1

(Revenue Consensus Conference Report Dated March 18, 2014 –
POA00318653 - 318667)

CITY OF
DETROIT



REVENUE CONSENSUS CONFERENCE REPORT

MARCH 18, 2014

Revenue Consensus Conference - Final Report

March 2014

The Directors of the City of Detroit Finance Department, Budget Department, Office of the Auditor General and City Council Legislative Division (formerly Fiscal Analysis) met in October 2013 and again in January 2014 to discuss the City's revenue collections for the current fiscal year and estimate collections for the next two fiscal years. FY 2014 Revenue Estimating Conference was held on February 7, 2014 where participants unanimously approved revenue estimates for FY 2014, FY 2015 and FY 2016. Conference results were submitted to and subsequently approved by the Financial Advisory Board Finance Committee on February 27, 2014.

The conference began with a discussion of economic conditions that impact the City of Detroit revenues presented by Dr. Eric Scorsone, of Michigan State University.

Economic Forecast

City of Detroit revenues will be partially tied to local, state and national economic conditions that prevail both now and in the future. The city income tax and wagering tax would be particularly susceptible, both positively and negatively, to changing economic conditions. This summary will provide a current rundown on economic conditions at the local and national level.

The U.S. economy has continued to grow for the last few years, albeit at a slower pace than expected following a recession. The main reason cited for this slow growth is the continuing drag from the financial crisis of 2008. In 2013, GDP growth was slower (1.9%) as compared to 2012 (2.8%). The big reason for this slowdown was a decrease in business investment and federal government spending. There is a reason to be more optimistic in 2014 as the federal government appears to be on more stable footing and business investment has shown signs of picking up again. GDP growth will likely look more like 2012 than 2013 in the coming year.

Employment conditions continue to slowly improve, but there still remain a significant number of long term unemployed in the workforce following the Great Recession. Weekly initial unemployment claims have fallen to close to the long term average of 300,000 and the national unemployment rate continued to creep down now standing at 6.7% according to the U.S. Bureau of Labor Statistics. While still high by historic averages, there are signs that the labor market is looking stronger more recently. This translates into some positive momentum for a city like Detroit who baseline economy now looks more like the nation as a whole being dominated by service industries¹.

Inflation will likely remain low across the country as there remains slack in both business capacity and the labor market. Core inflation is running at about the 1.6% mark in January 2014 and will likely remain at that level or perhaps slightly higher for the rest of 2014.

¹ Detroit service industries have experienced weaker growth than the nation as a whole but the general industrial makeup of the city looks more like the United States than Michigan.

Most of the major economic statistics are not collected at the city level for a place like Detroit, MI. Unemployment information and data is collected for the city of Detroit, MI. Looking at this figure, the current estimated city unemployment rate is 14.6% as estimated by the U.S. Bureau of Labor Statistics. This is down from an estimated rate of nearly 25% in 2009. Along with national trends, it is expected that the Detroit unemployment rate will continue to fall slowly over 2014 providing a boost to income tax revenues and perhaps other revenue sources. Investment in downtown Detroit will also likely provide an overall employment growth in the city in 2014.

Conference Results

The Consensus estimate for General Fund revenues from ongoing sources for FY 2014 is \$958.5 million, an \$88.6 million or 8.5% decrease from FY 2013 collections. This variance was primarily due to bond proceeds recorded in FY 2013.

- This decrease reflects anticipated increased collections in income Tax, and State Revenue Sharing that are offset by decreased collections in Property Taxes, Utility Users' Taxes, and Other General Fund revenues.
- Sales of Real Property revenues were reported separately in the previous 2013 Revenue Conference; however this amount represents less than 1% of the General Fund revenues. For this conference, Sales of Real Property is included in the Other Revenues category.
- Other General Fund revenues are generated from city departments and other miscellaneous sources. Other revenues are expected to decrease by \$59.0 million over FY 2013 actual collections. Decreased revenues are anticipated from the Fire Department receivables; DPW/General Services due to outsourcing; Health from the transfer of Vital Records operations to Wayne County; reimbursement revenues; and the elimination of distribution services in the Public Lighting Department.

The Consensus estimate for General Fund revenues from ongoing sources for FY 2015 is \$955.8 million, a \$2.7 million decrease (less than 1% change) from the FY 2014 revised Consensus estimate. This decrease reflects increases in Income Tax and State Revenue Sharing collections that are offset by decreased collections in Wagering Taxes (Casinos), Property Tax, Utility Users Taxes and Other General Fund revenues. Similar factors contribute to the decline in revenues as projected for FY 2015 compared to the FY 2014 estimate.

The initial Consensus estimate for General Fund revenues from ongoing sources for FY 2016 is \$958.6 million, a \$2.8 million increase (less than 1% change) from the FY 2015 revised Consensus estimate. The initial projection for FY 2016 reflects continued growth in Income Tax and State Revenue Sharing collections. An up-tick in Wagering Taxes (Casinos) and Other General Fund revenues is forecasted. Property Taxes and Utility Users Taxes continue in a downward trend.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2014 CONSENSUS REVENUE ESTIMATING CONFERENCE

<i>\$ in millions</i>	FY 2012 Actuals- CAFR	June 30, 2013 Actuals- Unaudited	FY 2014 Revised Adopted Budget	FY 2014 Revised Consensus Estimate	FY 2015 Consensus Projection	FY 2016 Consensus Projection
Income Tax	\$ 233.0	\$ 248.0	\$ 257.2	\$ 250.0	\$ 250.3	\$ 262.1
Property Tax	147.8	133.6	116.6	110.2	100.0	80.0
Utility Users' Tax	39.8	35.3	34.2	32.1	29.5	28.0
Wagering Tax	181.4	174.6	170.0	170.0	168.0	170.5
State Rev. Sharing	172.7	182.2	183.7	180.2	184.0	187.9
Sale of Real Prop.	(1.8)	7.7	-	-	-	-
Other Revenues	231.6	265.7	234.6	206.0	208.0	\$ 210.1
Total Fund 1000	\$ 1,004.5	\$ 1,047.1	\$ 996.3	\$ 958.5	\$ 955.8	\$ 958.6

Note: General Fund Totals exclude Pension Obligation Certificates (POC's) revenues of \$112,361,241 for FY 2014- Included in revenues due to debt covenants. Wagering Tax revenues include revenues per the casino operating agreements. For FY 2014 Consensus conference, Sale of Real Property totals are included in Other Revenues totals for FY 2014- FY 2016

REVENUES FOR CONSIDERATION

The City of Detroit has five major revenues that represent over 60% of General Fund revenues: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax (Casinos) and Utility Users' Tax revenues. The first step of the conference participants was to estimate these revenues for the current Fiscal year 2014, project revenues for Fiscal year 2015 and 2016. Using financial system reports (DRMS), department sub-ledger reports, current operational analysis and local economic data, the participants individually determined their forecasts. All other revenues of the General Fund were discussed in conference, primarily consisting of departmental revenues resulting from Sales and Charges for Services. Revenues from funds that have a General Fund impact were also considered. Other Non-General Fund- Enterprise Agencies considered were those that have a General Fund subsidy, contribution, advance, or current General Fund operations. A review of revenues was conducted for the following Enterprise agencies: Airport, Building and Safety, DDOT, and Municipal Parking. Also, reviewed were the Risk Management and the Solid Waste Funds. Several meetings were held to review the forecasts and reach a consensus. The Consensus Estimates presented in this report do not include any departmental revenue initiatives or restructuring initiatives currently under discussion. Non-General Fund Grant Revenues; Unlimited Tax General Obligation Bonds millage revenues and proceeds from bond sales are not included in the Consensus Estimates/Projections presented in this report.

Income Tax

As authorized under Public Act 284 of 1964, as amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an Income Tax on income from all sources with minimum exemptions. Income Tax revenue includes withholding, annual and quarterly payments. More than 80% of income tax actual collections are derived from withholdings. The current tax rate is 2.4% for residents, 1.2% for non-residents and 2.0% for corporations. In December 2012 State legislation establishing the Public Lighting Authority was passed that provided for funding of \$12.5 million to the Authority and fixed income tax rates at 2.4% (residents) until the repayment of any debt issued by the Authority.

- FY 2013 Initial Consensus estimate reflect a 0.8% growth rate over FY 2012 actual collections. Final 2013 year-end results were \$13 million over the FY 2013 consensus estimate or 6.4%.
- The FY 2014 Consensus estimate eliminated one time revenue collection initiatives- an income tax amnesty which generated \$4 million and enhanced collection efforts from 2013 income tax totals.
- FY 2015 Consensus estimate incorporates a 2.5% growth rate and 2.25% rate for FY 2016.
- The FY 2014 Consensus estimate reflects improved local economic conditions based upon blue chip economic forecasts as presented by Dr. Eric Scorsone, Faculty Member and Workgroup Leader, Michigan State University Department of Agricultural, Food and Resource Economics and MSU Extension.

State Revenue Sharing

Revenue Sharing payments from the State are based upon two elements. Constitutional payments are guaranteed under the State Constitution and calculated as 15% of 4% of the State Sales Tax gross collections. Statutory payments are based upon municipalities meeting the requirements of the Economic Vitality Incentive Program. For FY 2013, the maximum amount available is 76.18459% of the FY 2010 total statutory payment (if a municipality complies with all requirements).

- The FY 2013 estimate was based on current State Revenue Sharing payments projected by the Michigan Department of Treasury. Final year-end payments were \$5.7 million higher than the consensus estimate and 5.5% higher than FY 2012 collections. Treasury payments are based on the State of Michigan May 2013 Consensus Revenue Estimates and FY 2014 appropriation. These amounts were updated for the State's January 2014 Consensus Revenue Estimates.
- Economic projections from Dr. Eric Scorsone indicate improved State Sales Tax collections.
- Budget estimates for FY 2014 include a 2.25% growth rate. No further change is projected for FY 2015 or FY 2016.

- The Governor's recently released State of Michigan FY 2015 Executive Budget proposed a \$5.56 million or 2.9 % increase to cities, villages and townships local share amount. This increase was not included in the FY 2015 consensus estimate.

Wagering Taxes (Casino Revenues)

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under Initiated Law 1 of 1996, as Amended by Public Act 306 of 2004. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements.

- Wagering Tax estimates recognize downward pressure on revenues resulting from the opening of four casinos in Ohio by the end of 2013. Although Detroit's casino revenues did not decline to levels previously speculated by some, we anticipate a continued downward pressure on revenues in FY 2014.
- FY 2013 Consensus estimate resulted in a \$1.4 million decrease over FY 2013 year-end results and a -3.8% change compared to FY 2012 collections. FY 2014 Consensus estimate remains flat with an additional decline of 1.2% projected for FY 2015. A turnaround is expected in FY 2016 with the Consensus projecting 1.5% growth.

Current Property Taxes

Article IX of the State Constitution, Sections 3 and 6 (General Property Tax) authorize the levy of taxes on real and personal property not otherwise exempted. The City currently levies the maximum tax permitted by law.

- The FY 2014 estimate assumes a 17.5% decline in collections compared to FY 2013 results. Current collection activity is estimated to decrease by \$23.4 million compared to FY 2013 collections.
- Although FY 2013 collections ended \$10.4 million higher than the Consensus estimate, this still represents a -9.6% year-over-year decline in property tax collections.
- Preliminary discussions on the Ad Valorem valuations for FY 2015 and FY 2016 indicate a continuing decline in taxable values at the same rate experienced in FY 2013. The estimated decrease in property tax collection for FY 2015 and FY 2016 is -10%. This chronic state of decline in assessed values is expected continue beyond 2016.

- Future actions that will negatively impact valuations in the near future include a State of Michigan review, sales study conducted by the City's Assessor and the City's on-going reassessment process.

Utility Users' Tax

The City of Detroit levies a Utility Users' Tax as permitted under Public Act 100 of 1990 and as amended in 2012. The tax is based on consumption of electricity, gas, steam and telephone (land lines) in the City of Detroit. The City currently levies the maximum tax rate of 5%. These revenues are restricted to retain or hire police officers. In 2012, the law was amended to provide \$12.5 million annually for the Public Lighting Authority for the repayment of future debt, which represents proceeds used for street light infrastructure improvements in the City.

- FY 2013 collections resulted in a year-over-year decline of -11.4%.
- Consensus estimate for FY 2014 reflect an additional 9.1% decline in Utility User's collections.
- We estimate for both FY 2015 and FY 2016 a similar rate of decline.
- Estimates/projections were determined exclusive of the \$12.5 million annual transfer to the Public Lighting Authority as mandated by state law, which represent proceeds used for street light infrastructure improvements in the City.

Sale of Real Property

Revenues from the City's sale of real property were reported separately in the FY 2013 Revenue Consensus Conference. For the FY 2014 Revenue Conference, this revenue is included in the Other General Fund Revenues category.

- Year-end results for FY 2013 were \$6.4 million higher the consensus estimate.
- Negative revenue was recorded for FY 2012 due to year-end adjustments for refundable deposits. The estimate for FY 2013 assumed similar collection trends. The Fire Department Headquarters building was sold in FY 2013 contributing to higher fiscal year collections. The sale of the Veterans Memorial Building is expected in FY 2014; \$4.1 million was included in the budget and consensus estimate for this sale.
- No additional large property sales are assumed for FY 2015 or FY 2016.

All Other General Fund Revenues

The following is a brief description of the types and sources of revenue that are included in each category shown in departmental budgets:

1. *Sales and Charges for Services* - Revenue generated from maintenance and construction, electrical, steam, solid waste, recreation, utilities, reimbursements, and other minor sales and service fees.
2. *Revenue From Use of Assets* - Earnings on investments, various interest earnings, building rentals, marina rentals, concessions, and equipment rentals.
3. *Other Taxes, Assessments, and Interest* - Special assessments, Industrial Facilities Taxes, other miscellaneous taxes and interest paid on delinquent property taxes.
4. *Fines, Forfeits, and Penalties* - Ordinance, court and parking fines, property tax penalties, and various fines, forfeits, and penalties.
5. *Licenses, Permits and Inspection Charges* - Various permits and licenses, safety inspection charges, and business licenses charges.
6. *Contributions, Transfers, and Miscellaneous* - Various revenues and contributions due to/or due from one fund resulting in revenues to one fund and an expenditure for another; also includes interest on the Pension Obligation Certificates. The double count of the Pension Obligation Certificates shown in the General Fund for debt covenant purposes was eliminated in the 2014 Revised Adopted Budget.

Departmental Revenue Analysis

The consensus for Other Department Revenues was developed with a discussion of the individual department revenues including departments with General Fund operations or departments receiving General Fund assistance. Our departmental analysis involved discussions with Ernst & Young on the baseline assumptions for each department as presented in the Plan of Adjustment and any adjustments to the baseline for restructuring initiatives as determined by Conway MacKenzie. The consensus was to exclude revenue initiatives from the consensus numbers presented in this conference estimates and projections. However, we have attached a separate report on the assumptions used for our consensus analysis compared to the Plan of Adjustment.

- Notable reductions occurred in revenue collections in the General Services, Health, Police and Fire departments, attributable to overly optimistic FY 2013 forecasts and the elimination of service.
- Public Lighting revenues were eliminated in the Consensus estimate for FY 2015 due to the city's decision to exit the power distribution business beginning March 2014 and the subsequent transfer of the customer base to DTE Energy.

At the official opening of the FY 2013 Revenue Estimating Conference on January 25, 2013, members of the Financial Advisory Board in attendance asked the estimating principals to review the departmental revenue estimates once more. On February 1, the principals convened and discussed alternative calculations by staff

of City Council and the Auditor General. Upon review and in consultation with Dr. Eric Scorsone, the total revenue estimate differed among the three estimators by less than 2% for FY 2013 and only 6% for FY 2014. The varying methodologies, which included a global analysis, a major revenue category analysis, and individual agency revenue account analyses, all utilized run rates and accounted for other known items that affect collections. The harmonization of estimates from these differing methodologies gives us tremendous confidence in the final estimate of departmental revenues. The FY 2014 conference continued this process of review for departmental revenues.

- The FY 2013 estimates range between \$271.4 million and \$275.0 million. We agreed on \$272.0 million. FY 2013 year-end results were \$273.4 million, inclusive of the sale of real property of \$7.7 million.
- The FY 2013 Conference Consensus estimate for FY 2014 ranged between \$254.5 million and \$270.0 million with agreement on \$265.0 million. This conference revised downward the FY 2014 projection to \$221.6 million.
- For this Consensus Conference: the revised FY 2014 estimate ranged between \$208.6 million and \$198.1 million with agreement on \$206.0 million. This conference revised downward the FY 2014 estimate by \$59 million.
- For this Consensus Conference: the revised FY 2015 estimate ranged between \$213.6 million and \$195.0 million with agreement on \$208.0 million. This conference revised downward the FY 2015 projection by \$57 million.
- For this Consensus Conference: the initial FY 2016 projection reached agreement on \$210.1 million based on anticipated growth rates or negative trend factors.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2014 CONSENSUS REVENUE ESTIMATING CONFERENCE
OTHER FUNDS WITH GENERAL FUND IMPACT

<i>\$ in millions</i>	June 30, 2013	FY 2014	FY 2014	FY 2015	FY 2016
	Actuals- Unaudited	Revised Adopted Budget	Consensus Estimate	Consensus Projection	Consensus Projection
Airport	\$ 3.2	\$ 1.3	\$ 1.3	\$ 1.5	\$ 1.5
* General Fund Subsidy		0.7	0.8	0.8	0.8
Building & Safety	\$ 28.1	\$ 23.1	\$ 23.0	\$ 24.5	\$ 25.1
* General Fund Operations		1.8	1.8	2.0	2.0
DDOT	\$ 155.3	\$ 156.4	\$ 165.0	\$ 165.0	\$ 165.0
* General Fund Subsidy		81.7	80.0	80.0	80.0
Municipal Parking	\$ 30.8	\$ 29.3	\$ 27.5	\$ 27.5	\$ 27.5
* General Fund Operations		11.4	10.4	10.4	10.4
* General Fund Advance		7.3	8.0	8.0	8.0
Risk Management	\$ 61.9	\$ 33.1	\$ 100.2	\$ 194.0	\$ 197.9
* General Fund Premium		19.4	39.0	39.0	39.0
Solid Waste Fund	\$ 38.2	\$ 41.4	\$ 39.0	\$ 39.0	\$ 39.0

Airport

The Coleman A. Young International Airport is an Enterprise Agency of the City of Detroit. Revenues from landing fees, rentals, fuel concessions and Federal/State grants maintain the operations of the airport. The Airport 2014 Budget includes a General Fund subsidy of \$623,545, which is expected to be paid. Consensus projections for FY 2015 and FY 2016 increase the subsidy to \$800,000 to recognize the mostly likely level of support from the General Fund based on historical trends.

