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

MOTION TO EXCLUDE THE TESTIMONY OF THE CITY'S FORECASTING EXPERTS UNDER FEDERAL RULE OF EVIDENCE 702

Syncora Capital Assurance Inc. and Syncora Guarantee Inc. ("Syncora") submit this motion (the "Motion to Exclude") to exclude the expert testimony of Robert Cline, Guarav Malhotra, and Caroline Sallee, which was disclosed in their respective expert reports and during their respective depositions.[1] In support of their motion, Syncora respectfully states as follows:

INTRODUCTION

1. In support of its plan of adjustment, the City has offered an unprecedented, highly-subjective attempt to forecast the City's revenues and expenditures over the course of 10 and 40 years, which its own experts

[1] The expert reports of Dr. Cline, Mr. Malhotra, and Ms. Sallee are attached as Exhibits 6A, 6B, and 6C, respectively. The relevant excerpts from the depositions of Dr. Cline, Mr. Malhotra, and Ms. Sallee are attached as Exhibits 6D, 6E, and 6F, respectively.

acknowledge has not been tested to ensure its reliability[2] and which the Court's appointed expert describes as "convoluted" and "confusing."[3] The forecast was cobbled together by three different individuals from Ernst & Young — Robert Cline, Guarav Malhotra, and Caroline Sallee — none of whom have significant experience forecasting for municipalities.[4] Given the unprecedented nature of the City's attempt to forecast municipal revenues and expenses over a period of 10 and 40 years during which it was undertaking a complex restructuring, methodological rigor in the construction of these forecasts was critical. Nonetheless, as the City's experts concede, "there is no measure of reliability"[5] for their forecasting methods, which at bottom constitute a fundamentally "subjective undertaking."[6]

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[2] Ex. 6D, Cline Dep. at 67:3-4 (there is "no measure of reliability" for the forecasts).

[3] Ex. 6G, Kopacz Dep. at 181:17-19.

[4] Ex. 6E, Malhotra Dep. at 216:22-25 (explaining that forecast is based on a series of assumptions); Ex. 6D, Cline Dep. at 38:23 ("It's a complicated analysis that we did."); *id.* at 68:7-9 (acknowledging that "numerous assumptions are involved" in his forecast").

[5] Ex. 6D, Cline Dep. at 67:3-4.

[6] Ex. 6F, Sallee Dep. at 292:12-16.

2. As the experts acknowledged, their projections of the City's future revenues were premised on a "series of assumptions."[7] In many instances, however, these assumptions are based on nothing more than unsupported *assertions* — not actual data — that are contradicted by the record and/or fall outside the experts' acknowledged area of expertise, rendering the entire forecast fundamentally flawed and unreliable. Indeed, the forecast is so completely unsupported that the City's Chief Assessor went so far as to characterize one of the experts' projections as "ridiculous."[8]

3. Ms. Sallee's projections regarding future property tax revenues, for example, are based on an assumption based on her judgment that a reappraisal study that has not yet been started and which will take 3-5 years to complete will wipe out half of the taxable value of property in the City. Ms. Sallee acknowledges, however, that she has no expertise or experience in property assessment and that her assumption is inconsistent with the judgment of officials who do — namely the City's Chief Assessor Gary Evanko and officials at Wayne County.

[7] Ex. 6E, Malhotra Dep. at 216:22-25. *See also* Ex. 6D, Cline Dep. at 182:17 ("[i]n a sense, the entire model is an assumption"); Ex. 6D, Cline Dep. at 233:3-4 ("the entire forecast is a forecast based upon assumptions.").

[8] Ex. 6H, Evanko Dep. at 223:25-24:1.

4. Dr. Cline similarly forecasts that the City will experience almost *no* employment growth, *no* population growth, and *no* or *negative* real wage growth — even *after* a $1.7 billion dollar restructuring and reinvestment effort that the City maintains will transform Detroit. Dr. Cline acknowledged in his testimony before the Court that he has no understanding regarding what the restructuring entails and was completely unaware of activities that will have a significant effect on the City's economy. Moreover, he acknowledges that there is *no* study or data supporting key assumptions underlying his projections, while other assumptions are loosely based on data from arbitrarily selected periods that do not include the most recent, actual data that he concedes is critical to a reliable forecast.

5. Finally, Mr. Malhotra based his projections of City expenses on numbers he picked based on only three or four years' worth of data and then would either use — or reject — based on whether the City told him to use another arbitrarily-chosen number. Moreover, his assumptions are inconsistent with those of Dr. Cline. For example, Mr. Malhotra assumed growth in City wages much higher than Dr. Cline's anemic wage growth figures, thereby inflating City wage expenditures (while Dr. Cline simultaneously depressed City revenues by inconsistently assuming a lower figure).

6. Compounding these problems is the fact that the City's experts attempt to project sums available to the City over the next 10 and 40 years, despite

the fact that *none* of these experts could identify *any* forecast for a municipality that purported to reliably project revenues and expenditures over such an extended period, much less one that occurred during a period in which a city was engaged in the sort of complex, and indeed unprecedented, restructuring that Detroit proposes here. As the experts acknowledge, the identity of the decision-makers in Detroit is not even known over the next 10 years (much less 40), and attempting to predict what decisions they will make impacting revenues and expenditures over such an extended time would amount to *speculation*.[9] Moreover, the City's forecasters have not undertaken any investigation to determine what methods (if any) have been used to project revenues over such an extended period in other Chapter 9 bankruptcies. In sum, they provide no methodological basis for their attempt to do so here.

7. More fundamentally, the forecasts ignore numerous sources of potential revenue that could be used to pay creditors. Indeed, the City's experts acknowledge that "there are a number of revenue sources [they] were not asked to forecast."[10] The forecasts assume, for example, that taxes over the next 10 *and 40* years in Detroit will be governed by current tax rates, even though tax rates have changed in recent years and City officials acknowledge that the Revised Judicature

[9] Ex. 6E, Malhotra Dep. at 83:17-22.

[10] Ex. 6D, Cline Dep. at 300:11-13.

Act of 1961 expressly authorizes collection of property taxes above current rates in order to satisfy a judgment. They likewise ignore significant efforts to improve collections of the income and other taxes (while simultaneously and inconsistently assuming *decreased* property tax collections), such as the City's agreement in concept to piggyback City income tax with State income tax collection, resulting in increased tax collections and decreased costs. Yet, one study concluded that in 2009 alone Detroit failed to collect more than $*140 million* in income taxes owed, one of the most significant sources of revenue for the City. Finally, they ignore a variety of asset sales and outsourcing proposals the City is currently considering that would generate hundreds of millions of dollars in revenues for the City, such as leasing or privatizing sewer and water services or parking.

8. In sum, the City's attempt to "project" revenues over 10 and 40 years based on a series of unsupported and speculative assumptions is unprecedented and fundamentally flawed. It fails to satisfy the requirements for admission of expert testimony under Rule 702 and *Daubert v. Merrell Dow Pharm., Inc.* for multiple reasons.

JURISDICTION

9. The Court has jurisdiction over this matter pursuant to 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

10. Syncora respectfully moves the Court to exclude the testimony of the City's forecasting experts—Guarav Malhotra, Robert Cline, and Caroline Sallee—and enter an order substantially in the form of Exhibit 1 attached hereto.

BACKGROUND

I. The Ernst & Young Forecasts

11. The City asserts that it has no more money to pay creditors and thus must pay Syncora and other creditors only pennies on the dollar. In support of this claim, it has produced a forecast consisting of hundreds of different spreadsheets,[11] pieces of which were put together by the City's outside consultants at Ernst & Young, who in turn rely on other consultants such as Conway MacKenzie, Miller Buckfire, and Milliman as well as individuals at the City and other third parties. The City has offered three individuals from Ernst & Young to testify as expert witnesses about various pieces of the forecast they performed — none of whom had any significant experience forecasting revenues or expenses for a municipality before the Detroit matter.[12]

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[11] *See* Ex. 6G, Kopacz Dep. at 51:23-52:3.

[12] *See, e.g.*, Ex. 6D, Cline Dep. at 8:23-24 ("I have not done forecasting for a City."); *id.* at 191:2-4 (doesn't have "any experience doing revenue forecasting for a City"); Ex. 6E, Malhotra Dep. at 17:14-18, 80:8-11 (stating he had never performed a forecast for a municipality before this forecast for Detroit); Ex. 6F, Sallee Dep. at 23:24-241, 25:24-26:2 (this is "the first time" she has forecasted

12. Caroline Sallee performed the property tax and State revenue sharing projections for the City. Robert Cline performed the income tax, wagering tax, corporate tax, and utility users' tax projections. And Guarav Malhotra took those experts' projections, along with those from Conway MacKenzie, Milliman, and others, and incorporated them into the forecast with his own projections of City expenditures. All three experts base their projections upon a series of assumptions, in many instances based on nothing more than their judgment, including assumptions about what actions the City will take over the next 10 and 40 years that could have significant impacts on the available revenues.[13]

13. The City and its experts concede that their forecasts are subject to considerable uncertainties.[14] Among other things, as the City acknowledges, "[t]he

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taxable values "for a municipality[.]"); *id.* at 293:10-18 (agrees she has not "ever participated in constructing financial projections that are similar to the ones that have been constructed in the Detroit case[.]"). Since that time, they have apparently done other municipal work. Ms. Sallee testified, for example, that at the beginning of this year she did forecasting for the City of Flint Michigan, which is also under the supervision of an Emergency Manager, but her analysis was based on a much shorter time frame (5 years) than the 10 and 40-year projections the City has submitted here. *Id.* at 16:6-17:5

[13] Ex. 6E, Malhotra Dep. at 216:22-25 (agreeing that the E&Y "forecasts are based on a series of assumptions").

[14] Fourth Amended Disclosure Statement at 83 ("[T]hese estimates and assumptions may not be realized and are inherently subject to significant economic uncertainties and contingencies, many of which are beyond the City's control."); Ex. 6E, Malhotra Dep. at 200:21-201:5 (agreeing with this statement); Ex. 6D, Cline Dep. at 142:8-10 (agreeing that he was offering no "guarantee regarding the

Projections are dependent upon the successful implementation of the City's budget and the reliability of other estimates and assumptions accompanying the projections."[15]

14. As the experts conceded in their depositions, there is no measure of reliability for the forecasting methods they employed:

> Q. There's no set of standard sources or authorities that would tell you whether an analysis in the area of tax forecasting is scientifically reliable, correct?
>
> A. To my knowledge, ***there is no measure of reliability*** before the fact of a tax revenue forecast.[16]

Rather, they agreed that their attempt to forecast revenues and expenses for 10 and 40 years is a fundamentally subjective undertaking:

> Q. Do you agree the financial modeling is a ***subjective undertaking*** that is affected by the assumptions made and the professional biases of analysts developing the model?
>
> A. ***I would agree with that***.[17]

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accuracy of [his] forecast); Ex. 6I, City of Detroit Ten-Year Financial Projections (July 2, 2014) (POA00706519) ("[t]here will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material").

[15] Fourth Amended Disclosure Statement at 82. *See also* Ex. 6E, Malhotra Dep. at 200:6-14 (agreeing with this statement).

[16] Ex. 6D, Cline Dep. at 67:3-4 (emphasis added).

[17] Ex. 6F, Sallee Dep. at 292:12-16 (emphasis added).

Indeed, many of the assumptions underlying the forecasts conflict with the record and the City's affirmative disclosures and go well beyond the areas in which these experts are qualified to opine.

15. Moreover, the City's experts concede that they are unaware of any forecast that has attempted to project municipal revenues for as long as ten years.[18] And, already, in the few short months in which the projections have existed they have been updated multiple times.

16. Finally, while the City seeks to utilize the forecasts to demonstrate the amounts available to pay creditors, its experts acknowledge that they have not attempted to forecast all available revenues. For example, the forecasts assume constant tax rates over 10 and 40 years, despite the fact that tax rates have in fact changed in the last 10 years and the experts "can't identify any tax forecast that's ever assumed that the current tax rates will remain unchanged for a period as long as 10 years."[19] Likewise, they assume that there will be no significant asset sales,

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[18] Ex. 6E, Malhotra Dep. at 95:12-15 (never done a "forecast for a city that's as long as 10 years"); Ex. 6D, Cline Dep. at 10:6-8 (acknowledging that he had never "done a tax forecast over a period of -- as long as ten years). *See also* Ex. 6D, Cline Dep. at 11:13-16 (agreeing that the "standard forecast length in Michigan and the accepted length for tax forecasting is either two or four years"); Ex. 6F, Sallee Dep. at 215:9-12 (never done a forecast for as long as ten years trying to forecast revenues for a city or other government entity).

[19] Ex. 6D, Cline Dep. at 85:8-15. *See also id.* at 80:22-24 (agreeing that he "can't know with certainty what the tax rate will be" even five years from now), 81:20-23

despite the fact that the City's disclosure statement itself specifically discusses such proposed sales and the City is in the process of exploring them.[20] Accordingly, as the experts concede, the projections do not "attempt[] to forecast revenues and expenses for the entire city."[21] Indeed, as the experts acknowledge, "there are a number of revenue sources we were not asked to forecast."[22]

II. The Court-Appointed Expert's Review

17. The Court-appointed expert, Marti Kopacz, made similar observations. While Ms. Kopacz reviewed the forecasts only for the admittedly narrow purpose of assessing the feasibility of the Plan of Adjustment,[23] did not

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(agreeing that he had "no way to know whether current law is going to be changed with respect to tax rates within the next 10 years"), 83:5-15; Ex. 6G, Kopacz Dep. at 118:19-21 (agreeing that "[c]hanges to the tax law could certainly impact the forecast").

[20] Fourth Amended Disclosure Statement at 94 (the City has retained a specialist to "produce a report on the long-term value potential of the parking assets currently held by the City."); *id.* at 145 (the City's creditor proposal discussed "the City's intention to increase revenues to the City" through, among other things "its intention to potentially realize value from the DWSD," and "the commitment to evaluate what value may be realized from other City assets (e.g., City-owned real property; municipal parking operations; the Detroit-Windsor Tunnel; and Belle Isle Park).").

[21] Ex. 6E, Malhotra Dep. at 214:14-17 (agreeing that he has not "attempted to forecast revenues and expenses for the entire city).

[22] Ex. 6D, Cline Dep. at 300:7-17.

[23] Ex. 6J, Kopacz Report at 11, 20.

undertake a comprehensive review to ensure that the forecast were reliable,[24] and did not express an opinion as to whether the plan was in the best interests of creditors or "look to see if there was a way in which the City could generate more cash,"[25] she nonetheless noted many of the same limitations in the City's forecasts.

18. Ms. Kopacz described the Ernst & Young forecasts as "convoluted" and "confusing"—i.e., a "black box"[26]—based on assumptions that were untested, and indeed untestable:

> Q. Did you say in your expert report that you found the City's model to be convoluted?
>
> A. And confusing.

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[24] While Ms. Kopacz indicated in her report that the projections were "reasonable" for purposes of feasibility, as she further observed during her deposition, she was unable to ascertain the "reasonableness" of the vast majority of the assumptions underlying the City's forecasts and in her view was *not* a synonym for "reliable." Ex. 6G, Kopacz Dep. at 34:2-8. *See also id.* at 48:21-22 ("I didn't reach a conclusion about the quality of Ernst & Young's work."); *id.* at 178:2-11 (acknowledging that she "didn't have sufficient time to independently verify all of the data on which the forecasts are built in order to develop [her] own assumptions"); *id.* at 113:19-21 (observing that she had less than 90 days to perform her work); *id.* at 162:6-8 (she did not "consider or analyze what the biases of the City forecasters were"); *id.* at 174:22-175:19 (she did not know the experience of Robert Cline and his team when it comes to forecasting municipal revenues, Mr. Malhotra and his team when it came to forecasting municipal expenses, or Conway MacKenzie when it came to projecting the costs or revenues associated with a municipal restructuring).

[25] Ex. 6G, Kopacz Dep. at 100:10-13.

[26] Ex 6J, Kopacz Report at 26.

Q. Yeah. Did you also say convoluted?

A. Yes.[27]

19. As she acknowledged, the City's forecasts were "highly subjective" and "subject to the biases of the person doing the forecast."[28] At bottom, they are based on a series of assumptions that the forecasters used "their judgment to determine" — a process that Ms. Kopacz candidly acknowledged "seems circular":

> Q. So those forecasts are principally the product of the judgments of the forecasters. Do you agree with that?
>
> A. I think so. Yes. The people who prepare the forecast, it seems circular. They prepare the forecast, they make the assumptions and the calculations, yes.
>
> Q. But the assumptions are ones that they use their judgment to determine, correct?
>
> A. I believe that's correct, yes.[29]

As a result, Ms. Kopacz acknowledged that she could not, and did not, verify many of the assumptions in the Ernst & Young forecasts, and indeed acknowledged that many of the assumptions were simply untestable.[30]

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[27] Ex. 6G, Kopacz Dep. at 181:17-21. *See also id.* at 111:9-10 ("I, again, have been really critical of how confusing they are.").

[28] *Id.* at 160:15-21. *See also* Ex. 6J, Kopacz Report at 15 (noting that the modeling Ernst & Young performed was "a highly subjective undertaking that is affected by the assumptions made and the professional biases of the analyst developing the model").

[29] Ex. 6G, Kopacz Dep. at 170:7-9.

20. Ms. Kopacz further acknowledged that she had never seen any city "employ[] a methodology or an approach … like this one":

> Q. So we've talked a lot about -- we've talked about industry standards and -- but have you ever seen another city employ the approach for its forecasts that was employed here?
>
> A. No, because as we've established, I've never seen another city like this doing forecasts for a plan of adjustment.
>
> Q. True, but you have seen other cities doing forecasts, right?
>
> A. Budgetary forecasts, yes.
>
> Q. Yeah. Have you ever seen any of those cities employ a methodology or an approach, sorry, like this one?
>
> A. No. [31]

Likewise, she acknowledged that the projections "are not what we would typically expect to see as a set of projections for a plan of reorganization in a Chapter 11 case."[32]

21. As she observed in her report, the City itself has not utilized the results of the Ernst & Young forecast in its triennial budget.[33] Moreover, the

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[30] Ex. 6G, Kopacz Dep. at 195:13-24 (there is "no way to test" the City's assumption that "the assessed value per parcel in the City of Detroit will fall by an additional 50 percent between -- over the next seven years"); *id.* at 200:23-201:8; *id.* at 290:20-23 (did not "test the assumption of a 4.8 percent renaissance zone increase"); *id.* at 291:20-24 (she "did not test the assumptions around the specific utility user tax revenue assumptions by the City forecasters").

[31] *Id*. at 182:14-17.

various forecasters involved did not "employ a uniform approach in constructing the forecasts."[34]

22. In addition, Ms. Kopacz observed that, while the forecast is "in some respects, based on historical financial records," the City has a history of "troubled data systems with respect to the collection of financial records."[35] To the extent that the forecasts are based on financial information after the fiscal year 2012 CAFR, she has not assessed whether the information is reliable, and indeed acknowledges that some of the information may be unreliable:

> Q. The negative implication of your question is that in between CAFRs, the City does not have reliable financial records, correct?
>
> A. They have ad hoc records.
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> Q. They are definitely ad hoc.
>
> A. Yes.
>
> Q. Are they reliable?

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[33] Ex. 6J, 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.").

[34] Ex. 6G, Kopacz Dep. at 180:10-13. *See also* Ex. 6J, Kopacz Report at 15 n.11 (noting that there were "differences that can occur within a model built by the same firm" and that "[t]here were also differences in modeling approach used by Conway Mackenzie, Mr. Moore's Firm, and Ernst & Young, the City's other financial advisor").

[35] Ex. 6G, Kopacz Dep. at 102:6-9.

A. Some may be and some may not be.[36]

23. Moreover, Ms. Kopacz confirmed that municipalities typically do not attempt to forecast revenues and expenses for periods as long as 10 or 40 years, that in terms of reliability generally "the longer period of time a forecast covers, the more variability you would expect as time goes on," and that she "doesn't know why those projections — those periods were chosen."[37]

24. Finally, while Ms. Kopacz was focused on issues relating to feasibility — i.e., whether the City will have sufficient funds to run its operations without further default[38] — she nonetheless observed that the City's forecasts omitted significant revenue streams.[39] Thus, for example, she concluded in her report that

[36] *Id*. at 103:13-14. *See also id.* at 105:10-106:4 (acknowledging that "some information may be reliable and some may not be reliable")

[37] Ex. 6G, Kopacz Dep. at 54:13-14. *See also id.* at 128:22-129:9 (agreeing that she had never seen another municipality "do a comprehensive general fund forecast" over a period of 10 or 40 years).

[38] Ms. Kopacz defined the issue as follows in her report: "Is it likely that the City of Detroit after the confirmation of a plan of adjustment will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the plan without the significant probability of a default." Ex. 6J, Kopacz Report at 199.

[39] *Id*. at 193.

"there are *significant asset sales* that are not contemplated in the POA that could positively impact the projections."[40]

LEGAL STANDARD

25. 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." *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 589 (1993). The burden is on the proponent of the expert evidence to satisfy each of Rule 702's requirements. *Sigler v. Am. Honda Motor Co.*, 532 F.3d 469, 478 (6th Cir. 2000); *Daubert*, 509 U.S. at 592 n.10. Among other things, the proponent of expert testimony must demonstrate that: (1) the proffered expert is "qualified by knowledge, skill, experience, training, or education" to offer the expert's opinions; (2) the proffered testimony is relevant to the issues at hand; and (3) that the testimony is based on "sufficient facts," is "the product of reliable principles and methods," and that those methods have been reliably applied to the facts of the case. Fed. R. Evid. 702; *Daubert*, 509 U.S. at 594–95.

26. Under Rule 702 and *Daubert*, an expert's opinions may not be based on "subjective belief or unsupported speculation." 509 U.S. at 590; *Tamraz v. Lincoln Elec. Co.*, 620 F.3d 665, 670 (6th Cir. 2010). In order to be admissible,

[40] *Id*. at 197 (emphasis added). *See also* Ex. 6G, Kopacz Dep. at 117:19-22 (noting that "potential asset sales" were not "in the plan forecasts as a potential source of revenue").

expert testimony must be based on "good grounds,' based on what is known." *Pomella v. Regency Coach Lines, Ltd.*, 899 F. Supp. 335, 342 (E.D. Mich. 1995) (quoting *Daubert*, 509 U.S. at 590). Under Rule 702 and *Daubert*, the "court's gatekeeping function requires more than simply 'taking the expert's word for it.'" *Thomas v. City of Chattanooga*, 398 F.3d 426, 432 (6th Cir. 2005). Rather, "the existence of sufficient facts and a reliable methodology is in all instances mandatory." *Hathaway v. Bazany*, 507 F.3d 312, 318 (5th Cir. 2007); *see also Elcock v. Kmart Corp.*, 233 F.3d 734, 756 (3d Cir. 2000) (affirming exclusion of economist's testimony regarding future earnings because it "relied on several empirical assumptions that were not supported by the record"); *see also Rose v. Truck Ctrs., Inc.*, 388 F. App'x 528, 535 (6th Cir. 2010) (unpublished) ("An expert's conclusions … must have an established factual basis and cannot be premised on mere suppositions.").

27. Likewise, in order to satisfy Rule 702's relevance requirement, an expert's opinions must be "sufficiently tied to the facts of the case." *Daubert*, 509 U.S. at 591. Expert testimony is inadmissible where "there is simply too great an analytical gap between the data and the opinion proffered." *Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997).

28. It is "critical" that an expert's analysis meet these requirements at "every step." *Amorgianos v. Nat'l R.R. Passenger Corp.*, 303 F.3d 256, 267 (2d

Cir. 2002). "[A]ny step that renders the analysis unreliable under the *Daubert* factors renders the expert's testimony inadmissible." *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d 717, 745 (3d Cir. 1994).

ARGUMENT

I. The City's Experts Concede That Their Methodology is Inherently Subjective And Untestable And That Critical Assumptions Upon Which Their Forecasts Are Based Are Unsupported And Outside Their Areas of Expertise.

29. As the City's experts concede, to the extent they employed any methodology at all in constructing their forecasts, it is fundamentally subjective and untestable. As Ms. Sallee acknowledged, the modelling Ernst & Young performed here is a "subjective undertaking that is affected by the assumptions made and the professional biases of analysis developing the model."[41] Likewise, as Dr. Cline acknowledged, while there are potential means of assessing reliability in the field of forecasting, "there is no measure of reliability before the fact of a tax revenue forecast" of the sort Ernst & Young performed.[42]

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[41] Ex. 6F, Sallee Dep. at 292:12-16.

[42] Ex. 6D, Cline Dep. at 67:3-4. *See also id.* at 73:23-74:4 (acknowledging that he was "offering no opinion on the reliability" of his forecast "over the next 10 years").

30. This conclusion was confirmed by the Court's appointed expert, Ms. Kopacz, who agreed that the forecasts were "highly subjective"[43] and that the forecasts were based on assumptions that were "principally the product of the judgments of the forecasters."[44] As a result, she agreed that there was "no way to test" certain of the assumptions the forecasters made.[45]

31. It is just such subjective expert opinion, however, that is inadmissible under Rule 702 and *Daubert*. *See Daubert*, 509 U.S. at 590 (expert testimony may not be based upon "subjective belief or unsupported speculation"); *Newell Rubbermaid, Inc. v. Raymond Corp.*, 676 F.3d 521, 527 (6th Cir. 2012) (subjectivity and "lack of testing" are "red flags" under *Daubert* and Rule 702); *In re TMI Litig.*, 193 F.3d 613, 703 n.144 (3d Cir. 1999) (excluding expert's opinion based on "subjective" methodology, noting that "it is impossible to test a hypothesis generated by a subjective methodology because the only person capable of testing or falsifying the hypothesis is the creator of the methodology").

32. Likewise, the ability to test and assess the reliability of expert opinion that a critical requirement of Rule 702: "Ordinarily, a key question to be answered in determining whether a theory or technique is scientific knowledge that will

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[43] *Id.* at 160:15-21; Ex. 6J, Kopacz Report at 15.

[44] Ex. 6G, Kopacz Dep. at 170:7-9.

[45] Ex. 6G, Kopacz Dep. at 195:13-24.

assist the trier of fact will be whether it can be (and has been) tested." 503 U.S. at 593. *See also Sumner v. Biomet, Inc.*, 434 F. App'x 834, 842 (11th Cir. 2011) (excluding expert opinion where, "according to [the expert's] own testimony, [his] theory is virtually incapable of being tested"); *Fariniarz v. Nike, Inc.*, 2002 WL 1968351, at *3 (S.D.N.Y. Aug. 23, 2002) (excluding expert where, "[a]ccording to [the expert's] own statements," his conclusions were "incapable of being tested or challenged," because "[t]his is precisely the type of evidence Rule 702 was intended to exclude.").

33. Here, the City's forecasters employed no discernible methodology. Instead, they merely employed a series of assumptions[46] based on their judgment that in many instances are speculative and unsupported and fall outside the experts' admitted areas of expertise. Indeed, as Dr. Cline candidly acknowledged, "[i]n a sense, ***the entire model is an assumption.***"[47] Yet, a number of these assumptions

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[46] Ex. 6E, Malhotra Dep. at 216:22-25 (agreeing that the E&Y "forecasts are based on a series of assumptions"); *id.* at 73:23-74:2 (agreeing that "there are a number of assumptions in the . . . forecast"); Ex. 6D, Cline Dep. at 68:7-9 (agreeing that "there are numerous assumptions involved" in the models.); *id.* at 148:6-7 ("a wide range of assumptions" is incorporated into the model).

[47] Ex. 6D, Cline Dep. at 182:17 (emphasis added); *see also id.* at 233:3-4 ("the entire forecast is a forecast based upon assumptions.").

are directly contradicted by the conclusions of the City's own witnesses, who have gone so far as to label their own experts' forecasts "ridiculous."[48]

A. Caroline Sallee

34. Caroline Sallee was charged with formulating the City's property tax and revenue sharing projections.[49] She projects that over the next ten years, half the taxable value of residential property in the City will be wiped out based on an assumption she made using her judgment regarding the outcome of a planned reappraisal that has not been started yet and which will not be completed for three to five years (i.e., by 2020).[50] As a threshold matter, Ms. Sallee concedes that she is not an expert in property assessment or real estate valuation.[51] She has not been trained in the "methods for assessing property" and has never done a real estate

[48] Ex. 6H, Evanko Dep. at 223:25-224:1; Ex. 6F, Sallee Dep. at 182:25-183:7.

[49] Ex. 6C, Sallee Report at 1.

[50] Ex. 6F, Sallee Dep. at 190:23-24 (in setting the taxable property value under a planned reappraisal study, "[t]he parameter I used was based on my judgment after the reappraisal study"); *id.* at 206:10-15 (agreeing that her assumption of a 15% decline after the future reappraisal study "would bring residential taxable value to approximately half of its fiscal 2013 level").

[51] Ex. 6F, Sallee Dep. at 11:1-12:1 ("I'm not an expert on property assessment"; acknowledging that she is "[n]ot an expert on real estate valuation" and had "[n]ever done a real estate valuation before"; acknowledging that she was not holding herself out as an "expert in real estate in general").

valuation or property assessment before.[52] Nor has she ever forecasted the total amount of property tax revenue for a city before the present matter.[53] Nonetheless, she proceeds to wipe out much of the City's property tax revenues based on her judgment about future taxable value — an opinion outside her area of expertise and a clear violation of Rule 702 and *Daubert*. *See, e.g., Berry v. City of Detroit*, 25 F.3d 1342, 1351 (6th Cir. 1994) (under Rule 702 an expert must have "those qualifications provide a foundation for a witness to answer a specific question"); *Peak v. Kubota Tractor Corp.*, 924 F. Supp. 2d 822, 829 (E.D. Mich. 2013) (expert opinion is inadmissible where "the expert's training and qualifications" do not "relate to the subject matter of his proposed testimony").

35. Moreover, she concedes that her uninformed judgment is "inconsistent with" that of the City's own assessor and that of Wayne County. As she acknowledges, the City's assessor, Mr. Evanko testified that he does not know if property values will decrease ***or increase*** after the future assessment, and indeed that "[n]obody knows for certain" what effect the reappraisal study will have.[54] As

[52] Ex. 6F, Sallee Dep. at 83:12-13 ("I have not been trained to assess property").

[53] Ex. 6F, Sallee Dep. at 24:16-20. *See also id.* at 25:24-26:2 (acknowledging this was the first time she had forecasted taxable value for a city).

[54] Ex. 6F, Sallee Dep. at 188:14-15 ("It says here, yeah, [Evanko] does not know how the reappraisal study will come out, correct."); *id.* at 188:16-20. ("Nobody knows for certain" what effect on property values and assessments the reappraisal study will have).

Mr. Evanko explained, he did not know where assessments would "come out next year," much less in 2020, which he characterized as "a life time":

> Q. Okay. So take a look at number 6, lowered residential taxable value in fiscal year 2020 due to city-wide planned reappraisal study. Okay, so let's make clear, you never discussed the impact of the city-wide planned reappraisal study with Ernst & Young, correct?
>
> A. Correct.
>
> Q. And you could not have given them an estimate of how much to reduce taxable value based on the study because you yourself don't know which way it's going to come out, correct?
>
> A. ***I don't know where -- how it's going to come out next year. 2020 is a lifetime.***[55]

36. It is hard to conceive how an expert tasked with determining the taxable value of a city's future tax base could fail to discuss the matter with the City's most senior property tax assessor. But that is precisely what Ms. Sallee did.

37. Likewise, as Ms. Sallee acknowledges, her "opinion is different" from that of Wayne County, which has always assigned Detroit an equalization value of

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[55] Ex. 6H, Evanko Dep. at 224:15-16 (emphasis added). *See also id.* at 224:21-25 (it is "[a]bsolutely correct" that Evanko did not "tell [E&Y] this is about what it's going to look like when the reappraisal study is done"); *id.* at 225:1-6 (agreeing that he does not "have a feel for whether it's going to go up or down" and that this was "partly why [he was] doing the mass reappraisal.").

1.0, indicating that it has determined that property in the City is ***not*** systematically under-assessed.[56]

38. Such expert opinion based on assumptions that are unsupported — and indeed contradicted by — the record evidence is inadmissible under Rule 702 and *Daubert*. *See, e.g., McLean v. 988011 Ontario, Ltd.*, 224 F.3d 797, 801 (6th Cir. 2000) ("An expert's opinion, where based on assumed facts, must find some support for those assumptions in the record."); *Pride v. BIC Corp.*, 218 F.3d 566, 578 (6th Cir. 2000) (affirming exclusion of expert opinion that was "not only unsupported by reliable testing, but [was] contradicted" by other evidence); *Elcock*, 233 F.3d at 756 (finding it an abuse of discretion to admit an expert economic damages opinion that relied on assumptions about plaintiff's earnings and extent of disability that were contradicted by the record); *Tyger Constr. Co. Inc. v. Pensacola Constr. Co.*, 29 F.3d 137, 143 (4th Cir. 1994) (finding abuse of discretion in admitting expert opinion that "was based on a faulty assumption that is unsupported by evidence," because "[e]xpert evidence based on assumptions not supported by the record should be excluded."); *Rose v. Truck Centers, Inc.*, 611 F.

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[56] Ex. 6F, Sallee Dep. at 89:24-90:3 (over the last ten years, Detroit has always "received a factor of 1" from Wayne County, which "means that the county believes property has not systematically been over or underassessed"); *id.* at 96:23-97:11 (acknowledging her "opinion is different" than that of Wayne county and that she has "come up with [her] own opinion that it's overassessed").

Supp. 2d 745, 751 (N.D. Ohio 2009) ("Assumptions must be supported by evidence in the factual record.").

39. Moreover, Ms. Sallee's exercise of her judgment to wipe out property tax revenues in the City is completely uninformed. She acknowledges that she does not know who will conduct the reappraisal or what methodology they will use (the City has not yet retained any outside consultant).[57] Nor does she even know what the current assessment methodology is.[58] "I don't know what the city assessor's office was doing to assess property. I don't know."[59] Such unsupported expert opinion is inadmissible. *See Sommer v. Davis*, 317 F.3d 686, 695 (6th Cir. 2003) (affirming exclusion of expert testimony when expert acknowledged he did not possess knowledge supporting his proffered opinions).

40. Finally, her assumption that this massive reduction in property tax revenue will occur is contrary not only to the assessment by City and county

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[57] Ex. 6F, Sallee Dep. at 97:19-24 (acknowledging she does not know "what reassessment methodology the . . . contractor who is doing the reassessment is going to employ," admitting "I do not know specifically what they're going to do.").

[58] Ex. 6F, Sallee Dep. at 48:3-10, 96:25-97:1 ("I don't know specifically what they looked at in determining the equalization factor."), 211:6 (when asked what factors were taken into account in assessing property in the City, she acknowledged "I don't know what they are actually using").

[59] Ex. 6F, Sallee Dep. at 483-10. Nor can she explain the methodology the City uses in collecting property taxes or setting property tax rates. *Id.*

officials, but also the very data she has reviewed. As she acknowledges, assessed property tax values should improve with an improving economy as well as with home prices.[60] And, as she further acknowledges, recent data show that housing prices in Detroit "went up 42.13 percent in 2014 so far compared with the prior year."[61] This is the highest increase that has ever occurred in the history of this data that Ms. Sallee observed (dating back to 2001).[62]

41. Ms. Sallee's projected collapse of property tax revenues stands in stark contrast to this recent data as well as the City's projections regarding other tax revenues, which assume a modest (and grossly understated) increase based on the improving economy. While Dr. Cline has projected modestly increasing income tax, wagering and utility user tax revenues — even assuming near-zero

[60] Ex. 6F, Sallee Dep. at 191:16-19 ("So this scenario does say that if the economy in Detroit improves, we would see improvement to taxable values in the city. We would see improved property tax revenue."); *id.* at 69:25-70:2 ("So in our model, if there is greater economic activity, we have better property tax revenues.").

[61] Ex. 6F, Sallee Dep. at 289:10-16 (Detroit realtor data). Likewise, the Case-Shiller index, which Ms. Sallee acknowledged is "viewed as a reputable source of trends in house prices" by "widely respected economists" (*id.* at 115:12-23), shows that "Detroit's home prices . . . have increased more than other cities in the benchmark index over the one and three-year and five-year periods" (*id.* at 139:3-7). *See also* Ex. 6F, Sallee Dep. at 11822-119:2 (acknowledging reports that Detroit is "the seventh most highest [city] in terms of housing price growth"); *id.* at 134:25-135:4 (agreeing that "the Case-Shiller Detroit Home Price Index" shows that "the housing prices have been increasing in Detroit over the last two years").

[62] Ex. 6F, Sallee Dep. at 290:23-291:2.

employment growth, zero or negative real wage growth, and a declining population,[63] Ms. Sallee predicts that there will be a massive collapse in property tax revenue during the period based on her unsupported assumption that is contrary to judgment of City and county officials and which is based on no expertise whatsoever.

42. Indeed, Ms. Sallee's analysis is based entirely on such assumptions based on her judgment (even where such judgment is contrary to actual data and outside her area of expertise). As she acknowledged, in general: "I've used my judgment in selecting the assumptions."[64] Thus, for example, Ms. Sallee testified that she selected growth rates for various classes of property based on her judgment and then varied them year to year — again, based on her judgment:

> Q. Did you pick the growth rates for real and personal property based on your judgment?
>
> A. So ultimately I selected those growth rates based on my judgment.
>
> Q. And do those growth rates also vary over year for each class of property.
>
> A. They change year to year, yes.

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[63] Ex. 6A, Cline Report at 10-11, 22-23, 25.

[64] Ex. 6F, Sallee Dep. at 65:22-23. *See also, e.g.*, *id.* at 203:19-20 (in assuming a reduction in residential taxable value of -2 to -4% per year in 2016-20, "I used my judgment to select those rates."); *id.* at 223:1-6 (assumed that personal property tax legislation had a 50% chance of passing because "some people are for it. Some people are against it. So 50/50 seemed reasonable").

> Q. And you used your judgment to decide how the growth rates for each class of property should change year to year; is that correct?
>
> A. I used my judgment to see how they would change year to year, yes.[65]

Such "'*ipse dixit* of the expert' alone is not sufficient to permit admission of an opinion." *Tamraz*, 620 F.3d at 671. Opinions based on an expert's "subjective judgment" are prohibited under Rule 702 and *Daubert*. *Meridia Prods. Liab. Litig. v. Abbott Labs.*, 447 F.3d 861, 868 (6th Cir. 2006) (affirming district court's exclusion of expert who based opinions on his "subjective judgments"); *see also Lake Michigan Contractors, Inc. v. Manitowoc Co., Inc.*, 225 F. Supp. 2d 791, 800 (W.D. Mich. 2002) (excluding expert opinion that there was a 50% loss of efficiency because he did not "explain how he arrived at the 50% figure, as opposed to, say 45% or 65%," and thus there was "no way to test his opinion through cross-examination.").

43. Ms. Sallee's revenue sharing projections suffer from similar flaws. As Ms. Sallee (and the City) acknowledge, Detroit and indeed all cities in the State have experienced a "significant" reduction in revenue sharing from the State of Michigan, which has cut expenditures to cities even as the State runs budget

[65] Ex. 6F, Sallee Dep. at 159:6-17. *See also id.* at 256:24-25 ("Ultimately all of the numbers, the growth rates, I had to select.").

surpluses.[66] In the last few years before the bankruptcy filing, State aid was reduced in excess of $200 million[67] and independent entities calculate that the City has lost more than $700 million over the last decade due to the State's failure to fully fund the revenue sharing program.[68] As a result, there are multiple cities in Michigan that are experiencing fiscal distress and are under emergency management.[69] Ms. Sallee assumes that these massive cuts will remain in place at a fixed rate for 10, and even 40 years,[70] even though she acknowledges that statutory revenue sharing (EVIP) is "very variable," that it "is a discretionary

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[66] *See* Fourth Amended Disclosure Statement at 113 (noting there have been "significant cuts by the State"); Ex. 6F, Sallee Dep. at 14:12-13 ("I understand that Michigan revenue sharing has gone down."); *id.* at 303:10-13 (in the last two years, the State's "revenues exceeded their planned budgeted expenses, so they were running a surplus in that sense."); Ex. 6J, Kopacz Report at 52 ("The City of Detroit recently saw its portion of State's revenue sharing decrease significantly, from a combined annual total of $267 million in FY 2009 to as low as $173 million in FY 2012.").

[67] Ex. 6E, Malhotra Dep. at 250:9-10.

[68] Ex. 6M, Michigan Municipal League, The Great Revenue Sharing Heist (Feb. 2014) ("In Detroit, a city facing the largest municipal bankruptcy in history, the state took over $700 million to balance the state's books."); How Michigan's Revenue Sharing "raid" Cost Communities Billions for Local Services, MLive.com (Mar. 30, 2014) ("Detroit, which filed for bankruptcy protection last year, missed out on $732 million [in State revenue sharing] between 2003 and 2013.") (Syncora Ex. 4462).

[69] Ex. 6F, Sallee Dep. at 53:11-16.

[70] Ex. 6F, Sallee Dep. at 236:8-16.

political decision by the legislature," and "[w]e don't know what's going to happen to EVIP."[71] Indeed, in the months her forecast has been in existence, she already has been forced to increase her projections by $35-40 million dollars after the legislature approved an increase in statutory revenue sharing for fiscal year 2015.[72] Moreover, she has assumed this fixed rate over the next 10 and 40 years even though she knows from conversations with State officials that it is likely that the current statutory framework for State revenue sharing will be repealed in the next year.[73]

44. Finally, Ms. Sallee assumes that personal property tax revenues will dramatically decrease as a result of an initiative that was in the process of being submitted to popular vote when she filed her report (and has subsequently passed), which would implement certain property tax exemptions. She projects a 10% decrease in personal property tax revenues, again based on her judgment of the

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[71] Ex. 6F, Sallee Dep. at 49:14-18, 240:17-18, 307:8.

[72] *Compare* Ex. 6C, Sallee Report *with* Projections Accompanying Fourth Amended Plan of Reorganization. Ex. 6F, Sallee Dep. at 238:22-239:20 ("we incorporated fiscal year 2015 once it had been passed," and the EVIP payment to Detroit "went up by almost 4 million" between 2014-2015, which caused her to revise her projections for subsequent years "[s]omewhere between 35, 40 million").

[73] Ex. 6F, Sallee Dep. at 306:20-307:3 (reporting that in her conversation with him, Jim Stansell at the House Fiscal Agency was "pretty pessimistic about EVIP, thinks it's going to be eliminated next year").

effect of the exemption and her determination that there is a 50/50 chance that this new initiative will pass.[74] However, when shown this projection, the City's Chief Assessor Mr. Evanko, characterized it as "ridiculous":

> Q. Are you don't recall discussing .5, reduction of 10 percent in collections in fiscal year 2015 due to loss of revenue from the small business personal property tax exemption?
>
> A. Not only do I not -- I do not recall, but ***this is a ridiculous estimate***. I knew in December of 2013 that the small business personal property tax exemption would affect the City's tax base by approximately 0.7 of 1 percent, not 10 percent.[75]

As Ms. Sallee subsequently acknowledged in her deposition, the proposed measure has "several different" mechanisms to reimburse localities for lost revenue from the proposed exemptions, including new taxes.[76] And, as she further acknowledged, she has no idea now these reimbursement mechanisms will be implemented: "Nobody really knows how all this is going to work, so I don't know how they're going to do that."[77]

B. Robert Cline

45. Dr. Cline performed the projections for City income, wagering, corporate, and utility user tax revenues. He based his analysis on his assumptions,

[74] Ex. 6C, Sallee Report at 8.

[75] Ex. 6H, Evanko Dep. at 223:21-224:4 (emphasis added).

[76] Ex. 6F, Sallee Dep. at 329:23-330:9.

[77] Ex. 6F, Sallee Dep. at 330:17-19.

which in turn are based on his experience.[78] But, much like Ms. Sallee, he acknowledges that he has never done tax forecasting for a city (with the possible exception of some work he did for Cincinnati)[79] and has never done forecasting at all in areas specifically covered by his analysis, such as forecasting wagering taxes,[80] municipal wage and employment growth rates,[81] and municipal population levels.[82]

46. Nor did Dr. Cline do any independent testing or verification of much of the material he was provided by third parties. When he began his work on the Detroit matter in the Spring of 2013, a model was already in place — he does not know specifically who created it.[83] In preparing his forecast, he relied on

[78] Ex. 6D, Cline Dep. at 47:24-48:2 ("The methodology we used in constructing the forecasting model is based upon my experience as a revenue forecaster").

[79] Ex. 6D, Cline Dep. at 8:24 ("I have not done forecasting for a city."); *id.* at 21:14-17 (never before forecasted income tax rates or corporate tax rates for a city); *id.* at 191:2-7 (agreeing that he does not have any prior "experience doing revenue forecasting for a [c]ity" nor "economic forecasting for Detroit" specifically").

[80] Ex. 6D, Cline Dep. at 9:14-16.

[81] Ex. 6D, Cline Dep. at 21:5-10.

[82] Ex. 6D, Cline Dep. at 20:6-8.

[83] Ex. 6D, Cline Dep. at 12:3-5, 50:18-20 ("We got that information from the EY team in Detroit. I'm not sure who put that model together initially."). Ms. Sallee offered similar testimony regarding the property tax model. Ex. 6F, Sallee Dep. at

information provided by the City but did not do "any independent analysis or testing to verify the accuracy of the information" he was provided.[84] Nor is he in a position "to comment on the expertise" of the individuals he relied on for the information,[85] and indeed cannot identify any of the officials in the City of Detroit who have involvement with taxes.[86]

47. While Dr. Cline purports to forecast revenues under a restructuring scenario, he acknowledges that he does not have "any understanding" of what activities the City is planning to undertake in restructuring (or in the baseline scenario, for that matter):

> Q. Do you have any understanding of what activities the City will or will not perform in the restructuring scenario?
>
> A. I do not know the specifics of any alternatives.[87]

While he was charged with forecasting the economic effects in a restructuring scenario, he does not know how the money will be spent.[88]

46:12-15 (noting that there was a "model in place for property taxes" when she started and she did not know who created it).

[84] Ex. 6D, Cline Dep. at 28:2-5.

[85] Ex. 6D, Cline Dep. at 59:6-9.

[86] Ex. 6D, Cline Dep. at 109:8-10.

[87] Ex. 6D, Cline Dep. at 94:3-7. *See also id.* at 93:23-94:7.

[88] *Id.*

48. Moreover, while Dr. Cline acknowledged that "anything that affects the private sector economy would in theory have an influence on [his] tax forecast,"[89] his testimony at the hearing made clear that he was unaware of basic events that could significantly contribute to the City's economy, such as the federal government's recent $300 million grant to the City, JPMorgan's $100 million commitment to support and accelerate Detroit's economic recovery, the M1 rail project, and the construction of a new bridge between Detroit and Canada.[90]

49. As was demonstrated during his testimony before the Court, his opinions fail for several reasons. His forecasts of near-zero population growth, near-zero employment growth, and near-zero (or negative) wage growth are based on *no* methodology — much less a *reliable* methodology — as required by Rule 702 and *Daubert*.

50. *First*, Dr. Cline acknowledges that key assumptions in his forecast are completely unsupported by any data. Most fundamentally, he was not aware of any "scientific literature or data" that would tell him the effects on revenues from the City's restructuring or reinvestment proposals:

> Q. And do you agree that there's no scientific literature
> or data available that quantifies any increase in tax

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[89] Ex. 6D, Cline Dep. at 177:25-178:8

[90] 8/18/14 Hearing.

> revenue or revenue in general from restructuring or reinvestment proposals by the City?
>
> A. I am not familiar with any analysis related to Detroit's current situation that directly links spending initiatives to specific revenue changes -- tax changes, which is what we looked at, just the tax changes.[91]

51. While Dr. Cline claims that there is some sort of "structural" problem in Detroit that leads to this delayed recovery, he acknowledges that he in fact does not know the cause of the delay and cannot identify anyone else who is hypothesizing such a relationship.[92] Likewise, while he assumes that this delay will be removed as a result of restructuring, he acknowledges that he has no study or data that shows that this is the case.[93]

52. Again, much like Ms. Sallee, he varied this so-called cyclical adjustment over time, by simply "assuming" the numbers:

> Q. Okay. So you had to assume what the numbers would be in terms of the cyclical adjustment over the timer period you examined, correct?
>
> A. We had no choice because the time series was too short to do a mathematical equation or a regression equation to estimate that relationship.

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[91] Ex. 6D, Cline Dep. at 143:20-144:3

[92] Ex. 6D, Cline Dep. at 211:3-214:15.

[93] Ex. 6D, Cline Dep. at 208:17-209:4 (agreeing that he could not "identify any studies showing a reinvestment and restructuring initiative like Detroit's proposing will impact the rate of recovery"); *id.* at 226:4-9 ("You're correct that I do not know of any study that deals specifically with this issue.").

Q. And is that also true of the initial cyclical adjustment of minus .7 percent that you had to assume that?

A. That is correct.[94]

53. Likewise, he acknowledged that there was "no body of data" that "tells you what the assumed rate of population decline is in the restructuring scenario" or "any studies that would have given us insight into this issue":

> Q. There's no body of data, though, that tells you what the assumed rate of population decline is in the restructuring scenario as compared to the baseline scenario, correct?
>
> A. There's no body of literature that I know of that deals with the forecast for the situation that Detroit faces, so I'm not aware of any studies that would have given us insight into this issue.[95]

Again, Dr. Cline simply picked some numbers. He similarly "assumed" the growth rate for the corporate income tax revenues he used because he did not "know of any analyses or study that could have helped us determine what that specific rate is."[96]

54. Expert opinions based on such unsupported assumptions are inadmissible under Rule 702 and *Daubert*. "The '*ipse dixit* of the expert' alone is not sufficient to permit the admission of an opinion." *See, e.g., Tamraz*, 620 F.3d

[94] Ex. 6D, Cline Dep. at 253:11-20.

[95] Ex. 6D, Cline Dep. at 262:8-15.

[96] Ex. 6D, Cline Dep. at 262:21-263:14.

at 671. Nor may an expert use "hypothesized 'guesstimations' in selecting "important variables" for his model. *See Coffey v. Dowley Mfg., Inc.*, 187 F. Supp. 2d 958 (M.D. Tenn. 2002) (excluding expert's computer model on the ground that it "was not based on sufficient facts and data"); *Lake Michigan Contractors, Inc. v. Manitowoc Co., Inc.*, 225 F. Supp. 2d 791, 800 (W.D. Mich. 2002) (excluding expert opinion that there was a 50% loss of efficiency did not "explain how he arrived at the 50% figure, as opposed to, say 45% or 65%," and thus there was thus "no way to test his opinion through cross-examination.").[97]

55. *Second*, even where Dr. Cline did consider any data, he did so arbitrarily and in a manner that biased the results to support his projection of near-zero employment growth, zero or negative real wage growth, and a declining population. For example, while he underscored that it it is important to use the "most recent, actual information" in conducting a forecast,[98] in two of the three analyses he presented to the Court he inexplicably omitted data from 2013 and 2014,[99] which he acknowledged was readily available on the federal government's

[97] For example, when asked why the value for Detroit's employment growth rate was set to "minus .5 as opposed to minus .4 or some other value," much like the expert in *Lake Michigan Contractors*, Dr. Cline responded that "[t]hat was our assumption about . . . the time it would take before the private sector started to respond." Ex. 6D, Cline Dep. at 231:17-20, 232:19-24.

[98] Ex. 6D, Cline Dep. at 63:7-13.

[99] Ex. 6N, City Exhibits 546 & 547.

website — data that he acknowledged showed that employment ***has increased*** in Detroit throughout 2014.[100] Such cherry-picking of the available data renders an expert's opinions unreliable under Rule 702 and *Daubert*. *See Fail-Safe, L.L.C. v. A.O. Smith Corp.*, 744 F. Supp. 2d 870, 889 (E.D. Wis. 2010) (the fact that the expert "all but 'cherry picked' the data he wanted to use . . . provid[es] the court with another strong reason to conclude that the witness utilized an unreliable methodology.").

56. Likewise, Dr. Cline arbitrarily selected one of three population scenarios from the Southeast Michigan Council of Governments (SEMCOG) to serve as the basis for his population analysis, all of which used an unknown methodology[101] and which he acknowledged were "not on the same solid basis" as other numbers he had available to him.[102] He then altered those numbers using arbitrarily selected rates based on no data, to arrive at population estimates in a restructuring scenario that were *less* than estimates in one of the SEMCOG scenarios he rejected in the *absence* of any restructuring efforts.[103] Not only were these population projections completely arbitrary, but because he had no idea what

[100] 8/18/14 Hearing.

[101] Ex. 6D, Cline Dep. at 226:10-15.

[102] Ex. 6D, Cline Dep. at 260:2-10.

[103] Ex. 6D, Cline Dep. at 226:16-19, 226:20-227:22.

methodology SEMCOG used, Dr. Cline could not check their accuracy or reliability.[104]

57. *Finally*, much like Ms. Sallee, Dr. Cline's assumptions are frequently at odds with determinations made by the City. Dr. Cline acknowledged, for example, that "at the end of the day," the assumed wagering "growth rate that [he] used is a number that [he] just picked,"[105] which is lower than the forecasted growth rate used in the City's own consensus revenue forecasts.[106] Dr. Cline picked a lower number based on the hypothesized effects of competition from casinos in Toledo, Ohio (which the consensus revenue forecasts also took into account),[107] but he acknowledges that he is not an expert on casinos or wagering revenue (and has never done a wagering tax forecast).[108] Forecasting the effects of competition in the gaming industry is simply outside his area of expertise.

[104] *See* Ex. 6D, Cline Dep. at 226:10-15; 8/18/14 Hearing.

[105] Ex. 6D, Cline Dep. at 171:22-25. *See also id.* at 169:24-170:6 ("I was responsible for that assumption").

[106] Ex. 6D, Cline Dep. at 166:23-167:2, 167:14-17 (acknowledging that "the Detroit consensus forecast has a higher wagering tax revenue growth figure" and that "the consensus forecast notes that there's expected to be a turnaround in wagering tax revenue in fiscal year 2016").

[107] *See* Ex. 6D, Cline Dep. at 170:16-171:21.

[108] Ex. 6D, Cline Dep. at 8:4-9:16. *See also id.* at 270:7-9 (he has never done "any study of casino competition").

C. Guarav Malhotra

58. Mr. Malhotra, who acknowledges that he is not an expert on tax forecasting or other matters covered by the City's projections,[109] took the projections created by Ms. Sallee, Dr. Cline, Conway MacKenzie, Milliman and others and assembled those along with his own projections of City expenditures.[110] Mr. Malhotra did not cite any literature supporting his methodology.[111] And like the other E&Y forecasters, he had no experience doing forecasting of revenues and expenses for a municipality before his retention on the Detroit matter.[112] Nor did he cite any literature supporting his methodology.[113]

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[109] Ex. 6E, Malhotra Dep. at 12:17-13:20. *See also id.* at 158:20-22 (never "published any publications on forecasting").

[110] *See* Ex. 6E, Malhotra Dep. at 20:24-21:4.

[111] Ex. 6E, Malhotra Dep. at 79:15-19 (unable to identify a single article containing methodology employed in Detroit's forecast); *id.* at 158:2-22 (stating that expert report contains no literature supporting methodology).

[112] Ex. 6E, Malhotra Dep. at 17:15-18 (agreeing that "before [his] work for the City of Detroit, [he] had never done forecasting for a city specifically"); *id.* at 80:8-11 ("Q: But for an actual city, municipality, you've never done a forecast before Detroit's; correct? A. For a city, that is correct."). While he did some forecasting work for the Detroit Public Schools, he had not done forecasting for a municipality. *See id.* at 80:12-20.

[113] Ex. 6E, Malhotra Dep. at 79:15-19 (unable to identify a single article containing methodology employed in Detroit's forecast); *id.* at 158:2-22 (stating that expert report contains no literature supporting methodology).

59. Mr. Malhotra bases his own forecasts on "extrapolations based on historical trends,"[114] which in turn were based on only "three or four years of historical data,"[115] after which he would "go with the average value or ***some other value*** based on conversations with people at the City."[116] In addition, the data itself — upon which he did or did not base his assumed values depending on what the City told him to do — is from a system that is dysfunctional and has been the subject of multiple adverse audit findings.[117] "[E]ven where an expert's methodology is reliable, if the analysis is not based upon relevant and reliable data, the expert's opinion will be inadmissible." *Johnson Elec. N. Am. Inc. v. Mabuchi Motor Am. Corp.*, 103 F. Supp. 2d 268, 283 (S.D.N.Y. 2000) (excluding proffered expert's regression analysis).

60. Moreover, in forecasting City expenditures, Mr. Malhotra utilized assumptions that were inconsistent with the other Ernst & Young forecasters. For example, while Dr. Cline utilized a 1% wage growth rate, Mr. Malhotra utilized a 2% wage growth rate throughout the forecast period (a 100% increase over Dr. Cline's growth rate), which significantly increased projected labor costs, one of the

[114] Ex. 6E, Malhotra Dep. at 217:22-218:3.

[115] Ex. 6E, Malhotra Dep. at 218:25-219:5.

[116] Ex. 6E, Malhotra Dep. at 222:15-223:6 (emphasis added).

[117] *See* Ex. 6O, KPMG, Independent Auditors' Report 3 (2012).

most significant costs for the City. As Mr. Malhotra acknowledged, because wages and benefits comprise the "largest portion of the City's budget," such assumptions regarding wage growth can "have an important and material impact" on the financial projections.[118]

61. More generally, Mr. Malhotra was unaware of any studies or data supporting the general assumption of Ernst & Young's forecast—i.e., the effects that the investment of more than a billion dollars in restructuring and reinvestment initiatives would lead to changes in revenues.[119] Nor was he aware of any scientific study suggesting that any part of the restructuring or reinvestment initiatives would increase the City's population (may making the City more attractive or otherwise).[120]

* * *

62. In sum, all three experts' opinions are based on a series of unsupported assumptions, which are contradicted by the City and/or are outside their area of expertise. Such "subjective belief or unsupported speculation" is

[118] Ex. 6E, Malhotra Dep. at 236:24-237:6.

[119] Ex. 6E, Malhotra Dep. at 202:2-13 (agreeing that he could not cite any "scientific literature or data quantifying any increase in municipal revenue as a result of a restructuring or reinvestment effort like Detroit's").

[120] *Id.* at 203:7-16 (agreeing that he was not aware of any "study showing that any part of the restructuring and reinvestment proposal Detroit is making is associated with an increase in population").

inadmissible under Rule 702 and *Daubert*. 509 U.S. at 590; *Tamraz*, 620 F.3d at 670. "Expert testimony may not be based on mere speculation, and assumptions must be supported by evidence in the record." *Rose*, 388 F. App'x at 535 (internal citation omitted). The opinions of the City's experts fail to meet these requirements. *See also, e.g.*, *Elcock*, 233 F.3d at 756 (affirming exclusion of economist's testimony regarding future earnings because it "relied on several empirical assumptions that were not supported by the record"); *see also Rose*, 388 F. App'x at 535 ("An expert's conclusions … must have an established factual basis and cannot be premised on mere suppositions.").

II. The City's Attempt To Project Revenues And Expenses Over 10 And 40 Years During A Complex Restructuring Is Unprecedented And Unreliable.

63. Compounding these problems is the fact that the City's experts are engaged in an unprecedented attempt to project municipal revenues over 10 and 40 years during a complex restructuring of City services. The City's experts acknowledge that the projections they attempt to perform here are unprecedented. They are unaware of anyone attempting to forecast revenues and expenses for a municipality for a period as long as ten years, much less forty.[121] Neither the City

[121] *See, e.g.*, Ex. 6F, Sallee Dep. at 73:10-13 (acknowledging she had not "seen any other forecast" comparable to Ernst & Young's "that's been done for Detroit over a 10-year period").

nor its experts have ever performed a forecast of such a length.[122] The City of Detroit historically has only attempted to forecast revenues and expenses for a period of one year and currently is forecasting for a period of three years.[123] Such uncharted expert opinions made it incumbent upon the experts to employ a rigorous methodology to ensure that their expert opinions "rest[] on a reliable foundation." 509 U.S. at 597. However, the testimony of the City's own experts demonstrates that they do not.

64. As the City and its experts recognize in the Disclosure Statement and Projections, numerous factors could change in the next 10 or 40 years that may materially impact the experts' forecasts.[124] As they acknowledge, the longer the

[122] *See* Ex. 6E, Malhotra Dep. 41:5-41:10, 79:20-24; Ex. 6F, Sallee Dep. at 214: 9-12 (stating that she had never performed a revenue forecast for a municipality for a ten-year time period); Ex. 6E, Malhotra Dep. 156:11-24. Before the current projection, the longest period that Ernst & Young had attempted to forecast Detroit's revenues and expenses was for a period of five years. *Id*. at 65:3-8. *See also* Ex. 6D, Cline Dep. at 11:3-6 (Cline could not remember "any forecasts [he] ever did that was longer than six years").

[123] *See* Ex. 6D, Cline Dep. at 45:21-22 (not aware of "any studies of forecasting tax revenues beyond" three years); *id.* at 46:4-7 (agreeing that he was "not aware of any forecasts for the City of Detroit going out more than three years, whether conducted by the City or any other party"); Ex. 6E, Malhotra Dep. at 41:19-22 ("the City generally does one-year budgets and now has started--is going to start doing three-year budgets."); *id.* at 40:7-41:18, 98:15-49.

[124] Ex. 6I, City of Detroit Ten-Year Financial Projections Statement (July 2, 2014) (POA00706519); Fourth Amended Disclosure at 83.

forecast, the less certainty there is in the forecast.[125] As Dr. Cline acknowledged, for example, "I don't believe there's anyone that would have predicted 10 years ago what Detroit looks like today."[126]

65. The testimony of the City's experts makes clear, however, that they failed to employ any methodology that would allow them to reliably forecast City's revenues and expenses over such an extended period. They acknowledged, for example, that they have not investigated how other municipalities conduct forecasts or, to the extent there have been attempts to conduct such long-term forecasts in other Chapter 9 proceedings (if there have been such attempts), how they have been modeled.[127] As a result, as Mr. Malhotra conceded in his deposition, the methodology they employed (to the extent they employed any discernible methodology at all) left them to simply *speculate* regarding what actions the City's leaders might take over the next 10 years that could impact the City's revenues and expenditures:

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[125] Ex. 6E, Malhotra Dep. at 77:14-20 ("Q: Would it be fair to say that the longer the forecast, the less reliable the forecast? A: It depends on specific line items and assumptions. But the further you get out there, the -- there is more uncertainty whether each one of those assumptions will play out the way they are in the forecast.").

[126] Ex. 6D, Cline Dep. at 258:11-259:3.

Q: It would require you to speculate to determine what policy choices Detroit's future leaders will make during the next 10 years; correct?

A: That's right. ***It would be speculating*** on that point.[128]

Likewise, Dr. Cline testified that he would not even call the 40-year projection Ernst & Young created a "forecast of what is expected to happen," but rather it is more accurately described as a "simulation."[129]

66. It is just such "unsupported speculation," however, that Rule 702 and *Daubert* prohibit. *See* 509 U.S. at 590; *see also Cole v. Homier Distrib. Co., Inc.*, 599 F.3d 856, 866-67 (8th Cir. 2010) (affirming exclusion of expert witness's twenty-year forecast of plaintiffs' financial damages as too speculative, in part because "[t]here are simply too many future uncertainties"); *Tamraz*, 620 F.3d at 672 ("no matter how good experts' credentials may be, they are not permitted to speculate."); *Grp. Health Plan, Inc. v. Philip Morris USA, Inc.*, 344 F.3d 753, 760 (8th Cir. 2003) ("the cases are legion that assert that expert testimony is inadmissible when it is based on speculative assumptions.") (citations omitted).

[128] Ex. 6E, Malhotra Dep. at 83:17-22 (emphasis added).

[129] Ex. 6A, Cline Report at 12 ("The 40-year tax forecast should be considered a simulation of what would happen under the assumed growth rates, not a forecast of what is expected to happen."); Ex. 6D, Cline Dep. at 244:11-16 ("Going out beyond the first 10, we don't have the actuals as our foundation, and we have moved into a period of time which is outside of anyone's economic forecasting model that I'm familiar with. Therefore, I think it is accurate to characterize that more as a simulation based upon those assumptions.").

67. Indeed, even in the comparatively short time it has been in existence, the model has changed significantly — multiple times. For example, after the Legislature approved the most recent budget, the experts concluded that their forecast for State revenue sharing was understated by tens of millions of dollars.[130] Likewise, the City unilaterally decided to reduce blight reduction expenditures by $80 million to provide additional money to retirees to fund pension settlements.[131]

68. In fact, many of the City's assumptions, such as assumptions regarding growth rates, have changed over time[132] — directly impacting the results of the forecast.[133] As Mr. Malhotra acknowledged, "any of the assumptions in

[130] Ex. 6F, Sallee Dep. at 238:11-241:8 (noting increase in forecast of 35 to 40 million dollars after 2015 budget approved).

[131] Ex. 6E, Malhotra Dep. at 101 (acknowledging that blight funding was reduced from around $500 million to $420 million "because of the overall level of contributions the City was committing to the pension systems").

[132] Ex. 6D, Cline Dep. at 60:23-24 ("we altered some of the growth rate assumptions over time"); *id.* at 61:24-62:2 (agree that "the inputs and assumptions to your model have changed multiple times since you started your work"); Ex. 6E, Malhotra Dep. at 68:10-20 (since the model was originally created, there have been numerous versions and updates); *id*. at 85:7-86:19 (agreeing that there are "changes that have been made to the assumptions in [the E&Y] model over time" to reflect, for example, changes in settlements, the state budget, and property taxes, among others).

[133] Ex. 6D, Cline Dep. at 68:5-6 ("If you changed the assumptions, the results of the forecasting model exercise would change."); *id.* at 70:8-11 ("It is correct that the forecast is based on assumed economics, current tax law, and the key assumptions in the forecast. If any of those change, the forecast will change."); Ex. 6E, Malhotra Dep. at 147:25-148:2 (same); *id.* at 282:5-8 (same); *id.* at 149:8-

[the] model can change over the 10-year and 40-year periods,"[134] and "[i]f you change the assumption, the numbers will change."[135]

69. As Dr. Cline acknowledged, "even using the best available methodology and information, forecasts are frequently wrong."[136] That is even more true here, where the City's experts — none of whom have prior experience forecasting municipal revenues or expenditures — have engaged in an unprecedented attempt to "project" future revenues and expenditures for a City over an unprecedented length of time using an inherently "subjective" methodology that is subject to no measure of reliability, under circumstances in which they acknowledge that "anything can happen,"[137] and which has required

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10 ("if you change the assumption on any of these items, the money could go up or the money could go down.").

[134] Ex. 6E, Malhotra Dep. at 188.

[135] Ex. 6E, Malhotra Dep. at 139:7-13. *See also id.* at 192:21-193:4 (acknowledging that "there are a number of factors that could change" that cause the forecasts to change "materially").

[136] *Id.* at 72:12-14. *See also* Ex. 6I, City of Detroit Ten-Year Financial Projections (July 2, 2014) (POA00706519) ("There will usually be differences between forecast and actual results because events and circumstances frequently do not occur as expected and those differences may be material.").

[137] Ex. 6E, Malhotra Dep. at 83:23-85:7 (agreeing that in terms of Detroit's future leaders and their policy decisions, "[a]nything can happen" and "anything is a possibility"); Ex. 6F, Sallee Dep. at 243:2 (conceding that "[an]ything could happen" when asked about possible changes in future Detroit policy).

them to "speculate" concerning future actions unknown leaders of the City may take decades from now.[138]

III. The City's Projections Improperly Exclude Hundreds of Millions Of Dollars In Additional Revenue Available To Pay Creditors.

70. Finally, not only are the projections the City did perform based on an unreliable and speculative foundation, but the City's experts concede that they omit significant potential sources of revenue. As Mr. Malhotra conceded, the Ernst & Young forecasters did not attempt to forecast all revenues and expenditures for the City.[139] Indeed, as Dr. Cline acknowledged, "there are a number of revenue sources we were not asked to forecast."[140] Nor was Ernst & Young asked to identify potentially untapped sources of revenue for the City or how the City might increase its revenues through taxes.[141]

71. As Dr. Cline acknowledged, Ernst & Young did not conduct an analysis of the potential revenue sources available to the City:

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[138] Ex. 6E, Malhotra Dep. at 83:11-22 (determining Detroit's future policy decisions would be speculation).

[139] *See, e.g.*, Ex. 6E, Malhotra Dep. at 45:45:15-17 ("We do not have $47 million a year from DWSD included in the forecast."); *id.* at 45:22-24 (forecast also does not include "any money from privatization of parking").

[140] Ex. 6D, Cline Dep. at 300:7-17.

[141] Ex. 6D, Cline Dep. at 56:6-12.

Q. Would it be fair to say that you haven't done any analysis of the full range of potential revenue sources available to the City?

THE WITNESS: We haven't done an analysis of any of the revenue options available to the City.

BY MR. SMITH:

Q. And that would include both tax and non-tax revenue options?

A. Correct.[142]

Accordingly, they are offering no opinion that the City cannot pay the creditors more.[143]

72. But these are precisely the issues that the Court must decide here and the issues the City's experts suggest they had addressed in their reports: the amounts available to pay the City's creditors. The City's experts conceded, however, in their depositions that they in fact have not done such an analysis and thus there is a significant gap between the work the experts have actually performed and the issues the Court must address, which warrants exclusion under Rule 702 and *Daubert*. Where, as here, "[t]here is 'too great an analytical gap between the data and the opinion proffered,'" the expert's opinion should be excluded. *Tamraz*, 620 F.3d at 675-76 (quoting *Joiner*, 522 U.S. at 146); *see also*

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[142] Ex. 6D, Cline Dep. at 103:22-104:8.

[143] Ex. 6E, Malhotra Dep. 148:7–149:23; *id.* 279:21–280:19; Ex. 6D, Cline Dep. 57:24–58:21; Ex. 6F, Sallee Dep. 51:6–9.

Mohney v. USA Hockey, Inc., 138 F. App'x 804, 809 (6th Cir. 2005) (affirming exclusion of expert where "the estimates and assumptions used" were not "sufficiently tied to the facts of the case.").

73. **Asset Sales.** As Mr. Malhotra acknowledged, one of the largest sources of "untapped revenue" for the City is future asset sales, and indeed the City has already begun exploring and/or planning for such sales.[144] Thus, for example, the City has explored potentially leasing or privatizing water and sewer services.[145] While Ernst & Young did model these revenues at one point, assuming an additional revenue of $47 million from such a transaction (which may itself may significantly underestimate available revenue), it was not included in the final model.[146] Likewise, the model does not include revenue from privatizing City

[144] Ex. 6E, Malhotra Dep. at 44:8-10. *See also* Ex. 6J, Kopacz Report at 187-88, 197 (noting that the projection "largely excludes the sale of assets" even though "there are significant asset sales" that "could positively impact the projections," including among other things "parking related assets and other real estate").

[145] *See* Fourth Amended Disclosure Statement at 148 ("The City has been in contact with certain potentially interested parties regarding a recent request for information (the 'DWSD RFI') for a transaction that would establish a public-private partnership with respect to the DWSD (the 'Public-Private Partnership'). The DWSD RFI provides that the Emergency Manager is considering a potential public-private partnership for the operation and management of the water system and sewage disposal system currently operated by DWSD.").

[146] Ex. 6E, Malhotra Dep. at 333:2–8. *See also id.* at 44:19–45:17 (stating forecast model does not include any money from outsourcing or leasing of DWSD); *id.* at 301:10–17 (the forecast model assumes no new asset sales above what is already assumed in the plan).

parking, which is in "active discussions" and which Mr. Malhotra indicated may be worth $20-$100 million in additional revenue.[147] Indeed, the City's Disclosure Statement indicated that the City "anticipates that the transaction may close during Fiscal Year 2015."[148] These are just some of the numerous proposals for raising additional revenues that the City is actively investigating or has considered in the past.[149] As Ms. Kopacz observed, "there are *significant asset sales* that are not contemplated in the POA that could positively impact the projections."[150]

74. **Incremental Grants.** The City's forecasts similarly do not take into account the potential for incremental grants from the federal government or other sources.[151] The City specifically contemplated such additional revenues in the

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[147] Ex. 6E, Malhotra Dep. 33:13–16, 34:5–14, 45:22–24, 46:5-8, 306:2–12.