Building & Safety

The Building & Safety Engineering and Environmental Department (BSEED) is an Enterprise Agency of the City of Detroit as mandated by state law. BSEED mission is to safeguard public health, safety and welfare by enforcing construction, property maintenance, environmental compliance and zoning codes. Revenues from the Construction Code Fund include civil infraction fines, safety inspection charges, construction inspections and other licenses, permits and inspection charges. Revenues generated in support of the General Fund operations are from the business licensing activity. General Fund revenues are expected to remain at their current levels (\$1.8 to \$2.0 million) for FY 2014 through FY 2016.

Transportation

The Detroit Department of Transportation (DDOT) is an Enterprise Agency that provides transit services to the City of Detroit. Revenues are generated from fare box, State operating assistance, State and Federal grants, subsidy from the General Fund and other miscellaneous revenues. The general fund subsidy for DDOT for FY 2014 was \$61.7 million. The consensus for FY 2015 and FY 2016 project the General Fund subsidy at \$80 million. This projected increase in the General Fund subsidy recognizes the City's true contribution level to DDOT operations. Without additional restructuring efforts, this level of General Fund support will continue for the foreseeable future. Revenue from the State operating assistance is expected to decline in FY 2014 and beyond due to a shift in the distribution formula. This shift resulted in a \$7 million decline in grant revenues in FY 2014.

Municipal Parking

The Municipal Parking Department is divided into two operations- the Parking Violation Bureau and the Automobile Parking and Area System. The Parking Violations Bureau is a General Fund operation responsible for enforcing on-street and off-street ordinances in the City of Detroit and the processing and collection of parking violation notices. Bond covenants required the General Fund to advance annually operating support to the Auto Parking System. The consensus is that the General Fund advance will continue at the \$8 million range for FY 2014 through FY 2016.

Risk Management Fund

The Risk Management Fund was established as a separate fund within the General Fund class to pay for liabilities to third parties for losses, damages, litigations and workers' compensation claims (self insurance). The Risk Management premiums are determined by calculating a five-year average of claims. Contributions to the Risk Management Fund are received from the General Fund (75%) and DDOT (25%). For FY 2014, the

General Fund contribution was reduced by \$20 million and utilized for other General Fund purposes as permitted under City ordinance. The consensus projection for FY 2015 and FY 2016 restores contributions back to historic levels.

Solid Waste Fund

The Solid Waste Management Fund is a Special Revenue Fund. The City of Detroit uses the Solid Waste Management Fund to account for local revenue collected for curbside rubbish pick-up and discard. The majority of the Solid Waste Management Fund revenue comes from the residential Solid Waste Fee that is assessed to every home whether or not currently occupied. The solid waste service fee replaced the 3-mill tax for solid waste collection that was eliminated in 2006. The solid waste fee is \$240 for single family homes and an additional \$100 for multi-family dwellings. Commercial fees are \$1,000.

- First-half collections compared to recent history indicate no change from the adopted budget. Projections assume continued collections rates for FY 2015 and FY 2016.
- The City decided to privatize the Solid Waste activity in FY 2014. Contracts were awarded to two companies to service the East and West side of the City on February 21, 2014. The outsourcing of this activity is expected to be revenue/cost neutral. However service is anticipated to greatly improve under this arrangement.

Set asides

The Consensus Revenue Estimate does not set-aside a deficit reduction reserve for FY 2014. However, the Plan of Adjustment includes a minimum required cash balance of \$100 million be maintained by the City annually for the period cover under the plan.

Risks to Forecast

These estimates take into account the expected real revenue to the City subject to certain inherent risks outlined below:

- Local economy contraction, increase in unemployment and continued layoffs in major industries.
- Rising interest rates.
- Rising inflationary pressures (from fuel, utilities, food, housing etc.).
- Michigan Sales Tax revenue declines.
- Risks to estimated Property Tax collections due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment.

- Continued property valuation declines and/or increased foreclosure activity.
- Anticipated reductions to Personal Property Tax collections.
- Declines in Sales and Charges for Services due to economic factors.
- Delayed results from restructuring efforts.
- Changes due to Bankruptcy proceedings.

Potential Upward Adjustments to Forecast

- Ongoing improvements to collection efforts in FY 2013 should net additional income tax revenues not currently reflected in the consensus estimates.
- Revenue initiatives in the Plan of Adjustment but not included in the Consensus estimates/projections may result in addition revenues if timely and successfully implemented.

Delinquent Receivables

For purposes of the Revenue Estimating Conference, the City of Detroit Finance Department- Treasury Division has deemed it prudent not to provide an estimate on the collection of delinquent Accounts Receivable (A/R) due to the following factors:

- The majority of City departments use billing systems other than DRMS A/R. As a result of decentralized billing, and a lack of resources to centralize/manually execute, the City does not possess clear visibility into total delinquent balances. Additionally, several current systems utilized for billing are not true financial management platforms and thus, produce suboptimal data for purposes of financial analysis.
- Department Sub-ledger data is not interfaced to the DRMS A/R module and as a result a potential for significant data integrity concerns (i.e. duplicate invoices, credit memo adjustments not reflected, etc.) exists. Properly cleansing the data to determine net realizable value will require additional resources not currently on hand.
- It is unclear whether departments depositing A/R receipts with Treasury are segregating current year collections from those for a prior year. As a result, a potential risk for double-counting an outstanding receivable balance exists without a clearer understanding of departmental delinquent balances by the Treasury Division.
- The majority of the DRMS A/R module balance is fully reserved as the City's external auditors have determined the balances owed are generally uncollectible.

The aforementioned concerns are addressed in the City's initial Plan of Adjustment. Assuming the current plan is ultimately adopted, the Treasury Division anticipates being in a much stronger position to provide meaningful delinquent collection estimates going forward as it will progressively have the proper resources to execute. However, as adoption of the proposed Plan of Adjustment is pending, the Treasury Division believes it best to not provide an estimate at this time.

The Directors of the City of Detroit Finance Department, Budget Department, Office of the Auditor General and City Council Fiscal Analysis Division held a Revenue Estimating Conference on January 25, 2013 and unanimously approved revenue estimates for FY 2012-13 and FY 2013-14. Conference results were submitted to and subsequently approved by the Financial Advisory Board in February 2013. The Consensus Revenue Estimates for the City of Detroit General Fund and the Solid Waste revenues are summarized below. This table was updated to compare June 30, 2013 year-end results to Consensus amounts.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2013 CONSENSUS REVENUE ESTIMATING CONFERENCE

	FY 2013 Amended Budget (Unaudited)	Results		Variance FY 13 Actuals
		FY 2013 Initial Consensus	FY 2013 Actuals- Unaudited	
<i>\$ in millions</i>				
Income Tax	\$ 226.2	\$ 235.0	\$ 248.0	\$ 13.0
Property Tax	124.3	123.2	133.6	10.4
Utility Users' Tax	42.0	40.5	35.3	(5.2)
Wagering Tax	171.0	176.0	174.6	(1.4)
State Rev. Sharing	171.8	176.5	182.2	5.7
Sale of Real Prop.	2.2	1.3	7.7	6.4
Other Revenues	\$ 627.2	272.0	265.7	(6.3)
Total Fund 1000	\$ 1,363.7	\$ 1,024.5	\$ 1,047.1	\$ 22.6
Solid Waste Fees	\$ 38.2	\$ 39.0	\$ 38.2	\$ 0.8

Note: General Fund Totals exclude Pension Obligation Certificates (POC's) revenues of \$106,861,659 for FY 2013- amount included in revenues due to debt covenants. Wagering Tax revenues include revenues per the casino operating agreements. The FY 2013 Amended Budget for the Other Revenues category includes increases in State revenues (\$113.9 million) and other (miscellaneous) revenues (\$81.7 million).

Conference Participants

The revenue consensus participants would like to express our appreciation to the members of the Financial Advisory Board for their support.

John Hill, Chief Financial Officer

John Hageman, Assistant to the Chief Financial Officer

Mark Lockridge, Auditor General

Jeffrey Vedula, Office of the Auditor General, Audit Manager

Tony Smith, Office of the Auditor General, Sr. Auditor

Laura Goodspeed, Office of the Auditor General, Sr. Auditor

Brent Hartzell, former Interim Budget Director

Pamela Scales, Budget Director

Floyd Stanley, Deputy Budget Director

Renee Short, Budget Department, General Manager

Irvin Corley, Jr., City Council Legislative Policy Division, Executive Policy Manager (formerly Fiscal Analyst)

Jerry Pokorski, City Council Legislative Policy Division, Fiscal Analyst

John Naglick, Finance Director

Mike Jamison, Deputy Finance Director

Tanya Stoudemire, Finance Department, Income Tax Manager

Alvin Horhn, Finance Department, Assessment- Assessor

Leighton Duncan, Finance Department, Treasury- Project Manager

Dr. Eric Scorson, Faculty Member and Workgroup Leader
Department of Agricultural, Food and Resource Economics and MSU Extension, Michigan State University

Roger Short, Office of the Chief Operating Officer

Shavi Sarna, Ernst & Young

Juan Santambrogio, Ernst & Young

Chris Gannon, Conway MacKenzie, Inc.

Emily McClain Petrovski- Conway MacKenzie, Inc.

Kevin Hand, Conway MacKenzie, Inc.

Todd Eddy, Conway MacKenzie, Inc.

Jeffrey Addison, Conway MacKenzie, Inc.

Exhibit 2

(Revenue Conference Worksheets – POA00002042 - 2052)

CITY OF DETROIT																					
Revenue Consensus Estimates and Projections																					
February 19, 2014																					
General Fund																					
	<u>Income Tax</u>		<u>State Revenue Sharing</u>		<u>Wagering Taxes</u>		<u>Current Property Taxes</u>		<u>Utility Users Tax</u>		<u>All Other GF Revenues</u>		<u>General Fund Total</u>								
June 30, 2013 Collections (per CAFR-draft)	\$	248,017,356	\$	182,261,947	\$	174,599,992	\$	133,580,492	\$	35,299,844	\$	273,363,537	\$	1,047,123,168							
FY 2013-14 BUDGET- Revised Adopted	\$	257,178,325	\$	183,677,124	\$	170,000,000	\$	116,651,272	\$	34,250,000	\$	234,567,721 (a)	\$	996,324,442 (a)							
Participants FY 2014 Estimates (in millions)																					
Auditor General	\$	254.0	\$	190.2	\$	170.2	\$	110.3	\$	31.3	\$	208.6	\$	964.6							
Budget	\$	250.0	\$	190.2	\$	170.0	\$	112.1	\$	35.0	\$	198.1	\$	955.4							
City Council Legislative (Fiscal Analyst)	\$	243.0	\$	190.2	\$	171.0	\$	108.2	\$	30.8	\$	202.5	\$	945.7							
Participants FY 2015 Projections (in millions)																					
Auditor General	\$	260.2	\$	191.3	\$	170.2	\$	101.3	\$	27.8	\$	213.6	\$	964.4							
Budget	\$	258.0	\$	191.0	\$	171.0	\$	97.5	\$	31.5	\$	195.0	\$	944.0							
City Council Legislative (Fiscal Analyst)	\$	248.0	\$	194.0	\$	162.4	\$	99.6	\$	29.2	\$	205.0	\$	938.2							
FY 2014 through 2016 CONCENSUS ESTIMATES (in millions)																					
FY 2014 Consensus Estimate	\$	250.0	\$	190.2	\$	170.0	\$	110.2	\$	32.1	\$	206.0	\$	958.5							
FY 2015 Consensus Projection	\$	256.3	\$	194.0	\$	168.0	\$	100.0	\$	29.5	\$	208.0	\$	955.8							
FY 2016 Consensus Projection	\$	262.1	\$	197.9	\$	170.5	\$	90.0	\$	28.0	\$	210.1	\$	958.6							
FY 2014 through 2016 PLAN OF ADJUSTMENT (in millions)																					
FY 2014 Plan of Adjustment	\$	246.4	\$	190.9	\$	169.9	\$	114.9	\$	37.0	\$	216.3	\$	975.4							
FY 2015 Plan of Adjustment	\$	250.4	\$	192.7	\$	168.2	\$	104.2	\$	37.0	\$	212.7	\$	965.2							
FY 2016 Plan of Adjustment	\$	252.1	\$	194.5	\$	169.9	\$	100.1	\$	37.0	\$	210.6	\$	964.2							
Variance between Plan of Adjustment and Consensus Estimate/Projections																					
		<u>Income Tax</u>		<u>State Revenue Sharing</u>		<u>Wagering Tax</u>		<u>Property Tax</u>		<u>Utility Users</u>		<u>All Other Revenues</u>		<u>Total General Fund</u>							
FY 2014	\$	(3.6)	-1.5%	\$	0.7	0.4%	\$	(0.1)	-0.1%	\$	4.7	4.1%	\$	4.9	13.2%	\$	10.3	4.8%	\$	16.9	1.7%
FY 2015	\$	(5.9)	-2.4%	\$	(1.3)	-0.7%	\$	0.2	0.1%	\$	4.2	4.0%	\$	7.5	20.3%	\$	4.7	2.2%	\$	9.4	1.0%
FY 2016	\$	(10.0)	-4.0%	\$	(3.4)	-1.8%	\$	(0.6)	-0.4%	\$	10.1	9.7%	\$	9.0	24.3%	\$	0.5	0.2%	\$	5.6	0.6%

CITY OF DETROIT																				
Revenue Consensus Estimates and Projections																				
February 19, 2014																				
General Fund																				
		<u>Income Tax</u>	<u>State Revenue Sharing</u>	<u>Wagering Taxes</u>	<u>Current Property Taxes</u>	<u>Utility Users Tax</u>	<u>All Other GF Revenues</u>	<u>General Fund Total</u>												
<u>Base</u>																				
FY 2014 Plan of Adjustment		246.4	190.9	169.9	114.9	37	216.3	975.4												
FY 2015 Plan of Adjustment		250.4	192.7	168.2	104.2	37	212.7	965.2												
FY 2016 Plan of Adjustment		252.1	194.5	169.9	100.1	37	210.6	964.2												
<u>Tax revenue restructuring</u>																				
FY 2014 Plan of Adjustment		1.5			0.0	0.0		1.5												
FY 2015 Plan of Adjustment		5.8			0.2	0.0		6.0												
FY 2016 Plan of Adjustment		10.3			6.6	0.4		17.3												
<u>Reinvestment</u>																				
FY 2014 Plan of Adjustment		2.9					7.7	10.6												
FY 2015 Plan of Adjustment		6.1					72.0	78.0												
FY 2016 Plan of Adjustment		6.1					33.3	39.3												

CITY OF DETROIT							
Revenue Consensus Estimates and Projections							
February 19, 2014							
Other Funds (with General Fund Impact)							
	Airport	Building & Safety	DDOT	Municipal Parking	Risk Management	Solid Waste Fund	
June 30, 2013 Collections (per CAFR-draft)	\$ 3,203,364	\$ 28,116,344	\$ 155,294,928	\$ 30,767,997	\$ 61,871,604	\$ 38,183,282	
FY 2013-14 BUDGET- Revised Adopted	\$ 1,335,428	\$ 23,053,722	\$ 156,624,946	\$ 29,348,868	\$ -	\$ 41,437,110	
From Enterprise Operations	\$ 711,833	\$ 21,238,722	\$ 94,765,225	\$ 10,723,880			
From General Fund Operations/Other		\$ 1,815,000		\$ 11,371,265	\$ 13,694,755	\$ 41,437,110	
From General Fund Subsidy/Advance/Contributions	\$ 623,595	\$ -	\$ 61,659,751	\$ 7,253,363	\$ 19,426,000		
Total Revenues	<u>\$ 1,335,428</u>	<u>\$ 23,053,722</u>	<u>\$ 156,424,976</u>	<u>\$ 29,348,508</u>	<u>\$ 33,120,755</u>	<u>\$ 41,437,110</u>	
Participants FY 2014 Estimates (in millions)							
Auditor General	\$ 1.3	\$ 23.1	\$ 169.5	\$ 28.1	\$ 51.6	\$ 41.4	
-From Enterprise Operations	\$ 0.7	\$ 21.3	\$ 83.5	\$ 10.8	\$ 12.9		
-From General Fund Operations/Other	\$ 0.6	\$ 1.8	\$ 86.0	\$ 10.4	\$ 38.7		
-From General Fund-Parking Advance				\$ 6.9			
Budget	\$ 1.3	\$ 23.0	\$ 170.0	\$ 28.5	\$ 53.0	\$ 38.0	
-From Enterprise Operations	\$ 0.7	\$ 21.2	\$ 90.0	\$ 9.1	\$ 13.3		
-From General Fund Operations/Other	\$ 0.6	\$ 1.8	\$ 80.0	\$ 10.4	\$ 39.8		
-From General Fund-Parking Advance				\$ 9.0			
City Council Legislative (Fiscal Analyst)	\$ 1.3	\$ 24.0	\$ 172.5	\$ 29.2	\$ 54.2	\$ 37.4	
-From Enterprise Operations	\$ 0.7	\$ 22.0	\$ 95.8	\$ 10.3	\$ 13.6		
-From General Fund Operations/Other	\$ 0.6	\$ 2.0	\$ 76.7	\$ 10.9	\$ 40.7		
-From General Fund-Parking Advance				\$ 8.0			
FY 2014-15 Projections (in millions)							
Auditor General	\$ 1.5	\$ 25.4	\$ 168.5	\$ 33.7	\$ 51.1	\$ 40.8	
-From Enterprise Operations	\$ 0.7	\$ 23.4	\$ 81.5	\$ 16.4	\$ 12.8		
-From General Fund Operations/Other	\$ 0.8	\$ 2.0	\$ 87.0	\$ 10.4	\$ 38.3		
-From General Fund-Parking Advance				\$ 6.9			
Budget	\$ 1.5	\$ 24.5	\$ 174.0	\$ 28.5	\$ 53.0	\$ 38.0	
-From Enterprise Operations	\$ 0.8	\$ 22.5	\$ 90.0	\$ 9.1	\$ 13.3		
-From General Fund Operations/Other	\$ 0.7	\$ 2.0	\$ 84.0	\$ 10.4	\$ 39.8		
-From General Fund-Parking Advance				\$ 9.0			
City Council Legislative (Fiscal Analyst)	\$ 1.5	\$ 24.0	\$ 178.5	\$ 29.2	\$ 54.2	\$ 37.4	
-From Enterprise Operations	\$ 0.7	\$ 22.0	\$ 101.8	\$ 10.3	\$ 13.6		
-From General Fund Operations/Other	\$ 0.8	\$ 2.0	\$ 76.7	\$ 10.9	\$ 40.7		
-From General Fund-Parking Advance				\$ 8.0			
FY 2014 Consensus Estimate (in millions)	\$ 1.3	\$ 23.0	\$ 165.0	\$ 27.5	\$ 52.0	\$ 39.0	
-From General Fund Operations/Subsidy	0.8	1.8	80.0	8.0			
FY 2015 Consensus Projection (in millions)	\$ 1.5	\$ 24.5	\$ 165.0	\$ 27.5	\$ 52.0	\$ 39.0	
-From General Fund Operations/Subsidy	0.8	2.0	80.0	8.0			
FY 2016 Consensus Projection (in millions)	\$ 1.5	\$ 25.1	\$ 165.0	\$ 27.5	\$ 52.0	\$ 39.0	
-From General Fund Operations/Subsidy	0.8	2.0	80.0	8.0			

AUDITOR GENERAL								
Revenue Consensus Estimates and Projections								
GENERAL FUND								
	Income Tax	State Revenue Sharing	Wagering Taxes	Current Property Taxes	Utility Users Tax	All Other GF Revenues	GF Total	
FY 2014 Estimate	\$ 253,961,090	\$ 190,223,476	\$ 170,159,164	\$ 110,337,598	\$ 31,347,041	\$ 208,590,295	\$ 964,618,663	
FY 2015 Projection	\$ 260,169,437	\$ 191,301,900	\$ 170,159,164	\$ 101,277,454	\$ 27,836,864	\$ 213,642,364	\$ 964,387,183	
Methodology:								
	In deriving the estimates, the OAG considered data, information, and opinions provided by Michigan State University and City of Detroit personnel experienced with the City's income tax revenue. Both indicated that the City's income tax revenue will increase marginally in both fiscal years.	The FY 2013-14 amount was obtained from the Michigan Department of Treasury's website, based on the Treasury projection as of Jan. 10, 2014. FY 2014-15 is estimated at a 2% increase in the constitutional portion and a 3.6% increase in the portion based sales revenues, over the FY 2013-14 estimate.	The OAG considered Michigan State University's opinion that City will experience a small growth in casino revenue in FY 2013-14 & FY 2014-15 and examined casino revenue data for the last four completed fiscal years.	This estimate was derived by examining collection data for the last four completed fiscal years (2010-2011 through 2012-2013). The most recent change in collection percentage is viewed as the best prediction of percent change in subsequent collections. The OAG included estimated lost revenues due to Bill 402 of 2012, which exempts commercial personal properties valued under \$40,000 from taxation.	In deriving the estimates, the OAG considered opinions of City personnel and Michigan State University. Both expect the City's utility users tax revenue to decline in FY 2013-14 & FY 2014-15. We also examined utility users tax revenue data for the last four completed fiscal years (2009-2010 to 2012-2013). The analysis does not include the impact of PLA as requested data was not received at the time of the analysis.	The OAG estimated Other Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/Finance staff.		
NOTES: OFFICE OF AUDITOR GENERAL								

AUDITOR GENERAL							
Revenue Consensus Estimates and Projection							
GENERAL FUND	OTHER FUNDS						
	Airport	Building & Safety	DDOT	Municipal Parking	Risk Management	Solid Waste	
FY 2014 Estimate	\$ 1,335,428	\$ 23,053,722	\$ 169,532,688	\$ 28,148,868	\$ 51,633,770	\$ 41,437,110	#
FY 2015 Projection	\$ 1,511,833	\$ 25,359,094	\$ 168,532,688	\$ 33,748,868	\$ 51,136,896	\$ 40,818,974	#
Methodology:							
	The OAG estimated Enterprise Fund Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/ Finance staff.	The OAG estimated Enterprise Fund Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/ Finance staff.	The OAG estimated Enterprise Fund Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/ Finance staff.	The OAG estimated Enterprise Fund Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/ Finance staff.		The OAG estimated Enterprise Fund Revenues by analyzing trends and run rates for detailed accounts, and utilized estimates/projections from the Department's Managerial/ Finance staff.	
NOTES: OFFICE OF AUDITOR GENERAL							

BUDGET DEPARTMENT								
Revenue Consensus Estimates and Projections								
GENERAL FUND								
	<u>Income Tax</u>	<u>State Revenue Sharing</u>	<u>Wagering Taxes</u>	<u>Current Property Taxes</u>	<u>Utility Users Tax</u>	<u>All Other GF Revenues</u>	<u>GF Total</u>	
FY 2014 Estimate	\$ 250,000,000	\$ 190,223,476	\$ 170,000,000	\$ 112,100,000	\$ 35,000,000	\$ 198,100,000	\$ 955,423,476	
FY 2015 Projection	\$ 258,000,000	\$ 191,000,000	\$ 170,510,000	\$ 98,000,000	\$ 31,500,000	\$ 195,000,000	\$ 944,010,000	

NOTES: BUDGET DEPARTMENT									
FY 2013 Income Tax Gross Collections	\$ 267,817,163	State of Michigan-Treasury State Revenue							
Income Tax Refunds	19,013,027	Reports							
Net Income Tax Collections	\$ 248,804,136	(a)							
	<u>INCOME TAX</u> Gross Collections through the 1st quarter of FY 2014 is up 6.2% over FY 2013 1st quarter results. 2nd quarter results reflect a 5.9% growth rate. Collection data source is the Income Tax weekly operating reports. This increase continues to reflect an upward trend in income tax collections over the past 4 years. Income Tax Withholding is up 2.3%, Estimated taxes are significantly down by 44% resulting in Net tax collections at October 31 of 1.7% increase over prior year. The MI Senate Fiscal Agency monthly revenue report- November estimates a .01% increase in State income taxes year-to-date; however overall State income tax collections are up 20% due to 2011 changes in the tax laws. Budget FY 2014 estimate reflects a 1% growth rate over FY 2012-13 actual collections. FY 2015 projection includes a 3% growth rate.	<u>STATE REVENUE SHARING</u> The FY 2014 estimate for Revenue Sharing is the amount reported by the State as of the May Revenue Consensus Conference. Budget projection for FY 2015 includes a 2% growth rate on Constitutional only. No growth rate projected for Statutory as amount is subject to State appropriation.	<u>WAGERING TAXES</u> Wagering Tax estimates recognizes downward pressure on revenues resulting from the opening of 4 casinos in Ohio by year-end 2013. Although Detroit's casino revenues have not declined to levels previously speculated by some, we do expect continued negative pressure on revenues in FY 2014. We estimate a (1.6%) growth rate in FY 2014 and (2%) growth rate for FY 2015.	<u>PROPERTY TAXES-CURRENT</u> Finance- Treasury Dept Settlement Report for October 2013 indicates collection activity on pace with the previous fiscal year. It is difficult to estimate property tax collections at this point in the fiscal year due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment. Preliminary discussions on the Ad Valorem valuations for FY 2014 and beyond indicates a continued decline in taxable values due to market study adjustments to values; increased Wayne County auction activity resulting in increased chargeback action.	<u>UTILITY USERS TAXES</u> UTT revenues as mandated by Emergency Manager Order # 14 are processed by a Trustee-Wilmington Nation Trust. Finance is still waiting for supporting documentation on year-to-date collection activity. Fiscal year-end 2013 collections equalled \$36.9 million. We estimate for both FY 2013 and FY 2014 a similar collection rate. No growth is projected for this revenue.	<u>OTHER REVENUES</u> Includes revenue collection activity for the city's General Fund Departments.	<u>TOTAL GENERAL FUND REVENUES</u> FY 2013 include \$112,361,241 POC transaction revenue. FY 2014 Revised Adopted Budget eliminated the POC double count presentation.		

	BUDGET DEPARTMENT						
	Revenue Consensus Estimates and Projections						
	OTHER FUNDS						
	<u>Airport</u>	<u>Building & Safety</u>	<u>DDOT</u>	<u>Municipal Parking</u>	<u>Risk Management</u>	<u>Solid Waste</u>	
	\$ 1,334,000	\$ 23,040,000	\$ 170,000,000	\$ 29,348,508	\$ 33,120,755	\$ 38,000,000	
	\$ 1,450,000	\$ 24,500,000	\$ 174,000,000	\$ 28,500,000	\$ 53,000,000	\$ 37,400,000	

NOTES: BUDGET DEPARTMENT					
<p>AIRPORT FUND The FY 2014 Revised Adopted budget includes a General Fund subsidy of \$623,595, an increase of \$348,595 over the prior year. The FY 2013 subsidy was based on the Airport being transferred to an Authority.</p>	<p>BUILDING & SAFETY The FY 2014 Revised Adopted budget include General Fund operations of \$1.8 million for business license revenues. A similar level of revenues is expected from this source for FY 2015 and FY 2016.</p>	<p>DDOT The FY 2014 Revised Adopted budget includes a General Fund subsidy of \$61.7 million, an increase of \$18.7 million</p>	<p>MUNICIPAL PARKING Municipal Parking has both General Fund and Enterprise Fund activity. The Parking Violations Bureau is a General Fund activity and the Auto Parking and Arena System is an Enterprise Activity. In addition, due to bond covenants the General Fund advances the Municipal Parking Department funds for operations that are reimbursed during the fiscal year. For FY 2014 the advance is \$7.3 million.</p>	<p>RISK MANAGEMENT The Risk Management Fund budget consist of a premium payment from the General Fund and DDOT. The General Fund premium payment for FY 2014 was reduced by \$20 million in anticipation of a carryover fund balance of appx. \$30 million from FY 2013.</p>	<p>SOLID WASTE FUND Contract negotiations are under way to out-source the Solid Waste- refuse collection activity to (2) private contractors. This arrangement should begin before the fiscal year 2014 ends. The city will continue to collect the fee from residents and commercial customers and remit payment to the contractor for services provided.</p>

CITY COUNCIL LEGISLATIVE (FISCAL ANALYST)														
Revenue Consensus Estimates and Projections														
GENERAL FUND														
		<u>Income Tax</u>		<u>State Revenue Sharing</u>		<u>Wagering Taxes</u>		<u>Current Property Taxes</u>		<u>Utility Users Tax</u>		<u>All Other GF Revenues</u>		<u>GF Total</u>
FY 2014 Estimate	\$	243,000,000 (A)	\$	190,223,476	\$	171,000,000	\$	108,200,000	\$	30,800,000 (B)	\$	202,500,000 (C)	\$	945,723,476
FY 2015 Projection	\$	248,000,000 (B)	\$	194,000,000	\$	162,400,000	\$	99,600,000	\$	29,200,000 (B)	\$	205,000,000 (C)	\$	938,200,000
NOTES: CITY COUNCIL LEGISLATIVE (FISCAL ANALYST)														
		<u>Income Tax</u>								<u>Utility Users Tax</u>		<u>All Other GF Revenues</u>		
												Include Sale of Property		
Gross		253,000,000 (A)								30,800,000 (B)		FY 2014		
Ref/Int		18,000,000								12,500,000		\$5,300,000 (C)		
		235,000,000								18,300,000				
Gross		258,000,000 (B)								29,200,000 (B)		FY 2015		
Ref/Int		18,000,000								12,500,000		\$5,300,000 (C)		
		240,000,000								16,700,000				
		2% growth on gross		State website for 2014 and 2% growth		5% lower could be as much as 10%		8% lower based on assessment adjustment				Flat		

Exhibit 3

(List of Documents and Other Materials Considered)

No.	Document Description	ProdBeg	ProdEnd
1	Financial Stability Agreement between the State of Michigan and the City of Detroit (April 2012)	POA00213650	POA00213708
2	Memorandum of Understanding regarding the City of Detroit Reform Program (November 2012)	POA00232576	POA00232590
3	2013)	POA00649726	POA00649769
4	Emergency Manager's Financial and Operating Plan slidedeck (June 2013)	POA00231448	POA00231468
5	City of Detroit's Proposal for Creditors (June 2013)	POA00215882	POA00216015
6	Quarterly Report of the Emergency Manager for the Period April 2013 - June 2013 (July 2013)	POA00111033	POA00111044
7	Emergency Manager's Report (September 2013)	POA00165156	POA00165283
8	Revenue Forecast Memorandum for the Revenue Consensus Conference Prepared by Dr. Scorsone of Michigan State University (October 2013)	POA00002057	POA00002059
9	Income Tax Division's Outstanding Accounts Receivable (October 2013)	POA00676470	POA00676470
10	Quarterly Report of the Emergency Manager for the Period July 2013 - September 2013 (October 2013)	POA00706415	POA00706427
11	City of Detroit Treasury Division's Operational Recommendations (November 2013)	POA00261020	POA00261052
12	Emergency Manager's Operational Restructuring Summary for the Detroit Police Department and Detroit Fire Department (November 2013)	POA00011329	POA00011367
13	Emergency Manager's Operational Restructuring Summary (November 2013)	POA00011368	POA00011495
14	Emergency Manager's Public Lighting Department Update (November 2013)	POA00043902	POA00043916
15	Human Resources Department Technology Assessment (December 2013)	POA00261089	POA00261133
16	Quarterly Report of the Emergency Manager for the Period September 2013 - November 2013 (December 2013)	POA00297491	POA00297543
17	Quarterly Report of the Emergency Manager for the Period October 2013 - December (January 2014)	POA00109594	POA00109608
18	36th District Court Internal Control Procedures Evaluation (February 2014)	POA00105533	POA00105549
19	Financial Advisory Board Mid-Month Report (February 2014)	POA00002053	POA00002053
20	Comparison of Assumptions Underlying the Revenue Consensus and the Plan of Adjustment (February 2014)	POA00002054	POA00002056
21	2014)	POA00002061	POA00002073
22	Graphs Depicting the Results of the Revenue Consensus Conference (February 2014)	POA00002074	POA00002077
23	2014)	POA00002042	POA00002052
24	Draft 10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Potential Deferral Schedule (February 2014)	POA00369548	POA00369548
25	Financial Advisory Board Finance Subcommittee Meeting Agenda (February 2014)	POA00002060	POA00002060
26	Revenue Consensus Conference Report (March 2014)	POA00318653	POA00318667
27	Quarterly Report of the Emergency Manager for the Period December 2013 - February 2014 (March 2014)	POA00296194	POA00296251
28	Quarterly Report of the Emergency Manager for the Period January 2014 - March 2014 (April 2014)	POA00700417	POA00700433
29	Casino Revenue Summary for the Period July 2007 - June 2008 (May 2014)	POA00261080	POA00261080

No.	Document Description	ProdBeg	ProdEnd
30	Casino Revenue Summary for the Period July 2008 - June 2009 (May 2014)	POA00261081	POA00261081
31	Casino Revenue Summary for the Period July 2009 - June 2010 (May 2014)	POA00261082	POA00261082
32	Casino Revenue Summary for the Period July 2010 - June 2011 (May 2014)	POA00261083	POA00261083
33	Casino Revenue Summary for the Period July 2011 - June 2012 (May 2014)	POA00261084	POA00261084
34	Casino Revenue Summary for the Period July 2012 - June 2013 (May 2014)	POA00261085	POA00261085
35	Casino Revenue Summary for the Period July 2013 - June 2014 (May 2014)	POA00261086	POA00261086
36	Incremental Headcount for the Budget, Finance, and ITS Departments (May 2014)	POA00261087	POA00261087
37	Collection of Department Memoranda to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261401	POA00261422
38	Municipal Parking Department Memorandum to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261396	POA00261400
39	Department of Health Memorandum to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261353	POA00261353
40	Updated Schedule of Department Memoranda to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261434	POA00261434
41	Fire Department Memorandum to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261563	POA00261564
42	Buildings, Safety Engineering & Environmental Department Memorandum to Mayor Duggan on the Plan of Adjustment	POA00261559	POA00261560
43	Department of Administrative Hearings Memorandum to Mayor Duggan on the Plan of Adjustment (May 2014)	POA00261561	POA00261562
44	Draft FSA Report of General Fund Budget-to-Actual Revenues and Expenditures for the Year-to-Date Ended March 31, 2014	POA00700435	POA00700435
45	Draft Report of General Fund Budget-to-Actual Revenues and Expenditures for the Year-to-Date Ended March 31, 2014 (May	POA00700434	POA00700434
46	Narrative Analysis of the Report of General Fund Budget-to-Actual Revenues and Expenditures for the Year-to-Date Ended March 31, 2014 (May 2014)	POA00700410	POA00700415
47	Comparison of the Plan of Adjustment and Budget for Fiscal Year 2015 (May 2014)	POA00369566	POA00369566
48	Draft 2013 Comprehensive Annual Financial Report - Version 1 (June 2014)	POA00531266	POA00531512
49	Project Tracking List for the Office of the CFO (June 2014)	POA00700416	POA00700416
50	General Fund Actual Cash Flow for Fiscal Years 2012 and 2013 (June 2014)	POA00369547	POA00369547
51	Summary of Restructuring Projects for Fiscal Years 2015 - 2017 (June 2014)	POA00539288	POA00539290
52	Comparison of the Plan of Adjustment and Budget for Fiscal Years 2015 - 2017 (June 2014)	POA00556121	POA00556123
53	Short Biography of John Hill (June 2014)	POA00706870	POA00706870
54	Emergency Manager Order No. 27 Establishing Grants Management Department (June 2014)	POA007066871	POA00706873
55	10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Bridge (June 2014)	POA00706448	POA00706448
56	2014)	POA00706601	POA00706602
57	Cost Savings by Fiscal Year - Version 1 (July 2014)	POA00706882	POA00706884
58	Cost Savings by Fiscal Year - Version 2 (July 2014)	POA00706885	POA00706887

No.	Document Description	ProdBeg	ProdEnd
59	Revenue Initiatives by Fiscal Year (July 2014)	POA00706888	POA00706889
60	36th District Court General Fund Plan of Adjustment versus Triennial Budget and Court-Generated Revenue Comparison	POA00706868	POA00706869
61	City of Detroit 2012 Comprehensive Annual Financial Report (June 2012)	POA00664324	POA00664568
62	Draft 2013 Comprehensive Annual Financial Report - Version 2 (June 2014)	pending	pending
63	Reports regarding the creation of the Grants Management Office and the status of its creation	pending	pending
64	Audit reports related to the City's Grant Management program from various sources	pending	pending

Exhibit 4

(C.V. of Mr. John Hill)

John W. Hill

Short Bio

Updated June 2014

John W. Hill is the Founder and Chief Executive Officer of JHill Group, a limited liability consulting corporation formed in late 2012. Since November of 2013 Mr. Hill has served as Chief Financial Officer for the City of Detroit working with the state appointed Emergency Manager. Mr. Hill has more than three decades of experience in financial management, organizational design and development, and strategic business planning. Mr. Hill has a proven track record leading high-performing organizations across diverse industries, comprising government, non-profit and for-profit entities. In addition to currently leading his independent consulting practice and serving as CFO for the city of Detroit Michigan, Mr. Hill served for eight years as Chief Executive Officer of The Federal City Council, a not-for-profit, non-partisan organization dedicated to the improvement of Washington, DC. Mr. Hill also previously served as the Chief Executive Officer of In2Books, Inc., a Partner with Andersen, LLP, Executive Director of the DC Financial Control Board and as Director of Audits in Marriott Corporation's Internal Audit Division, among other financial leadership positions.