[148] Fourth Amended Disclosure Statement at 94 ("At the request of the Emergency Manager, the City has been exploring a potential monetization of the assets constituting the Automobile Parking Fund. To this end, the City has retained a parking specialist to conduct due diligence and produce a report on the long-term value potential of the parking assets currently held by the City. This report is expected to serve as a basis for the solicitation of potentially interested bidders for the parking assets, and the City anticipates that the transaction may close during Fiscal Year 2015.").

[149] *See generally* Ex. 6P, Houlihan Lokey Expert Report (July 2014) (discussing several of the asset sales the City has considered).

[150] Ex. 6J, Kopacz Report at 197.

[151] Ex. 6E, Malhotra Dep. 242:20–245:9 (discussing that forecast model does not take into account incremental additional grant money from federal, state, or private

creditor proposal, for example, providing (as with asset sales) that additional monies may be provided to creditors based on the receipt of additional grants (at a rate of 75% of additional revenues).[152] As Mr. Malhotra acknowledged, the City has received significant, unanticipated additional funds in the last few months. For example, he testified that the $52 million the City received in Hardest Hit Funds was an unanticipated grant.[153] Moreover, the City's CFO Mr. Hill testified that the City is currently in negotiations with the federal government regarding a number of new federal grants, as well as the extension of existing grants to avoid recapture of federal funds.[154]

75. More generally, as Ms. Kopacz observed, while the City projects a decrease in grants, "[g]rant funding is expected to increase in the City going forward." "In fact, there are additional opportunities for the City to acquire grants if it can responsibly manage and account for them. The City has failed to properly

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sources); *id.* at 289:18–291:8 (discussing unexpected $52 million Hardest Hit Fund grant received by City).

[152] Ex. 6Q, 6/14/13 City of Detroit Proposal for Creditors at 108 (City Exhibit 033).

[153] Ex. 6E, Malhotra Dep. at 277:10-17, 289:6-17, 290:22-291:8 (stating forecast has been revised in light of City receiving over $50 million in unanticipated incremental grants).

[154] Ex. 6K, Hill Dep. at 247:12–251:24.

account for and manage grants in the past which has led to improperly spent funds. The City can benefit by tens of millions of dollars if this process is improved."[155]

76. **Increased Tax Rates/New Taxes.** The Ernst & Young experts "assumed" in their forecasts that current law tax rates would remain the same for the next 10, and indeed 40 years.[156] They did so, despite the fact that tax rates (such as the corporate and income tax rates) have changed in recent years,[157] despite the fact that other cities have increased tax rates to address fiscal crises,[158] and despite their acknowledgement that they "can't identify any tax forecast that's

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[155] Ex. 6J, Kopacz Report at 117.

[156] Ex. 6E, Malhotra Dep. at 1388-18; Ex. 6D, Cline Dep. at 78, 141:20-24. *See also id.* at 87:18-22 ("We were not asked to analysis [sic] alternative tax rates in the City of Detroit."); *id.* at 96:6-13 (agreeing that he hasn't "done any work" that would allow him "to testify that Detroit couldn't generate significant additional revenue by either adding new taxes or increasing tax rates"); *id.* at 96:25-97:10 (agreeing that he hasn't "done any work" that would allow him "to testify that Detroit can't significantly increase revenues by increasing tax rates or increasing tax collections or by adding new taxes"), 102:22-103:2 ("[W]e did not analyze any revenue options for the City of Detroit."); *id.* at 139:19-24 ("If current law changes, you would need a new forecast of what the expected revenues are.").

[157] *See* Fourth Amended Disclosure Statement at 127 ("In January 2012, the City's corporate income tax rate was raised to 2.0% from 1.0%. This increased rate was projected to generate an estimated $6 million in additional revenue for the City."); *id.* at 168 (noting the "ever-increasing individual and corporate tax rates" in Detroit in recent decades); Ex. 6F, Sallee Dep. at 219:11-15 ("Tax rates for various taxes have changed in the last 10 years").

[158] Ex. 6D, Cline Dep. at 86:15-87:6.

ever assumed that the current tax rates will remain unchanged for a period as long as 10 years."[159]

77. Indeed, while purporting to do so, the Ernst & Young forecasts themselves do *not* consistently use current tax law for the projections — they do so only where such an assumption is likely to suppress revenue. Thus, for example, Ms. Sallee assumed a 50% likelihood that exemptions to the personal property tax leading to a 10% reduction in personal property tax revenue would be enacted by the voters, a measure that was not in effect when she developed her opinions.[160] As she acknowledged, while Ernst & Young claims that it has based its projections on current tax law, in this instance she "factored in a chance that there will be a change in current law leading to a reduction in personal property taxes."[161]

78. **Improved Collections.** Likewise, while Ernst & Young analyzed changes in collection rates for the property tax (assuming that half the value of property in the City would be wiped out due to massively reduce property tax

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[159] Ex. 6D, Cline Dep. at 85:8-15. *See also id.* at 80:22-24 (agreeing that he "can't know with certainty what the tax rate will be" even five years from now), 81:20-23 (agreeing that he had "no way to know whether current law is going to be changed with respect to tax rates within the next 10 years"), 83:5-15; Ex. 6G, Kopacz Dep. at 118:19-21 (agreeing that "[c]hanges to the tax law could certainly impact the forecast").

[160] *See supra* Argument § I.

[161] Ex. 6F, Sallee Dep. at 162:2-16.

receipts),[162] it did not investigate rates of collection for the income, corporate, wagering or utility tax or potential actions that may significantly increase revenues.[163] For example, the City's CFO Mr. Hill testified that the City has an "agreement in concept" to piggyback income tax collections with the State, which should increase income tax revenues and decrease the City's enforcement costs.[164] Likewise, the City is supporting proposals to require withholding of City income tax,[165] which the State pledged to support in the Financial Stability Agreement.[166]

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[162] *See* Ex. 6D, Cline Dep. at 122:25-123:5 (agreeing that "even though [they] analyzed collection rate for property taxes, [they] didn't analyze the collection rate for the other taxes").

[163] Ex. 6D, Cline Dep. at 299:19-24 ("Other than the property tax revenue estimate, we have not built in any separate adjustments for collection procedures and processes in our numbers"); Ex. 6E, Malhotra Dep. at 138:2-7 ("as far as he was aware there had "not been a specific addition for implementing income tax withholding or piggybacking with the state tax"). *See also* Ex. 6E, Malhotra Dep. 137:6–18 (agreeing that as far as he was aware, the forecast did not not account for "withholding for reverse commuters or if there was piggybacking with state taxes").

[164] Ex. 6K, Hill Dep. at 138:19–144:10.

[165] Ex. 6K, Hill Dep. at 145:8–148:9; 261–262:22 (discussing Mayor's support for draft legislation by State to require city income tax withholding).

[166] Ex. 6L, Financial Stability Agreement ¶ 2.5(c) (April 9, 2012) ("The Treasury Department will assist the city in maximizing revenues collected under the City income tax. This will include technical assistance to modernize processing, enhance enforcement, and improve collections. The Treasury Department will assist the City in preparation of draft legislation to require withholding of City Income Taxes for City residents working outside the City. Additionally, the Treasury Department will explore the possibility of enabling the collection and

And, indeed, the initial Plan of Adjustment submitted by the City indicated that the City would seek to implement withholding.[167]

79. A study for the City by McKinsey & Company found that Detroit failed to collect approximately $140 million in income tax in 2009 from individuals who live in the City but work outside the City, with an estimated 50% of so-called "reverse commuters" not filing to pay their income taxes at all.[168] Accordingly, the City's projections have omitted significant sums.[169] Moreover, in doing so, they violated basic principles the City's own experts acknowledge. As Ms. Sallee observed, "[c]ollections are important to consider in doing any tax forecast."[170]

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distribution of the City income tax in conjunction with the collection and distribution of State income tax.") (City Exhibit 032).

[167] Original Disclosure Statement at 133 of 440 ("In addition, the City is considering the enactment of a local ordinance that would require employers to withhold City income taxes of reverse commuters.").

[168] Ex. 6D, Cline Dep. at 151:2-10; Ex. 6R, Citizens Research Council of Michigan "Detroit City Government Revenues," Report 382, April 2013 at 23 (Syncora Ex. 4466).

[169] More generally, the City's forecasts do not include amounts for all delinquent debt obligations owed the City. As Mr. Malhotra testified, "it's not possible, given the information [he had] to estimate how much the City is owed in delinquent debt obligations." Ex. 6E, Malhotra Dep. at 171:14-19.

[170] Ex. 6F, Sallee Dep. at 178:22-23.

80. While Dr. Cline suggested that the City's projections contain a line item for increased collections, the line item in the reinvestment projections for increased tax collection is only $40.5 million in total over ten years, $10 million of which is for collection of *past due* amounts.[171] This is a far cry from the $140 million in lost income McKinsey & Co. estimated the City was losing *in one year* from reverse commuters alone. Nor did Dr. Cline explain why, as the City's income tax forecaster, he did not take into account collections in any of the taxes he forecasted — or why Ernst & Young simultaneously *did* do so for its property tax forecast.

CONCLUSION

81. For the foregoing reasons, Syncora respectfully requests that the testimony of Robert Cline, Guarav Malhotra, and Caroline Sallee be excluded.

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[171] *See* Ex. 6S, Moore Expert Report at 66-67 ("The Income Tax Division Organizational Efficiency Investment contemplates spending $12.2 million prior to cost savings of $10.4 million and additional revenue of $40.5 million…. " and noting that $30.5 million of this is "additional revenue" and $10 million is from "unpaid tax obligations" already due); Ex. 6 to Moore Expert Report, City of Detroit Ten-Year Plan of Adjustment Restructuring and Reinvestment Initiatives - Finance Department Detail at 12 of 21 (listing $30.5 million in additional collections and $10 million "collection of past due") (City Ex. 464).

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Respectfully submitted,

KIRKLAND & ELLIS LLP

By: */s/ Stephen C. Hackney*

James H.M. Sprayregen, P.C.
Ryan Blaine Bennett
Stephen C. Hackney
KIRKLAND & ELLIS LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

- and -

Stephen M. Gross
David A. Agay
Joshua Gadharf
MCDONALD HOPKINS PLC
39533 Woodward Avenue
Bloomfield Hills, MI 48304
Telephone: (248) 646-5070
Facsimile: (248) 646-5075

Attorneys for Syncora Guarantee Inc. and Syncora Capital Assurance Inc.

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 - Affidavits [Not Applicable]

Exhibit 6 A - Expert Report of Robert Cline

Exhibit 6 B - Expert Report of Gaurav Malhotra

Exhibit 6 C - Expert Report of Caroline Sallee

Exhibit 6 D - Excerpts of July 14, 2014 R. Cline Deposition Transcript

Exhibit 6 E - Excerpts of July 15, 2014 G. Malhotra Deposition Transcript

Exhibit 6 F - Excerpts of July 24, 2014 C. Sallee Deposition Transcript

Exhibit 6 G - Excerpts of July 31, 2014 M. Kopacz Deposition Transcript

Exhibit 6 H - Excerpts of June 24, 2014 G. Evanko Deposition Transcript

Exhibit 6 I - City of Detroit Ten-Year Financial Projections (July 2, 2014) (POA00706519)

Exhibit 6 J - Excerpts of Expert Report of Martha Kopacz

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

Exhibit 6 L - Excerpts of Financial Stability Agreement (City Ex. 032)

Exhibit 6 M - Michigan Municipal League, The Great Revenue Sharing Heist (Feb. 2014) (Syncora Ex. 4462)

Exhibit 6 N - R. Cline Demonstratives (City Ex. 546 and 547)

Exhibit 6 O- Excerpts of KPMG, Independent Auditors' Report (2012)

Exhibit 6 P - Excerpts of Houlihan Lokey Expert Report (July 2014)

Exhibit 6 Q - Excerpts of 6/14/13 City of Detroit Proposal for Creditors at 108 (City Ex. 033)

Exhibit 6 R - Excerpts of Citizens Research Council of Michigan "Detroit City Government Revenues," Report 382, April 2013 (Syncora Ex. 4466)

Exhibit 6 S - Excerpts of the Expert Report of Charles Moore (City Ex. 464)

<u>Exhibit 1</u>

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 THE CITY'S FORECASTING EXPERTS UNDER FEDERAL RULE OF EVIDENCE 702

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 the expert testimony of Robert Cline, Guarav Malhotra, and Caroline Sallee; 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 the City's Forecasting Experts is GRANTED.

2. The Debtor, the City of Detroit (the "City"), is precluded from introducing testimony or opinions from Guarav Malhotra, Robert Cline, and Caroline Sallee.

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.

<u>Exhibit 2</u>

Notice of Motion and Opportunity to Object

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 MOTION TO EXCLUDE THE TESTIMONY OF THE CITY'S FORECASTING EXPERTS UNDER FEDERAL RULE OF EVIDENCE 702

PLEASE TAKE NOTICE that on August 22, 2014, Syncora Capital Assurance Inc. and Syncora Guarantee Inc. ("Syncora") filed the *Motion to Exclude the Testimony of the City's Forecasting Experts Under Federal Rule of Evidence 702* (the "Motion") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") seeking entry of an order to exclude the expert testimony of Robert Cline, Guarav Malhotra, and Caroline Sallee, which was disclosed in their respective expert reports and during their respective depositions.

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:

James H.M. Sprayregen, P.C.
Ryan Blaine Bennett
Stephen C. Hackney
KIRKLAND & ELLIS LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

- and -

Stephen M. Gross
David A. Agay
Joshua Gadharf
MCDONALD HOPKINS PLC
39533 Woodward Avenue
Bloomfield Hills, MI 48304
Telephone: (248) 646-5070
Facsimile: (248) 646-5075

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,

KIRKLAND & ELLIS LLP

By: */s/ Stephen C. Hackney*
James H.M. Sprayregen, P.C.
Ryan Blaine Bennett
Stephen C. Hackney
KIRKLAND & ELLIS LLP
300 North LaSalle
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

- and -

Stephen M. Gross
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Joshua Gadharf
MCDONALD HOPKINS PLC
39533 Woodward Avenue
Bloomfield Hills, MI 48304
Telephone: (248) 646-5070
Facsimile: (248) 646-5075

Attorneys for Syncora Guarantee Inc. and Syncora Capital Assurance Inc.

Exhibit 3

None [Brief Not Required]

<u>Exhibit 4</u>

Certificate of Service [To be filed separately]

<u>Exhibit 5</u>

Affidavits
[Not Applicable]

<u>Exhibit 6A</u>

Expert Report of Robert Cline

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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

REPORT OF ROBERT CLINE

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, debtor the City of Detroit submits this report with respect to the expected expert testimony of Robert Cline.

INTRODUCTION

Robert Cline is the Director of State-Local Tax Policy Economics and a member of the Quantitative Economics & Statistics practice ("QUEST") of the firm Ernst & Young LLP ("EY"). It is the City's intention to call Mr. Cline to testify about the forecasted revenues the City may expect in future years from the individual and corporate income taxes, wagering taxes, and utility users' taxes it imposes. The information in this report is presented as of the date of this report and is based upon projections contained within the Fourth Amended Disclosure

Statement With Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit [Docket no. 4391] dated May 5, 2014 (the "Disclosure Statement"), as such projections were updated as of July 2, 2014. *See* Ten-Year Financial Projections [POA00706519 – POA00706600] ("10-Year Forecast"); Plan of Adjustment – 40 year projections [POA00706603 – POA00706611] ("40-Year Forecast").

<u>OPINIONS</u>

Mr. Cline will offer the following opinions:

I. Income Tax Revenues

A. For the period ending with the City's 2023 fiscal year, the projected revenues the City can expect from the individual and corporate income taxes it levies are set forth in the 10-Year Forecast, in particular at Exhibits 2, 3, 4, and Appendices B.2a and B.2b. These amounts are reasonable projections of the revenues the City will receive from income taxes during this period.

B. For each of the four ten-year periods ending with the City's 2053 fiscal year, the projected revenues the City can expect from the individual and corporate income taxes it levies are set forth in the 40-Year Forecast, in particular at Exhibit 3a. These amounts are reasonable projections of the revenues the City will receive from income taxes during this period.

II. Wagering Tax Revenues

A. For the period ending with the City's 2023 fiscal year, the projected revenues the City can expect from the wagering taxes it levies are set forth in the 10-Year Forecast, in particular at Exhibits 2, 3, 4, and Appendix B.3. These amounts are reasonable projections of the revenues the City will receive from wagering taxes during this period.

B. For each of the four ten-year periods ending with the City's 2053 fiscal year, the projected revenues the City can expect from the wagering taxes it levies are set forth in the 40-Year Forecast, in particular at Exhibit 3a. These amounts are reasonable projections of the revenues the City will receive from wagering taxes during this period.

III. Utility Users' Tax Revenues

A. For the period ending with the City's 2023 fiscal year, the projected revenues the City can expect from the utility users' taxes it levies are set forth in Exhibit A. These amounts are reasonable projections of the revenues the City will receive from utility users' taxes during this period.

B. For each of the four ten-year periods ending with the City's 2053 fiscal year, the projected revenues the City can expect from the utility users' taxes it levies are set forth in Exhibit A. These amounts are reasonable projections of the revenues the City will receive from utility users' taxes during this period.

BASIS AND REASONS FOR OPINIONS

Mr. Cline developed forecasts for the revenues the City can expect from the individual income taxes, corporate income taxes, wagering taxes, and utility users' taxes it levies in three different scenarios: (A) from FY2013 to FY2023 assuming no restructuring or reinvestment spending ("Baseline Scenario"); (B) from FY2013 to FY2023 assuming a restructuring and reinvestment spending ("Restructuring Scenario"); and (C) from FY2023 to 2053 assuming a restructuring and reinvestment spending ("40-Year Forecasts"). In reaching his opinions, Mr. Cline followed standard forecasting procedures used by revenue forecasters and, where available, existing economic forecasts of the Michigan economy prepared by the State of Michigan Consensus Revenue Estimating Conference and national economic forecasts prepared by U.S. federal agencies such as the Congressional Budget Office ("CBO"). Mr. Cline employed the following methodologies and assumptions:

Individual Income Taxes

I. Methodology

A. Develop a Baseline Scenario Forecast for Individual Income Tax Revenues

To develop the Baseline Scenario for the City's individual income tax revenues, Mr. Cline classified all individual income taxpayers into three income tax base categories: (i) residents of Detroit working in Detroit ("Income Tax Base A"); (ii) non-residents of Detroit working in Detroit ("Income Tax Base B"); and (iii) residents of Detroit working outside of Detroit ("Income Tax Base C"). The classification was based on individual income tax data through 2011 provided by the City of Detroit for resident and non-resident taxpayers. Mr. Cline determined the proportions of resident taxpayers working in Detroit versus those working outside of Detroit based on U.S. Census worker-flow data.

Mr. Cline then estimated growth rates in the number of taxpayers in each category over the forecast period, using forecasts for Detroit employment and population changes developed by Mr. Cline and his team. To translate the number of taxpayers into dollars of taxable income, Mr. Cline forecasted the growth of average taxable income in Detroit and applied this forecast to the growth in number of taxpayers in each group. Current income tax rates for residents and non-residents were applied to the taxable income bases to determine estimated future tax collections, as follows:

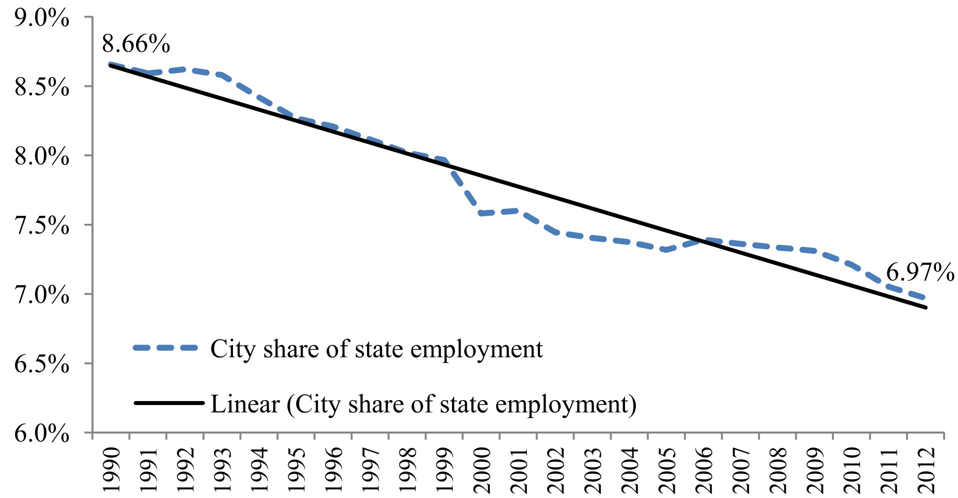
(1) *Forecast the employment growth rate for the State of Michigan from 2013 to 2023*: Mr. Cline began by relying upon the employment growth rate for FY2013 to FY2015 produced by the State's Consensus Revenue Estimating Conference on May 15, 2013. *See* Consensus Revenue Estimating Conference, *Economic and Revenue Forecasts: FY2013, FY2014, FY2015* (May 15, 2013)

[POA00275856 – POA00275895]; Michigan Department of Treasury, Office of Revenue and Tax Analysis, *Administration Estimates: Michigan Economic and Revenue Outlook* (May 15, 2013) [POA00275929 – POA00275978]. Mr. Cline then estimated an employment growth rate for the State of Michigan for FY2016 to FY2023 based on historical trends.

(2) *Forecast the employment growth rate for the City of Detroit from 2013 to 2023*: To estimate the City's employment growth rate, Mr. Cline first determined the average historical ratio of Detroit employment as a share of total Michigan employment. *See* United States Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1990-2013 [POA00276113]. The comparison indicates that the ratio of Detroit employment as a share of Michigan employment has been declining at an average rate of -0.85% over the last 20 years. This relationship is illustrated in Figure 1:

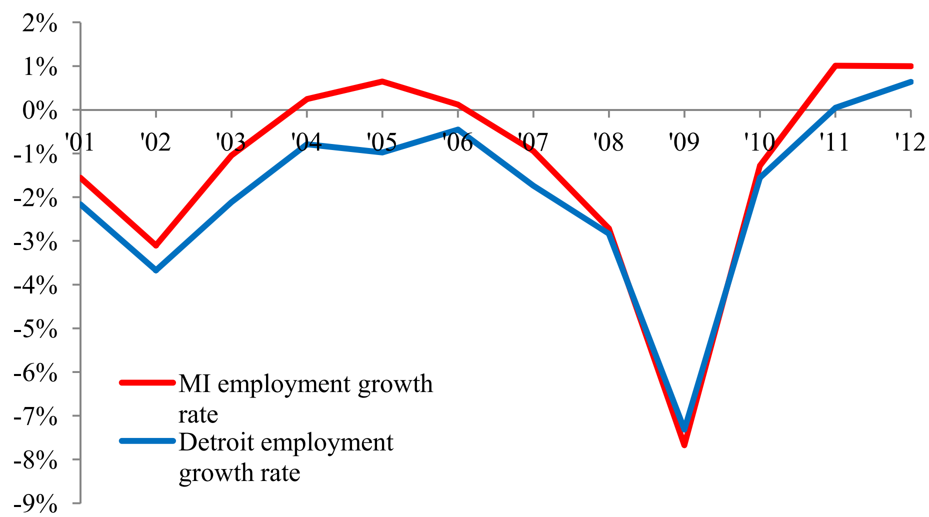
Figure 1. City of Detroit's share of total State of Michigan employment, 1990 – 2012

Note that y-axis starts at 6.0%; Source: BLS Local Area Unemployment Statistics.



This longer-run structural decline is assumed to continue over the 10-year forecast period. In addition, a comparison of more recent changes in employment in Detroit and Michigan indicates that Detroit employment has not recovered at the same rate as Michigan employment coming out of the last two recessions. As shown in Figure 2, Detroit's employment recovery from the last two recessions has lagged behind Michigan's employment recovery. Mr. Cline included this additional negative impact in the Baseline Scenario.

Figure 2. Growth rates of City of Detroit and Michigan employment, 2001 – 2012
Source: BLS Local Area Unemployment Statistics.



(3) *Forecast the Growth in the Number of Taxpayers in Each of the Three Income Tax Bases*:

(a) *Determine Population Growth Rate*: Mr. Cline first determined the forecasted population growth rate for the City over the next ten years. To do so, Mr. Cline relied upon the population forecasts prepared by the Southeast Michigan Council of Governments ("SEMCOG"). *See* Southeast Michigan Council of Governments, *Southeast Michigan 2040 Forecast Summary* (Revised, April 2012) [POA00275979 – POA00276041]. To develop the 10-year forecasts, Mr. Cline and his team used SEMCOG's population scenario 1a (middle scenario) as a basis.

(b) *Estimate Growth in the Number of Taxpayers in Income Tax Bases A (Residents Working in the City) and B (Non-Residents Working in the City)*: Mr. Cline relied upon the United States Census Bureau data on worker flows to determine the share of Detroit employment attributable to residents versus non-residents as of 2010. *See* U.S. Census Bureau, *On the Map* (LEHD Origin-Destination Employment Statistics (beginning of quarter employment, 2nd Quarter of 2002 – 2010)) [POA00275851 – POA00275851]. To estimate the growth in the share of Detroit employment held by residents over the forecast period, Mr. Cline combined the projected Detroit employment growth rate with an estimated population decline for residents working in the City. The forecast assumes that this group of taxpayers will decline at a slower rate than that of the total Detroit population (SEMCOG's 1a forecast). Mr. Cline forecasted that the number of residents employed in Detroit will decline at -1.0% per year. The growth rate increases to -0.5% in FY2020 – FY2021, and 0.0% in the last two forecast years. The amount of the Detroit employment forecasted in each year that was not attributable to residents was attributable to non-residents.

(c) *Estimate Growth in the Number of Taxpayers in Income Tax Base C (Detroit Residents Working Outside of the City)*: To estimate the growth in residents employed outside of the City, Mr. Cline combined the projected statewide employment growth rate with an estimated population decline for residents working outside of the City. The forecast assumes that this group of taxpayers will decline at a faster rate than that of the total Detroit population (SEMCOG's 1a forecast).

(4) *Forecast Income Tax Base Growth*: Mr. Cline next developed estimates of the rate of growth in wages and salaries in order to determine the expected growth in the tax base (i.e., the amount of taxable income in Detroit) over the forecast period. To do so, Mr. Cline began with the Michigan wage and salary growth forecasts in the State's Consensus Revenue Estimating Conference on May 15, 2013. *See* Consensus Revenue Estimating Conference, *Economic and Revenue Forecasts: FY2013, FY2014, FY2015* (May 15, 2013) [POA00275856 – POA00275895]. The State forecasts that wages will grow at an average rate of 2.5% above employment growth for FY2012 to FY2015. Based on these forecasts, Mr. Cline assumed an average wage growth rate of 1.0% for Detroit to reflect the lagging economic conditions in the City compared with the State and the presence of higher unemployment holding down wages in the labor market within Detroit.

(5) *Forecast Total Tax Revenues*:

(a) *Calculate Total Tax Revenues from Detroit Residents (Income Tax Bases A and C)*: To forecast the total tax collections from City residents, Mr. Cline first combined the estimated employment (number of taxpayers) for Income Tax Bases A and C to calculate the overall rate of growth in the number of resident taxpayers. Mr. Cline then added the estimated growth in average taxable income to estimate the overall growth rate in the resident income tax base (i.e., growth in resident income tax base = employment growth for combined Income Tax Bases A & C + taxable income growth). This growth rate was applied to the starting value of actual resident taxable income. The forecasted tax base was multiplied by the resident tax rate (2.4%) to estimate City tax collections.

(b) *Calculate Total Tax Revenues from Non-Residents (Income Tax Base B)*: To forecast the total tax collections from non-residents working in Detroit, Mr. Cline first forecasted the annual values of Income Tax Base B over the forecast period by adding the estimated employment growth rate for Income Tax Base B to the estimated growth in average taxable income. Because non-residents working in Detroit pay a 1.2% income tax rate, Mr. Cline determined the annual tax collections from this income base by multiplying Income Tax Base B by 1.2%.

B. Analyze the Impact of Restructuring

To determine the impact on Detroit employment under the Restructuring Scenario, Mr. Cline assumed that while the long-run structural decline in Detroit relative to Michigan, as shown in Figure 1, would continue over the 10-year forecast period, the additional negative impact of the slower recovery in Detroit from the latest recession would not apply. In addition, Mr. Cline assumed that improved economic conditions within the City would lead to a lower rate of decline for both populations of residents working in Detroit and outside the City, relative to the baseline forecast. Finally, Mr. Cline assumed that the average taxable income base in Detroit would increase at approximately two-thirds the rate of growth in Michigan average taxable income. These adjustments resulted in higher growth rates in projected individual income tax collections compared to the Baseline Scenario.

C. Extrapolate 10-Year Forecasts to Create 40-Year Forecasts

The tax collection estimates for the 40-year forecast begin with the level of collections estimated for 2023 in the 10-year restructuring forecast. Each tax series is then extrapolated over another 30 years based on assumed growth rates. The 40-year tax forecast should be considered a simulation of what would happen under the assumed growth rates, not a forecast of what is expected to happen.

(1) *Employment Growth Rate*: Mr. Cline adjusted the longer-run historical ratio of Detroit employment as a share of Michigan employment from -0.85% to -0.50% to account for an improvement in Detroit's economic condition relative to Michigan.

(2) *Average Taxable Income Growth Rate*: Mr. Cline determined that 2.0% was an appropriate long-run average wage inflation rate. Mr. Cline relied partly upon the facts that the inflation rate for U.S. Gross Domestic Product

("GDP") averaged nearly 2.0% (1.9%) annually over the past 20 years (1993-2012) and that the CBO forecast uses a GDP annual inflation rate of 2.2% annually from 2013 through 2088. *See* BEA Data – GDP Inflation 1992 to 2012 [POA00275850 – POA00275850]; CBO, 2013 Long-term Budget Outlook [POA00275848 – POA00275849]. In other words, the tax base would grow roughly 2.0% annually if wages and salaries grow in line with inflation (i.e., tax bases remain constant in real terms).

(3) *Population Growth*: Mr. Cline and EY reviewed population trends in other metropolitan areas that experienced a decade or more of declining population. The Detroit metropolitan area grew an average of 0.5% annually between 1990 and 2000 after experiencing declining population in the previous decade. *See* U.S. Census Bureau, *Statistical Abstract of the United States: 2012*, Table 20: Large Metropolitan Statistical Areas—Population: 1990 to 2010, *available at* http://www.census.gov/prod/2011pubs/12statab/pop.pdf. Mr. Cline and his team then examined historical employment and wage information to conclude that Detroit will under-perform relative to the surrounding metropolitan area, which includes the Detroit suburbs. Mr. Cline and his team thus selected Detroit population growth rates that average half of the metropolitan areas' average annual growth rate.

II. Assumptions

Documents and other materials supporting Mr. Cline's opinions have been or will be produced by the City. In addition, certain of the assumptions underlying Mr. Cline's analysis and opinions are set forth in the 10-Year Forecast, in particular at Exhibit 1 and Appendices B.2a and B.2b.

Mr. Cline also made the following assumptions:

A. Baseline Scenario

(1) *Michigan Employment Gr*owth: The State consensus forecast for Michigan employment growth is 1.33% in FY2013, 1.17% in FY2014, and 1.07% in FY2015. From 2016 forward, the projections assume an annual employment growth rate of 1.0%, which is in line with the State forecast.

(2) *Detroit Employment Growth*: In the Baseline Scenario, the projections assume a structural decline of -1.0% per year in FY2014, coupled with an initial cyclical (economic) adjustment of -0.7%. This cyclical adjustment begins to drop off in later years, falling in magnitude to -0.5% from FY2016 – FY2020, -0.3% in FY2021, and finally to zero in FY2022 – FY2023. Over this period, the assumed structural decline in Detroit employment also wanes, falling in magnitude from -1.0% from FY2014 through FY2020 to -0.7% in FY2021 and -0.5% in the last two years.

(3) *Share of Detroit Employment Attributable to Income Tax Base A (Residents Working in the City)*: The forecasts assume a decline at -1.0% per year due to continued population decline until FY2020. The rate increases to -0.5% in FY2020 – FY2021 and to 0.0% in FY2022 – FY2023.

(4) *Share of Detroit Employment Attributable to Income Tax Base B (Non-Residents Working in the City)*: The forecasts assume that Detroit employment growth not attributable to residents is attributable to non-residents.

(5) *Share of Michigan Employment Attributable to Income Tax Base C (Detroit Residents Working Outside of the City)*: In FY2013 and FY2014, the growth rate is estimated as statewide employment growth, less population decline, resulting in an average -0.4% annual growth rate. From FY2015 – FY2021, the growth rate is held constant at -0.25%. As for Income Tax Base A, this rate increases to 0.0% in FY2022 – FY2023.

(6) *Wage Growth*: The Baseline Scenario assumes an average wage growth rate of 1.0%, indicating lagging growth of wages at the local level, compared to the State (which projects a 2.5% average wage growth from FY2013 through FY2015).

(7) *Tax Rates*: The forecasts assume that the current income tax rates of 2.4% of gross income for Detroit residents and 1.2% of income earned in Detroit will remain constant throughout the forecast period.

B. Restructuring Scenario

(1) *Detroit Employment Growth*: The Restructuring Scenario assumes that improved economic conditions within the City will result in a return to the longer-run ratio of Detroit employment as a share of total Michigan employment. The Restructuring Scenario thus assumes a -0.85% annual decline relative to the State throughout the forecast period. This results in annual growth rates for Detroit employment of 0.3% in FY2014, 0.2% in FY2015, and 0.1% in FY2016 through FY2023.

(2) *Share of Detroit Employment Attributable to Income Tax Base A (Residents Working in the City)*: After FY2013, the Restructuring Scenario assumes that the number of residents working in Detroit will grow at 50% of the rate of total job growth due to the continued fall in Detroit population.

(3) *Share of Detroit Employment Attributable to Income Tax Base B (Non-Residents Working in the City)*: The forecasts assume that Detroit employment growth not attributable to residents is attributable to non-residents.

(4) *Share of Michigan Employment Attributable to Income Tax Base C (Residents Working Outside of the City)*: The Restructuring Scenario assumes that the number of residents employed outside of Detroit will grow at the state employment growth rate, minus the estimated decline in Detroit's population. The forecast assumes a slower rate of decline in the population of this group than under

the Baseline Scenario. After some initial decline in FY2013 and FY2014, the estimates show some modest growth in employment of Detroit residents working outside of the City over the next ten years.

(5) *Wage Growth*: The Restructuring Scenario assumes an average wage growth rate of 2.0%, which is closer to the State projections.

C. 40-Year Forecasts

(1) *Detroit Employment*: The 40-year projections assume that a modest recovery in Detroit will result in a slowing of the longer-run historical ratio of Detroit employment as a share of Michigan employment from -0.85% to -0.50% per year from FY2024 to FY2053.

(2) *Relative Shares of Detroit Employment*: Following the same methodology used in the 10-year restructuring forecast, the 40-year projections assume that the number of residents working in Detroit will grow at 50% of the rate of total job growth, with Detroit employment growth not attributable to residents attributable to non-residents.

(3) *Wage Growth*: Wage growth was held constant at 2.0% per year.

(4) *Population Projections*: The projections follow the SEMCOG population forecast from FY2024 through FY2028. After that point, the projections assume (i) zero population growth from FY2029 until FY2033; (ii) 0.2%

annual population growth from FY2034 until FY2043; and (iii) 0.3% annual population growth from FY2044 until FY2053.

Corporate Income Tax

I. Methodology

A. Develop Baseline Scenario Forecasts of Corporate Income Tax Revenues

(1) *Evaluate Historical Corporate Income Tax Collections and Michigan Statewide Corporate Income Tax Forecasts*: Mr. Cline began by analyzing the recent history of actual corporate income tax collections data provided by the City. Mr. Cline then evaluated the Michigan Consensus Revenue Estimating Conference's forecasted growth rate for state corporate income tax collections for FY2014 and FY2015. *See* Michigan Department of Treasury, Office of Revenue and Tax Analysis, *Administration Estimates: Michigan Economic and Revenue Outlook* (May 15, 2013) [POA00275929 – POA00275978]. Note that Michigan has just recently returned to using a corporate income tax, so there is limited historical information related to the state tax.

(2) *Estimate Growth Rate in City Corporate Income Tax Revenues*: Mr. Cline applied a structural adjustment to account for slower growth in City corporate profits, relative to the State. The structural adjustment is based upon the

historical relationship between Detroit corporate income tax collections and the business income tax component of the recently replaced Michigan Business Tax. Because net operating losses generated during the recent recession are still working through the corporate income tax system, growth rates are expected to be stronger in the early years of the10-year forecast period. To account for this, the structural adjustment decreases from -3.2% in FY2015 to a steady-state long-run adjustment of -2.0% by FY2020.

(3) *Forecast Longer-Run Corporate Income Tax Revenues*: Mr. Cline forecasted Detroit corporate income tax revenues in FY2016 and beyond by assuming that State corporate income tax revenues return to a longer-run growth rate of 3.0%.

B. Analyze the Impact of Restructuring

Mr. Cline assumed that improved conditions within the City due to reinvestment spending would cause the City to track the state economics more closely. To account for this, the structural adjustment is held constant at -1.0% throughout the FY2014 to FY2023 forecast period.

C. Extrapolate the 10-Year Forecasts to Create 40-Year Forecasts

(1) *Corporate tax growth rates for the State of Michigan*: Mr. Cline extrapolated the City's corporate income taxes over 40 years based on the relationship between the State of Michigan's corporate income tax projections and

nominal U.S. GDP growth projections from the CBO's September 2013 report *The 2013 Long-Term Budget Outlook* [POA00275848 – POA00275849]. For the projection period, CBO's projected U.S. GDP growth rate is reduced by -1.5% to estimate the State's growth in corporate profits (and, therefore, the corporate income tax base).

(2) *Corporate tax growth rates for the City of Detroit*: Beginning in FY2024, Mr. Cline phased out the structural adjustment on the assumption that the City's structural decline would be resolved by FY2032. This resulted in an equivalent State and City growth rate beginning in year FY2033. From FY2033-2053, the corporate profits tax base in Detroit is projected to grow at the same rate as Michigan overall.

II. Assumptions

A. Baseline Scenario

(1) The structural adjustment in the base case decreases from -3.2% in FY2015 to a steady-state long-run adjustment of -2.0% by FY2020. Applying the structural adjustment to the consensus Michigan forecast of state corporate tax growth rates for FY2014 and FY2015 yields City growth rates of 2.8% and 2.5%, respectively, followed by growth rates of 2.0% from FY2016 – FY2018, 1.5% in FY2019 and 1.0% from FY2020 – FY2023.

(2) The long-run state corporate tax growth rate is 3.0%.

(3) The forecasts assume that the Detroit corporate tax rate will remain constant at 2.0% after FY2013, when it was increased from 1.0% to 2.0% to help offset the individual income tax rate cuts.

B. Restructuring Scenario

The improved conditions within the City due to a general economic recovery and the reinvestment spending will cause the City to track the state economics more closely, resulting in a structural adjustment of -1.0% throughout the forecast period. Applying the one percentage point structural adjustment to the consensus Michigan state corporate tax growth rates for FY2014 and FY2015 yields City growth rates of 2.8% and 4.8%, respectively. From FY2016-2023, the forecasted growth rate is 2.0%, closer to the longer-run statewide growth rate.

C. 40-Year Forecasts

(1) *40-Year Corporate Tax Growth Rates for Michigan*: For the projection period, CBO's projected U.S. GDP growth rate is reduced by -1.5% to estimate the State's growth in corporate profits (and, therefore, corporate income taxes).

(2) *40-Year Corporate Tax Growth Rates for Detroit*: From FY2033 – FY2053, corporate profits in Detroit are projected to grow at the same rate as Michigan overall.

Wagering Tax Revenues

I. Methodology

A. Develop a Baseline Scenario Forecast for Wagering Tax Revenues

(1) *Evaluate the historical wagering tax collections as reported in the FY2013 – FY2014 Detroit Executive Budget*: Mr. Cline determined that over the last decade (from FY2004 through FY2013), revenues from the three Detroit casinos (MGM Grand Detroit, Motor City Casino, and Greektown Casino) grew at an average rate of 1.8% per year. In contrast, over the past five years (since FY2009), revenues from these three casinos grew an average of 0.6%. *See* City Council, Fiscal Analysis Division, *Report on Gaming Tax Revenue through April 2013* (May 17, 2013), *available at* http://www.detroitmi.gov/Portals/0/docs/legislative/fiscalanalysis/2013/Report%20on%20Gaming%20Tax%20Revenue%20through%20April%202013.pdf; Michigan Gaming Control Board*, Detroit Casino Revenues & State Wagering Tax Receipts*, 1999-2014 [POA00276114 – POA00276114]; City of Detroit, *FY2013 – FY2014 Executive Budget*, Summary Chart 9, *available at* http://www.detroitmi.gov/Portals/0/docs/budgetdept/2013-14_Budget/EB_Charts_Schedules_stamped_14.pdf.

(2) *Forecast long-run growth projections for Detroit wagering tax revenues*: Because the City Council Fiscal Analysis Division's May 17, 2013 report did not estimate the long-run effect of the Toledo casino on Detroit revenues,

Mr. Cline made adjustments to the historical growth rate to account for the increased competition. Based on the most recent wagering tax collections data, these taxes are anticipated to drop -4.3% in FY2014. It is assumed that there will be an additional year of decline in FY2015 (-1.0%), two years of growth at 0.5%, then a transition to a slightly higher growth rate of 1.0% after FY2018.

B. Extrapolate 10-Year Forecasts to Create 40-Year Forecasts

Mr. Cline extrapolated the 10-year forecasts to create 40-year forecasts by assuming that wagering tax revenues would continue to grow at an average rate of 1.0% per year.

II. Assumptions

A. Baseline Scenario

(1) Mr. Cline assumed that the wagering tax rate remains constant at 10.9% throughout the forecast period.

(2) Mr. Cline assumed that wagering tax revenues would decrease through FY2015 due to competition from out-of-state casinos, but would increase thereafter due to improved Michigan and Detroit economic growth. The projections assume a 0.5% growth rate in FY2016 and FY2017, and a 1.0% annual growth in wagering taxes (1.0% change in gross receipts) in all years after FY2017.

B. Restructuring Scenario

Mr. Cline assumed that the City's reinvestment spending would not have a material, direct impact on its wagering tax revenues.

C. 40-Year Forecasts

Mr. Cline assumed a 1.0% annual long-run growth rate in wagering tax revenues for FY2023 through FY2053.

Utility Users' Tax Revenues

I. Methodology

A. Develop a Baseline Scenario Forecast for Utility Users' Tax Revenues

(1) *Evaluate actual utility users' tax collections reported in the FY2014-FY2015 Executive Budget*: Mr. Cline observed that gross utility users' tax collections have decreased significantly since FY2008, declining by a total of -25.0% through FY2013, and equating to an average annual decline of -6.0% per year. *See* City of Detroit, *FY2013 – FY2014 Executive Budget*, Summary Chart 9, *available at* http://www.detroitmi.gov/Portals/0/docs/budgetdept/2013-14_Budget/EB_Charts_Schedules_stamped_14.pdf.

(2) *Determine effect of transfers to the Detroit Public Lighting Authority ("PLA")*: Mr. Cline incorporated information provided by Gaurav

Malhotra and the EY restructuring team on the reduction in gross utility users' tax receipts due to the transfers to the PLA. The PLA transfers will reduce net tax collections by the City by -$1.8 million in FY2013 and an anticipated -$16.9 million in FY2014. From FY2015 through FY2023, Mr. Cline held transfers to the PLA constant at -$12.5 million.

(3) *Forecast growth of utility users' tax revenues*: Mr. Cline relied upon the Detroit FY2014 Executive Budget, which indicates that more taxpayers have been added to the utility users' tax base through compliance activities. Mr. Cline thus assumed that, after the Detroit economy stabilizes through FY2015 and FY2016, utility users' taxes net of PLA transfers will increase at an annual growth rate of 1.5% from FY2019 through the rest of the forecast period.

B. Extrapolate 10-Year Forecasts to Create 40-Year Forecasts

Mr. Cline extrapolated the 10-year forecasts of utility users' taxes by assuming that utility users' taxes will continue to grow at the long-run rate of 1.5%.

II. Assumptions

A. Baseline Scenario

(1) Unpaid PLA transfers will be passed forward from FY2013 to FY2014, reducing net utility users' tax collections in that year. FY2014 PLA transfers total -$16.9 million: -$12.5 million annual transfers, plus -$4.4 million for FY2013.

(2) PLA transfers will return to -$12.50 million in FY2015, resulting in an increase in net tax collections from FY2014 even though gross collections are flat (no growth).

B. Restructuring Scenario

Mr. Cline assumed that the City's reinvestment spending would not have a material, direct impact on its net utility users' tax revenues.

C. 40-Year Forecasts

Mr. Cline assumed that utility users' taxes would continue to grow at a rate of 1.5% annually during FY2023 – FY 2053.

EXHIBITS

Attached as Exhibit B are exhibits Mr. Cline intends to rely upon during his testimony. The City reserves its right to use other exhibits during Mr. Cline's testimony, including demonstrative exhibits created from or summarizing existing exhibits.

MATERIALS CONSIDERED IN REACHING OPINIONS

Attached as Exhibit C is a listing of the materials Mr. Cline considered in reaching his opinions. Mr. Cline also had available to him City officials, advisors, and consultants, as well as the expertise of Gaurav Malhotra and Caroline Sallee and the materials they considered.

QUALIFICATIONS

Mr. Cline's biography and curriculum vitae is attached as Exhibit D.

PRIOR EXPERT TESTIMONY

Mr. Cline has previously testified as an expert on state and local tax apportionment in *In re Disney Enterprises, Inc. & Combined Subsidiaries*, No. 818378 (N.Y. Div. of Tax Appeals 2003).

COMPENSATION

Jones Day retained Ernst & Young LLP on behalf of the City to provide expert witness services to the City in connection with *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (Rhodes, J.). The City compensates EY at an hourly rate of $754 for actual time incurred by Mr. Cline, as well as reasonable out-of-pocket expenses. These fees are subject to a 10% hold-back contingent on plan confirmation by December 31, 2014.

Dated: July 8, 2014

Robert Cline

Robert Cline

EXHIBIT A

City of Detroit
Ten-Year Financial Projections
Net Utility Users' tax revenue - 40-Year forecast
Note: No change in Baseline Scenario and Restructuring Scenario
($ in millions)

	Fiscal year ended actual						10-Year Forecast									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Growth rate in gross tax collections, driver							**0.0%**	**0.0%**	**1.0%**	**1.5%**	**1.5%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**
Gross utility users tax collections	51.7	49.9	44.2	44.6	39.8	37.0	37.0	37.0	37.4	38.0	38.5	38.9	39.3	39.7	40.1	40.5
% growth rate, result		*-3.5%*	*-11.4%*	*0.9%*	*-10.8%*	*-6.9%*	*0.0%*	*0.0%*	*1.0%*	*1.5%*	*1.5%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Transfer to PLA						-1.8	-16.9	-12.5	-12.5	-12.5	-12.5	-12.5	-12.5	-12.5	-12.5	-12.5
Net utility users tax collections						35.3	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0
% growth rate, result									*1.5%*	*2.3%*	*2.2%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*

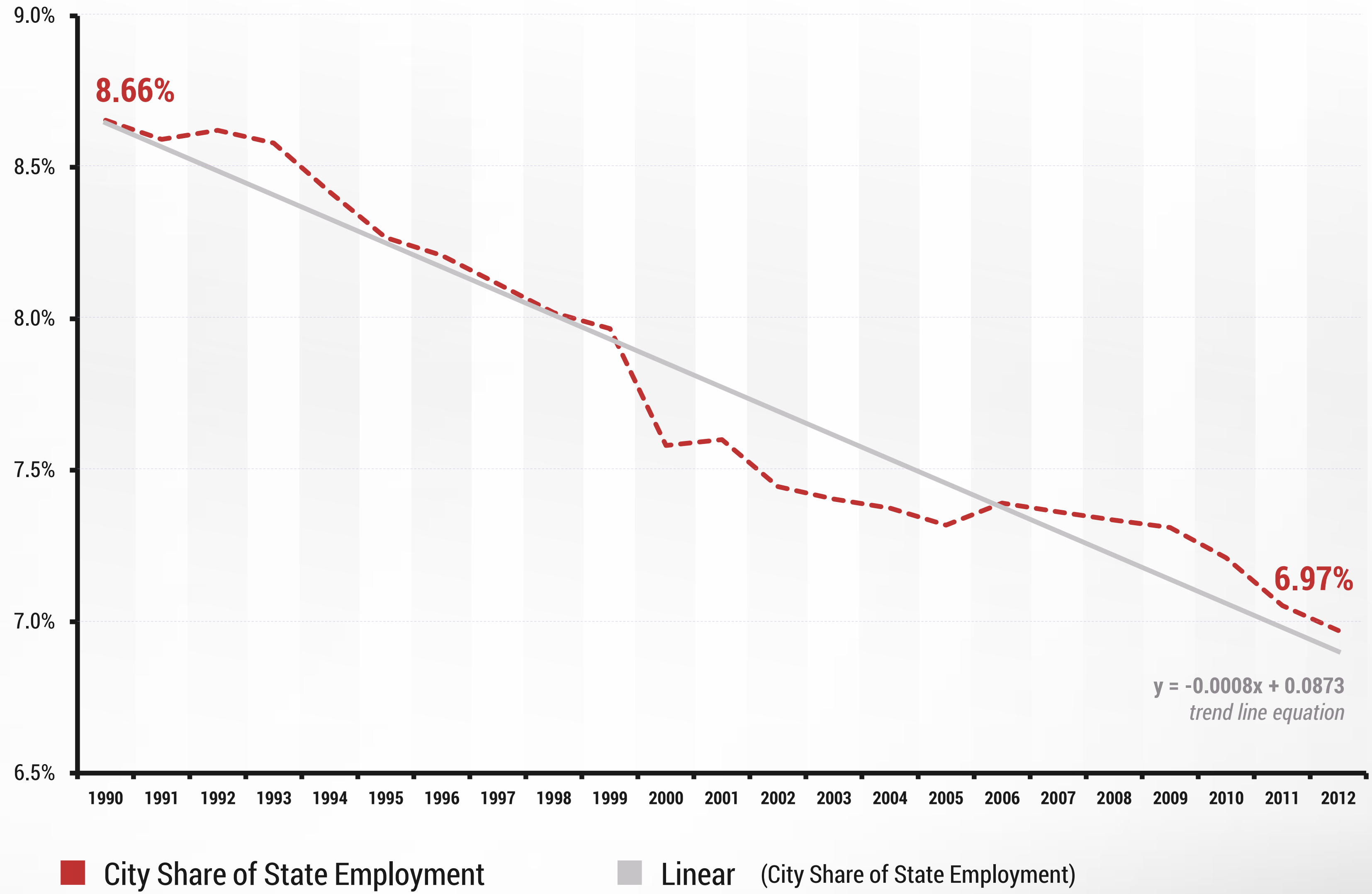
	40-Year forecast, additional years														
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Growth rate in gross tax collections, driver															
Gross utility users tax collections															
% growth rate, result															
Transfer to PLA															
Net utility users tax collections	28.4	28.9	29.3	29.7	30.2	30.6	31.1	31.6	32.0	32.5	33.0	33.5	34.0	34.5	35.0
% growth rate, result	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**

	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Growth rate in gross tax collections, driver															
Gross utility users tax collections															
% growth rate, result															
Transfer to PLA															
Net utility users tax collections	35.5	36.1	36.6	37.2	37.7	38.3	38.9	39.5	40.0	40.6	41.3	41.9	42.5	43.1	43.8
% growth rate, result	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**

Total, FY2014-2023 $257 millions
Total, FY2014-2053 $1,325 millions

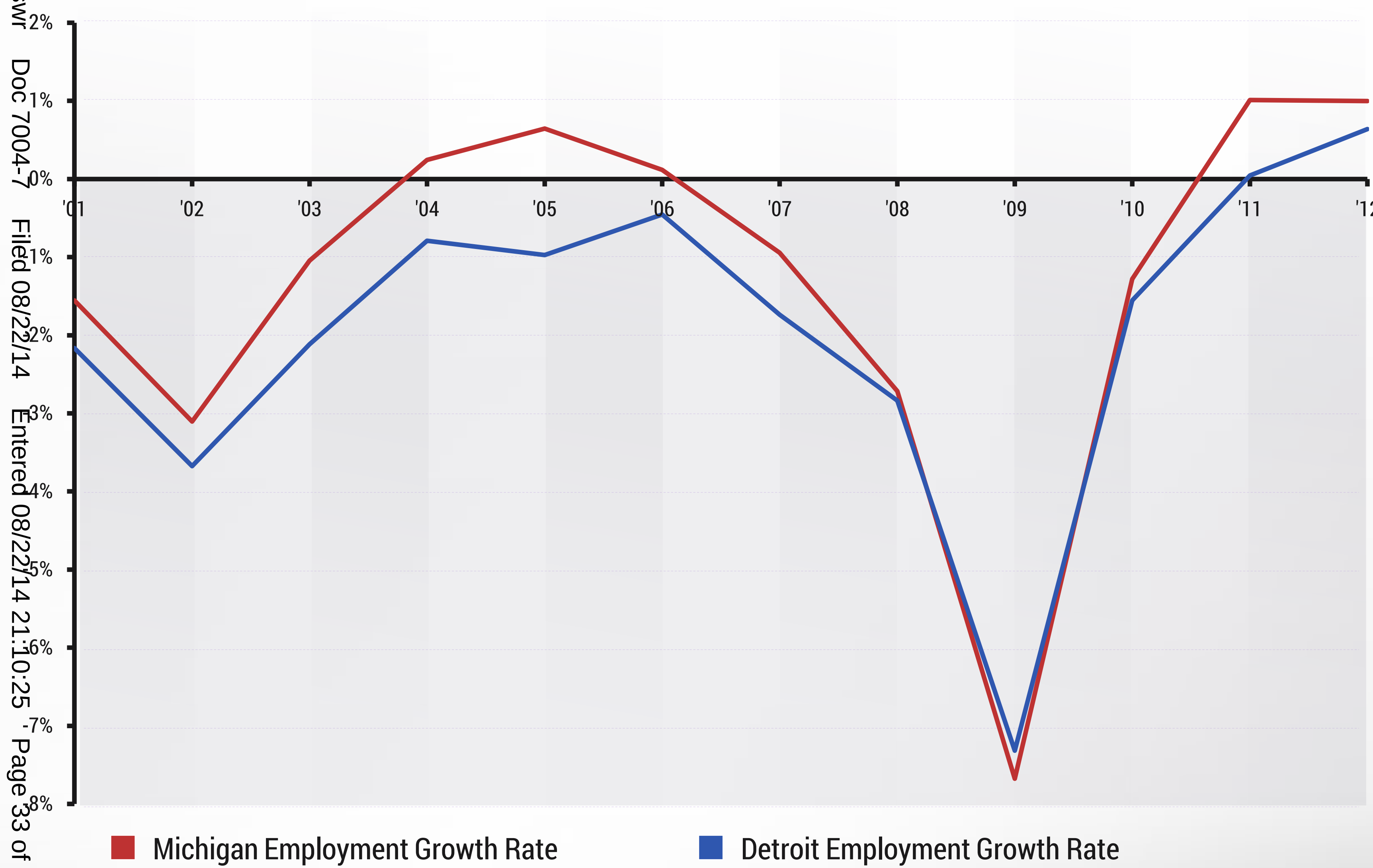
EXHIBIT B

City of Detroit's Share of Total State of Michigan Employment, 1990 – 2012



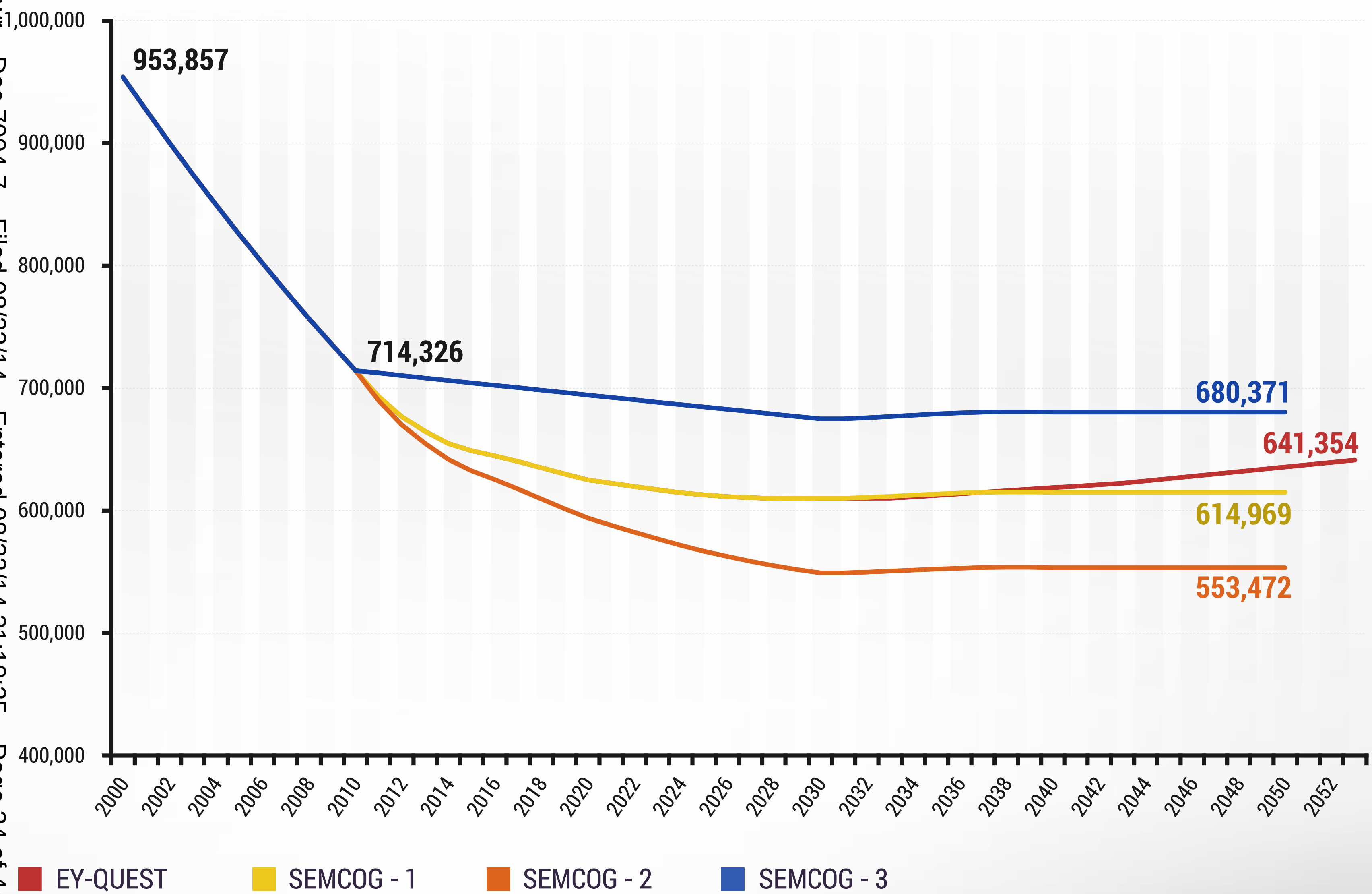
Source: BLS Local Area Unemployment Statistics

Growth Rates of City of Detroit & Michigan Employment, 2001 – 2012

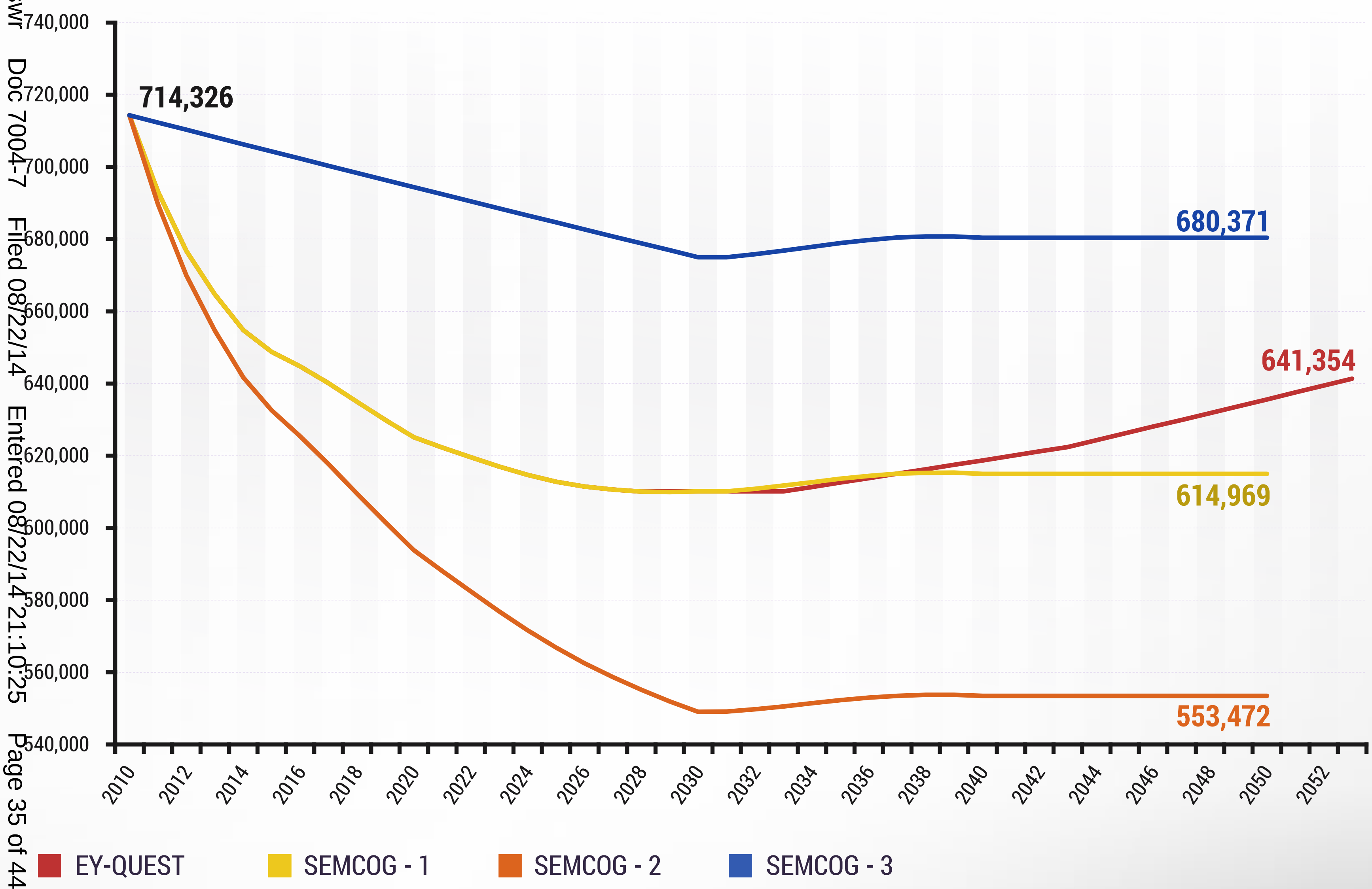


Source: BLS Local Area Unemployment Statistics

Population Change Scenarios



Population Change Scenarios



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Methodology for Individual Income Taxes

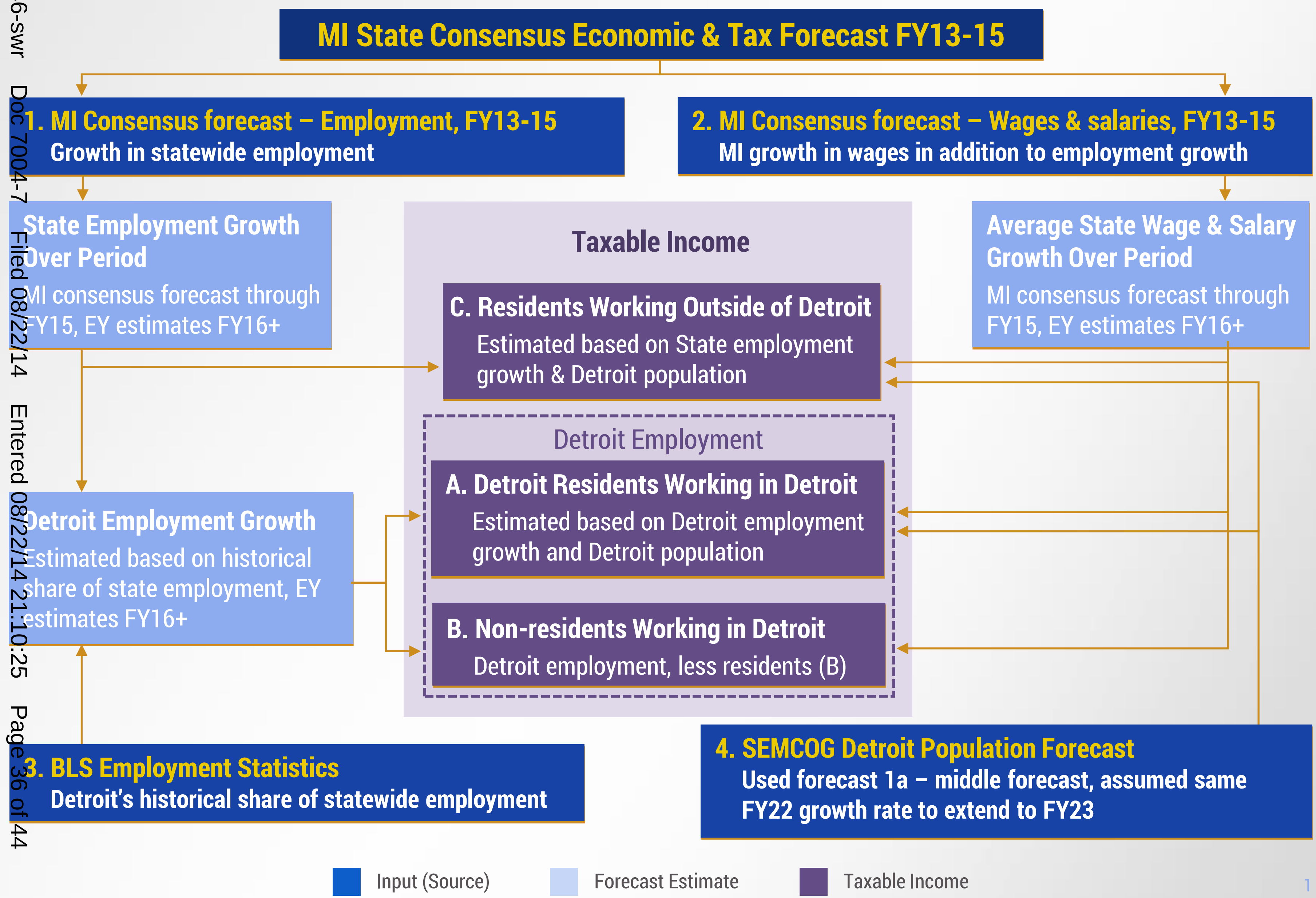


EXHIBIT C

Sources Considered By Robert Cline

Name	Bates Range	
10-Year Forecast as of 5.5.2014	POA00275421	POA00275502
40-Year Forecast as of 5.5.2014	POA00275503	POA00275511
2013 Long term budget outlook inflation projections 2013-2088	POA00275848	POA00275849
BEA Data -- GDP Inflation 1992 2012	POA00275850	POA00275850
Census On the Map data Detroit worker flow (2002-2012)	POA00275851	POA00275851
Detroit income tax forecast information (08.09.2013)	POA00275852	POA00275854
Income Tax Revenue Calculations	POA00275855	POA00275855
MI Economic & Revenue Forecast Presentation	POA00275856	POA00275895
MI Economic & Revenue Forecast Presentation	POA00275929	POA00275978
SEMCOG 2040 Forecast Summary (April 2012)	POA00275979	POA00276041
SEMCOG Population Estimates	POA00276042	POA00276042
SFA Economic Outlook May 2013	POA00276043	POA00276112
US Bureau of Labor Statistics LAUS MI Detroit (1990 - 2013)	POA00276113	POA00276113
MGCB Casino Adjusted Gross Receipts	POA00276114	POA00276114

Sources Considered By Robert Cline

Name	Bates Range	
Description of Estimating Methodology (06.06.2013)	POA00276188	POA00276193
Detroit Tax Forecast Information (07.24.2013)	POA00276194	POA00276195
CBO - 2013 Long term budget outlook inflation projections 2013-2088	POA00275647	POA00275648
BEA Data - GDP Inflation (1992 - 2012)	POA00275649	POA00275649
40 Year Revenue Projections	POA00275651	POA00275651
40 Yr Projections - Revenue and Dept Summary Overview (01.08.2014)	POA00275652	POA00275654
CBO 2013-02-Economic Projections (Property Taxes)	POA00275655	POA00275655
Metro Populations (30 Years) Data	POA00275656	POA00275656
QUEST Revenue Discusison Items (01.11.2014)	POA00275657	POA00275660
Statistical Abstract of the United States: 2012, Table 20: Large Metropolitan Statistical Areas—Population: 1990 to 2010, *available at* http://www.census.gov/prod/2011pubs/12statab/pop.pdf	--	--
City Council, Fiscal Analysis Division, Report on Gaming Tax Revenue through April 2013 (May 17, 2013), *available at* http://www.detroitmi.gov/Portals/0/docs/legislative/fiscalanalysis/2013/Report%20on%20Gaming%20Tax%20Revenue%20through%20April%202013.pdf	--	--
City of Detroit, FY2013 – FY2014 Executive Budget, *available at* http://www.detroitmi.gov/DepartmentsandAgencies/BudgetDepartment/2013-2014ExecutiveBudget.aspx	--	--
City of Detroit's Proposal for Creditors (June 2013)	POA00215882	POA00216015
10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Bridge (June 2014)	POA00706448	POA00706448
40-Year Plan of Adjustment Financial Projections Bridge (July 2014)	POA00706601	POA00706602

EXHIBIT D

June 26, 2014

ROBERT J. CLINE, Ph.D.

National Director of SALT Policy Economics
Ernst & Young LLP

Dr. Cline is National Director of State and Local Tax Policy Economics in EY's National Tax Practice in Washington, DC. Dr. Cline assists the business community, state tax agencies, legislatures and tax commissions with the evaluation of tax policy options, including revenue estimates, distributional analysis and dynamic fiscal and economic impact analysis. Prior to joining EY in 1999, Dr. Cline was Director of State and Local Finance, Barents Group LLC of KPMG LLP (1996-1999) and a consultant to Price Waterhouse LLP (1995-1996) on state tax reform.

Dr. Cline has extensive state and local tax policy and research experience having served as Tax Research Director in the Michigan Department of Management and Budget (1984-1986) and in the Minnesota Department of Revenue (1989-1995). His responsibilities as research director included tax policy development, tax bill revenue estimating, economic and revenue forecasting, and dynamic economic impact analysis. While at the Minnesota Department of Revenue, Dr. Cline directed the preparation of the state's tax expenditure report, the development of a tax incidence model for all major state and local taxes, and the construction of a corporate income tax policy simulation model. Earlier research experience included serving as a Senior Public Finance Resident, U.S. Advisory Commission on Intergovernmental Relations (1982-1983).