Mr. Hill was elected to the Board of CoStar Group, Inc. in 2012 where he now serves as Chairman of the Audit Committee. Mr. Hill also serves as a Trustee of Chesapeake Lodging Trust Corporation where he chairs the Compensation Committee, is a member of the Audit Committee and a member of the Trustees Committee. Previously, Mr. Hill served on the Board of Directors and was a member of the Audit and Compensation Committees for Highland Hospitality, Inc. He also has served in board leadership positions with a number of public government-related and non-profit organizations in the Washington, DC region including currently serving as President of the Board of the National Minority Aids Council, President of the DC Public Library Board of Trustees and Treasurer of the DC Shakespeare Theatre Board of Trustees.

John W. Hill
1515 O ST NW #404
Washington, DC 20005
Cell: (202) 255-5641 Email: jhill@jhillgroup.com

Summary of Professional Expertise
Profit, Government, and Non-profit Organization Leadership

Successful leader of high-performing organizations across diverse industries. Builder of strong and lasting professional relationships at the CEO and COO levels. Change agent in government, non-profit and for profit organizations. Strong financial audit, financial reporting, communications, strategy, negotiation and consensus building skills. Results oriented. Areas of expertise:

Executive Level Decision Making
Financial Management and Reporting
Performance Management
Organizational Design & Development
Government Operations

Strategic Business Planning
Organizational Stability
Change Leadership
Reengineering & Continuous Improvement
Congressional Oversight

PROFESSIONAL EXPERIENCE:

J Hill Group
Founder & CEO

September 2012- Present

Recently begun a consulting practice specializing in financially distressed cities, financial management and report and performance management. Considered an expert on government operations and able to provide a wide range of management assistance in the areas of organizational structure, financial management and budget, reengineering and systems development to a variety of clients. Specializing in corporate and board governance issues. An active member of the board of directors of two public companies and seeking opportunities to serve in similar capacities on other public company boards; currently serving on the audit committee and designated as an outside financial expert and chairing the compensation committee.

Federal City Council
Chief Executive Officer

August 2004 - August 2012

Led this 58 year old non-profit, non-partisan organization dedicated to the improvement of the Nation's Capital. The Federal City Council is composed of and financed by over 200 top business, professional, educational, and civic leaders. The Council focuses on major problems facing the Nation's Capital by providing the professional expertise of its members and working with other civic and government leaders at all levels of government to address fundamental structural improvements in the City's economic, physical, and social welfare systems. As CEO, responsible for developing and maintaining relationships with members (CEO's of Major Companies) to support the planning and execution of the Council's work plan, working directly with elected and appointed city leadership and setting a course for the council to follow over the next decade. Successfully completed the 2011 strategic planning effort that resulted in a the first new strategic plan in 10 years, new governance structure, and a focus on membership engagement on issues of greatest importance to the District of Columbia.

In2Books, Inc., Washington DC
Chief Executive Officer

July 2002 - July 2004

Led this innovative 501(c) (3) which is a comprehensive literacy program that directly aligns with the literacy requirements of federal legislation, emphasizing higher level thinking, reading, and writing in authentic literacy contexts, through a combination of intriguing books, suggested complementary classroom literacy activities, correspondence between the children and adult volunteer pen pals, and embedded quality professional development for teachers. Organization operated as a start-up with structure similar to for profit venture. Led organization to meet requirement for contributions from the public to meet IRS public support test. Significantly reduced turnover among organization's staff. Doubled size of the program to 5,000 students, 300 teachers and 2,000 corporate pen pals. Implemented new organization to meet the ever-changing needs of In2Books for highly skilled employees. Interfaced with corporation, local government and other non profit official to enable In2Books to expand its service. Successfully implemented pilot program in first city outside of the District of Columbia. Built national infrastructure to support rapid expansion to other cities.

Andersen, LLP, Washington, DC
Partner-in-Charge, National State and Local
Government Practice
Office of Government Services

May 1999 - June 2002

Admitted to Partnership September 1, 2000. Led the National State and Local Government Services Industry Team. Also headed the Finance and Business solutions vertical for Federal and State and Local Governments. Considered an expert on state and local government operations and was called upon by other partners in the firm to assist with their engagements. Provided a wide range of management assistance in the areas of organizational structure, financial management and budget, reengineering and systems development to clients at the federal, state, and local levels of government, including universities and colleges.

District of Columbia Financial Responsibility and
Management Assistance Authority (Financial Control Board)
Executive Director

June 1995 - May 1999

Served as Executive Director for the DC Financial Control Board. The Congress of the United States established the DC Control Board in 1995 to return the District of Columbia to fiscal solvency, regain access to the credit markets, implement new financial and management systems, improved the delivery of services to the residents, businesses and visitors, and recommend changes to the relationship between the District and the Federal Government.

Responsible for working closely with presidentially appointed control board members on developing and implementing the Board's strategic plan, supervising the day-to-day activities of the Board and its staff and working closely with Congress and District Officials to accomplish the goals of the Act that created the Board. Provided the interface with the financial markets on "Wall Street" to renegotiate debt and later provide additional capital. Reviewed and approved all financial disclosure statements in conjunction with open market borrowing. Due to the District's inability to initially gain the results required, the control board assumed management of the DC Public Schools and the Metropolitan Police Department. In August 1997 Congress required the Control Board to perform comprehensive management reform reviews of the other (nine) largest agencies and four cross-government functions (Information Technology, Personnel, Procurement, Asset Management) as well as day-to-day operations of the respective agencies. As a result of the actions the District made substantial progress toward regaining its financial security and improving service delivery. The District balanced its budget for four consecutive years earlier than the Act required which led to the early retirement of the Control Board and was able to access the credit markets at investment grade ratings. Improvements were achieved in budgeting, financial reporting, performance measurement, relationships with federal government, performance standards for District employees, and the elimination of thousands of unneeded positions.

United States General Accounting Office
Senior Executive Service
Director, Financial Analysis and Audit Assistance Group

Nov 1985 - June 1995

Directed a group created to provide assistance to federal agency Chief Financial Officers in their implementation of the Chief Financial Officers Act. In this capacity, worked directly with agency chief financial officers and their staffs to help them understand and implement the requirements of the Act. GAO's chief witness before the Congress on all matters relating to the review of the District Government's finances. Regularly met with Congresspersons and their staffs to explain the financial issues facing the District. Contributed to the creation of the DC Financial Control Board. Earlier in 10-year career with GAO, served as the Associate Director for Food and Agriculture Issues. Directed the first financial statement audits of any major federal agency (General Services Administration, the US Department of Agriculture, and the Veterans' Administration). In addition, served as Associate Director for Transportation Issues. Frequently testified before the U.S. Congress on Agriculture and Transportation Issues.

Coopers & Lybrand, LLP, Baltimore, MD
General Practice Manager

1983 - 1985

Planned, organized and administered the audits of engagements for both SEC registrants and non-public companies. Specialized in auditing companies in the financial services and manufacturing industries.

Marriott Corporation, Bethesda, MD
Corporate Internal Audit
Director of Audits

1981 - 1983

Directed all of Marriott's internal audit activities of its worldwide hotel and cruise ship business lines. These audits were done at the unit, regional, and corporate levels, including both domestic and international activities. Directed training program for Corporate Internal Audit Group. Created a new approach to audits of hotels called the business approach to auditing which saved the company millions of dollars in its first year of implementation.

Price Waterhouse & Co., Washington, DC
Audit Manager

1978 - 1981

Coordinated various audit engagements for both profit and not-for-profit organizations. Specializing in international organizations, and non-profits.

Coopers & Lybrand, LLP, Baltimore, MD
Audit Supervisor

1976 - 1978

Coordinated various audit engagements for both SEC registrants and non-public companies specializing in banking, brokerage and insurance industry as well as manufacturing.

BOARD APPOINTMENTS:

Public Companies

- Chesapeake Lodging Trust, Independent Trustee, Chairman Compensation Committee, member of audit committee
- Highland Hospitality Inc, Past Independent Trustee, member of audit committee and compensation committee

Government Related Entities

- DC Community College Independence Task Force, Member
- DC Public Library Board of Trustees, President
- DC CFO's Audit Advisory Committee, Member
- DC Children and Youth Investment Trust Corporation, Past Chairman
- Mayor's Blue Ribbon Commission to Revitalize DC Public Library, Past Vice Chairman
- Past service on Mayor's Blue Ribbon Commission on Child Safety and Juvenile Justice and past chair of Mayor's Blue Ribbon Commission to Review the Sports Commission.

Not For Profit Organizations

- DC Shakespeare Theatre Board, Treasurer and Chairman of Finance Committee
- National Minority Aids Council, Chairman
- Step Afrika! Board, Member

EDUCATION: **B.S. Accounting**
University of Maryland, College Park, MD

PREVIOUS

PROFESSIONAL

CERTIFICATION: **Certified Public Accountant (CPA), Certified Government Financial Manager (CGFM)**

Exhibit 6B

Excerpts of July 18, 2014 J. Hill Deposition Transcript

Page 1

1 JOHN W. HILL
 2 UNITED STATES BANKRUPTCY COURT
 3 FOR THE EASTERN DISTRICT OF MICHIGAN
 4 - - -
 5 In Re:) Chapter 9
 6
 7 City of Detroit, Michigan,)
 8
 9 Debtor.) Hon. Steven Rhodes
 10 _____
 11
 12
 13 The Videotaped deposition of JOHN W. HILL
 14 Taken at 51 Louisiana Avenue, N.W.,
 15 Washington, D.C.
 16 Commencing at 9:03 a.m.
 17 Friday, July 18, 2014
 18 Before: Gail L. Inghram Verbano
 19 Registered Diplomat Reporter,
 20 Certified Realtime Reporter,
 21 Certified Shorthand Reporter-CA (No. 8635)
 22
 23
 24
 25

Page 3

1 JOHN W. HILL
 2 DAN BARNOWSKI, ESQ.
 3 DENTONS US, LLP
 4 1301 K Street, N.W.
 5 Suite 600, East Tower
 6 Washington, D.C. 20005
 7 Appearing on behalf of the Retiree Committee.
 8
 9
 10
 11 DOUGLAS SMITH, ESQ.
 12 KIRKLAND & ELLIS, LLP
 13 300 North LaSalle
 14 Chicago, Illinois 60654
 15 Appearing on behalf of Syncora Guarantee, Inc.,
 16 and Syncora Capital Assurance, Inc.
 17
 18
 19
 20
 21
 22
 23
 24
 25

Page 2

1 JOHN W. HILL
 2 APPEARANCES:
 3
 4 FRANK J. GUADAGNINO, ESQ.
 5 CLARK HILL, PLC
 6 301 Grant Street, 14th Floor
 7 Pittsburgh, PA 15219
 8 Appearing on behalf of the Retirement Systems
 9 for the City of Detroit.
 10
 11
 12
 13 GEOFFREY S. STEWART, ESQ.,
 14 DAN T. MOSS, ESQ.,
 15 BENJAMIN FRIEDMAN, ESQ.
 16 JONES DAY
 17 51 Louisiana Avenue, Northwest
 18 Washington, D.C. 20001
 19 Appearing on behalf of the Debtor and the Witness.
 20
 21
 22
 23
 24
 25

Page 4

1 JOHN W. HILL
 2 MICHAEL BHARGAVA, ESQ.,
 3 ANA VUCETIC (Law Clerk),
 4 MOLLY FEIDEN (law Clerk)
 5 CHADBOURNE & PARKE, LLP
 6 1200 New Hampshire Avenue, NW
 7 Washington, D.C. 20036
 8 Appearing on behalf of Creditor Assured
 9 Guaranty.
 10
 11
 12
 13 TELEPHONIC APPEARANCES:
 14
 15
 16 BRENDA L. FUNK, ESQ.
 17 WEIL, GOTSHAL & MANGES, LLP
 18 700 Louisiana, Suite 1700
 19 Houston, Texas 77002
 20 Appearing on behalf of Financial Guaranty
 21 Insurance Company.
 22
 23
 24
 25

1 **JOHN W. HILL**
2 **actually being sued.**
3 Q. Okay.
4 You know that I'm going to ask you a
5 series of questions today. Do you have that
6 understanding?
7 **A. Yes, I have that understanding.**
8 Q. And you'll let me know if you don't
9 understand any of my questions?
10 **A. Absolutely.**
11 Q. And you can take a break at any time.
12 You know that; right?
13 **A. Yes, I do.**
14 Q. Okay. Could you state your current
15 position for the record.
16 **A. I am the CFO of the City of Detroit.**
17 Q. And how long have you been in that
18 position?
19 **A. Since the end of November.**
20 Q. Have you had any involvement in this
21 case so far other than preparing an expert report
22 and appearing for a deposition yesterday?
23 **A. I'm not sure what you mean by**
24 **"involvement."**
25 Q. Have you been at any of the hearings in

1 JOHN W. HILL
2 the case?
3 **A. No, I have not.**
4 Q. Have you submitted anything to the Court
5 in the case, like an affidavit or anything like
6 that?
7 **A. I have not.**
8 Q. Have you read -- reviewed any
9 depositions that have been given in this case, of
10 other people?
11 **A. No, I have not.**
12 Q. Have you had discussions with anyone to
13 prepare your expert opinions that are in the
14 expert report you submitted?
15 **A. With my attorneys, yes.**
16 Q. Are those the only people that you've
17 talked to to prepare your expert opinions?
18 **A. No. They're not -- there are -- there**
19 **are other people.**
20 Q. Who are the other people?
21 **A. My staff, members of my staff. And**
22 **representatives from DWSD. I've had conversations**
23 **with Nicolette Bateson. But other than that, no.**
24 Q. Okay. You filed an expert report where
25 you talked about the consensus revenue

1 JOHN W. HILL
2 projections; is that correct?
3 **A. Yes, that's correct.**
4 Q. I take it you've never been an expert in
5 litigation before; is that correct?
6 **A. I have not.**
7 Q. What's your understanding of what being
8 an expert in litigation entails, if you have one?
9 **A. My understanding, you want me to define**
10 **what "expert" means?**
11 Q. What do you understand your role as an
12 expert to be in this case?
13 **A. Well, first and foremost, my role in**
14 **this case is to tell the truth of the things that**
15 **I know, which, of course, I will do. And I**
16 **understand that there are specific aspects of this**
17 **case that relate to other experiences that I've**
18 **had and -- so as to bring all of my knowledge**
19 **about those other experiences and the current**
20 **situation in Detroit to bear to answer questions.**
21 Q. And what other experiences are those
22 that you're relying on?
23 **A. I was the executive director of the**
24 **Control Board that oversaw Washington, D.C.,**
25 **during its financial crisis. And also prior to**

1 **JOHN W. HILL**
2 **that, I was GAO's chief witness before the**
3 **Congress on issues related to the review of the**
4 **District's financial crisis; and other financial**
5 **expertise.**
6 Q. And the District of Columbia was in a
7 financial crisis; correct?
8 **A. Yes, it was.**
9 Q. And you were one of the people that
10 helped the District respond to the financial
11 crisis; is that correct?
12 **A. Yes, that's correct.**
13 Q. And the GAO testimony, is that -- was
14 that before Congress or was that someplace else?
15 **A. That was before Congress.**
16 Q. Can you explain to me what methodology
17 you used in developing the expert opinions that
18 are in your report. How did you go about doing
19 it?
20 **A. It's a kind of -- it's a vague question,**
21 **because each individual item in the report would**
22 **have had a different series of -- so I don't**
23 **really understand -- understand the question.**
24 Q. Okay. How did go about putting together
25 your expert report, if you can tell me that.

1 JOHN W. HILL
 2 **A. I can tell you in general how I went**
 3 **about doing it. Is that --**
 4 Q. That would be good.
 5 **A. Certainly reviewing certain documents**
 6 **associated with the issues that were laid out in**
 7 **the expert report and calling upon my experiences**
 8 **that I've had in the past and how similar**
 9 **situations may have been dealt with in those**
 10 **experiences.**
 11 Q. You know the City has other experts in
 12 this case; correct? Are you aware of that?
 13 **A. I'm aware that the City has other**
 14 **experts.**
 15 Q. Have you reviewed any of the City's
 16 other experts' reports?
 17 **A. Yes, I have.**
 18 Q. Whose reports have you reviewed?
 19 **A. I have read the reports from E&Y and**
 20 **Conway, and -- those are the ones that come to**
 21 **mind.**
 22 Q. Would it be fair to say that you're an
 23 expert in basically talking about your experience
 24 with responding to fiscal distress? Or how would
 25 you characterize your expertise?

1 JOHN W. HILL
 2 MR. STEWART: Objection.
 3 THE WITNESS: Which question do you want
 4 me to answer?
 5 BY MR. SMITH:
 6 Q. How would you characterize your --
 7 you're being offered as an expert, and there are
 8 other experts in the case. And I'm trying to
 9 figure out how you fit in, you know, in the case
 10 compared to the other experts. And so what I'd
 11 like to understand is, What is your expertise that
 12 you're offering compared to other experts that
 13 might be in this case?
 14 **A. I can -- I'll list the -- there are a**
 15 **number of items that I feel that I have expertise**
 16 **in. One would be certainly responding to**
 17 **distressed cities. Because of the experience with**
 18 **the District of Columbia, that was -- so I would**
 19 **say responding to distressed cities.**
 20 **Another would be the audit expertise**
 21 **that I have from various audits of both government**
 22 **and corporate entities, so financial accounting**
 23 **and also financial management.**
 24 Q. Are you holding yourself out as an
 25 expert on health benefits?

1 JOHN W. HILL
 2 **A. No, I'm not.**
 3 Q. Are you holding yourself out as an
 4 expert on blight reduction?
 5 **A. No, I'm not.**
 6 Q. Are you holding yourself out as an
 7 expert on tax policy?
 8 **A. No, I'm not.**
 9 Q. Are you holding yourself out as an
 10 expert on art valuation?
 11 **A. No, I'm not.**
 12 Q. Are you holding yourself out as an
 13 expert on pensions?
 14 **A. No.**
 15 Q. Are you holding yourself out as an
 16 expert on casinos or wagering revenue?
 17 **A. Not as an expert, no.**
 18 Q. Are you holding yourself out as an
 19 expert on economics?
 20 **A. No.**
 21 Q. Are you holding yourself out as an
 22 expert on information technology?
 23 **A. No.**
 24 Q. Are you holding yourself out as an
 25 expert in transportation systems?