Dr. Cline has directed or participated in tax reform and tax policy studies, tax modeling projects, fiscal studies and economic impact studies in over 40 states. For example, he has directed state tax policy studies in California, Connecticut, Louisiana, Michigan, New York, Ohio, Pennsylvania, Maryland, North Carolina, Illinois and Virginia. As part of these studies, Dr. Cline was responsible for estimating impacts of changes in corporate income tax structures, including apportionment and income combination, revenues from the expansion of sales tax bases, and revenues expected from alternative business tax bases, including value added and gross receipts bases. A number of the studies included industry-by-industry analysis of proposed changes in business tax liabilities and estimates of the dynamic economic impacts of tax changes and tax reform on state economies. Dr. Cline has also directed a number of business tax studies for specific industries, including electricity production, telecommunications, natural resource extraction, and financial services.

He directed state and local business tax studies for the Council on State Taxation, including the annual 50-state study of state and local business taxes. He was the author of the COST studies (published in Tax Analyst's State Tax Notes), "Combined Reporting: Understanding the Revenue and Competitive Effects of Combined Reporting" (May 2008), and "What's Wrong with Taxing Business Services?" (April 2013) In the past year, Dr. Cline worked on several state tax policy projects that included evaluating proposals to expand the retail sales tax to business services in Louisiana, Ohio and Puerto Rico, estimating the impacts of tax reform on Ohio's business tax competitiveness and economy, and estimating the dynamic impact of corporate tax reform in New York.

Dr. Cline has completed business tax studies in other countries, including Canada, Australia and the European Union. He was a co-author of the EY study prepared for the Irish Department of Finance, *Study of the Economic and Budgetary Impact of the Introduction of a Common Consolidated Corporate Tax Base in the European Union* (2009). The study included estimating the country-by-country changes in EU corporate income tax collections, as well as dynamic economic impacts, of a proposal for changing the assignment of corporate income among the Member states. Most recently, he directed an EY study of the expected impact of the adoption of a VAT on the tourism industry in the Bahamas.

Dr. Cline also has extensive experience teaching economics and public finance. Positions include:

- Assistant Professor of Economics, Department of Economics, Georgia State University, Atlanta, Georgia (1972-1975)
- Professor of Economics, Department of Economics and Business Administration, Hope College, Holland, Michigan (1975-1989)
- Visiting Professor of Economics, Department of Economics, University of Michigan, Ann Arbor, Michigan (1977-1978)
- Adjunct Professor, Humphrey Institute, University of Minnesota, St. Paul, Minnesota (1994-1995)

Dr. Cline holds a Ph.D. (1977) and an M.A. degree (1971) in economics from the University of Michigan and a B.A. in economics in (Phi Beta Kappa) from the College of William and Mary in 1968.

Additional Experience and Other Selected Publications
for Robert Cline

Professional Experience:

National Director of State and Local Tax Policy Economics, Ernst & Young LLP (June 1999 - present)
Director, State and Local Finance, Barents Group LLC of KPMG LLP (1996-1999).
Consultant to Price Waterhouse LLP (1995-1996).
Director, Tax Research Division, Minnesota Department of Revenue (1989-1995).
Adjunct Professor, Humphrey Institute, University of Minnesota Director (1994-1995)
Director, Office of Revenue and Tax Analysis, Michigan Department of Management and Budget (1984-1986).
Senior Public Finance Resident, U.S. Advisory Commission on Intergovernmental Relations (1982-1983).
Professor of Economics, Department of Economics and Business Administration, Hope College (1975-1989).
Research Economist, Urban Institute (1978).
Visiting Professor of Economics, Department of Economics, University of Michigan (1977-1978).
Assistant Professor of Economics, Department of Economics, Georgia State University (1972-1975).

Other Selected Publications:

"Federal Tax Reform: Lessons from the States," with Steven Wlodychak, *State Tax Notes*, February 13, 2012.

"Competitiveness of State and Local Business Taxes on New Investment," with Andrew Phillips And Tom Neubig, *State Tax Notes*, May 16, 2011.

"Five Federal Lessons from California's Near-VAT Experience," with Tom Neubig, *State Tax Notes,* June 7, 2010.

"Economic Incidence of State Business Taxes," with Andrew Phillips, Joo Mi Kim, and Tom Neubig, *State Tax Notes*, January 11, 2010.

"Future State Business Tax Reforms: Defend or Replace the Base, with Tom Neubig, *State Tax Notes*, January21, 2008.

"Illinois State and Local Business Tax Burden," with Andrew Phillips, *State Tax Notes*, May 26, 2003. Study prepared for Illinois Chamber of Commerce.

"Total State and Local Business Tax Burden Study," with William Fox, Tom Neubig and Andrew Phillips, *State Tax Notes*, January 27, 2003. Study prepared for the Council on State Taxation.

“Telecommunications Taxes: 50-State Estimates of Excess State and Local Tax Burden,” *State Tax Notes*, May 2002.

“Can the Current State and Local Business Tax System Survive the New Economy Challenges?,” *State Tax Notes*, April 2002.

“Total Corporate Taxation: Hidden, Above-the-Line, Non-Income Taxes,” with Kevin Christensen and Thomas S. Neubig, *State Tax Notes*, November 12, 2001.

“Reducing Out-of-Line Telecommunications Taxes: State Responses to Increased Competition,” *State Tax Notes*, September 18, 2000.

“Masters of Complexity and Bearers of Great Burden: The Sales Tax System and Compliance Costs for Multistate Retailers,” with Thomas S. Neubig, *State Tax Notes*, September 1999.

“Tariffs and Consumption Taxes: Understanding the Differences,” Ernst & Young, July 1999.

“The Sky Is Not Falling: Why State and Local Revenues Were Not Significantly Impacted by the Internet in 1998,” with Thomas S. Neubig, *State Tax Notes*, June 18, 1999.

“Utility Deregulation: Fiscal Impacts on State and Local Governments,” presentation to National Conference of State Legislatures, Fiscal Chairs Seminar, Washington, DC, December 1998.

“Consumption Tax Incidence: A State Perspective,” with Paul Wilson, *Proceedings of the 88th Annual Conference,* National Tax Association, 1995, pp. 225-235.

“State Financing of Health Care Reform: Minnesota’s Health Right Act,” *Proceedings of the 85th Annual Conference on Taxation*, National Tax Association, 1993.

“Should States Adopt a Value-Added Tax?,” in Steven D. Gold, ed., *The Unfinished Agenda for State Tax Reform*, National Conference of State Legislatures, 1988.

“Personal Income Tax,” in Steven D. Gold, ed., *The Unfinished Agenda for State Tax Reform*, National Conference of State Legislatures, 1988.

“The Property Tax in a High-Quality State-Local Revenue System,” with John Shannon, in C. Lowell Harriss, ed., *The Property Tax and Local Finance*, the Academy of Political Science, Vol. 35, No. 1, 1983.

<u>Exhibit 6B</u>

Expert Report of Gaurav Malhotra

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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

REPORT OF GAURAV MALHOTRA

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, debtor the City of Detroit submits this report with respect to the expected expert testimony of Gaurav Malhotra.

INTRODUCTION

Gaurav Malhotra is a Principal and the Midwest Restructuring Leader at the firm Ernst & Young LLP ("EY"), as well as a Senior Managing Director at Ernst & Young Capital Advisors LLC. It is the City's intention to call Mr. Malhotra to testify about the forecasted revenues and expenses the City's General Fund may expect in future years. The information in this report is presented as of the date of this report and is based upon projections contained within the Fourth Amended Disclosure Statement With Respect to Fourth Amended Plan for the Adjustment of

Debts of the City of Detroit [Docket no. 4391] dated May 5, 2014 (the "Disclosure Statement"), as such projections were updated as of July 2, 2014. *See* Ten-Year Financial Projections [POA00706519 – POA00706600] ("10-Year Forecast"); Plan of Adjustment – 40 year projections [POA00706603 – POA00706611] ("40-Year Forecast").

OPINIONS

Mr. Malhotra will offer the following opinions:

I. Ten-Year Projections

A. For the period ending with the City's 2023 fiscal year, the projected revenues and expenditures the City's General Fund can expect are set forth in the 10-Year Forecast and in the 40-Year Forecast at Exhibit 3b.

B. These projected revenues and expenditures are reasonable forecasts and represent a realistic picture of the City's General Fund's ability to afford its expenditures and satisfy its obligations under the Plan while maintaining an adequate level of municipal services.

II. Forty-Year Projections

A. For each of the next four ten-year periods ending with the City's 2053 fiscal year, the projected revenues and expenditures the City's General Fund can expect are set forth in the 40-Year Forecast.

B. These projected revenues and expenditures are reasonable forecasts and represent a realistic picture of the City's General Fund's ability to afford its expenditures and satisfy its obligations under the Plan while maintaining an adequate level of municipal services.

BASIS AND REASONS FOR OPINIONS

Mr. Malhotra based his opinions upon analyses of historical trends, reviews of departmental budgets, and discussions with City management regarding steady-state projections. In addition, Mr. Malhotra relied upon the assumptions made, analyses conducted, and opinions offered by other experts, including Robert Cline and Caroline Sallee of EY's Quantitative Economic & Statistics ("QUEST") practice, Charles Moore of Conway MacKenzie, Kenneth Buckfire of Miller Buckfire, and the City's actuaries at Milliman. In reaching his opinions, Mr. Malhotra followed standard forecasting procedures used in the field of financial forecasting and analysis.

I. Ten-Year Projections

The revenues and expenditures the City's General Fund may expect in each of the next ten years are set out in the 10-Year Forecast and the 40-Year Forecast, in particular at Exhibit 3b of the 40-Year Forecast.[1] In developing these forecasts, Mr. Malhotra employed the following methodologies and assumptions:

A. Methodology

(1) Developing forecasts of the City's General Fund revenues, expenditures, and funds available for unsecured creditors in each of the next ten fiscal years, by:

(a) Projecting the annual revenues the City's General Fund can expect in each of the next ten fiscal years from 2014 to 2023.

(i) Mr. Malhotra directed Robert Cline and Caroline Sallee of EY's QUEST practice to develop projections of the City's revenues in five key areas—income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes. Mr. Malhotra relied upon these projections in making his ten-year revenue projections.

(ii) Mr. Malhotra forecasted the City's other General Fund operating revenues based largely on historic trends, making adjustments where necessary, as explained in the Assumptions section below.

(iii) Mr. Malhotra incorporated the additional revenues expected to be generated for the General Fund from the City's departmental

[1] The forecasted revenues and expenditures set forth in Exhibit 3 of the 10-Year Forecast and Exhibit 3b of the 40-Year Forecast are equivalent. These two Exhibits differ only in the manner of their presentation.

revenue initiatives. To do so, Mr. Malhotra relied on the forecasts of these additional revenues provided to him by Conway MacKenzie.

(iv) Finally, Mr. Malhotra incorporated the net proceeds of Quality of Life financing in FY2014 and FY2015, as well as the assumed proceeds from exit financing between FY2015 and FY2016.

(b) Projecting the City's expected operating expenditures and restructuring-related expenses over this ten-year period.

(i) Mr. Malhotra's team conducted a department-by-department review of historical and current staffing levels, payroll, and benefits, in order to determine the salary, overtime, and fringe benefit costs for both Public Safety and Non-Public Safety departments.

(ii) Mr. Malhotra relied upon the terms of the Plan to forecast active pension plan and OPEB payments for future retirees.

(iii) Mr. Malhotra forecasted the expenditures associated with the City's restructuring by relying on various sources, as explained in the Assumptions section below.

(iv) Finally, Mr. Malhotra included a contingency reserve to account for unanticipated events and made adjustments to the timing of certain reinvestment spending to ensure adequate cash liquidity.

(c) Determining the amount of "funds available for unsecured claims" after providing adequate municipal services, by taking the difference between the City's General Fund's expected revenues and expenditures in each of the next ten fiscal years.

(2) Adding other sources of cash to the funds available for unsecured claims to arrive at a "total hypothetical sources" of funds, by:

(a) Projecting and adding additional sources of cash, including (i) the revenue stream from the Detroit Water/Sewerage Department ("DWSD"); (ii) reimbursements from other funds (Library and non-General Fund Parking operations); and (iii) the proceeds of the "grand bargain." This "grand bargain" is comprised of foundation fundraising, DIA contributions, and State settlement proceeds.

(3) Developing projections for the hypothetical distributions to unsecured creditors ("uses") of these hypothetical sources throughout the ten-year period based on the terms of settlements or the Plan, by:

(a) Scheduling the projections of cash distributions to the retiree pension systems as well as other post-employment benefits (OPEB) based on the terms of settlements reached with the Retirement Systems and Retiree Committee.

(b) Scheduling the projections of cash distributions to satisfy unsecured UTGO (Note A1) and LTGO (Note A2) claims based on the terms of settlements reached with the respective parties.

(c) Scheduling the projections of cash distributions on account of Note B, which encompasses payments to satisfy other unsecured creditor claims, including OPEB, POC, Notes/loans payable, and other unsecured items.

(d) Summing the aforementioned schedules of cash distributions to arrive at "total hypothetical distributions / total uses."

(4) Calculating the implied surplus / (deficit) and cash balances for the ten-year period, by:

(a) Subtracting total hypothetical distributions / total uses from total hypothetical sources to arrive at surplus / (deficit) projections for the ten-year period.

(b) Rolling forward a June 30, 2013 cash balance of $36 million.

B. Assumptions

(1) Mr. Malhotra made the following assumptions in forecasting the revenues the City can expect over the forecast period:

(a) Mr. Malhotra relied on the projections made by Robert Cline and Caroline Sallee of EY's QUEST practice to forecast the City's revenues from income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes.

(b) Mr. Malhotra forecasted sales and charges for services based on historical trends, adjusted primarily for the transition of the Public Lighting Department's distribution business. Remaining revenues were projected based on FY2013 levels, as adjusted to achieve targeted levels provided through discussions with department management.

(c) Mr. Malhotra forecasted other operating revenues listed on Exhibit 4 of the 10-Year Forecast—including (i) parking/court fines and other revenue, (ii) grant revenue, (iii) licenses, permits and inspection charges, and (iv) revenues from the use of assets based upon recent trends, as adjusted to account for recent or expected events. Mr. Malhotra assumed that (i) parking/court fines and other revenue primarily consist of revenues from parking violations, traffic violations, and court fines, which will continue to reflect recent trends; (ii) grant revenue will decrease due to the transition of the Health and Wellness department and the expiration of certain public safety grants; (iii) revenues from licenses, permits and inspection charges will continue to reflect recent trends; and (iv) revenues from the use of assets include investment earnings, real estate rentals, and the sale of assets, which will include proceeds from the sale of the Veteran's Memorial Building in FY2015.

(d) As reflected in Exhibit 4 of the 10-Year Forecast, General Fund reimbursements include (i) Street Fund reimbursements, (ii) DDOT risk management reimbursements, and (iii) Parking and Vehicle Fund reimbursements. The projections assume that (i) Street Fund reimbursements will decrease beginning in FY2015 due to an assumed outsourcing of solid waste operations, which will no longer reimburse GSD for maintenance costs; (ii) DDOT risk management reimbursements will continue to reflect the portion of risk management costs allocated to DDOT based on recent trends; and (iii) parking reimbursements will continue to reflect recent trends.

(e) The projections assume that the City will be able to continue to collect the UTGO property tax millage at an amount equal to the originally scheduled debt service.

(f) Mr. Malhotra relied upon the revenues expected to be generated from the City's departmental revenue initiatives as provided by Conway MacKenzie.

(g) The projections assume that the City will receive net Quality of Life (QOL) financing proceeds of $118 million between FY2014 and FY2015, and $175 million of net additional proceeds from exit financing between FY2015 and FY2016.

(2) Mr. Malhotra made the following assumptions in forecasting the expenditures the City can expect over the forecast period:

(a) The projections for salaries and wages assume (i) a 10.0% wage reduction for uniformed employees beginning in FY2014 for contracts that expired in FY2013; (ii) a ramp-up of headcount to begin in FY2015 in order to return to previous staffing levels after a decline in the actual headcount for FY2014; and (iii) wage inflation rates for all employees of 5.0% in FY2015, 0.0% in FY2016, 2.5% annually from FY2017 to FY2019, and 2.0% in FY2020 and thereafter.

(b) Expenditures for overtime are projected to continue to reflect recent trends as a percentage of salaries and wages. Elimination of 12-hour shifts for police officers are projected to result in an increase in overtime costs for the Police Department.

(c) Other benefits are projected to continue to reflect recent trends, with assumed bonus payments of 2.5% of salary for non-uniform employees and 3.0% of salary for uniform employees in FY2016.

(d) Health benefit expenditures for active employees are projected based on per-head medical cost estimates provided by Milliman through FY2019 (based on the cost of plan designs being offered for 2014 enrollment). Milliman projects the average annual inflation rate between FY2014 and FY2019 to be 6.8%. Medical inflation is capped (for city contribution purposes) at 4.0% after FY2019.

(e) OPEB contributions will be $1 million annually for future public safety retirees and 2.0% of salary for non-public safety future retirees, as required by the Plan.

(f) As required by the Plan, for FY2015 and beyond, the City will make contributions of 12.25% of salary for active public safety employees and 5.75% for active non-public safety employees.

(g) Other operating expenses consist of (i) professional and contract services, (ii) materials and supplies, (iii) utilities, (iv) purchased services, (v) risk management and insurance, (vi) maintenance capital, (vii) other expenses, (viii) contributions to non-enterprise funds, and (ix) the DDOT subsidy, as reflected in Exhibit 4 of the 10-Year Forecast. Mr. Malhotra made the following assumptions with respect to these other operating expenses:

(i) *Professional and contractual services*: Expenditures for professional and contractual services are projected to decrease beginning in FY2014 due to the transition of the Health and Wellness department. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(ii) *Materials and Supplies*: Expenditures for materials and services will decrease beginning in FY 2015 due to the transition of the Public Lighting Department distribution business. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(iii) *Utilities*: Expenditures for utilities are projected to continue to reflect recent trends. The projections assume the cost of electricity purchased by PLD for internal consumption will increase to account for an increase of billing to retail rates from wholesale rates beginning FY2015. The projections assume a 1.0% annual cost inflation beginning in FY2015, except for water/sewer rates, as to which the projections assume an average annual cost inflation of 3.5%.

(iv) *Purchased Services*: Expenditures for purchased services will increase beginning in FY2014 due to increased prisoner pre-arraignment function costs, and in FY2016 due to additional payroll processing management. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(v) *Risk Management and Insurance*: Risk management includes costs associated with litigation, workers' compensation, and claims. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(vi) *Maintenance Capital*: One-time capital outlays are included in FY2013. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(vii) *Other Expenses*: The projections assume a 1.0% annual cost inflation beginning in FY2015 for other expenses, such as printing, rental, and other operating costs.

(viii) *Contributions to Non-Enterprise Funds*: The projections assume that contributions to the Public Lighting Authority for operations begin in FY2015.

(ix) *DDOT Subsidy*: The DDOT subsidy is projected to increase, due primarily to personnel and operating cost inflation. The subsidy increases projected in FY2015 and FY2016 are largely driven by the revised methodology utilized by the State in calculating State operating assistance revenue (Act 51).

(h) Mr. Malhotra relied upon the amount of additional operating expenditures necessary to provide adequate municipal services as provided by Conway MacKenzie.

(i) Mr. Malhotra assumed that payments to secured claims will be unaltered by a restructuring, with the exception of the POC swaps, as provided in the Plan.

(j) Mr. Malhotra and his team estimated the level of required contributions to the Pension Income Stabilization Funds contemplated by the Plan. Mr. Malhotra and his team relied upon (i) information on pension payments received by retirees that was classified by age group and payment amount, and (ii) census data for Detroit residents that could be used to estimate sources of income other than pension payments. Mr. Malhotra's team used this information to estimate total household income for pension recipients. Mr. Malhotra's team compared this amount to the Federal Poverty Level in order to estimate the potential required payments from the Income Stabilization Funds.

(k) Mr. Malhotra relied upon the terms of the settlement agreement (assuming a liquidity event, such as the exit financing) reached with the POC swap counterparties in order to determine the payments required in connection with the settlement of the POC swaps as provided in the Plan.

(l) The exit financing is assumed to be an 11-year note funded on October 31, 2014, with interest-only payments in the first 4 years and equal principal payments made in years 5 through 11. This assumes an interest rate of 6.0%, which was provided to Mr. Malhotra by Miller Buckfire.

(m) Mr. Malhotra relied upon the amount of capital investments projected to be undertaken by the City in the ten-year period as provided by Conway MacKenzie.

(n) Mr. Malhotra's team relied upon original estimates provided by each professional firm to calculate the projected payments by the City to its restructuring advisors in FY2014 and FY2015. Mr. Malhotra assumed that any incremental professional fees to be funded by the State escrow account would be subject to State approval.

(o) Mr. Malhotra relied upon the forecasted expenditures to remove blight (excluding heavy commercial) as provided by Conway MacKenzie for the ten-year period.

(p) The projections reflect preliminary estimates for the decommissioning of 31 Public Lighting Department substations. This does not include costs associated with decommissioning the City's Mistersky power plant.

(q) Mr. Malhotra included a contingency reserve amount to reflect unanticipated events that cannot be assigned to specific programs. The contingency reserve is calculated as 1.0% of revenue per year throughout the forecast period.

(r) Mr. Malhotra assumed that to maintain the amount of funds necessary to ensure adequate cash liquidity, minimum cash reserves amounting to two months of payroll expenses would be required. To accomplish this, and to ensure that the City did not run a deficit in any fiscal year, Mr. Malhotra made certain timing adjustments, including the assumed deferral of some reinvestment spending.

II. Forty-Year Projections

The revenues and expenditures the City's General Fund may expect in each of the next four decades are set out in the 40-Year Forecast, in particular at Exhibit 3a. In developing these forecasts, Mr. Malhotra employed the following methodologies and assumptions:

A. Methodology

(1) Determining the amount of the City's operating revenues available for unsecured claims over the next 40 years, by:

(a) Extending the recurring revenue items within the ten year projections' for thirty additional years (through 2053).

(b) Subtracting the City's projected expenditures over the entire forty-year period, after utilizing debt service schedules or applying inflationary growth rates to the City's operational and restructuring expenses. These calculations produced an amount of "funds available for unsecured claims" for the forty-year period.

(2) Adding other sources of cash to the funds available for unsecured claims from operating revenues to arrive at a "total hypothetical sources" of funds.

(3) Developing projections for the hypothetical distributions to unsecured creditors of these hypothetical sources throughout the forty-year period based on the terms of settlements or the Plan.

(4) Calculating the surplus / (deficit) and cash balances for each decade, by:

(a) Summing the schedules of the aforementioned cash distributions to arrive at "total hypothetical distributions / total uses."

(b) Subtracting total hypothetical distributions / total uses from total hypothetical sources to arrive at surplus / (deficit) projections for each decade during the forty-year period.

(c) Rolling forward each decade's ending cash balance.

(5) Determining illustrative recoveries for unsecured creditors, as reflected in Exhibit 2 of the 40-Year Forecast, to represent the present value of distributions to each unsecured creditor based on the projected uses, by:

(a) Applying a discount rate of 5.0% to calculate illustrative recoveries consistently for each creditor.

(b) Dividing each recovery amount by its respective claim amount to arrive at an illustrative recovery percentage.

B. Assumptions

(1) Mr. Malhotra made the following assumptions in forecasting the revenues the City can expect over the forecast period:

(a) *Key tax revenue drivers*: Mr. Malhotra directed Robert Cline and Caroline Sallee of EY's QUEST practice to develop projections of the

City's General Fund revenues in five key areas—income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes. Mr. Malhotra relied on these projections in making his forty-year projections.

(b) *Other operating revenues*: Other operating revenues consist of sales and charges for services, other revenue, General Fund reimbursements, and department revenue initiatives. Mr. Malhotra based his post-FY2023 forecast of these revenues on their respective FY2023 estimates from the ten year projections. An inflationary growth rate of 2.0% is assumed annually beginning in FY2024 based upon the long-term inflationary rate developed by Robert Cline and others in EY's QUEST practice.

(c) *Transfers in (UTGO millage)*: Consistent with the ten-year projections, Mr. Malhotra projected the expected revenues from the UTGO property tax millage based upon debt amortization schedules provided by the City's Finance Department with the assumption that sufficient tax revenues would be generated to cover required the debt service.

(2) Mr. Malhotra made the following assumptions in forecasting the expenditures the City can expect over the forecast period:

(a) *Salaries/Overtime/Fringe - Public Safety*: The projections assume 2.0% annual wage growth for employees beginning in the second decade and 2.25% annual wage growth in the third and fourth decade.

(b) *Salaries/Overtime/Fringe - Non-Public Safety*: The projections assume 2.0% annual wage growth for employees beginning in the second decade and 2.25% annual wage growth in the third and fourth decade.

(c) *Health Benefits*: The projections assume a 4.0% annual inflation rate for hospital costs. Under the terms of the Plan, medical cost inflation greater than 4.0% is borne by the employees.

(d) *OPEB payments – future retiree*: OPEB payment contributions will be $1 million annually for future public safety retirees and 2.0% of salary for non-public safety future retirees, as required by the Plan.

(e) *Active pension plan*: As required by the Plan, the City will make contributions of 12.25% of salary for active public safety employees and 5.75% for active non-public safety employees.

(f) *Other operating expenses and additional operating expenditures*: Other operating expenses consist of (i) professional and contract services, (ii) materials and supplies, (iii) utilities, (iv) purchased services, (v) risk management and insurance, (vi) maintenance capital, (vii) other expenses, (viii) contributions to non-enterprise funds, and (iv) the DDOT subsidy. Mr. Malhotra based his post-FY2023 forecast of these expenses on their respective FY2023 estimates from the ten-year projections. Mr. Malhotra assumed that the impact of the first decade increase in the DDOT subsidy (primarily associated with reduced

State operating assistance revenue) will be offset by operational savings beyond FY2023. He assumed an annual inflationary growth rate of 2.0% beginning in FY2024.

(g) *Secured debt service*: The projections assume that payments to secured claims will be unaltered by a restructuring. Mr. Malhotra relied on debt amortization schedules provided by the City's Finance Department.

(h) *Contributions to the Income Stabilization Funds*: Consistent with the ten year projections, Mr. Malhotra relied on his team to estimate the level of required contributions to the Pension Income Stabilization Funds contemplated by the Plan. Mr. Malhotra's team relied upon (i) information on pension payments received by retirees that was classified by age group and payment amount, and (ii) census data for Detroit residents that could be used to estimate sources of income other than pension payments. Mr. Malhotra's team used this information to estimate total household income for pension recipients. Mr. Malhotra's team compared this amount to the Federal Poverty Level in order to estimate the potential required payments from the Income Stabilization Funds.

(i) *QOL/Exit financing*: The projections assume exit financing will be an 11-year note funded on October 31, 2014, with interest-only payments in the first 4 years and equal principal payments made in years 5 through 11.

(j) *Reorganization (Capital investment)*: Mr. Malhotra relied upon the level of capital expenditures provided by Conway MacKenzie. This normalized level of annual capital expenditures is assumed to grow at an inflationary growth rate of 2.0% annually.

(k) *Contingency and reinvestment deferral*: Consistent with the ten-year projections, Mr. Malhotra included a contingency reserve amount to reflect unanticipated events that cannot be assigned to specific programs. The contingency reserve is calculated as 1.0% of revenue per year throughout the forecast period. Mr. Malhotra also maintained the amount of funds necessary to ensure adequate cash liquidity by establishing minimum cash reserves amounting to two months of payroll expenses. To accomplish this, Mr. Malhotra made certain timing adjustments, including the assumed deferral of some reinvestment spending, to ensure that the City did not run a deficit in any fiscal year.

(3) Mr. Malhotra made the following assumptions in determining the other sources of funds for unsecured claims:

(a) *Revenue stream from DWSD*: Under the Plan no pension contributions are required of DWSD after 2023. Mr. Malhotra also incorporated DWSD's reimbursement of the General Fund for its restructured OPEB and POC costs (*see* Uses section below). DWSD's portion of OPEB (12.1%) was calculated based on its portion of fiscal year 2013's actual retiree healthcare costs. DWSD's portion of POC (11.5%) was calculated based on their allocated principal from the 2006 POC refunding transaction. Relatedly, Mr. Malhotra determined that even with these payments, DWSD will realize savings under the Plan relative to a no-restructuring scenario.

(b) *Reimbursement from other funds*: The projections reflect reimbursements from Library and Municipal Parking (non-General Fund) for POC and pension expenses. For POC reimbursements, Mr. Malhotra relied upon the allocation of principal from the 2006 POC refunding transaction, as well as all fiscal year 2013 payroll by department. For pension reimbursements, Mr. Malhotra relied upon fiscal year 2012 General Retirement System UAALs (per Gabriel Roeder Smith's 74th Annual Actuarial Valuation Report dated November 5, 2013) as well as the fiscal year 2013 payroll.

(c) *Proceeds from the "grand bargain" (foundation fundraising, DIA contributions, State settlement)*: The projections reflect the terms of the grand bargain between the City of Detroit, the State of Michigan and the Detroit Retirement Systems. Included herein are one-time proceeds from the State of Michigan as well as foundation fundraising and DIA contributions to be collected over a nineteen-year period (2015-2033).

(4) Mr. Malhotra made the following assumptions in determining the projected uses of funds available for unsecured claims:

(a) *Hypothetical retiree payments*: Mr. Malhotra relied upon the terms of settlements made with the Retirement Systems and the Retiree Committee for the projected PFRS and GRS pension payments in years 2015 through 2023. Mr. Malhotra then relied upon Milliman's calculation of value for each System's UAAL at June 30, 2023. These UAAL figures were then amortized over thirty years (2024-2053).

(b) *Note A1 (UTGO)*: Mr. Malhotra relied upon the terms of the settlement with unsecured UTGO creditors for the projections of Note A1. Mr. Malhotra assumed that $287.5 million in principal of the UTGO bonds was reinstated pro-rata upon confirmation of the Plan.

(c) *Note A2 (LTGO)*: Mr. Malhotra relied upon the terms of a settlement with unsecured LTGO creditors for the projections of Note A2. Mr. Malhotra assumed that the full amount of the $55 million Note A2 would be paid in FY2015.

(d) *Note B*: These projections reflect the principal and interest payments on a $632 million thirty-year note paying interest only for the first ten years. The interest rates for each of the three decades covered by this note are 4.0%, 4.0%, and 6.0%. The face value of this note was divided amongst the remaining unsecured creditors: OPEB, POC, Notes/loans payable, and other unsecured items.

EXHIBITS

Attached as Exhibit A are exhibits Mr. Malhotra intends to rely upon during his testimony. The City reserves its right to use other exhibits during Mr. Malhotra's testimony, including demonstrative exhibits created from or summarizing existing exhibits.

MATERIALS CONSIDERED IN REACHING OPINIONS

Attached as Exhibit B is a listing of materials Mr. Malhotra considered in reaching his opinions. Mr. Malhotra also had available to him City officials, advisors, and consultants, as well as the expertise of Robert Cline and Caroline Sallee and the materials they considered.

QUALIFICATIONS

Mr. Malhotra is a Principal and the Midwest Restructuring Leader at EY, as well as a Senior Managing Director at Ernst & Young Capital Advisors LLC. Mr. Malhotra received his undergraduate degree from the University of Delhi and a Masters of Business Administration degree from Case Western Reserve University, where he had a dual major in Finance and Business Policy. Mr. Malhotra has nearly 14 years of financial and operational restructuring experience. Prior to joining EY in 2009, Mr. Malhotra was a Director in the restructuring division of Macquarie Capital (USA) Inc., a leading merchant bank. Mr. Malhotra is a Chartered Financial Analyst and a member of both the Turnaround Management Association and the Association of Insolvency and Restructuring Advisors.

Mr. Malhotra has advised numerous entities, both in the public and private sectors, in evaluating strategic alternatives and executing complex restructuring transactions. As part of this work, Mr. Malhotra has developed significant experience in liquidity analyses, cash-flow forecasting, and business plan development, among other things. Mr. Malhotra's private-sector engagements include Liberty Medical Supply, Inc., Schutt Sports, Collins & Aikman Corporation, Delta Airlines, Inc., and Eagle Pitcher. Mr. Malhotra also has significant experience in the public sector, including involvement in the recent restructuring efforts of the Detroit Public Schools and through his work on behalf of the City of Detroit since May 2011. These engagements have involved liquidity analyses, cash forecasting, and related projections of revenue and expenses.

Prior Expert Testimony

Mr. Malhotra has previously testified in this case as an expert in financial analysis.

Compensation

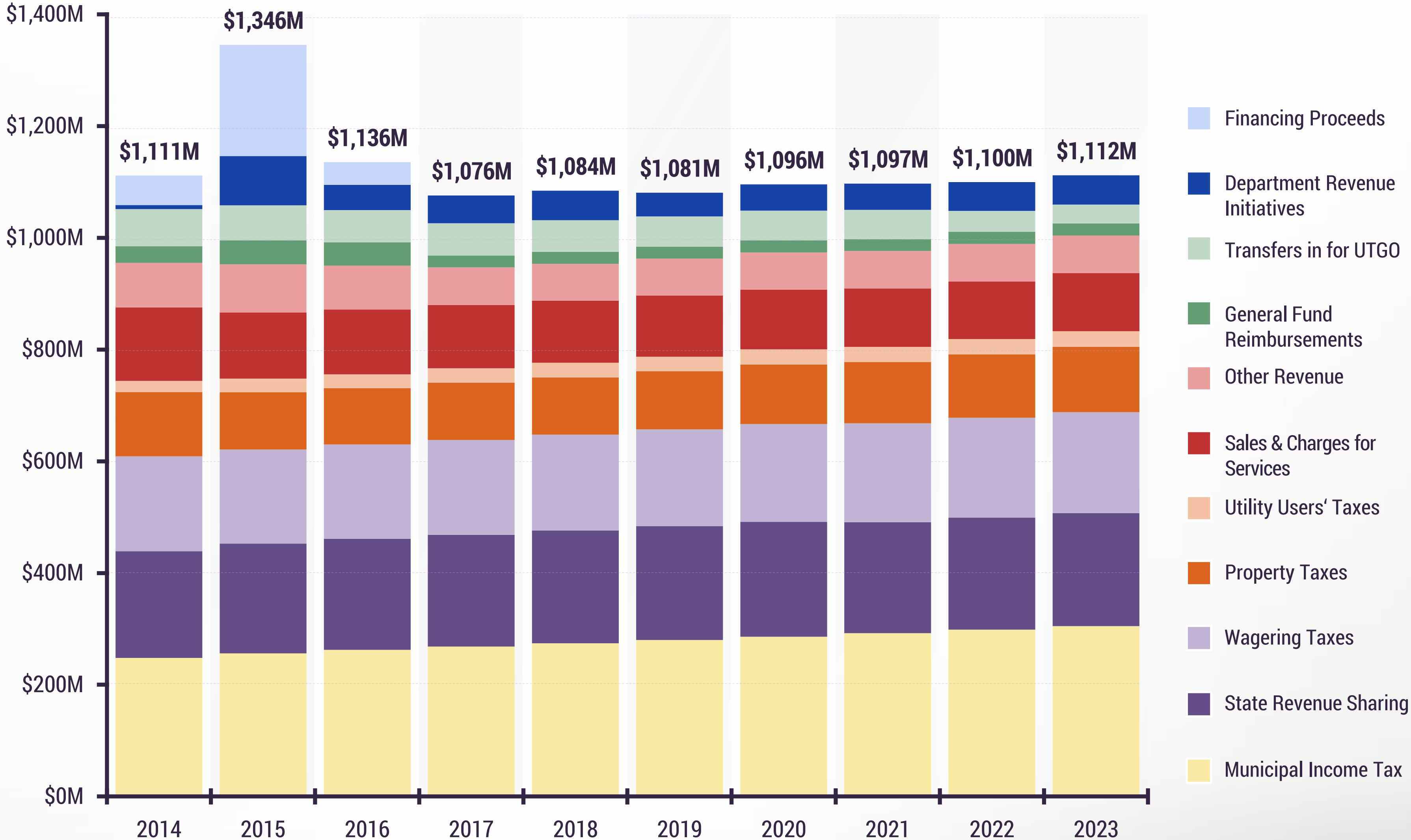
The City retained Ernst & Young LLP to provide expert witness services to the City in connection with *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (Rhodes, J.). The City compensates EY at an hourly rate of $800 for actual time incurred by Mr. Malhotra, as well as reasonable out-of-pocket expenses. These fees are subject to a 10% hold-back contingent on plan confirmation by December 31, 2014.

Dated: July 8, 2014

Gaurav Malhotra

EXHIBIT A

Revenues, 2014 – 2023



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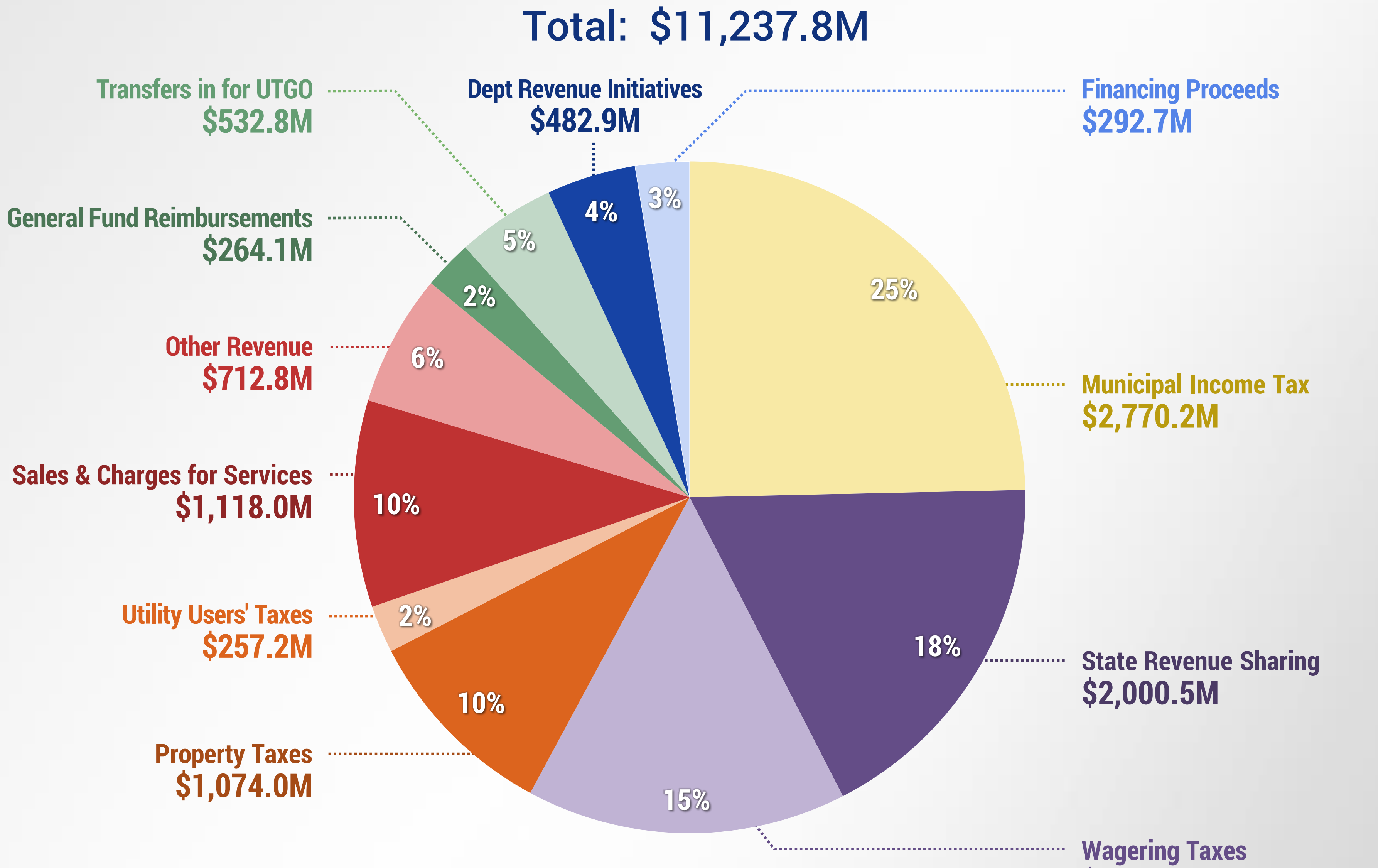
Revenues, 2014 – 2023, Ten-Year Total



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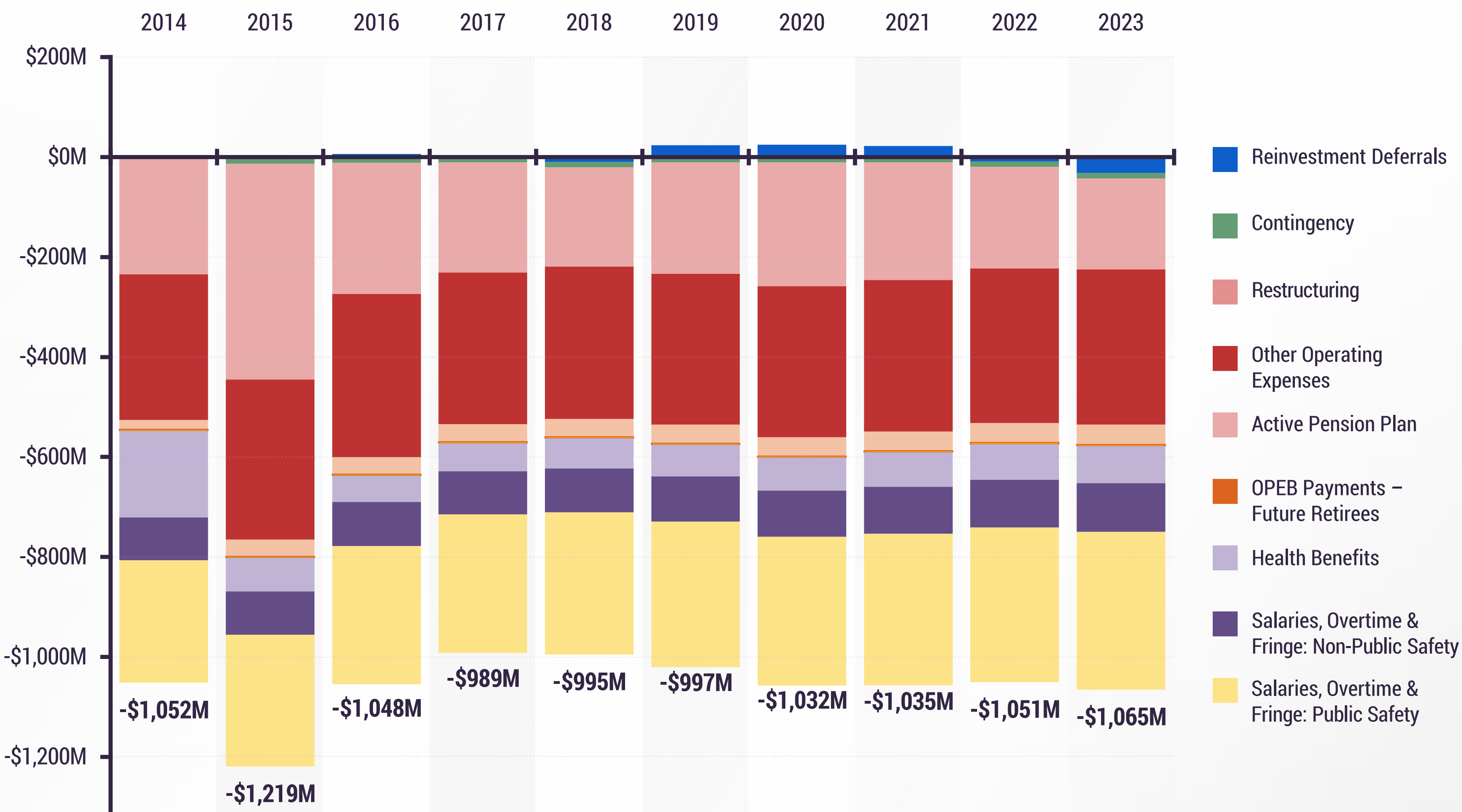
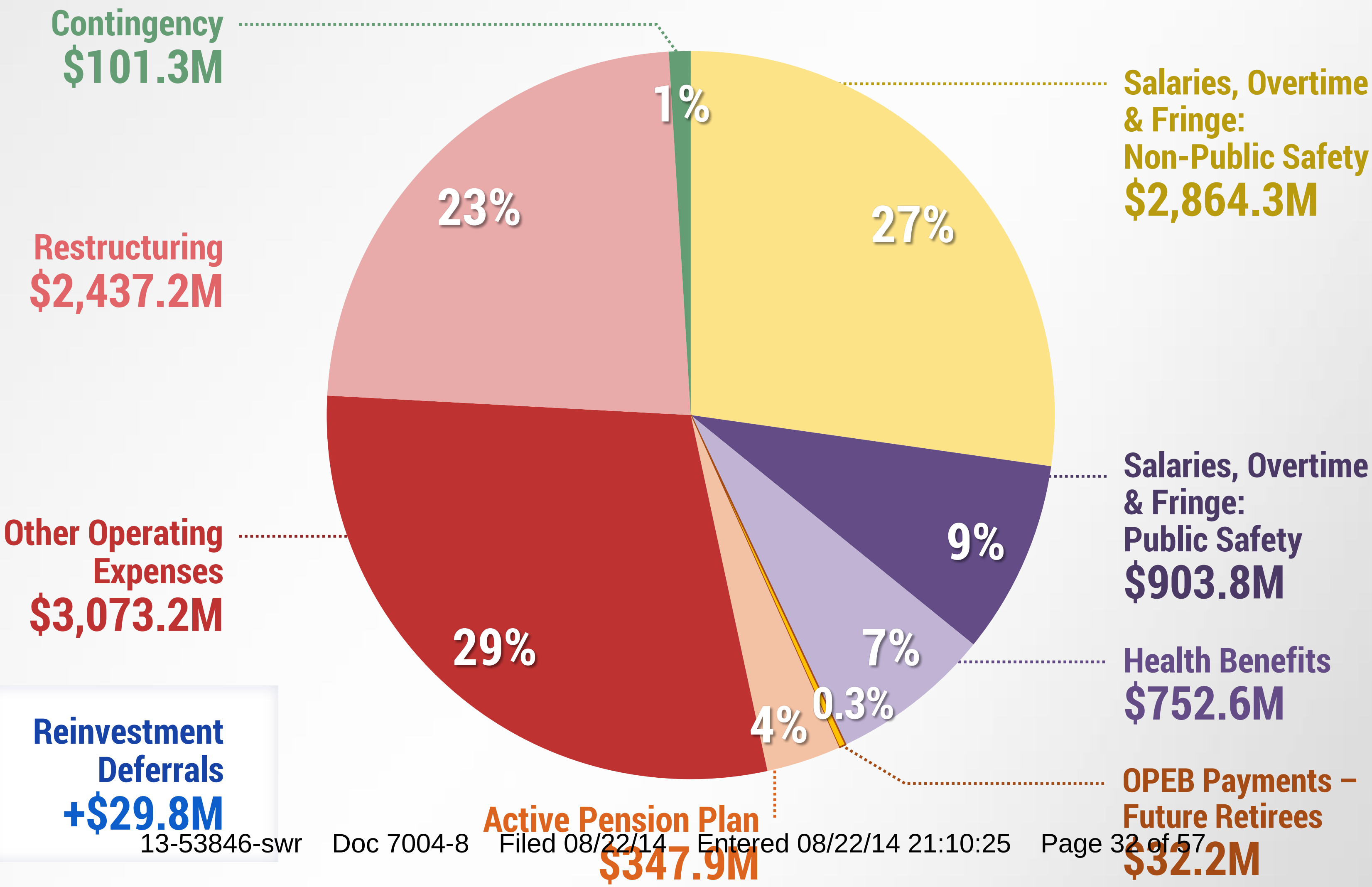
Expenditures, 2014 – 2023



Expenditures, 2014 – 2023, Ten-Year Total

Total: $10,482.8

(Offset from $10,512.6M by Dept Revenue Initiatives)



Reinvestment Deferrals
+$29.8M

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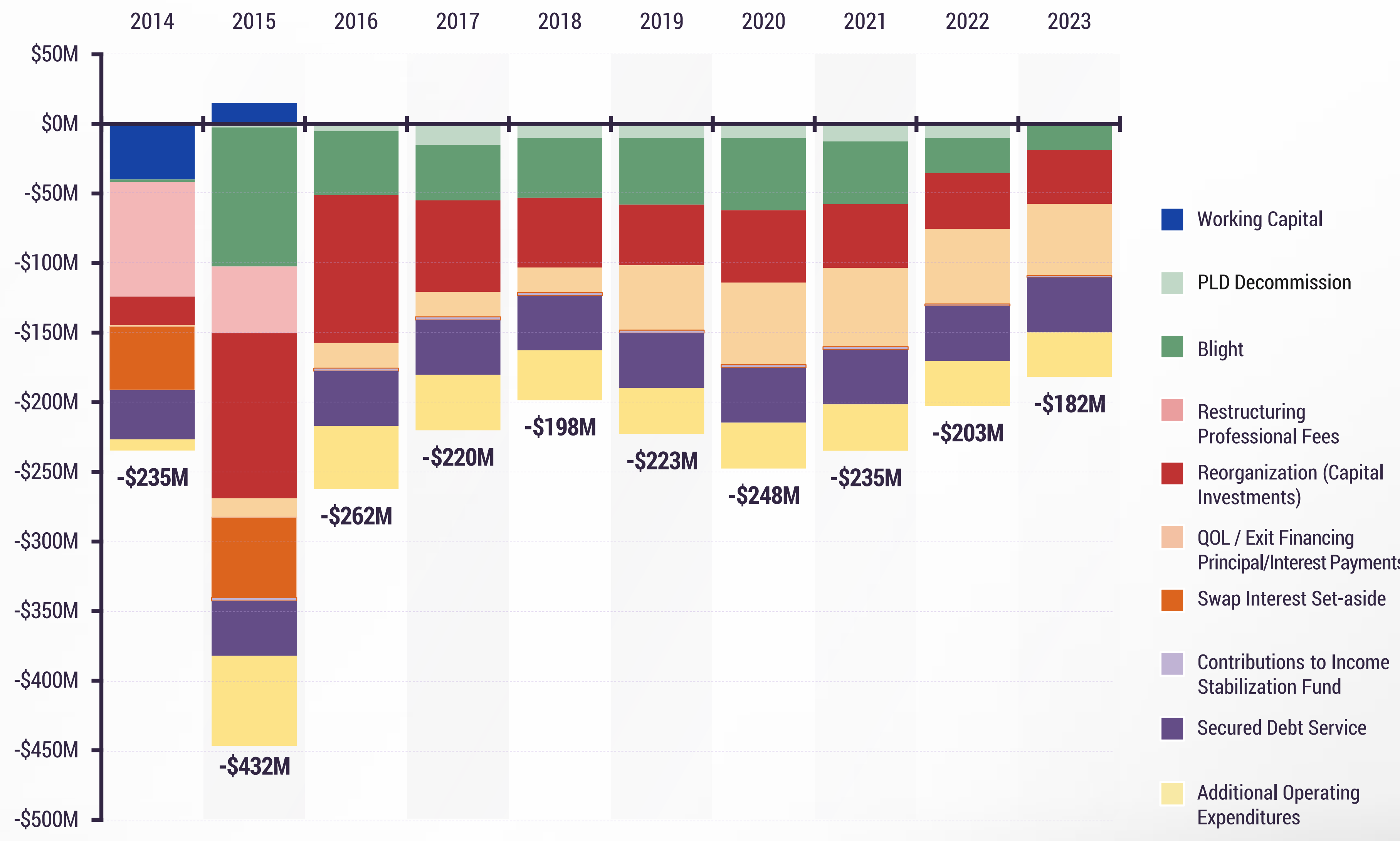
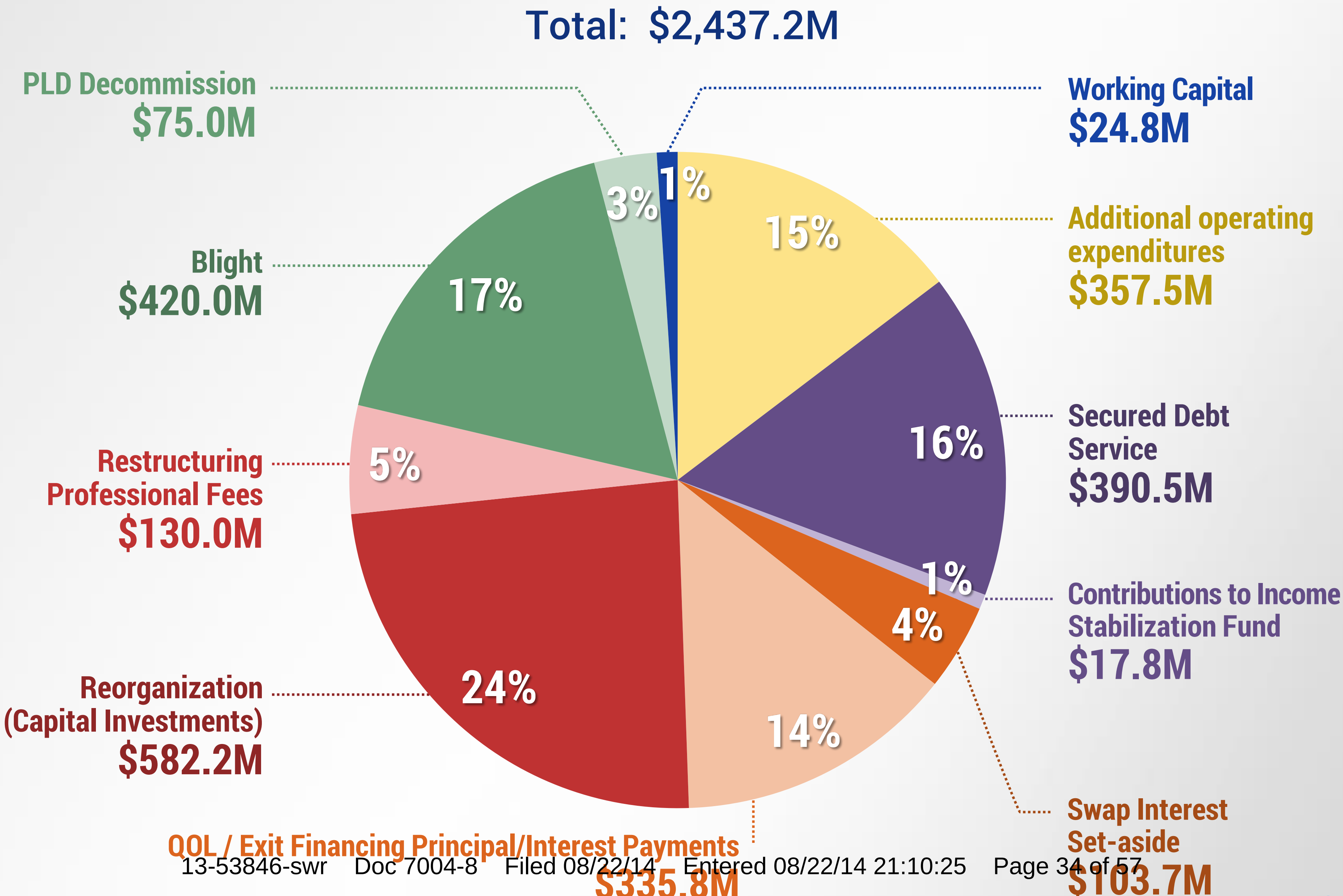
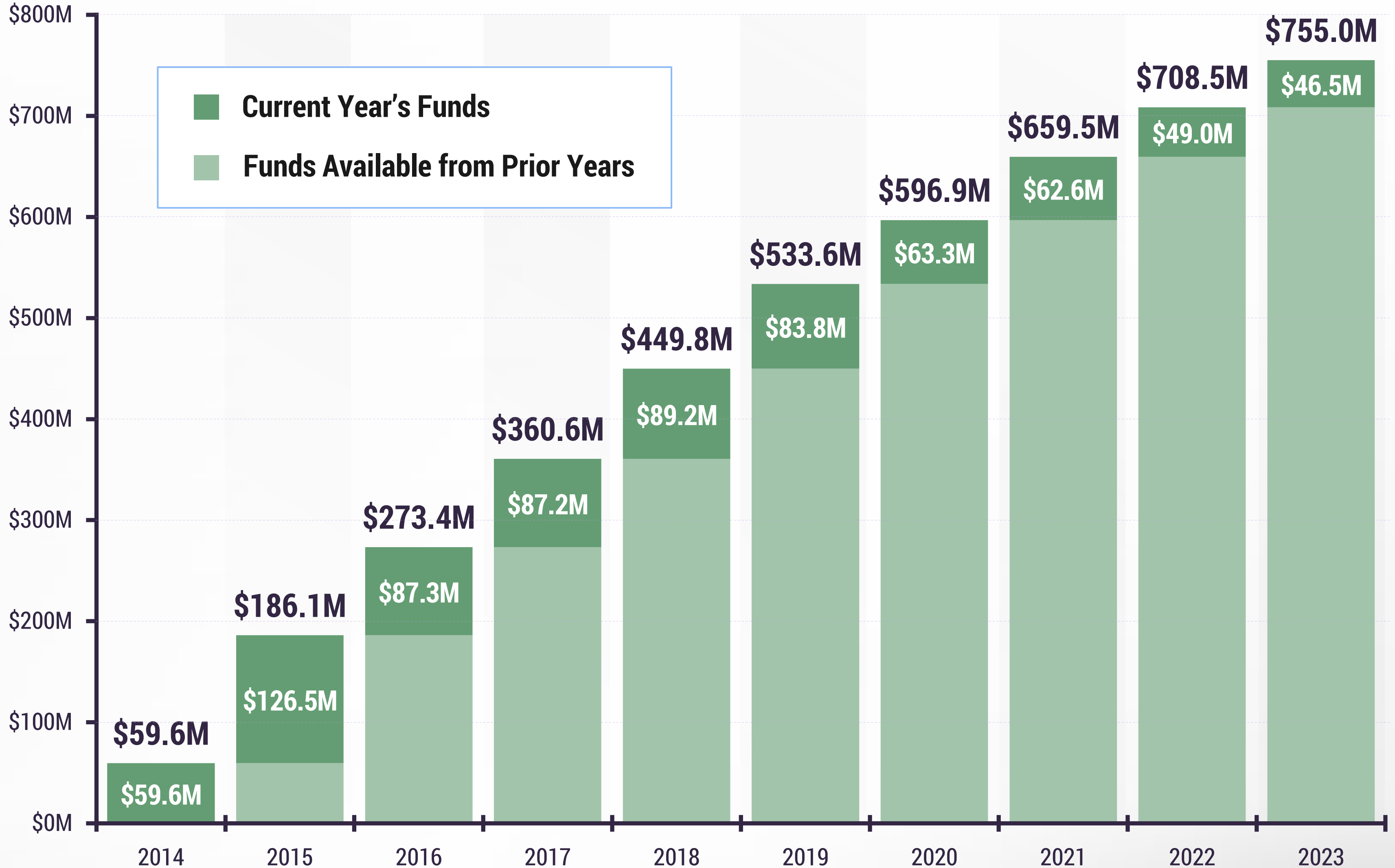
Restructuring Expenditures, 2014 – 2023



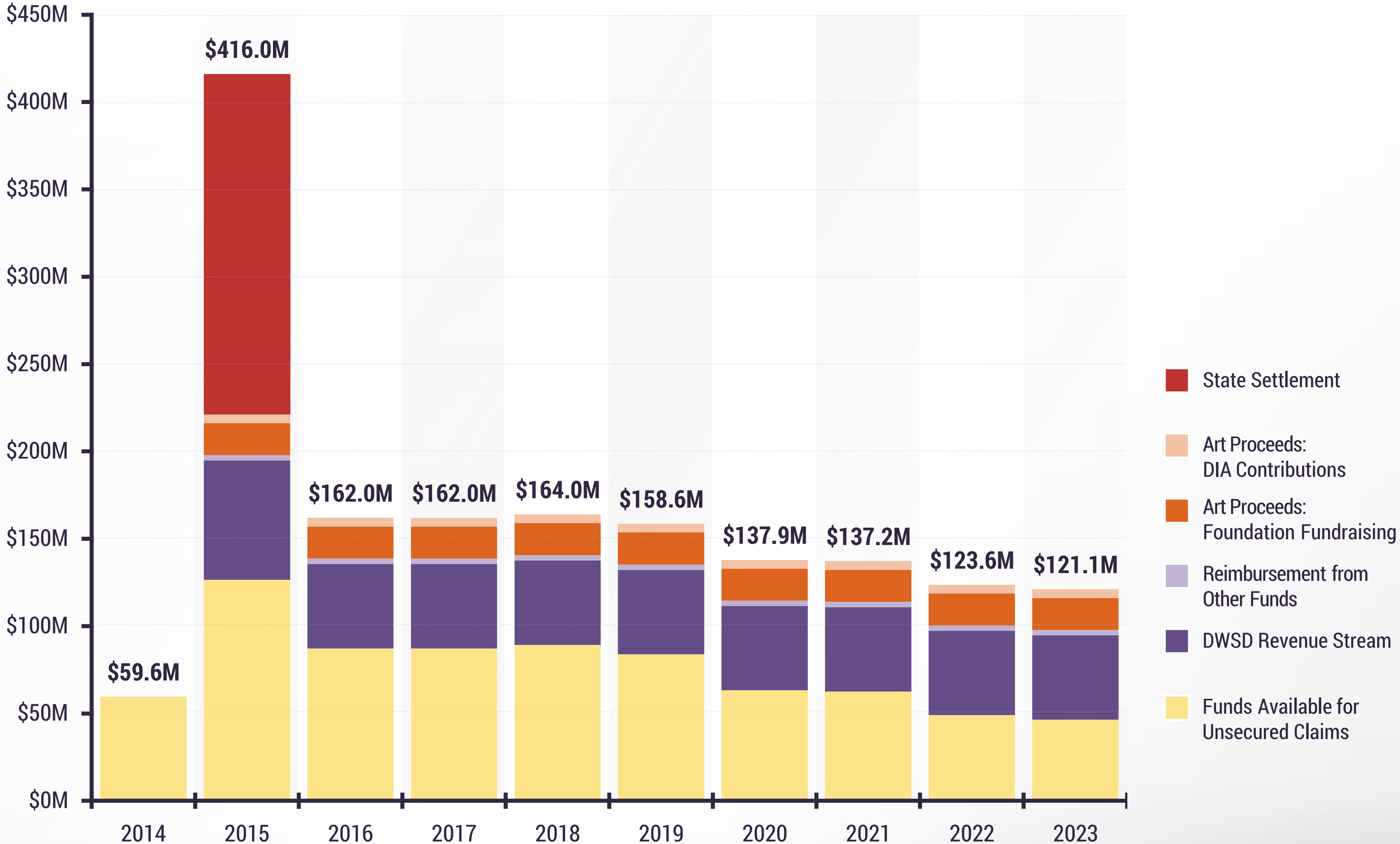
Restructuring Expenditures, 2014 – 2023, Ten-Year Total



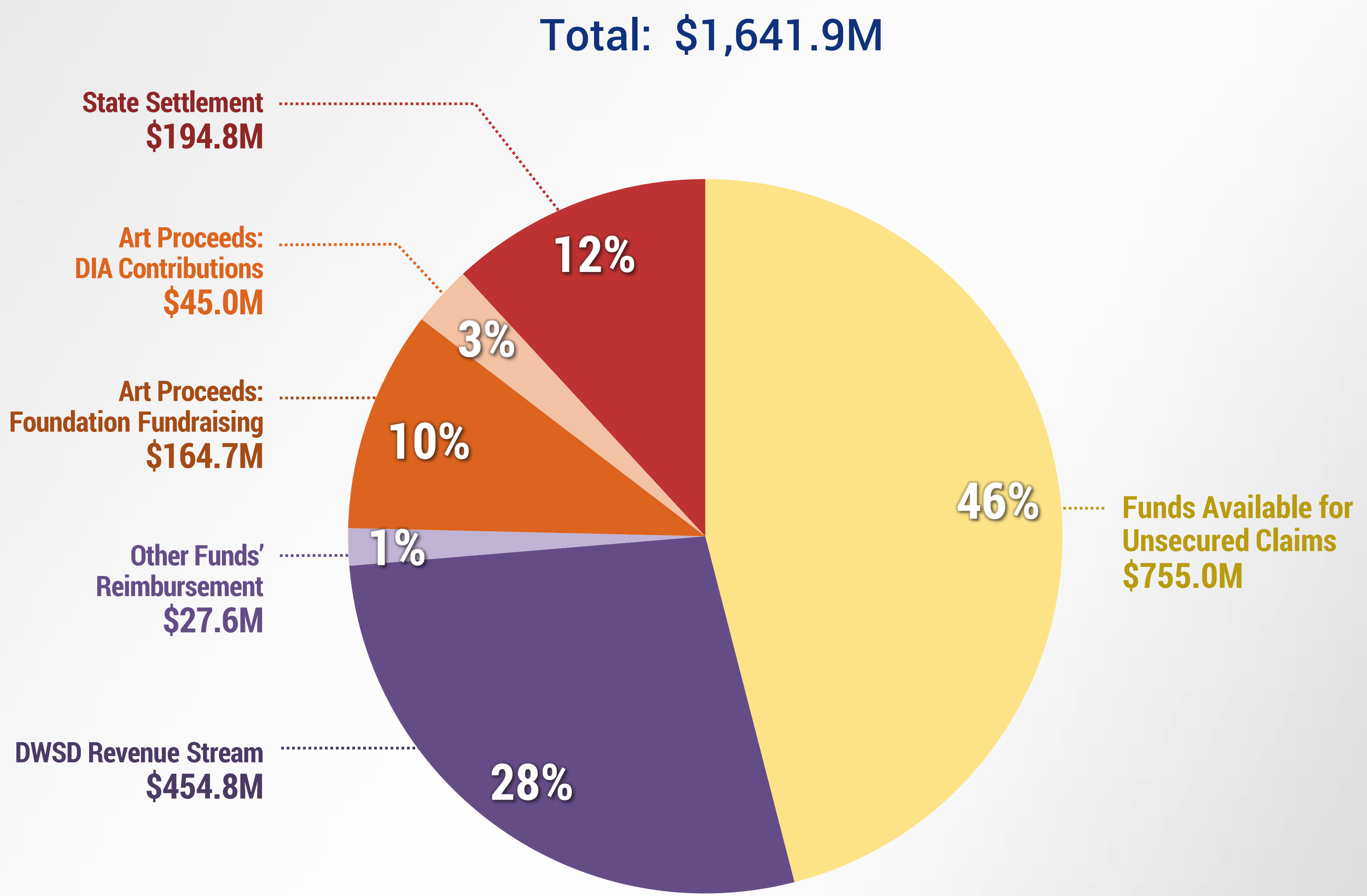
Adjusted Funds Available for Unsecured Claims, 2014 – 2023



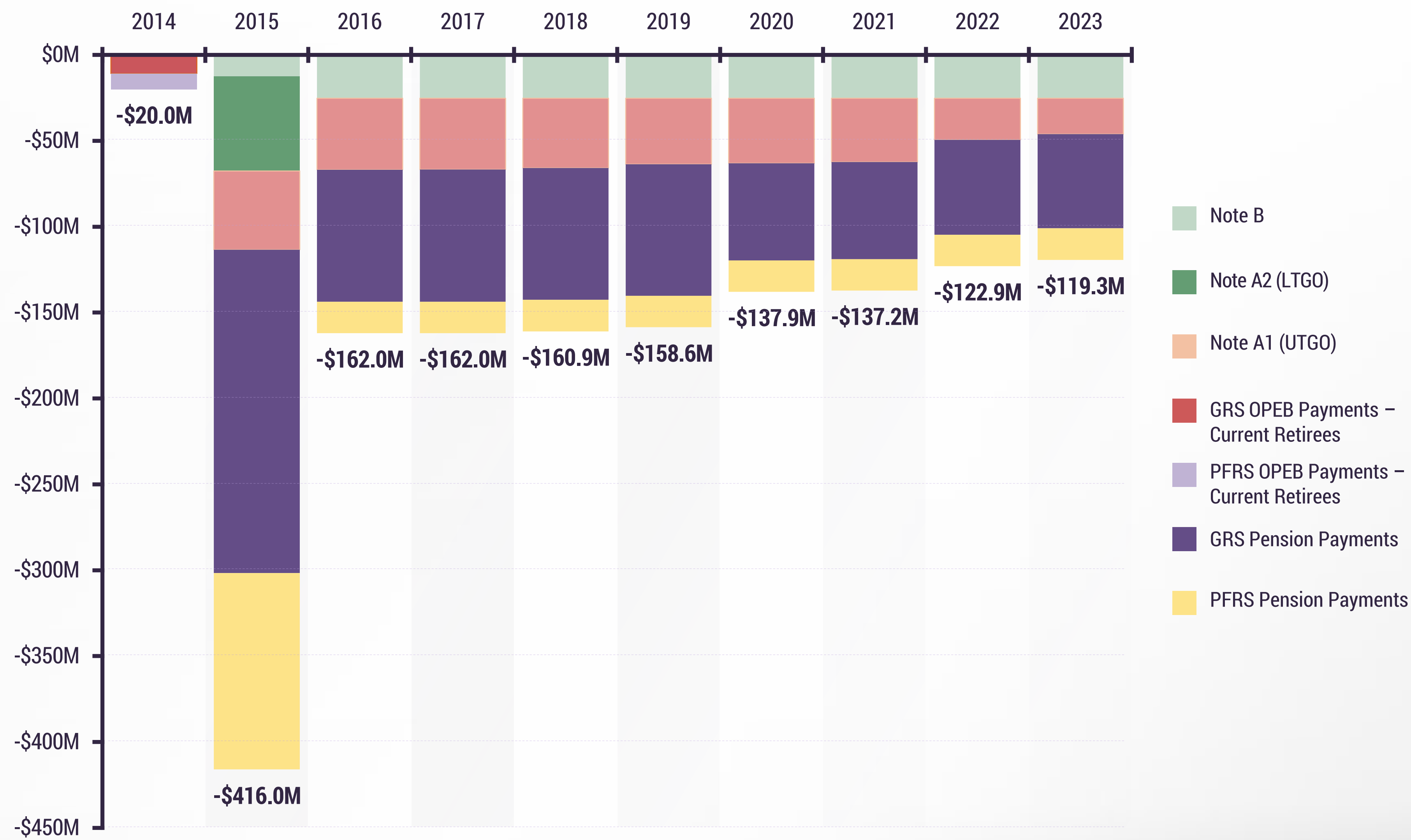
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2023