1 JOHN W. HILL
 2 **A. No.**
 3 Q. Are you holding yourself out as an
 4 expert on government grants?
 5 **A. I do have knowledge on government**
 6 **grants.**
 7 Q. And do you have experience applying for
 8 grants for a city with various entities, such as
 9 the federal government?
 10 **A. Yes. I have been involved in that**
 11 **process.**
 12 Q. Are you holding yourself out as an
 13 expert on state revenue sharing?
 14 **A. Not as an expert, no.**
 15 Q. Have you ever done forecasting for a
 16 city?
 17 **A. Yes, I have done.**
 18 Q. And was that the District of Columbia?
 19 **A. Yes.**
 20 Q. Did you personally put together the --
 21 or you or your staff, the consensus revenue
 22 forecasts that you discuss in your report; or was
 23 that somebody else that put together those
 24 forecasts?
 25 **A. That was our staff, my staff.**

1 **JOHN W. HILL**
2 Q. Are you holding yourself out as an
3 expert on restructuring?
4 **A. Can you --**
5 Q. I'll -- are you holding yourself out as
6 an expert on Chapter 9 bankruptcy?
7 **A. No.**
8 Q. And in your work for cities, have you
9 ever been involved with a city that was in
10 Chapter 9 bankruptcy?
11 **A. Other than Detroit?**
12 Q. Yeah.
13 **A. No.**
14 Q. And I take it you're not a lawyer, are
15 you?
16 **A. I'm not a lawyer.**
17 Q. You're not holding yourself out as a
18 legal expert?
19 **A. No, I'm not.**
20 Q. Have you ever had to forecast municipal
21 population levels before?
22 **A. No, I have not.**
23 Q. Have you ever forecast inflation rates
24 before?
25 **A. No.**

1 **JOHN W. HILL**
2 Q. Have you done any economic forecasting?
3 **A. Not me personally, no.**
4 Q. Have you ever forecast wage growth
5 rates?
6 **A. No.**
7 Q. Have you ever forecast income tax rates
8 or other tax rates?
9 **A. Forecast income tax rates?**
10 Q. Well, why don't I --
11 **A. The rates are set.**
12 Q. Okay. Why don't I ask another question.
13 Have you ever forecast tax revenues
14 before?
15 **A. Yes.**
16 Q. And was that at the City of -- the
17 District of Columbia?
18 **A. Yes.**
19 Q. Do you personally do the tax forecasting
20 for the City of Detroit?
21 **A. Personally, no.**
22 Q. Have you ever forecast wagering tax
23 revenues?
24 **A. Outside of the City of Detroit?**
25 Q. Yeah.

1 JOHN W. HILL
2 **A. No.**
3 Q. Do you agree that the wagering tax
4 revenues depend on a number of factors, such as
5 the level of gambling or the level of revenue from
6 the casinos and the wagering tax rate?
7 **A. I know that there are a number of**
8 **factors that go into forecasting wagering taxes.**
9 Q. And are there also a number of factors
10 that determine income tax revenues?
11 **A. Yes, there are a number of factors.**
12 Q. And are there a number of factors that
13 determine the tax revenues from all the taxes that
14 the City of Detroit collects?
15 **A. Yes.**
16 Q. How did you come about being the CFO for
17 Detroit?
18 **A. The previous CFO resigned abruptly. And**
19 **I had known Kevyn Orr from other -- from work that**
20 **I was doing in Detroit before becoming CFO. And**
21 **he knew of my background with the Control Board in**
22 **D.C. and asked me if I would serve as CFO for the**
23 **remainder of his tenure.**
24 Q. How did you know Kevyn Orr? Or what was
25 the work that you -- that brought you together in

1 JOHN W. HILL
2 D.C.?
3 **A. I didn't know Kevyn Orr in D.C. I knew**
4 **him -- I knew of him, but I did not know Kevyn Orr**
5 **in D.C. I didn't actually meet Kevyn Orr until I**
6 **came to Detroit.**
7 Q. Okay. So Kevyn Orr knew of your work in
8 D.C., and that's how he knew to contact you for
9 the CFO job? Is that --
10 **A. That's not accurate.**
11 Q. Maybe you can explain to me again what
12 exactly -- how was it -- the relationship, I'm
13 just trying to get at. It sounds like you didn't
14 know Kevyn Orr before you met him recently --
15 **A. Yeah.**
16 Q. -- is that right?
17 **A. I did know Kevyn Orr before I came to**
18 **Detroit. But I came to Detroit to do a project on**
19 **Grants Management that was funded by a foundation,**
20 **and that -- Kevyn Orr's office was actually**
21 **involved in overseeing that contract.**
22 **And so that's where I met him. But he**
23 **knew of my reputation from Washington, D.C.**
24 Q. What organization was that you were
25 working for?

1 JOHN W. HILL
 2 "agent" for me. But he was appointed by the
 3 Governor.
 4 BY MR. SMITH:
 5 Q. Does the emergency manager report to the
 6 State on an ongoing basis?
 7 **A. Yes.**
 8 Q. And do you report to the emergency
 9 manager?
 10 **A. I have a dual reporting.**
 11 Q. And do you report to the emergency
 12 manager and the Mayor?
 13 **A. Yes.**
 14 Q. And who do you -- who do you interact
 15 with more frequently, the emergency manager or the
 16 Mayor?
 17 **A. You mean directly, person to person?**
 18 Q. Yes.
 19 **A. The Mayor now. Early on, it was the**
 20 **emergency manager.**
 21 Q. And why has that changed?
 22 **A. For a number of reasons. One, the -- I**
 23 **am seen as a member of the Mayor's cabinet, so**
 24 **every cabinet meeting every Wednesday I'm in the**
 25 **Mayor's office. I have -- I have one, one meeting**

1 JOHN W. HILL
 2 a week, staff meeting with Kevyn Orr, and then
 3 email conversations.
 4 **It's -- we're moving into implementation**
 5 **of the Plan of Adjustment, and so there are**
 6 **operational considerations that I need to have**
 7 **discussions with the Mayor about.**
 8 Q. Were you appointed to the CFO position
 9 in November 2013?
 10 **A. Yes.**
 11 Q. What were you told about what you were
 12 supposed to be doing when you came into that
 13 position?
 14 **A. There were a number of different charges**
 15 **that were given to me. One was to restructure the**
 16 **financial operations; two, implement a financial**
 17 **management system was high on the list; make sure**
 18 **that the grants management process was**
 19 **implemented. And there were a number of other**
 20 **items that I was told.**
 21 Q. Would it be fair to say that when you
 22 arrived, the City's financial operations had been
 23 in poor shape?
 24 **A. There were issues.**
 25 Q. And what were the -- I mean, are there

1 JOHN W. HILL
 2 still -- there's still ongoing issues with the
 3 City's collection of financial data; is that
 4 correct?
 5 **A. Yes. There's still ongoing issues with**
 6 **the City's financial condition.**
 7 Q. And what are the ongoing problems with
 8 the City's financial data?
 9 MR. STEWART: Financial data?
 10 THE WITNESS: Data?
 11 MR. SMITH: Yes.
 12 MR. STEWART: Okay. Go ahead.
 13 THE WITNESS: That's -- that's pretty
 14 broad. There are different issues with
 15 different types of data.
 16 BY MR. SMITH:
 17 Q. Maybe you can list for me the -- some of
 18 the ongoing problems with the City's financial
 19 data.
 20 **A. You know, one of the chief issues is the**
 21 **City not being able to have the discipline to be**
 22 **able to close its books on a regular basis.**
 23 **That's an issue, because at points there are**
 24 **entries that may not be booked before other**
 25 **activity occurs.**

1 JOHN W. HILL
 2 **So the City is operating on a financial**
 3 **management system that's very old and needs to be**
 4 **replaced. And the processes that the City -- the**
 5 **financial management processes leading up to the**
 6 **input into that system are also very old and need**
 7 **to be replaced. It's very paper driven right now,**
 8 **which takes a lot more time than some of the new**
 9 **systems that are out there that could help**
 10 **alleviate those issues.**
 11 Q. And have problems with the City's
 12 financial data caused the City to delay its CAFR?
 13 **A. No. I don't think that's -- that's not**
 14 **the main reason for the delay of the CAFR.**
 15 Q. What's the reason for the delay of the
 16 CAFR?
 17 **A. The bankruptcy and the continuing**
 18 **subsequent events that are associated with the**
 19 **bankruptcy.**
 20 Q. When do you think -- is there a date by
 21 which the CAFR is supposed to be filed now, or is
 22 there no date for that?
 23 **A. We expect that it should be filed within**
 24 **the next couple of weeks.**
 25 Q. Is there -- has there been a delay in

1 **JOHN W. HILL**
2 **really will depend on preparation for**
3 **confirmation.**
4 **But in general, whether or not the items**
5 **under the plan, that is, the restructuring**
6 **initiatives under the plan, specific restructuring**
7 **initiatives have the funding that's needed within**
8 **the plan in order to be able to have them**
9 **implemented over the time periods that are**
10 **indicated in the plan.**
11 **I would testify to that and would -- as**
12 **you know, the plan does not require any borrowings**
13 **other than the ones that -- the two that are in**
14 **the plan over the first 10 years.**
15 **And so the question is, are the -- are**
16 **the forecasts in the plans of revenues enough for**
17 **the City to operate under the plan and also have**
18 **enough funding to implement the -- the Plan of**
19 **Adjustment items that I'm specifically involved in**
20 **in the plan. So that's --**
21 Q. And do you agree that if inflation
22 increases, it will adversely impact the City's
23 ability to execute the restructuring and
24 reinvestment initiatives?
25 **A. No.**

1 **JOHN W. HILL**
2 Q. Well, if the costs associated with
3 restructuring and reinvestment increased, do you
4 agree that the City's ability to execute the
5 initiatives will be adversely impacted?
6 **A. No. Inflation has two sides to it.**
7 **Inflation could also inflate property values which**
8 **may change the amount of tax revenue. So -- so I**
9 **can't say absolutely that inflation would only**
10 **have an impact on the expenses but not have a**
11 **positive impact on the revenue, so I can't answer**
12 **that.**
13 Q. So future inflation could increase
14 property values; correct?
15 **A. Could increase properties, it could**
16 **increase incomes. So -- so that's why I can't say**
17 **I agree with your statement.**
18 Q. And do you agree that if the City
19 increases wages above the amounts assumed in the
20 current plan that that would adversely impact the
21 City's ability to implement the restructuring and
22 reinvestment initiatives?
23 **A. If you increase wages within the plan,**
24 **you have to find a place to pay for it.**
25 Q. Yeah.

1 **JOHN W. HILL**
2 **A. So all things being equal, increasing**
3 **wages without increasing some revenue source to**
4 **pay for them would, or reduce the number of**
5 **employees, would have a negative impact on the**
6 **plan. Whether that could be offset by other**
7 **things, I don't know.**
8 Q. The -- does the City do revenue or
9 expense forecasting currently?
10 **A. Yes. That was -- that's what the**
11 **consensus report was.**
12 Q. Okay. And the consensus report, does
13 that look at a period of three fiscal years?
14 **A. Yes.**
15 Q. And the consensus report, does it --
16 does it forecast both revenues and expenditures or
17 just revenues?
18 **A. It forecasts revenues.**
19 Q. But not expenditures?
20 **A. Expenditures are not forecasted in the**
21 **revenue forecast.**
22 Q. Okay. Does the City do any forecasting
23 of expenditures?
24 **A. Yes. Its budgets are forecasts of**
25 **expenditures.**

1 **JOHN W. HILL**
2 Q. And are those one-year forecasts?
3 **A. No. Those are three-year budgets.**
4 Q. Okay. So the City -- the forecasting
5 the City does is it does a three-year forecast of
6 revenues and expenditures in its budget, and it
7 does a three-year forecast of revenues in the
8 consensus revenue estimate?
9 **A. That's not accurate. The City does a**
10 **three-year forecast of revenues in its -- in the**
11 **revenue consensus and then uses those revenues in**
12 **its budget and then does a forecast of**
13 **expenditures in the budget against those revenues.**
14 Q. And so the forecast that the City does
15 in the ordinary course of its business are limited
16 to three years; correct?
17 **A. The forecast in the budgets are, but**
18 **there's other forecasting that occurs on -- when**
19 **we look at the impact of certain items over time.**
20 Q. What other forecasting does the City do?
21 **A. There's forecasting that occurs around**
22 **specific projects that we're working on. For**
23 **instance, if the City is considering an**
24 **outsourcing, you would look at a forecast for**
25 **those expenditures, not just over the period of**

1 JOHN W. HILL
 2 projections in the fourth-amended disclosure
 3 statement and then an update in July of those
 4 forecasts. Do you recall that?
 5 **A. Do you want to direct me to a page?**
 6 Q. Well, on Page 2, at the bottom -- let's
 7 see. Let me just check something.
 8 It's actually Page 3, Paragraph 6. Do
 9 you see that you reference some projection
 10 statements as set forth in Exhibit J to the
 11 disclosure statement as updated and then you cited
 12 July 2nd, 2014, update? Do you see that?
 13 **A. Yes.**
 14 Q. Do you have an understanding of what the
 15 difference between the projections in the
 16 disclosure statement and the update in July is?
 17 **A. I know some of the differences. I don't**
 18 **know that I would know all of the differences.**
 19 Q. What differences are you aware of?
 20 **A. There were changes in the July update on**
 21 **the -- on some of the reinvestment initiatives --**
 22 **and I'm blanking on exactly which ones -- but**
 23 **there were changes in those numbers. But beyond**
 24 **that, I really can't say.**
 25 Q. Okay. Would it be fair to say that you

1 JOHN W. HILL
 2 can't explain the details of the Ernst & Young
 3 projections; I'd have to ask Ernst & Young about
 4 that?
 5 **A. Are you answering the question for me?**
 6 Q. Well, I'm wondering if you can explain
 7 the details of the Ernst & Young projections.
 8 **A. No. I generally understand the Ernst &**
 9 **Young projections. I also understand the**
 10 **projections that the -- the finance office did**
 11 **that were compared to the Ernst & Young**
 12 **projections.**
 13 Q. Okay. But can you explain to me the
 14 details of the Ernst & Young projections or their
 15 methodology?
 16 **A. No.**
 17 Q. Do you -- do you know why there were
 18 changes to the reinvestment numbers in the July
 19 update of the Ernst & Young projections?
 20 **A. I know -- I know that there were changes**
 21 **in the update for a number of reasons, certainly**
 22 **to reflect some of the settlements that might have**
 23 **occurred between the previous update and that**
 24 **update.**
 25 **And as you know, the plan has been**

1 **JOHN W. HILL**
 2 **updated a number of times since the initial plan,**
 3 **and so there's continued review of that as time**
 4 **goes on.**
 5 Q. Would it be fair to say you can't
 6 explain all the assumptions in the Ernst & Young
 7 projection?
 8 **A. That's fair.**
 9 Q. The -- do you recognize Mr. Scorsone as
 10 an expert in the -- in his field?
 11 **A. Yes. He's been -- yes.**
 12 Q. The -- if you look over at Page 4 of
 13 your report, at the top, you say that the
 14 conference participants also considered the City's
 15 past revenue trash and collection rates in
 16 addition to comparisons of past actual revenues
 17 versus projections.
 18 Do you see that?
 19 **A. Yes.**
 20 Q. And do you agree it's important to
 21 consider collection rates in doing a projection of
 22 revenues; correct?
 23 **A. Yes, it is important.**
 24 Q. And why is that important to consider
 25 the collection rates and forecasting revenues?

1 JOHN W. HILL
 2 **A. Because collection rates determine --**
 3 **can determine the amount of revenue that is**
 4 **actually taken in to "cash" in the City.**
 5 Q. Okay. The footnote on Page 4, you
 6 mentioned that the revenue conference omitted
 7 non-general fund grant revenues.
 8 Do you see that?
 9 **A. Yes.**
 10 Q. And what exactly was omitted and why?
 11 **A. There are other -- there are other**
 12 **departmental-type revenues that are -- that are**
 13 **shown in the plan that were discussed, but they**
 14 **weren't really projected out in the -- by**
 15 **conference report. So they mostly dealt with the**
 16 **largest categories of revenues in the City's**
 17 **general fund.**
 18 Q. So the consensus revenue estimate didn't
 19 attempt to forecast all of the City's revenues; is
 20 that correct?
 21 **A. It did not. That's correct.**
 22 Q. And there were some other categories
 23 here that were omitted: Unlimited tax, general
 24 bonds, obligation bonds, millage revenues and
 25 proceeds from bond sales. What exactly are those

1 JOHN W. HILL
 2 items?
 3 **A. Those are the millages that might be**
 4 **added potentially in the -- those -- the millage**
 5 **is -- it doesn't include any additional**
 6 **expectation of bond sales in the future. And it**
 7 **doesn't include any millages that would be**
 8 **associated with the sale of bonds. So that's just**
 9 **a declarative sentence.**
 10 Q. I mean, isn't it possible that there
 11 will be bond sales in the future that raise
 12 revenue for the City?
 13 **A. There aren't any in the plan other than**
 14 **the ones that -- that are -- the two that I**
 15 **mentioned. So . . .**
 16 Q. But have there been discussions about
 17 other possible bond sales over the next 10 years
 18 other than what's in the plan?
 19 **A. Certainly, there have been discussions**
 20 **of bonding potentially in conjunction with other**
 21 **activities outside of the general fund.**
 22 **Certainly, water and sewer, which is -- there have**
 23 **been discussions of bond transactions in water and**
 24 **sewer to support capital; so yes, there have been**
 25 **other discussions.**

1 **JOHN W. HILL**
 2 Q. Other than water and sewer, what other
 3 bond sales have been contemplated outside of the
 4 plan?
 5 **A. I don't know of any outside of the plan.**
 6 Q. On Page 5, you reference a -- there's a
 7 document -- there's a City of Detroit comparison
 8 of assumptions, if I can find reference to it.
 9 MR. STEWART: At the very top.
 10 BY MR. SMITH:
 11 Q. At the top. Do you see that reference?
 12 **A. Uh-huh.**
 13 Q. Who prepared that document?
 14 **A. Let me read that whole section.**
 15 Q. Okay.
 16 **A. That was prepared by our -- out budget**
 17 **office.**
 18 Q. Is the budget office under your
 19 supervision, or is that a separate department?
 20 **A. It's under my supervision.**
 21 Q. Okay. The -- Paragraph 8 of your
 22 report, on Page 5, you say that certain of those
 23 restructuring and reinvestment initiatives are
 24 likely to increase the revenues the City receives
 25 in the coming years.

1 JOHN W. HILL
 2 You agree with that statement; correct?
 3 **A. Yes, I do.**
 4 Q. And then you mention some figures here
 5 with a net revenue of over \$250 million.
 6 Do you see that?
 7 **A. Yes.**
 8 Q. Do you know who calculated that value?
 9 **A. It's a -- it's a mathematical**
 10 **calculation from the plan.**
 11 Q. I mean, there are some numbers in here.
 12 Can you explain to me how these revenue numbers
 13 are calculated?
 14 **A. Which revenue numbers?**
 15 Q. Well, the 250 million. It gives
 16 examples, such as 76 million in collections after
 17 approximately 2.8 million in costs.
 18 And then for additional fire marshal
 19 inspections in EMS fleet, 23.5 million after
 20 approximately 10.2 million in costs.
 21 And it list other figures at the bottom
 22 of Page 5 and the top of Page 6.
 23 Do you see that?
 24 **A. Yeah. Those are -- those are coming**
 25 **from the Plan of Adjustment, and they would have**

1 **JOHN W. HILL**
 2 **been calculated by Conway MacKenzie -- because**
 3 **it's in the restructuring part of the Plan of**
 4 **Adjustment.**
 5 Q. Can you explain how the numbers on
 6 Page 5 and 6 of your report were calculated?
 7 **A. I can explain some of the -- some of the**
 8 **factors that are involved in the calculation; but**
 9 **the exact calculation, no.**
 10 Q. For the 36th District Court, there's a
 11 \$76 million figure.
 12 Do you see that?
 13 **A. Yes, I do.**
 14 Q. You know that the Court has hundreds of
 15 millions of dollars that it hasn't collected from
 16 various people; correct?
 17 **A. I know that there are receivables still**
 18 **on the books that are very old.**
 19 Q. And there's hundreds of millions of
 20 dollars of receivables that are still on the books
 21 for the Court; is that correct?
 22 **A. Yes.**
 23 Q. Are you working with the Court to try to
 24 collect the money that's outstanding or not?
 25 **A. My staff and I are working with the**

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1 **JOHN W. HILL**
2 **director.**
3 Q. And one of the risks of the
4 implementation of the plan going forward is to be
5 able to hire the high-quality people you need to
6 implement the plan as contemplated under the plan;
7 is that correct?
8 **A. That is a risk.**
9 Q. And when salaries and wage growth is
10 restricted, that adds to the risk associated with
11 implementation of the plan; is that correct?
12 **A. You'd have to be more specific in terms**
13 **of the positions and -- it's -- yeah.**
14 Q. In order to attract high-quality people,
15 you need to pay them a good salary. Do you agree
16 with that?
17 **A. Not necessarily. I would say we have**
18 **high-quality people in the City who are willing to**
19 **work for less than they might be able to get**
20 **elsewhere. And -- I mean, yeah, there are a**
21 **number of people who are of high quality in the**
22 **City now who are receiving lower-than-market**
23 **wages. So that's why I can't categorically agree**
24 **with that statement.**
25 Q. Do you agree that one of the risks to

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1 JOHN W. HILL
2 implementation of the plan is the constraints the
3 City has on the amount of money it can pay the
4 employees it needs to hire?
5 **A. I think that's a risk -- I've said**
6 **that's a risk to the plan.**
7 Q. Have you agreed to stay at the City for
8 a certain amount of time, or not?
9 **A. Not for a certain amount of time. I've**
10 **told the Mayor that I am interested in staying.**
11 **I've told the Mayor that -- we have not worked out**
12 **the -- any of the specifics around that.**
13 **As you know, there's a new process that**
14 **goes into place after bankruptcy for the hiring of**
15 **the CFO. Has to be appointed by the Mayor,**
16 **confirmed by the Council, and confirmed by the**
17 **Control Board.**
18 **So no one knows the outcome of all of**
19 **those processes.**
20 **So I've expressed to the Mayor my**
21 **interest in continuing to help move Detroit**
22 **forward. I've not said how long that would be or**
23 **the end of his term or whatever --**
24 Q. And right now you don't know whether
25 you'll be the CFO after the bankruptcy or not;

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1 JOHN W. HILL
2 correct?
3 **A. I have no idea. I don't know who the**
4 **CFO would be after the bankruptcy. There's a**
5 **whole process that determines that that hasn't**
6 **occurred yet.**
7 Q. Is that why you have a nonemployment
8 position currently? Or there was some statement
9 in your report about having a contract that's not
10 in a -- is not an employment contract or something
11 like that.
12 **A. Yeah. I have -- I have a personal**
13 **services contract with the emergency manager. And**
14 **the emergency manager could only provide a**
15 **contract for the period of time that the emergency**
16 **manager would expect to be there.**
17 **So since it's under the emergency**
18 **manager's authority, so --**
19 Q. So when Mr. Orr leaves, you have to go
20 unless you get some other arrangement with the
21 City; is that correct?
22 **A. My contract has a termination date, so**
23 **yeah, there has to be some -- there has to be some**
24 **action for me to stay beyond my contract time.**
25 Q. Okay. And do you know when Mr. Orr is

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1 JOHN W. HILL
2 going to leave or not?
3 **A. No idea.**
4 Q. Do you anticipate Mr. Orr will leave
5 this fall sometime?
6 **A. I know what he said. I know he said**
7 **that he would leave sometime this fall. But you**
8 **never know what can happen.**
9 Q. On Page 7 of your report you talk about
10 the accrued pension liabilities.
11 Do you see that section?
12 **A. Uh-huh.**
13 Q. You say you analyzed the financial
14 ability of the City to fund the accrued pension
15 liabilities.
16 What exactly did you do to analyze that?
17 **A. We looked at what the accrued pension**
18 **liabilities would be and then looked at the**
19 **sources that the City would have available to it**
20 **as a function of the plan to satisfy those**
21 **liabilities.**
22 Q. And in the past you're aware that the
23 City has deferred payments to the pension funds;
24 is that correct?
25 **A. Yes.**

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1 JOHN W. HILL
 2 after confirmation; correct?
 3 MR. BARNOWSKI: Object to form.
 4 **A. As I've said before, any expenditure in**
 5 **the plan could come in greater than was**
 6 **anticipated in the plan. That's the nature of the**
 7 **plan.**
 8 **So is there a risk? Yes, there's a**
 9 **risk; but it's all going to be in the context of**
 10 **what happens on the revenue side as well.**
 11 **So whether that has an impact on the**
 12 **financial health of the City, that's the piece I**
 13 **can't -- I can't connect to what you're laying**
 14 **out.**
 15 **I don't know.**
 16 **I do know that the plan anticipates the**
 17 **obligations that the City will have under the**
 18 **new -- the obligations that it projects the City**
 19 **will have under the new agreements with the unions**
 20 **and that there are revenues that are in the plan**
 21 **that are sufficient to meet those obligations as**
 22 **projected.**
 23 **So, again, it's all in the context of**
 24 **the total plan.**
 25 Q. What things could change after

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1 JOHN W. HILL
 2 confirmation that would increase the adverse
 3 effect of pension obligations on the City?
 4 **A. Let me answer the part of your question**
 5 **that I -- that I agree with.**
 6 **I haven't agreed that there's an adverse**
 7 **effect of pension obligations on the City.**
 8 **But -- so I don't agree with that piece**
 9 **of your question. I do believe that other**
 10 **expenditures that could happen -- the financial**
 11 **management system, we could go out and propose on**
 12 **a financial management system and it ends up**
 13 **costing more than we've projected in the plan.**
 14 **So the real question is, will any of**
 15 **those items be in excess of the contingencies that**
 16 **are embedded in the plan?**
 17 **So I would have to know that in order**
 18 **to -- I have to know the magnitude of the**
 19 **differences.**
 20 Q. How could the costs of the pension
 21 obligations increase in the future?
 22 **A. There's a ceiling on some of the pension**
 23 **obligations, but I'd have to look at the -- the**
 24 **specific contract again to give you a detailed**
 25 **answer.**

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1 **JOHN W. HILL**
 2 Q. The pension costs could increase over
 3 time beyond what's projected in plan; is that
 4 correct?
 5 MR. BARNOWSKI: Object to form.
 6 THE WITNESS: As I said, any expenditure
 7 could. That's the nature of a plan. It's
 8 not certainty. It's the nature of the plan.
 9 BY MR. SMITH:
 10 Q. And you can give the Court no guarantee
 11 that the projected revenues and costs that the
 12 City has provided are going to be accurate;
 13 correct?
 14 MR. STEWART: Objection.
 15 THE WITNESS: Can you define "accurate."
 16 BY MR. SMITH:
 17 Q. Will actually reflect actual values.
 18 You can't give -- you can't tell the
 19 Court that the projected values the City is giving
 20 it will actually represent the actual values that
 21 are going to be achieved in the future; correct?
 22 **A. I can say whether it's reasonable, but I**
 23 **can't say whether it's-- I can't tell the future.**
 24 Q. So you can't say that they're going to
 25 be accurate; correct?

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1 JOHN W. HILL
 2 MR. STEWART: Objection. Go ahead, I'm
 3 sorry. I didn't mean to interrupt you.
 4 THE WITNESS: I can say that -- I can't
 5 say that the exact numbers that are in the
 6 plan are going to come in exactly as the plan
 7 has them.
 8 I can say that it's -- that it's --
 9 based on the projections, it's reasonable to
 10 expect that the plan in its totality can move
 11 forward in the way that it's currently
 12 constructed.
 13 There are risks, and I've admitted that
 14 clearly there are risks. And we're doing
 15 everything we can to mitigate the risk of
 16 implementation in the plan.
 17 BY MR. SMITH:
 18 Q. And when you say that the forecasts are
 19 reasonable. Are there other forecasts that could
 20 give different numbers that would also be
 21 reasonable?
 22 **A. I don't know of any.**
 23 Q. When you say "the forecasts are
 24 reasonable," what methodology are you basing that
 25 on?

1 JOHN W. HILL
 2 **A. I'm -- for the first -- for the first**
 3 **few years of the plan, I'm basing the**
 4 **reasonableness of the forecast of the revenues on**
 5 **the revenue estimation report and the work that**
 6 **was done that showed that the revenues that we**
 7 **were projecting came to within about 1 percent of**
 8 **the revenues that Ernst & Young had projected.**
 9 **And then the other forecast in the plan,**
 10 **I'm relying on information from E&Y as an expert**
 11 **and also Conway MacKenzie in terms of**
 12 **restructuring.**
 13 Q. Have people at the City expressed
 14 criticisms or concerns about the plan?
 15 MR. STEWART: Objection.
 16 THE WITNESS: People at the City?
 17 BY MR. SMITH:
 18 Q. Yeah. I mean, there must have been
 19 discussions about the plan within the City,
 20 officials; correct?
 21 **A. Sure, there have been discussions.**
 22 Q. Have there been criticisms or concerns
 23 of the plan that have been expressed in
 24 discussions amongst City officials?
 25 **A. There have been explorations of various**

1 JOHN W. HILL
 2 **parts of the plan by City officials, absolutely.**
 3 Q. What concerns have been expressed by
 4 City officials with respect to the plan?
 5 **A. The plan as a whole?**
 6 Q. Or any aspect of the plan.
 7 **A. You know, there have been a number of**
 8 **detailed meetings with the Mayor and the Mayor's**
 9 **staff around the plan implementation. I think**
 10 **initially there were some misunderstandings by**
 11 **some of the department directors about what the**
 12 **initiatives really entailed, even though a number**
 13 **of them were involved in the construction of the**
 14 **initiatives.**
 15 **And so I think it's a natural process of**
 16 **shifting from having a plan to implementing a**
 17 **plan, which is different than constructing it.**
 18 **So I believe there have been -- there's**
 19 **been probing of various aspects of the plan in**
 20 **these meetings.**
 21 **I wouldn't say general criticism of the**
 22 **plan. I would say probing around certain aspects**
 23 **of the plan.**
 24 Q. Have there been criticisms of specific
 25 aspects of the plan by City officials?

1 JOHN W. HILL
 2 **A. Certain aspects of the plan have been**
 3 **probed by City officials, yeah.**
 4 Q. What aspects of the plan?
 5 **A. One of them was the -- an earlier plan,**
 6 **whether or not the subsidy number for the bus --**
 7 **for Department of Transportation was an accurate**
 8 **number. And that was looked at, and the subsidy**
 9 **was increased as a result.**
 10 **So the plan is and will -- the plan is a**
 11 **living -- has been a living document that gets**
 12 **reviewed and gets questioned internally,**
 13 **especially now that we're moving into an**
 14 **implementation phase. And so I would -- whether**
 15 **that's a criticism, it was an observation and then**
 16 **a change that occurred as a result.**
 17 Q. When did you start planning for
 18 implementation of the plan?
 19 **A. I've been planning for it since I got**
 20 **there.**
 21 Q. And that would be in November 2013?
 22 **A. Yeah.**
 23 Q. You just have to audibly give an answer.
 24 **A. Yeah, that's my -- that's my -- if you**
 25 **want to count the work that I did from a**

1 JOHN W. HILL
 2 **consulting standpoint for grants management, that**
 3 **was a part of the plan as well; so even during**
 4 **that period of time.**
 5 Q. Have there been any reviews of the
 6 Ernst & Young forecasts that have been done?
 7 **A. Can you define "reviews."**
 8 Q. Like any comment -- any written comments
 9 or evaluations of the Ernst & Young forecasts that
 10 have been done.
 11 **A. I know that there are a number of**
 12 **reviews of the forecasts that have occurred, so a**
 13 **lot of people have looked at it.**
 14 Q. Like who? Who has produced written
 15 reviews of the Ernst & Young forecast?
 16 **A. Written reviews?**
 17 Q. Yeah.
 18 **A. I haven't -- I haven't seen any written**
 19 **reviews of the forecast. I don't -- yeah. I**
 20 **haven't seen any written reviews.**
 21 Q. If you look at your report, you attach a
 22 revenue conference report dated March 18, 2004, as
 23 Exhibit 1.
 24 **A. Yes.**
 25 Q. It you turn to Page 1 of that document,

1 JOHN W. HILL
 2 Do you see that?
 3 **A. Yes.**
 4 Q. And Ernst & Young, while it was working
 5 on this bankruptcy case, was participating in the
 6 discussions of the consensus revenue group; is
 7 that correct?
 8 **A. They were in the room; yes.**
 9 Q. And the purpose of having Ernst & Young
 10 in the room was to make sure that the revenue
 11 estimates that Ernst & Young did -- to make sure
 12 that the consensus group didn't adopt revenue
 13 estimates that were materially different from
 14 Ernst & Young's; correct?
 15 **A. No.**
 16 Q. What was the purpose of having Ernst &
 17 Young, then?
 18 **A. To answer questions, if they had any**
 19 **questions, of Ernst & Young. But it wasn't to**
 20 **influence the group.**
 21 Q. And Mr. Naglick said, quote, "EY (Shavi)
 22 takes part to keep the group on track with
 23 comparisons to Plan of Adjustment. They try to
 24 mainly listen to the point of view of the
 25 participants, but then keep them from taking a

1 JOHN W. HILL
 2 totally different view from revenues in the plan."
 3 Is that an accurate statement of Ernst &
 4 Young's role?
 5 **A. Not exactly. They were to explain what**
 6 **was in the plan so that -- Ernst & Young's role,**
 7 **they were there to explain what was in the plan so**
 8 **that they would be able to understand what**
 9 **revenues were being projected as part of the plan**
 10 **and what revenues were being projected as part of**
 11 **the budget, because there were revenues in the**
 12 **plan that weren't a part of the budget. So it was**
 13 **more to explain what was in the plan.**
 14 Q. Well, if you go like down to the next
 15 sentence -- the next email in the chain is from
 16 you. Below that it says "Let's talk about this.
 17 There are some good reasons to keep this process.
 18 It keeps everyone in sync with what's in Plan of
 19 Adjustment."
 20 Do you see that?
 21 **A. Yes.**
 22 Q. And so from your view, was there a point
 23 in time when having the consensus revenue
 24 conference -- it might have been potentially
 25 discontinued?