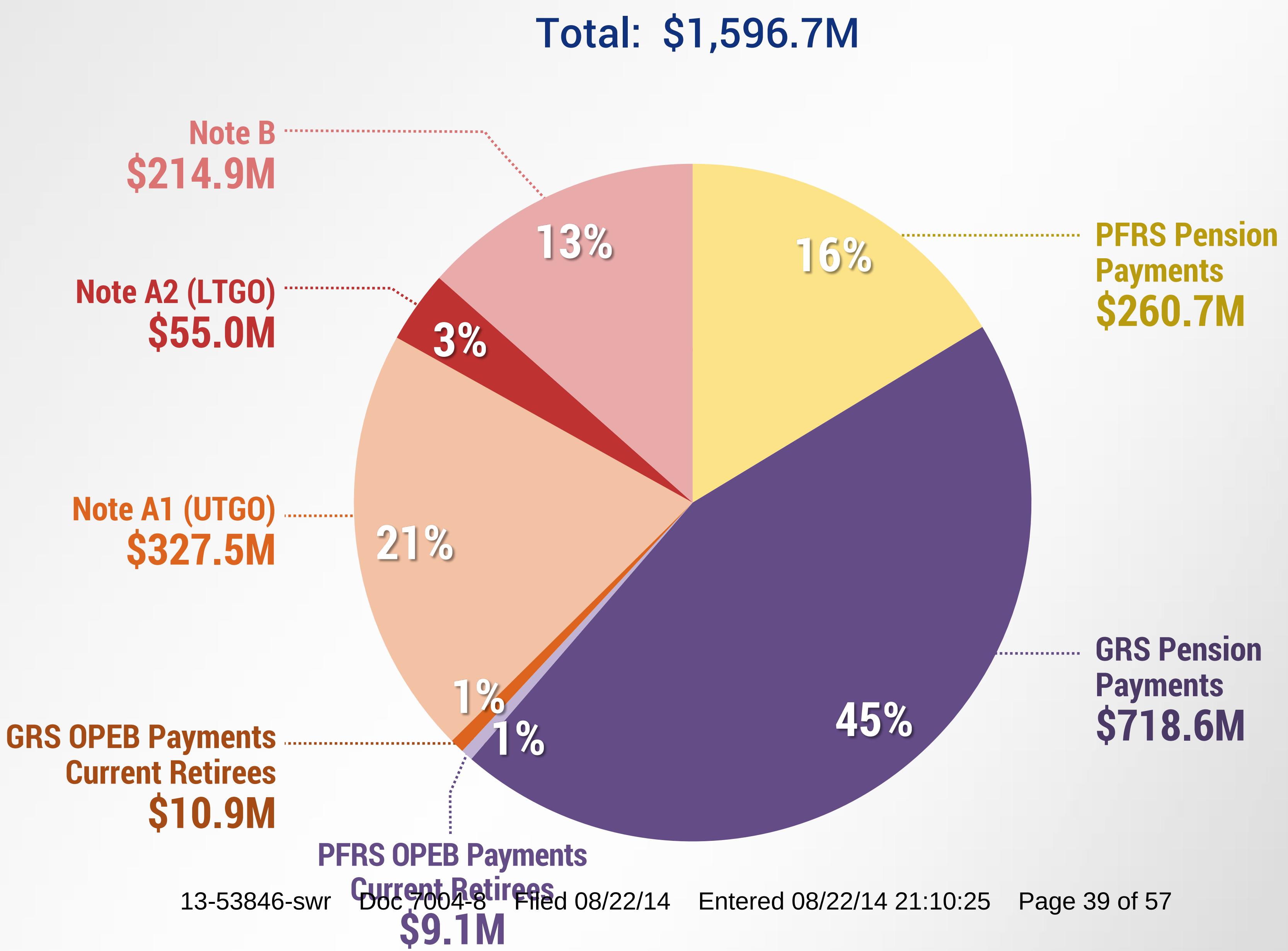
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2023, Ten-Year Total



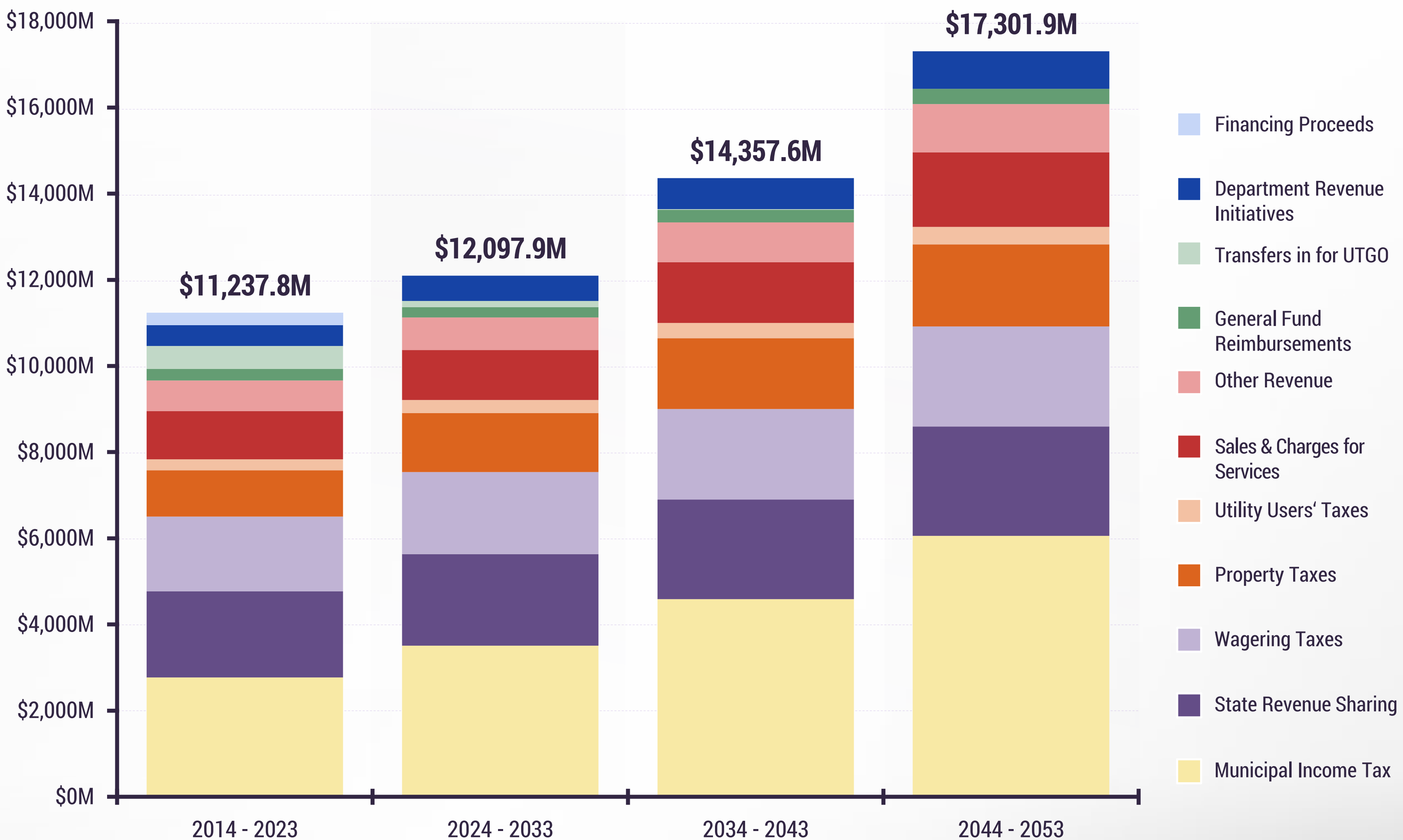
Forecasted Distributions for Unsecured Claims, 2014 – 2023



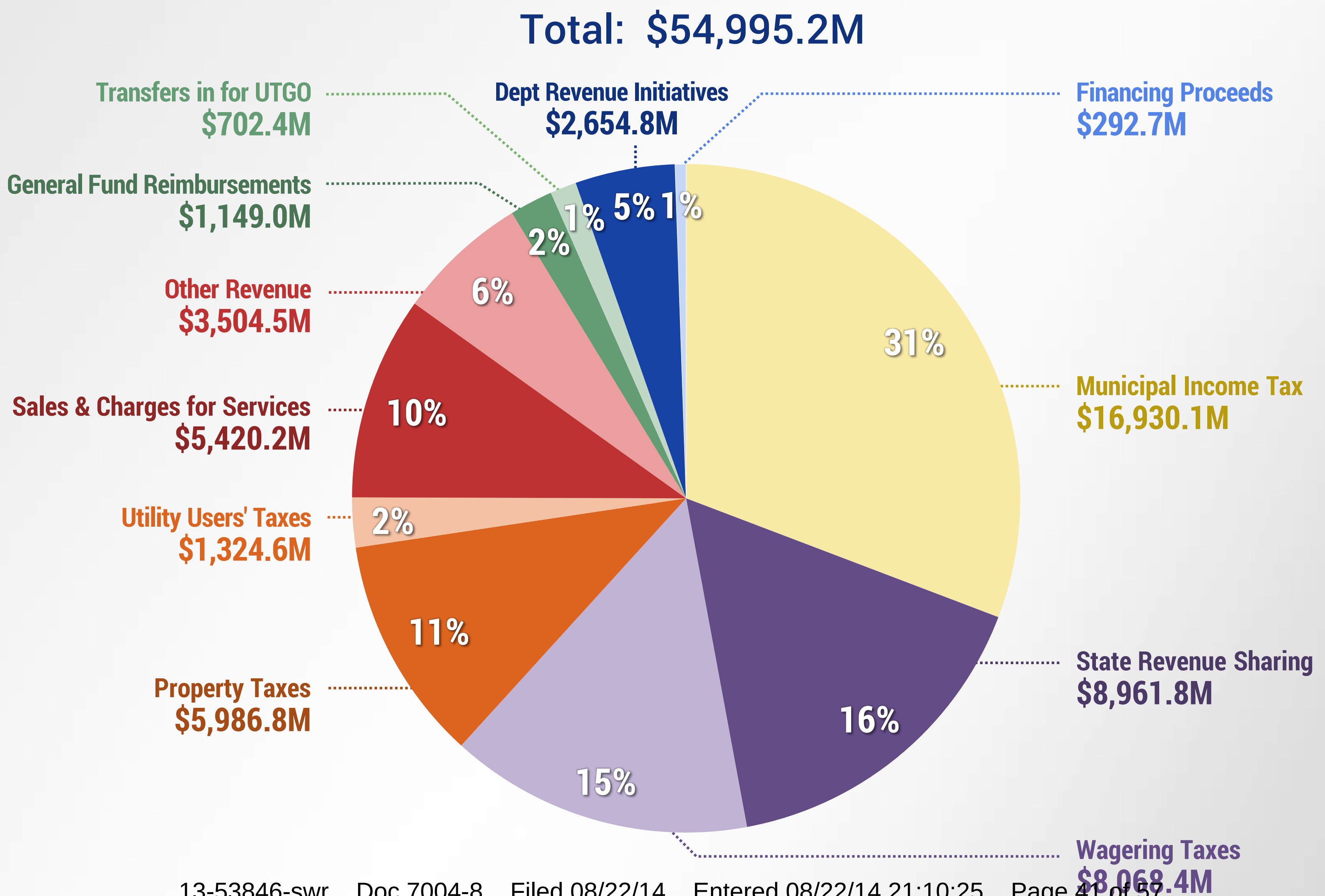
Forecasted Distributions for Unsecured Claims, 2014 – 2023, Ten-Year Total



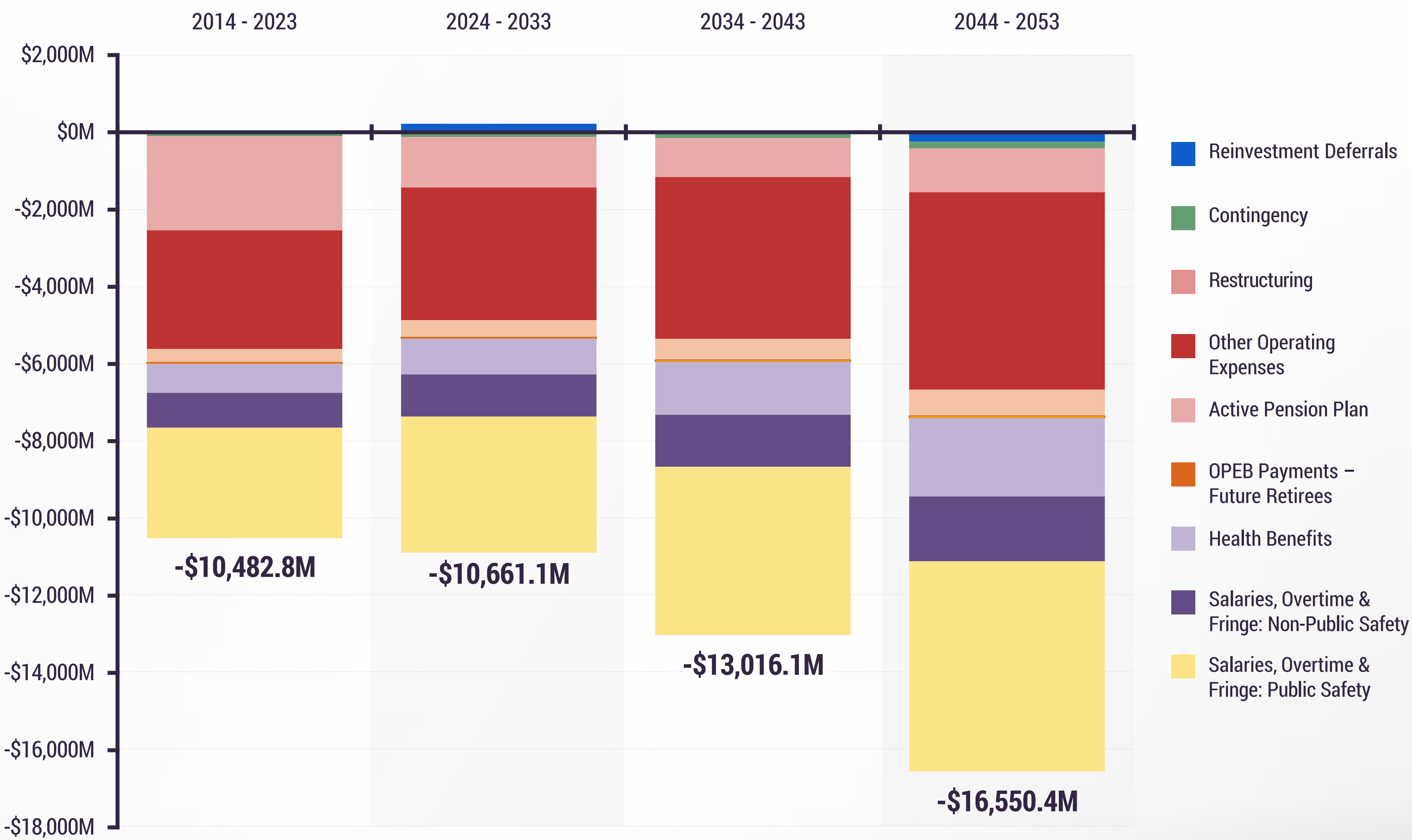
Revenues, 2014 – 2053



Revenues, 2014 – 2053, Forty-Year Total

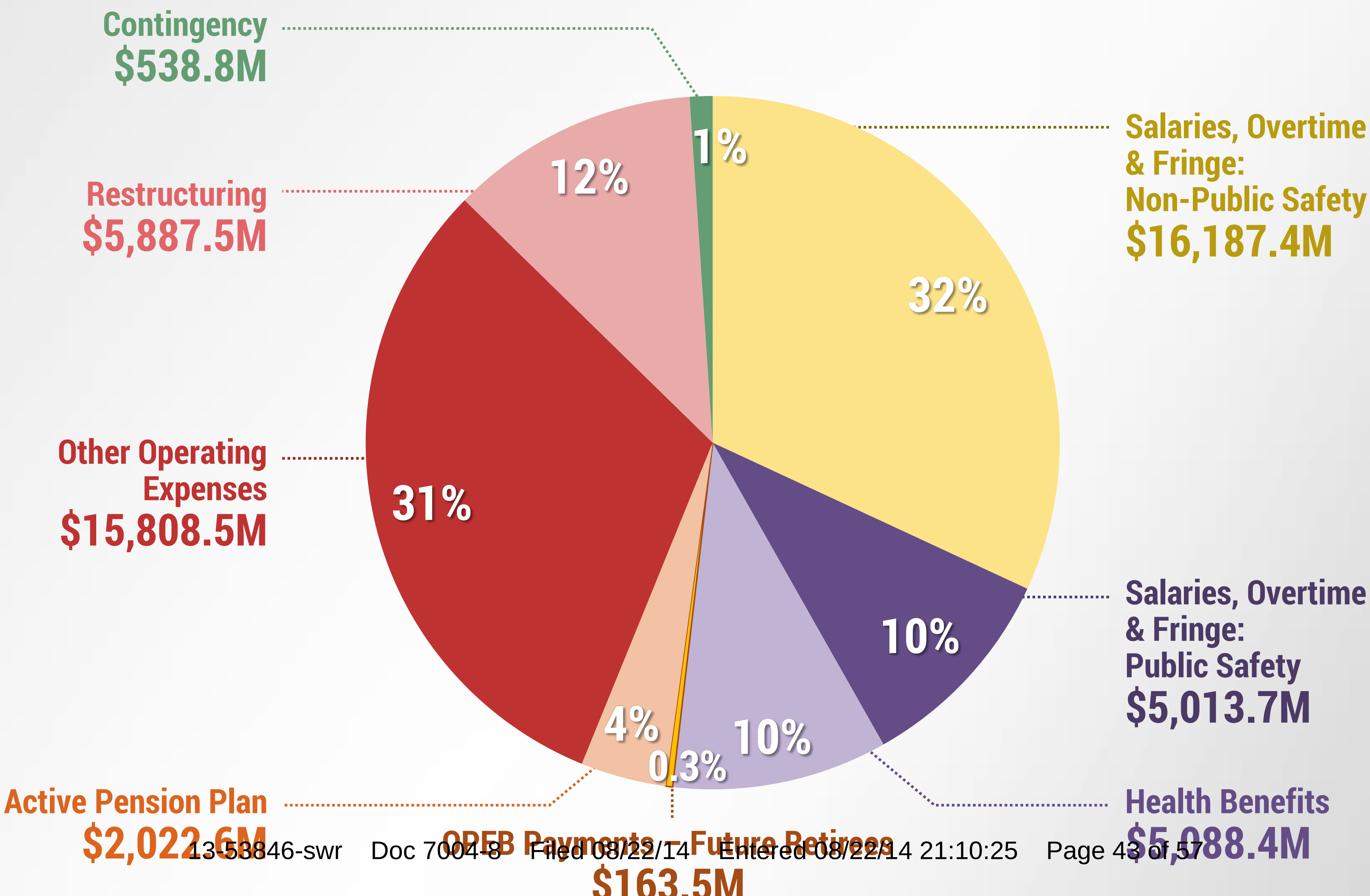


Expenditures, 2014 – 2053

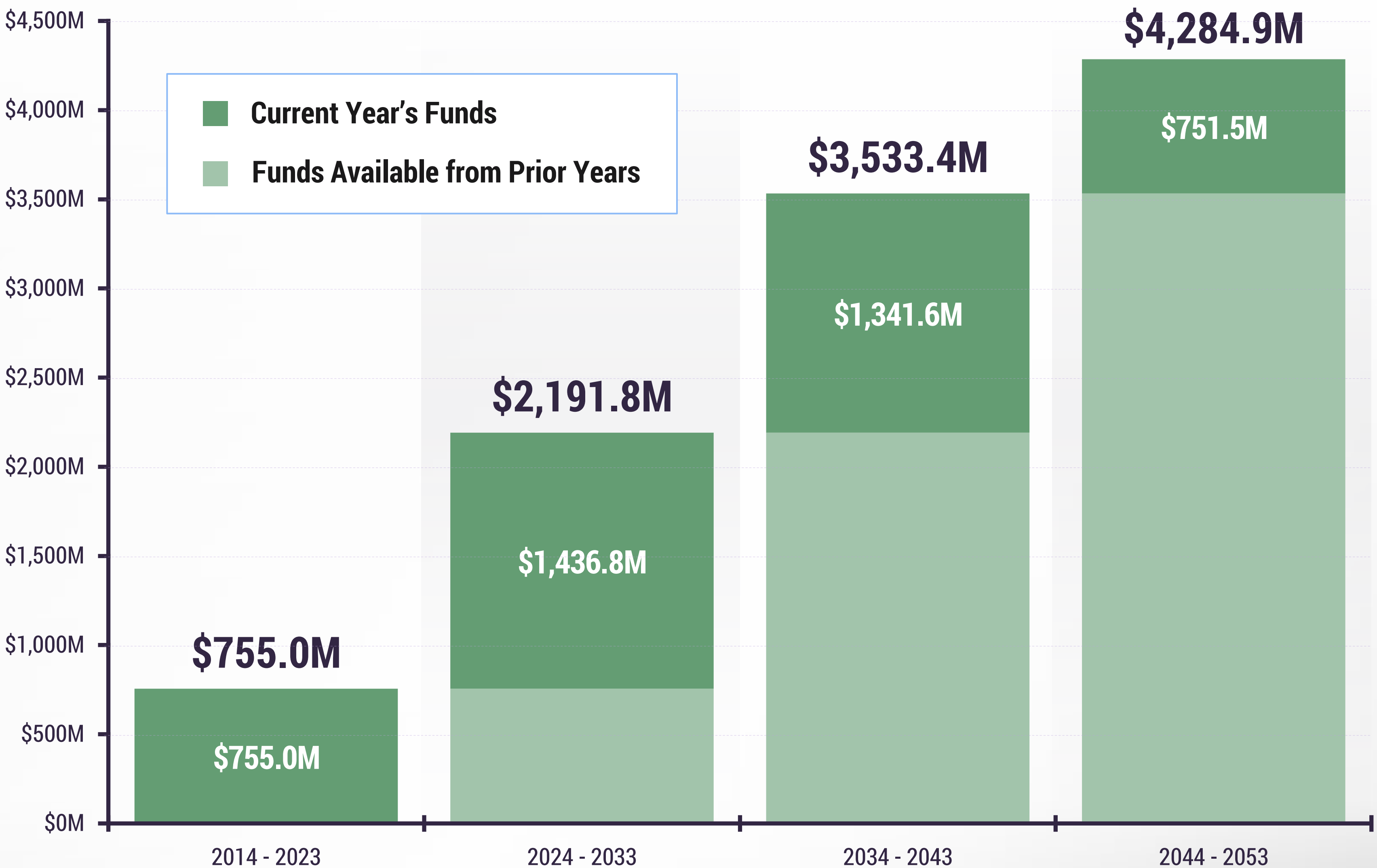


Expenditures, 2014 – 2053, Forty-Year Total

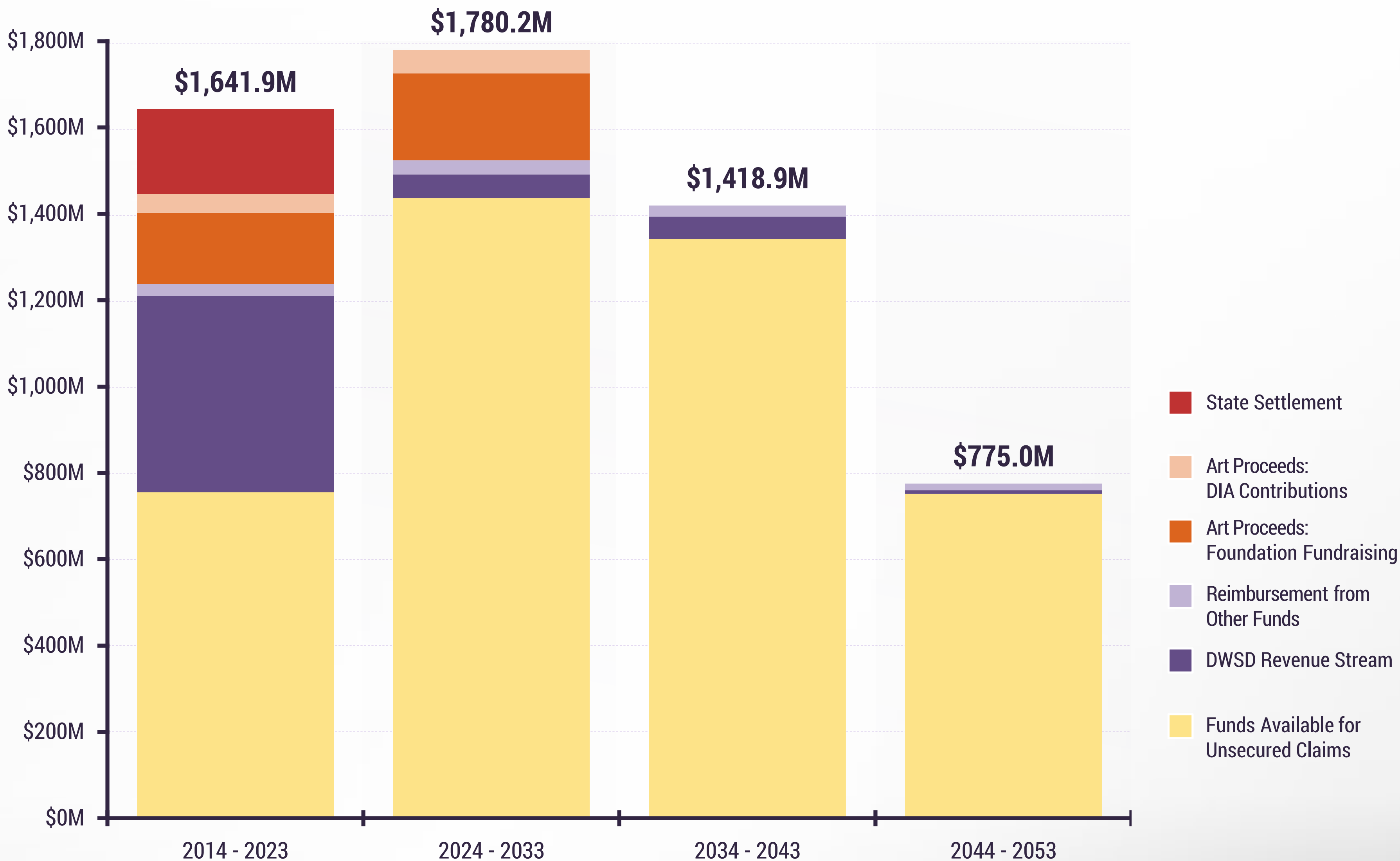
Total: $50,710.3M



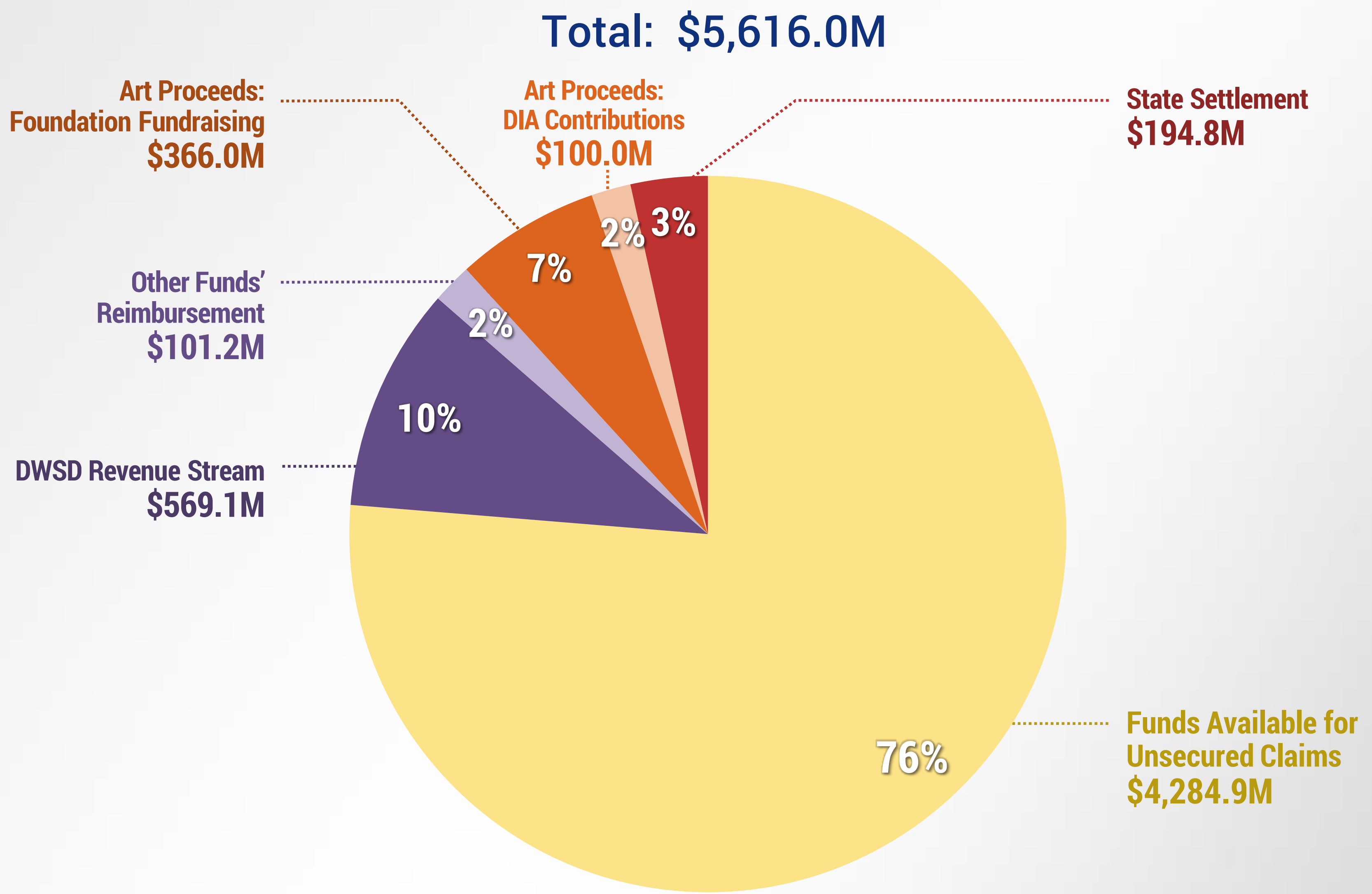
Funds Available for Unsecured Claims, 2014 – 2053



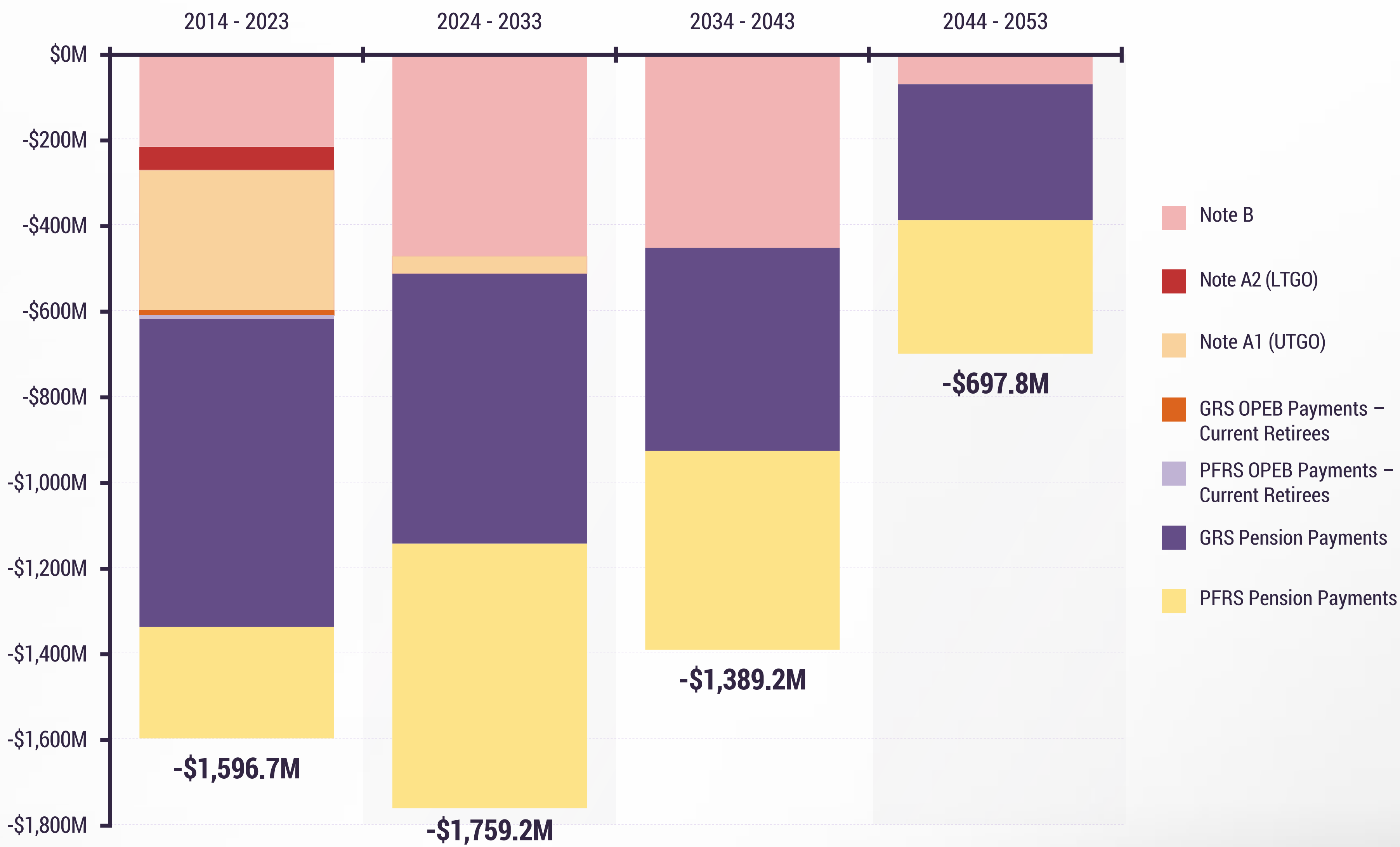
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2053



Forecasted Sources of Funds for Unsecured Claims, 2014 – 2053, Forty-Year Total



Forecasted Distributions for Unsecured Claims, 2014 – 2053



Forecasted Distributions for Unsecured Claims, 2014 – 2053, Forty-Year Total

Total: $5,442.9M

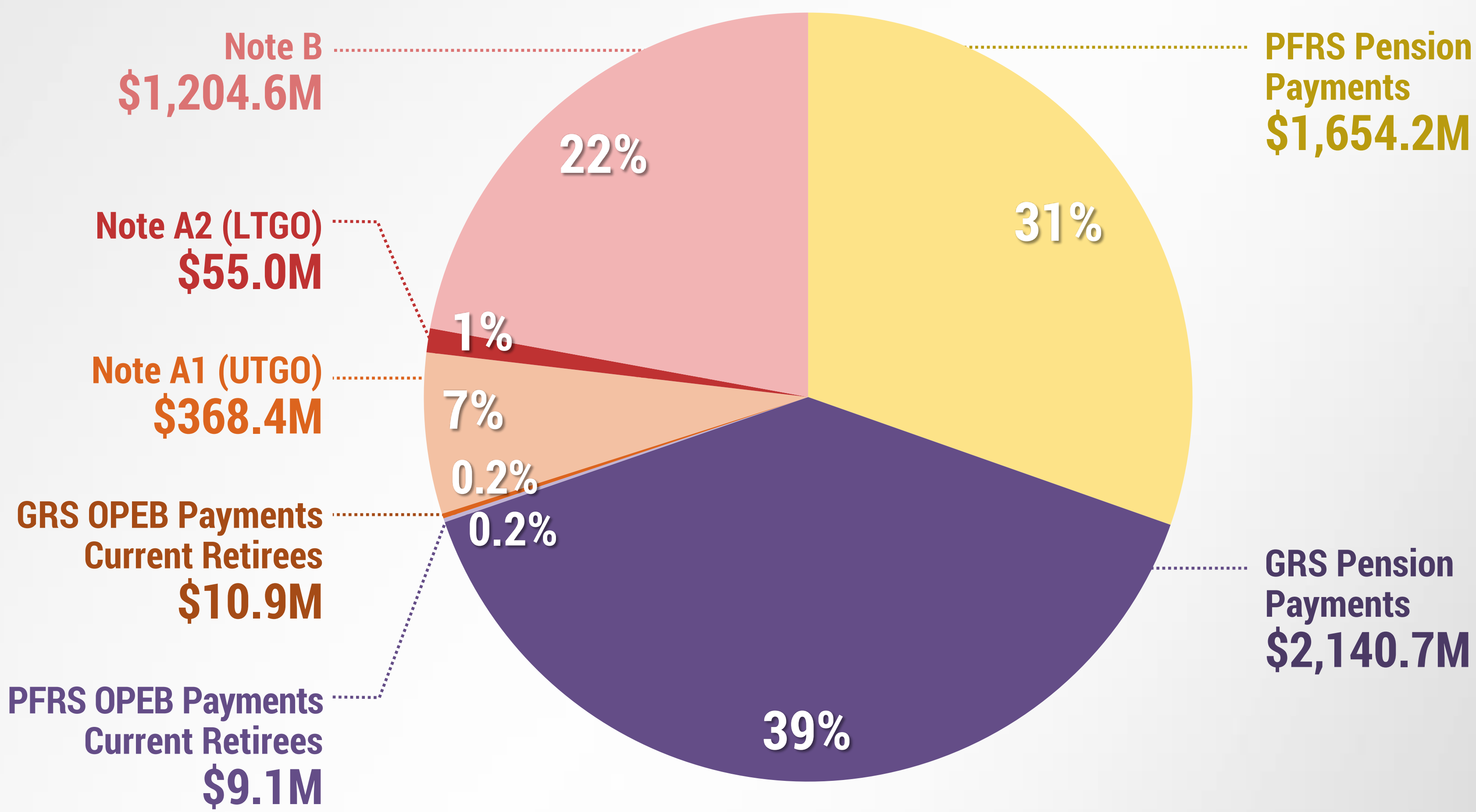


EXHIBIT B

Sources Considered By Gaurav Malhotra

Name	Bates Range	
10-Year Forecast as of 5.5.2014	POA00275421	POA00275502
40-Year Forecast as of 5.5.2014	POA00275503	POA00275511
2011 L-4037 - Ad Valorem and Special Acts - STC Assessment Roll Certification (Board of Review)	POA00275512	POA00275513
2012 L-4037 Warrant (Ad Valorem) - STC Asssessment Roll Certification (Board of Review) with Supporting Documents	POA00275514	POA00275520
2013 L-4037 Warrant (Ad Valorem) - STC Asssessment Roll Certification (Board of Review)	POA00275521	POA00275522
Budget Departmentt Ad Valorem Tax Levies Rates	POA00275523	POA00275523
Changes to Detroit Property Tax Forecasts (11.18.2013)	POA00275524	POA00275524
Changes to Detroit Property Tax Forecasts (2.24.2014)	POA00275525	POA00275526
Data Sources for Property Tax Projections	POA00275527	POA00275527
Detroit Property Tax Collection Rates	POA00275528	POA00275533
FY13 Wayne County Revolving Fund Settlement	POA00275534	POA00275534
Major Tax Payers (commercial & industrial)	POA00275535	POA00275536
Property Tax Estimating Methodology (Version 1)	POA00275537	POA00275537
Property Tax Revenue Calculations	POA00275538	POA00275538

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Renaissance Zone Taxable Value	POA00275539	POA00275539
2013 Long term budget outlook inflation projections 2013-2088	POA00275848	POA00275849
BEA Data -- GDP Inflation 1992 2012	POA00275850	POA00275850
Census On the Map data Detroit worker flow (2002-2012)	POA00275851	POA00275851
Detroit income tax forecast information (08.09.2013)	POA00275852	POA00275854
Income Tax Revenue Calculations	POA00275855	POA00275855
MI Economic & Revenue Forecast Presentation	POA00275856	POA00275895
MI Economic & Revenue Forecast Presentation	POA00275929	POA00275978
SEMCOG 2040 Forecast Summary (April 2012)	POA00275979	POA00276041
SEMCOG Population Estimates	POA00276042	POA00276042
SFA Economic Outlook May 2013	POA00276043	POA00276112
US Bureau of Labor Statistics LAUS MI Detroit (1990 - 2013)	POA00276113	POA00276113
MGCB Casino Adjusted Gross Receipts	POA00276114	POA00276114
FY14 State Revenue Sharing Amounts	POA00276115	POA00276115

Sources Considered By Gaurav Malhotra

Name	Bates Range	
FY15 State Revenue Sharing Amounts	POA00276116	POA00276116
SEMCOG 2040 Forecast Summary (April 2012)	POA00276117	POA00276179
SEMCOG Population Estimates	POA00276180	POA00276180
State Revenue Sharing - Detroit Projections Through FY2025 (05.23.2013)	POA00276181	POA00276182
2013 IAFF News, FEMA Announces SAFER Grant Awards	POA00276183	POA00276184
DPD Grant Projection Summary	POA00276185	POA00276185
Vehicle Fund & UTGO Data	POA00276186	POA00276186
Sales and Charges fo Services Data	POA00276187	POA00276187
Description of Estimating Methodology (06.06.2013)	POA00276188	POA00276193
Detroit Tax Forecast Information (07.24.2013)	POA00276194	POA00276195
June 2012-October 2013 monthly headcount by department	POA00276196	POA00276196
Public safety and DDOT headcount ramp-up projection	POA00276197	POA00276197
Average salary by department	POA00276198	POA00276198
Estimated fringe rates by funding group	POA00276199	POA00276199

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Salary, Headcount and Ramp-Up Data	POA00276200	POA00276200
Milliman Report - Active Healthcare	POA00276201	POA00276211
Milliman Report - Retiree Healthcare	POA00276212	POA00276250
FY13 healthcare by funding group	POA00276251	POA00276251
Milliman report, GRS	POA00276252	POA00276258
Milliman report, PFRS	POA00276259	POA00276265
Pension 10 Year Summary	POA00276266	POA00276266
Baird - LTGO debt service	POA00276267	POA00276271
Baird - Detroit Debt Book (05.19.2011)	POA00276272	POA00276272
Baird - POC debt service	POA00276273	POA00276274
POC Allocation Data	POA00276275	POA00276275
Wolinski and Co., CPA, POC Allocation Memo	POA00276276	POA00276296
POC & SWAP 10 Year Summary	POA00276316	POA00276316
Post-petition financing - Bond Purchase Agreement	POA00276317	POA00276343

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Post-petition financing - Trust Indenture	POA00276344	POA00276405
QOL & Post-Petition Financing Data	POA00276406	POA00276406
Baird - UTGO Debt Service	POA00276407	POA00276412
Purchased services, payroll processing	POA00275540	POA00275584
Purchased services, benefits processing II	POA00275585	POA00275589
Purchased services, benefits processing	POA00275590	POA00275610
Purchased services, MI Department of Corrections	POA00275611	POA00275614
Solid Waste Outsourcing	POA00275615	POA00275615
Contributions to non-enterprise funds	POA00275616	POA00275616
10 year DDOT subsidy projection	POA00275617	POA00275617
FY 2008 - 2013 Actuals	POA00275618	POA00275618
Emergency Manager Order 6 - Approval of Initial Funding Agreement for the PLA	POA00275619	POA00275620
Active Pension & Future Retiree OPEB Plan	POA00275621	POA00275621
Swap settlement agreement	POA00275622	POA00275646

Sources Considered By Gaurav Malhotra

Name	Bates Range	
CBO - 2013 Long term budget outlook inflation projections 2013-2088	POA00275647	POA00275648
BEA Data - GDP Inflation (1992 - 2012)	POA00275649	POA00275649
Detroit Retirees - Income Stabilization Fund Data (05.01.2014)	POA00275650	POA00275650
40 Year Revenue Projections	POA00275651	POA00275651
40 Yr Projections - Revenue and Dept Summary Overview (01.08.2014)	POA00275652	POA00275654
CBO 2013-02-Economic Projections (Property Taxes)	POA00275655	POA00275655
Metro Populations (30 Years) Data	POA00275656	POA00275656
QUEST Revenue Discusison Items (01.11.2014)	POA00275657	POA00275660
Hypothetical Art Proceeds	POA00275661	POA00275661
State Settlement Present Value Calculation	POA00275662	POA00275669
Milliman Report - GRS (no settlement)	POA00275670	POA00275690
Milliman Report - PFRS (no settlement)	POA00275691	POA00275710
Milliman Report	POA00275711	POA00275734
Milliman Report	POA00275735	POA00275756

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Baird - Municipal-Bond-Market-Commentary (03.03.2013)	POA00275757	POA00275766
DWSD Pro Fee Allocation (Version 1)	POA00275767	POA00275767
DWSD Reimbursements	POA00275768	POA00275768
Milliman Report	POA00275769	POA00275792
PFRS & GRS UAAL Amortization Data	POA00275793	POA00275793
Gabriel Roeder Smith & Co. - GRS 74th Annual Actuarial Valuation (06.30.2012)	POA00275794	POA00275846
Other Reimbursements (POC & Pension) Data	POA00275847	POA00275847
Emergency Manager's Financial and Operating Plan (May 2013)	POA00649726	POA00649769
Emergency Manager's Financial and Operating Plan slidedeck (June 2013)	POA00231448	POA00231468
City of Detroit's Proposal for Creditors (June 2013)	POA00215882	POA00216015
Quarterly Report of the Emergency Manager for the Period April 2013 - June 2013 (July 2013)	POA00111033	POA00111044
Emergency Manager's Report (September 2013)	POA00165156	POA00165283
Quarterly Report of the Emergency Manager for the Period July 2013 - September 2013 (October 2013)	POA00706415	POA00706427
Quarterly Report of the Emergency Manager for the Period September 2013 - November 2013 (December 2013)	POA00297491	POA00297543

<u>Sources Considered By Gaurav Malhotra</u>

Name	Bates Range	
Quarterly Report of the Emergency Manager for the Period October 2013 - December (January 2014)	POA00109594	POA00109608
Quarterly Report of the Emergency Manager for the Period December 2013 - February 2014 (March 2014)	POA00296194	POA00296251
Quarterly Report of the Emergency Manager for the Period January 2014 - March 2014 (April 2014)	POA00700417	POA00700433
Draft 2013 Comprehensive Annual Financial Report (June 2014)	POA00531266	POA00531512
10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Bridge (June 2014)	POA00706448	POA00706448
40-Year Plan of Adjustment Financial Projections Bridge (July 2014)	POA00706601	POA00706602

Exhibit 6C

Expert Report of Caroline Sallee

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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

REPORT OF CAROLINE SALLEE

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, debtor the City of Detroit submits this report with respect to the expected expert testimony of Caroline Sallee.

INTRODUCTION

Caroline Sallee is a Manager in the Quantitative Economics & Statistics practice ("QUEST") of the firm Ernst & Young ("E&Y"). It is the City's intention to call Ms. Sallee to testify about the forecasted revenues the City may expect in future years from its real and personal property general operating taxes and from revenue sharing funds it will receive from the State of Michigan.

The information in this report is presented as of the date of this report and is based upon forecasts contained within the Fourth Amended Disclosure Statement With Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit [Docket No. 4391] dated May 5, 2014 (the "Disclosure Statement"), as such forecasts were updated as of July 2, 2014. *See* Ten-Year Plan of Adjustment, Restructuring and Reinvestment Initiatives [POA00706449 –POA00706518] ("10-Year Restructuring and Reinvestment Initiatives"); Ten-Year Financial Projections [POA00706519 – POA00706600] ("10-Year Forecast"); Plan of Adjustment – 40 Year Projections [POA00706603 – POA00706611] ("40-Year Forecast").

OPINIONS

Ms. Sallee will offer the following opinions:

I. Real and Personal Property General Operating Tax Revenues

A. **10-Year Forecast**: For the period ending with the City's 2023 fiscal year, the projected revenues the City can expect from the real and personal property general operating taxes it levies are set forth in the 10-Year Forecast, in particular at Exhibits 2-4 and Appendices A.26a, B.1a, and B.1b. *See* POA00706519 – POA00706600. These are reasonable forecasts of expected revenue during the period in question.

B. **40-Year Forecast:** For each of the four ten-year periods ending with the City's 2053 fiscal year, the City can expect forecasted revenues from its real and personal property general operating taxes as set forth in the 40-Year Forecast, in particular at Exhibits 3a-b. *See* POA00706603 – POA00706611. These are reasonable forecasts of expected revenue during the period in question.

II. State Revenue Sharing Revenues

A. **10-Year Forecast:** For the period ending with the City's 2023 fiscal year, the projected revenue sharing funds the City can expect from the State of Michigan are set forth in the 10-Year Forecast, in particular at Exhibits 2-4 and Appendices A.26a and B4. *See* POA00706519 – POA00706600. These are reasonable forecasts of expected revenue during the period in question.

B. **40-Year Forecast:** For each of the four ten-year periods ending with the City's 2053 fiscal year, the forecasted revenue sharing funds the City can expect from the State of Michigan are set forth in the 40-Year Forecast, in particular at Exhibits 3a-b. *See* POA00706603 – POA00706611. These are reasonable forecasts of expected revenue during the period in question.

BASIS AND REASONS FOR OPINIONS

Real And Personal Property General Operating Taxes

I. Methodology

In reaching her opinions, Ms. Sallee followed standard forecasting procedures used by the State of Michigan Consensus Revenue Estimating Conference and by U.S. federal agencies such as the Congressional Budget Office.

Ms. Sallee used the following methodology:

A. Reviewed historical data on Detroit and Michigan property taxes, economic variables, and housing indicators.

   i. Ms. Sallee collected historical data on property assessments and taxable value by property class in the City of Detroit and the State of Michigan. Ms. Sallee collected City of Detroit taxable value, capped value, assessed value, collection rates, and tax rates by property class, which includes real and personal property for residential, commercial, and industrial classes and personal property only for the utility class from the following sources:

      a) Michigan State Tax Commission for taxable values and assessed values by property class in the City of Detroit and the State of Michigan for tax years 2000-2012.

b) The City of Detroit's Ad Valorem State Tax Commission Assessment Roll Certification for tax years 2011, 2012, and 2013, and ad valorem data provided by the City for 2014.

c) Renaissance Zone property by property class for tax year 2013, provided by the City.

ii. Ms. Sallee reviewed economic and housing indicators for the United States, the State of Michigan, and the City of Detroit for use in developing the baseline forecast, which is identified as the "without reinvestment" scenario in the 10-Year Forecast. *See* POA00706587. Ms. Sallee relied on data from the following sources:

a) Congressional Budget Office, "The Budget and Economic Outlook for Fiscal Years 2013 to 2023" (Feb. 2013).

b) House Fiscal Agency, Economic Outlook and Revenue Estimates for Michigan (May 2013, Jan. 2014, May 2014).

c) City of Detroit, "Revenue Consensus Conference Final Report" (Feb. 7, 2013).

d) Case-Shiller Home Price Index for Detroit, Michigan from the Federal Reserve Bank of St. Louis, Economic Research Division (1991-Apr. 2014).

e) Detroit Board of Realtors residential sales statistics obtained from the Michigan Association of Realtors website (1995, 1998, 2001-2013).

f) U.S. Bureau of Census, Building Permits Survey for Wayne County (1998 – 2013).

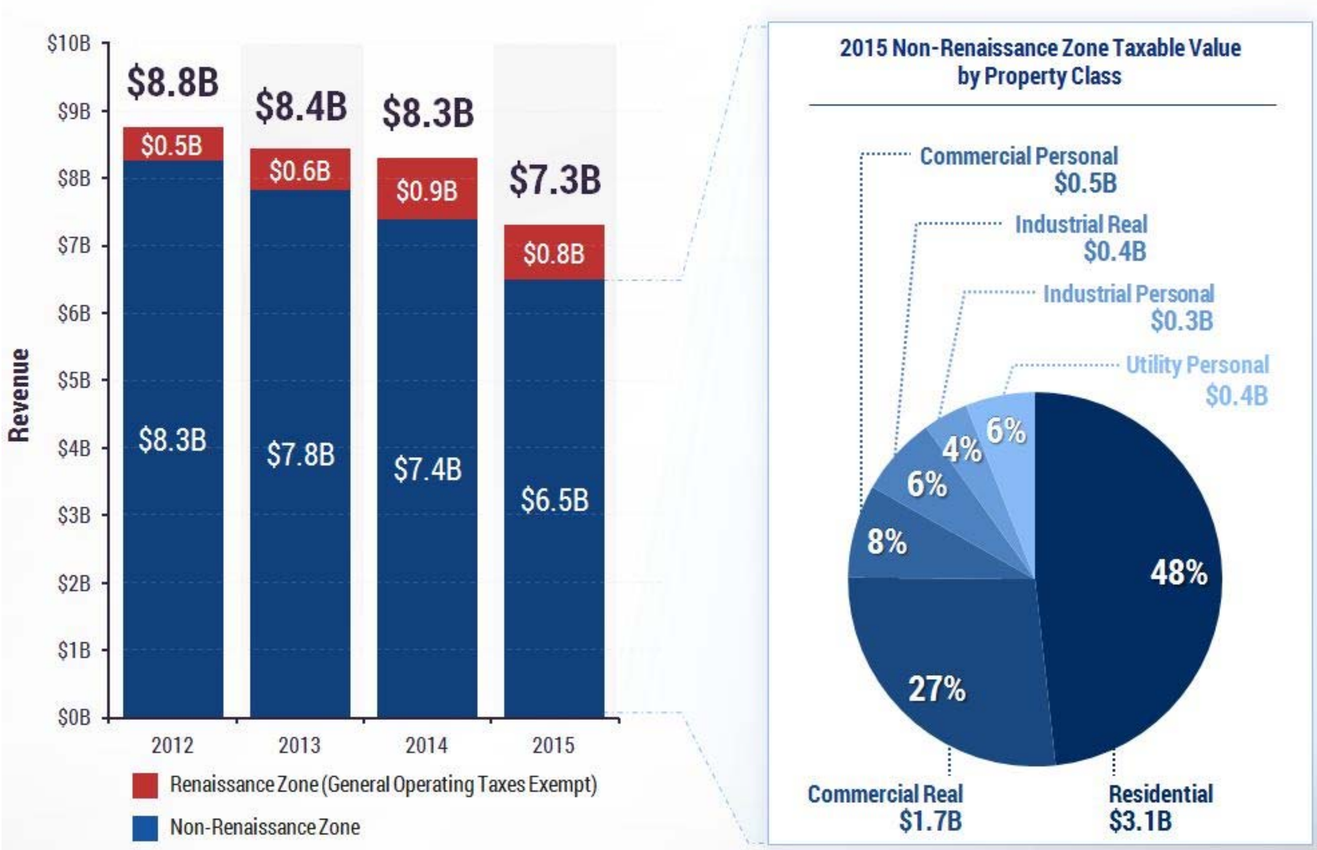
B. Developed a baseline of property tax collections for the 10-Year Forecast period. Ms. Sallee completed the following steps:

i. Estimated taxable value by property class subject to City of Detroit general operating taxes.

a) Ms. Sallee estimated the total taxable value subject to City of Detroit general operating taxes by property class beginning with FY 2012. Total taxable value by property class was obtained from the City of Detroit for tax years 2011, 2012, 2013, and 2014 (FY 2012 – FY 2015). The City of Detroit Assessor's Office provided detailed Renaissance Zone taxable value by property class for real and personal property for only tax year 2013 (FY 2014).

b) Ms. Sallee used this data to estimate taxable value by property class not in a Renaissance Zone and thus subject to general operating taxes in FY 2012, FY 2013, FY 2014 and FY 2015. *See* Figure 1.

Figure 1. Total Taxable Value for City of Detroit, FY 2012 – FY 2015



c) Ms. Sallee forecasted taxable value for FY 2016 – FY 2023 using separate growth rates for real and personal property by property class. She performed an analysis of four factors affecting residential property to select residential taxable value growth rates: (1) additions to the tax base, (2) losses to the tax base, (3) uncapping of taxable value as property sells, and (4) planned reassessments by the City of Detroit. Ms. Sallee selected separate growth rates for commercial and industrial property, both real and personal, and personal property for utility property, based on projected economic conditions in the City of Detroit, analysis of historical data, and a review of large taxpayers in the City.

ii. Selected a tax rate.

a) Ms. Sallee selected the current general operating tax rate for property taxes in the City of Detroit for the forecast period.

b) Pursuant to standard forecasting procedures, Ms. Sallee assumed that the tax law will remain unchanged during the forecast time periods.

iii. Forecasted the tax levy.

a) Ms. Sallee forecasted the City of Detroit's property tax levy for the forecast period by multiplying the forecasted taxable value subject to general operating taxes by the tax rate.

iv. Adjust the tax levy for known legal and policy changes.

a) Ms. Sallee made adjustments for upcoming legal changes and City activities that will affect property tax collections. Ms. Sallee lowered property tax collections from commercial and industrial personal property by 10% for years after FY 2014, reflecting the upcoming vote on the personal property tax repeal in August of 2014.

b) Ms. Sallee also took into account City-planned reassessments of property in FY 2015 and the effects of the City-wide reappraisal study.

v. Selected an effective collections rate.

a) Ms. Sallee applied an effective collections rate to the tax levy by calculating all payments related to property taxes received by the City in a given fiscal year divided by that fiscal year's tax levy.

b) The effective collections rate includes both property taxes paid on-time (non-delinquent) to the City and payments the City receives from the Wayne County Delinquent Tax Revolving Fund pursuant to Public Act 246 of 2003.

C. Developed a "with reinvestment" scenario of property taxes.

i. The City of Detroit Plan of Adjustment outlines steps for improving the physical infrastructure and operations of the City during a 40-year time period. The "with reinvestment" scenario estimates improvements to the tax base and collections if the general operations and economic environment of the City improve during the 10-year period.

ii. To model the effects of reinvestment, Ms. Sallee used historical data and information on the different property tax bases, including tax collections during other economic time periods and growth rates after recessions.

D. Extrapolated property tax revenues for the 40-Year Forecast.

i. Ms. Sallee completed the 40-Year Forecast of property tax revenues using forecasted national trends in home prices between 2019 and 2023 and the City of Detroit's historical compounded average annual increase in taxable value between 2000 and 2013.

ii. Ms. Sallee modeled property tax collections in FY 2023 to FY 2027 to follow national trends using the Federal Housing Finance Agency house price index as forecasted by the Congressional Budget Office for years 2019 to 2023.

iii. After FY 2027, Ms. Sallee lowered the growth rate of property tax collections gradually to 2% by FY 2033. Ms. Sallee used a long-run equilibrium growth rate of 1.5% in years after FY 2033.

iv. Ms. Sallee chose the long-run growth rate of 1.5% based on analysis of the City's compounded annual growth rate (CAGR) in taxable value for tax years 2000 and 2013. Ms. Sallee relied upon historical taxable value data from the Michigan State Tax Commission.

II. Assumptions

Documents and other materials supporting Ms. Sallee's opinions have been or will be produced by the City. In addition, certain of the assumptions underlying Ms. Sallee's analysis and opinions are set forth in the 10-Year and 40-Year Forecasts. Ms. Sallee also made the following assumptions.

<u>10-Year Forecast</u>

In the 10-Year Forecast, Ms. Sallee assumed that the taxable value of property will continue to decline until FY 2020. By FY 2022 and FY 2023, improved operations and other factors will cause property tax collections to increase for the City of Detroit.

A. Baseline Forecast

i. Population Assumptions

a) Ms. Sallee used the Southeast Michigan Council of Governments (SEMCOG) population forecasts, scenario 1a for the analysis. Population in the City of Detroit is expected to decline each year between FY 2013 and FY 2023 at an average annual rate of -0.7%.

ii. Taxable Values: Residential Property

a) Ms. Sallee forecasted taxable value for real and personal property by selecting growth rates for each type of property. She modeled four factors that affect taxable value for residential property:

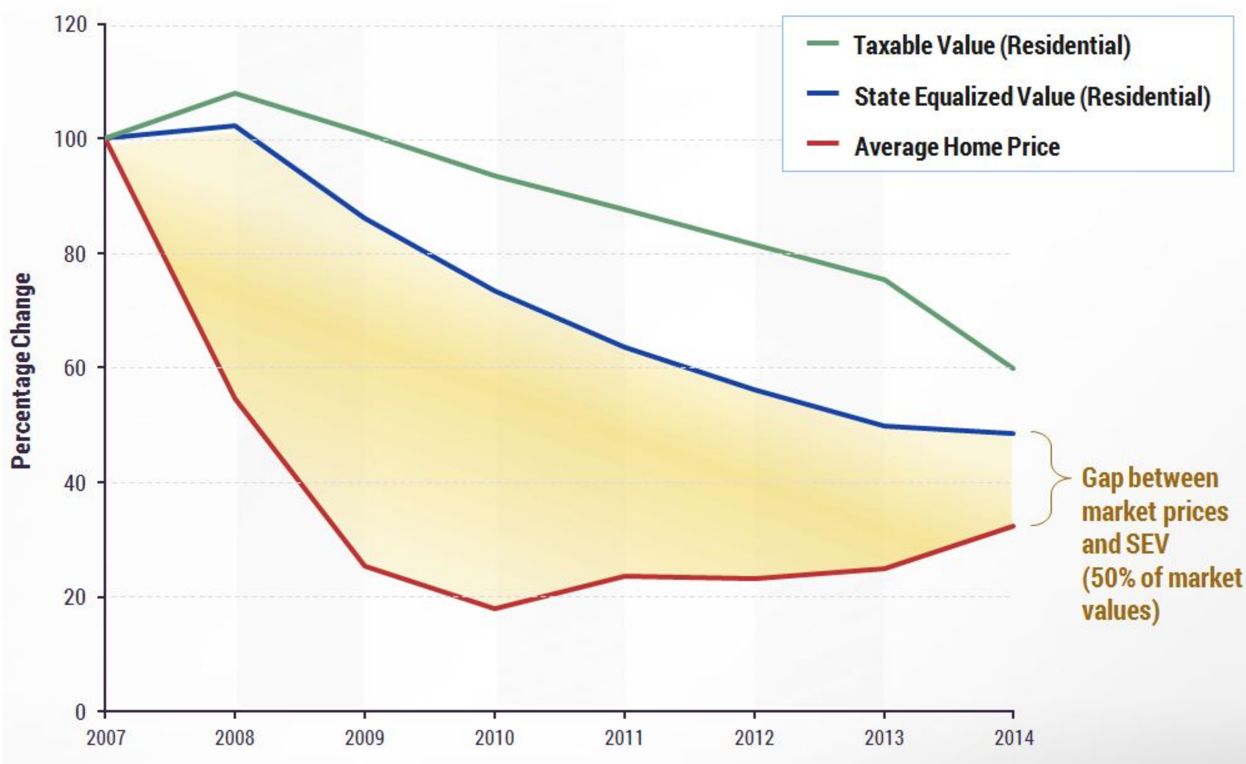
1) Ms. Sallee estimated additions to the tax base using U.S. Census building permit data for Wayne County. Ms. Sallee multiplied the cost of new construction in Wayne County per the U.S. Census building permit data by the City of Detroit's share of real property taxable value in Wayne County (19%) to arrive at the City's estimated share of new construction value in Wayne County, which was 1% in 2012 and 2013. This translated into a 0.5% increase in taxable value. Along with additions to existing properties, the analysis assumed an increase to residential taxable value of 1% per year during FY 2015 through FY 2021 and 1.5% in FY 2022 and FY 2023.

2) Population declines, anticipated abandonment, and rental vacancies will cause losses to the tax base. Ms. Sallee used SEMCOG's scenario 1a to estimate losses to the tax base. After FY 2015, SEMCOG forecasts average annual population losses to be between -0.8% and -0.4% per year. Losses to residential taxable value are assumed to be between -1.5% and -2% per year after FY 2015.

3) Taxable value is defined as the lesser of state equalized value (50% of true cash value) and capped value (taxable value grown annually by 5% or the rate of inflation, whichever is less, not counting additions). When a house sells, the taxable value is reset to state equalized value

in the first year. The forecast projects continued losses to taxable value due to the uncapping of taxable value when homes sell. According to Detroit Association of Realtors data, average existing home prices in Detroit fell 63% between 2006 (pre-recession) and 2013. The state equalized value of residential property, however, only declined 54%. *See* Figure 2. This gap indicates that state equalized value will fall further, resulting in reduced taxable value for residential property. To select growth rates of the uncapping of taxable value due to home sales, Ms. Sallee employed a modeling exercise using historical data on the number of existing home sales and the difference between current taxable value of homes purchased 5, 10, and 15 years ago compared to a re-setting of taxable value equal to 50% of true cash value. The forecast assumes a reduction in residential taxable value of between -2% and -4% per year between FY 2016 and FY 2020.

Figure 2. Percentage Change in Average Sale Price, Residential Taxable Value, and Residential State Equalized Value in Detroit, 2007-2014 (Indexed to 2007)



4) The City completed reassessments for some neighborhoods for tax year 2014 (FY 2015). The result is that residential taxable value declined -20.5% between FY 2014 and FY 2015. The City is also contracting with a company to perform a reappraisal study of all property in Detroit. Based on conversations with the City, Ms. Sallee assumed that the study would take 3-5 years, with changes to the taxable value of property appearing in FY 2020. She assumed a 15% drop in residential taxable value in FY 2020 as a result of the study.

This would bring residential taxable value to approximately half of its FY 2013 level. The value of residential property is expected to stabilize after the reappraisal study is complete. Based on historical data showing how the City came out of past recessions, the evidence does not support a quick rebound.

iii. Taxable Values: Commercial Property

a) Ms. Sallee forecasted commercial taxable value to decline 7% between FY 2013 and FY 2023 with real property taxable value -8% and personal property taxable value -6%.

b) Ms. Sallee assumed a continued decline of commercial taxable value of 1- 2% per year until FY 2018. This continues the trend of -2% per year average decline in commercial taxable value between 2008 and 2013 using ad valorem warrant taxable value data from the State Tax Commission and the City of Detroit.

c) Commercial real property performed better than industrial real property during and after the recent recession (2008-2013), losing a smaller percentage of taxable value than industrial real property. Ms. Sallee assumed that losses to commercial property would end by FY 2018 and there would be slight recovery post FY 2018 in line with other assumptions related to employment and population stabilization in the City in later years of the forecast period.

d) Ms. Sallee assumed population decline in the City of -1.3% per year (CAGR) between 2010 and 2020 and a decline in City employment of -1% between 2013 and 2020. Ms. Sallee also took into account the major commercial and industrial taxpayers and their share of taxable value to inform the likely impact to taxable value if a large taxpayer were to leave the City of Detroit.

iv. Taxable Values: Industrial Property

a) Ms. Sallee forecasted that industrial taxable value will decline 12% between FY 2013 and FY 2023, with real property taxable value declining 11% and personal property 14%.

b) Ms. Sallee assumed continued decline of taxable value of between -1% and -2% between FY 2016 and FY 2018, continuing recent trends and following the long-run trend of reductions to industrial real property of -1% between 2000 and 2013.

c) Industrial personal property taxable values have varied substantially year-to-year.

d) Ms. Sallee assumed a slower decline for industrial personal property compared to real industrial property given the overall growth in the former. However, much of the industrial personal property qualifies for a Renaissance Zone exemption.

e) Since industrial property, both real and personal, has performed worse than commercial property and historically has taken longer to recover, Ms. Sallee assumed that industrial property taxable value would continue to decline through FY 2021.

v. Taxable Values: Utility Property

a) Ms. Sallee assumed that utility personal property would increase during the forecast period, following recent trends.

b) Ms. Sallee applied 0% and 0.5% growth rates post-FY 2015 based on recent fluctuations in utility property taxable values. For example, in tax years 2011 and 2013, personal property taxable values fell, but in tax years 2012 and 2014, taxable values increased.

vi. Renaissance Zone

a) The Renaissance Zone comprises primarily commercial and industrial property, with a small amount of residential and utility property. The classification of Renaissance Zone property fluctuates on a year-to-year basis.

b) In FY 2015, 11% of the property in the City was classified as Renaissance Zone ($809mm out of $7.3b). Of the 11% classified as

Renaissance Zone property, 29% is real property and 71% is personal property.

vii. Tax Rate

a) Ms. Sallee assumed that the City's tax rates will remain constant until 2053.

b) The City's tax rate on property of 19.952/1000 is near the legal limit of 20/1000 and is among the highest in the State of Michigan.

viii. Adjustments for Upcoming Legal Changes

a) If voters approve the plan to repeal personal property taxes on certain commercial and industrial property in August of 2014, the phase-out would begin in FY2015, with the exemption of commercial and industrial personal property owned by a single taxpayer if the taxable value of the property is less than $40,000.

b) Ms. Sallee has modeled a 50% chance of voters approving the repeal of personal property taxes.

c) According to estimates from the Michigan Senate Fiscal Agency, if voters approve the repeal, it is likely that 20% of the property tax revenue from industrial and commercial property will not be replaced by a new funding mechanism. Ms. Sallee has modeled this uncertainty as an expected 10% decline in revenue from these personal property taxes for each year between FY 2015 and 2023.

d) If the voters do not approve the plan, the change in the forecasts would be de minimis.

ix. Effective Collections Rate

a) Ms. Sallee estimated the City's effective collections rate after a review of the City's historical collections rates on non-delinquent property by property class for FY 2007 – FY 2011. Using this information, Ms. Sallee selected non-delinquent collection rates of approximately 50% for residential property, 83% for commercial property, 87% for industrial property, and 100% for utility property during the forecast period of FY 2015 to FY 2020. This came to a blended rate of 65-70%.

b) Residential property accounts for approximately half of the City's taxable value.

c) Ms. Sallee also relied upon the City's calculation of net revolving fund payments between the City and Wayne County. Using this information, Ms. Sallee assumed net payments from Wayne County on delinquent property between 12-15% of the tax levy during the forecast period.

d) The effective collections rate is assumed to be 80% in FY 2015 – FY 2019. This is similar to the effective collections rate in recent years of 80% (2011) and 83% (2012) reported in the City of Detroit's 2012 Comprehensive Annual Financial Report (CAFR).

e) Ms. Sallee assumed that the mass reappraisal study would be completed by FY 2020 and that the City would have a higher collections rate of 84% after that time. This improvement is due to residential non-delinquent collections rate increasing from 50% to 70%.

B. Impact of Reinvestment

i. Ms. Sallee forecasted that planned City reinvestments would have a modest impact on tax revenues. The reinvestments that will impact tax revenues are improved collections of tax revenues and slightly better growth in taxable value compared to the baseline.

ii. Ms. Sallee assumed higher collections rates because of slight improvements in commercial and industrial collections rates and improvements to residential collections rates. These would return the City to pre-recession collections rates on residential property by FY 2017. The collections rate is assumed to be 82% in FY 2017 – FY 2019, and 87% after the mass reappraisal study is complete.

iii. Commercial and industrial taxable values are also modeled to show slight additions to taxable value (1%) beginning in FY 2017 for both.

40-Year Forecast

Ms. Sallee extrapolated property tax revenues from FY 2023 to FY 2053. In the 40-Year Forecast of property taxes, Ms. Sallee made the following assumptions.

A. Population

i. The City's population will continue to decline from FY 2024 until 2029.

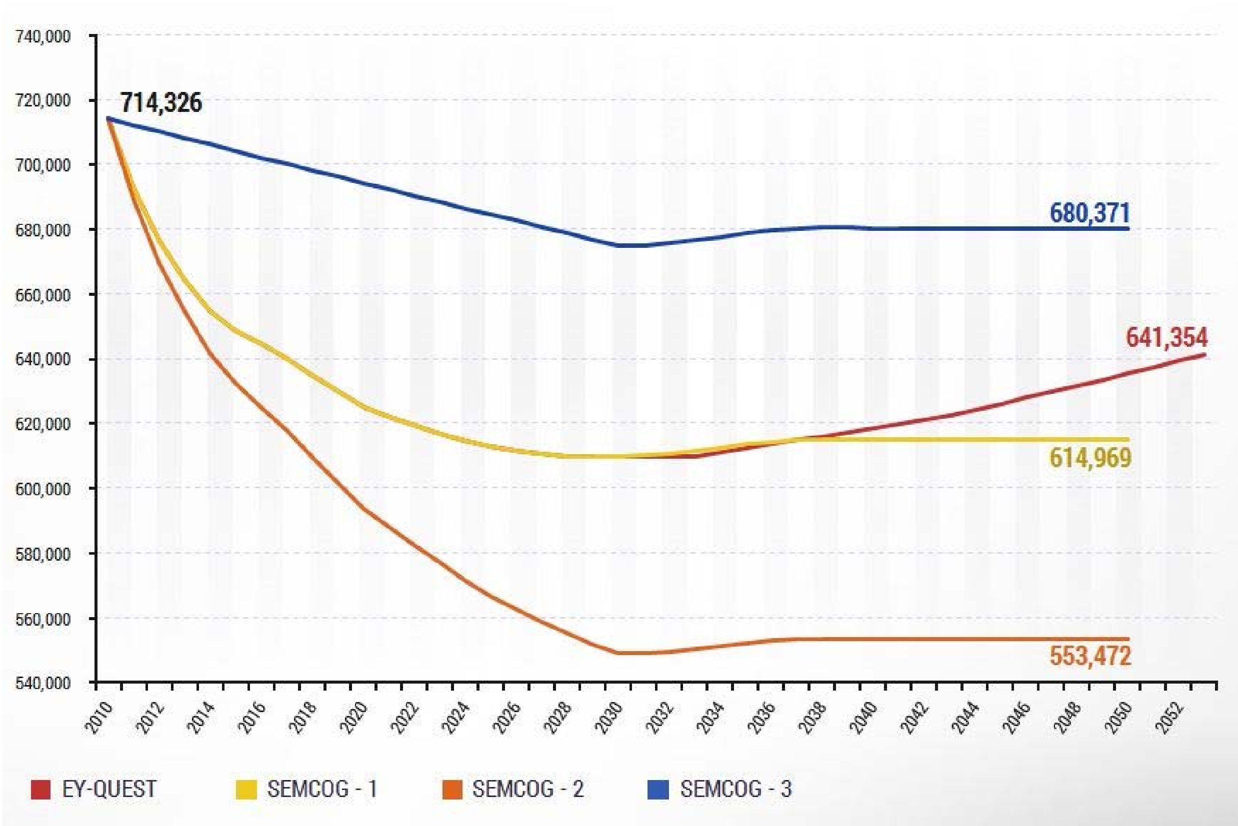
a) Ms. Sallee based this assumption on Scenario 1a of the Southeast Michigan Council of Governments' population forecasts.

ii. Ms. Sallee forecasted that there will be no population growth from 2029 until 2033, 0.2% annual population growth from 2034 until 2043, and 0.3% annual population growth from 2044 until 2053.

a) Ms. Sallee based these assumptions on an examination of population trends in comparable metropolitan areas that experienced a decade or more of declining population, as well as the Detroit metropolitan area's growth from 1990 and 2000.

b) These population forecasts estimate that the population in the City of Detroit will be greater by 3.4% than the SEMCOG scenario 1a forecasts. Ms. Sallee made this assumption because SEMCOG's population forecast was completed before the Plan of Adjustment, which provides for improvements in City services and operations. *See* Figure 3.