1 JOHN W. HILL
 2 **A. There was a point in time when people**
 3 **questioned whether or not we had it, and it was my**
 4 **decision to have it.**
 5 Q. Okay. So people -- there were people at
 6 the City that questioned whether it was a good
 7 idea to have the consensus revenue conference;
 8 correct?
 9 **A. Yes.**
 10 Q. And you wanted to continue the
 11 conference so that you could make sure that it was
 12 consistent with what the revenue estimates were in
 13 the Plan of Adjustment?
 14 **A. No.**
 15 Q. What was your reason for continuing the
 16 conference?
 17 **A. To make sure that the -- if there were**
 18 **major differences between the Plan of Adjustment**
 19 **and what the conference was projecting, then that**
 20 **we would be able to make changes in the plan. I**
 21 **wasn't -- I wasn't -- I tried very hard not to**
 22 **influence the process at all, because I wanted**
 23 **them to dig into those revenues. And I wanted**
 24 **them to feel free to come up with differences,**
 25 **because it's better to know that now than to have**

1 JOHN W. HILL
 2 **a revenue number that's there that you don't**
 3 **expect to have happen.**
 4 Q. The consensus conference only looked at
 5 revenues for three years; correct?
 6 **A. Right.**
 7 Q. You never asked the consensus conference
 8 to check the revenue estimates that were in the
 9 E&Y forecasts beyond three years; correct?
 10 **A. The purpose of the revenue conference**
 11 **was to come up with the revenues to be included in**
 12 **the budget. And that's -- yeah. That's what I**
 13 **asked them to do.**
 14 Q. So the revenue conference, you never
 15 asked them to look at the E&Y estimates for the --
 16 going out ten years or 40 years to evaluate
 17 whether those estimates were reliable; correct?
 18 **A. No, I never asked them to do that.**
 19 Q. Conway MacKenzie also participated in
 20 the consensus revenue group; correct?
 21 **A. I believe at some of the meetings --**
 22 **because there were a number of meetings they were**
 23 **there. I wasn't -- I wasn't in all of the**
 24 **meetings myself, but there were some that they**
 25 **were there.**

1 **JOHN W. HILL**
2 Q. Were there other advisers involved in
3 the litigation that were present at the revenue
4 conference proceedings --
5 MR. STEWART: Objection -- objection.
6 BY MR. SMITH:
7 Q. -- other than Conway MacKenzie and
8 Ernst & Young?
9 **A. Conway MacKenzie and Ernst & Young were**
10 **involved. I don't know of other consultants that**
11 **were involved.**
12 **(Exhibit Hill-22 was marked for**
13 **identification.)**
14 BY MR. SMITH:
15 Q. I'm going to hand you what's been marked
16 as Exhibit 22, a copy of a judgment. Can you tell
17 me anything about that judgment? Or do you have
18 no information about it?
19 **A. I don't know anything about this**
20 **judgment.**
21 **(Exhibit Hill-23 was marked for**
22 **identification.)**
23 BY MR. SMITH:
24 Q. And I'm going to hand you a copy of
25 Exhibit 23. Can you let me know if you have

1 JOHN W. HILL
2 any --
3 MR. MOSS: Sorry. Exhibit what?
4 MR. SMITH: Exhibit 23.
5 BY MR. SMITH:
6 Q. Can you let me know if you have any
7 information about that judgment.
8 MR. STEWART: You gave me one that
9 has -- it's highlighted. Not that I object,
10 but I don't know if you gave me your copy.
11 MR. SMITH: My highlighting will be
12 fascinating.
13 (Simultaneous cross-talk.)
14 MR. STEWART: I didn't want to get one
15 that had any of your work product on it.
16 BY MR. SMITH:
17 Q. Mr. Hill, can you tell me anything about
18 the judgment in Exhibit 23?
19 **A. I don't know these judgments**
20 **specifically, I mean, the purpose of the**
21 **judgments.**
22 Q. Do you know anything about these
23 judgments?
24 **A. I believe that these are the judgments**
25 **that -- where there was a demand payment.**

1 **JOHN W. HILL**
2 Q. And are those the judgments --
3 Exhibit 22 and 23, are those the judgments where
4 the City ended up raising property tax to pay
5 them?
6 **A. Yes. I believe they are.**
7 Q. You see, for example, Exhibit 23 was for
8 \$74 million?
9 **A. Yes.**
10 Q. And how much was the other one?
11 **A. This was the 111 million.**
12 Q. 111 million; is that correct?
13 MR. STEWART: Is it 22 or 23?
14 MR. SMITH: 22.
15 THE WITNESS: I don't know this one.
16 BY MR. SMITH:
17 Q. Mr. Hill, do you use your private email
18 for work-related matters?
19 **A. No. There may have been occasions**
20 **where, because I'm using my phone, that I might be**
21 **typing an email. On the iPhone, you flip through**
22 **the email accounts before you send it. So there**
23 **may have been an occasion where I've used it. But**
24 **I don't routinely use my private email.**
25 Q. You've got an email account that's

1 JOHN W. HILL
2 jhill@hillgroup.com?
3 **A. Yes.**
4 Q. And don't you use that for work-related
5 matters?
6 **A. I have -- I've used that mostly when I**
7 **was on -- when I was doing the work as a**
8 **consultant, so there may be some emails in there.**
9 **I've tried to use my Detroit email only for**
10 **business as CFO.**
11 Q. And you've got another personal email
12 account; is that correct?
13 **A. I have several other personal email**
14 **accounts.**
15 Q. Okay. Have any of your personal email
16 accounts been searched for relevant documents in
17 this case?
18 **A. I don't know what's been searched. I**
19 **don't know.**
20 Q. Were there any other relevant aspects of
21 the Washington, D.C., experience that we haven't
22 talked about?
23 MR. STEWART: Objection.
24 THE WITNESS: Yes.
25 BY MR. SMITH:

Exhibit 6C

Excerpts of Expert Report of Martha Kopacz

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor,

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes

**EXPERT REPORT OF MARTHA E.M. KOPACZ
REGARDING THE FEASIBILITY OF THE CITY OF DETROIT PLAN OF
ADJUSTMENT**

On April 22, 2014, Judge Rhodes entered an Order¹ appointing me as the Court's expert witness. Pursuant to that Order, "(t)he Court's expert shall investigate and a reach a conclusion on:

(a) Whether the City's plan is feasible as required by 11 U.S.C. § 943(b)(7);

and

(b) Whether the assumptions that underlie the City's cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable."

I am providing this Report under Fed. R. Evid. 706(a). Should additional information become available, I reserve the right to amend or supplement this Report.

¹ Docket #4215, Order Appointing Expert Witness

unfortunate but is understandable given the speed with which this bankruptcy has occurred and the Emergency Manager's priorities during his similarly short tenure.

Readers of the POA should view the Plan projections as a "sources and uses" statement which describes cash available to fund delivery of some of the services the City provides and certain payments to creditors. As such, these projections are useful only for purposes of confirming the POA (or not, as the case may be) and directionally providing guidance for the City to plan its finances going forward for those operations that are addressed in the POA. It is important to understand that the POA projections are not a business plan for the City. They are not the City's budget. They are not the "financial plan" referenced in Public Acts 181 and 182 of 2014, also referred to as the "Grand Bargain" legislation.

The confusion about the projections in the POA and these other financial plans is evident within the City including its employees, amongst the media and the stakeholders. The projections in the POA have not been harmonized with the City's budget that was passed by the City Council on June 5, 2014. As such, any funding of the RRIs will require first identification of a funding source, and then approval by the CFO and Mayor, and finally, approval by the City Council of a budget amendment to support the appropriations. Although the City has many financial reporting priorities, it is highly advisable that the budget department amend the

approved June budget for the numerous anticipated changes post confirmation, harmonizing the current headcounts and spending levels with the RRI's that the City intends to execute in the coming year, and submit a new budget to the City Council for approval.

The sooner the City can divorce itself from the confusion created by the POA projections, the better. The City needs a multi-year Business Plan which can act as a single financial and operational plan, including all departments and enterprise activities (of which an amended budget would be a part) as well as capital plans that can be publicly communicated and compared to actual performance. A "bridge" should be prepared which identifies the components of the POA projections that are included in the City's Business Plan and then the POA projections can be archived.

Another confusion I believe exists in the POA is the investment plan for infrastructure and service delivery improvements that are required to revitalize the City. Those funds will necessarily come from reducing costs of existing service delivery either through efficiency improvements or elimination of activities. The media has created the impression that the City's investment of more than \$1 billion over the course of the coming years is a "given". This is incorrect. There is no funding source for these investments, including blight removal, other than the Exit

Exhibit 6D

Revenue Consensus Conference Report (3/18/14)

CITY OF
DETROIT



REVENUE CONSENSUS CONFERENCE REPORT

MARCH 18, 2014

Revenue Consensus Conference - Final Report

March 2014

The Directors of the City of Detroit Finance Department, Budget Department, Office of the Auditor General and City Council Legislative Division (formerly Fiscal Analysis) met in October 2013 and again in January 2014 to discuss the City's revenue collections for the current fiscal year and estimate collections for the next two fiscal years. FY 2014 Revenue Estimating Conference was held on February 7, 2014 where participants unanimously approved revenue estimates for FY 2014, FY 2015 and FY 2016. Conference results were submitted to and subsequently approved by the Financial Advisory Board Finance Committee on February 27, 2014.

The conference began with a discussion of economic conditions that impact the City of Detroit revenues presented by Dr. Eric Scorsone, of Michigan State University.

Economic Forecast

City of Detroit revenues will be partially tied to local, state and national economic conditions that prevail both now and in the future. The city income tax and wagering tax would be particularly susceptible, both positively and negatively, to changing economic conditions. This summary will provide a current rundown on economic conditions at the local and national level.

The U.S. economy has continued to grow for the last few years, albeit at a slower pace than expected following a recession. The main reason cited for this slow growth is the continuing drag from the financial crisis of 2008. In 2013, GDP growth was slower (1.9%) as compared to 2012 (2.8%). The big reason for this slowdown was a decrease in business investment and federal government spending. There is a reason to be more optimistic in 2014 as the federal government appears to be on more stable footing and business investment has shown signs of picking up again. GDP growth will likely look more like 2012 than 2013 in the coming year.

Employment conditions continue to slowly improve, but there still remain a significant number of long term unemployed in the workforce following the Great Recession. Weekly initial unemployment claims have fallen to close to the long term average of 300,000 and the national unemployment rate continued to creep down now standing at 6.7% according to the U.S. Bureau of Labor Statistics. While still high by historic averages, there are signs that the labor market is looking stronger more recently. This translates into some positive momentum for a city like Detroit who baseline economy now looks more like the nation as a whole being dominated by service industries¹.

Inflation will likely remain low across the country as there remains slack in both business capacity and the labor market. Core inflation is running at about the 1.6% mark in January 2014 and will likely remain at that level or perhaps slightly higher for the rest of 2014.

¹ Detroit service industries have experienced weaker growth than the nation as a whole but the general industrial makeup of the city looks more like the United States than Michigan.

Most of the major economic statistics are not collected at the city level for a place like Detroit, MI. Unemployment information and data is collected for the city of Detroit, MI. Looking at this figure, the current estimated city unemployment rate is 14.6% as estimated by the U.S. Bureau of Labor Statistics. This is down from an estimated rate of nearly 25% in 2009. Along with national trends, it is expected that the Detroit unemployment rate will continue to fall slowly over 2014 providing a boost to income tax revenues and perhaps other revenue sources. Investment in downtown Detroit will also likely provide an overall employment growth in the city in 2014.

Conference Results

The Consensus estimate for General Fund revenues from ongoing sources for FY 2014 is \$958.5 million, an \$88.6 million or 8.5% decrease from FY 2013 collections. This variance was primarily due to bond proceeds recorded in FY 2013.

- This decrease reflects anticipated increased collections in Income Tax, and State Revenue Sharing that are offset by decreased collections in Property Taxes, Utility Users' Taxes, and Other General Fund revenues.
- Sales of Real Property revenues were reported separately in the previous 2013 Revenue Conference; however this amount represents less than 1% of the General Fund revenues. For this conference, Sales of Real Property is included in the Other Revenues category.
- Other General Fund revenues are generated from city departments and other miscellaneous sources. Other revenues are expected to decrease by \$59.0 million over FY 2013 actual collections. Decreased revenues are anticipated from the Fire Department receivables; DPW/General Services due to outsourcing; Health from the transfer of Vital Records operations to Wayne County; reimbursement revenues; and the elimination of distribution services in the Public Lighting Department.

The Consensus estimate for General Fund revenues from ongoing sources for FY 2015 is \$955.8 million, a \$2.7 million decrease (less than 1% change) from the FY 2014 revised Consensus estimate. This decrease reflects increases in Income Tax and State Revenue Sharing collections that are offset by decreased collections in Wagering Taxes (Casinos), Property Tax, Utility Users Taxes and Other General Fund revenues. Similar factors contribute to the decline in revenues as projected for FY 2015 compared to the FY 2014 estimate.

The initial Consensus estimate for General Fund revenues from ongoing sources for FY 2016 is \$958.6 million, a \$2.8 million increase (less than 1% change) from the FY 2015 revised Consensus estimate. The initial projection for FY 2016 reflects continued growth in Income Tax and State Revenue Sharing collections. An up-tick in Wagering Taxes (Casinos) and Other General Fund revenues is forecasted. Property Taxes and Utility Users Taxes continue in a downward trend.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2014 CONSENSUS REVENUE ESTIMATING CONFERENCE

<i>\$ in millions</i>	FY 2012	June 30, 2013	FY 2014	FY 2014	FY 2015	FY 2016
	Actuals- CAFR	Actuals- Unaudited	Revised Adopted Budget	Revised Consensus Estimate	Consensus Projection	Consensus Projection
Income Tax	\$ 233.0	\$ 248.0	\$ 257.2	\$ 250.0	\$ 256.3	\$ 262.1
Property Tax	147.8	133.6	116.6	110.2	100.0	90.0
Utility Users' Tax	39.8	35.3	34.2	32.1	29.5	28.0
Wagering Tax	181.4	174.6	170.0	170.0	168.0	170.5
State Rev. Sharing	172.7	182.2	183.7	190.2	194.0	197.9
Sale of Real Prop.	(1.8)	7.7	-	-	-	-
Other Revenues	231.6	265.7	234.6	206.0	208.0	\$ 210.1
Total Fund 1000	\$ 1,004.5	\$ 1,047.1	\$ 996.3	\$ 958.5	\$ 955.8	\$ 958.6

Note: General Fund Totals exclude Pension Obligation Certificates (POC's) revenues of \$112,361,241 for FY 2014- included in revenues due to debt covenants. Wagering Tax revenues include revenues per the casino operating agreements. For FY 2014 Consensus conference, Sale of Real Property totals are included in Other Revenues totals for FY 2014- FY 2016.

REVENUES FOR CONSIDERATION

The City of Detroit has five major revenues that represent over 60% of General Fund revenues: Income Tax, Property Tax, State Revenue Sharing, Wagering Tax (Casinos) and Utility Users' Tax revenues. The first step of the conference participants was to estimate these revenues for the current Fiscal year 2014, project revenues for Fiscal year 2015 and 2016. Using financial system reports (DRMS), department sub-ledger reports, current operational analysis and local economic data, the participants individually determined their forecasts. All other revenues of the General Fund were discussed in conference, primarily consisting of departmental revenues resulting from Sales and Charges for Services. Revenues from funds that have a General Fund impact were also considered. Other Non-General Fund- Enterprise Agencies considered were those that have a General Fund subsidy, contribution, advance, or current General Fund operations. A review of revenues was conducted for the following Enterprise agencies: Airport, Building and Safety, DDOT, and Municipal Parking. Also, reviewed were the Risk Management and the Solid Waste Funds. Several meetings were held to review the forecasts and reach a consensus. The Consensus Estimates presented in this report do not include any departmental revenue initiatives or restructuring initiatives currently under discussion. Non-General Fund Grant Revenues; Unlimited Tax General Obligation Bonds millage revenues and proceeds from bond sales are not included in the Consensus Estimates/Projections presented in this report.

Income Tax

As authorized under Public Act 284 of 1964, as amended by PA 56 of 2011 and again in 2012, the City of Detroit levies an Income Tax on income from all sources with minimum exemptions. Income Tax revenue includes withholding, annual and quarterly payments. More than 80% of income tax actual collections are derived from withholdings. The current tax rate is 2.4% for residents, 1.2% for non-residents and 2.0% for corporations. In December 2012 State legislation establishing the Public Lighting Authority was passed that provided for funding of \$12.5 million to the Authority and fixed income tax rates at 2.4% (residents) until the repayment of any debt issued by the Authority.

- FY 2013 initial Consensus estimate reflect a 0.8% growth rate over FY 2012 actual collections. Final 2013 year-end results were \$13 million over the FY 2013 consensus estimate or 6.4%.
- The FY 2014 Consensus estimate eliminated one time revenue collection initiatives- an income tax amnesty which generated \$4 million and enhanced collection efforts from 2013 income tax totals.
- FY 2015 Consensus estimate incorporates a 2.5% growth rate and 2.25% rate for FY 2016.
- The FY 2014 Consensus estimate reflects improved local economic conditions based upon blue chip economic forecasts as presented by Dr. Eric Scorsone, Faculty Member and Workgroup Leader, Michigan State University Department of Agricultural, Food and Resource Economics and MSU Extension.

State Revenue Sharing

Revenue Sharing payments from the State are based upon two elements. Constitutional payments are guaranteed under the State Constitution and calculated as 15% of 4% of the State Sales Tax gross collections. Statutory payments are based upon municipalities meeting the requirements of the Economic Vitality Incentive Program. For FY 2013, the maximum amount available is 76.18459% of the FY 2010 total statutory payment (if a municipality complies with all requirements).

- The FY 2013 estimate was based on current State Revenue Sharing payments projected by the Michigan Department of Treasury. Final year-end payments were \$5.7 million higher than the consensus estimate and 5.5% higher than FY 2012 collections. Treasury payments are based on the State of Michigan May 2013 Consensus Revenue Estimates and FY 2014 appropriation. These amounts were updated for the State's January 2014 Consensus Revenue Estimates.
- Economic projections from Dr. Eric Scorsone indicate improved State Sales Tax collections.
- Budget estimates for FY 2014 include a 2.25% growth rate. No further change is projected for FY 2015 or FY 2016.

- The Governor's recently released State of Michigan FY 2015 Executive Budget proposed a \$5.56 million or 2.9 % increase to cities, villages and townships local share amount. This increase was not included in the FY 2015 consensus estimate.

Wagering Taxes (Casino Revenues)

The City is authorized to levy a tax on the adjusted gross receipts of a gaming licensee under Initiated Law 1 of 1996, as Amended by Public Act 306 of 2004. The current tax rate in effect is 10.9% for the three casinos operating in Detroit. The City receives additional revenues from the casinos as specified in the casinos' operating agreements.

- Wagering Tax estimates recognize downward pressure on revenues resulting from the opening of four casinos in Ohio by the end of 2013. Although Detroit's casino revenues did not decline to levels previously speculated by some, we anticipate a continued downward pressure on revenues in FY 2014.
- FY 2013 Consensus estimate resulted in a \$1.4 million decrease over FY 2013 year-end results and a -3.8% change compared to FY 2012 collections. FY 2014 Consensus estimate remains flat with an additional decline of 1.2% projected for FY 2015. A turnaround is expected in FY 2016 with the Consensus projecting 1.5% growth.

Current Property Taxes

Article IX of the State Constitution, Sections 3 and 6 (General Property Tax) authorize the levy of taxes on real and personal property not otherwise exempted. The City currently levies the maximum tax permitted by law.

- The FY 2014 estimate assumes a 17.5% decline in collections compared to FY 2013 results. Current collection activity is estimated to decrease by \$23.4 million compared to FY 2013 collections.
- Although FY 2013 collections ended \$10.4 million higher than the Consensus estimate, this still represents a -9.6% year-over-year decline in property tax collections.
- Preliminary discussions on the Ad Valorem valuations for FY 2015 and FY 2016 indicate a continuing decline in taxable values at the same rate experienced in FY 2013. The estimated decrease in property tax collection for FY 2015 and FY 2016 is -10%. This chronic state of decline in assessed values is expected continue beyond 2016.

- Future actions that will negatively impact valuations in the near future include a State of Michigan review, sales study conducted by the City's Assessor and the City's on-going reassessment process.

Utility Users' Tax

The City of Detroit levies a Utility Users' Tax as permitted under Public Act 100 of 1990 and as amended in 2012. The tax is based on consumption of electricity, gas, steam and telephone (land lines) in the City of Detroit. The City currently levies the maximum tax rate of 5%. These revenues are restricted to retain or hire police officers. In 2012, the law was amended to provide \$12.5 million annually for the Public Lighting Authority for the repayment of future debt, which represents proceeds used for street light infrastructure improvements in the City.

- FY 2013 collections resulted in a year-over-year decline of -11.4%.
- Consensus estimate for FY 2014 reflect an additional 9.1% decline in Utility User's collections.
- We estimate for both FY 2015 and FY 2016 a similar rate of decline.
- Estimates/projections were determined exclusive of the \$12.5 million annual transfer to the Public Lighting Authority as mandated by state law, which represent proceeds used for street light infrastructure improvements in the City.