Figure 3. E&Y and SEMCOG Population Forecasts for the City of Detroit (2010-2053)



B. Taxable Property Growth Rates

i. The citywide mass reappraisal study (projected to be included in the FY 2020 tax bills) will result in a decline in the taxable value of property in the City. After that, Ms. Sallee assumed that the value of property in the City in FY 2024 and FY 2025 would increase at a rate of 3.4% growth. This assumption is in line with national trends of growth in existing home prices of 3.3% projected by the Congressional Budget Office in 2022 and 2023.

ii. Annual growth in general operating property tax revenues is projected to fall to 2% in years 2030-2033 and then average a 1.5% annual growth rate in the following years. Ms. Sallee selected these rates to reflect the business cycle and her assumption that the City would have slower growth than the rest of the nation.

iii. This 1.5% rate is slightly better than the average annual 1.1% growth rate in Detroit between 2000 and 2013. Ms. Sallee completed an analysis of annual average growth of taxable value using ad valorem warrant information from the State Tax Commission.

State Revenue Sharing

I. Methodology

In reaching her opinions, Ms. Sallee used the following methodology:

A. Constitutional Revenue Sharing

i. Ms. Sallee forecasted constitutional revenue sharing based on the applicable formula, which takes into account the population by cities, villages, and townships, and the sales tax growth of the state. The amount of available constitutional revenue sharing payments is fixed at 15.0% of gross collections of the state sales tax collected at a 4.0% rate and is distributed to cities, villages, and townships on a per capita basis.

ii. Ms. Sallee used constitutional revenue sharing amounts forecasted by the Michigan Treasury for the City of Detroit for FY 2016 to FY 2025.

iii. For years after FY 2025, Ms. Sallee estimated constitutional revenue sharing based on forecasted average increases in revenues of between 2% and 3%. After each Census, she adjusted the constitutional payment based on population changes. Ms. Sallee forecasted constitutional payments falling with declining population.

B. Economic Vitality Incentive Payments (EVIP)

i. EVIP payments that the City receives are based on the amount appropriated by the Legislature on a year-to-year basis. Ms. Sallee considered that the appropriations could be reduced, increased, or eliminated at any point. For example, statutory and incentive payments (EVIP) increased 17% between FY 2010 and FY 2011 before declining 24% in the next fiscal year. There is no set formula for EVIP payments for the City of Detroit.

ii. Ms. Sallee's forecast follows current law and uses FY 2015 EVIP payments for all years after FY 2015.

II. Assumptions

Documents and other materials supporting Ms. Sallee's opinions have been or will be produced by the City. In addition, certain of the assumptions underlying

Ms. Sallee's analysis and opinions are set forth in the 10-Year and 40-Year Forecasts. Ms. Sallee also made the following assumptions.

A. Constitutional Revenue Sharing Payments

i. The amount of constitutional revenue sharing payments is fixed at 15.0% of gross collections of the state sales tax collected at a 4.0% rate and is distributed to cities, villages, and townships on a per capita basis. This stream of payments is protected by Article IX, Section 10 of the Michigan Constitution. Ms. Sallee assumes that these percentages will not change during the forecast period.

ii. The 10-Year Forecast includes the Legislature-approved FY 2015 revenue sharing payments for Detroit.

iii. For years FY 2015 – FY 2025, the forecast uses projected constitutional revenue sharing payments completed by the Office of Revenue and Tax Analysis of the Michigan Department of Treasury.

iv. Constitutional revenue sharing payments follow expected trends in sales tax growth. The forecast assumes between 2% and 3% sales tax growth for the forecast period.

v. For those years following a decennial census, there are adjustments based on the projected population for the City of Detroit.

vi. Ms. Sallee used the SEMCOG population forecast for Detroit between 2020 and 2029, with zero growth between 2029 and 2030. Using SEMCOG's forecast, Ms. Sallee assumed that Detroit's population will decline by 2.4% between 2020 and 2030, but she forecasts that the impact on constitutional revenue sharing will be -1%.

vii. Modest growth in Detroit's population between 2030 and 2040 will result in an increase in constitutional payments of 1.4% between 2040 and 2041, and 1.7% between 2050 and 2051.

B. EVIP Payments

i. Ms. Sallee assumed that the amount of annual EVIP payments will remain constant at the current law FY 2015 amount of $140 million. This follows standard forecasting procedures and reflects the variable nature of the EVIP payments.

ii. The amount of EVIP payments is determined each year by the Legislature. Over the past decade, the Legislature has appropriated non-constitutional revenue sharing for cities, villages, and townships at less than full funding.

EXHIBITS

Attached as Exhibit A are exhibits Ms. Sallee will use to summarize or support her opinions.

Documents And Other Materials Considered In Reaching Opinions

Attached as Exhibit B is a listing of documents and other materials Ms. Sallee considered in reaching her opinions. Ms. Sallee also considered discussions with City and State employees, as well as the City's third-party consultants and contractors. Ms. Sallee likewise had available to her the expertise of Gaurav Malhotra and Robert Cline, along with the materials they considered.

Qualifications

Ms. Sallee's curriculum vitae is appended as Exhibit C.

Prior Expert Testimony

Ms. Sallee has not previously testified as an expert.

Compensation

Jones Day retained Ernst & Young LLP on behalf of the City to provide expert witness services to the City in connection with *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (Rhodes, J.). The City compensates Ernst & Young LLP at an hourly rate of $550 for actual time incurred by Ms. Sallee, as well as reasonable out-of-pocket expenses. These fees are subject to a 10% hold-back contingent on plan confirmation by December 31, 2014.

Dated: July 8, 2014

Caroline Sallee

Caroline Sallee

EXHIBIT A

Figure 1. Total Taxable Value for City of Detroit, FY 2012 – FY 2015

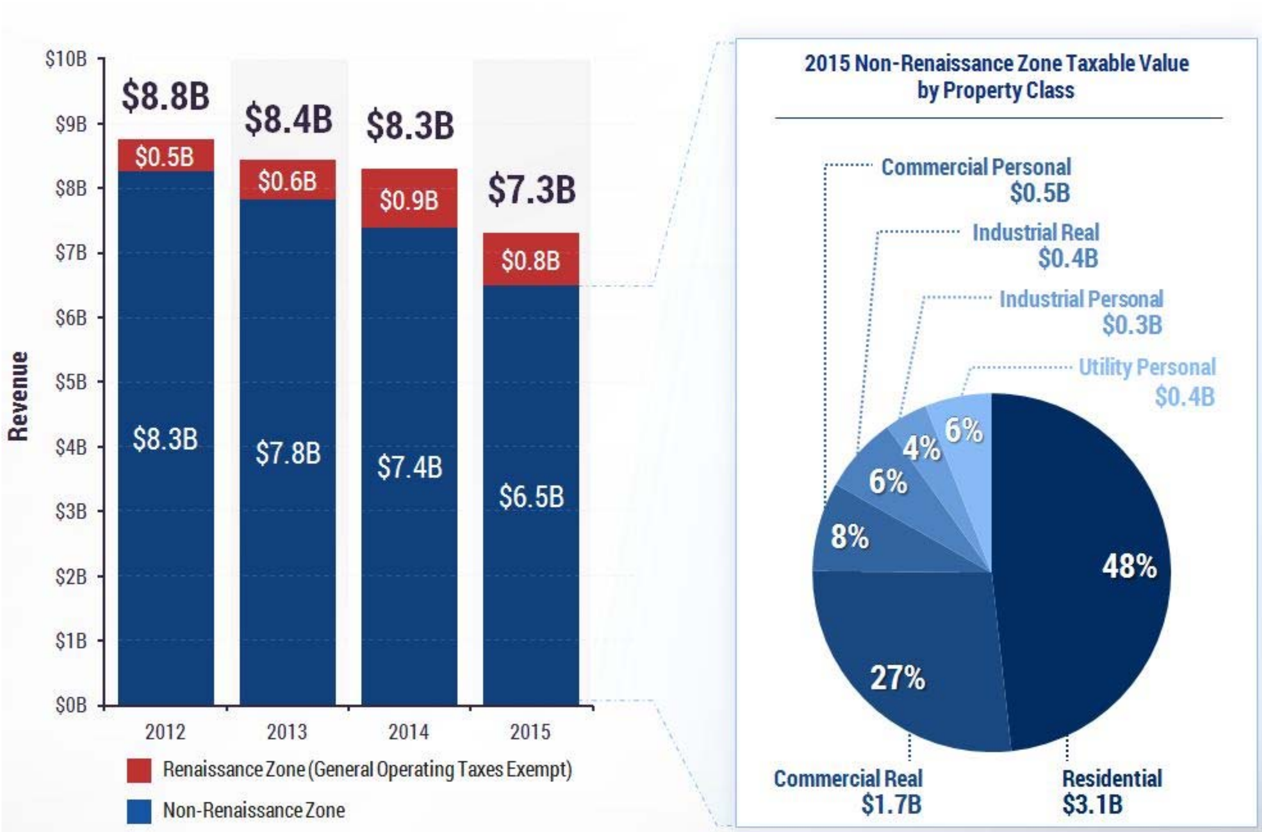


Figure 2. Percentage Change in Average Sale Price, Residential Taxable Value, and Residential State Equalized Value in Detroit, 2007-2014 (Indexed to 2007)

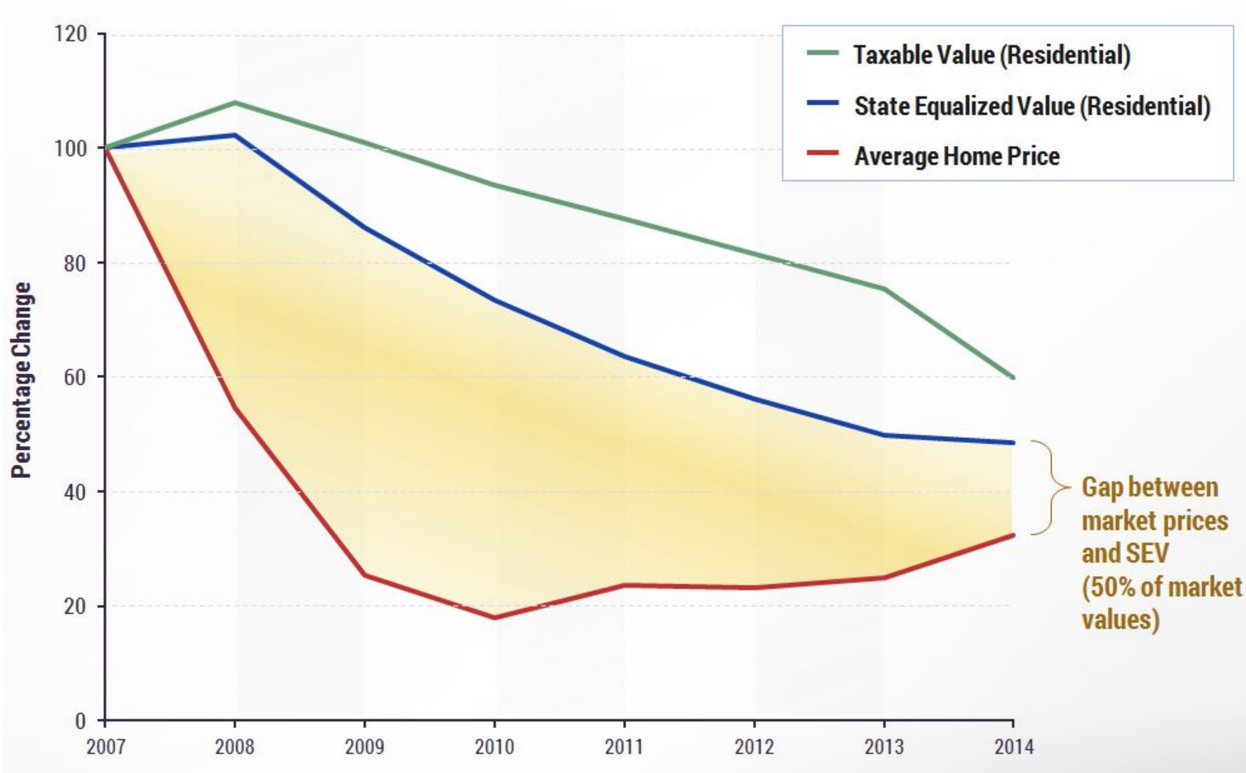


Figure 3. E&Y and SEMCOG Population Forecasts for the City of Detroit (2010-2053)

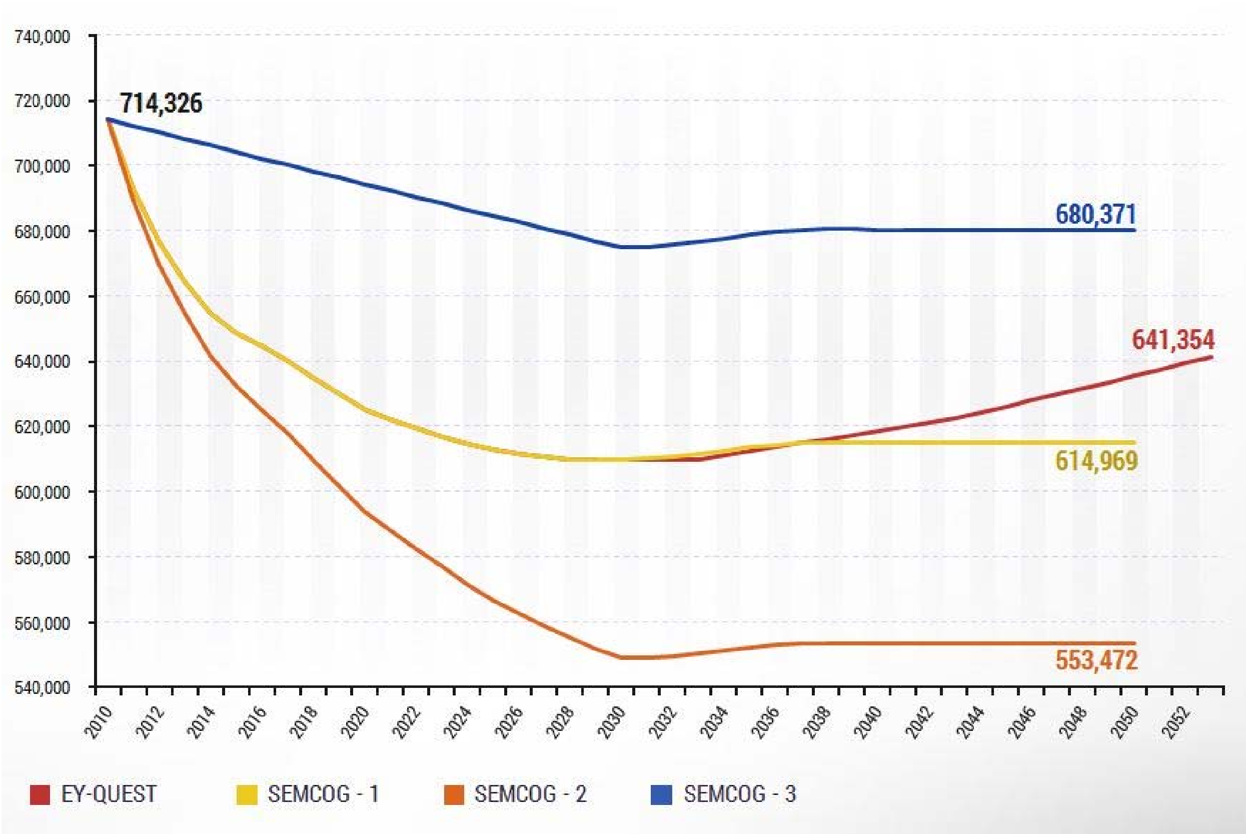


Figure 4. Steps to Forecasting Detroit General Operating Property Taxes

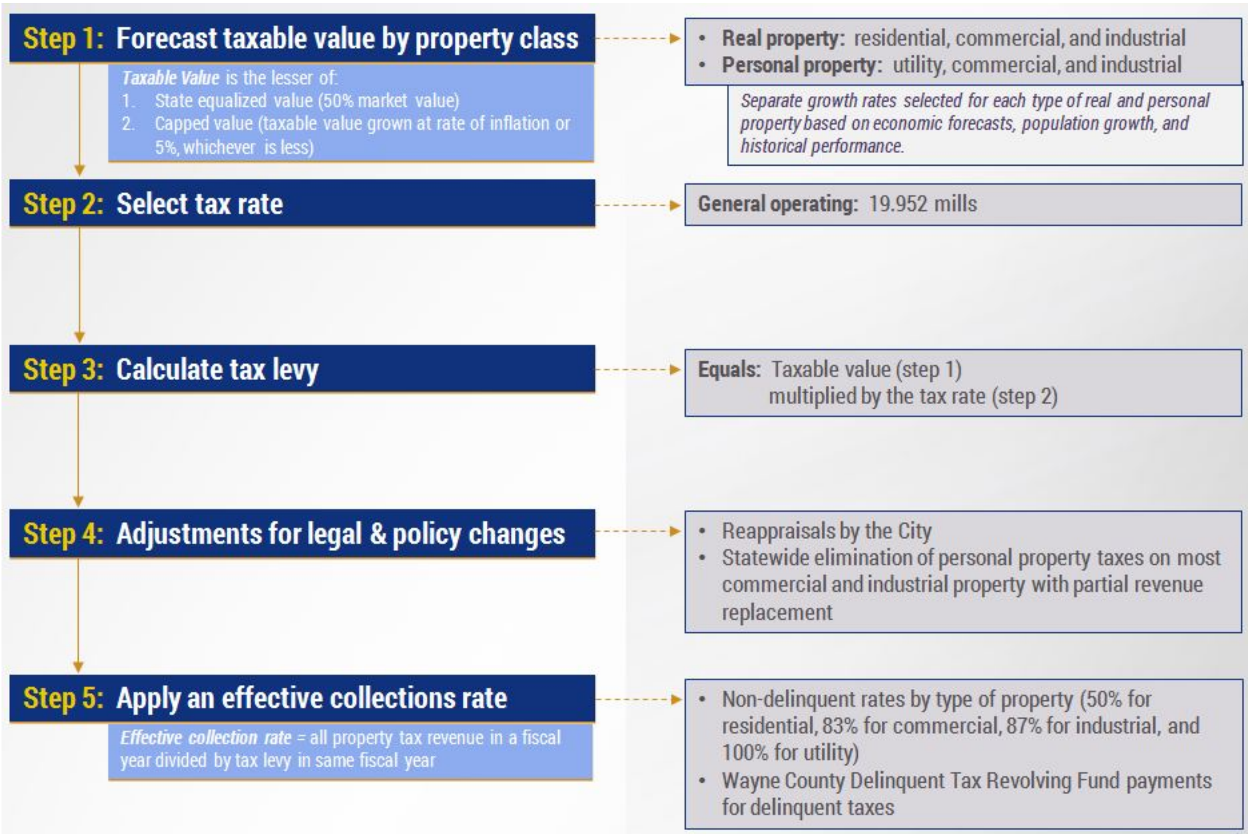


EXHIBIT B

List of Documents and Other Materials Considered

1. Ad Valorem State Tax Commission Assessment Roll Certification L-4037 (Board of Review) and Ad Valorem Warrant L-4022, City of Detroit, Tax Years 2011-2013, *available at* POA00535796 – POA00535804, POA00629611 – POA00629617, POA00629622 – POA00629623.

2. Ad Valorem Parcels Minus Renaissance Zone, Miscellaneous Totals, City of Detroit, Tax Year 2014, *available at* POA00706439 – POA00706447.

3. Case-Shiller Home Price Index for Detroit, Michigan, Federal Reserve Bank of St. Louis, Economic Research Division (1991-Apr. 2014), *available at* http://research.stlouisfed.org/fred2.

4. Citizens Research Council of Michigan, Detroit City Government Revenues (Apr. 2013), *available at* POA00111072 – POA00111133.

5. City of Detroit 2011-2012 Executive Budget Summary, Section C, *available at* http://www.detroitmi.gov/Portals/0/docs/budgetdept/2011-12%20Budget/2011-2012%20Executive%20Budget%20Summary/EBS_Section%20C%20Summary%20General%20Fund_2011_2012.pdf.

6. City of Detroit 2012-2013 Budget, Ad Valorem Property Valuations, Tax Levies, and Tax Rates, *available at* POA00535773.

7. City of Detroit 2013-2014 Executive Budget Summary, Section B, *available at* http://www.detroitmi.gov/Portals/0/docs/budgetdept/2013-14_Budget/Budget%20Summary_14/EBS_Section%20B_Summary%20All%20Funds_2013_2014_stamped.pdf.

8. City of Detroit, Ten-Year Financial Projections (July 2, 2014), *available at* POA00706519 – POA00706600.

9. City of Detroit, Ten-Year Plan of Adjustment, Restructuring and Reinvestment Initiatives (July 2, 2014), *available at* POA00706449 – POA00706518.

10. City of Detroit, Plan of Adjustment – 40-Year Projections (July 2, 2014), *available at* POA00706603 – POA00706611.

11. City of Detroit, Property Tax Collection Summaries by Class (2007-2011), *available at* POA00545716 – POA00545721.

12. City of Detroit, Renaissance Zone Taxable Values (2012-2013), *available at* POA00275527, POA00535838, POA00535853.

13. City of Detroit, *Revenue Consensus Conference Final Report*, Feb. 7, 2013, *available at* POA00650840 – POA00650847.

14. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023* (Feb. 2013), *available at* http://www.cbo.gov/sites/default/files/cbofiles/attachments/43907-BudgetOutlook.pdf.

15. Data Sources, *available at* POA00275527.

16. David Zin, Chief Economist, *Personal Property Tax Reform Legislation*, State Notes (Winter 2013), *available at* http://www.senate.michigan.gov/sfa/publications%5Cnotes%5C2013notes%5Cnoteswin13dz.pdf.

17. Fourth Amended Disclosure Statement to the City's Plan of Adjustment, Exhibits J-K.

18. FY 2012 City of Detroit Comprehensive Annual Financial Report (CAFR), Revenue Capacity—Property Tax Levies and Collections, *available at* POA00272832 – POA00272833.

19. FY 2012 City of Detroit Comprehensive Annual Financial Report (CAFR), Revenue Capacity—Principal Property Tax Payers, *available at* POA00275527 and POA00272830 – POA00272831.

20. House Fiscal Agency, *Economic Outlook and Revenue Estimates for Michigan*, (May 2013, Jan. 2014, May 2014), *available at* http://www.house.michigan.gov/hfa/revenue.asp.

21. House Fiscal Agency, *Economic Vitality Incentive Program* (July 23, 2013), *available at* POA00536036 – POA00536079.

22. Memorandum, Changes to Detroit Property Tax Forecasts, *available at* POA00275524.

23. Memorandum, Changes to Detroit Property Tax Forecasts Since June 2013, QUEST (Feb. 24, 2014), *available at* POA00275525 – POA00275526.

24. Memorandum, Detroit Revenue Extrapolation—2024-2053 (Jan. 8, 2014), *available at* POA00536026 – POA00536028.

25. Memorandum, Estimating Methodology, Detroit Tax Forecast, *available at* POA00535987 – POA00535993, POA00707083 – POA00707088.

26. Memorandum, Long-Term Projections Discussion Items, *available at* POA00275657 – POA00275660.

27. Memorandum, Property Tax, *available at* POA00275537.

28. Memorandum, Property Tax Revenue Methodology—High-Level (May 21, 2014), *available at* POA00707089 – POA00707090.

29. Michigan Association of Realtors, Detroit Board of Realtors Residential Sales Statistics, 1995, 1998, 2001-2013, *available at* POA00275527 *and* http://www.mirealtors.com/Housing-Statistics.

30. Michigan Compiled Laws § 211.27a(1).

31. Michigan Constitution, Article 9, §§ 3, 10.

32. Michigan Public Act 246 of 2003.

33. Michigan State Tax Commission, Taxable Valuation (2000-2012), *available at* http://www.michigan.gov/treasury/0,1607,7-121-1751_2228_21957_45819---,00.html.

34. Michigan State Tax Commission, Assessed & Equalized Valuation (2000-2012), *available at* http://www.michigan.gov/treasury/0,1607,7-121-1751_2228_21957_45818---,00.html.

35. Miller Canfield, Office Memorandum, Real Property Tax Collection and Enforcement in the City of Detroit (Apr. 23, 2014), *available at* POA00252071 –POA00252086.

36. Office of Revenue and Tax Analysis, Michigan Department of Treasury, *2012/2013 Millage Rate Comparison – County and Local Unit Report* (Apr. 29, 2014), *available at* http://www.michigan.gov/documents/taxes/20122013LocalUnitMilllageReport_20140429_454855_7.pdf.

37. Office of Revenue and Tax Analysis, Michigan Department of Treasury, *Michigan Sales Tax, Constitutional Revenue Sharing and City of Detroit Revenue Sharing Projections to FY2025*, *available at* POA00629605 – POA00629606.

38. Office of the Wayne County Treasurer, City of Detroit, Revolving Fund Net Payment Summary, FY 2005-FY 2013, *available at* POA00275534 *and* POA00706429 –POA706438.

39. Plante Moran, *Michigan Personal Property Tax Changes* (Mar. 2014), *available at* POA00629649 –POA00629650.

40. Rebecca Ross, *Consensus Revenue Estimating: The Process*, Fiscal Forum (Apr. 2001), *available at* http://www.house.mi.gov/hfa/Archives/PDF/consens.pdf.

41. Report of Gaurav Malhotra.

42. Report of Robert Cline.

43. Southeast Michigan Council of Governments, Forecasts for Population and Employment Change, Scenario 1a (2012), *available at* POA00225109.

44. U.S. Bureau of the Census, Building Permits Survey for Wayne County, Michigan (1998-2013), *available at* POA00275527 *and* http://www.census.gov/construction/bps/.

45. U.S. Bureau of Census, Housing Starts for Wayne County (1998-2012), *available at* POA00275527 *and* http://www.census.gov/construction/bps/.

46. U.S. Census Bureau, *Statistical Abstract of the United States: 2012*, Table 20: Large Metropolitan Statistical Areas—Population: 1990 to 2010, *available at* http://www.census.gov/prod/2011pubs/12statab/pop.pdf.

47. William H. Frey, *Population Growth in Metro America Since 1980: Putting the Volatile 2000s in Perspective*, Metropolitan Policy Program at Brookings (Mar. 2012), *available at* http://www.brookings.edu/~/media/research/files/papers/2012/3/20%20population%20frey/0320_population_frey.pdf.

EXHIBIT C

Caroline M. Sallee

Ernst & Young, LLP Phone: 312-879-4443
Quantitative Economics and Statistics caroline.sallee@ey.com

EDUCATION

University of Michigan Ann Arbor, MI
Gerald R. Ford School of Public Policy, Master of Public Policy, April 2005
Coursework: Advanced Microeconomics, Macroeconomics, Public Finance, Econometrics, Valuation

Augustana College Rock Island, IL
Bachelor of Arts in Economics and History, May 2002
Honors: Summa cum laude, Phi Beta Kappa

WORK EXPERIENCE

Ernst & Young LLP, August 2012 – Present Chicago, IL
Manager, Quantitative Economics & Statistics (QUEST)

- Manages projects involving economic impact analyses for public and private sector clients. Uses IMPLAN and REMI to model the direct, indirect, and induced impacts of proposed capital expenditures and current operations.
- Manages tax policy projects. Works with public and private sector clients, trade associations, and business coalitions to develop and analyze regulatory and tax policy changes, and tax forecasting.
- Works with clients to analyze the public rates of return on investments in state economic development and workforce programs. Oversees staff work on these projects.
- Author of Ernst & Young's annual *50-State Total State and Local Business Taxes* study published with the Council On State Taxation in 2013.

Anderson Economic Group, LLC, June 2005 – July 2012 Chicago, IL
Director of Public Policy and Economic Analysis, September 2010-Present

- Managed the practice area, which included creating and following a business plan for the practice area, hiring, overseeing all project staffing and reports released, and completing monthly invoicing.
- Obtained business for the practice area, which included responding to "Request for Proposals," writing engagement letters, meeting with prospective clients, and interviewing for projects.
- Served as project manager for economic impact, fiscal impact, tax policy, and health care finance reports for public and private clients. Tasks performed as project manager include: preparing contract, managing project budget, supervising staff work, preparing analysis, writing report, and presenting findings to client.
- Developed economic models using Excel and Stata.
- Served on company's Management Advisory Council, which advised CEO on management and policy issues.
- Discussed report findings with press, including radio and television interviews.

Consultant, July 2007-2010
Senior Analyst, June 2005-2007

Government Accountability Office, May - August 2004 Washington, DC
Summer Intern in Education, Workforce, and Income Security Team

- Wrote a section of the GAO's report to Congress that evaluated the U.S. Commission on Civil Rights' management practices and compliance with the Government Performance and Results Act.
- Analyzed data for a final report to Congress on the presence and display of social security numbers in public documents.

Hábitus: Investigación de Mercados y Opinión, January - July, 2003 Quito, Ecuador
Market Analyst

- Created market research presentations for companies including Coca-Cola and Bell South.
- Analyzed survey data and designed presentations for clients.

Congressman Bill Luther's District Office, August - December, 2002 Woodbury, MN
Citizen Services Representative

- Managed outreach project that entailed sending three detailed legislative letters to 1500 households each week.
- Composed press releases and Letters to the Editor that appeared in local papers on behalf of Congressman.

PUBLISHED REPORTS

Public reports with Ernst & Young, LLP

"Total state and local business taxes: State-by-state estimates for fiscal year 2012," with Andrew Phillips, Robert Cline, Michelle Klassen and Daniel Sufranski, July 2013.

Public reports with Anderson Economic Group, LLC

"Review of Kentucky's Economic Development Incentives,' with Jason Horwitz, Alex Rosaen, and Colby Spencer, 2012.
"Benchmarking Michigan's URC," with Erin Grover and Colby Spencer, 2012.
"The URC's Contributions to Automotive Innovation," with Alex Rosaen and Erin Grover, 2012.
"Economic Benefits Study: Contributions of CVS Caremark to Michigan's Economy," with Jason Horwitz, 2012.
"Life Sciences Industry in Michigan and the University Research Corridor," with Hillary Doe and Patrick Anderson, 2009.
"The Role of MQC3 and Home Help," 2011.
"The URC's Support for Information and Communication Technology in Michigan," with Erin Agemy, 2011.
"University Research Corridor Annual Report, with Patrick Anderson, 2011.
"The Economic Impact of Argonne National Laboratory," with Scott Watkins and Alex Rosaen, 2011.
"The Economic Impact of Fermi National Accelerator Laboratory," with Scott Watkins and Alex Rosaen, 2011.
"Costs and Benefits of Investing in Mental Health Services in Michigan," with Erin Agemy, 2011.
"Building a New Bridge in Detroit: A Study Evaluating the Options" with Colby Spencer and Alex Rosaen, September 2011.
"Dollars and Sense: How State and Local Governments in Michigan Spend Your Money," January 2011.
"Research and Development in the URC," with Erin Agemy, 2010. "The URC's Support for Advanced Manufacturing in Michigan," with Erin Agemy and Alex Rosaen, 2010.
"Empowering Michigan: Fourth Annual Economic Impact Report of Michigan's University Research Corridor," with Patrick Anderson, 2010.
"Preliminary Report: Life Sciences Industry in Michigan and the University Research Corridor," with Hilary Doe and Patrick Anderson, 2009.
"Michigan's University Research Corridor: Third Annual Economic Impact Report," with Patrick Anderson, 2009.
"2008 State Business Tax Burden Rankings," with Patrick Anderson, 2009.
"Economic Benefits of the Earned Income Tax Credit in Michigan," 2009.
"A Hand up for Michigan Workers: Michigan's State Earned Income Tax Credit," with Patrick Anderson and Alex Rosaen, 2008.
"Economic Impact of Proposed MSU Facility for Rare Isotope Beams (FRIB)," with Patrick Anderson, 2008.
"Preliminary Report: Alternative Energy Research and Development in the URC," with Rebecca Cohen and Patrick Anderson, 2008.
"Michigan's University Research Corridor: Second Annual Economic Impact Report," with Patrick Anderson, 2008
"Tax Burden and Distribution of Stimulus Payments," with Patrick Anderson, 2008
"2007 State Business Tax Burden Rankings," with Patrick Anderson, April 2008.
"Economic and Fiscal Impact of LaSalle Bank Acquisition," with Alex Rosaen, Darci Keyes, and Tim Mahon, 2007.
"Business Tax Burdens in Illinois" with Tim Mahon, June 2007.
"Michigan's University Research Corridor: First Annual Economic Impact Report," with Patrick Anderson, 2007.
"Economic Impact of Big Ten Football Games in Michigan, with Scott Watkins and Patrick Anderson, 2007.
"Economic Impact of Michigan State University, with Alex Rosaen and Patrick Anderson, 2007.
"Role of Blue Cross in Michigan's Health Insurance Market," with Darci Keyes and Patrick Anderson, 2007. "Benchmarking for Success: A Comparison of State Infrastructure," with Patrick Anderson, December 2006.
"Benchmarking for Success: Education Performance Among the States," with Scott Watkins and Patrick Anderson, September 2006.
"Benchmarking for Success: A Comparison of State Business Taxes," with Patrick Anderson, August 2006.
"Costs and Benefits of a Wage Increase for Home Help Workers," with Alex Rosaen, 2006.
"Review of the Proposed K-16 Initiated Law," with Alex Rosaen and Patrick Anderson, 2006.
"Automation Alley Annual Technology Industry Report: Driving Southeast Michigan Forward," with Scott Watkins, 2006.
"North-Central West Virginia's Technology Industry: A Pathway Through the 21st Century," with Scott Watkins, 2006
"Likely Impact of Delphi Bankruptcy," AEG Working Paper, with Ilhan Geckil and Patrick Anderson, 2005.

SELECT PRESENTATIONS

"Common Sense Reforms for a New Michigan," leadership summit presentation on "2011 Citizen's Guide to Michigan's Financial Health" with Michigan Governor Rick Snyder, January 2011.

"Review of Kentucky's Economic Development Incentive Programs," presentation to the Kentucky Interim Joint Committee on Economic Development and Tourism with Jason Horwitz, July 19, 2012.

Exhibit 6D

Excerpts of July 14, 2014 R. Cline Deposition Transcript

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

In Re:) Chapter 9
CITY of DETROIT, MICHIGAN,) Case No. 13-53846
Debtor.) Hon. Steven Rhodes

The Videotaped Deposition of ROBERT CLINE,
Taken at Jones Day
51 Louisiana Avenue, NW
Washington, DC
Commencing at 9:05 a.m.
Monday July 14, 2014,
Before Marjorie Peters, RMR, CRR

APPEARANCES:
For the Debtor City of Detroit and the witness:
GEOFFREY S. STEWART, ESQ.,
SARAH A. HUNGER, ESQ.,
CHRISTOPHER DiPOMPEO, ESQ.
JONES DAY
51 Louisiana Avenue, N.W.
Washington, D.C. 20001-2113

For the Official Committee of Retirees:
DAN BARNOWSKI, ESQ.
DENTONS US, LLP
1301 K Street, N.W.
Suite 600, East Tower
Washington, D.C. 20005-3364

For Syncora Guarantee, Inc., and Syncora Capital Assurance, Inc.

DOUGLAS G. SMITH, P.C.
KIRKLAND & ELLIS, LLP
300 North LaSalle
Chicago, Illinois 60654

For Creditor Assured Guaranty:
LISA SCHAPIRA, ESQ.
CHADBOURNE & PARKE, LLP
30 Rockefeller Plaza
New York, New York 10112

For Creditor National Public Finance Guarantee Corp.

JEFFREY S. BEELAERT, ESQ.
SIDLEY AUSTIN, LLP
1501 K Street, N.W.
Washington D.C. 20005

For Creditor Financial Guaranty Insurance Company:
PRAVIN R. PATEL, ESQ.
WEIL GOTSHAL & MANGES, LLP
1395 Brickell Avenue
Suite 1200
Miami, Florida 33131

Also Appearing:
Jonathan Perry, Videographer
Marguerette Hosbach, Ernst & Young, via telephone

I N D E X

R. CLINE

THE VIDEOGRAPHER: This is disk number one of the video deposition of Robert Cline taken in the matter of the City of Detroit, Michigan in the U.S. Bankruptcy Court for the Eastern District of Michigan. Chapter 9, Case No. 13-53846.

We are at the offices of Jones Day, 51 Louisiana Avenue Northwest, Washington, D.C. The time is approximately 9:04 a.m. The date is July 14th, 2014. The court reporter is Marjorie Peters and the videographer is Jonathan Perry, both here on behalf of Elisa Dreier Reporting Company.

Would counsel please introduce yourselves and state whom you represent.

MR. SMITH: Doug Smith for Syncora.

MR. STEWART: Geoffrey Stewart and Sarah Hunger of Jones Day for the City of Detroit and for the witness.

MS. SCHAPIRA: Lisa Schapira from Chadbourne & Parke for Assured Guaranty.

MR. BEELAERT: Jeff Beelaert from Sidley Austin for National.

MR. PATEL: Pravin R. Patel from Weil Gotshal & Manges representing Financial Guaranty Insurance Company.

R. CLINE

THE VIDEOGRAPHER: And would the reporter swear in the witness, please.

ROBERT CLINE,

a witness, having been first duly sworn, was examined and testified as follows:

BY MR. SMITH:

Q. Good morning, Mr. Cline. You have been deposed before; is that correct, or not?

A. I have testified in a court case before.

Q. Okay. Have you ever given a deposition?

A. I don't remember. I have prepared reports. I don't remember whether I actually participated in this type of deposition.

Q. Okay. I'll be asking you a series of questions, and you will let me know if you don't understand any of my questions?

A. I will.

Q. Okay. And feel free to take a break whenever you need to, okay?

A. All right.

Q. The report you filed, your report in this matter, you're acting as an expert in tax policy; is that correct?

A. My responsibility in this project was to do

R. CLINE

revenue estimates for the City of Detroit.

Q. Okay. And what is your area of expertise?

A. For my professional career, I've worked in public finance, the economic aspects of public finance.

Q. Okay. So, you would be an expert in public finance and the economic aspects of public finance; is that correct?

A. My professional career has been doing state tax work, whether it's revenue estimating, tax bill analysis or forecasting.

Q. Okay. You wouldn't hold yourself out as an expert in urban policy, correct?

A. I would not.

Q. And you wouldn't hold yourself as an expert on health benefits?

A. I would not.

Q. You're not an expert on government in general?

A. I'm not.

Q. You're not an expert on blight reduction?

A. No, I'm not.

Q. Not an expert on art valuation?

A. No.

Q. Not an expert on pensions?

A. No.

R. CLINE

Q. Not an expert on government grants?

A. No.

Q. Do you hold yourself out as an expert on casinos or wagering revenue?

A. I do not.

Q. Do you hold yourself out as an expert on state revenue sharing?

A. I've studied state revenue sharing.

Q. In what context?

A. The State of Michigan, I was responsible for various revenue estimates.

Q. And other than that, do you have any experience with state revenue sharing?

A. I do not.

Q. You're not an expert on Detroit's government, correct?

A. I am not.

Q. Not an expert on information technology?

A. No.

Q. Not an expert on transportation systems.

A. No.

Q. Have you ever done forecasting for a city?

A. I have not done forecasting for a city.

Q. And you're not an expert in accounting, are

R. CLINE

you?

A. I am not.

Q. You're not an expert on Chapter 9 bankruptcies?

A. No, I'm not.

Q. You're not a restructuring expert, correct?

A. No.

Q. You're not holding yourself out as a legal expert, correct?

A. No, I'm not.

Q. And you're not a lawyer, correct?

A. I am not.

Q. Have you ever done a tax forecast for a wagering tax before?

A. No, I have not.

Q. And have you ever done a tax forecast for a corporate tax?

A. I have for the State of Michigan, and I did for the State of Minnesota.

Q. Okay. But in the context of corporate tax revenues to a city, you haven't done a forecast?

A. I have not.

Q. You haven't done a municipal income tax forecast before, have you?

R. CLINE

A. I have not.

Q. You haven't done a municipal property tax forecast, have you?

A. I have not.

Q. Have you ever done a tax forecast over a period of -- as long as ten years?

A. I have not.

Q. Okay. Typically, what was the length of time of the forecasts you have done previously?

A. The forecasts were usually tied to the budget cycle, determined by the legislature. You might go out four to six years.

Q. Okay. So, the standard forecast length that Michigan used was four to six years?

A. I would say it was four, in Michigan.

Q. Okay. So, the generally accepted standard length of a forecast in Michigan was four years?

A. That was the forecast tied to the budget cycle. You would do forecasts longer term for other types of projects.

Q. Okay. So, and the longest term forecast you ever performed in the ordinary course of your work as a forecaster was six years; is that correct?

A. I might have done forecasts that went beyond

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that. I don't recall.

Q. Okay. But sitting here today, you can't identify any forecasts you ever did that was longer than six years?

A. I do not remember one.

Q. And I mean, just to get -- make the record clear, the standard forecast for purposes of tax forecasting in Michigan state was four years; is that correct?

A. I believe it is. The budget cycle would be either two years or four years of forecasts.

Q. Okay. So, the standard forecast length in Michigan and the accepted forecast length for tax forecasting is either two or four years; correct?

A. Correct.

Q. And you previously worked as an expert in one case; is that correct?

A. I did.

Q. And is that the only case you worked as an expert?

A. As I can recall, that was the only case where I testified as an expert.

Q. And when you testified as an expert, it wasn't in forecasting, correct?

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A. It was not.

Q. When did you begin your work for Detroit?

A. It would have been in the spring, I believe, of 2013.

Q. Your work in this case, you have prepared some expert opinions for the confirmation hearing, correct?

A. I have -- I don't understand the question.

Q. Okay. Well, you know you filed an expert report.

A. Correct.

Q. You know that, right?

A. Correct.

Q. And you're acting as an expert who is going to testify at the confirmation hearing?

A. I understand that, yes.

Q. Okay. And I'm just wondering, other than your work as an expert in the testimony you're going to give at the confirmation hearing, have you done any other work for the City of Detroit?

A. If you could clarify that question. Are you referring to all of the work I have done as an EY employee for the City of Detroit?

Q. Well, yes. Basically, what I'm trying to figure out is I have a copy of your expert report, and

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you've talked about your forecasting work that you have done in order to provide expert opinions in this case. So, I have seen that already, and I'm just trying to understand whether you did any other work for the --

A. No.

Q. -- City of Detroit.

A. No. The work that we did was the forecasting, 10-year forecasts for the City of Detroit, plus an extension beyond that period.

Q. Okay. So all of the work that you've done for the City of Detroit is reflected in your expert report that --

MR. STEWART: Objection.

MR. SMITH: -- that you've provided, correct?

THE WITNESS: There is a very extensive amount of material that lies behind those summary numbers.

BY MR. SMITH:

Q. Okay. Well, let me rephrase the question, then. All of the work that you've done for the City of Detroit is reflected in your expert report or the

R. CLINE

supporting materials that you produced with it, correct?

MR. STEWART: Objection.

THE WITNESS: I don't believe that's correct.

BY MR. SMITH:

Q. Okay. What materials haven't we been provided that reflect your work?

A. I don't know the answer to that question.

Q. Well, I'm trying to -- you just told me that you have prepared some materials, right? I'm trying to figure out if we have got them all. That's a fair question, right?

MR. STEWART: So, what's the question?

MR. SMITH: The question is, have we been provided all of the materials that reflect your work in this case.

THE WITNESS: I don't know the answer to that question.

BY MR. SMITH:

Q. Okay. So, you can't represent to the Court that we've been provided a complete set of the materials --

A. I cannot personally represent that.

Q. But just to clarify, the only work that you've

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done for the City of Detroit relates to offering expert opinions in this case; is that fair?

MR. STEWART: Objection.

THE WITNESS: I don't think that's an accurate description.

BY MR. SMITH:

Q. Well, the only work you've done in this case relates to doing the forecasting work that's the subject of your expert opinions in this case; correct?

A. What we were asked to do is to provide a 10-year forecast of expected revenues from the major tax sources for the City of Detroit.

Q. And the reason you were asked to provide that was for purposes of a confirmation hearing and you're testifying as an expert, correct?

A. I don't think that's an accurate description.

Q. What other purpose is that forecast being used for; any other purpose?

A. To my knowledge, it's been part of the budgetary discussions for the City of Detroit.

Q. So, you've done some forecasting work that the results of which are reflected in your expert report that the City has also used for budgetary purposes; is that fair?

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MR. STEWART: Objection.

THE WITNESS: I do not know how the information that we have provided has been used. It's beyond my knowledge.

BY MR. SMITH:

Q. Okay. So, the only thing you know is that you've provided expert opinions reflected in your expert report, and that's the work you've done for the City of Detroit?

MR. STEWART: Objection.

BY MR. SMITH:

Q. Correct?

A. We prepared revenue estimates over a 10-year period for the City of Detroit.

Q. Okay. And that's the only work you've done for the City of Detroit, correct?

A. That has been my responsibility in this.

Q. Okay. And your forecasting work that you just referenced is reflected in your expert report?

A. It is a summary of the results of the work we did.

Q. Okay. You weren't involved in putting together forecasts for use with the creditor proposal?

A. Not to my knowledge.

R. CLINE

Q. Did you know if there was anybody else at Ernst & Young who worked on tax issues for purposes of the creditor proposal?
A. Not to my knowledge.
Q. And do you know if the City has sought out experts other than yourself to testify in the area of taxes?
A. I am not familiar with anyone else.
Q. Did you personally calculate the numbers that are in your expert report, or did someone else do the actual, you know, number calculations that are reflected?
A. My responsibility was to construct the general framework of the estimating model and to evaluate the results at each step of the way.
Q. Okay. So, you didn't do the actual calculations that are reflected in your expert report; is that fair?
A. I do have a staff with -- several staff members who worked on the actual estimation.
Q. How many staff members assisted you in your --
A. I would say --
Q. -- in developing your expert opinions?
A. -- we may have three staff members in addition to myself.

R. CLINE

Q. Who are those --
MR. STEWART: And you have to let him finish his question and then pause so I can object before you start your answer, or you end up talking over each other which complicates the reporter's job.
BY MR. SMITH:
Q. Who are the staff members that assisted in formulating your expert opinions?
A. Caroline Sallee and Katie Ballard. Those were the two principal people.
Q. And so it's fair to say that you didn't personally calculate the numbers in your report; it was people on your staff, correct?
A. Could you define "calculate" for me.
Q. Well, there are numbers that are plugged into the model, right, and then out pops some results, right?
MR. STEWART: Objection.
BY MR. SMITH:
Q. And I'm wondering, did you actually do any of the computations that are reflected in your expert report?
MR. STEWART: That's a compound question. Which one do you want answered?

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MR. SMITH: Okay.
BY MR. SMITH:
Q. Did you do the calculations in your expert report or did staff members do them?
A. I would say staff members constructed the mechanics of the model.
Q. Okay. And you haven't -- have you ever constructed the mechanics of a forecasting model before?
A. I have.
Q. But you didn't do it in this case; correct?
A. I don't think that's an accurate summary.
Q. Well, I'm trying to get at who did the actual computations in your report?
A. I worked very closely with my staff at all phases of the estimation process.
Q. Okay, but did you actually personally do the computations that appear in the report?
A. I personally reviewed each of the spreadsheets that were used to do the calculations.
Q. And who actually created the spreadsheets that did the calculations that appear in your report?
A. Under my direction, my staff constructed the individual spreadsheets.
Q. Ever forecast inflation rates before?

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A. I have.
Q. Have you ever forecasted municipal population levels before?
A. I have not.
Q. Have you ever forecast population levels of individuals commuting into a city to do work?
A. I have not.
Q. You never forecast population levels of individuals living inside a city but working outside of it?
A. I have not.
Q. Have you ever done any economic forecasting to assess income levels?
A. I don't understand the question.
Q. Have you ever forecasted income levels of a population over time?
A. What do you mean by income levels?
Q. Well, the levels -- there's a population of working people, and they're receiving income from doing work. Have you ever forecast what their income will be in the future?
A. As tax research director, I was responsible for forecasting taxable income for taxpayers.
Q. The State of Michigan, when you worked there,

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they don't do any forecasting for the City of Detroit, do they?

A. Not that I know of.

Q. Ever forecast a city employment growth rate?

A. No, I have not.

Q. Ever forecast wage growth rate in a city?

A. Do you mean prior to the Detroit project?

Q. Prior, yes.

A. No, I have not.

Q. But you're doing that in your report here; is that fair?

A. It is part of the analysis that we did.

Q. Ever forecast income tax rates for a city?

A. No, I have not.

Q. Ever forecast corporate tax rates for a city?

A. No, I have not.

Q. Ever forecast property tax rates for a city?

A. I may have done some local work in Michigan for a city related to property taxes.

Q. Which city was that?

A. Holland, Michigan.

Q. And what work did you do?

A. I was a member of the public school board. I may have looked at property tax forecasts for the school

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district.

Q. Okay. But you didn't do any --

MR. STEWART: You've got to let him finish his answer before you ask your next question. He had not really finished.

MR. SMITH: Okay. You didn't do any kind of forecasting when you're sitting on the school board in Holland, Michigan?

THE WITNESS: I reviewed the forecast prepared by the school district.

BY MR. SMITH:

Q. Do you agree that wage earning tax revenue depends on a number of factors?

A. Yes, I would agree with that.

Q. Would it depend on the level of gambling, the level of revenue at the casinos and the wagering tax rate?

A. Yes.

Q. Any other factors that might influence the wagering tax?

A. I believe you accurately described the calculation of the tax revenue figure.

Q. Would it be fair to say that the utility tax revenues also depend on a number of factors?

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A. They do.

Q. And among the factors that could influence utility tax rates are use of the utility, the rate of collection of the taxes, the general economic conditions, correct?

A. Correct.

Q. Anything else you can think of?

A. I think those would be key drivers.

Q. But do you -- can you think of other key drivers?

A. I have no others.

Q. Have you ever forecast a utility tax revenue before?

A. I may have as part of the budget for either Michigan or Minnesota; I don't recall.

Q. Okay. But a municipal utility tax, have you ever forecast that?

A. No, I have not.

Q. I wanted to ask you about some of the inputs from your model. There are various inputs that you use in your model to do your forecasting, correct?

A. Correct.

Q. And many of the inputs that you use in your model are inputs that you've taken from other people, or

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other sources, correct?

A. Some of them did come from other sources.

Q. And what are some of the expert sources that you're relying on for inputs in your model?

MR. STEWART: Objection.

THE WITNESS: We used a number of sources as input to the model and in determining the parameters of the model.

BY MR. SMITH:

Q. And for example, you use expert -- some materials from expert economists at Michigan to --

A. We used the latest -- at that point in time, the latest available statewide forecast from the research seminar in quantitative economics and consensus forecast for the State.

Q. And those are forecasts that are created by experts other than yourself?

A. They're created by economists that work for the State of Michigan, or --

Q. And --

A. -- or are working with the State of Michigan.

Q. And are there any other sources that you're relying on that are created by experts other than yourself?

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MR. STEWART: Objection.

THE WITNESS: I'm not sure I understand what you mean.

BY MR. SMITH:

Q. Well, I mean, here's another example. You're relying on the forecasts that have been created in this case for the City of Detroit by experts other than yourself, such as Mr. Malhotra, correct?

MR. STEWART: Objection.

THE WITNESS: The economic forecast I was referring to was created for the State of Michigan.

BY MR. SMITH:

Q. No, I know. I'm just trying to found out what sources you've used. That's one source, correct?

A. Correct.

Q. Another thing that you say in your expert report that you're relying on is Mr. Malhotra's forecast for the City of Detroit. Do you recall that?

A. I don't recall saying that in the report.

Q. Did you write your report?

A. I did work with...

Q. Why is your report written in the third person talking about Mr. Cline all the time?

A. I'm not sure.

R. CLINE

Q. The Michigan employment growth rate; did you create that input to your model, or did you derive that from somebody else?

A. It was a combination of beginning with the forecast, the consensus forecast for the State of Michigan. For the out years when that forecast was not available, EY provided the forecast.

Q. When you say EY provided the forecast, who provided it?

A. My shop.

Q. The ratio of Detroit employment to Michigan employment, who provided that number?

A. I believe we calculated that number.

Q. The lag of Detroit's recovery behind the Michigan recovery; who calculated that?

A. I believe that was part of our analysis.

Q. The Detroit population growth rate; where did that come from?

A. I believe it originally came from SEMCOG as reported in -- I believe it's Detroit City -- Detroit First City Organization that has done economic analysis of the City.

Q. Did you rely on information from the City of Detroit for your analysis?

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A. We did receive information from the City of Detroit.

Q. And what information did you rely on from the City?

A. We relied upon their actual tax collection information, and their update of the flow of revenue collections.

Q. And you're aware that there have been a number of independent experts who have criticized the City of Detroit's recordkeeping as unreliable, correct?

MR. STEWART: Objection.

THE WITNESS: I'm not aware of that.

BY MR. SMITH:

Q. Have you done any investigation to look into assessments of the City of Detroit's recordkeeping?

A. No.

Q. So, you haven't done any analysis or testing to ensure the reliability of the information you were provided from the City of Detroit for your model?

MR. STEWART: Objection.

THE WITNESS: We worked very closely with the City of Detroit to clarify and understand the information that was provided to us.

BY MR. SMITH:

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Q. But you didn't do any independent analysis or testing to verify the accuracy of the information provided to you by the City, correct?

A. I did not.

Q. And nobody on your team did, correct, as far as you're aware?

A. Not that I know of.

Q. The -- did you rely on information provided by Conway & MacKenzie?

A. Not to my knowledge.

Q. Were there any consultants for the City that you relied on for information for your analysis?

A. Beyond the EY team?

Q. Yeah. Beyond the EY team.

A. Not that I know of.

Q. Who on the EY team did you rely on for information for your analysis?

A. A number of folks in working with the City of Detroit.

Q. Like who?

A. Gaurav was our primary contact.

Q. And Mr. Malhotra?

A. Mr. Malhotra.

Q. Anybody else?

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A. There were others.

Q. And who were the others?

A. I don't have a full list of names.

Q. Would it be fair to say that you've relied on information from a number of people whose identities are unknown to you?

MR. STEWART: Objection.

THE WITNESS: I would not agree with that statement.

BY MR. SMITH:

Q. Okay. Can you -- other than Mr. Malhotra, you -- there's other people, and can you identify any of them?

A. I would have to get that list of names for you.

Q. Okay. So, sitting here today, you can't identify all of the people who you relied on for information for your model, correct?

MR. STEWART: Objection.

THE WITNESS: No, I cannot.

BY MR. SMITH:

Q. And in general, you didn't do anything to independently verify the accuracy or reliability of the information you were provided by other people for your

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forecasting models, correct?

A. We evaluated all of the information we were provided to see if we thought it was reliable in the sense that it looked consistent over time, there weren't unexplained differences. We looked carefully at all of the information that's provided to us.

Q. But you didn't do any independent testing or analysis to go back and actually check or audit the information you were provided in order to ensure that it was reliable, correct?

MR. STEWART: Objection.

THE WITNESS: We were not asked to audit figures for the analysis.

BY MR. SMITH:

Q. And so, you didn't do it, correct?

A. As I mentioned, we carefully reviewed all of the information that we were given before we plugged it into the model.

Q. Okay. I understand you reviewed information, but you didn't go back and check the information against the sources of the information to ensure that it was reliably reported before you plugged it into your model, correct?

MR. STEWART: Objection.

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THE WITNESS: I'm not sure what that process would look like.

BY MR. SMITH:

Q. Well, for example, you didn't go back and look at records -- well, how many hours did you spend on your work in this case?

A. I do not know what the total is.

Q. Can you give me a ballpark?

A. I really cannot.

Q. Was it more than 100 hours?

A. As I say, I do not know what the exact number of hours is.

Q. Would it be fair to say that there were a number of individuals who were not designated as experts, haven't submitted an expert report in this case, whose opinions you relied on as inputs to your model?

A. I don't understand what the word "expert" means.

Q. Well, you understand that there's some people that have submitted expert reports, like Mr. Malhotra, Miss Sallee, correct?

A. Yes, I understand that they did submit reports.

Q. Okay. And by "expert," I'm talking about the

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people that submitted reports in this case --

A. Yes.

Q. -- for the City.

A. I'm aware of those reports.

Q. Okay. So, we're on the same page about how I'm using the term expert, correct?

A. I believe that I do understand.

Q. But there were a number of individuals who were not submitting reports in this case who you relied on for your analysis, correct?

A. There are a number of people who provided us inputs for our analysis, including people at the State level as well as the City level.

Q. And those are experts in their fields, but they're not people who have submitted expert reports in this case, correct?

MR. STEWART: Objection.

THE WITNESS: I don't know -- excuse me.

MR. STEWART: Go ahead.

THE WITNESS: I don't know what "expert" means in that context.

BY MR. SMITH:

Q. Did you cooperate closely with people from the State in developing your analysis?

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information as we could.

Q. So, the answer is yes, correct?

MR. STEWART: Objection.

THE WITNESS: We did use input from other people in doing our analysis.

BY MR. SMITH:

Q. And you used input from people that have expertise that you lack in doing your analysis, correct?

MR. STEWART: Objection.

BY MR. SMITH:

Q. Such as people from the City, correct?

A. For example, we talked to people at the City to find out what current revenue collections were, which we did not have direct access to.

Q. Okay. So, you did rely on individuals who have expertise that you lack in performing your analysis, correct?

A. We used other people as sources of information that we used in our revenue forecasts.

Q. And that included people who have expertise that you lack.

MR. STEWART: Objection.

MR. SMITH: Correct?

THE WITNESS: Again, I'm not sure what you mean by "expertise."

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BY MR. SMITH:

Q. Well, you're not an expert on the City of Detroit for example, right? We talked about that, right? Do you recall that? You can't answer whether you recall?

MR. STEWART: Don't badger the witness.

MR. SMITH: I'm not badgering.

MR. STEWART: You are, too.

MR. SMITH: I'm waiting for an answer.

MR. STEWART: Well, no, you're badgering the witness. And that actually wasn't the question you asked before. He has every right to be confused when you said it had already been covered. That's a misstatement of the record.

MR. SMITH: The record will speak for itself.

BY MR. SMITH:

Q. But it's fair to say that you had to rely on -- this is a massive -- you would agree with me that this is a massive undertaking, the forecasting of tax revenues for the City, correct?

A. It is a complicated analysis that we did.

Q. And forecasting in general, all of the revenues and costs for the City, the forecasts that

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Mr. Malhotra is doing, that's an even more complex task with a lot of moving parts, correct?

A. I'm not sure I have a judgment about the level of complexity of the expenditure side because we were not doing that analysis.

Q. Okay. But your analysis gets plugged into Mr. Malhotra's analysis, correct?

A. It's my understanding that that is how it was -- the product of our analysis was used.

Q. Okay. And in order to perform the analysis, you needed to rely on numerous people other than yourself; correct?

MR. STEWART: Objection.

THE WITNESS: We relied upon information provided to us by other people.

BY MR. SMITH:

Q. And you relied on information provided to you by other people who have expertise that you lack, correct?

MR. STEWART: Objection. Is this the sixth time, eighth time you've asked that question, Mr. Smith?

THE WITNESS: And I'm still a little confused by what you mean by "expertise."

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BY MR. SMITH:

Q. Okay. Well, experts can have different kinds of expertise, correct?

A. I don't understand the general concept of "expert" and "expertise."

Q. Okay. So, even though you're holding yourself out as an expert in this case, you don't understand what an expert is, correct?

A. I'm not holding myself out to be an expert. I am -- was responsible for the revenue forecasts that we prepared for the City of Detroit.

Q. So, you're not holding yourself out as an expert on revenue forecasting, correct?

A. I have extensive experience in revenue forecasting at the State level. We did the revenue forecasts for the City of Detroit.

Q. You wouldn't call yourself an expert on revenue forecasting, correct?

A. Again, I have trouble with the term "expert."

Q. And so, the answer is you wouldn't use that term to describe yourself, correct?

A. I don't know what you mean by the term "expert."

Q. Okay. So, you wouldn't -- you wouldn't call

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anybody involved for the City an expert in this case; it's not a term you would use, correct?

A. I don't understand what you mean by the term "expert."

Q. Okay. Well, what do you -- have you ever used the term "expert" before?

A. I can't relate that to the questions you've been asking me.

Q. Can you define "expert" for me?

A. No.

Q. And so, because you can't define the term "expert," you certainly wouldn't hold yourself out as an expert in this case, correct?

MR. STEWART: Objection.

MR. SMITH: Correct? Are you going to answer the question?

MR. STEWART: If you are going to gesture at the witness, I'd like the camera to start capturing Mr. Smith's arms' motions.

MR. SMITH: I object. The camera should stay on the witness.

MR. STEWART: Well, if are you going to gesture like that.

MR. SMITH: I'm waiting for an answer.

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We're sitting here waiting for a long time. There's delaying tactics going on and he's not responding to the questions.

MR. STEWART: The fact of the matter is you're asking very poor questions and it's your own fault. Let's repeat the question and the witness can answer -- or have the question.

MR. SMITH: You wouldn't call yourself --

MR. STEWART: Go ahead.

BY MR. SMITH:

Q. You wouldn't call yourself an expert in this case, correct?

A. I don't know what you mean by the term "expert."

Q. And so, the answer is, no, you wouldn't call yourself one, correct?

A. The answer is: I don't know what you mean by "expert."

Q. Did you rely on reinvestment numbers from Conway & -- oh, wait. I think we covered that question. You have had no interaction with Conway & MacKenzie; is that correct?

A. I don't know if the question -- that is a question, but it sounds like you posed a separate

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question this time.

Q. Have you had any interaction with Conway & MacKenzie?

A. I have been at a presentation with people from those firms.

Q. What presentation was that?

A. I believe it was a presentation to bond holders and bond insurers in New York City.

Q. Other than that, have you had any interaction with Conway & MacKenzie?

A. I have not.

Q. Have there been any formal studies that have been conducted to ascertain whether the City can increase revenues?

A. I am not aware of those studies.

Q. Okay. You're not aware of any study ever being conducted to ascertain whether the City can increase revenues, correct?

A. I assume that you were asking about studies during the period of time when we were doing the analysis of the City of Detroit's revenue outlook.

Q. Or any -- any -- I'm -- I didn't mean to constrain my question to a particular time frame. Are you aware -- you're not aware of any formal studies that

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have been conducted to ascertain whether the City can increase revenues, correct?

A. I am aware of one study, which I actually did myself.

Q. Okay. Other than your expert analysis, you're not aware of any formal studies conducted to ascertain --

A. Not that I looked at.

Q. I'll ask the question so I can finish it, and then you can answer.

MR. STEWART: You do have to give him time to finish.

BY MR. SMITH:

Q. Other than your analysis, you're not aware of any formal studies conducted to ascertain whether the City can increase revenues, correct?

A. I am not.

Q. And you're not aware of any formal studies conducted to ascertain costs that the City conducted -- cut, correct?

A. Do you mean from the expenditure side of the budget?

Q. Yes.

A. I'm not aware of any.

Q. You're not aware of any formal studies

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conducted on Detroit income tax, wagering tax, utility users' tax or corporate tax, correct?
A. I am aware of the forecasts the City of Detroit did for those tax sources.
Q. Is that the forecast that you have done, or is that a different forecast?
A. That would be the forecast prepared as the normal budgetary cycle for the City of Detroit.
Q. All right. Did you perform that, or did somebody else perform that?
A. It was done -- my understanding is it was done by the City.
Q. And the City -- what time period do they use as their standard period for forecasting?
A. I believe they go out two years, might be three, but I believe it's a two-year forecast.
Q. You're not aware of any forecast conducted for the City of Detroit that's longer than three years, correct?
A. I'm not aware of any studies of forecasting tax revenues beyond that period of time.
MR. STEWART: You mean by the City of Detroit not for the City of Detroit, right, Mr. Smith?

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MR. SMITH: No, I mean for.
BY MR. SMITH:
Q. You're not aware of any forecasts for the City of Detroit going out more than three years, whether conducted by the City or any other party, correct?
A. I am not.
MR. STEWART: Excluding his?
MR. SMITH: Yes. We're excluding his.
MR. STEWART: Yeah. That's what I figured. That's why I raised it.
BY MR. SMITH:
Q. Your forecast is anomalous, correct, in terms of the length of time that it goes out, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know what you mean by "anomalous."
BY MR. SMITH:
Q. It means there's no forecast like the one you've conducted here that's ever been conducted for the City of Detroit, correct?
A. I did not say that.
Q. Well, I'm asking you now. There's no forecast like the one you've conducted for the City of Detroit --
A. I don't --

R. CLINE

Q. -- correct, that's ever been done?
A. I don't know if that's correct.
Q. Okay. Sitting here --
MR. STEWART: Do let him finish his question before you answer, because you're making his life harder, too.
BY MR. SMITH:
Q. Sitting here today, you can't identify any forecasts using the type of methodology that you used for the City of Detroit, correct?
A. No, that's not correct.
Q. What forecast has been done for the City that's used the methodology you used?
A. The methodology that we have used is a fairly standard forecasting methodology that's been used extensively in the City of Detroit and for the State of Michigan and in other cities.
Q. Have you reviewed any depositions in this case?
A. I have not, other than my own.
Q. The -- you say that the methodology used is a standard methodology that's been used before, correct?
A. The methodology we used in constructing the forecasting model is based upon my experience as a

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revenue forecaster, and I believe it is fairly standard in terms of how State revenue forecasting is done.
Q. Can you point me to any treatise or other publication that lays out the methodology you've used for forecasting in this case?
A. There are a number of publications, books, and articles that discuss revenue forecasting. I can't give you specific references today.
Q. But is there any book or other written publication that specifically lays out the specific methodology that you've used in this case?
A. The methodology that we used in this case is the methodology that I thought followed as a tax revenue estimator in both the State of Minnesota and the State of Michigan.
Q. Okay. And you were doing forecasting for the State, not cities, correct?
A. Correct.
Q. And you never used -- while you were at the State of Minnesota or the State of Michigan, you never forecast tax revenue out to 10 years, correct?
A. I don't know if that's a correct statement.
Q. Sitting here today, you can't identify any instance when you were at either the State of Minnesota

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or the State of Michigan where you constructed a tax forecast that looked at a period of time as long as 10 years, correct?

A. The tax forecasts that we -- that I have done at the State level, that have been published, have been the forecasts related to the budget cycle, which is determined by the legislature.

Q. And that length of time would be much less than 10 years, correct?

A. It would be.

Q. And there's a model that you used that you plug the numbers into. Where did that actual model come from; is that something you constructed for purposes of this case?

MR. STEWART: Objection.

THE WITNESS: We prepared our revenue estimates using a model of the specific taxes that we looked at that we constructed.

BY MR. SMITH:

Q. For purposes of this litigation, correct?

A. For purposes of making a 10-year forecast for the City of Detroit.

Q. Okay. So, the model that you use in your -- to generate the numbers in your expert report is

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something that you constructed for purposes of your work on -- for the City of Detroit, correct?

A. That is correct.

Q. Did you personally construct that model, or was that somebody on your staff?

A. As I believe I've answered, I was the director of the construction of the model. The calculations, the creation of the revenue estimating formulas was done by my staff.

Q. And so, before you started your work in the spring of 2013, the model that you're using did not exist, correct?

A. Prior to our joining the project, I believe the team in Detroit had created the framework of a 10-year revenue forecasting model.

Q. Okay. Who did that?

A. We got that information from the EY team in Detroit. I'm not sure who put that model together initially.

Q. Okay. So, the model was put together by the time you started your work on the case; is that correct?

A. I don't think that's accurate.

Q. Well, what was put together by the time you started your work on the case?

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A. An Excel spreadsheet had been put together that identified the major revenue sources, and that had done some initial estimates for a 10-year period of time.

Q. And do you know who specifically put that together?

A. I do not.

Q. But you used that spreadsheet, the pre-existing spreadsheet as the basis or at least as a source for your work on the case?

A. It was a starting point for our modeling.

Q. Did you look at the experience in any other cities in developing your forecast?

A. We did at one point.

Q. What other cities did you look at?

A. We looked at the economic recovery in various cities that had suffered population decline over a period of time. I could get you a list of those cities. I believe it was about a dozen separate cities.

Q. In any of the cities that you looked at that had suffered population decline, did anybody file for Chapter 9?

A. I don't know the answer to that.

Q. Sitting here today, though, you can't identify any cities suffering population decline that filed for a

R. CLINE

Chapter 9 as a result, correct?

A. Not to my knowledge.

Q. Have you had any interaction with Mr. Hill?

A. I have not personally.

Q. Have you had any interaction with Gary Evanko?

A. Not personally, I have not.

Q. To your knowledge, has anybody on your team?

A. Don't know the answer to that. I'd have to check. I'm just not aware of any interactions they may have had.

Q. Have you worked with Eric Scorsone at Michigan State?

A. I have not personally worked with him.

Q. And do you view him as an expert?

A. Again, I'm not sure what you mean by "expert."

Q. Okay. Do you know who he is?

A. I do know who he is.

Q. Okay. What do you know about him?

A. I know that he has been providing the City of Detroit with revenue estimates at various points in time.

Q. Okay. And have you reviewed revenue estimates that have been provided by Mr. Scorsone to the City of Detroit?

A. I have.

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Q. And are there ways in which your revenue forecasts differ from Mr. Scorsone's?
A. They differ in terms of the results.
Q. And could you explain how -- in what ways they differ in terms of the results?
A. When we looked at his revenue estimates that were made available to us about late spring, perhaps June of 2013, we noticed that his current forecast, or the most recent that we saw, had revenue estimates that were higher than the actuals that were coming in at that point in time.
Q. And so, Mr. Scorsone's revenue estimates are generally higher than the ones that you've provided in this case, correct?
MR. STEWART: Objection.
THE WITNESS: I don't -- I don't know.
BY MR. SMITH:
Q. Mr. Scorsone, is he a Professor at Michigan State University?
A. I believe he is.
Q. Does he have any -- he works with the State in some capacity; is that correct?
A. I don't know the answer to that question.
Q. I'll probably mispronounce this name, but

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Shavi Sarna, do you know who that is?
A. I do.
Q. Do you work with that person?
A. He was one of the members -- he is one of the members of the EY team in Detroit.
Q. And what has been his role?
A. He has provided us with a lot of the information that had been prepared by the EY team in Detroit.
Q. Okay. So, you have been working with Shavi Sarna, and Mr. Malhotra has been working with Shavi Sarna; is that fair?
A. I believe that's correct.
Q. Ernst & Young hasn't prepared a balance sheet for the City of Detroit as far as you're aware, correct?
A. I -- not that I'm aware of.
Q. Why aren't you doing the property tax forecasting or the revenue sharing forecasting?
A. I supervised the property tax forecasting, the revenue forecasting, and Caroline Sallee did the heavy lifting for the modeling.
Q. Okay. And why aren't you testifying as the expert instead of Miss Sallee with respect to those matters?