Sale of Real Property

Revenues from the City's sale of real property were reported separately in the FY 2013 Revenue Consensus Conference. For the FY 2014 Revenue Conference, this revenue is included in the Other General Fund Revenues category.

- Year-end results for FY 2013 were \$6.4 million higher the consensus estimate.
- Negative revenue was recorded for FY 2012 due to year-end adjustments for refundable deposits. The estimate for FY 2013 assumed similar collection trends. The Fire Department Headquarters building was sold in FY 2013 contributing to higher fiscal year collections. The sale of the Veterans Memorial Building is expected in FY 2014; \$4.1 million was included in the budget and consensus estimate for this sale.
- No additional large property sales are assumed for FY 2015 or FY 2016.

All Other General Fund Revenues

The following is a brief description of the types and sources of revenue that are included in each category shown in departmental budgets:

1. *Sales and Charges for Services* - Revenue generated from maintenance and construction, electrical, steam, solid waste, recreation, utilities, reimbursements, and other minor sales and service fees.
2. *Revenue From Use of Assets* - Earnings on investments, various interest earnings, building rentals, marina rentals, concessions, and equipment rentals.
3. *Other Taxes, Assessments, and Interest* - Special assessments, Industrial Facilities Taxes, other miscellaneous taxes and interest paid on delinquent property taxes.
4. *Fines, Forfeits, and Penalties* - Ordinance, court and parking fines, property tax penalties, and various fines, forfeits, and penalties.
5. *Licenses, Permits and Inspection Charges* - Various permits and licenses, safety inspection charges, and business licenses charges.
6. *Contributions, Transfers, and Miscellaneous* - Various revenues and contributions due to/or due from one fund resulting in revenues to one fund and an expenditure for another; also includes interest on the Pension Obligation Certificates. The double count of the Pension Obligation Certificates shown in the General Fund for debt covenant purposes was eliminated in the 2014 Revised Adopted Budget.

Departmental Revenue Analysis

The consensus for Other Department Revenues was developed with a discussion of the individual department revenues including departments with General Fund operations or departments receiving General Fund assistance. Our departmental analysis involved discussions with Ernst & Young on the baseline assumptions for each department as presented in the Plan of Adjustment and any adjustments to the baseline for restructuring initiatives as determined by Conway MacKenzie. The consensus was to exclude revenue initiatives from the consensus numbers presented in this conference estimates and projections. However, we have attached a separate report on the assumptions used for our consensus analysis compared to the Plan of Adjustment.

- Notable reductions occurred in revenue collections in the General Services, Health, Police and Fire departments, attributable to overly optimistic FY 2013 forecasts and the elimination of service.
- Public Lighting revenues were eliminated in the Consensus estimate for FY 2015 due to the city's decision to exit the power distribution business beginning March 2014 and the subsequent transfer of the customer base to DTE Energy.

At the official opening of the FY 2013 Revenue Estimating Conference on January 25, 2013, members of the Financial Advisory Board in attendance asked the estimating principals to review the departmental revenue estimates once more. On February 1, the principals convened and discussed alternative calculations by staff

of City Council and the Auditor General. Upon review and in consultation with Dr. Eric Scorsone, the total revenue estimate differed among the three estimators by less than 2% for FY 2013 and only 6% for FY 2014. The varying methodologies, which included a global analysis, a major revenue category analysis, and individual agency revenue account analyses, all utilized run rates and accounted for other known items that affect collections. The harmonization of estimates from these differing methodologies gives us tremendous confidence in the final estimate of departmental revenues. The FY 2014 conference continued this process of review for departmental revenues.

- The FY 2013 estimates range between \$271.4 million and \$275.0 million. We agreed on \$272.0 million. FY 2013 year-end results were \$273.4 million, inclusive of the sale of real property of \$7.7 million.
- The FY 2013 Conference Consensus estimate for FY 2014 ranged between \$254.5 million and \$270.0 million with agreement on \$265.0 million. This conference revised downward the FY 2014 projection to \$221.6 million.
- For this Consensus Conference: the revised FY 2014 estimate ranged between \$208.6 million and \$198.1 million with agreement on \$206.0 million. This conference revised downward the FY 2014 estimate by \$59 million.
- For this Consensus Conference: the revised FY 2015 estimate ranged between \$213.6 million and \$195.0 million with agreement on \$208.0 million. This conference revised downward the FY 2015 projection by \$57 million.
- For this Consensus Conference: the initial FY 2016 projection reached agreement on \$210.1 million based on anticipated growth rates or negative trend factors.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2014 CONSENSUS REVENUE ESTIMATING CONFERENCE
OTHER FUNDS WITH GENERAL FUND IMPACT

<i>\$ in millions</i>	June 30, 2013	FY 2014	FY 2014	FY 2015	FY 2016
	Actuals- Unaudited	Revised Adopted Budget	Consensus Estimate	Consensus Projection	Consensus Projection
Airport	\$ 3.2	\$ 1.3	\$ 1.3	\$ 1.5	\$ 1.5
* General Fund Subsidy		0.7	0.8	0.8	0.8
Building & Safety	\$ 28.1	\$ 23.1	\$ 23.0	\$ 24.5	\$ 25.1
* General Fund Operations		1.8	1.8	2.0	2.0
DDOT	\$ 155.3	\$ 156.4	\$ 165.0	\$ 165.0	\$ 165.0
* General Fund Subsidy		61.7	80.0	80.0	80.0
Municipal Parking	\$ 30.8	\$ 29.3	\$ 27.5	\$ 27.5	\$ 27.5
* General Fund Operations		11.4	10.4	10.4	10.4
* General Fund Advance		7.3	8.0	8.0	8.0
Risk Management	\$ 61.9	\$ 33.1	\$ 190.2	\$ 194.0	\$ 197.9
* General Fund Premium		19.4	39.0	39.0	39.0
Solid Waste Fund	\$ 38.2	\$ 41.4	\$ 39.0	\$ 39.0	\$ 39.0

Airport

The Coleman A. Young International Airport is an Enterprise Agency of the City of Detroit. Revenues from landing fees, rentals, fuel concessions and Federal/State grants maintain the operations of the airport. The Airport 2014 Budget includes a General Fund subsidy of \$623,545, which is expected to be paid. Consensus projections for FY 2015 and FY 2016 increases the subsidy to \$800,000 to recognize the mostly likely level of support from the General Fund based on historical trends.

Building & Safety

The Building & Safety Engineering and Environmental Department (BSEED) is an Enterprise Agency of the City of Detroit as mandated by state law. BSEED mission is to safeguard public health, safety and welfare by enforcing construction, property maintenance, environmental compliance and zoning codes. Revenues from the Construction Code Fund include civil infraction fines, safety inspection charges, construction inspections and other licenses, permits and inspection charges. Revenues generated in support of the General Fund operations are from the business licensing activity. General Fund revenues are expected to remain at their current levels (\$1.8 to \$2.0 million) for FY 2014 through FY 2016.

Transportation

The Detroit Department of Transportation (DDOT) is an Enterprise Agency that provides transit services to the City of Detroit. Revenues are generated from fare box, State operating assistance, State and Federal grants, subsidy from the General Fund and other miscellaneous revenues. The general fund subsidy for DDOT for FY 2014 was \$61.7 million. The consensus for FY 2015 and FY 2016 project the General Fund subsidy at \$80 million. This projected increase in the General Fund subsidy recognizes the City's true contribution level to DDOT operations. Without additional restructuring efforts, this level of General Fund support will continue for the foreseeable future. Revenue from the State operating assistance is expected to decline in FY 2014 and beyond due to a shift in the distribution formula. This shift resulted in a \$7 million decline in grant revenues in FY 2014.

Municipal Parking

The Municipal Parking Department is divided into two operations- the Parking Violation Bureau and the Automobile Parking and Area System. The Parking Violations Bureau is a General Fund operation responsible for enforcing on-street and off-street ordinances in the City of Detroit and the processing and collection of parking violation notices. Bond covenants required the General Fund to advance annually operating support to the Auto Parking System. The consensus is that the General Fund advance will continue at the \$8 million range for FY 2014 through FY 2016.

Risk Management Fund

The Risk Management Fund was established as a separate fund within the General Fund class to pay for liabilities to third parties for losses, damages, litigations and workers' compensation claims (self insurance). The Risk Management premiums are determined by calculating a five-year average of claims. Contributions to the Risk Management Fund are received from the General Fund (75%) and DDOT (25%). For FY 2014, the

General Fund contribution was reduced by \$20 million and utilized for other General Fund purposes as permitted under City ordinance. The consensus projection for FY 2015 and FY 2016 restores contributions back to historic levels.

Solid Waste Fund

The Solid Waste Management Fund is a Special Revenue Fund. The City of Detroit uses the Solid Waste Management Fund to account for local revenue collected for curbside rubbish pick-up and discard. The majority of the Solid Waste Management Fund revenue comes from the residential Solid Waste Fee that is assessed to every home whether or not currently occupied. The solid waste service fee replaced the 3-mill tax for solid waste collection that was eliminated in 2006. The solid waste fee is \$240 for single family homes and an additional \$100 for multi-family dwellings. Commercial fees are \$1,000.

- First-half collections compared to recent history indicate no change from the adopted budget. Projections assume continued collections rates for FY 2015 and FY 2016.
- The City decided to privatize the Solid Waste activity in FY 2014. Contracts were awarded to two companies to service the East and West side of the City on February 21, 2014. The outsourcing of this activity is expected to be revenue/cost neutral. However service is anticipated to greatly improve under this arrangement.

Set asides

The Consensus Revenue Estimate does not set-aside a deficit reduction reserve for FY 2014. However, the Plan of Adjustment includes a minimum required cash balance of \$100 million be maintained by the City annually for the period cover under the plan.

Risks to Forecast

These estimates take into account the expected real revenue to the City subject to certain inherent risks outlined below:

- Local economy contraction, increase in unemployment and continued layoffs in major industries.
- Rising interest rates.
- Rising inflationary pressures (from fuel, utilities, food, housing etc.).
- Michigan Sales Tax revenue declines.
- Risks to estimated Property Tax collections due to the impact of Wayne County chargebacks netted against the delinquent accounts revolving fund payment.

- Continued property valuation declines and/or increased foreclosure activity.
- Anticipated reductions to Personal Property Tax collections.
- Declines in Sales and Charges for Services due to economic factors.
- Delayed results from restructuring efforts.
- Changes due to Bankruptcy proceedings.

Potential Upward Adjustments to Forecast

- Ongoing improvements to collection efforts in FY 2013 should net additional income tax revenues not currently reflected in the consensus estimates.
- Revenue initiatives in the Plan of Adjustment but not included in the Consensus estimates/projections may result in addition revenues if timely and successfully implemented.

Delinquent Receivables

For purposes of the Revenue Estimating Conference, the City of Detroit Finance Department- Treasury Division has deemed it prudent not to provide an estimate on the collection of delinquent Accounts Receivable (A/R) due to the following factors:

- The majority of City departments use billing systems other than DRMS A/R. As a result of decentralized billing, and a lack of resources to centralize/manually execute, the City does not possess clear visibility into total delinquent balances. Additionally, several current systems utilized for billing are not true financial management platforms and thus, produce suboptimal data for purposes of financial analysis.
- Department Sub-ledger data is not interfaced to the DRMS A/R module and as a result a potential for significant data integrity concerns (i.e. duplicate invoices, credit memo adjustments not reflected, etc.) exists. Properly cleansing the data to determine net realizable value will require additional resources not currently on hand.
- It is unclear whether departments depositing A/R receipts with Treasury are segregating current year collections from those for a prior year. As a result, a potential risk for double-counting an outstanding receivable balance exists without a clearer understanding of departmental delinquent balances by the Treasury Division.
- The majority of the DRMS A/R module balance is fully reserved as the City's external auditors have determined the balances owed are generally uncollectible.

The aforementioned concerns are addressed in the City's initial Plan of Adjustment. Assuming the current plan is ultimately adopted, the Treasury Division anticipates being in a much stronger position to provide meaningful delinquent collection estimates going forward as it will progressively have the proper resources to execute. However, as adoption of the proposed Plan of Adjustment is pending, the Treasury Division believes it best to not provide an estimate at this time.

The Directors of the City of Detroit Finance Department, Budget Department, Office of the Auditor General and City Council Fiscal Analysis Division held a Revenue Estimating Conference on January 25, 2013 and unanimously approved revenue estimates for FY 2012-13 and FY 2013-14. Conference results were submitted to and subsequently approved by the Financial Advisory Board in February 2013. The Consensus Revenue Estimates for the City of Detroit General Fund and the Solid Waste revenues are summarized below. This table was updated to compare June 30, 2013 year-end results to Consensus amounts.

REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT
FY2013 CONSENSUS REVENUE ESTIMATING CONFERENCE

<i>\$ in millions</i>	FY 2013 Amended Budget (Unaudited)	Results		Variance FY 13 Actuals
		FY 2013 Initial Consensus	FY 2013 Actuals- Unaudited	
Income Tax	\$ 225.2	\$ 235.0	\$ 248.0	\$ 13.0
Property Tax	124.3	123.2	133.6	10.4
Utility Users' Tax	42.0	40.5	35.3	(5.2)
Wagering Tax	171.0	176.0	174.6	(1.4)
State Rev. Sharing	171.8	176.5	182.2	5.7
Sale of Real Prop.	2.2	1.3	7.7	6.4
Other Revenues	\$ 627.2	272.0	265.7	(6.3)
Total Fund 1000	\$ 1,363.7	\$ 1,024.5	\$ 1,047.1	\$ 22.6
Solid Waste Fees	\$ 38.2	\$ 39.0	\$ 38.2	\$ 0.8

Note: General Fund Totals exclude Pension Obligation Certificates (POC's) revenues of \$106,861,659 for FY 2013- amount included in revenues due to debt covenants. Wagering Tax revenues include revenues per the casino operating agreements. The FY 2013 Amended Budget for the Other Revenues category includes increases in State revenues (\$113.9 million) and other (miscellaneous) revenues (\$81.7 million).

Conference Participants

The revenue consensus participants would like to express our appreciation to the members of the Financial Advisory Board for their support.

John Hill, Chief Financial Officer

John Hageman, Assistant to the Chief Financial Officer

Mark Lockridge, Auditor General

Jeffrey Vedua, Office of the Auditor General, Audit Manager

Tony Smith, Office of the Auditor General, Sr. Auditor

Laura Goodspeed, Office of the Auditor General, Sr. Auditor

Brent Hartzell, former Interim Budget Director

Pamela Scales, Budget Director

Floyd Stanley, Deputy Budget Director

Renee Short, Budget Department, General Manager

Irvin Corley, Jr., City Council Legislative Policy Division, Executive Policy Manager (formerly Fiscal Analyst)

Jerry Pokorski, City Council Legislative Policy Division, Fiscal Analyst

John Naglick, Finance Director

Mike Jamison, Deputy Finance Director

Tanya Stoudemire, Finance Department, Income Tax Manager

Alvin Horhn, Finance Department, Assessment- Assessor

Leighton Duncan, Finance Department, Treasury- Project Manager

Dr. Eric Scorson, Faculty Member and Workgroup Leader
Department of Agricultural, Food and Resource Economics and MSU Extension, Michigan State University

Roger Short, Office of the Chief Operating Officer

Shavi Sarna, Ernst & Young

Juan Santambrogio, Ernst & Young

Chris Gannon, Conway MacKenzie, Inc.

Emily Mclain Petrovski- Conway MacKenzie, Inc.

Kevin Hand, Conway MacKenzie, Inc.

Todd Eddy, Conway MacKenzie, Inc.

Jeffrey Addison, Conway MacKenzie, Inc.

Exhibit 6E

**2/4/14 Email from J. Naglick re: FAB Detroit Revenue Conference
(POA00123860)**

From: John Naglick
Sent: Tuesday, February 04, 2014 7:42 PM
To: John Hill; Stacy Fox
Cc: Pamela Scales
Subject: Re: FAB Detroit Revenue Conference

My understanding is that this was a one full day exercise that was run by the Budget department. Now that Pam is on board, I looped her into the conversation. John

John Naglick, Jr.
Finance Director
City of Detroit, MI
2 Woodward Avenue
Suite 1200
Detroit, MI 48226
Office 313.224.4153
Mobile 313.410.2161
naglickj@detroitmi.gov

>>> Stacy Fox 2/4/2014 11:49 AM >>>

Sounds like a lot of work. So it's a two day, or so, process?

Stacy L. Fox
Deputy Emergency Manager
City of Detroit
313-224-3703

>>> John Naglick 2/4/2014 11:24 AM >>>

The Budget group has been leading this process and having the meetings with the various stakeholders (Council, Auditor General, Finance, MSU Prof) which will lead up to the FAB meeting.

EY (Shavi) takes part to keep the group on track with comparisons to Plan of Adjustment. They try to mainly listen to the point of view of the participants, but then keep them from taking a totally different view from revenues in the plan. Don't know when the plan is to share this with the FAB.

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>>> John Hill <hillj@detroitmi.gov> 2/4/2014 10:35 AM >>>

Lest talk about this there are some good reasons to keep this process. It keeps everyone in synch with what's in plan if adjustment.

John W. Hill
Chief Financial Officer
City of Detroit
Coleman A. Young Municipal Center
2 Woodward Ave. Suite 1126
Detroit, Michigan 48226

Office: (313) 224-3382
Cell: (313) 378-7684
Email: hillj@detroitmi.gov

On Feb 4, 2014, at 8:52 AM, "Stacy Fox" <FoxS@detroitmi.gov> wrote:

Guys,

This is the first I've heard of this, but recommend (if you agree) that we have Kevyn suspend this conference. Thoughts?

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Deputy Emergency Manager
City of Detroit

>>> "TSpillane@foley.com" <TSpillane@foley.com> 2/3/2014 4:12 PM >>>

Stacy, the FAB is supposed to be involved in the City's Revenue Conferences to approve the Revenue Estimate and Set Aside for deficit reduction per Section 3.1 of the FSA. The FAB Chair (Sandy) lead the conference last year and it occurred over 2-3 sessions. Under Section 3.1(e) of the A&R FSA, the EM can suspend any of all of the Revenue Estimation process during the C9 but I am not sure that has occurred.

We can have a call to discuss. You might want to check with your Budget Director and Kevyn re their thoughts on the process for this year. Tom

Thomas B. Spillane I Foley & Lardner LLP

Tel 313-234-7135 I Cell 248-802-1030I Email tspillane@foley.com (<mailto:c@foley.com>)

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