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A. I don't know the answer to that question.
Q. Okay. Do you know why you -- why aren't you forecasting fees and other revenues from the City?
A. We were not asked to do that.
Q. Do you have any idea why you're not -- you weren't asked to do forecasting for fees or other revenues from the City?
A. I do not.
Q. Other than the income tax, corporate tax, utility users tax, wagering tax and property tax, are there any other taxes collected by the City?
A. There is another revenue source that we were responsible for.
Q. What's that?
A. That was State revenue sharing payments, the forecast of State revenue sharing payments to the City of Detroit.
(Off the record.)
BY MR. SMITH:
Q. Do you have any idea about what fees the City collects?
A. I do not.
Q. In your view, what are the biggest sources of untapped revenue for the City?

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MR. STEWART: Objection.
THE WITNESS: I don't have an opinion on that.
BY MR. SMITH:
Q. You weren't asked to identify potentially untapped sources of revenue for the City, correct?
A. Correct.
Q. You weren't asked to identify ways in which the City could increase its revenues through taxes, correct?
A. We were not asked to do that.
Q. Do you have any idea why you weren't asked to do that?
A. I do not.
Q. Don't you think it's something the City would want to do to increase revenues through the tax mechanism?
MR. STEWART: Objection.
THE WITNESS: I have no comment on that.
BY MR. SMITH:
Q. Well, I mean, just as a matter of common sense, Detroit wants to increase its revenues, correct?
A. I don't know the answer to that question.
Q. Okay. So, nobody from the City or the

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emergency manager's office has communicated any desire to increase revenues to you, correct?

A. No one has communicated that to me personally, no.

Q. No one from the City or the emergency manager has ever sought out your expertise to try to help the City increase its revenues so it can pay more to the creditors, correct?

MR. STEWART: Objection.

THE WITNESS: No one has asked us to do tax policy analysis of alternatives for the City.

BY MR. SMITH:

Q. So that's correct? I mean, I'm just trying to get a yes or no that -- nobody from the City has reached out to you to try to get your expertise to increase revenues for the City so it can pay more to its creditors, correct?

MR. STEWART: Objection.

THE WITNESS: The analysis that we did for the City, and summarized in the expert report, is what we were asked to do for the City.

BY MR. SMITH:

Q. Okay. So, nobody from the City or the emergency manager's office has reached out to you to get

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your expertise to try to help increase revenues for the City to pay the creditors more, correct?

MR. STEWART: Objection.

MR. SMITH: That's not something you were asked to do, correct?

MR. STEWART: Objection.

THE WITNESS: No one has contacted me to ask to do that type of analysis.

BY MR. SMITH:

Q. And as far as you're aware, nobody has contacted anybody at Ernst & Young to do that type of analysis, correct?

A. I don't know the answer to that.

Q. You can't identify anybody that's been asked to do that type of analysis to increase revenues for the City through tax policy or otherwise, correct?

A. I just don't know if EY was asked to do that.

Q. Sitting here today, you're not aware of any such request, correct?

A. I don't know of any such requests.

Q. Okay. Do you agree that the forecasts that Ernst & Young has performed rely on people with diverse expertise?

MR. STEWART: Objection.

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THE WITNESS: As I believe I've said, we relied upon a number of other people for information that we used in our modeling exercise.

BY MR. SMITH:

Q. But you're not in a position to comment on the expertise of the people you relied on for information for your model, correct?

A. No, I'm not.

Q. Do you agree that some of the assumptions that you used for your model are based on expert judgments made by other third parties?

A. Outside of the area of the population forecast, I believe we are responsible for the major assumptions in the model.

Q. As far as the population forecast, though, you had to rely on expert judgments by individuals outside of Ernst & Young, correct?

A. We relied upon the forecasts that were prepared by SEMCOG for the City of Detroit.

Q. So the answer is correct, you did do that, relied on the expert judgment of a third party for the population forecast, correct?

A. We relied upon the forecast that SEMCOG had prepared.

R. CLINE

Q. And just so the record is clear, could you tell me what SEMCOG stands for?

A. I believe it's the Southeast Michigan Organization of Governments? I'll have to check that to verify that.

Q. Do you know whether that's a State entity or what kind of entity that is?

A. I believe it's a regional entity that represents governments in that region of the state.

Q. Have you updated your forecasts over time?

A. We have.

Q. Have you changed assumptions in your forecast over time?

A. We have.

Q. What assumptions in your forecast have changed over time?

A. There are two areas. One, the starting points for actual revenue collections were updated continually as new information became available. So, in a sense, the starting point changed over time. Secondly, based upon actual revenue collection experience and changes in the state economic forecast, we altered some of the growth rate assumptions over time.

Q. And when you say the starting point changed

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over -- in the various iterations of your forecast, what specifically are you referring to?

A. The estimate, for example, of actual property tax collections in the city changed over time. One example was the composition of enterprise zone property. As the City updated its estimates of the dollar amounts in those buckets of property -- assessed property, we updated the model.

Q. And did that result in your model showing less revenue than it previously had?

A. There were a number of changes. Some may have increased revenue, some may have decreased revenues. I don't have a score sheet to show the change --

Q. Okay.

A. -- at each step of the way.

Q. So, since you began your work, the model has been changed multiple times, correct?

A. The model structure hasn't changed.

Q. But the inputs and assumptions to your model have changed multiple times since you started your work, correct?

A. That is correct.

Q. And multiple different inputs have been changed in your model since you began your work, correct?

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A. That is correct.

Q. And those inputs and assumptions have changed based on information from third parties such as the City, correct?

A. Yes, and the State would be another example.

Q. Okay. And overall, though, the changes to the property tax modeling, did that increase overall or decrease overall revenue projected to be available to the City?

A. I can't recall the answer to that. Caroline Sallee, I believe, would have those details.

Q. The starting point, could you elaborate on what you are talking about when you say the starting point for the projections changed?

A. One example would be user -- utility user tax collections. They have been trending downward over the last two to three years, and the latest figures show that they had decreased faster than we had initially forecasted in the short run. So, we updated the starting point for utility user taxes to reflect the lower current collection levels.

Q. Okay. So your changes to the utility tax modeling resulted in less revenue projected to be available to the City, correct?

R. CLINE

A. I believe in this case, that is correct.

Q. Were there any other changes that we haven't discussed, any changes to the inputs or assumptions that we haven't discussed?

A. There may be a number of other changes.

Q. Okay. Do you agree with me that forecasting models such as you've developed in this case has to be constantly updated because, you know, numbers are changing and assumptions and inputs change?

A. I would agree that to get the most accurate estimate or forecast, you should start with the most recent, actual information in the model.

Q. And that requires updating the model over time, correct?

A. That is correct.

Q. And in order to ensure the reliability of a forecasting model, you need to continuously update it as information becomes available, correct?

A. I'm not sure I would use the word "reliability." You certainly want to get the most accurate starting point for the forecast.

Q. In order to ensure that a model is not materially wrong, you need to continuously update the model for forecasting, correct?

R. CLINE

MR. STEWART: Objection.

THE WITNESS: I don't know what you mean by "materially," right or wrong.

BY MR. SMITH:

Q. Okay. Why did you update the model, the forecasting that you had performed in this case?

A. Because it's very important, if we were going out to a 10-year forecast, to start from the most accurate starting point, which was the most recent actual collection data.

Q. Has Ernst & Young been engaged to continue any work on the forecasting beyond the confirmation of the plan?

A. I believe my practice is still involved in the project. The latest work we have done is summarized in my expert report.

Q. Yeah. But my question is, there's going to be a confirmation hearing that you're going to testify at; you know that, right?

A. The trial?

Q. Yeah.

A. Yes.

Q. And the City wants the Court to confirm the Plan of Adjustment; you understand that, correct? So it

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can exit bankruptcy?

A. I'm not familiar with the details.

Q. Well, after the bankruptcy, is there any plans as far as you're aware, for Ernst & Young to continue doing forecasting work for the City after the plan is confirmed and the City gets out of bankruptcy?

A. No one has discussed with me providing that type of additional service.

Q. Okay. But if you were asked to perform forecasting work beyond the City's exit from bankruptcy, you would want to continuously update the model in order to ensure that it's accurate and scientifically reliable, correct?

MR. STEWART: Objection.

THE WITNESS: I don't know what you mean by the term "scientifically reliable." It is best forecasting practice to always determine the latest actual tax collection figures before you forecast into the future, whether it's ten or two years, four years or ten years.

BY MR. SMITH:

Q. So, you wouldn't hold out the analysis you've done in this case as being scientifically reliable, correct?

R. CLINE

MR. STEWART: Objection.

THE WITNESS: I don't know what that means, that term.

BY MR. SMITH:

Q. And so, you wouldn't represent to the Court that your analysis is scientifically reliable, correct?

MR. STEWART: Same objection.

THE WITNESS: I don't know what that phrase means.

BY MR. SMITH:

Q. So, would you represent to the Court that your analysis is scientifically reliable? That's not something that you would say, correct?

MR. STEWART: You're arguing with the witness, Mr. Smith. He has answered the question now three times. Maybe if you could define it for him, he could answer your question.

BY MR. SMITH:

Q. Can you, as an expert in this case, tell me what something -- what scientifically reliable means?

A. Not in the realm of tax revenue forecasting.

Q. There's no set of standard sources or authorities that would tell you whether an analysis in the area of tax forecasting is scientifically reliable,

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correct?

A. To my knowledge, there is no measure of reliability before the fact of a tax revenue forecast.

Q. And inherent in doing forecasting work, there's a certain amount of guesswork or speculation, correct?

MR. STEWART: Objection.

THE WITNESS: I wouldn't characterize it as guesswork.

BY MR. SMITH:

Q. Would you -- would it be fair to say that in order to do forecasting work, you need to make some educated guesses?

A. You need to make a number of assumptions in any forecasting model or exercise based upon your best judgment and professional knowledge of what you're forecasting.

Q. And the assumptions you make dictate what results you achieve in forecasting, correct?

A. I would not describe it that way.

Q. How do the assumptions you make impact the results of the forecast?

A. If you change the assumptions of some of the key drivers, the results would change.

R. CLINE

Q. Okay. And with your forecasting, if you changed the assumptions, your results could change, correct?

A. If you changed the assumptions, the results of the forecasting model exercise would change.

Q. And in your forecasting, there are numerous assumptions involved, correct?

A. As we discussed earlier, that is correct.

Q. In order to ensure accurate results, though, if you were retained after the bankruptcy was over to do forecasting for the City, in order to ensure that your forecasting was accurate, it would have to be continuously updated, correct?

A. The starting point, which is actual revenue collections, would be continuously updated. Any new economic forecasts, for example, from the City or from the State, would be fair -- new information to consider, and you could also consider whether or not the forecast growth rates were still reasonable in making a new forecast.

Q. And if tax rates changed or other assumptions became inaccurate after the bankruptcy was over, you would have to update your forecasting in order to ensure that it's accurate, correct?

R. CLINE

A. As I mentioned earlier, the tax rates themselves are all current law. So, they are either right or wrong. They don't change unless current law changes.

Q. Well, yeah, but now we're -- assuming that you were working for the City, say, two years after the bankruptcy was over, and the tax rate changed, you would need to revise your model to make it accurate, right; otherwise it wouldn't be accurate, correct?

A. We would revise the model to pick up any changes in tax law, whether it was tax rate or tax-based changes.

Q. And in order to ensure your model was accurate, you would have to revise the model after the bankruptcy was over, if any of the assumptions changed, correct?

A. I would not say we make those -- we make those changes in order to do the best forecast of the expected revenue streams. Whether it's accurate or not depends upon what actually happens in the future compared to the forecast.

Q. So, as a forecaster, you can't represent to the Court that your forecast is actually going to be accurate, correct?

R. CLINE

MR. STEWART: Objection.

THE WITNESS: That's not a term we use, to my knowledge, in evaluating forecasts.

BY MR. SMITH:

Q. And that's because events can change in the future and nobody knows what they'll be, correct?

A. It is correct that the forecast is based on assumed economics, current tax law, and the key assumptions in the forecast. If any of those change, the forecast will change.

Q. And so, your forecast doesn't tell us anything about what the actual revenues of the City will be a year or two years or three years or 10 years from now, correct?

MR. STEWART: Objection.

THE WITNESS: If we knew the actuals, it wouldn't be a forecast.

BY MR. SMITH:

Q. Okay. And so, your forecast doesn't tell us what the actual revenues of the City are going to be in the 10-year period or 40-year period that you look at, correct?

A. The forecast is an attempt to find the best point estimate of what can be expected from the revenue

R. CLINE

collections under current law and estimated economic conditions.

Q. Okay. So, you're not providing the Court with any forecast that tells us what will happen if there are legal changes, correct?

A. That is correct.

Q. And you're not providing the Court with any forecasts that will tell it what will happen if there are changes in the economy, correct?

MR. STEWART: Objection.

THE WITNESS: Our forecast is based upon changes in the economy.

BY MR. SMITH:

Q. Your forecast, though -- you're not providing the Court with any forecast that tells us what revenues will be based on actual economic conditions because nobody can predict what those will be, correct?

A. It wouldn't be a forecast.

Q. But certainly, you've made forecasts in the past that have been wrong, correct?

A. I imagine so.

Q. And in fact, would it be fair to say that all of the forecasts that you've made in the past have been wrong to some extent, correct?

R. CLINE

A. I would be more generous and say it's true that anyone who made a forecast would find that it's not always the final result.

Q. Yeah. And in general, forecasts are off because there's no perfect methodology for forecasting into the future, correct?

A. You use the best tool available to make your forecast using the best available information as a starting point, and your understanding of the economics that you're dealing with.

Q. And even using the best available methodology and information, forecasts are frequently wrong, correct?

A. I believe that would be an accurate statement.

Q. And that was your experience when you were working for the State of Michigan and the State of Minnesota, correct?

A. Correct.

Q. The -- would you agree with me that the longer the period of time you're attempting to forecast, the more likely your forecast will turn out to be inaccurate.

A. I believe it would be correct to say the longer the forecast, the more events you have to consider in your forecast. Each year adds additional economics that have to be considered in the forecast.

R. CLINE

Q. And each additional year added to the length of a forecast adds increased -- an increased chance that your forecast will be wrong, correct?

A. I'm not sure I understand what you mean by "increased chance." Those are statistical terms that are difficult to apply to the forecasting arena.

Q. Okay. Well, how would you describe the difference between doing a 10-year forecast versus a one-year forecast in terms of the chances that your predictions will accurately reflect what ultimately occurs?

A. I wouldn't make it a statement to try to describe that.

Q. Okay. So, you can't offer me any expert opinion that tells me whether a 10-year forecast is more or less reliable than a one-year forecast.

A. In the case of our forecasts for the City of Detroit, we were asked to do a 10-year forecast. I have no results to compare our forecast to, so I can't make comments about reliability over a two-year, a five-year or a 10-year period in the City of Detroit.

Q. Okay. So you're offering no opinion on the reliability of your forecast over the next 10 years, correct?

R. CLINE

MR. STEWART: Objection.

THE WITNESS: I have no statistical statement to describe accuracy in that setting.

BY MR. SMITH:

Q. Okay. The -- when you were doing the forecast, I mean, did you develop forecast results that you could test against actual results during the last year? Were there any results that you generated that you could even test within the last year's?

MR. STEWART: Can you just reread the question?

(The record was read back by the reporter.)

MR. STEWART: Objection.

THE WITNESS: As I explained, we started our forecast with the most recent actuals, so in the year we started, they were the actual collections. All of our forecasts move forward in time from the starting point.

BY MR. SMITH:

Q. Okay. So, you never tested your forecast results against actual results, correct?

A. We started with the most recent, actual results and forecasted the unknown future.

Q. Okay. So, the answer is correct, you've never

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tested the results of your forecast against actual results, correct?

MR. STEWART: Objection.

THE WITNESS: We did not backcast.

BY MR. SMITH:

Q. Okay. So, it would have been possible to test your model by using this procedure of backcasting to see how accurately it predicted prior events; is that fair?

A. Not in this case.

Q. Why is that?

A. Because of the unique situation at the City of Detroit.

Q. And what is that unique situation that prevented you from testing your model?

A. Basically, the challenge is that those models fit over earlier periods of time were not able to pick up the structural break between Detroit and the rest of the state, and the cumulative impact of the financial crisis in Detroit.

Q. What do you mean by that?

A. I -- was there a -- part of the explanation you would like for me to --

Q. Well, maybe you could elaborate, just further explain what you are talking about.

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MR. STEWART: Objection. You have to ask a question. You just can't say please tell me more.

MR. SMITH: I did, and then he asked me a question and I'm trying to clarify.

THE WITNESS: Could you rephrase your question?

BY MR. SMITH:

Q. Well, let me ask you this: Is there any standard rule of thumb for how frequently a forecast such as you have developed here needs to be updated?

A. As revenue forecaster for the State of Michigan, we used to do monthly forecasts.

Q. So, the standard practice in Michigan was to revise forecasts each month based on new data and inputs into the model?

A. But it depended upon the purpose. That was for tracking actual tax collections against forecasts. For forecast purposes related to the budgetary cycle, we would do two-year or four-year forecasts.

Q. So, depending on the purpose, forecasts should be updated either monthly or every couple of years. Is that fair?

A. Depending upon the purpose, forecasts should be updated as often as I -- I would say, as new

R. CLINE

information becomes available that's relevant to the forecast.

Q. So, a forecast should be updated as frequently as new information becomes available that's relevant for the forecast, correct?

A. I think that's a reasonable statement.

Q. And in -- with respect to your forecasts you've developed in this case, how frequently have you updated those?

A. I would say there have been points in time when we looked at all of the estimates together. That might have been in the fall of 2013 and spring of 2014, and then more recently in June of 2014.

Q. So, how many times have you updated your forecast?

A. I believe that's three comprehensive updates where we have generated additional -- new spreadsheet results for each of the major tax types.

Q. And over what period of time did those three updates occur?

A. As I believe I stated, I -- the original that we did was probably June 2013, fall of 2013 another, spring of 2014 is another, and then probably June, perhaps -- I think it was June 2014.

R. CLINE

Q. So you've updated your -- done a comprehensive update of your forecast about four times in the last year?

A. Three times, I believe.

Q. And are there other updates that aren't comprehensive updates that have occurred in addition to those three times?

A. Not for all of those tax types.

Q. But for some of the tax types, have there been other updates that you've done in addition to the three comprehensive updates?

A. Revisiting the forecast was triggered by those major updates in the overall forecast.

Q. Okay. But were there any other updates, or just the major ones?

A. I don't recall. There may have been specific numbers for a single tax type, but I don't recall those separate estimates being done.

Q. Have you ever done any calculations using tax rates that are greater than the ones you assume in your model?

A. We did not, because we took current law as our assumption in the model.

Q. But you know the law can change, correct?

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A. The legislature or the city council could change the law.

Q. And so the legislature or the city council would increase tax rates over the 10-year period, correct?

A. Yes, that's possible.

Q. And if current law is changed over the 10-year period, that could significantly increase the amount of revenue available to the City, correct?

MR. STEWART: Objection.

THE WITNESS: I believe the changes could go in either direction.

BY MR. SMITH:

Q. So, changes in law could significantly increase revenue to the City, correct?

A. Or they could restrict the revenue available to the City. The example would be the election that is coming up to deal with the tangible personal property reduction at the local level.

Q. And so, it's possible that changes in law over the next 10 years could restrict revenue to a degree that the City has to go back into bankruptcy again, correct?

MR. STEWART: Objection.

THE WITNESS: I can't comment on that.

R. CLINE

BY MR. SMITH:

Q. Okay. Well, you would agree that changes in law could restrict revenue significantly over the next 10 years, correct?

A. As I believe I mentioned, I think changes in law could either increase or decrease available revenues.

Q. And changes in law can certainly significantly increase available revenues to the City over the next 10 years, correct?

A. I wouldn't speculate on what direction they're going to move in.

Q. Okay. So, attempting to predict what the revenues available to the City over the next 10 years are would require you to speculate, correct?

MR. STEWART: Objection.

THE WITNESS: That is not correct. As I mentioned, our model is based upon current law tax rates, which are known with certainty and established by current law.

BY MR. SMITH:

Q. You can't know with certainty what the tax rate will be five years from now, correct?

A. That's correct.

Q. You can't, in fact --

R. CLINE

A. Unless -- unless it's in law.

Q. Well, you don't know what the -- the law can change within five years, correct?

A. Correct, but the point is that in current law, there may be scheduled future tax rate changes. If so, we've taken those into consideration.

Q. Okay. I see what you are saying.

But there's no way for you to know what the tax rate is going to be within the 10-year period that you model, correct?

A. We know with certainty what the tax rate is under current law.

Q. Yeah. Right now, we know what the -- with certainty what the tax rate is, but there's no way for you to know what the tax rate will be two, five or 10 years from now, correct?

A. We know with certainty what the rate will be over that period, if they do not change current law.

Q. But you have no way to know whether current law is going to be changed with respect to tax rates within the next 10 years, correct?

A. That is correct.

Q. And so you have no way of knowing what the tax rate is going to be over the course of the next 10 years,

R. CLINE

correct?

A. We know with certainty what the tax rate over the next 10 years is, under current law.

Q. But I'm not asking about current law. I'm saying, you have no way of knowing what the tax rate will be within the next 10 years, correct? Because you don't know whether the tax rate will be changed or not, correct?

A. We know with certainty what the current law tax rate is over the next 10 years.

Q. That's not my question.

Okay, you understand I'm not asking about current law, correct? Do you understand that?

MR. STEWART: Well, now you say you're not, so now ask the rest of your question.

BY MR. SMITH:

Q. Okay. Do you understand what I just said, that I'm not asking about what current law is, correct?

A. Would you rephrase your question, then?

Q. You have no way to know what the actual tax rates will be that are applicable to the City of Detroit over the next 10 years, correct?

MR. STEWART: Objection.

THE WITNESS: We know with certainty under

R. CLINE

current law what the tax rates in the City of Detroit will be.

BY MR. SMITH:

Q. But we know -- there's no way to tell whether current law will remain unchanged over the next 10 years, correct?

A. I agree.

Q. And so there's no way to tell what the actual tax rates will be, whether they'll be the current law tax rates or some other tax rates over the next 10 years, correct?

A. We know with certainty what the current law rate is; we do not know what the legislature might do in changing the rates.

Q. And we don't know what the City might do in changing rates, correct?

A. I do not know what the City might do.

Q. And in fact, we don't even know who the decision-makers will be with respect to many policies in the City that could affect your forecast, correct?

A. I wouldn't answer that question.

Q. I mean, there's no way for you to know who's going to be doing the decisionmaking in the City over the next 10 years, correct?

R. CLINE

A. As I mentioned, our forecast is based upon current law. We are not -- we did not do alternatives which considered any tax rates other than current law.

Q. Okay. Why is that?

A. Because standard tax forecasting always assumes current law tax rates. Otherwise, you're analyzing policy options, not making a forecast.

Q. And standard tax forecasting does not use current law tax rates to forecast taxes over 10 years, correct? You can't give me an example where that's happened?

MR. STEWART: Objection.

THE WITNESS: As I believe I mentioned, we always use current law, and if current law doesn't change over 10 years, you know with certainty what the tax rates are.

BY MR. SMITH:

Q. But you can't give me an example of any forecast for tax revenue that's ever assumed that tax rates will remain unchanged for 10 years, correct?

A. There may be forecasts which do assume changes in tax rates.

Q. Okay. And so, it's possible -- it's -- it would be fair to do a tax forecast that assumes changes

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in tax rates over 10 years, correct?

A. Not in the work that I have done, either in Michigan or Minnesota or for the City of Detroit. The exercise was to come up with the best estimate of forecasted revenues over a defined period of time, assuming no change in current law.

Q. You can't identify any tax forecast that's ever assumed that the current tax rates will remain unchanged for a period as long as 10 years, correct?

A. I can't answer that question. I don't have knowledge to answer it.

Q. So you can't identify an example, correct?

A. I do not personally -- I cannot personally give you an example.

MR. STEWART: We have been on the record about 90 minutes. Is this a good time to take a break?

MR. SMITH: Yeah. Sure. We can take a break.

THE VIDEOGRAPHER: Going off the record at 10:36. This is the end of disk number one.

(RECESS, 10:36 a.m. to 10:47 a.m.)

THE VIDEOGRAPHER: The time is 10:47. This is the beginning of disk number two in the

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deposition of Robert Cline.

BY MR. SMITH:

Q. Mr. Cline, you know that there are a number of cities throughout the country that are experiencing fiscal distress or fiscal crisis, correct?

A. I have not been paying attention to what is going on in other cities.

Q. Okay. And that includes in performing your analysis in this case, you haven't sought to educate yourself about that, correct?

A. As I believe I mentioned earlier, when we were looking at population projections, that one of my staff persons looked at experience in other cities.

Q. Okay. But as an expert on tax policy, you know in general that one way cities respond to fiscal stress is to raise taxes and fees, correct?

A. Depends upon the city and the circumstances.

Q. Yeah, but there are a number of cities that have raised taxes in response to fiscal crises or fiscal stress, correct?

A. I believe a number of cities have both reduced spending and made changes on the revenue side in response to fiscal challenges.

Q. And when you say "changes on the revenue

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side," that means increasing taxes or increasing other sources of revenue, correct?

A. By increasing revenues, I mean either expansions in the tax base or perhaps changes in the tax rates.

Q. Okay. And the City of Detroit could increase income tax revenues, correct?

A. Excuse me?

Q. The City of Detroit could increase income tax revenues and rates, correct?

A. It's my understanding that the individual income tax rates in Detroit are fixed. I believe they're fixed by the State legislature.

Q. Okay. And has Detroit asked the State legislature to increase the income tax rates?

A. I don't know the answer that.

Q. Okay. So, as far as you're aware, Detroit has not asked the State to increase income tax rates, correct?

A. We were not asked to analysis alternative tax rates in the City of Detroit.

Q. Okay. And so, as far as you're aware, the City of Detroit has not asked the State to increase tax rates, correct?

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A. I haven't asked that question, if it's the case, but I'm not aware of any discussions.

Q. Okay. The City of Detroit can increase tax revenue by increasing collections, correct?

A. The City of Detroit can collect the dollar amounts that are currently owed in the existing tax system --

Q. And --

A. -- assuming they collect that revenue.

Q. And you know that currently Detroit is not collecting all of the revenue it's owed for taxes, correct?

A. I am not familiar with the specific collection policies and success in Detroit. We did, in our model, on the property tax side calculate what we called an effective collection rate. But it was based upon our calculation of two rate -- dividing one number by another.

Q. And so, you haven't investigated at all what percent of taxes the City of Detroit is collecting, correct?

A. As I mentioned, we do have an estimate of what we called the effective property tax collection rate.

Q. But you haven't investigated what percent of

R. CLINE

the income tax the City of Detroit is collecting, correct?

A. We have not done analysis of that issue.

Q. And nobody has provided you information about what the rate of collection of the income tax is, correct?

A. I'm not aware of that information. I don't know if someone else on the EY team may have received that information.

Q. And you haven't done any investigation into the rate of collection of utility tax?

A. I have not, as part of this project.

Q. You haven't done any investigation into the rate of collection of the corporate tax?

A. I have not.

Q. Have you done any investigation into whether there are exemptions from the various taxes you analyzed?

A. As I mentioned earlier, certainly on the property tax side, we've looked at different classifications of property because they have different assessment ratios, different features of the tax law, which we take into consideration in our revenue estimates.

Q. And there are reductions or exemptions for

R. CLINE

property taxes, correct?

A. Do you mean under current law?

Q. Yes.

A. I imagine there are. We didn't look specifically at changing specific exemptions under current law. We accepted it as current law.

Q. Okay. You haven't done any analysis or investigation into the restructuring and reinvestment activities the City may perform relating to taxes?

A. We are aware of the line items in the summary financial reports that list specific activities that are related to restructuring.

Q. But do you -- you haven't done any investigation of what the City plans in terms of restructuring or reinvestment with respect to taxes, correct?

A. When we were asked to do the restructuring forecast, we took into consideration the different proposals that -- for restructuring activities.

Q. What is your understanding about what the City is planning to do with respect to taxes?

A. I am aware that there is a line item in the financial reports for increased collections due to collection activities.

R. CLINE

Q. Okay.

A. We did not do that estimate.

Q. Yeah. And it's not necessary to go into Chapter 9 to increase tax collections, correct?

MR. STEWART: Objection.

THE WITNESS: As I say, we did not look in detail at collections.

BY MR. SMITH:

Q. Well, that's not my question.

Cities increase tax collections all the time without going into bankruptcy, correct?

A. I can't answer that question. You'll have to rephrase it.

Q. You can't tell me whether cities increase tax collections as an expert in this case?

A. What we were asked to do by the City of Detroit was to estimate under current law the expected revenue stream over the next 10 years. And that is what we did in our analysis.

Q. Yeah, but I'm asking you -- you have a life outside of working for the City of Detroit, right?

A. I do.

Q. Okay. And you're holding yourself out as an expert on tax policy, right?

R. CLINE

A. I don't describe myself as an expert on tax policy.

Q. Okay.

A. It's not a phrase we use at Ernst & Young.

Q. Okay. Do you have any information about tax collection efforts by anybody? Is that something you know anything about?

MR. STEWART: Objection.

THE WITNESS: I am not an expert on compliance under existing law.

BY MR. SMITH:

Q. Okay. The -- you've got a baseline scenario in your forecast in the restructuring scenario, correct?

A. Correct.

Q. And the baseline scenario is a status quo scenario where none of the restructuring or reinvestment activities are undertaken, correct?

A. I believe that's a way to describe the baseline activity, the baseline scenario.

Q. And you haven't constructed any forecasts for what would happen if the bankruptcy case were dismissed and the City just went on after bankruptcy doing reform efforts, correct?

A. The baseline estimate that we did assumed no

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change of any underlying economics of the City of Detroit.

Q. But the City can take actions that would change the underlying economics without going into Chapter 9, correct?

A. I don't know the answer to that.

Q. Okay. As far as you're aware, though, your baseline scenario is not trying to forecast what would happen if the petition for bankruptcy was dismissed?

A. I would describe our baseline forecast as a continuation of the trends that have been affecting Detroit over the last 10 years to 20 years.

Q. And has anybody from the City told you that they're going to allow the trends that have continued to continue into the future?

A. I haven't had those conversations myself.

Q. I mean, do you have any understanding about why you have this baseline scenario in your report?

A. My understanding is that the baseline scenario reflects expected revenue streams under current law in a continuation of recent economics in the City of Detroit.

Q. Do you have any understanding of what activities the City will or will not perform in the baseline scenario?

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A. I do not.

Q. Do you have any understanding of what activities the City will or will not perform in the restructuring scenario?

A. I do not know the specifics of any alternatives.

Q. Would raising the income tax rate be a reasonable policy for the City of Detroit?

A. I can't comment on the policy options for Detroit. We were not asked to evaluate those as part of our analysis.

Q. And so, you're offering no opinion that raising the income tax rate or property tax rates or utility tax rates or wagering tax rates or any of the other rates would be inappropriate or unreasonable, correct?

A. We were not asked to evaluate any tax policy alternatives for the City of Detroit.

Q. So, you're not offering any opinion saying that raising tax rates would be unreasonable, correct?

A. I'm not commenting on policy options for the City of Detroit.

Q. So, you're not offering -- I'm just trying to get an idea of what opinions you're offering. So, you're

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not offering an opinion that raising tax rates would be unreasonable, correct?

A. I'm not commenting on any tax policy options available to the City of Detroit.

Q. You know that question -- there could be a yes or no answer to that question, right?

A. My perspective is that we were asked to do revenue forecasts of the major revenue sources under current law. We were not asked nor did I volunteer information on alternatives available to the City of Detroit.

Q. Okay. So, you haven't done any work that will allow you to testify that raising tax rates would be unreasonable or inappropriate, correct?

A. I have not.

Q. And you haven't done any work that says that increasing tax revenues through increased collections would be --

(Telephone interruption.)

MR. STEWART: Just hit one. Thanks.

BY MR. SMITH:

Q. -- inappropriate or not feasible, correct?

A. He we have not evaluated tax policy opportunities -- alternatives for Detroit.

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Q. And you haven't done any work that would allow you to testify that Detroit couldn't just add new taxes, correct?

A. We have not.

Q. And you haven't done any work that would allow you to testify that Detroit couldn't generate significant additional revenue by either adding new taxes or increasing tax rates?

MR. STEWART: Objection.

MR. SMITH: Correct?

THE WITNESS: We were not asked to look at policy options for the City of Detroit.

BY MR. SMITH:

Q. And so, you haven't done any work that would allow you to testify that Detroit can't generate significant increased revenue through either increasing tax rates, increasing collections, or adding new taxes, correct?

MR. STEWART: Objection.

THE WITNESS: I think there may have been a double negative in there. Could you repeat the question?

BY MR. SMITH:

Q. You haven't done any work that will allow you

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to testify that Detroit can't significantly increase revenues by increasing tax rates or increasing tax collections or by adding new taxes, correct?

MR. STEWART: Objection.

THE WITNESS: We have done no analysis -- excuse me.

MR. STEWART: Go ahead.

THE WITNESS: We have done no analysis on tax policy options in Detroit.

BY MR. SMITH:

Q. So, the answer is correct, correct?

A. I am still having --

MR. STEWART: Reread the question.

THE WITNESS: Please, reread the question, I think the double negative is still there.

(The record was read back by the reporter.)

THE WITNESS: I believe the correct answer to that question is, as I mentioned, we have looked at the collection rate of the property tax. We calculated an effective collection rate, and we did use that in our forecast.

We did not -- were not asked to and did not provide forecasts under alternative policy options, whether it's a tax rate change or adoption of a new

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tax, or change, in the base of an existing tax.

BY MR. SMITH:

Q. So, you -- Ernst & Young concluded that the City could increase property tax revenues by increasing collections, correct?

A. In our forecast of the property tax revenues, we did vary the collection rate over time.

Q. And you increased the collection rate; is that correct, or do you not know?

A. From what I remember, we may have brought the collection rate down, in the intermediate run, and then brought it back up in the longer run.

Q. Okay. But you haven't -- you haven't done any work that would allow you to testify that Detroit can't significantly increase revenues by increasing tax rates, correct?

MR. STEWART: Objection.

THE WITNESS: All of our revenue estimates are based upon current law rates.

BY MR. SMITH:

Q. So, the answer to my question is correct? You haven't done the work?

MR. STEWART: Objection.

THE WITNESS: Could you repeat the

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question, please.

(The record was read back by the reporter.)

THE WITNESS: We accepted the current law tax rates as what was available to Detroit. To the extent that Detroit is at the maximum, and I believe it may be the case for all of those tax rates, it would imply that under current law, that option is not available.

BY MR. SMITH:

Q. But current law can change, correct?

A. Correct.

Q. And you would agree with me that if current law changes, Detroit can increase tax revenue significantly by increasing tax rates, correct?

MR. STEWART: Objection.

THE WITNESS: It is true that an increased rate, with no offsetting decrease in the base, could increase revenue, but if you were going to forecast the increase of a tax rate in Detroit, you would also have to forecast the potential decrease in the tax base with mobile people and investment.

BY MR. SMITH:

Q. And so, sitting here today, you haven't done the work that would allow you to testify that increasing

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tax rates wouldn't result in significant additional revenue for the City of Detroit, correct?

MR. STEWART: Objection.

THE WITNESS: As I believe I've answered several times, we did not evaluate alternative policies. We is accepted current law as the foundation for our forecast.

BY MR. SMITH:

Q. Okay. So the answer is correct, you didn't do that work, correct?

A. Would you rephrase the question.

Q. You didn't do any work that would allow you to testify that by increasing tax rates, Detroit would not increase substantially its tax revenues?

MR. STEWART: Objection.

THE WITNESS: We did not run alternatives with our model at different tax rates.

BY MR. SMITH:

Q. That's something that you could have done, right? That's technically feasible for you to do, correct?

A. We were not asked to do that analysis.

Q. Okay. But is it technically feasible for you to do an analysis like that?

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A. We would have to do additional work compared to what we have done to this point, because as I mentioned, it's not just changing the rate, it's also understanding the behavioral response of the base in response to the change in the rate. We are not set up to do that in our current runs.

Q. And you also haven't done the work that would allow you to testify that Detroit couldn't significantly increase revenues by adding new taxes, correct?

A. We have not analyzed the addition of new revenue sources for Detroit.

Q. Okay. The -- one potential new revenue source would be imposing the commuter tax, correct? That's a reasonable --

A. I don't know if it's legally available to Detroit as an option.

Q. Okay. But imposing a commuter tax is something that the City could either do by itself or in conjunction with the State, correct?

A. I don't know the answer to that.

Q. Okay. So, you haven't investigated whether Detroit could add a commuter tax, correct?

A. I have not.

Q. All right. Another potential -- that you know

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that there's cities, though, that have commuter taxes, right?

A. There are selected cities that tax non-residents who are working in the city, as Detroit does. Some at differential rates, some at the same rate.

Q. Okay. And they do that through a variety of mechanisms, correct?

A. I believe they look basically like income taxes.

Q. And sometimes they're parking lot-type -- you know, charges for fees for parking or other services that might disproportionately fall on non-residents?

MR. STEWART: Objection.

THE WITNESS: I'm not familiar with the details of those taxes.

BY MR. SMITH:

Q. All right. You know that some cities have a city-only sales tax, correct?

A. City-only sales tax. I believe that is the case.

Q. And you haven't investigated whether Detroit could increase revenues by adding a city-only sales tax, correct?

A. As I answered earlier, we did not analyze any

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revenue options for the City of Detroit.

Q. Okay. You only did the work that you were asked by the lawyers for the City to do, correct?

MR. STEWART: Objection.

THE WITNESS: We were given an assignment by Ernst & Young to provide a revenue estimate of the major tax sources for the City of Detroit over the next 10 years. Then it was expanded to an additional 30-year perspective. That is the job that we were asked to do, and that is what we did and is reported on in the expert report.

BY MR. SMITH:

Q. Who asked you to do that job?

A. That was a -- we were retained by the Ernst & Young team working in Detroit.

Q. Okay. So, it wasn't Mr. Malhotra that gave you the scope of the work that you were to perform in this case?

A. I believe our initial discussions of the scope of the work did come from him.

Q. Would it be fair to say that you haven't done any analysis of the full range of potential revenue sources available to the City?

MR. STEWART: Objection.

R. CLINE

THE WITNESS: We haven't done an analysis of any of the revenue options available to the City.

BY MR. SMITH:

Q. And that would include both tax and non-tax revenue options?

A. Correct.

Q. I mean, if you were advising a City in financial distress, what actions would you advise them to take to increase revenue or cut costs?

MR. STEWART: Objection.

THE WITNESS: We are very careful in all of our projects at Ernst & Young not to make policy recommendations to governments.

BY MR. SMITH:

Q. Okay. So, Ernst & Young -- is it that you don't have the qualifications to make policy recommendations to governments or is there some other reason that you don't do that?

A. We don't do that because those are political decisions. We don't make policy recommendations to individual units of government.

Q. So, ultimately, the amount of revenue available to the City of Detroit and the amount of costs

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that it incurs are political decisions made by the people running Detroit, correct?

A. I believe they're made by the city council, and to some extent by the State legislature.

Q. Okay. And currently, the emergency manager is making the political decisions that dictate how much revenue the City has available and how much cost it's incurring; is that correct?

A. I'm not familiar with the operations of the emergency financial manager.

Q. Okay. So, you have no idea what the emergency manager does or what the emergency manager's powers are?

A. I have not inquired as to what those are.

Q. Have you inquired as to whether the City's already started undertaking any of the restructuring initiatives?

A. I have not discussed specifically what is or is not being done in Detroit on the expenditure side.

Q. And -- well, on the tax side, do you know whether the State has undertaken any of its restructuring? I mean, the City -- strike that.

Let me start the question again, okay? Is that okay?

A. Certainly.

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Q. You have -- you don't know whether the City has already started undertaking restructuring or reinvestment activities that pertain to taxes; is that fair?

A. I do know that the City is undertaking reassessment of the property tax base, and we've discussed that with them.

Primarily, we needed to know the timing of that reassessment process, and yes, we found out additional information about that reassessment process.

Q. Has anybody told you whether the City has undertaken efforts to increase income tax collections?

A. I am not familiar with any of the specifics of collection programs in Detroit.

Q. So, with respect to all of the taxes that you discuss in your report, you're not familiar with the specifics of collection practices; is that fair?

A. I think a more accurate statement is that other than the property tax forecast, we assumed collection rates would be unchanged, unless we had additional detailed information.

Q. Yes. But you haven't done any investigation into any of the property -- investigation into any of the collection practices regarding taxes in the City of

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Detroit, correct?

A. Let me be very clear, to be as accurate as possible. My team, which resides in the National Tax Practice, here in Washington, D.C., part of Ernst & Young, has not been involved in analysis of specific activities related to collection. Other members of the EY team may have more knowledge, but we have not been involved in the collection discussions.

Q. So, the team that did the tax forecasting at Ernst & Young has done no investigation into the tax collection practices of the City of Detroit; is that fair?

A. That's not fair. As I've clearly stated, I hope, we inquired about changes in the assessment ratios and the property tax components in terms of re-evaluation of existing property. You might call that collection related. I would call it related to the administration of current law, in order that we could do a more accurate forecast when the reassessments start to flow through the property tax system.

Q. Okay. Other than the property tax collections matters that you've discussed, the team that put together the tax forecasts for Ernst & Young didn't do any investigation into collection practices with respect to

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any of the other taxes you addressed, correct?

A. We did not make any inquiries as to collection practices. For the other taxes we were responsible for forecasting, we did look into details on the State revenue sharing program under current law, and worked closely with State officials to understand the current law revenue sharing program.

Q. Yeah, but you didn't do any investigation into income or wagering or utility tax collections, correct?

A. We did not do separate analysis of collection activities related to the taxes that you mentioned.

Q. The -- have you ever heard of the Financial Stability Agreement?

A. I'm not sure I have.

Q. You wouldn't know what terms are contained in it, correct?

A. That would be correct.

Q. You wouldn't know who the parties are to it, correct?

A. I don't know that.

Q. All right. Do you know who the emergency manager is?

A. I do.

Q. Who is that?

R. CLINE

A. Now you put me on the spot. Orr is his name.
Q. Do you know his first name?
A. I did at one point. Kevyn.
Q. Do you know who the treasurer for the City of Detroit is?
A. I couldn't name the treasurer.
Q. Can you name any of the officials in the City of Detroit that have involvement with taxes?
A. I could not.
Q. Do you know what the Creditor Proposal was?
A. I'm not familiar with that.
Q. So, you don't know what measures with respect to taxes were discussed in the Creditor Proposal?
A. I do not.
Q. You do know that the State has significantly cut revenue sharing over the last few years, correct?
MR. STEWART: Objection.
THE WITNESS: I know that there have been significant changes in the structure of the revenue sharing program with all local units of government in Michigan, including Detroit, and it is still under change, but -- through the last legislative session.
BY MR. SMITH:

R. CLINE

Q. Yeah. But you know that the revenue sharing for Detroit's decreased by hundreds of millions of dollars in the last few years, correct?
A. I personally have not gone back to look at the dollar change in revenue sharing. I believe Caroline Sallee may have paid -- may have looked more closely at the recent history. I do know in the aggregate that the discretionary portion of the program has probably been reduced about 45% over the last ten years.
Q. And you know that a number of cities in Michigan are in financial distress as a result of reduction in revenue sharing, correct?
A. I don't know that.
Q. Do you know whether other cities have emergency managers that have been appointed?
A. I don't know the answer to that.
Q. Do you know what the Disclosure Statement is?
A. The trouble I have is that I'm an economist by training, not a lawyer by training. I don't know what some of these documents or definitions are.
Q. When you revised your -- well, let me ask you this: There are cities outside of bankruptcy that are increasing tax collections, correct?
MR. STEWART: Objection.

R. CLINE

THE WITNESS: I don't know that.
BY MR. SMITH:
Q. So, you haven't done any investigation into that?
A. That is correct.
Q. Have you done any investigation into the steps that other cities have taken with respect to taxes in order to help address fiscal distress or crisis?
MR. STEWART: Objection.
THE WITNESS: I have not.
BY MR. SMITH:
Q. And that's not something you're aware of from your ordinary work?
A. No, it's not.
Q. You just not -- you just don't have knowledge about what cities have done with respect to taxes in responding to fiscal distress or fiscal crisis, correct?
A. I believe that's an accurate statement.
Q. Have you done any investigation into forecasting practices of other cities with respect to taxes?
A. I have worked with other cities on some of their revenue issues where I have seen their practices, but I haven't investigated practices of other cities.

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(Cline Exhibit 1 was marked for identification.)
BY MR. SMITH:
Q. I'm handing you what has been marked as Exhibit 1, and you can tell me if you have seen this document before?
MR. STEWART: Maybe for the record, you might -- for those listening or others, just say what it is.
MR. SMITH: Oh, it's the Fourth Amended Disclosure Statement with respect to Fourth Amended Plan.
THE WITNESS: I have not read this document. I have looked at some detailed tables. I don't know if they were part of this. They don't appear to be attached to this document. I have not read this particular document.
BY MR. SMITH:
Q. Okay. Let me ask you, if you could turn to page 168. Before I ask you about 168, I've got another question.
A. All right.
Q. You wouldn't recommend that the City reduce tax rates, correct?
A. We have no -- and I have no policy

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additional revenue would be generated by a significant increase in the collection rates for those taxes, correct?

A. We have not done a separate adjustment for a change in the collection rate for those other taxes that you identified.

Q. Is the collection rate essentially fixed in your model for those taxes?

MR. STEWART: Objection.

THE WITNESS: As I said, the collection rate is embedded in the starting point. We have not made a specific adjustment going forward for a collection rate change.

BY MR. SMITH:

Q. And so, there's -- the collection rate remains constant in your model for the income, wagering rate, utility users' tax, and corporate tax, correct?

A. We have not dealt with a change in that collection rate as a separate adjustment to our revenue forecast.

Q. Okay. And is it possible for you to do that kind of analysis, to look at what would happen if collection rates increased for those taxes?

A. At this point, we do not have information

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necessary to analyze that question.

Q. Okay. And you haven't been asked to analyze that question, correct?

A. We have not, but as I mentioned, it is an important part of our property tax forecast.

Q. Okay. So, even though you have been asked to analyze changes in collection rate for the property tax, you haven't been asked to analyze changes in the collection rate for the other taxes that you analyzed, correct?

A. We were not asked separately to consider the collection rate issue for the property tax. We did it as part of our analysis of the property tax.

Q. So, even though you weren't asked to do it, you looked at collection rates for the property tax, correct?

A. We were asked to estimate over a 10-year period what we thought the collection of the property taxes will be under current law. We did understand the issues of falling property values, the mismatch between assessed values and market values and the other features that were affecting the property tax system, which did include the collection rate.

Q. Okay. So, even though you analyzed the

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collection rate for property taxes, you didn't analyze the collection rate for the other taxes, that you examined?

A. That is correct.

Q. And is that because you weren't asked to do that analysis?

A. No.

Q. You just didn't do it, but you could have done it?

A. We did not do it.

Q. I mean, do you have any explanation for why you did it with respect to one tax but not the other taxes? Was it just a lack of information or what was it?

MR. STEWART: Objection.

THE WITNESS: Also involved is understanding what difference a change might make. Some of those smaller taxes like the utility user tax, corporate income tax are collecting 3% of the total that we looked at. We did not feel that at the margin a collection rate change was large enough to consider in the revenue estimate.

So, it's partly an understanding of the relative size of the taxes, and the importance of compliance, adjustments, collection rate

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differences going forward.

BY MR. SMITH:

Q. And --

A. Not all taxes are equal in that evaluation.

Q. The income tax is a significant source of revenue for the City, correct?

A. It's about a third.

Q. Okay. And so, increasing the collection rate could significantly increase revenue from the income tax to the City, correct?

A. I don't know the answer to that.

Q. And you don't know the answer because you didn't look into it, correct?

A. I don't know the answer because we did not do an analysis of the impact of changing collection rates in our analysis of the 10-year forecast.

Q. And so -- but with respect to the income tax, so you would agree with me that changing the collection rate could result in significant increased revenue to the City, correct?

MR. STEWART: Objection.

THE WITNESS: I don't know if it would be significant.

BY MR. SMITH:

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raising any of the other taxes that you discussed in your report?

A. I am not aware of the -- of any conversations.

Q. The -- as far as you're aware, the City hasn't asked the State to cooperate in implementing new taxes?

A. I'm not aware of any discussions.

Q. As far as you're aware, the City hasn't asked the State to cooperate in eliminating exemptions or reductions in applicable taxes?

A. I'm not aware of any conversations.

Q. Do you agree that in performing forecasting, it's important to follow generally accepted standards and procedures?

A. I believe in forecasting State or local revenues, you want to use the best available tools that you have, starting with the most complete information on actual collections that you have.

Q. So, in doing forecasts, it's important to assemble the most complete and comprehensive set of information in order to accurately perform your forecast, correct?

A. That is correct, although different types of information are of different value, and when we did our forecast, I believe we incorporated what we thought were

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the key drivers in determining the baseline forecast.

Q. Okay. But as a general matter, in conducting forecasts, you want to assemble the most comprehensive set of information, correct?

A. That is relevant to the forecast itself.

Q. All right. You agree that somebody could perform a reasonable forecast that includes the effective changes in collection rates over time on the income tax, correct?

A. It could be possible.

Q. And you agree that people -- experts could conduct forecasts that come to reasonable outcomes that differ from yours in terms of your forecasting?

A. There could be different results, certainly, depending upon the key assumptions and the approach that's used in doing the estimates.

Q. And would it be fair to say that you haven't looked into the law regarding, you know, what the City's authority is respect to taxes?

A. That is correct, in that we have not evaluated alternative revenue sources for the City of Detroit. We wanted certainly to make sure we understood current law in doing our revenue forecast.

Q. Then how did you get an understanding of

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current law?

A. Some cases looking at tax returns and looking at tax statutes to see whether or not, for example, there was a scheduled rate change in current law.

Q. You haven't done any investigation into what policy choices Detroit's leaders are contemplating that might affect your tax forecasts; is that fair?

A. No.

Q. Is that correct?

A. We have not evaluated any alternative policy options for the City of Detroit.

Q. And so, you haven't evaluated policy options that the City may currently be evaluating, correct?

A. I believe I've answered that question clearly.

Q. And the answer is correct, right?

A. The answer is that we have not done any evaluation of policy options for the City of Detroit.

Q. Do you agree with me that if, for example, tax rates change or collection rates materially go up, your forecast could turn out to be off by hundreds of millions of dollars?

A. If current law changes, you would need a new forecast of what the expected revenues are.

Q. And you agree that it's possible that your

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forecast, depending on changes in the assumptions that may occur in the future, could be off by hundreds of millions of dollars, correct?

A. I don't know what the magnitude would be. A very small change in the tax rate may change our numbers by 1 percent, so it depends upon the magnitude of the law change.

Q. You agree that if there's significant changes in the assumptions, your forecast could be off by hundreds of millions of dollars, correct?

A. I wouldn't agree to that general statement, no.

Q. Well, I mean if the tax rate were increased by 1 percent on the income tax or property tax or something like that, that could change your forecast by hundreds of millions of dollars, correct?

A. One example I could respond to, because we did look at it in -- as part of the revenue forecast, we do know that the corporate income tax rate under current law doubled recently. It's only collecting $26 million in total, that would be a $12 million change in tax collections.

Q. But if the income tax rate or the property tax rate doubled, the City would have significantly more

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money, hundreds of millions of dollars more, correct?
A. I couldn't tell you what the magnitude of the change would be.
Q. And --
A. I'd have to run the model to see that.
Q. So, you're incapable of offering any opinion regarding what would happen in terms of the amounts available to the City if the assumptions in your model significantly change, correct?
A. We did not simulate different revenue forecasts based upon alternative tax rates. We did not do that.
Q. Okay. But in general, for any of the assumptions, if the assumptions significantly change, you're not in a position to offer an expert opinion regarding what the revenues would be to the City of Detroit, correct?
A. Not without re-running the model.
Q. Do you know who the mayor of the City of Detroit is?
A. I do remember I have been mispronouncing his last name. I don't recall.
Q. Do you know what the role of the mayor or the city council is with respect to taxes?

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A. I do not know the details in Detroit.
Q. And the emergency manager or his assistants haven't shared with you any plans or policies relating to taxes; is that fair?
A. I believe that's accurate. We have not discussed alternative tax policy options for Detroit.
Q. You're not offering any guarantee regarding the accuracy of your forecast, correct?
A. That is correct.
Q. I mean -- and there's a standard disclaimer that everybody, including Ernst & Young, uses that these kind of forecasts, you can't guarantee that they're accurate inherently, correct?
MR. STEWART: Objection.
THE WITNESS: The objective is using the existing information and your understanding of the underlying economics to get as solid an estimate of the expected revenue stream as you can get. That's the objective.
BY MR. SMITH:
Q. Yeah.
A. We won't know until after the fact how accurate the revenue estimates are.
Q. So, you wouldn't guarantee to the Court that

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your revenue estimates are accurate, correct?
MR. STEWART: Objection.
THE WITNESS: I'm not sure what "guarantee" means in this situation.
BY MR. SMITH:
Q. Well, I mean, you wouldn't vouch for the -- there's no way to vouch for the accuracy of your revenue forecast, correct?
MR. STEWART: Objection.
THE WITNESS: We accept the responsibility for our revenue forecast. We believe we did it using the best information available, appropriate modeling approach, and we were very careful in what we were doing. That's what we can assert.
BY MR. SMITH:
Q. Did anybody from the City ask you to change some of the assumptions in your models?
A. Not me personally, no.
Q. And do you agree that there's no scientific literature or data available that quantifies any increase in tax revenue or revenue in general from restructuring or reinvestment proposals by the City?
A. I am not familiar with any analysis related to Detroit's current situation that directly links spending

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initiatives to specific revenue changes -- tax changes, which is what we looked at, just the tax changes.
Q. Yeah. Do you which department of the City collects the various taxes?
A. I have been to the website to look for tax return information. I don't recall what -- might have been the finance agency. Don't recall exactly what the name of the agency is.
Q. Do you know if different agencies collect different taxes in Detroit?
A. I am not familiar with the mechanics of who's responsible for depositing the money in the bank.
Q. So, you don't know the -- which department actually collects each of the taxes you analyze; is that fair?
A. For our revenue forecast, it was not one of the elements we thought was significant.
Q. Yeah. So, you don't know that information, correct?
A. I don't think I know it off the top of my head, no.
Q. Do you know who does the forecasting for the City?
A. I do know that the City has a consensus

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forecasting approach, which I believe they borrowed from the State or adapted after the State model. I think there may be three separate groups of people that do the forecast, they reach a consensus, and it's published in the spring each year.

Q. Before this consensus group was put together, do you know whether the City -- I mean, as far as you know, did the City ever do any kind of forecasting for taxes or other purposes?

A. I don't know what the mechanism was in the City for preparing the budget.

Q. The only forecasting you're aware that the City has ever conducted is this consensus forecast that's done; is that correct?

A. No. What is correct is that since I have been involved in this project, my understanding of the forecasting process is based on my understanding there is a consensus forecasting process.

Q. And your forecast does not agree with the consensus forecast, correct?

A. I'm not sure how it differs.

Q. Okay.

A. I do know that we did not adopt the consensus forecast back in 2013.

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Q. Okay. I mean, but you know that there are differences between your forecast and the consensus forecast; is that fair?

MR. STEWART: Objection.

THE WITNESS: If there are differences, I don't know what the magnitudes are.

BY MR. SMITH:

Q. Have you done any investigation to look at the consensus forecast to see whether you're consistent or inconsistent with the consensus forecast?

A. I've read the latest consensus forecast and we did not make any changes in our forecast based upon what I read.

Q. Okay. Having read it, though, you know that there are differences between your forecast and the consensus forecast, correct?

A. I'm not aware of what the magnitude of those differences are.

Q. But you know there are differences between your --

A. I would assume --

Q. -- forecast and the consensus forecast?

A. I would assume there are differences.

Q. And I think we already mentioned it, but the

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consensus forecasts do not try to forecast revenues or expenditures beyond two or three years, correct?

A. What is correct is that they are geared to the budgetary cycle. If the city council considers four-year budget horizons, that's what the tax forecast will be. If it's a two-year horizon, it will be a two-year forecast.

Q. You're not aware of anybody at the City ever suggesting that there should be a forecast for as long as 10 years, correct?

A. I'm not aware of any of the procedures the City has used in the past.

Q. You didn't do any sensitivity analyses to figure out which are the most important drivers of your numbers, or did you?

A. We selected the drivers based upon what we believed were important determinants of the tax base and its growth over time. We did not perform specific exercises where we increased a parameter by 10 percent or lowered it by 10 percent.

Q. Okay. So, you don't know which parameters have the most impact on your forecasts?

A. Based upon my professional experience, I have a -- an idea of what matters.

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Q. But you haven't done any testing or analysis to figure out which parameters have the most impact on your analysis and what effect changing them would be -- would have on your outcomes, correct?

A. We have a wide range of assumptions from statutory tax rates to changes in employment. They have different effects on the dollar amounts of the revenue estimates for specific taxes. All of that was considered in preparing our revenue estimate.

Q. Yeah. But you didn't do any analysis where you changed parameters to figure out what the impact would be on your outcomes, correct?

A. As I say, we did not do specific simulations where we increased one of 50 parameters by 10 percent, holding others constant, or reduced it by 10 percent holding others constant, or changing all 50 by 10 percent. We did not do that.

Q. Is that something that you've done in prior forecasts?

A. In deriving point estimates for revenues related to budget preparation, that tends not to be done. You do your best point forecast of your revenue figure based upon your knowledge of what is most significant, what is less significant, and your best estimate of what

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the values of those parameters should be.

It's not an exercise of creating a band of possible outcomes around the point estimate. That's not how it operates.

Q. Have you ever forecast tax revenues where you have created a band of possible outcomes?

A. Not that I remember.

MR. SMITH: You want to take a quick break, if you don't mind?

MR. STEWART: Sure. For how long?

MR. SMITH: I don't know, five minutes?

MR. STEWART: Yeah. Five minutes is fine.

THE VIDEOGRAPHER: We're off the record at 12:14.

(RECESS, 12:14 p.m. - 12:22 p.m.)

THE VIDEOGRAPHER: On the record at 12:22.

(Cline Exhibit 2 was marked for identification.)

BY MR. SMITH:

Q. I've handed you Exhibit 2, which is an article from the Detroit News, entitled "Reverse Commute May Hike Tax Bill."

Do you see that? Have you got that?

A. I have the document.

Q. Okay. And you see that this article discusses

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how the emergency manager's restructuring plan includes a proposal to try to collect income taxes from Detroit residents who work outside the city limits? Do you see that?

A. Just glancing at it, I'm not sure what mechanism they're discussing for increasing tax collections.

Q. It's withholding. It talks about withholding. If you look at the third paragraph, it says, "The City is considering the enactment of a local ordinance that would require employers to withhold City income taxes of reverse commuters. The disclosure statement reads, 'It's not a new strategy, but one likely to draw opposition in some circles.'"

Do you see that?

A. I do see that, yes.

Q. Okay. Nobody ever disclosed to you that there were proposals to increase tax collections by withholding taxes from reverse commuters, correct?

A. I was aware that that was an issue that had been raised.

Q. Okay. How were you aware of that?

A. I think it was reading descriptions of considerations.

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Q. Okay. And then this article goes on to say in the fifth paragraph, "A study released by consultants MacKenzie & Company, estimated that uncollected income taxes from Detroit residents working outside the city, or reverse commuters, totaled more than 140 million in 2009. That means the City took in slightly less than half of what it should."

Do you see that?

A. I do.

Q. Were you aware of the MacKenzie study that showed that the City was failing to collect as much as $140 million?

A. No, I was not. I'm sorry.

Q. Okay. Nobody shared that with you from the City?

A. I was not aware of that study.

Q. Okay. Would it be fair to say that there's a significant amount of income tax that's not being collected from reverse commuters?

MR. STEWART: Objection.

THE WITNESS: I can't comment. I'm not familiar with the estimates.

BY MR. SMITH:

Q. Before you did your forecasting in this case,

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would you have liked to know about this MacKenzie study that showed that there were potentially $140 million in income tax not being collected?

A. In answering your question, I think it's important to note that in the plan -- I believe the correct phrase is "Plan of Adjustment," there is a number for increased compliance collections. It is independent and separate from our revenue estimate based upon current law and what we think the underlying economics is. I believe you see both of those numbers in the Plan of Adjustment.

If you had that document, I could point that out to you, but it's important in answering your question to note that we were responsible for the economics, tax -- economics related under current law tax collections, I believe there's a separate line item which identifies the potential increase from collection activities. I believe we've avoided double counting those numbers, but I do believe they're separate exercises.

Q. Okay. So your forecast doesn't attempt to quantify the total amount of money that's potentially available from tax revenue to the City of Detroit, correct?

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the consensus estimates for the growth in wagering tax revenue. Do you see that?
A. **Yes.**
Q. And the consensus statement says, "Fiscal year 2014, consensus estimate remains flat with an additional decline of 1.2 percent projected by fiscal year 2015."
Do you see that?
A. **Yes.**
Q. And then it says "A turnaround is expected in fiscal year 2016 with a consensus projecting 1.5 percent growth."
Do you see that?
A. **Yes.**
Q. So, the consensus estimate is for 1.5 percent growth in wagering tax going forward from the fiscal year 2016, correct?
A. **Yes.**
Q. And that's not -- that's inconsistent with the rate of growth that you used, correct?
A. **If I could correct my prior answer.**
Q. Okay.
A. **It doesn't talk about going forward. The last year that's mentioned is FY 2016.**
Q. Okay. So then --

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A. **I don't know if they've projected it into the future.**
Q. Okay. The wage -- the revenue -- the wagering tax revenue growth figures that you used are not consistent with the consensus estimate; yours are different, correct?
A. **I believe we're not far off. We might be at a .5 percent rate of growth instead of a 1.5 percent growth, but we do have them, I believe, growing at some point in that interval of the forecast.**
Q. But you don't use the same numbers for wagering tax revenue as the consensus estimate, correct?
A. **If I understand your question, in 2013, when we made the original revenue estimates, we did not use the consensus forecast numbers, nor have we changed our current forecast based upon the -- this new 2014 consensus forecast.**
Q. Okay. So, as a result, the numbers you used for forecasting wagering tax revenue are different than the numbers in the consensus forecast, correct?
A. **It appears to be the case.**
Q. And the consensus forecast notes that there's expected to be a turnaround in wagering tax revenue in fiscal year 2016, correct?

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A. **I read that, yes.**
Q. And did you -- in your forecast, you don't model a turnaround in wagering tax revenue in fiscal year 2016, do you?
A. **Specifically what we've done in our forecast is we had, back in 2013, correctly picked up the fall in wagering collections in Detroit. We got that pretty close back in 2013. And we had it pretty close for 2014. We knew they were falling because of the opening of the new casinos in Ohio.**
We are not bringing it back as quickly in our forecast as the Detroit consensus forecast.
Q. Okay. So, the Detroit consensus forecast has a higher wagering tax revenue growth figure than you use, correct?
A. **Certainly in FY 2016, that's the case.**
Q. Okay. And you don't use any mathematical formula to generate your wagering tax rate growth figure, do you?
A. **I wouldn't say that we had a mathematical formula. We have mathematical calculations within the Excel spreadsheet.**
Q. What is the mathematical calculations that generate the wagering tax growth rate?

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A. **We specify the expected rates of growth, updated -- we updated the beginning point for actual tax collections, and extrapolated those numbers into the future.**
Q. But is the -- the actual rate of growth that you used, though, is that a number you calculated, or is that a number that you --
A. **That's an assumption --**
Q. -- input?
A. **-- that we input into the model.**
Q. Okay. And the number you use for the wagering rate growth -- the growth rate for wagering taxes is an assumption that you personally made?
A. **I, in a sense, was responsible for all of the assumptions that are in the model.**
Q. Yeah.
A. **I'm not sure what you mean by am I personally responsible for the number.**
Q. Well, who picked the wagering tax rate growth rate that you use to calculate wagering tax revenue?
A. **I signed off on that assumption.**
Q. And that's an assumption that was made, correct?
A. **Correct.**

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Q. And do you know how that assumption was generated?

A. I do.

Q. Okay. How was it generated?

A. It was looking at what is going on around the states in the collection of wagering income -- taxes from gross receipts based upon wagering. A number of states are quite disappointed in the revenue they're now receiving because of the rapid expansion of gambling in competitive, close-by states.

We felt that based upon that experience that a relatively low positive rate of growth, somewhere between .5 and 1 percent, was a reasonable assumption for Detroit, given the increasing competition in a relatively close geographic area.

Q. You didn't use any body of data to generate the wagering tax growth rate, correct?

A. As I mentioned, we did look at the actual collection figures --

Q. Okay.

A. -- reported by the states. We had some idea of what was going on nationwide.

Q. But you didn't calculate the wagering tax growth rate, correct? You picked that number?

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A. It's an assumption that we plugged into the model.

Q. Okay. And that's an assumption that you made, correct?

A. I was responsible for that assumption.

Q. And the assumption that you use for the wagering tax rate growth is different from the number that the consensus report uses, correct?

A. It looks like certainly for FY 2016 they're at a higher rate of growth.

Q. Okay. And do you recall what number you were using?

A. At that point, it was either 0.5 or a plus 1 percent -- plus 0.5 or plus 1 percent.

Q. Okay. Can you tell me why you used 1 percent rather than 1.2 percent or 1.3 percent?

A. Because we thought at the time that that was a reasonable estimate given the arrival of the new competition, which should have had an even more negative effect on the revenue numbers and could in fact, by itself, have driven this into a negative .5 percent.

Q. Okay. But there is --

A. But there is an economic recovery occurring throughout Michigan, some signs of slightly more positive

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economics in Detroit, which would, as separate factors, contribute to positive growth in the wagering gross receipts. We felt that the balance of those two forces would lead to a slight increase in revenue.

Q. But there's no scientific study or formula that tells you whether you should pick 1.2 percent or 1.3 percent for the wagering tax growth rate, correct?

A. In all of the revenue estimating that I have done, there is no precise formula that gives you the resulting revenue estimate. There are equations that are based upon history that you use to get an initial starting point, and then economists do what we call add factors, dummy variables and adjustments. No economic -- no revenue forecaster at the state level accepts the numbers coming out of an equation. They start there, and then they modify it.

We used what we thought was relevant, additional information to determine these growth rates. There was not a single mechanical formula that generated the .5 or the 1.0 number.

Q. I mean, at the end of the day, the wagering tax growth rate that you used is a number that you just picked, right?

A. As the City did also.

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Q. Okay. And there are a number of inputs to your model that are basically numbers that you picked, correct?

A. They're assumptions that I was responsible for.

Q. And you could use different assumptions in your modeling, and they would be reasonable assumptions, correct, because they're just numbers that you picked?

MR. STEWART: Objection.

THE WITNESS: Not all assumptions would be reasonable.

BY MR. SMITH:

Q. Well, I mean, for any of the numbers that you picked to use in your model, you could have different numbers that would be reasonable, correct? Like, for example, with the wagering tax rate growth, it would be reasonable to use the City's number, right?

MR. STEWART: Objection.

THE WITNESS: I don't agree. We did not use the City numbers in 2013.

BY MR. SMITH:

Q. Do you think it would be unreasonable to use the numbers that the consensus forecast used for the City?

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A. I believe it depends upon which tax type you're looking at and how long out they're going.

Q. So, some of the numbers used in the consensus forecast in your view are unreasonable?

A. Some of the numbers used in the consensus forecast are not the same as the assumptions that we made.

Q. Yeah. And my question is whether some of the numbers in the consensus forecast are unreasonable to use.

A. I don't have a definition for "unreasonable." I can simply tell you how we derived the number that we plugged in as our assumption. We did not plug in the consensus forecast number.

Q. Okay. But you agree that your -- the numbers that you picked to plug into your model that are just based on your picking the numbers are numbers that you could substitute with other numbers that would also be reasonable, correct?

MR. STEWART: Objection.

BY MR. SMITH:

Q. Or are your numbers the only ones that could be used?

MR. STEWART: Objection.

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THE WITNESS: I was responsible for determining what assumptions we put in our revenue forecasting model, and I did that.

BY MR. SMITH:

Q. Yeah. And my question is there could be another independent expert who picked different numbers to put into a revenue forecasting model for Detroit, and it could lead to perfectly reasonable results, correct?

MR. STEWART: Objection.

THE WITNESS: Would lead to different results, but they're not the ones that we chose.

BY MR. SMITH:

Q. I know. And I'm asking -- is your position that your forecast is the only reasonable forecast of revenues from the taxes you looked at for Detroit?

A. That's not my position.

Q. Okay. So --

THE VIDEOGRAPHER: Counsel, I'm sorry. We're at about an hour. We have to switch.

MR. SMITH: Okay. Why don't we break for lunch.

MR. STEWART: Why don't we break for lunch. What time is it?

THE VIDEOGRAPHER: Off the record at 12:55,

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this is disk number two.

(RECESS, 12:55- - 1:50 p.m.)

THE VIDEOGRAPHER: On the record at 1:50. This is the beginning of disk number three in the deposition of Robert Cline.

BY MR. SMITH:

Q. Good afternoon, Mr. Cline. How did you become involved in this case?

A. I became involved in the case when the EY team approached my practice, the QUEST practice in Washington, D.C., to ask for assistance in estimating tax revenues for the City.

Q. And the EY team in Detroit lacked the expertise to estimate taxes themselves; is that correct?

A. I don't know if that was the case. I think we were recognized as having more extensive experience in doing that.

Q. Is it fair to say that in performing your forecasting, you take data that's existing and then -- at the current point in time, and then you project that data into the future, essentially assuming that the status quo doesn't change?

A. The forecast itself is a forecast of the key drivers in the future, all of which are changing. So,

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the forecast exercise itself is -- what stays the same is the legal parameters of the tax system. What changes over time is the economics. What is fixed is the starting point of actual tax collections.

Q. So, in order to conduct an appropriate forecast, the policies and economics should change over time to accurately account for events as they unfold?

A. That's not correct. The policies in the form of tax parameters under current law remain consistent -- constant over the forecast period. It was the economics that changed.

Q. Okay. Are there activities by the City that change over time, or do you assume that all activities by the City remain fixed and constant?

A. What do you mean by "activities" of the City?

Q. Well, one activity is collection -- you know, collection practices. You know, there are other activities that the City engages in that might affect revenue -- tax revenue, correct? Other than the legal framework, there are activities the City engages in that can impact tax revenue, correct?

A. Are you talking specifically about collection activities?

Q. Well, my question is broader. I'm just trying

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to give you an example so you get an idea of what I'm talking about. Why don't we take it one at a time, okay?

A. Okay.

Q. Collection activities certainly can impact tax revenues over time, correct?

A. Correct.

Q. There are other activities that the City can engage in that may impact tax revenues, correct?

A. You will have to be more specific. What type of activities are you describing?

Q. Well, if the City, for example, banned businesses from the City, that would certainly impact tax revenues, correct?

A. The local economy will be affected by the provision of City services, by the overall economic outlook for the city, all of those are factors that affect -- will affect our economic forecast, if they affect the private sector economy.

Q. Okay. So, there are many activities, including the activities by the City that can impact the economics that you use in forecasting into the future, correct?

A. I think that's correct.

Q. And what are some of those things that can

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impact the economics?

A. I believe I may have just mentioned a few of those examples. Anything that affects land use, that affects general perception of the viability of the private sector in Detroit. Anything that affects the private sector economy would in theory have an influence on our tax forecast for the City.

Q. Okay. Did you look at historical data regarding utility users' tax collections?

A. We were aware of the most recent data on actual collections in the City of Detroit.

Q. Has the City successfully increased utility user tax collections in recent years?

A. I believe in the last few years, just prior to our forecast period, we were seeing decreases in utility tax collections.

Q. You're not offering an opinion on the causes of Detroit's fiscal problems, correct?

A. I'm not.

Q. You're not offering an opinion that Detroit can increase taxes, correct?

A. I am not offering an opinion about tax policy changes in the City of Detroit.

Q. And you're not offering an opinion that

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Detroit can't pay its creditors more, correct?

A. I have no comment on that issue.

Q. I'm going to hand you a copy of your report that I'll mark as Exhibit 4, just so you have it in front of you, okay?

A. Okay.

(Cline Exhibit 4 was marked for identification.)

BY MR. SMITH:

Q. You've got a copy of your report in front of you?

A. Thank you. I do.

Q. Okay. And I just wanted to get that to you so you would have it in case you need to refer to it, okay?

A. Thank you.

Q. Can you tell me what the assumptions of your forecasts are?

A. For all tax types?

Q. Why don't we go tax by tax. For the income tax, what are the assumptions that you make?

A. It may be helpful just to reiterate what is in the report in terms of our approach. Total individual income tax revenues mathematically equal number of taxpayers times average taxable income times the tax rate.

R. CLINE

And our estimating methodology was to look at each three of those components separately. Because Detroit has differential tax rates depending upon whether you are a resident or a non-resident, we actually estimate individual income tax bases and taxpayers for those who are residents of Detroit and work in Detroit, residents of Detroit who work outside of the city, and non-residents who work in the city.

Then we made assumptions about total employment in Detroit, the growth rate of employment in the suburbs, population growth in the city, general increases in the average taxable base. Those were, on the individual income tax side, some of our key assumptions.

Q. Okay. And then for the corporate tax, what are the key assumptions?

A. I believe our corporate income tax forecast is more -- was -- began with the State forecast for the years that were available. The State information is more limited because the State of Michigan did not have a corporate income tax prior to two or three years ago. They returned to that tax, so there's too short a time series to use the State experience as a foundation for the Detroit forecast.

R. CLINE

So, we used recent experience in Detroit and we used for the longer run forecast information about the expected overall growth of the U.S. economy, because of the limitation on data from the State of Michigan, not having a time series for the corporate income tax.

Q. Okay. So, what are the assumptions for the corporate income tax?

A. All right.

All right. As we outlined in the report, I'm looking for the specific percentage changes. Let's see where that -- where they are. What we did on the corporate income tax is that we began with the State forecast three-year, I believe, period, and we took the percentage growth for the corporate income tax forecast from the State. If I recall, that may have been running at 3 or 3.5 percent.

Then we recognized that the corporate income taxes in Detroit were growing at a lower, slower rate of growth than for the State, and that had been going on for some time. We called that our structural adjustment, and we subtracted that from the State forecast to get our forecast for the City of Detroit.

And that adjustment was about a negative 3 percent, tapering down to a negative 2 percent. And that

R. CLINE

gave us our growth rates for the corporate income tax, and then we extrapolated that into the future, over the 10-year period of time.

Q. Okay. So, can you list for me the key assumptions for your corporate tax forecast?

A. Our corporate tax forecast was based upon recent experience in the rate of growth of the State corporate income tax collections, adjusted downward from recent history of the slower rate of growth in Detroit than in the State. We applied that going forward outside of the Michigan forecast at a rate that may have been roughly -- I don't see it in front of me here, but it may have been close to a 2 percent rate of growth.

Q. And all of those are assumptions of your corporate income tax calculation?

A. In a sense, the entire model is an assumption. All of these are inputs like the rate of growth of the State corporate income tax, the relationship between the Detroit tax and the State base; all of those were based upon information in the recent past or a snapshot at a point in time, and we did use those parameters and ratios in forming our future forecast for the City of Detroit.

Q. But all the -- the future forecast is based on a series of assumptions that you made regarding the

R. CLINE

corporate income tax; is that correct?

A. It's based upon information on actual tax collections as the starting point, and assumed rate of increases in the tax base in the City of Detroit.

Q. How about the wagering tax; what are the key assumptions there?

A. As I believe I did discuss earlier, the wagering tax recently had very negative percentage changes from year to year. That was a result of increased competition from Ohio, and a result of the deep recession in Detroit as well as the rest of Michigan.

In our forecast, we had to decide when that negative impact would start to reverse and perhaps lead to a small, positive growth in wagering taxes. Based upon what we were seeing around the U.S., we returned the rate of growth to the positive area, .5 percent, and then in a few years, we moved it back up -- we pushed it up to a 1 percent annual rate of growth, which I think is a reasonable expectation for what will happen, because the competition hasn't gone away. In fact, it probably will increase. Although the economy is recovering, we think the net effect is about a 0.5 to 1 percent increase in the wagering tax.

Q. And all of those were assumptions of your

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wagering tax forecast, correct?

A. Again, they're all inputs in the wagering tax forecast.

Q. I know. My question is, I just want a list of the assumptions for the wagering tax forecast.

A. Yes. Those -- that -- I've explained where the rate of growth assumptions came from.

Q. Okay. So that you're assuming the rate of growth for purposes of your wagering tax calculation, correct?

A. We're forecasting the rate of growth in wagering tax collections based upon the numbers that we put into the model.

Q. Okay. And are those assumptions?

A. I'm not sure how you distinguish between assumptions --

Q. Okay. Well, in your report, don't you list assumptions?

A. We do have a section that says assumptions.

Q. Okay. And can you give me a straightforward answer about what the assumptions are?

MR. STEWART: Hold on. Objection.

THE WITNESS: What page would that be on?

MR. STEWART: He will tell you what page

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R. CLINE

addressed that would also be reasonable projections?

A. There are other projections that you could make if you changed the assumptions. I would have to see the rationale for the assumptions to kind of judge reasonableness in that sense.

Q. Okay. But there's some that could be reasonable?

A. It would depend upon what those assumptions are.

Q. Okay. So, basically, the reasonableness -- basically, your determination about the reasonableness of a projection is based upon the reasonableness of the assumptions?

A. I believe that is fundamentally the foundation for doing tax forecasting.

Q. Okay. And so, in doing your work in tax forecasting, you tried to use your discretion to pick reasonable assumptions so that you could come up with reasonable projections; is that correct?

A. The way I would describe it is that we had to make those assumptions. There was no choice. It wasn't discretionary. We wouldn't have been able to do the forecast without making those key assumptions. We made those key assumptions based upon the best available

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information we had and our perspective on future economic developments in Detroit.

We think they are reasonable given what I just described as inputs. Other people may have different assumptions and come up with different forecasts.

Q. Yeah. There was no requirement that you use the precise numbers that you picked for your assumptions, correct?

A. We controlled the assumptions that we used in the forecasting model.

Q. Okay. And in picking the precise numbers for your assumptions, you used your discretion as a tax forecaster to pick assumptions you believe were reasonable, correct?

A. I wouldn't use the word "discretion," no.

Q. Okay. What would you -- you used your -- what did you do to pick the assumptions; how would you characterize your exercise of your function?

A. I would characterize it as developing a set of assumptions based upon our experience in revenue forecasting, and based upon our understanding of the current status of the City of Detroit from an economic perspective. We use that information to guide the selection of the forecasting assumptions.

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R. CLINE

Q. You don't have any experience doing revenue forecasting for a City, correct?

A. I do not.

Q. And you don't have any experience doing economic forecasting for Detroit, correct?

A. Not prior to this study.

Q. Are there any economic forecasts for Detroit?

A. In the past, I have used forecasts for the City of Detroit. When we started looking at this in 2013, we could not find updated forecasts for the City of Detroit.

Q. Okay. So, there are no updated forecasts for the City of Detroit that would -- that could be used in doing a forecast such as you're doing here, correct?

A. There may be, but we did not find them or use them in our analysis.

Q. Okay. So, because you didn't have Detroit data, you had to use Michigan data; is that correct?

A. I think the correct answer is we had a lot of Detroit data. We have all there is to know about tax collections in the City of Detroit we had very detailed information on the flow of commuters across the border in Detroit. We had detailed information on the labor market conditions in the City of Detroit.

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R. CLINE

What we did not have was an economic forecast of the future in Detroit.

Q. Okay. So, because you didn't have an economic forecast for the future for Detroit, you had to look at information for the State of Michigan; is that correct?

A. We did use as a starting point, in addition to the data that we had for the City of Detroit, we used the most recent consensus forecasts for the state economy, and then related that to the City of Detroit.

Q. So, is part of what you are doing in your forecast extrapolating statewide data for Michigan and trying to use it to do some forecasting for Detroit?

A. That was one of the steps in the process.

Q. Okay. And who are the people that had done the prior Detroit forecasts that were not updated, if you can recall, or what were they?

A. I believe in the past, I had used economic forecasts for the City of Detroit from one of the banks in the City of Detroit. I believe they stopped doing that revenue forecast -- systematic revenue forecast.

Q. Do you recall which bank it was?

A. I don't recall which bank it was.

Q. When you say in the past you had used a revenue forecast for Detroit by one of these banks, what

R. CLINE

MR. STEWART: Objection.

THE WITNESS: As I mentioned, our tax revenue forecast for the individual income tax begins with the actual tax collections. I think it was 2013 preliminary. We didn't have to use history or pick a time period for the actual starting point of our revenue estimate. What we had to choose was expected rates of growth in the future over the next 10 years. To provide us with information to choose those growth rates going forward, we looked back in time at history to the extent that it helped us.

BY MR. SMITH:

Q. Okay. But like, for example, look at Figure 1 compared to Figure 2. You look at different time periods for the growth rates of the City of Detroit and Michigan employment compared to the Detroit share of total state of Michigan employment, correct?

A. That's correct, because the time period was determined by the question we were trying to answer.

Q. Okay. So, for the various inputs in your model, you look at different time periods; is that fair?

A. We chose time periods that we thought were most relevant for the parameter or the question we were

R. CLINE

trying to answer.

Q. Okay. And so, there are a number of parameters in your model that -- on which you base your assumptions or calculations upon different time periods; is that fair?

A. I would say that is correct, and you see here two of the types of information that we use in determining our key assumptions.

Q. Okay. On that chart at Figure 1, would it be fair to say that at various points in time, the City of Detroit's share of total state of Michigan employment is higher than you've assumed in your forecast?

A. It is true in 1990, the share was 8.66 percent. In 2012, it's 6.97 percent.

Q. Okay. And in between those two periods of time, it went up and down, correct?

A. Trend is pretty clearly down.

Q. But there are periods of time that it was trending upward, correct?

A. Given what I see in the diagram, I'd have to go to the underlying percentage changes. I see maybe one or two years where they may have been positive, but I'd have to look at the specific numbers to determine what was positive and what was negative.

R. CLINE

Q. Okay. And as an expert in this case, are you able to explain why the share of Detroit -- Detroit's share of total state of Michigan employment went up or down in particular years?

A. No. I did not do a detailed examination of the percentage change in each year. The exercise was to determine the long run trend over, say, a 20-year period of time. Focus was not on individual year fluctuations; it was attempting to measure a long run structural change that we believe still applies to the City of Detroit.

Q. Okay. Why would Detroit's share of total state of Michigan employment increase during certain portions of time that you looked at?

A. They may have -- it may have happened because some of the economic activities in Detroit were growing faster than they were -- than other activities were throughout the state.

Q. You haven't done any analysis to figure out what activities there were during those historical periods when Detroit was successfully growing its share of employment compared to the state, correct?

A. No, we did not.

Q. On page seven, you say, "A comparison of more recent changes in employment in Detroit and Michigan

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indicates that Detroit employment has not recovered at the same rate as Michigan employment coming out of the last two recessions."

Do you see that?

A. I do.

Q. Did you calculate any relationship regarding the rate of recovery in Detroit versus Michigan.

A. We did, and the results are in Figure 2.

Q. I mean, did you calculate it or did you -- you didn't calculate some number, did you, or did you calculate a number? Or did you do an assumption? I'm trying to figure out if it's a calculated value versus an assumed value.

A. All of the values in Figure 2 were calculated from actual data.

Q. And you would agree with me that there's no data or study showing a reinvestment and restructuring initiative like the City is proposing impacts the rate of recovery as you've be assumed in your model; correct?

A. I don't know if there are or are not other studies. We did not use or look for those studies in our analysis.

Q. Okay. And so, sitting here today, you can't identify any studies showing a reinvestment and

R. CLINE

restructuring initiative like Detroit's proposing will impact the rate of recovery, correct?

A. I don't have a specific study.

Q. Okay. Can you tell me what mathematical formula was used to calculate the values in Figure 2?

A. The formula was X divided by Y.

Q. What is X --

A. It's the percentage change from year to year.

Q. How did you calculate the reduction in the rate of lag under the restructuring scenario? Was that a calculation, or was that an assumption?

A. I'm not sure what you mean by the lag.

Q. Okay. You say that there's a delay in recovery in Detroit that you are depicting in Figure 2, correct?

A. I believe the accurate description in Figure 2 is that the recovery in Detroit coming out of the trough of the recession was slower than it was in the state.

Q. Okay. Did you -- you say that there were other prior recessions. Did you do any testing or analysis to determine whether the rate of recovery in Detroit was slower in recessions before 2001?

A. It was my knowledge of Michigan and Detroit suggested that they tended to move fairly close together

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in prior recessions, both going down and coming out. I did not go back and look at the last 30 years or 40 years of recessions in Michigan. I didn't think it was relevant for this exercise. I do think this recent break is an important one because it does reflect the fact that there is now, I believe, a significant difference in the ability of the City of Detroit to recover versus the State of Michigan. I believe Figure 2 is a pretty clear indication of that.

Q. That's based on data from one recession, correct?

A. That's based upon data from two recessions.

Q. Okay. There are other recessions where you would agree with me that Detroit has recovered at a comparable rate to Michigan; is that correct?

A. It would be my impression that there was a closer correlation between changes in Detroit and changes in Michigan in earlier recessions.

Q. You haven't calculated those numbers, though, correct?

A. I have not. I didn't think they were relevant for this forecast exercise.

Q. Okay. Do you know what the causes in the rate of recovery that you say exist between Detroit and the

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state of Michigan are?

A. I don't have a detailed explanation of this break. It certainly has something to do with the overall structure of the Detroit economy as well as the effects of the fiscal crisis in Detroit.

Q. There's no study or analysis that would explain or support your theory that there's a more delayed recovery in Detroit than in the state of Michigan for structural reasons, correct?

A. I think Figure 2 provides a pretty solid foundation for reaching that conclusion.

Q. But there's no study that says there's any causal relationship between anything in Detroit and a delay in recovery compared to the rest of the state?

A. I don't know of any specific studies.

Q. And the only person that's claiming that there's anything -- any kind of structural difference that's leading to a delay in recovery in Detroit compared to the state of Michigan is you, correct?

A. I don't know that's the case, no.

Q. Can you identify anybody else other than yourself --

A. I have not.

Q. -- that's saying that there's some kind of a

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structural reason for delay in recovery between Detroit and Michigan?

A. I have not, but I wouldn't conclude that means it's not out there.

Q. Okay. But sitting here today, you can't identify anybody other than yourself that's voiced that opinion, correct?

A. I do not have a specific study that you could refer to as a source that would go beyond the documentation of what has actually been happening. It's not a theory. It's, I believe, reality, and I think Figure 2 is pretty clear.

Q. But you can't -- you can't identify the specific cause of this delay in recovery for -- that you outline in your report between Detroit and the rest of the state of Michigan, correct?

A. What we are attempting to do was to identify the break, not to explain the break. The question for us was will it continue in the future, and we determine that, yes, for our economic forecast, we think that this is another break that needs to be considered when you are doing a 10-year revenue forecast for Detroit.

Q. But you haven't identified the cause of a break between Detroit and the rest of the state, correct?

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A. **We have not tried to analyze the Detroit economy in detail compared to the Michigan economy in detail.**

Q. So, you can't tell me whether this unidentified cause will continue into the future or not with respect to the break between Detroit and the state of Michigan, right?

A. **I can tell you we have two very significant observations of the existence of the break. I believe the 10-year horizon covered in this diagram is a fairly solid foundation to assume that something fundamentally has changed, and I believe that's a solid foundation for the revenue forecast for a 10-year period.**

Q. So, you're assuming in your forecast that the break between Detroit and Michigan with respect to the rate of recovery will continue, correct?

A. **In our forecast, we have this structural break continuing, but I believe we taper it down near the end of the forecast period.**

Q. Okay. And that's an assumption you're making for your forecast, right?

A. **It is an assumption.**

Q. And -- but you haven't identified the actual cause to figure out whether the cause is going to

R. CLINE

continue during the 10-year period, correct?

A. **We have not done a detailed study of the cause.**

Q. And in fact, nobody has done any detailed study of any cause of this alleged break between Detroit and the state of Michigan in terms of rate of recovery, correct?

MR. STEWART: Objection.

THE WITNESS: I don't know if that's correct.

BY MR. SMITH:

Q. You can't identify any study like that sitting here today, correct?

A. **I haven't identified any study.**

Q. Okay. When we look at page -- based on the data that you're talking about in Figure 2, do you calculate a -- some kind of value that you use to project the delay in the rate of recovery?

A. **Correct.**

Q. And how -- what's the mathematical formula you used to calculate that value?

A. **It's partly based on the numbers you see lying behind the graph in Figure 2. You can tell that the -- if you look at the vertical difference between those two**

R. CLINE

lines, you've got a rough estimate of what that differential looks like. We used the relationship, actual relationships between these two lines to try to come up with an estimate of what that gap looks like.

Q. What's the mathematical formula or technique to get that estimate?

A. **It's Y minus X. You look at two percentage changes, look at the difference in those two.**

Q. But did you do that throughout the period or at one point in time or what?

A. **I believe at that -- for that calculation, we were focusing on this time period covered between 2001 and 2012.**

Q. But I'm still trying to get what the mathematical calculation was. Obviously, throughout that period there were differences in the degree to which there was a delay in recovery, right?

A. **Correct.**

Q. Okay. And so, I'm trying to figure out how you calculated a single number based on data underlying Figure 2 for the delay in recovery.

A. **I'll have to check the exact mathematics, but I believe what you can see is that we looked at the two periods of time from an expansion, from a recession. We**

R. CLINE

may have averaged those gaps during the expansionary periods.

Q. Okay. But right now, you don't know the exact mathematical --

A. **I'll have to --**

Q. -- technique used to calculate the delay in recovery, correct?

A. **I know the exact mathematics used to calculate it. I don't remember precisely which years went into that averaging.**

Q. Okay. Is it possible that not all the years depicted in Figure 2 went into that calculation?

A. **As I mentioned, I believe we were focusing on the recovery periods, not the recession. You notice that in the recession, '8, '9, they moved closely together. The break is in the expansion, the recovery from recession, not in going down into the recession.**

Q. Okay. So, you don't know which recovering years you used in generating the value for the delay in rate of recovery, correct?

A. **I'm pretty certain we used the recovery years.**

Q. But you don't know which years those are?

A. **I believe they were the years that you see here in the graph.**

R. CLINE

point to any previous instance where the State engaged in restructuring or reinvestment, correct?

A. For the City of Detroit?

Q. Yeah.

A. I am not aware of any, and that's why there's no study we can rely upon to determine the factors.

Q. Precisely. There's no study or data that shows that the cyclical adjustment that you assume is going to go away in the restructuring scenario actually will go away, correct?

A. I believe it is a reasonable -- thinking about what's unfolding in Detroit, I believe that that cyclical adjustment we saw in Figure 2 is related to the economic weaknesses and the fiscal crisis in Detroit. I believe it is reasonable to assume that if those issues are addressed, that the private sector could respond in a strong -- with a stronger rates of growth. I think it is a reasonable scenario over the next 10 years with restructuring.

Q. Okay. I'm asking about studies or data. There's no studies or data showing that the cyclical adjustments related to the fiscal crisis in Detroit, correct?

A. This is a unique situation that isn't in

R. CLINE

history, so there are no studies that would answer your question.

Q. And so, there's no study or data showing that engaging in restructuring or reinvestment to alleviate the fiscal crisis will eliminate the fiscal adjustment, correct?

A. You're correct that I do not know of any study that deals specifically with that issue.

Q. Okay. Page eight, population growth rate.

You've got -- can you tell me what mathematical formula was used to calculate the population growth rate referenced on page eight?

A. I cannot tell you what methodology SEMCOG used for its population projections.

Q. Okay. Did you do any alteration of SEMCOG's population projections?

A. We did in forecasting the individual income tax collections.

Q. Okay. Can you tell me the mathematical formula you used to adjust or change SEMCOG's population projections?

A. We used add factors, which could be plus or minus percentage changes, for different components of the population, which were not forecasted by SEMCOG. As you

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remember, in terms of our methodology, we had to look at residents who work in the City of Detroit, residents who work outside of the City of Detroit, and people who live in the suburbs and work in Detroit. Those are all subsets or not, in one case, even in the population numbers for Detroit.

So that we had to do separate percentage change estimates for those three components of the taxpayer groups in Detroit.

Q. Can you tell me what the add factors were that you used?

A. Well, I believe you see on page nine we have got forecast the number of residents employed in Detroit will decline at 1 percent a year, less negative 20 to 21, and then 0 percent in the last two years.

Q. Okay. And --

A. So -- yes.

Q. Go ahead.

A. No, I was just -- those are the numbers that would describe our growth in the number of the taxpayer population for residents working in the city.

Q. Those growth rates referenced on page nine, are those assumed values or were they generated by mathematical formula?

R. CLINE

A. They were our assumptions that went into the model.

Q. Okay. So, the negative 1 percent decline per year and then the growth rate increase of minus .5 percent from 2020 to 2021 and 0 percent in the last two forecast years, those were all assumed and not calculated values, correct?

A. They are assumptions that we used in the estimates.

Q. Did you look at different assumptions for those numbers?

A. I believe we may have iterated to the final numbers, but I don't have specific runs of all the variations that we might have used along the way.

Q. Would it be fair to say for all of the assumed values you used, you tested out different assumed values?

A. I don't think it's accurate to say we tested out. I think it's accurate to say that we -- based upon additional information we received, we made adjustments in these assumptions that we thought align more closely with the most recent information available.

Q. Okay. So, for all of the assumed values that form the basis for your forecast, you had used other assumed values at different points in time; is that fair?

R. CLINE

A. I don't think that's accurate for all of the key assumptions, but there may have been some --

Q. Okay.

A. -- key assumptions that changed over time.

Q. Okay. For some of the key assumptions that underlie your forecast, you did use different numbers at different points in time when you were generating your forecast, correct?

A. I would say that is correct, and as I had mentioned before, we certainly changed the starting point for each of our revenue forecasts as we updated the actuals to reflect the most recent information. That changed continuously throughout this entire period.

Q. In terms of the recovery rate, did you -- either under the baseline or restructuring scenario, did you use other recovery rates other than the minus .85 and minus .5 percent?

A. I don't remember specifically. I do remember, though, that at one point, we may have talked about whether to round the number off to one decimal place instead of using two, but I don't remember specific runs with different values.

Q. Were there other methodologies you considered for trying to generate the restructuring scenario other

R. CLINE

than using this recovery rate methodology?

A. Well, I wouldn't say that what we did was only using that recovery rate methodology. That only came into play in getting the total -- the total job number for the City of Detroit, and that was just the beginning point. And then we had to divide the total jobs into those held by residents, those held by non-residents, and then we had to determine the number of jobs residents held in the suburbs. All of those involved key assumptions about the rates of growth of those components.

Q. Were there any analyses, though, where you didn't use the cyclical adjustment in your calculations?

A. I believe it was used in the calculation of the total employment rate -- the total job number for the City of Detroit I can certainly check to see if it was used somewhere else.

Q. Well, no, I'm wondering if there was a point in time where you didn't try to do this calculation with the cyclical adjustment rate.

A. I believe I did mention that, as you see in the report, that we went -- when we went to the restructuring scenario, we removed the cyclical -- additional cyclical adjustment. So, yes, we did run a

R. CLINE

scenario without that, and we -- it is described and included in the restructuring scenario.

Q. Did you ever run the restructuring scenario without removing the cyclical adjustment?

A. I don't -- let me see if I can -- I believe I have to correct your -- to answer your question, I believe you -- would you repeat your question, please.

Q. Did you ever run the restructuring scenario without removing the cyclical adjustment?

A. I believe the right answer is, we did remove the cyclical adjustment.

Q. And I'm asking in the various iterations of your model, did you ever run the restructuring scenario without removing the cyclical adjustment?

A. I don't recall doing that exercise.

Q. Okay. Back to the figures on page nine. I mean, there's -- is there any rhyme or reason about why you use minus -- minus .5 as opposed to minus .4 or some other value there?

A. I believe there is a structure here that provided us guidance on the likely magnitude of these numbers. That information included the forecast percentage change in population. The number of people living and working in Detroit is a function of the number

R. CLINE

of people who live in Detroit, and it's also a function of the overall rate of growth of employment.

Our forecast of those values determine, in a sense, what I would call a reasonable range of values that we plugged in as our key forecasting assumptions. So, these numbers are, in a sense, bound by other parameters that are in our forecast.

Q. So, for each of the assumptions that you plug in your model, there's actually a range of values that you could have plugged into your model; is that fair?

A. It's not an accurate description of the process we used. We were going for the most accurate point estimate of our revenue. We did not try to construct a band confidence interval or otherwise around our point estimate, so we did not go through a simulation changing every parameter up by 10 percent or down by 10 percent.

Q. For the numbers, though, on page nine, can you tell me why the growth rate increases to minus .5 percent in the specific years, fiscal year 2020 and 2021?

A. That was our assumption about, in a sense, the time it would take before the private sector started to respond.

Q. Okay. So, that's an assumption and not a

R. CLINE

calculation, correct?

A. That is correct, but I would just add that the entire forecast is a forecast based upon assumptions.

Q. Yeah.

A. If we --

Q. All of your forecasts in your report are forecasts based on assumptions, correct?

A. All economic forecasts are forecasts based upon assumptions.

Q. Yeah. And essentially what you are doing is you're trying to base all of your assumptions on your experience, correct?

A. I don't believe that is correct.

Q. Okay. So there's no mathematical formula for population growth rate that's generating the numbers on page nine, correct?

A. It is my assumption that the total population numbers from SEMCOG have a pretty elaborate underlying structure that provided that population forecast.

Q. But the growth rates that are -- the minus 1 percent per year and then minus .5 in fiscal year 2020 and 2021 and 0 percent in the last two forecast years, those aren't numbers generated by a mathematical formula, correct? They're assumptions.

R. CLINE

A. Could you explain what you mean by a mathematical formula?

Q. Okay. So, as an expert in this case, can you tell me what a mathematical formula is?

A. What I'm having trouble with is understanding your juxtaposition of the word "assumptions" with the phrase "mathematical equations." I would describe our entire Excel model as a model that involves mathematica equations.

We have plugged key assumptions into those mathematical equations, and the forecast is a result of the combination of all of those factors and all of those equations, and all of those assumptions.

Q. My only question is those figures on page nine, for the growth rate, are not calculated values, correct?

A. Those values began with history in Detroit, recent history. Actual numbers. We used those actual numbers to calculate ratios that then provided a guide to us on possible, probable numbers that would provide us with a forecast of the rate of growth of the number of residents employed in Detroit. We then determined what those values would be --

Q. This is really --

R. CLINE

MR. STEWART: Don't interrupt the witness.

MR. SMITH: Yeah, but it's blatant --

MR. STEWART: Don't interrupt the witness. He has to finish his answer.

MR. SMITH: Well, this is really delaying and non-responsiveness.

MR. STEWART: It's because you're asking very poor questions. Let him finish his answer.

MR. SMITH: What's so poor about asking him whether the three numbers --

MR. STEWART: Answer the question.

MR. SMITH: -- on the page are calculated, can you tell me that?

MR. STEWART: Finish -- finish your answer.

MR. SMITH: Geoff, Geoff, tell me -- you just said that my question was objectionable and I want you to tell me why it's objectionable to ask him if he calculated three numbers in his report.

MR. STEWART: Because he told you your question was ambiguous in the use of mathematical formulas. He explained to you why. He explained where they came from. He explained how he was going about it.

MR. SMITH: Okay. Where did they come

R. CLINE

from, Geoff?

MR. STEWART: You are not allowed --

MR. SMITH: Where did they come from?

MR. STEWART: -- to interrupt his answer.

MR. SMITH: Geoff, you are sitting here. Where did those three numbers come from?

MR. STEWART: Finish your answer.

MR. SMITH: Can you tell me --

MR. STEWART: Finish your answer.

MR. SMITH: -- on the record from what he said today? Can you tell me where those numbers came from?

MR. STEWART: Are you trying to pick a fight with me?

MR. SMITH: I'm just asking you --

MR. STEWART: Are you trying to pick a fight with me?

MR. SMITH: There's no fight, but you -- your witness has obstructed the deposition, and it's wasting time for everybody here unnecessarily.

MR. STEWART: The witness is doing an excellent job. The problem is the way you've gone about examining him.

Now, you can finish your answer.

R. CLINE

A. **I think I've explained the process we went through in choosing that assumption.**

Q. That's not my question. Here's a pen. Can you write it down on the page? What's the mathematical formula you used to generate the 1 percent wage growth rate?

A. **I believe all of those formulas are sitting in the Excel spreadsheet. I would have to go back and look at each of those cells to determine what was math in the model and what was the key assumption. I believe the 1 percent was a key assumption that we're responsible for and we had to choose the profile for tapering it down.**

Or in this case, I guess, to be tapered up or down, but we had -- we controlled the timing of when we altered that rate. It is a key assumption that we used in the model.

Q. When you say something is a key assumption, that means that it's not being generated by a mathematical formula, correct?

A. **No. It doesn't follow that that's the case.**

Q. All right. But the wage growth rate, that was not generated by a mathematical model, is it?

A. **That is correct.**

MR. BARNOWSKI: Is it possible to take a

R. CLINE

five-minute break?

MR. STEWART: Sure.

MR. SMITH: Sure.

THE VIDEOGRAPHER: Going off the record at 3:27. This is the end of disk number three.

(RECESS, 3:27 p.m. - 3:39 p.m.)

THE VIDEOGRAPHER: On the record at 3:39, this is the beginning of disk number four in the deposition of Robert Cline.

BY MR. SMITH:

Q. Okay. Mr. Cline, the 1 percent wage growth rate that you used, you believe is a reasonable rate for City of Detroit, correct?

A. **It is the one that we thought was reasonable given the recent economic challenges in Detroit.**

Q. And it's the best estimate in your view?

A. **It's the estimate that we think is most accurate over the 10-year time period, but as I mentioned, it -- I believe it -- it is, and that's the baseline forecast, 1 percent.**

Q. The 1 percent value for wage growth that you used is less than the inflation rate, correct?

A. **We don't have a separate inflation rate forecast, so it very is likely to be about or a little**

R. CLINE

below the rate of inflation, but we don't have a separate inflation forecast.

Q. Okay. So, it's likely that you're projecting a real wage rate that is either zero or negative growth?

A. **I believe that's the implication of the numbers.**

Q. Okay. Page 12 of your report, you mention under the heading, C, the first paragraph there, you say that "The 40-year tax forecast should be considered a simulation of what would happen under the assumed growth rates, not a forecast of what is expected to happen."

Do you see that?

A. **I do.**

Q. And would you agree with me that the 10-year forecast also should be considered a simulation of what would happen under the same growth rates and not a forecast of what is expected to happen?

A. **No, I would not agree with that statement.**

Q. Why is there a difference between the 10-year and the 40-year forecast? Is it just the length of time of the forecast?

A. **No, it's not.**

Q. What's the difference?

A. **The difference has to do, I believe, with the**

R. CLINE

starting point. As I've emphasized, our entire forecast for the 10-year period of time is solidly grounded in actual tax collections probably through FY '13 for most of the taxes. We got -- we have the right starting point, and we know what it is. We then forecasted the expected changes over the next 10-year time period. It's not really a 40-year additional forecast, it's 30 more years beyond the first 10, is I believe the accurate way to describe it.

Going out beyond the first 10, we don't have the actuals as our foundation, and we have moved into a period of time which is outside of anyone's economic forecasting model that I'm familiar with. Therefore, I think it is accurate to characterize that more as a simulation based upon those assumptions.

Q. And so, would it be fair to say the methodology you used for the 40-year forecast is different from the 10-year forecast?

A. **I would interpret the methodology we use for the next 30 years to be different from the first 10-year forecast.**

Q. Did you have actual data regarding the wage rates in the City of Detroit?

A. **Did -- we had some information, I believe, on**

R. CLINE

wages and salaries in the Detroit metropolitan area. I believe it may have included Detroit. I don't know if Detroit was stated separately. But remember, what we were trying to get at is the growth in taxable income, not the growth in wages. We're using it as a proxy or as a number to suggest what is happening to the tax base. It's the tax base, not the wages, that are key here.

Q. But you needed to get an accurate measure of wages in order to even be able to use it as a proxy for taxes, correct?

A. Well, I wouldn't overemphasize that length. The tax base itself is a complex combination of earnings which are wages and salaries of employees, earnings of the self-employed, interest dividends and other sources of income. It's the combined influence of all of those factors, all of those components that make up the forecast of the tax -- the tax base, and the change in that tax base over time.

So that we were no -- we were not trying to get -- we were not limited to trying to get a forecast of wages specifically; we were trying to forecast the expected growth rate in tax- -- taxable income under the individual income tax.

Q. Page 14, you've got some numbers here for

R. CLINE

Detroit employment growth at the bottom.

Do you see those? The last paragraph?

A. I do. Yes, I do.

Q. Okay. And you say, "Over this period the assumed structural decline in Detroit employment also wanes, falling in magnitude from negative 1 percent from fiscal year 2014 to fiscal year 2020 to minus .7 percent at fiscal year 2021, and minus .5 percent in the last years."

Are those all assumed values?

A. They are assumptions that are some of the key inputs in the model.

Q. When we go over to page 15, "The share of Detroit employment attributable to income tax base A."

Do you see that?

A. I do.

Q. Those numbers are assumed numbers as well; is that correct?

A. I believe it is accurate to say that when we were doing these different components of the income tax base, we had actual data from the City on the amount of income for the different groups of taxpayers; residents and non-residents. So, once again, we started with the actual amount in that base, and then we grew it by these

R. CLINE

assumed rates of growth.

Q. Okay. So, the rates of growth that you used for the income tax bases in your model were assumed rates; correct?

A. They are our assumptions about what we believe is a reasonable forecast over this period of time.

Q. And the -- at the bottom, you mention that you've assumed the tax rates remain constant, correct?

A. Yes. And we didn't assume that. That is in fact current law. It's not an assumption.

Q. Well, you assume that current law will remain unchanged throughout the forecast period, correct?

A. It's not an assumption we made. It's standard revenue forecasting procedures. You do the forecast under current law.

Q. Okay. You're aware, though, that in the past the income tax rate has been higher than it is under current law, correct?

A. I assume so. It probably was also lower --

Q. Well --

A. -- in the past.

Q. Do you know what it has been?

A. No, I do not. All I know is what current law is, and that's what we used in our model.

R. CLINE

Q. So, you didn't investigate what the income tax rate has been in the past?

A. It's not an issue that was relevant to our forecasting exercise.

Q. Okay. So you didn't investigate it, correct?

A. We didn't address the issue because it wasn't relevant for our revenue estimate.

Q. Page 15, "Wage Growth." You have a 1 percent wage growth rate there again. And then page 16, you have the -- you assume that, in Paragraph 2, that "The restructuring scenario assumes that the number of residents working in Detroit will grow at 50 percent of the rate of total job growth."

Do you see that?

A. I do see that.

Q. Your rate of the growth in Detroit residents under the restructuring scenario is an assumption; is that correct?

A. That is an assumption. The assumption is based on the reasoning that with a stabilized City of Detroit, that you will see that all residents of Detroit will benefit from a stronger overall economy, but we have residents working in Detroit growing at a slower rate than the total job growth rate in the city.

R. CLINE

Q. But there's no data supporting your assumed job growth rates, correct?

A. It's a forecast of the future, and there is no specific data that tells us what the future will look like.

Q. You also assume that wage growth will be constant in the future; is that correct?

A. I believe we were holding the rate of growth to a constant rate.

Q. And you acknowledge, though, that it's likely that the rate of wage growth will not be constant over the 10-year period you forecast; correct?

A. I would say that is correct.

Q. The page 17 of your report, down at the bottom, you have got zero population growth from 2029 to 2033, 22 percent from 2034 to 2043, and then .3 percent annually thereafter. Are those all assumptions?

A. I will have to check at what year -- I believe it was fiscal year 2029 when we had the -- we followed SEMCOG up through FY 2028, and then we overrode those growth rates and chose the rates that you see in this summary.

Q. Okay. So, are the rates that we see in the summary of pages 17 to 18 assumed growth rates for those

R. CLINE

years?

A. Yes, they are.

Q. Page 18, Paragraph A1, you mentioned that you analyzed recent history of corporate income tax collections data.

Do you see that?

A. I do.

Q. What was the period that you looked at there?

A. I may have mentioned that Michigan has only recently returned to a corporate income tax, so we had a very short period of observations there. I don't know whether it was two or three years. I would guess maybe it was a three-year period.

Q. And what value of data was that that you were looking at?

A. That was the reported tax collection data, reported by I believe it was the Michigan Treasury Department.

Q. And where did you get that from?

A. I got that from the treasury department.

Q. Is it something that's publicly available?

A. Oh, yes.

Q. Page 18 to page 19, you applied a structural adjustment of minus 3.2 percent in fiscal year 2015 to

R. CLINE

minus 2 percent in fiscal year 2020.

Do you see that?

A. Yes, I do.

Q. Were those also assumed numbers?

A. Those were assumed numbers, but we have a very solid basis for understanding the dynamics of the net operating losses. It's received extensive evaluation at the national level. We know that the legacy of the deep recession is there may be a number of years going forward when firms will be making positive economic profits -- positive profits, but not paying taxes because they're carrying forward unused operating losses from the recession.

We had to take that into consideration in doing our revenue estimate.

Q. What -- but there's no study or anything like that that gives you the structural adjustments of minus 3.2 in fiscal year 2015 to minus 2.0 by fiscal year 2020, correct?

A. I don't have any studies that estimate those particular numbers.

Q. Okay. The -- if we go back over to page 14, I just want to -- I forgot to raise something. Detroit employment growth, if we look at the last paragraph there

R. CLINE

again.

A. Right.

Q. You have some cyclical adjustments there of minus .7, and then you reduce it to minus .5, and then minus .3, and then finally 0.

Do you see that?

A. I do.

Q. Are those numbers assumed numbers, or are they calculated using the mathematical formula?

A. They were numbers based upon the analysis of the data that I talked to you earlier about, from Figure 2, for example, that showed that Detroit was lagging behind Michigan in economic recoveries. We built that lag -- our estimate of that lag into the forecast. We tapered the lag down assuming that after a period of expansion that differential would be smaller and smaller, and we built that into the forecast.

Q. But were any of those numbers actually calculated numbers? I mean, the tapering was not a result of calculation. That was an assumption you made, correct?

A. Again, what do you mean by "calculation"?

Q. Well, there's no calculation that you plug some numbers into a formula and you got minus .5 percent

R. CLINE

from fiscal year 2016 to 2020, correct?

A. We decided on what the time pattern would look like for that adjustment factor. It did not come from an econometric equation, which we did not have a time series on which to base such an equation. So, many of our assumptions are due to the fact not from the absence of an economic model for Detroit; they're based on the lack of a time series long enough to fit the equations that I believe you're referring to as mathematical equations.

Q. Okay. So, you had to assume what the numbers would be in terms of the cyclical adjustment over the time period you examined; correct?

A. We had no choice because the time series was too short to do a mathematical equation or a regression equation to estimate that relationship.

Q. And is that also true of the initial cyclical adjustment of minus .7 percent that you had to assume that?

A. That is correct.

Q. Okay. What was the rationale for the tapering that you did, that you assumed in your model?

A. I may have already referred to that, and that is that we saw the opening up of this gap between Detroit and Michigan as the economic recoveries came, started

R. CLINE

coming up out of the recessions. Over time, with continued economic expansion, the gap tended to close. We used that insight from recent history to close the gap further out in the forecast period.

Q. Okay. But the data you had available didn't tell you how to conduct the tapering or pick the precise numbers that you assumed in your analysis for the cyclical adjustment, correct?

A. Again, the time series was too short to fit a regression equation that would have predicted automatically from running the regression what the gap closing rate would be.

Q. Okay.

A. That was, by necessity, an assumption that we used in the model.

Q. Okay. So you were forced to pick some numbers to fill in here because you lacked enough data to actually do a mathematical computation; is that fair?

A. No. I wouldn't agree with that statement.

Q. Well, you did -- you personally picked these numbers for the cyclical adjustment during various periods, correct?

A. That is correct.

Q. Okay. And you picked -- you used -- you

R. CLINE

picked the numbers because you didn't have enough data to do a time series analysis to do a mathematical computation to calculate numbers that you could use, correct?

A. I would agree that we did not fit a regression equation to that relatively short period of time. If you had done that exercise, you still couldn't use the equation with confidence because you weren't sure -- you wouldn't be sure if you picked up the factors that are most relevant. You can always fit an equation to any number of observations. It doesn't mean because you did that, it is useful in a revenue forecasting exercise.

Q. Okay. And so, as a general principle, just because you can fit some sort of regression analysis on a body of data doesn't mean that it's meaningful in terms of conducting a forecast, correct?

A. That is correct, and in this particular situation, the lack of historic experience with what is going on in Detroit, what data that is available has a relatively short time horizon number of observations, but in addition to that, there is no regression equation that I could imagine fitting that would pick up the institutional details that I think are most significant in our revenue forecast.

R. CLINE

You see it in the property tax area. You see it in the wagering area. You see it in the utility area. There are too many institutional parameters changing, or conditions changing for a regression equation to incorporate all of that information.

So, you're left with a couple of options. One, you do a regression analysis, and you add dummy variables and add factors by the dozens, which are like our assumptions. Or you take the approach we did, and that is, we wanted to disaggregate all of these complex components into their individual pieces, and deal with each piece separately so we had the ability to incorporate this very specific Detroit institutional information into the calculation.

So, it wasn't simply the lack of data or the lack of regressions; it was the inability of that approach, we felt, to give you accurate forecasts. We believe our disaggregated approach in the spreadsheet model gave us a better handle on what the near term looks like in Detroit.

Q. Okay. And you said "disaggregated approach in the spreadsheet model." Are there written documents that reflect how you came about getting those numbers?

A. The entire model has the structure of all of

R. CLINE

the steps we went through in our forecast. Every -- to my knowledge, every line item is identified in those spreadsheets.

Q. Okay. The -- would it be fair to say that one limitation of your forecasting analysis is that you have limited data with respect to some of these numbers that you're assuming?

A. I agree with that. That's the basic challenge in this forecasting exercise.

Q. Okay. Is another limitation of your model that you have limited data regarding the economy specifically in Detroit?

A. It is true that we did not have a specific -- what I would describe as independent economic forecast for the City of Detroit available to us back in 2013 when we created the spreadsheet model.

Q. And is that a limitation of your forecast?

A. It's a reality of the situation we found in 2013.

Q. Now, I'm just wondering if it's a limitation of your forecast that you don't have that Detroit economic data?

A. It might have been easier if we had a detailed forecast, but it wasn't available, so it wasn't an

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option.

Q. Okay. Well, I'm not -- my question isn't whether it made life easier or not. I'm asking whether you consider it a limitation of your forecast that you don't have Detroit-specific economic data?

MR. STEWART: Objection.

THE WITNESS: I don't -- personally, I would not describe it as a limitation.

BY MR. SMITH:

Q. Okay. What are some of the limitations of your forecasting, other than the data limitations that we've discussed?

A. There's the normal set of limitations on any forecasting exercise. For example, determining turning points, understanding these longer runs' structural shifts between a state and a local region; the uncertainties about the long run structural change in the composition of the Detroit economy. I don't believe there's anyone that would have predicted 10 years ago what Detroit looks like today. It would be very difficult to predict 10 years from now what Detroit will look like.

But those are limitations that I don't believe can be overcome by any statistical analysis that I am

R. CLINE

aware of. They're constraints we would all deal with in doing this type of tax forecast.

Q. So, one limitation of doing forecasting for Detroit is the fact that there's so many factors that can influence the forecast over time?

A. I would just qualify that by saying there's so many factors that are changing, that's what provides the challenges to forecasting. If all of the factors were constant and unchanged, it's not a problem. It is the changing nature of the structure, the institutions, the expectations, and the reality that current data perhaps in Detroit is not as up-to-date and clean as we would like it to be, but it is the best that's available.

Q. And another factor that's -- another limitation of forecasting in Detroit is the fact there's -- the data is not as good as you might like it to be, or as complete?

A. I believe that our starting point for our forecast, which is actual revenue collections, I believe the numbers that the City have are solid numbers. They're going to change between preliminary estimates and book closing at the end of the fiscal year. But I believe that we were given fairly good numbers for the actual tax collections in Detroit.

R. CLINE

Q. Are there other numbers that you were given, though, that you believe might be somewhat questionable or there might be more of a question about?

A. Well, we have spent a little bit of time talking about the SEMCOG population projections. Those are not on the same solid basis as the actual revenue, most recent revenue collection numbers from the City of Detroit. So, yes, the data varies in terms of completeness.

Q. And so, another limitation of your forecast is that you had to rely on the SEMCOG population projections, correct?

A. I wouldn't describe it as a limitation.

Q. How would -- what would you describe it as?

A. I would describe it as the best available population forecast that we had access to. We could not have done a better job than they do.

Q. Have you ever -- in doing tax forecasting for a city, have you ever relied on state data instead of city-level data?

A. Prior to the Detroit project, I haven't done forecasting for a city.

Q. Going back to page 16, at the bottom, you say that -- in the last sentence of the page, you say your

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forecast, "Assumes for the restructuring scenario a slower rate of decline in the population of this group than under the baseline scenario."

Do you see that?

A. Yes, I do.

Q. What was the difference in the population rate of decline that you assumed?

A. This is, I believe, the restructuring scenario, and consistent with our overall perspective on the restructuring scenario, we feel that the economy will start to strengthen, there will be positive growth in total employment, and we believe that those people who are residents of Detroit but working outside of Detroit, will still be declining, but at a slower rate as they perceive that the job opportunities in the suburbs are there, and that the city, as a place to live, is more attractive.

So, the outward migration or flow of the people who are most mobile would be reduced under this alternative, which is residents of Detroit working outside of the city.

Q. And the slower rate of population decline is an assumption that you made, correct?

A. Yes, it is.

R. CLINE

Q. And do you know what the assumed difference is in the rate of population decline for the restructuring scenario?

A. I don't recall what the specific differential is. I could check the Excel spreadsheet and let you know.

Q. There's no body of data, though, that tells you what the assumed rate of population decline is in the restructuring scenario as compared to the baseline scenario, correct?

A. There's no body of literature that I know of that deals with the forecast for the situation that Detroit faces, so I'm not aware of any studies that would have given us insight into this issue.

Q. Okay. The page 19, you assume that -- if you look at that paragraph, number three, the one that's --

A. Okay.

Q. -- got a 3 in front of it on page 19 --

A. All right.

Q. -- it says that you "assume that the State corporate income tax revenues return to a long run growth rate of 3.0 percent".

Do you see that?

A. I do.

R. CLINE

Q. That's an assumption, correct?

A. That is an assumption.

Q. And there's no body of data that tells you that the State corporate income tax revenue will return to a long run growth rate of 3.0 percent as opposed to some other rate, correct?

A. As I mentioned earlier, the corporate income tax in Michigan is a new tax. We perhaps have three years of observations at most on how it's performing over the economic cycle. And so, no one could fit a regression equation for the actual data, so I do not know of any analyses or study that could have helped us determine what that specific rate is.

Q. And do you know how that 3.0 percent -- it seems pretty precise, 3.0 percent; do you know how that number was selected?

A. I know we selected that number by looking at national corporate income tax growth, what limited information we had about Michigan, and that's a number that's in the realm of our very limited but actual experience in Michigan. But I will add that we happen to -- the experience in Michigan happens to coincide with the end of the deepest recession we've had in decades.

And to use that information, we would have had

R. CLINE

to determine more precisely how Michigan was coming out of the recession, so that again, there wasn't information available for us to pick a specific number. It wasn't going to be 3.1756. It was going to be rounded off because it is an assumption about the rate of growth.

Q. Yeah. I'm just wondering where that 3.0 number came from.

A. It's our estimate of what we think is likely for State corporate income tax rate -- income tax revenue to grow.

I will tell you that since the recovery from the recession, across all the states, there's been no growth in the corporate income tax collections, 0.0 across all the states since the end of the recession. I don't think it would be reasonable to assume a very strong rate of growth in corporate profits going forward.

We chose 3 percent as a reasonable estimate, despite the recent experience nationally that says there will be no growth in this corporate income tax. We think Michigan, as it continues to recover, and Detroit, as it continues to recover, will enjoy a slightly higher rate of growth.

Q. But there's no body of data that tells you to pick 3.0 percent rather than 3.1 percent or 3.2 percent,

R. CLINE

future, near term, looks like.

Q. Can you tell me what period of time of recent wagering tax collection data you looked at?

A. We went back in time to look at wagering tax collections. I think we looked at the numbers that are reported in the CAFR for the City of Detroit, looked at that change. We saw some positives, rates of growth, when Detroit was operating, in a sense, in isolation, without direct competition, defined by geographical limits.

More recently, we see the decline in Detroit wagering due to the economy and the deep recession, and we know we're looking at an impact from the competition. In our forecasts, we had to separate out the deep recession that ended from the ongoing competitive impact, and this is our best estimate of what that net effect is.

Q. Okay. But why does it go to .5 percent at some years and it's minus 1 percent in some years and minus 4.3 percent at another year?

A. I believe the correct way to describe this is that we are moving in the same direction over the entire 10-year period of time. We're not bouncing up positive, down to negative, up to positive. We are bringing the industry back to what we think is a more stable, long run

R. CLINE

growth rate, appreciating the impact of increased competition, allowing it to grow somewhat, perhaps with the level of general spending on wagering. It's a stabilized world where the competition is there but doesn't continuously eat into the Detroit share.

Q. And you never have done any study of casino competition yourself, correct?

A. Not of competition.

Q. And there's no mathematical formula you're using that governs the change in the rate for the wagering tax revenue over time, is there?

A. No, there's not.

Q. The -- page 25, you use utility users' tax rate -- growth rate of 1.5 percent from 2019 through the rest of the period.

Do you see that? It's in the middle of the page.

A. I do. I'm trying to remember if we are into restructuring are or we baseline at this point?

Q. I believe it's baseline.

A. Baseline. I believe you're correct.

Q. Okay. Is that an assumed number?

A. That's our forecast of the rate of growth.

Q. Okay. I'm just wondering if it's an assumed

R. CLINE

number.

A. Well, again, I know we're using different terminology. It's our forecasted rate of growth that we used to forecast the revenue collections.

Q. But is it a calculated number based on a body of data, or is it an assumed number?

A. It's a calculated number based upon recent collection experience in Detroit modified by the fact that recent experience in Detroit shows a continuing decrease in these revenue collections, which suggests that there may be challenges to the number that we put in here, but it's the best available information we had at the time we made the revenue estimate.

Q. Okay. What was the -- what was the mathematical formula you used to calculate the 1.5 percent figure?

A. We don't have a mathematical formula that calculated that figure.

Q. Okay. So that 1.5 percent utility growth rate figure was an assumed number; is that correct?

A. Again, I believe I would use the word forecasted. You --

Q. I know what terminology I'd use --

A. Right.

R. CLINE

Q. -- but I can't say it on the record.

I mean, I'm just trying to get at if there's -- what I'm trying to get at is if there are mathematical formulas generating the number, I want to know what they are. Isn't that fair?

A. All of the mathematical formulas that we used in the model are contained in the model and visible in the model.

Q. Okay. When you say visible in the model, you're saying the Excel spreadsheet that's been produced to us?

A. I believe that's correct.

Q. Okay. So, your understanding is all of the mathematical formulas that are used to generate numbers in your forecast contained in the Excel spreadsheet that's been produced to us; is that your understanding?

A. That's my understanding.

Q. And where did you get that understanding from; did you personally inspect the Excel spreadsheet or is somebody telling you that?

A. I personally reviewed every element in the Excel spreadsheet. I know when we last touched it that information was embedded in the spreadsheet.

Q. Okay. When you say "embedded in the

R. CLINE

Q. Would it be fair to say that your analysis here and role in the case is a narrow one?

A. I'm not sure I understand the term "narrow" in this context. I believe this is an important part of the discussion.

Q. Okay. Do you have any publications on tax forecasting?

A. Not recently, that I remember. There may have been papers that I did back as tax research director in either Michigan or Minnesota where I talked about different aspects of the forecasting process. I used to attend annually the revenue forecasting section -- the revenue section of the Federation of Tax Administrators, FTA. I made a number of presentations to those meetings which were meetings of my counterparts in other states responsible for revenue estimation. I'm sure there are PowerPoint presentations that I made in those settings.

Q. Okay. But you haven't published any peer-reviewed studies or other literature on tax forecasting, correct?

A. I don't remember any publications I have in peer-reviewed journals dealing specifically with a forecast issue. I could go back in the records, but I'm not sure I have any of those.

R. CLINE

Q. Okay. The -- we talked about how you don't have any idea of what percent of the corporate income tax is collected by the City, correct?

A. 100 percent of the corporate income tax, money in the city, is collected by the City.

Q. You're saying the collection rate for the corporate income tax is 100 percent?

A. No. I'm saying the City collects the corporate income tax for the City.

Q. Okay. Well, my -- the question is, you have no idea what the collection rate is for the corporate income tax, correct?

A. Consistent with my answers earlier, we did not analyze separately the collection rates of any of the taxes we looked at in our forecast, other than an average collection rate for the property tax forecast.

Q. Okay. And so, an increase in -- a significant increase in the -- an additional revenue from a significant increase in the collection of the corporate tax rate, the income tax rate, the wagering tax rate, and utilities users' tax rate, that's an analysis that you haven't been asked to perform?

A. Nor did we do an analysis of changes in the collection rates for any tax other than the property tax.

R. CLINE

Q. Okay. So, if somebody wanted to get an idea of the magnitude of the additional revenue from significant increases in collection rates on the various taxes you look at, they would have to do a separate analysis and then add that number on to your forecast?

A. Or they would have to go to someone else who has done that analysis. We did not do that analysis.

Q. Okay. But it's an analysis that could be done and then you would just -- that would be additional revenue to the City, correct?

A. I would imagine it would depend upon what specific changes were made in the collection procedures and processes.

Q. Okay. But that would be an additional analysis that would have to be done to see what impact an increase in collections would have on the tax revenue available to the City, correct?

A. I believe as I've answered, we have estimated the effect under current law of a forecast of the taxes expected under current law given our assumptions about the economics. Other than the property tax revenue estimate, we have not built in any separate adjustments for collection procedures and processes in our numbers.

Q. Okay. So, somebody wanting to get a number

R. CLINE

for additional revenue from changes in collection processes or procedures would have to perform a separate analysis that you haven't performed, correct?

A. Or they would have to go to someone who has done that analysis.

Q. Okay. And then they would take those sums and they would add them to your forecast to get a total forecast of additional revenue including collections plus the numbers you forecast for taxes?

A. That could be, but as I've indicated, there are a number of revenue sources we were not asked to forecast. So, all -- I believe your statement would apply to any tax forecast that we did not do and were not asked to do in this -- this analysis; so there would be a number of dollars falling into that bucket that you would have to go elsewhere to get revenue estimates for.

Q. Okay. So, somebody would have to do a number of different analyses that included analyses for increased collection rates and analysis for other taxes you didn't consider, and other factors in order to get at the total potential revenue available from taxes for the City, correct?

A. I believe that analysis has already been done. I'm not -- we were not responsible for it.

R. CLINE

Q. Who did that analysis?

A. I believe the Plan of Adjustment has the numbers that you're describing in it.

Q. Okay. So, do you think the Plan of Adjustment has numbers for an increase in collection rate?

A. I believe there's a specific line in one of the tables that identifies that.

Q. And are there numbers in the Plan of Adjustment for taxes that you didn't consider?

A. I believe there are summary categories that do include other sources of tax revenue.

Q. And all of that would be additive to your analysis, correct?

A. We did not do those numbers.

Q. Okay. Can you give me an explanation for why the -- no one asked you to look at increases in collection rates or other taxes other than the ones you looked at?

A. I believe it might have been a logical division of labor that we were asked to do what we do best and have experience in doing.

Q. Do you have any idea of who did the analysis of collection rates?

A. No, I don't.

R. CLINE

Q. Do you have any idea of who did any analysis of taxes other than the ones you looked at?

A. No, I do not.

MR. SMITH: Why don't we take a quick break.

MR. STEWART: Here's the document, and you were right, we did not change it to correct the fact that it's going to be Mr. Hill instead of Mr. Cline. But Mr. Hill is later in the week, and you --

MR. SMITH: So, Mr. Cline is not prepared to testify on topic 2?

MR. STEWART: Not on 2, no. We thought we corrected it, but we did not. Anyway, it will be Mr. Hill.

MR. SMITH: Okay. So, you want to change it to Mr. Hill now, is that what you are saying?

MR. STEWART: Well, we'll file things formally, but we will just want to make sure you know that's an oversight. We thought we had fixed it, but it will be Mr. Hill. We'll put it in an amended document so it's clear in terms of filings what we're doing, but it will be Mr. Hill. We thought we had disclosed that sometime earlier.

R. CLINE

MR. SMITH: And the other item is we have received some additional documents. We haven't had a chance to upload that deal with Mr. Cline and Mr. Malhotra, I believe on Friday.

MR. STEWART: All right.

MR. SMITH: So, I just wanted to put that on the record.

BY MR. SMITH:

Q. Mr. Cline, are there any areas that you plan to testify about that we haven't discussed?

A. I believe we have been discussing the area that I was responsible for, and that's the preparation of the tax forecast for the tax -- major tax components that you identified earlier in your questioning.

Q. Okay. And I just want to find out if there's any other area we haven't talked about that you might be planning to testify about at trial? Or have we covered all of the bases? That's basically what I want to find out.

A. I don't know the answer to that question.

Q. Okay. Why don't -- why don't you know the answer to that question?

A. Because I'm not clear what other areas that you might question me about.

R. CLINE

Q. Okay. But you do know what you're planning to testify about, correct?

A. It's summarized and presented in the report that we have been discussing.

Q. All right. And that's it, right, what's in the report?

A. I believe that's correct.

Q. Okay. The -- are you preparing to do any other work to revise your analysis or anything like that before trial?

A. We are not looking at any revisions at this point that I am -- that I am aware of, and I assume we will not be making changes.

Q. Okay. There was, I think, a plan to have the -- the next CAFR, I think, is about to come out. Does that figure in your analysis at all or not?

A. Well, we would certainly look at it if we were asked to do another round of revisions. At this point, I am not considering doing that.

Q. I mean, does the -- do you rely on the CAFR for part of your analysis?

A. I think I mentioned in answering earlier questions that the CAFRs have been one source of information, after the fact, as the best estimates of

Exhibit 6E

Excerpts of July 15, 2014 G. Malhotra Deposition Transcript

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
- - -
In Re:) Chapter 9

City of Detroit, Michigan,)

Debtor.) Hon. Steven Rhodes
____

The videotaped deposition of GAURAV MALHOTRA
Taken at 51 Louisiana Avenue, N.E.
Washington, D.C.
Commencing at 9:09 a.m.
Tuesday, July 15, 2014
Before: Gail L. Inghram Verbano
Registered Diplomate Reporter,
Certified Realtime Reporter,
Certified Shorthand Reporter-CA (No. 8635)

APPEARANCES:

RONALD A. KING, ESQ.
FRANK J. GUADAGNINO, ESQ. (Pittsburgh Office)
CLARK HILL, PLC
212 East Grand River Avenue
Lansing, Michigan 48906
Appearing on behalf of the Retirement Systems
for the City of Detroit.

GEOFFREY S. STEWART, ESQ.,
CHRISTOPHER DiPOMPEO, ESQ.,
SARAH A. HUNGER, ESQ.
JONES DAY
51 Louisiana Avenue, N.W.
Washington, D.C. 20001
Appearing on behalf of the Debtor and the Witness.

HEATHER J. HUBBARD, ESQ.
WALLER LANSDEN DORTCH & DAVIS, LLP
511 Union Street, Suite 2700
Nashville, Tennessee 37219
Appearing on behalf of U.S. Bank.

SAM J. ALBERTS, ESQ.
DENTONS US, LLP
1301 K Street, N.W.
Suite 600, East Tower
Washington, D.C. 20005
Appearing on behalf of the Retiree Committee.

DOUGLAS G. SMITH, P.C.
KIRKLAND & ELLIS, LLP
300 North LaSalle
Chicago, Illinois 60654
Appearing on behalf of Syncora Guarantee, Inc.,
and Syncora Capital Assurance, Inc..

KELLY DiBLASI, ESQ.
WEIL, GOTSHAL & MANGES, LLP
767 Fifth Avenue
New York City, New York 10153
Appearing on behalf of Financial Guaranty
Insurance Company.

MICHAEL BHARGAVA, ESQ.
CHADBOURNE & PARKE, LLP
1200 New Hampshire Avenue, NW
Washington, D.C. 20036
Appearing on behalf of Creditor Assured
Guaranty.

MALHOTRA

Washington, D.C.

Tuesday, July 15, 2014; 9:09 a.m.

- - -

THE VIDEOGRAPHER: We are on the record at 9:09 a.m. This is the videotaped deposition of Gaurav Malhotra taken in the United States Bankruptcy Court, Eastern District of Michigan, in re: City of Detroit, Michigan, Debtor, Chapter 9, Case No. 13-53846, on Tuesday, July 15th, 2014.

We are at the location of Jones Day, 51 Louisiana Northwest, Washington, DC. My name is Adam Miller, the certified legal video specialist. The court reporter is Gail Verbano from Elisa Dreier Reporting Company, 950 Third Avenue, 5th Floor, New York, New York.

Will counsel please state their appearance and affiliation for the record.

MR. SMITH: Doug Smith for Syncora.

MR. STEWART: Geoffrey Stewart, Chris DiPompeo and Sarah Hunger, Jones Day, for the witness and for the City of Detroit.

MR. ALBERTS: Sam J. Alberts from

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Dentons on behalf of the Official Committee for the Retirees.

MS. HUBBARD: Heather Hubbard from Waller on behalf of US Bank.

MR. KING: Ron King with Clark Hill on behalf of Detroit Retirement Systems.

MR. BHARGAVA: Michael Bhargava from Chadbourne & Parke on behalf of Creditor Assured Guaranty.

MR. POPEHN: John Popehn from Houlihan. Lokey.

MS. DiBLASI: Kelly DiBlasi, Weil, Gotshal & Manges, on behalf of FGIC.

MR. GUADAGNINO: Frank Guadagnino, also on behalf of the Retirement Systems.

MR. STEWART: Could the lawyers on the phone please give their appearances.

MS. HOSBACH: Marguerette Hosbach, Ernst & Young in-house counsel.

MS. HALADYNA: Kelley Haladyna of Dickinson Wright on behalf of the State of Michigan.

MR. NESTOR: David Nestor, Davis Polk, on behalf of Merrill Lynch.

MALHOTRA

MR. KEATLEY: Benton Keatley, Sidley Austin, on behalf of National Public Finance Guarantee.

MS. ENGLISH: Caroline English, Arent Fox, on behalf of Ambac Assurance Corporation.

- - -

GAURAV MALHOTRA, having first been duly sworn according to law, was examined and testified as follows:

- - -

EXAMINATION

BY MR. SMITH:

Q. Good morning, Mr. Malhotra. You've been deposed several times before; correct?

A. That's correct.

Q. So you understand I'm going to ask you a series of questions. And you'll let me know if you don't understand any of the questions; correct?

A. Yes.

Q. And feel free to take a break any time or whatever you need. Okay?

A. Okay. Thank you.

MALHOTRA

Q. You know, you are working in this case as an expert in financial analysis. Is that fair?

A. Yes.

Q. You're not holding yourself out as an expert in urban policy; correct?

A. That is correct.

Q. You're not an expert in health benefits?

A. That is correct.

Q. Not an expert on government?

A. Government what?

Q. Government in general: function, operations.

A. That is correct.

Q. You're not an expert in tax policy?

A. That is correct.

Q. You're not holding yourself out as an expert in tax forecasting?

A. That is correct.

Q. You're not an expert on blight reduction?

A. Yes, I am not.

Q. Not an expert on art valuation?

A. That is correct.

Q. Not an expert on pensions?

A. That is correct.

Q. Not an expert on casinos or wagering revenue?

A. That is correct.

Q. Not an expert on information technology?

A. Information technology in terms of what?

Q. In terms of the systems, the type of systems, and implementing those systems and the cost of the systems.

A. I'm not an expert in that.

Q. You're not an expert on transportation systems for municipalities?

A. That is correct.

Q. You're not an expert in economics?

A. I'm not an expert in economics.

Q. You're not an expert on accounting?

A. What do you mean by that?

Q. Well, you're not a CPA, are you?

A. I'm not a CPA.

Q. And you don't hold yourself out as an accounting expert, do you?

A. Well, in my overall financial analysis expertise, my background in accounting and financial analysis is a part of that. So I don't

know what you mean by I'm an expert in accounting or not.

Q. Have you ever been qualified as an expert in accounting in any proceeding?

A. I have not.

Q. You don't -- did you do any auditing of financial statements?

A. I do not do auditing, no.

Q. You're not an expert in government grants; correct?

A. Well, government grants is a broad topic. What grants specifically are you talking about?

Q. Well, any government grants, federal or state. You're not an expert in government grants?

A. In what context? I mean, government grants is a broad topic. And how they relate to the City of Detroit, I can speak in-depth about; but I don't know what you mean by government grants in general.

Q. You've never been involved in applying for a government grant?

A. Actually, our team helped prepare the City for some of the fire and SAFER grants that

the City had applied for to actually help the City get the supporting information.

Q. Would it be fair that your only experience with government grants is in the context with the City of Detroit?

A. No. I have a couple other cases where our team has been heavily involved in terms of evaluating some of the grant-related revenues of other public sector entities.

Q. Okay. So would you hold yourself out as an expert on government grants?

A. Government -- like I said again, government grants is a broad topic. I can talk about the grants specifically, how they relate to the City of Detroit.

Q. Okay. You're not an expert on state revenue sharing, are you?

A. I understand the implications for the City of Detroit of state revenue sharing. I mean, they're broad questions. So if you ask me specifically about Detroit, I can be more specific.

Q. Well, you're not some sort of policy expert on state revenue sharing; correct?

A. The policy on state revenue sharing is generally set by the State, not the City. It's a State-driven mechanism.

Q. So you wouldn't hold yourself out as an expert on state revenue sharing based on your experience that you've had?

A. For what? For City of Detroit or just state revenue sharing for the State of Michigan in general?

Q. In general.

A. In general, different states have different mechanisms in terms of how State aid is spent. So I can't talk to different states. I can talk to how the state revenue sharing impacts the City of Detroit and the components and the elements of that.

Q. Have you ever done forecasting for a city before the Detroit matter?

A. We were working with two other cities right now in terms of helping them forecasting.

Q. Which other cities are those?

A. Those are confidential.

Q. I mean, just the name of the cities, you can't disclose to me?

MALHOTRA

A. That is correct.

Q. And what period of time have you been doing that?

A. One of them has been over a year. One of them has been in the last, I would say, six months.

Q. Before you started your forecasting work for Detroit, you didn't have any experience doing a forecast for a city; correct?

A. We did it for Detroit Public Schools, which was another large government sector -- public sector entity. We did not do it for a city.

Q. Okay. So before your work for the City of Detroit, you had never done forecasting for a city specifically; correct?

A. Most of the -- that is correct.

Q. You're not holding yourself out as an expert on Chapter 9 bankruptcy, are you?

A. No, I'm not.

Q. This is the first Chapter 9 bankruptcy you've worked on; correct?

A. Yes, it is.

Q. And you'd agree with me that Chapter 9

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bankruptcy is extremely rare?

A. I don't want to comment on that.

Q. You're not going to answer that question?

A. Rare in context of what? Is it in context of Chapter 11 or is it in context to other bankruptcies? So you have to give me a relative point to answer that question.

Q. It's very rare for a city -- out of all the cities in the United States, it's very rare for a city to have entered into a Chapter 9; right?

A. Well, there are different state laws that impact the ability of cities to enter Chapter 9 or not. But I would say Chapter 9s are less common than Chapter 11s. I mean, I'm comfortable saying that.

Q. Okay. And it would be a minute fraction of cities that ever have entered Chapter 9; correct?

A. I don't understand minute or not. But I think the number of Chapter 9 filings is limited relative to Chapter 11 filings. I'm comfortable saying that.

MALHOTRA

Q. You're not holding yourself out as an expert in risk management or insurance; correct?

A. Again, I'll ask the same question: Risk management, insurance for what? Because all of these points have specific implications on the City of Detroit and the financial analysis and forecasts for the City of Detroit.

Q. Okay. Well, I mean, you've never done any work in the area of risk management, have you?

A. I've looked at a lot of the expenses that the City of Detroit has been spending on risk management insurance claims over the last three years. So I understand where the City has been spending that money.

Q. Okay. Before your work for the City, you didn't -- you hadn't done any work on risk management; is that correct?

A. No. When it comes to specific other clients and you see where they are spending more and if risk management is -- or self-paying, self-insurance claims is a big component, you have to analyze those costs. So I have looked at them in specific instances where claims are a large part of a spend.

MALHOTRA

But I -- so all I'm asking is, are you asking the question in the context of Detroit or just risk management?

Q. Risk management in general. You wouldn't hold yourself out as an expert in that; correct?

A. I would -- I could only talk about the risk management and insurance claims for the City of Detroit. That's what I would -- that's what I would be comfortable talking about.

Q. Were you involved in putting -- were there some forecasts with the creditor proposal that accompanied that?

A. Which creditor proposal?

Q. The one in, I think -- guess it was 2013, before the bankruptcy.

A. Yes, there were forecasts, and we were a part of pulling those together.

Q. And that was my question.

A. Thank you for the clarification.

Q. You were personally involved in that?

A. I was.

Q. Okay. In your opinions in this case, you're relying on some other experts, such as

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MALHOTRA
Mr. Cline, Ms. Sallee, Conway MacKenzie, Buckfire, and Milliman; is that correct?
A. That is correct.
Q. And do you defer to Mr. Cline with respect to his analyses of the various taxes in his report?
A. When you say I defer to, I have looked at the assumptions and the details and some of the supporting information that Bob and Caroline have used and have conversed with them and had discussions with them about it. So I don't know your question about defer to them.
Q. Well, who is more knowledgeable about the analyses Mr. Cline did? Mr. Cline or you?
A. Mr. Cline did the analysis, so of course he would be more knowledgeable about the analysis.
Q. And Ms. Sallee would be more knowledgeable about the analyses she did than you would be; correct?
A. That is correct.
Q. Okay. And Conway MacKenzie would be more knowledgeable about their analyses than you would; correct?
A. In terms of the minutia and the detail,

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the answer would be yes. But I have had discussions with each one of them in detail about the broad assumptions that are being used and the sources of data that are being referred to as the different teams have been pulling the information together.
Q. And Buckfire and Milliman would be more knowledgeable about their analyses than you would; correct?
A. People who have worked on their specific part of the analyses would be more comfortable with all of the detail and minutia in there, in their respective analysis.
Q. Why are you relying on other experts in putting together your forecast?
A. Because, as I said, that there is -- there are a lot of topics that are relevant in this case, and each subject matter requires a great amount of detailed information. And there are experts that we have on the case who are relying -- who are doing their work in that detailed analysis. But I understand most of the larger assumptions that are embedded in those analyses.

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MALHOTRA
But, yes, the ones who have done the analyses will have better knowledge of all the details in them.
Q. In order to put together your forecast, was it necessary to use experts in different disciplines to assist you in pulling together the different pieces of the forecast?
A. Could you ask me the question again, please?
Q. In order to perform your forecast, was it necessary to use experts in different disciplines to pull together pieces of the forecast to help you put it all together?
A. Yeah, when you say "was it necessary," in my judgment, having the right subject matter expertise in various topics helps make the forecast more reliable versus less reliable.
Q. Okay. So you sought out experts in diverse subject matters to assist you with different components of the forecast; correct?
A. Yes.
Q. And that would include Milliman and Conway MacKenzie and Buckfire and your colleagues at Ernst & Young; correct?

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MALHOTRA
A. That is correct. There were different team members who were charged for first understanding all of the detailed assumptions for a particular subject matter.
Q. And did you also rely on experts from the City of Detroit in putting together your analysis?
A. When you say "experts from the City of Detroit," who are you referring to?
Q. Well, I guess, you relied on -- did you rely on anybody from the City of Detroit?
A. Yes. The City of Detroit's management team was involved in helping pull together some of this information that is in the forecast.
Q. Okay. And were there people at the City of Detroit whose expertise you relied on for various assumptions or other information in your forecast?
A. I would say there was -- I don't know about expertise versus not. We had lots of discussions with lots of people at the City about specific line items. I mean, as you can see, the forecast has got a lot of detail in there. So we had several discussions with several people. I

MALHOTRA

was -- it was, I think, brought up by either the State or the City. I just don't remember specifically.

Q. Does the 10 percent holdback -- do you have an arrangement like that in any other matter that you've worked on?

A. I would have to go back and check. We offer discounts in different engagements, and I would have to go back and check.

Q. But have you ever done a contingent fee arrangement before for your work?

MR. STEWART: Objection.

I'm sorry. You were about to answer.

I didn't mean to interrupt your question, Mr. Smith.

You have my objection, correct?

THE COURT REPORTER: I do.

THE WITNESS: Can you ask your question again? I'm sorry.

BY MR. SMITH:

Q. Have you ever had a contingent fee arrangement in any other matter that you've worked on?

MR. STEWART: Same objection.

MALHOTRA

THE WITNESS: Yes.

BY MR. SMITH:

Q. Have you ever had a contingent fee arrangement in any other bankruptcy matter you've worked on?

A. I would have to go back and check.

Q. Do you have any -- have you ever had a contingent fee arrangement in any other matter involving litigation?

A. I would have to go back and check.

Q. Does the 10 percent holdback apply to all fees that Ernst & Young has charged or a portion of the fees?

A. It would only be for the portion of the fees since the City has filed bankruptcy.

Q. Okay. And so it would cover the fees that you're charging for your expert work in this case, developing the report and testifying?

A. I believe so, yes.

Q. And it would also apply to the time that Mr. Cline and Ms. Sallee have been putting in working as experts in the case?

A. I believe so, yes, but I would like to reconfirm that.

MALHOTRA

Q. Okay. Are you aware of any formal studies by the City to ascertain whether it can increase revenues more than it already has?

A. There have been various consultant studies over the last few years, and so . . .

Q. Would it be fair to say that a number of consultants the City has retained have given it ideas for increasing revenues significantly over the last few years?

A. I don't know the definition of "significantly" in the context that you're referring to, but there's lots of consultants that have provided ideas to the City for increasing revenues.

Q. And the City has not adopted all the ideas it's been provided for increasing revenues as of today; correct?

A. Some of these consultant studies go back a long way, and I think some of them have been incorporated and some of them have likely not been incorporated. So I can't comment whether each and every idea that's been brought forward by a consultant to increase revenue has been incorporated.

MALHOTRA

Q. Okay. But you knew that there are ideas that have been brought forth by experts the City's retained to increase revenues that haven't been adopted by the City; correct?

MR. STEWART: Objection.

THE WITNESS: So I would just like clarification in terms of which experts you're referring to.

BY MR. SMITH:

Q. Well, you mentioned that there are a series of consultants the City has hired to look at increasing revenues; correct?

A. That is correct. And what I was referring to is historically, since this is going back -- we can go back 5, 10 years, you will find reports where, you know, people have ideas how to increase revenue.

Q. Yeah. And my only question is, the City hasn't adopted all the ideas for increasing revenue that have been provided by independent consultants; correct?

A. Sure. The City has -- has always had consultants that have provided ideas. Whether all of the ideas have been incorporated at a given

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point in time, it's hard for me to say.

Q. Well, today -- as of today, you're aware of revenue-generating ideas that have been provided the City by consultants that it hasn't implemented; correct?

A. I mean, is there a particular example that you're thinking of? It would be a lot easier for me if somebody would say, "Has X, Y, Z been implemented?" I would have a better way to say yes or no versus just a broad statement, have ideas been incorporated by the City or not.

Q. Privatizing parking. It hasn't yet privatized parking?

A. That is correct. It has not been privatized yet. You're correct.

Q. Or leasing out the water and sewage function; correct? That hasn't been done yet, has it?

A. I believe there is active mediation going on in that, but you're correct. It has not been done yet.

Q. So there are a number of proposals for increasing revenue that the City has been provided by outside consultants that haven't been

MALHOTRA

implemented yet; correct?

A. You have listed two, and I agree that those two have not been implemented.

Q. Okay. And there are others you're aware that haven't been implemented; correct?

A. You know, if there's others that you have specific examples on, I'm happy to say whether they have or have not. But I would say those -- DWSD has not been implemented, and there's mediation going on on that; and parking, my understanding is that there's some active discussions going on, but it has not been done yet.

Q. Okay. The -- has the City ever asked Ernst & Young to look for ideas to increase revenues?

A. I don't recall if there's a specific item that talks about how to increase revenues that is in our scope, but we have had discussions with the City how to continue to improve the processes of collections and so on and so forth.

There was active discussions when the City increased the corporate tax rate from 1 percent and 2 percent. And although E&Y was not

MALHOTRA

involved in any policy decisions, but we were able to quantify the impact of what that was.

Q. Okay. But you haven't been specifically retained by the City to generate ideas for further increasing revenue; is that fair?

A. I would say that is fair in general, that we haven't gone to do a market study on specific rates and whether they should be increased or not.

Q. Whose depositions have you reviewed in this case?

A. Since when?

Q. Well, since forever. I'm trying to find out whose depositions you have reviewed in the case at any point in time.

A. Whose depositions?

Q. Yeah, deposition transcripts.

A. I do not recall. I -- I was -- I think I was sent Kevyn Orr's deposition from months ago. That just comes to mind. But I do not recall any specific depositions that I've reviewed.

Q. Have you reviewed Gary Evanko's deposition?

A. No.

MALHOTRA

Q. Did you ever speak to Mr. Evanko in preparing the forecast?

A. I did not, but I know that there may have been some -- yes, I have not.

Q. And has anybody from Ernst & Young spoken to Mr. Evanko?

A. I think Caroline Sallee may have exchanged emails with him. I don't know if she's spoken to him or not.

Q. The actual model that you started with, where did that come from that you used for your forecast?

A. Came from Excel spreadsheet.

Q. Okay. Did you basically have to create the model?

A. Yes. It was -- it was supporting information like the historical, actual performance of the City, but it started from a clean Excel spreadsheet.

Q. Okay. So the model that's used in the forecasting that you've prepared for Detroit was created for purposes of this bankruptcy. Is that fair?

A. It evolved into what we are using in the

MALHOTRA

bankruptcy. We did not start off with a model that was created for a bankruptcy.

Q. Okay. Would it be fair to say that the model that you used for your forecasting was created for the City of Detroit; it didn't exist before your retention by the City of Detroit?

A. The model, the way it stands today, was -- that is correct. It did not -- it wasn't in existence before we started working on this engagement.

Q. Can you identify any Chapter 9 bankruptcy where an expert has done forecasting similar to what you've done in this case?

A. I have not gone and reviewed the Chapter 9 bankruptcy, so I wouldn't be able to comment if they have or have not.

Q. So in preparing the model, you didn't seek to ascertain what had been done in previous Chapter 9 bankruptcies so you could conform what you did to standard practices in Chapter 9 bankruptcies; correct?

MR. STEWART: Objection.

THE WITNESS: I don't know how other Chapter 9 bankruptcy financial models are

MALHOTRA

relevant to Detroit's Chapter 9 financial model.

BY MR. SMITH:

Q. Okay. That wasn't my question.

You haven't looked at any other Chapter 9 financial models; correct?

A. I did not go and look at other Chapter 9 financial models; that is correct.

Q. So you didn't do any testing of the reliability of your model by comparing it with other models that have been used in other Chapter 9 bankruptcies; correct?

A. What kind of models, though?

Q. Financial models, forecasting models.

A. Yeah, the financial forecasts for Detroit is based on the assumptions for Detroit. So I don't know why Chapter 9 models, the way you said it, in other Chapter 9 filings are even relevant for Detroit.

Q. That's not my question.

My only point is you haven't gone and done any testing of your model compared to models that have been used in other Chapter 9 bankruptcies, correct, to ensure reliability?

MALHOTRA

A. Well, let me just -- yeah, I would like to understand that question better. Testing in what context?

Q. Any sort of testing. You never -- you don't even know what -- what was done in other Chapter 9 bankruptcies; correct?

A. Well, that's a broad -- I have some sense of what's going on in Chapter 9 bankruptcies around the country, but not from what's happening in their financial models.

So I just don't understand your question of testing a financial model for Detroit against a financial model for another Chapter 9. Is that your question?

Q. You don't know what financial models have been used in other Chapter 9s; correct?

A. I do not know the components of the financial models of other Chapter 9 cases; that is correct.

Q. Before Ernst & Young was retained, was the City doing any forecasting?

A. Forecasting for what? Budgets?

Q. Its revenues and expenditures, similar to the forecasts that you've produced in this

MALHOTRA

case.

A. Well, I'll answer the first part of the question. I don't know whether they were similar or not. But, yes, the City goes through a budget process every year in which they produce a budget.

Q. Okay. And so the City was producing its own forecast before you produced your forecast; correct?

A. The City produces an annual budget which is what I said, every year.

Q. Okay. And that's a forecast?

A. Yes. It's a budget for the next year, for one year.

Q. Okay. So the only -- the length of time -- the standard length of time the City used for its forecasts before Ernst & Young was retained was one year?

A. That is broadly -- that is generally correct, yes. There was -- I don't remember whether there was specific instances where certain elements of the projection were carried forward longer or not. But -- and, overall, I would be comfortable saying that, broadly, there were one-year budgets, but there were certain elements

MALHOTRA

that were probably, you know, taken out longer to see what the impact of those revenues or expenses were.

Q. You can't identify any budget for the City of Detroit that's done forecasting over a period as long as 10 years; correct?

A. I do not recall of a 10-year budget that the City had at that point in time; that is correct.

Q. And the City's budgets, when they were doing their forecasting, were all one-year budgets; correct?

A. I thought I just answered that question, that they were -- they used to do a one-year budget in general, and there were certain items that I think they could have had revenues or expenses going on beyond one year.

But generally, you're right; the City generally does one-year budgets and now has started -- is going to start doing three-year budgets.

Q. Now there's a consensus group that's doing forecasting for the City; correct?

A. Consensus group in what way?

MALHOTRA

Q. Well, there's a forecast that's called, like, the consensus forecast that is put together, you know, in conjunction with the financial advisory board, I believe?

(Telephonic interruption.)

MR. SMITH: Do you want to take a break to --

MR. STEWART: No.

MR. SMITH: Why don't we take a break. Let's get this phone straightened out.

THE VIDEOGRAPHER: Going off the record at 9:46 a.m.

(Brief pause.)

THE VIDEOGRAPHER: Back on the record at 9:47.

BY MR. SMITH:

Q. Mr. Malhotra, have you ever heard of a consensus forecast for the City of Detroit?

A. I do not recall hearing of a consensus forecast.

Q. Okay. What are the three-year forecasts that you were mentioning?

A. There is a triennial budget, and then there's a revenue conference that is used

MALHOTRA

partially for the triennial budget. That's what I was referring to.

Q. Okay. And is there other -- and there's forecasts done for purposes of that triennial budget; is that correct?

A. The triennial budget is being developed in conjunction or, you know, similar to what the first three years of the financial forecast look like for the City.

Q. Okay. And so there's a -- are there a group of outside experts who were involved in reviewing that -- that budget and forecast?

A. I do not know of external parties reviewing the triennial budget of the City specifically.

Q. Do you work with Shavi Sarna?

A. I do.

Q. What's -- is it Mr. Sarna's role on that, on the project?

A. Shavi is one of our managers who is helping on various components of the project.

Q. What components?

A. He's been looking at Department of Transportation, looking at some of the revenue

MALHOTRA

sources maybe on the revenue conference. He's been helping with some of the cash projections. A variety of detailed items.

Q. And is he working 100 percent of his time on the City of Detroit matter?

A. I believe so.

Q. And what, in your view, is the biggest source of untapped revenue for the City?

A. Assets sales.

Q. What asset sales are a source of potential revenue for the City that you're thinking of?

A. DWSD, the parking.

Q. Anything else?

A. Those are the tangible ones that come to mind, those that the City, you know, could potentially control that come to my mind.

Q. And I've seen reference by Mr. Orr that DWSD, if some of the operations were leased, could produce $47 million a year in revenue to the City.

Have you seen those estimates?

A. I have heard about those estimates, yes.

Q. Okay. And are those reasonable estimates?

A. I can't comment on that.

Q. Why can't you comment on it?

A. Because that's something that would be better asked of Ken Buckfire whether -- how the $47 million, whether it's reasonable or not.

Q. Okay. And you mentioned it's in mediation right now. What exactly is going on there, based on your understanding?

A. I don't know.

Q. Your forecast doesn't include the 47 million that Mr. Orr has mentioned as a potential annual revenue source from DWSD; correct?

A. That is correct. We do not have $47 million a year from DWSD included in the forecast.

Q. And you don't have any money from privatization or leasing of DWSD in the forecast; correct?

A. That is correct.

Q. And you don't have any money from privatization of parking in the forecast; correct?

A. That is correct.

Q. Have you seen estimates of the potential

revenue from privatizing parking?

A. I have not seen a direct estimate, but I've heard wide ranges of numbers.

Q. What are the ranges of numbers you've heard for privatizing the parking?

A. It could be 20 million or 50 or 100 million. There was a wide range. But --

Q. Okay. Is that on an annual basis or not?

A. No, that's in totality.

Q. Okay. That would be an up-front payment of between 20 and $100 million?

A. I do not --

Q. For parking?

A. -- know whether it's upfront or not.

Q. Who is the most knowledgeable about privatizing the parking?

A. I would say Miller Buckfire.

Q. Do you know if there are other asset sales or privatization efforts the City has been contemplating or reviewing?

A. Yes. There was a sale of the Veteran Memorial Building that got pushed back from fiscal year '14 to fiscal year '15. It's almost

$6 million.

Q. And that's in your forecast; correct?

A. It is.

Q. Are there any asset sales or privatization matters that are not contained in your forecast that you're aware that the City has looked at?

A. I'm sorry. It was too long a question.

Q. Are there other privatization efforts that the City has looked at that you're aware of that we haven't discussed?

A. Not any that I recall right now.

Q. Okay. In your view, what are the biggest untapped sources of cost savings for the City?

A. That are not -- that are already included in the forecast?

Q. That are not included in the forecast.

A. Oh.

Q. I'm thinking of untapped sources of cost savings. Are there -- what would be the biggest areas of potential cost savings that haven't been incorporated into the forecast?

A. I can't recall any off the top of my

head from the standpoint of what has not been incorporated. I'm sure if some of the assets are sold, there will be a corresponding reduction in the level of staffing potentially. Potentially. But I do not -- you know, if there's a specific item that you have in mind, I'd be happy to say whether it's in the forecast or not.

Q. The City could always cut costs further by reducing wages; correct?

A. Well, the City -- once the City is a part of a collective bargaining agreement, I don't think that's correct.

Q. Well, the City could always amend the collective bargaining agreements to reduce wages; correct?

A. No.

Q. Well, with the unions. It could cooperate with the unions to reduce wages further; correct?

A. It's been hard to do, looking at the City's track record. So I don't know whether it's correct or not. It has to be discussed with the unions, ratified by the union members. So it's not an action the City can take unilaterally.

MALHOTRA

two-and-a-half-plus years ago.

Q. Okay. Were there forecasts you created for the City of Detroit that were less than 10-year forecasts?

A. I think we started looking at a five-year forecast sometime probably two-plus years ago. I don't remember exactly.

Q. What was the purpose of that forecast?

A. I would have to go back and check. This is over two years ago. I don't remember specifically when we started developing the forecast. It was, again, to look at the liabilities of the City over a longer term versus on a more short-term basis.

Q. And did you actually complete a forecast -- a five-year forecast for the City?

A. When you say "complete," I mean, we may have had different iterations. I don't know if there was ever something that was complete or not.

Q. So you had more than one iteration of a five-year forecast for the City?

A. Absolutely.

Q. Okay.

A. We would have had different inputs and

MALHOTRA

iterations, just like we have different versions of the 10-year and the 40-year projections.

Q. And do you have possession of the documentation for those forecasts? Or the --

A. The 10 or the 40? I'm sorry.

Q. For the five-year forecast that you did, who has those forecasts and the documentation?

A. It would be somebody either at the City or it would definitely be with our team as well.

Q. Did the five-year forecasts you produced before the bankruptcy use the same model that you've used for the 10-year and 40-year forecasts? Or was it different?

A. I don't recall. I don't recall. This is a long time ago.

Q. Did the same people work on the five-year forecast? I mean, obviously you worked on the five-year forecast; correct?

A. Yeah. I mean, I think on the five-year forecast, if I go back, it was much more -- it was just looking at how large the expenses side would be in terms of the ongoing legacy costs. So I don't recall specifically. I mean, could go back and try and figure out, but this was a long time.

MALHOTRA

Q. Have you ever been asked to produce the five-year forecast in this case?

A. So -- no, I do not know if we have or have not.

Q. Okay. The -- okay. On the 10-year forecast and 40-year forecast, there have been many different versions of that. Would that be fair to say?

A. That is fair. Yes.

Q. When was the first time that you -- what was the first time you did the 10-year and 40-year forecast?

A. Well, I do not recall. I think the 10-year10-year forecast we had a version of in the June 30th -- the June 13th proposal to creditors. That seems around the time frame when we would have had the 10-year forecast sort of come together with the assumptions as of then.

Q. And the five-year forecast, who chose five years for the length of time of the forecast?

A. It was likely somebody at the City. I don't remember.

Q. Okay. The five-year forecast, did you conclude that the City had positive revenues

MALHOTRA

compared to costs during that time or not?

A. I do not recall.

Q. And what was the purpose of preparing the five-year forecast?

A. I do not recall specifically, but I think we were starting to look at the expenses of the City and how the costs were going to continue to grow over the next four or five years.

Q. Since the first ten-year forecast that you prepared, how many times have you created different versions of the 10-year forecast?

A. Lots.

Q. Can you give me an estimate of how many times?

A. Well, it's a dynamic model. So as the assumptions change and get updated, we save a different version. And whatever we have, I guess, has been produced already. So I have not gone back and counted the number of versions.

Q. How many -- are there major changes -- major iterations of the model that have been done? I mean, you mentioned there's one for the plan. There's the July 2nd one. Are there major -- are there other periods -- times when it was

MALHOTRA

revised in a major way? I don't know how you would characterize those.

A. Sorry. Can you ask -- just repeat what --

Q. Well, let me ask again. You say that the -- you had one version of the ten-year forecast in the plan of adjustment; correct?

A. That is correct.

Q. Okay. And then the July 2nd revision. You had another version of the 10- and 40-year forecast; correct?

A. That is correct.

Q. What were the big changes between the forecast in the plan and the July 2nd?

A. So we've created a bridge that walks through the changes, but I'll go off the top of my head of what I recall. The forecasted revenues were updated based on the updated information we had. We updated the potential LTGO settlement. We updated the economics of the -- the potential economics of a DPOA and DFFA change.

We updated the timing and, I think, the cost of the reinvestment and restructuring initiatives. And I think we updated the

MALHOTRA

financing-related changes in terms of the timing for the 10- and 40-year -- those are the big ones that come to mind.

Q. Would it be fair to say that there was a significant reduction in the amount of reinvestment expenditure?

A. I don't know if there was a significant -- I don't know how you define "significant."

Q. Weren't there hundreds of millions of dollars in reduction or not?

A. It would be easier if I had this document in front of me, because there were some of the changes that were more -- maybe operations-driven versus -- or, you know, capex-driven.

Q. Would it be fair to say that you've engaged in a process of continually updating the forecast since you first created it?

A. As the City has reached settlements with different creditors and we have updated those on a continuous basis.

Q. Would it be fair to say that you've made hundreds of changes to your forecast since it was

MALHOTRA

first created?

A. I do not know that it's hundreds of changes or not. I mean, I don't know what you -- is a -- is a change in an assumption a change that you're referring to?

Q. Yes.

A. I don't know if there's hundreds of changes in the assumptions from what -- but I don't know. It's hard for me to define what are the key elements that have changed. I mean, we've got -- we have produced the information when we have updated information, we reflect that. And the same thing with the settlements.

Q. So you can't tell me how many changes you've made to your forecast since it was created; correct?

A. I can tell you about the broad assumptions that have changed since we created the forecast. The exact number of changes, you're correct; I cannot say. But I can talk about the main assumptions that have changed since we had developed the forecast.

Q. And would it be fair to say that in order to ensure the reliability of your forecast,

MALHOTRA

you've continuously updated as assumptions change and other inputs change; correct?

A. That is correct.

Q. Is there any -- has the City made any arrangement to continue -- to continue Ernst & Young's work after the bankruptcy?

A. There is some ongoing work that Ernst & Young will continue to do after the bankruptcy, yes.

Q. What work?

A. We have some work in terms of helping the City implement or review its HR technology systems. And we're having discussions with the City about an ongoing role in terms of assisting with cash management. So it's something that's being discussed.

Q. Have you entered into any arrangement to continue updating your forecast after the bankruptcy is confirmed?

A. Not as of yet.

Q. Okay. But there's -- has there been discussions about that or not?

A. I have to schedule this -- I have to schedule a discussion, which we were trying to do

MALHOTRA

with the CFO and even likely the mayor, about E&Y's role after the bankruptcy is over.

Q. Thus far, there haven't been any discussions about E&Y continuing work on its forecast after the bankruptcy; correct?

A. There have been discussions about cash management and cash forecasting. So when you say -- if you're referring to the 10-year and 40-year forecast, that is a part of the plan of adjustment. I have not had a specific discussion on that as of yet.

Q. Yet. But as of yet, there's been no discussion about Ernst & Young continuing to update its 10-year and 40-year forecast after the plan is confirmed; correct?

A. That is correct. We have had discussions about updating or talking about cash flows and cash management and some of the other work streams that I've mentioned. But we have to -- and John Hill and I have to sit down with the mayor and get more specificity around what we will be doing going forward.

Q. Would it be fair to say that the scope of Ernst & Young's role after the bankruptcy, has

MALHOTRA

been confirmed, has not been agreed upon yet?

A. That is correct.

Q. Do you have any idea when you might work that out with the City? Or is nothing scheduled right now?

A. No. We have been actually trying to schedule something, and it has gotten changed in the last couple of weeks. But -- it's something that we need to do and get done.

Q. Did the City folk cancel a meeting with you?

A. No. It was just our -- John and my schedules didn't meet

Q. Well, you know, John is going to be in town this week; right?

A. I do.

Q. Do you have any plans to talk to him about Ernst & Young's role this week while he's in town?

A. I think John will have his hands full, so, no.

Q. Okay. The -- there are a number of assumptions in the -- in your forecast that you describe in your expert report; correct?

MALHOTRA

A. That is correct.

Q. And some of those assumptions are assumptions that were provided by other parties, such as Conway MacKenzie or the City or other parties; correct?

A. Some of the assumptions, yes, were provided by the other parties, but I'm generally aware of the broad assumptions that are in there, even for those provided by the other parties.

Q. And some of the assumptions for your forecast you created; correct?

A. Yes.

Q. And as you mentioned, the assumptions for your forecast have changed over time, as you've done different iterations of the forecast; correct?

A. Well, the assumptions have changed because of the settlements that have reached. So based on the terms of the settlements, you know, we have updated those. Some of the other assumptions, which are also really extrapolations of run rates, are -- they are generally what they are.

So, yes, as the assumptions -- we have

MALHOTRA

changed the assumptions to reflect updated terms of settlement with different parties for sure.

Q. The initial version of the forecast, 10-year and 40-year forecast you created would no longer be accurate, then; correct?

A. It depends on which line items you're talking about, because the settlements reflect certain line items, not all.

So, you know, it's --

Q. Well, the -- I'm thinking about the entire results, the results from the 10-year and 40-year forecasts that you initially created would no longer be accurate; correct?

A. Could you be more specific on results? Which results are you talking about?

Q. Well, the total numbers for the revenue and costs of the City would no longer -- generated by your original forecast would no longer be accurate; correct?

A. I don't know whether -- I'm just trying to think about the individual line items that have changed to make sure that I can answer your question accurately.

I would say that the latest -- yes, the

MALHOTRA

latest updates are probably the best information we have as of date.

Whether that makes all of those forecasts -- and I think you used the word "inaccurate." That's -- it's just we have better information today than we had earlier.

Q. Okay. Your more recent forecasts would be more reliable than your first forecast; is that fair?

A. I would say, yes, the most recent forecasts are the best picture we would have as of date, yes.

Q. Would it be fair to say that the longer the forecast, the less reliable the forecast?

A. It depends on specific line items and assumptions. But the further you get out there, the -- there is more uncertainty whether each one of those assumptions will play out the way they are in the forecast.

Q. And would you agree that the greater the number of assumptions in your model, the more uncertainty and potential for unreliability there is with the model?

A. No, because --

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Q. Well, all the other things being held constant, do you agree that the more assumptions that you have in a model, the greater the potential for uncertainty and unreliability?

A. No.

Q. Why is that?

A. Because different assumptions can also offset each other.

Q. Did you rely on any scientific or technical literature in creating your forecast?

A. I'm sorry? What is --

Q. Well, is there any scientific or technical literature that lays out the methodology you used in your forecast?

A. The financial forecast, the way it's been developed is how it's generally developed by all financial advisory firms.

Q. But that's not my question. Is there any scientific or technical literature you can identify for me today that lays out the methodology that you used in creating the forecast for Detroit?

A. I do not know of any scientific methodology. Technical methodology is generally

MALHOTRA

well documented all over about financial advisers, how to create projections, look at the historical performance.

So, yeah, that's generally technical in nature, but not scientific.

Q. But so the -- but is there any treatise or other publication that you can identify for me today that lays out the technical methodology you used for the Detroit forecast?

A. I would say any financial journal that you will pick up, from a financial adviser's standpoint, has tons of articles written on how to build good -- develop reasonable forecasts.

Q. But can you identify one article, sitting here today, that contains the specific methodology you used in the Detroit forecast?

A. I do not recall one off the top of my head, no.

Q. Before the Detroit matter, what was the longest period of time you ever did a forecast of revenues or expenditures for?

A. I would say somewhere maybe between five and ten years.

Q. And you've never done -- I think you

MALHOTRA

testified you'd never done a forecast for a municipality before Detroit; correct?

A. No, I did not testified to that. I testified that I've done it for Detroit Public Schools. I've developed a forecast for Detroit Public Schools.

Q. But for an actual city, municipality, you've never done a forecast before Detroit's; correct?

A. For a city, that is correct.

Q. You did some forecasting for the Detroit Public Schools?

A. That's right.

Q. What was the length of time that you forecast for the Detroit Public Schools?

A. I would have to go back and look. It could have been up to five years. It was probably somewhere in that neighborhood or shorter. I would have to go back and check.

Q. Are your forecasts that you've created in this case based on the business judgment of any City officials?

A. I would say yes.

Q. And yet you -- which City officials

MALHOTRA

would -- who exercised their business judgment are your forecasts based on?

A. In terms of whether -- understanding the assumptions that were in here, Kevyn Orr, you know, John Hill. So, I mean, Brent, who is a former budget director. There were several folks who at least understood the broad assumptions that are in the forecast.

Q. And how does the business judgment of Detroit officials impact your assumptions, or in what way were you using that?

A. Could you repeat that question for me, please.

Q. How did business judgment of City officials play into your forecasts?

A. So -- and maybe I should have asked this earlier. Can you just -- what do you mean by "business judgment of the City officials" in the context of the forecast? Can you just give me a --

Q. Well, I read your prior depositions, and I think you had said that you relied on the business judgment of City officials. So I'm trying to use your term, and I'll ask you to

MALHOTRA

elaborate on that.

A. Okay. So could you ask me the question again, please.

Q. I'm just asking, how did -- I guess what -- what -- when -- it would be fair to say that the assumptions in your forecast depend on certain policy choices by Detroit officials; correct?

A. Yes.

Q. And, currently, the City is being run by an emergency manager; correct?

A. That is correct, for -- the -- for some part. I think they're sharing with Detroit's mayor and city council for certain aspects, but, yeah.

Q. And the emergency manager is going to leave in the fall; is that your understanding?

A. That's what's reported in the press. That's what I read.

Q. Is that consistent with whatever information you have working for the City?

A. I do not have any other information other than what I've read in the press.

Q. And in the future during the ten-year

MALHOTRA

period, there may be different decision-makers who are responsible for determining Detroit's policies than the current decision-makers; correct?

A. That's right. I think there's going to be some form of a govern -- an advisory board. But, yes, there will be -- you know, as people transition into new roles, with any organization, there would be new people coming in to fill those roles.

Q. And the new people who are in charge of Detroit during the 10-year period may decide to embark on different policies choices than you've assumed in your forecasts; correct?

A. They may or may not. I cannot speculate what they decide to do.

Q. It would require you to speculate to determine what policy choices Detroit's future leaders will make during the next 10 years; correct?

A. That's right. It would be speculating on that point.

Q. And, in fact, it's possible that there will be corrupt individuals who will be making policy choices for Detroit in the future; correct?

MALHOTRA

A. I cannot answer that.

Q. That's a possibility, isn't it?

A. Anything is a possibility.

Q. And, in fact, in the past, there have been corrupt individuals who have made policy decisions for the City of Detroit; correct?

A. I read what's in the press, but I do not know what policy decisions have been made in the context of the general fund, so I cannot comment on that.

Q. Well, I mean, there have been people that have went to jail who were leaders of the City of Detroit in the recent past; correct?

A. I've seen the press on that.

Q. And so it's not outside the realm of possibility that there might be individuals who are engaged in criminal activity or corrupt practices who are making policy decisions for Detroit during the next 10 or 40 years; correct?

A. You can make any possibility that you want. I do not know about any -- I don't want to comment on that specific possibility or -- which is just, you know, a possibility of anything.

Q. Okay. But you'd agree it's possible

MALHOTRA
that corrupt or criminal activity may be engaged in by Detroit's leaders during the period of your forecast; correct?

A. You know what? There's a possibility. Anything can happen.

Q. The assumptions in your model you mentioned had changed because of certain settlements; correct?

A. That is correct.

Q. Are there changes that have been made to the assumptions in your model over time that are not the result of settlements?

A. Yes.

Q. And what kinds of changes in the assumptions would those be?

A. It's based on getting updated information. So, for instance, the stated -- the state budget was approved for fiscal year '15 just recently, because of which we had not initially updated the State aid number. But we went ahead and did so in the July 2nd update because we received confirmation from the State that the budget had been approved. And the incremental State aid appropriation used the same methodology.

MALHOTRA
So the methodology did not change from what it was in the past; but basically now that we had a source of data that had been confirmed, we updated that.

We updated the assumptions with regards to what the City would offer potentially for DPOA and DFFA, even though there was not a settlement with them, but using the assumption that the cost would be the same as it was with DPLSA and DPCOA. For property taxes, we received the latest information with respect to the State equalized value and updated the model based on that latest information that we had received. Again, not changing methodology.

So when we receive updated information with respect to firming up a recent trend better so that we can extrapolate, those are some of the examples that we've used.

Q. Would it be fair to say that there have been a number of material changes in the model since you first created it for your forecast?

MR. STEWART: Objection.

THE WITNESS: How do you define "material"?

MALHOTRA
BY MR. SMITH:

Q. Well, I guess -- I guess I'm asking you: How would you define "material"?

A. Well, settlement, the settlements we have reached or the City has reached are material.

Q. Are there other material changes?

A. I would have to go back and look at the bridge. But in my view, the major changes that have happened are in context of the settlement. And, of course, there have been changes, some that make the forecast better, some that make the forecast slightly worse so -- which at times may or may not fully offset.

But the big changes that have been incorporated into the forecast that I know of are the settlements. Some of the timing of the expenses have changed. But the biggest crux of the changes have been the settlements.

Q. Okay. But outside of the settlements, there have been big changes to the model that don't have to do with the settlements; is that fair?

MR. STEWART: Objection.

THE WITNESS: Could you define what you

MALHOTRA
define as "big" in this context.

BY MR. SMITH:

Q. Well, you just mentioned we're talking about big changes, so --

A. So we're talking about big settlements, I thought. Those are the big changes.

Q. What are the most significant changes to the model outside of the settlements that have impacted the dollar amounts?

A. So I would say we have gone ahead and updated the State aid revenue. We have gone ahead and updated the property tax revenue. We have updated the casino taxes. We have updated from what we received, some of the reorganization and reinvestment timing. And these are, again -- you know, compared to the plan of adjustment that was filed on May 5th.

We've updated some of the financing changes in terms of the assumptions on the financing.

I'm trying to think what else is not settlement-related.

Those are the big ones that come to my mind right now.

MALHOTRA

correct?

A. Two years from now, I cannot predict that every single line item of revenues and expenses will be exactly the same as it is in the forecast today.

Q. And you also -- you can't predict that two years from now the total amount of revenue and expenditures will be the same as it is in the model today; correct?

A. In two years I cannot say whether the exact total of the revenues for that 10 years will be exactly the same or if the exact -- expenses will be exactly the same or if they offset each other. I cannot tell.

Q. How many inputs and assumptions are there in your model?

A. There are -- we can go through the line items, and I can talk to you about the assumptions. But there's a lot of line items, and there's assumptions in there. So --

Q. Well, are there --

A. -- I don't have the number of assumptions.

Q. Are there more than 100 assumptions and

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inputs?

A. I do not know if there are over a hundred assumptions or -- I mean, it's -- if there are over 100 discrete assumptions or not. I would say that some of these are basic extrapolations of what has happened in fiscal year '12 or '13, continuing. Some of these are directly picked up from a third-party data source. So I'm -- you see my -- I'm just like --

Q. I'm saying assumptions or inputs to cover all these things. Would there be more than 100 assumptions or inputs in your model?

A. I cannot tell.

MR. SMITH: We should take another break.

MR. STEWART: Okay. That's fine. We haven't even been on the record an hour.

MR. SMITH: Okay. Well, I'm not requesting it, Geoff, so if you want to complain about it --

MR. STEWART: It's okay.

THE COURT REPORTER: I thought it was about an hour, and I --

MR. STEWART: It's okay, but we can't

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keep breaking on the hour. There are lots of questions and people have planes to catch.

(Discussion off the stenographic record.)

THE VIDEOGRAPHER: Going off the record at 10:59.

(Short break taken.)

THE VIDEOGRAPHER: We are back on the record at 11:05.

BY MR. SMITH:

Q. Mr. Malhotra, can you identify any time where Ernst & Young has ever done a forecast for a city that's as long as 10 years?

A. I have not. I do not know about Ernst & Young. I mean, request practice or other tax practices --

Q. Sitting here today, though, you can't identify any such instance; correct?

A. I do not know what -- it's a large firm, and I do not know -- I can tell you that -- I have not done a 40-year for a city before.

Q. And in your forecast, you haven't included funds necessary for Ernst & Young to update the ten-year forecast after the bankruptcy;

MALHOTRA

correct?

A. There is not a specific line item that has been called out for ongoing professional fees for EY in the context of updating the forecast.

Q. And you haven't included funds for Conway MacKenzie or any other advisers to do work on a forecast going forward after the bankruptcy; is that correct?

A. In -- in context of the -- specifically the restructuring advisers currently, we haven't -- we do not have a specific discrete line item to identify incremental fees for EY or Conway MacKenzie.

Q. And have you assumed -- have you included any professional fees for Conway MacKenzie after the bankruptcy has concluded, in your forecast?

A. Whether it is specifically included as a discrete line item or if it could be absorbed in some of the actual project implementation costs for both EY and Conway MacKenzie, it's something that we would have to work through.

But I do not have a specific line item, and the restructuring professional fees line for

MALHOTRA

ongoing assistance beyond the bankruptcy if there is ongoing work and if there's a possibility that within the different projects those fees get absorbed, I do not know yet.

Q. As the forecast stands now, you don't have any money in the forecast currently for ongoing work after the bankruptcy by Ernst & Young or Conway MacKenzie; is that fair?

A. I thought I just answered that: If it isn't -- if it could be embedded in the individual implementation projects of the restructuring, that's something we'll have to see.

You are right. I do not have any restructuring professional fees in that line item, any more fees beyond the restructuring period.

Q. Okay. I mean, there's no -- you're not assuming that -- Ernst & Young or Conway MacKenzie will continue work for the City after the bankruptcy, in your forecast?

A. That's not true.

Q. Okay. How are you -- I mean, are you assuming one way or the other?

A. Well, EY, as I've already mentioned to you, is going to continue work on the HR

MALHOTRA

implementation project, and the fees for that will likely come out of the HR implementation budget.

Q. What is the HR implementation project?

A. It's to help the City transition its existing payroll systems to a new system.

Q. Is the City -- the City is still producing one-year budgets, correct? Is that correct or -- or not?

A. I think they are still going through this interim process of a one-year budget, I believe. But I need to make sure that they're still doing one year or is it just the three years and the one year is a component of that.

Q. In the ordinary course of its business operations, the City is currently doing only three-year budgets or potentially one-year budgets; is that correct?

A. That would be correct.

Q. Do you agree that there's some restructuring and restructuring activities the City is planning to undertake that don't cost any money, such as changing policies or things like that?

A. Changing what policies?

MALHOTRA

Q. Well, any -- I mean, some of the, quote/unquote, restructuring activities I've seen are things like make operations more efficient or, you know, things like that.

A. Things like what?

Q. Well, why don't I ask you this: Do you agree that there are some restructuring activities the City is planning to undertake that would save money?

A. Yes.

Q. And do you agree that there's some restructuring activities the City is planning to undertake that would, on balance, lead to increases in revenue for the City?

A. Could you ask me that again.

Q. Are there some restructuring activities the City is planning to undertake that would, upon balance, lead to increases in revenue for the City?

A. There are some restructuring and reinvestment initiatives that will lead to increased revenues for the City.

Q. And there are restructuring activities that will bring in more revenue than they will

MALHOTRA

cost; correct?

A. It depends on what time frame.

Q. Well, but there were some restructuring activities the City is going to undertake where the benefits in terms of increased revenue, where a reduction in costs outweigh the costs of the initiative; correct?

A. It depends on what time frame, because you have to see when -- the overall result in increased revenues compared to the costs incurred.

Q. Yeah. At the end of the -- over the course of your projections; right? Over the course of your 10-year projection, there are restructuring activities where the benefits outweigh the costs of the restructuring activity; correct?

A. I'm not sure about that. There's a billion four in restructuring and reinvestment costs. And I don't know if over the ten years if there is a billion four of revenue.

Q. Okay. So the City isn't -- you would agree with me that the City is engaging in some restructuring activities that have a -- that have a negative cost benefit; correct?

MALHOTRA

A. Maybe over 10 years, but it probably changes over 40 years to -- for the revenues to get better.

Q. You agree -- you know that the City is planning to spend hundreds of millions of dollars on blight reduction; correct?

A. That's correct. There's $420 million in the current forecast, 50 million of which is going to be reimbursed by the hardest-hit funds.

Q. Okay. And do you know -- has the amount of blight reduction funding decreased over the course of your forecast, the various iterations?

A. I believe we had a number of, close to $500 million earlier. That went down to 420 million.

Q. Do you know why there was a reduction?

A. There was a reduction because of the overall level of contributions the City was committing to the pension systems.

Q. Okay. So did the -- the blight-reduction funds, were they reduced because the City was increasing contributions to pensions?

A. I don't know if it was only that or if it was the -- I don't know if that was the only

MALHOTRA

reason. But, yes, that's one I recall in which the $500 million went down to 420.

Q. Was one factor in the reduction of the blight expenditure the City's decision to increase money to the pensions?

A. It was to not increase money to the pensions. It was for the City to reach a settlement on the pensions and the amount of money that was required.

Q. And are you incorporating into your forecast any increase in revenue or decrease in the costs attributable to blight-reduction efforts by the City?

A. I believe that in the restructuring and reinvestment scenario, there is an overall increase in the revenues that has been assumed from the overall restructuring and reinvestment initiatives.

Q. Do you agree that the costs of the blight reduction outweigh any revenues or cost reductions that you've incorporated into your forecast?

A. Over what time frame?

Q. Either the 10- or 40-year period.

MALHOTRA

A. Over the 10-year period, I do not -- of the net 350 million that the City is spending, I would have to go back and look exactly how much increased revenue between all of the different initiatives has been included.

But over 40 years, if you were to extrapolate, you know, I think the increased revenues would be higher. But I do not know exactly. It would be easier to look at the exhibits and then walk through it.

Q. Okay. But sitting here today, you understand that over the 10-year period, the costs of blight reduction exceed any benefits; correct?

MR. STEWART: Objection.

THE WITNESS: No, I don't. Exceed any benefits?

BY MR. SMITH:

Q. You agree that the costs of blight reduction exceed any revenues for cost reductions that the City attributes to blight reduction over the 10-year period; correct?

A. In a direct financial standpoint from what I can relate it to, the answer is correct. Because there's probably indirect benefits of

MALHOTRA

blight removal, which I cannot talk about.

But from a direct-blight standpoint, it's -- I know the City has increased revenues towards the last five years of the first ten. If you look at that run rate, it's the -- the blight expenditures that have being spent could theoretically be reimbursed -- you know, be recuperated sooner.

But -- so it's just -- I don't have a direct answer, because you're spending the money over 10 years and there's increased revenues over the first 10 years; but the run rate in the last five years is much higher than it is in the first five years. I don't know if that answers your question.

Q. Yeah, but the total amount, if you calculate up the total amount -- well, first, let me ask you this. You say increase in revenues. There's -- is there a line item for increase in revenues specifically from blight reduction, or is it increase in revenue from all the reinvestment activities?

A. It's the latter. It's broken out -- well, there's three items. There's a discrete

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to Conway MacKenzie in terms of that billion four, if -- what assistance is being provided, if any, by the State, because I know the State does continue to provide specific grants that work through the different departments.

Q. You're not aware of any special funding that State has designated for reinvestment and restructuring Detroit?

A. I believe the hardest hit funds of the $50 million -- $52-1/2 million I think are coming through the State. I'm not sure.

Q. Is it your understanding that the 194 million that the City is receiving from the State doesn't have to go into the pension fund but could be used to pay other creditors?

MR. STEWART: Objection.

THE WITNESS: No, that's not my understanding.

BY MR. SMITH:

Q. Okay. It has to go into the pension fund?

A. Yes, that is my understanding.

Q. Okay. And is that the way your forecast treats that money? Is it accounted for in your

MALHOTRA

forecast?

A. Yes.

Q. Would it be fair to say that the emergency manager made significant progress in cutting costs and increasing revenues before the bankruptcy petition was filed?

A. What did you mean "significant"?

Q. Well, use your definition of "significant."

Would you say that the emergency manager had made significant progress in cutting costs and increasing revenues before the bankruptcy petition was filed?

A. I don't know what your definition of "significant" is. I will say that the emergency manager -- I don't know about the revenue initiatives, but -- in my view, I think there was some ongoing cost cutting even continuing then.

Q. Okay. So using your definition of "significant," did the emergency manager make significant progress in cost cutting before the bankruptcy petition was filed?

MR. STEWART: Objection.

THE WITNESS: I would have to go back

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and look at the projections or the actual costs before and after to be able to answer that.

BY MR. SMITH:

Q. Okay. Did the City initiate plans to improve tax collection before filing the bankruptcy petition?

A. The City has been working on trying to improve tax collections the entire time. I mean, it's an ongoing process to improve the process, you know, collection efforts in any fashion possible.

Q. There is significant revenues that are owed in taxes that the City has not collected each year; correct?

A. I do not know about that.

Q. Well, how much in revenue -- do you know how much in revenue the City is not collecting each year in taxes?

A. I do not.

Q. So you haven't done any analysis that -- in your forecast to try to quantify amount of revenue that could be obtained through increased tax collection?

MALHOTRA

A. EY has not done an analysis on delinquent taxes today and what efforts could be made to collect those delinquent taxes. I know the City has been working on, you know, providing relief so that people come out and -- or amnesty programs, and we know that the City has made good efforts on those.

I do not -- we have not gone out -- EY has not gone out to try and come up with a collection effort for any delinquent taxes.

Q. But over the 10-year period of your forecast, you haven't quantified the amount of taxes that will go uncollected if current trends continue; correct?

A. We have a collection-rate assumption in the forecast that continues to improve over the forecast period. So I would have to go back and see if we can quantify what -- your question. But I know that we are assuming that the collection rates would actually increase over the forecast period.

Q. Is that true for all taxes?

A. Well, at least in the big one where -- in property taxes, I believe that is the case. We

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can go down the line. On casino taxes, there is no issue because the collection rates are fine. On the income taxes, I would have to go back and check.

Q. As far as you're aware, on the income tax you haven't incorporated an estimate in your forecast for an increase in revenue that would occur if there were withholding for reverse commuters or if there was piggybacking with state taxes; correct?

A. That is correct. We have not got a -- we do not have in the baseline an initiative specifically on the reverse-commuter tax issue.

Q. And it's not in the restructuring scenario either; correct?

A. I do not think it is, but I would -- you should confirm that with Conway MacKenzie.

Q. Okay. Or would it be Mr. Cline that did that, or --

A. On the specific reverse commuter, if it's -- if that revenue has been -- if that revenue has been included in the restructuring and reinvestment operating initiatives, you would have to talk to Conway MacKenzie about that.

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Q. Okay. So sitting here today, though, as far as you're aware, it's -- there's not been a specific addition for implementing income tax withholding or piggybacking with the state tax; correct?

A. That is correct. Not that I know of.

Q. And there have been no -- you haven't attempted to forecast what would happen if tax rates increased; correct?

A. Which tax rates?

Q. Any of the tax rates. You haven't built in an increase for any tax rates in your forecasting model; correct?

A. That is a policy question. Yes, we have not baked any increases in the tax rate, because I think they're already at the max in certain cases. But we have left tax rates where they are today.

Q. But the State and the City, in the cooperation, could raise any of the tax rates; correct?

A. I don't know what legislation is required for that. You would have to ask the State or the City. It's a policy question.

Q. Are there any policy -- potential policy

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changes that you have factored into your forecast?

A. I would have to go back and check. Not -- nothing that comes to mind specifically. If you were to ask me a more detailed question, I'd be able to answer.

Q. Over the 10-year period, one thing that can obviously impact your forecast is if there are changes in policy, such as change in tax rates or other policy changes that affect revenues or costs; correct?

A. If you change the assumption, the numbers will change. You are correct.

Q. Where did you get the assumption to hold tax rates constant?

A. That was the -- discussion with the emergency manager.

Q. Where did you get the assumption to -- as far as you're aware, not incorporate, you know, withholding for the income tax or piggybacking with the state tax?

A. I do not recall. My -- I do not recall specifically because there was not enough substantive information that was available to judge what, if any, that impact was. But I was

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not a part of those discussions.

Q. Do you agree the City is able to pay its bills right now?

A. What bills?

Q. All of its bills. I mean --

A. Well, under the restructuring scenario, it's different. So you have to be more specific about what bills. While the City is in bankruptcy or . . .

Q. You included in your forecast, I think it is called, a contingency fund or something like that. Do you recall that?

A. A contingency reserve.

Q. Or reserve. And how much is that?

A. We used about -- we used 1 percent of revenues.

Q. And how much money does that work out to?

A. On almost $11 billion of revenues -- on more than $11 billion of revenues, it's about $100 million of contingency.

Q. And before the City went into bankruptcy, did it have a contingency reserve?

A. It wasn't discretely called out. I do

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MALHOTRA

Q. Can you identify any city in fiscal crisis that's planning to spend approximately a billion dollars in new reinvestment spending?

A. I do not know of another city which is probably in the same condition as Detroit, but that would be -- I do not know.

Q. Can you identify any city that's planning to spend approximately a billion dollars in new reinvestment while not raising tax rates?

A. I do not know.

Q. Can't identify such a city?

A. I haven't done the analysis to go out and take a look.

Q. So you can't identify any examples?

A. I just said I do not know.

Q. Can you identify any cities that are planning to spend hundreds of millions of dollars on blight reduction?

A. I do not know.

Q. Can't identify any such a city; correct?

A. I haven't gone out and done this particular analysis, so I do not know.

Q. You agree that not every city has a municipal income tax; correct?

MALHOTRA

A. That is correct.

Q. And there are many cities that don't have wagering tax; correct?

A. That is correct.

Q. And there are cities that don't have access to a corporate tax; is that correct?

A. I assume so. I do not know for sure.

Q. Okay. Would it be fair to say that Detroit has revenue streams from tax sources that other cities lack, other comparable cities?

A. I would say Detroit has used taxes from sources to fund its expenditures that other cities have not had to maybe use to fund their expenditures.

Q. Okay. And your -- one assumption of your forecast is that there will be no new taxes that are created to provide new revenue. Is that fair?

A. It's a tax policy question. From a tax policy standpoint, we've just left the existing policy as is over the forecast period, essentially.

Q. Okay. So one of your assumptions is there won't be any new taxes that don't currently

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exist; correct?

A. Or may replace existing taxes in some fashion.

Q. And where did that assumption come from?

A. We've left the tax policy the same as it is today.

Q. And did that come from the emergency manager?

A. That's what I thought I said earlier.

MR. SMITH: Okay. Why don't we take a break.

THE WITNESS: Okay.

THE VIDEOGRAPHER: Going off the record at 12:12 p.m. This is the end of Tape No. 2.

(Short break taken.)

THE VIDEOGRAPHER: We are back on the record at 12:21. This is the beginning of Tape No. 3.

BY MR. SMITH:

Q. Mr. Malhotra, you agree that it's possible to increase the money available to pay creditors by changing the assumptions in your forecast; correct?

A. If you change the assumptions, the

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numbers will change.

Q. So that's correct?

A. I just said if you change assumptions, numbers change. Depends on what assumptions you change.

Q. It's possible to change the assumptions in a manner that will increase the money available to pay creditors; correct?

A. Like what assumptions are you referring to?

Q. Well, you could increase tax rates and potentially increase the money available to pay creditors; correct?

A. If you have more revenue in the forecast than is currently projected, you will have more money.

Q. So it's possible to change the assumptions in your forecast to provide more money for creditors; correct?

A. If -- if you change -- you have to look at it in aggregate. If you change a particular discrete assumption and assume everything else remains the same and if you assume in that particular scenario there's more revenue and

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everything else is the same, yes, there will be more money.

Q. And you're not claiming that it's impossible for the City to pay creditors more money than is reflected in your forecast; correct?

A. You say "impossible." It's -- I mean, the City has -- if you change the assumptions on any of these items, the money could go up or the money could go down.

Q. And so it's certainly possible -- well, we covered that already. And we've also covered that you're not doing any comparison between the scenario of the dismissal of the petition and the restructuring scenario; correct?

A. Well, like your question was, have I been asked to do a dismissal scenario? Not directly. But the baseline scenario, if you look at some of the line items, they're going to be the same as in a dismissal scenario, likely, which is going to make the baseline scenario reflective on some of those line items what the City is likely to face.

Q. And some of the line items would be different in the baseline scenario and dismissal;

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correct?

A. There could be. It would be -- if I look at each one of those line items, some of the assumptions, for instance, on pension, right, may or may not change. But, you know, for instance, some of the retiree healthcare projections, I mean, if you look at the baseline scenario -- and again, going by memory, even if you are to add the reinvestment expenditures in there, you're looking at somewhere close to a $5 billion deficit based on the assumptions that were in there in the baseline. And some of them will just get replicated for a dismissal scenario.

Q. And there are some things you don't -- you don't know what's going to happen after dismissal, right, because you haven't investigated it; correct?

A. I have not done a specific analysis on each of a dismissal scenario; but I can say that, you know, the payroll assumptions will not change that much. Payroll is what it is. The revenues are -- generally are what they are. The -- I'm trying to go by memory.

Retiree healthcare will continue to be,

MALHOTRA

you know, increasing. And there may be some changes in pension. DDOT subsidy will continue to go as is. So --

Q. Well, you agree that there's a large disparity in the recovery between the bondholder creditors and the retiree creditors under the plan; correct?

MR. STEWART: Objection.

THE WITNESS: I don't know what you define by "large disparity."

BY MR. SMITH:

Q. Well, there's a large numerical disparity in terms of percentages that bondholders recover versus the retirees; correct?

MR. STEWART: Objection.

MR. ALBERTS: Objection.

THE WITNESS: A large disparity? I would say that based on the assumptions that are shown in the 40-year, based on those assumptions, the pension recoveries under those assumptions are higher. OPEB is the same as some of the other unsecured creditors.

BY MR. SMITH:

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Q. But my client you know is getting a lot less than other creditors in the bankruptcy; correct?

A. The COPs are getting the same treatment as OPEB and -- in terms of the numerical recovery under the assumptions we've used and the other unsecured creditors.

Q. What's the percent recovery of OPEB versus its claims?

A. I think it's roughly 10 percent.

Q. And other unsecured creditors, who are you thinking about?

A. Yeah. Those are the general other unsecured creditors, which is about 10 percent as well.

Q. And the percent of recoveries, you can't represent that those would remain the same in a dismissal situation if you don't know what percent recovery would be; correct?

A. Yeah. I would not know for each one of the classes what that would mean, because in a dismissal, I have not thought through how each class would get impacted. But what I can say, based on that baseline scenario, is the City's

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access to funds, I mean, the City is likely to have huge deficits from that baseline scenario assumption.

Q. You can't -- you can't --

MR. STEWART: He didn't finish his answer.

BY MR. SMITH:

Q. You can't --

MR. STEWART: Mr. Malhotra, did you finish your answer?

THE WITNESS: I was just about -- I wanted to just make clear that the City was showing huge deficits based on the assumptions in that baseline scenario, and some of which are going to be very similar to a dismissal scenario.

BY MR. SMITH:

Q. And some of them will be different; correct?

A. Some of them, yes. Like pension comes to mind, may or may not be different. I would have to look at that.

Q. And it's certainly possible some of the creditors may receive higher recoveries under the

MALHOTRA

dismissal scenario; correct?

MR. STEWART: Objection.

THE WITNESS: I don't know. I haven't done that math.

BY MR. SMITH:

Q. Nobody from the City has asked you to do that kind of analysis; correct?

A. That is correct.

Q. Has the City already implemented a software system for improved tax collections?

A. I do not know.

Q. You'd agree that it's possible for the City to reduce overtime if the petition is dismissed; correct?

A. I'm sorry. Can you please repeat that.

Q. The City can reduce overtime costs if the petition is dismissed; correct?

A. How?

Q. Not have as many overtime hours. I mean, it's within the City's discretion how many overtime hours that it has its workers work; correct?

A. No. It depends on the level of service that has to be provided and the manpower you have,

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so --

Q. And the City decides the level of service; correct?

A. Yes. It's the City and it's what the citizens require for some level of service. So I don't know if the City will be able to reduce overtime it the bankruptcy is dismissed.

Q. The City certainly has the power to reduce overtime if the bankruptcy is dismissed; correct?

A. It would depend on the level of service and the staffing. And my guess is within that comes in the collective bargaining agreements, so I'm not sure I can answer that, that the City can -- whether the City can or cannot reduce overtime.

Q. So you haven't looked into whether the City can reduce overtime if the petition is dismissed; correct?

A. Yeah. It's -- we have assumed that in a baseline scenario, for instance -- maybe if I can refer to that -- that the level of overtime is reflective of the current overtime run rate the City is experiencing. So if the case is

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dismissed, I don't know what impact that actually has on that overtime.

Q. Can you identify any Chapter 9 bankruptcy where a City claimed that it could reliably costs -- costs -- forecast costs and revenues over a period as long as 10 years?

A. I have not looked at the other Chapter 9 plans. But this is the best information we can pull together, at least for Detroit.

Q. So there's no City that you're aware of that is claiming that it could forecast costs and revenues for a period as long as 10 years reliably; correct?

A. I do not know whether they do or do not. I haven't done -- I haven't looked -- I haven't undertaken an exercise to go out and look at what other cities would be doing in this context.

Q. So you haven't looked to see whether, No. 1, other cities even try to forecast costs and revenues for a period as long as ten years; correct? That's not something you've investigated?

A. I have not, no.

Q. And you also haven't looked --

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investigated what methods, if anything, a city that has been -- that might attempt to forecast costs or revenues over a period as long as 10 years has used to ascertain what reliable methods are out there that have been used?

A. I'm sorry. That was way too long a question.

Q. You haven't done any investigation to identify whether there are methods that have reliably been used to estimate costs and revenues for a City for a period as long as 10 years; correct?

A. Cities' revenues are made up of taxes. And if you keep the tax policy essentially the same, the rest of it is pretty straightforward. Expenses, mostly the City's expenses are headcount and legacy liabilities-related.

So there isn't -- I mean, there's articles out there in financial journals on municipal accounting and municipal budgeting, so -- you know, which I read off and on. So I think through a methodology standpoint, there is no scientific methodology in this -- in Detroit that would be different for any other city.

MALHOTRA

Q. Can you identify one article on municipal budgeting that you've read?

A. Not off the top of my head, but there's governing publications that I get every week, and there's -- also articles, I think -- or there's articles that talk about long-term budgets potentially. But I haven't studied it in detail.

Q. And there's no literature cited in any -- in your report that would support your methodology; correct?

A. That's right, because as I mentioned, the methodology is pretty straightforward for a municipality when you look at the taxes -- when you look at revenue base and you look at the expense base. If you keep policy assumptions aside, it's a pretty straightforward analysis. Just like you would do with any other corporation, it's just financial forecasting.

Q. Have you published any publications on forecasting?

A. I have not.

Q. Are there -- in your forecasts, have you included any sums attributable to new fees imposed by the City that it's not currently imposing?

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A. That would be a question for Conway MacKenzie, because I know there's some fees in the restructuring of the investment initiatives, operational revenue line items. So that would be a question for them, whether they have.

Q. You agree that Detroit has the power to raise additional revenues by implementing new fees; correct?

A. No. It depends on whether you can collect those fees and what the expenses are to collect those revenues and what you are levying fees on.

Q. Okay. But there's the potential for additional revenue to be generated by implementing new fees; correct?

A. As long as the new fees -- the expenses incurred to generate new fees don't exceed the fees. I mean, I don't -- if there's a specific fee that you're referring to, it would be easier for me to comprehend. But it's just -- if you increase any new fee, depends on whether you're going to collect it, the costs you're going to incur to collect it.

Q. And you may have included additional

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revenues from new fees in your forecast; you just don't know, sitting here today; correct?

A. No, I did not say that. I said in the Conway MacKenzie revenue initiatives that were specifically highlighted, there are fees. I just don't know if they're new fees or not. But I think that would be a question to ask them.

Q. Okay. So you don't know whether your forecast is assuming there will be new fees or not, sitting here today?

A. I would have to go back and look at -- if I had the exhibits, I would be able to go back and look at the details and try and ascertain if they are new or not.

Q. Okay. That would be details that were provided to you by Conway MacKenzie that you would have to look back to?

A. Yes. Those are line items I would look at.

Q. Do you agree that the City of Detroit has a long history of fiscal mismanagement?

A. I would say that the City historically has run deficits. Fiscal mismanagement, you know, I don't want to comment on that. I would say the

updated, yes.

Q. But delinquent debts are not reflected in your forecast; correct?

A. I don't know what those delinquent debts are. So . . .

Q. Why is it that you don't know what the delinquent debts owed to the general fund are?

A. From whom?

Q. From -- are from the people that you're not incorporating into your forecast. I guess -- the ones that, you know, are owed to the general fund, why can't you just ask the City what debts are owed to you? Give me a list of them so I can plug them into my forecast.

MR. STEWART: So what's the question?

BY MR. SMITH:

Q. I guess my question is, why is it that the City can't tell you what debts are owed to it?

MR. STEWART: Objection.

THE WITNESS: Let me start with looking at the components of the revenue. All right?

When you look at income taxes in terms of what the income tax collection process is, what the City's best estimate for its

estimated revenues are, and then the City's internal process to send reminders and notices for those people that have not filed income tax returns; after that, the City also goes through a process in which it provides amnesty programs. So that's income taxes.

When you look at the property taxes and you look at the residential component, the City sends out its property tax bill. Within that property tax bill, if the property owner has not paid the property taxes, that receivable doesn't just become delinquent, because that then gets transferred to Wayne County.

Wayne County actually advances the City pretty much what that delinquent receivable was. And after a process in which they can even foreclose on the property or not and if they have recovered enough taxes or not, they basically do a charge back to the City.

So in the first -- it's sort of -- it's a delinquent tax revolving fund. But my point is you have to look at every component. When you look at past-due parking fines and

fees, again, there's amnesty programs that are offered so that people are caught up.

So it's not as easy as going to a corporation and running an accounts receivable aging report and saying, you know, Let's go have -- collect these taxes. The City does try its -- at least its efforts to go out and improve collections.

But, I mean, I could -- we could walk through each one of the line items in more detail.

BY MR. SMITH:

Q. I get it. So it's not possible, given the information you have, to estimate how much the City is owed in delinquent debt obligations; is that fair?

A. Yeah, I do not have that information; that's correct.

Q. The Detroit Public Schools, are you aware that there was an emergency manager appointed to supervise them?

A. Yes.

Q. And are you aware that the Detroit Public Schools depend on property tax revenue for

their operations?

A. As one of the revenue sources that Detroit Public School has, property taxes is one of them.

Q. And grant revenue is another source of funding for the Detroit Public Schools?

A. Yes, and State aid.

Q. And why are you no longer working for the Detroit Public Schools?

A. I have recently been reengaged by Detroit Public Schools.

Q. When was that?

A. Last month.

Q. And who hired you?

A. The emergency manager.

Q. And have you looked at the Detroit Public Schools' most recent budget?

A. Yes.

Q. Okay. And are the Detroit Public Schools running a surplus?

A. You would have to look at their CAFR for that. Their budget generally is always balanced.

Q. And from reviewing their budget, you're aware that they've been cutting costs; correct?

MALHOTRA

the City's, you know, revenues and expenses are slightly different than when you look at it over a 40-year picture.

Q. I mean, the pension costs aren't being significantly cut under the restructuring plan; correct?

A. No, that's not correct.

Q. Well, they're being funded from a different source; is that correct?

A. Well, there's two separate questions. If you would just rephrase your question.

Q. Well, I mean, forget about the State aid. I mean, just the pension costs are not being cut significantly under the restructuring scenario; correct?

MR. ALBERTS: Objection.

THE WITNESS: Well, I don't know what your definition of "significantly" is. So if you ask me a specific question, I can give you a perspective on the pension cost.

BY MR. SMITH:

Q. I'll use your definition of significantly. Are the pension cost --

MR. STEWART: You interrupted his answer

MALHOTRA

again. I'd ask you just to wait a second, Mr. Smith, and let him finish his answer before you ask your next question.

BY MR. SMITH:

Q. Did you have anything else to say?

A. No. Could you just ask me your question again now, please.

Q. In your -- under your definition of "significantly," are -- the pension costs are not being cut significantly under the restructuring; correct?

A. I think the pension cuts are the value of the liability.

So for General Retirement System, just based on the value of the freeze, that's a $95 million cut in the liability. The value of the COLA that is being eliminated is roughly 467 million, of a cut. The value of the 4-1/2 percent reduction is an estimated $125 million. You add the ASF to that, that's another couple of hundred million dollars.

So all in, we're looking at somewhere between -- I haven't done the math -- 900 million to a billion.

MALHOTRA

Based on the assumptions that we have from Milliman, you look at PFRS, the value of their COLA is almost 350 to $400 million. The value of their freeze is roughly another $55 million. So you have roughly $400 million right there.

But that's, you know, some of the context of the cuts -- and I know there's probably additional details, but that's -- in my mind, conceptually, the cuts that have taken place in pension.

Whether you define it as significant or not, I don't know.

Q. Do you agree that the level of services the City provides is a matter for the business judgment of the City leaders?

A. The level of services is with the City leaders of the new transition board or in the context of even the amounts available for the City to spend. So I think you sort of -- it's a balancing act between the services as well as the amount of money available to expend.

But that's probably with the mayor and city council, the emergency manager, the board.

MALHOTRA

That's potentially where I would think it is with probably input from others. I don't know.

Q. So your position is that the level of services within the City is a matter for the business judgment of the City leaders in power at the time; correct?

A. In conjunction with, I would say it's the supervisory board and what level of funding is available. So, you know, it's not just saying one group can only decide all the levels of services regardless of what financial ability the City has or does not have from a resources standpoint.

Q. Do you agree that any of the assumptions in your model can change over the 10-year and 40-year periods you forecast?

A. Can any of the assumptions change? Yes.

Q. Do you agree that the timing of the reinvestment expenditures could change from the assumptions in your model?

A. Yes.

MR. SMITH: I'm going to mark as Exhibit 1 a copy of this 10-year financial projection.

(Exhibit Malhotra-1 was marked for

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identification.)

MR. ALBERTS: Would you please recite the Bates numbers.

MR. SMITH: It's POA00706519.

BY MR. SMITH:

Q. You got it?

A. Yes, I do.

Q. Okay. On the front of the projections that you prepared, there's a disclaimer by Ernst & Young; correct?

A. That is correct.

Q. And you state that "There will usually be differences between forecast and actual results because events and circumstances frequently do not occur as expected and those differences may be material."

Do you agree with that statement?

A. I do not.

Q. And "E&Y takes no responsibility for the achievement of forecasted results."

Do you agree with that statement?

A. Yes.

Q. And it says, "Accordingly reliance on this report is prohibited by any third party as

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the projected financial information contained herein is subject to material change and may not reflect actual results."

Do you agree with that statement?

A. Yes. I have in-house counsel on the phone. But yes.

Q. And is this type of disclaimer and set of statements attached to any forecasts that Ernst & Young makes?

A. We try our best to. Sometimes we miss, but that's -- we generally -- yes.

Q. And this statement is based on a consensus view of experts at Ernst & Young regarding forecasts; correct?

MR. STEWART: Objection.

THE WITNESS: I do not know the exact basis of where the exact statement has come from.

BY MR. SMITH:

Q. Okay. You always put this statement on any forecast that you would create. Is that your general practice?

A. Like I said, we try to, but it's -- at times we miss.

MALHOTRA

Q. Okay. And it's the policy of Ernst & Young to always put this disclaimer on its forecast. Is that fair?

A. Generally, yes. I mean, it's -- the -- yeah. Generally, yes.

Q. And that's because forecasts don't give you information about what actual results will be; correct?

A. That's why it's a forecast.

Q. So that's correct; correct?

A. A forecast is not an actual; that is correct.

Q. And there are a number of things that can change that can make forecasts deviate materially from actual results; correct?

A. Yeah. "Materially" is depends on sort of what assumption is changing. But as -- information in the future can change materially as well.

Q. Okay. And there are a number of factors that could change that could cause the forecasts you've done for the City of Detroit to change materially from the actual results that are achieved; correct?

MALHOTRA

A. Yes. If there are -- of course, changes that are unforeseen that we don't know about that can have an impact on the forecast, yes.

Q. And that's why you've told third parties that they shouldn't rely on forecasted results you've prepared for the City of Detroit; correct?

A. I think that the information is specifically highlighting what could happen with any forecast. And so I think for the parties to look at this, they have to realize what they're looking at.

Q. Okay. And you caution third parties that they should not rely on your forecasts; correct?

A. It says that from a forecast standpoint, it is subject to change. And so third parties have to sort of understand what they're looking at. That's what I would say. And beyond that, it's probably a legal question which I cannot answer.

Q. Well, your forecast, you put right on the front of it that "Reliance on this report is prohibited by any third party"; correct?

A. That's what it says.

MALHOTRA

Q. And the reason that reliance on your forecast is prohibited is because you recognize that circumstances can change and the forecast may deviate materially from actual results; correct?

A. That is what is written here, yes.

Q. And you agree with what's written there; correct?

A. I do.

Q. Have you done any investigation to determine if there are any cost-cutting measures that could be undertaken that are not reflected in the forecast?

A. From a cost-cutting standpoint -- from a further cost-cutting standpoint, most of the initiatives, I believe, are in here in terms of the outsourcing -- I'm just trying to think if there are any other initiatives from an opportunity standpoint. I would have to give that some more thought on a department-by-department basis.

Q. You said that the Department of Transportation, the subsidy it gets from the general fund, is a significant cost driver; correct?

MALHOTRA

A. It is. It's -- it has been a big cost driver for the general fund, historically.

Q. And the City has been attempted to implement cost-cutting measures in the Department of Transportation; correct?

A. That is correct.

Q. And the City has also attempting to implement revenue-increasing measures in the Department of Transportation; correct?

A. I believe so, yes.

Q. And the City recognizes that further cost can be cut from the Department of Transportation; correct?

A. I don't know about that.

Q. Well, they're planning to implement some cost-cutting measures. You know that; correct?

A. Well, as I said earlier, it has been a big driver of a subsidy. They have been driving new revenue initiatives. They have cut costs historically. And -- but that has come at the level of a larger decline in services.

And, in fact, some of the revenues for the Department of Transportation are going done versus up in the near future as is reflective in

MALHOTRA

the bridge between the plan of adjustment and the June 2nd financials.

Q. The City recognizes the Department of Transportation is charging fees that are below market rates; correct?

A. I wouldn't be able to comment on that whether they're below market or not.

Q. Okay. You haven't done any investigation into that at all?

A. I have not studied that particular piece in terms of the level of service compared to the fees; but I do know that, in the forecast, there are some increased fees that are forecast.

Q. And you're -- and in the last year or two, the City has reduced the subsidy from the general fund to the Department of Transportation; correct?

A. Yes, for a short while while the level of service was down and when the general fund paid on behalf of the Department of Transportation some self-insurance claims.

So although ideally, from an accounting standpoint, the City should have reflected those self-insurance claims still being paid by the

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Department of Transportation and then the general fund subsidy being higher, I think the way at least the accounting was shown is that the general fund was paying the self-insurance claims directly. So it artificially lowered the subsidy when that's not the case in reality.

That being said, the subsidy was lower than historical levels because of reduced service.

Q. Okay. But if you take all the payments that the general fund made to the Department of Transportation, have they been reduced?

A. Compared to what time frame?

Q. Compared to the past. I mean, I'm trying to figure out -- you were just talking about two separate payments, the subsidy and the insurance charge. And I'm just wondering if you take the payments together, were the general fund payments to the Department of Transportation, have they -- were they lower or not?

MR. STEWART: Objection.

Just read the question, please.

(Thereupon, the requested portion was read back by the reporter as above recorded.)

MALHOTRA

THE WITNESS: I believe the Department of Transportation has had a lower subsidy in the last year or two compared to that same time frame before that. I can look through this and get a more precise answer.

BY MR. SMITH:

Q. The -- your forecast, though, assumes that the subsidy to the Department of Transportation will increase; correct?

A. Because of the lower revenue based on how the new revenue sharing agreement is set up for the Department of Transportation.

Q. What's the new revenue sharing agreement?

A. So our -- the State has a new way of dispersing transportation-related grants to all of the various transportation departments throughout the state; and that, in fact, caused a reduction in the Department of Transportation's annual revenue by almost 6 to 6-1/2 million dollars annually. And that was a significant impact to the forecast. In addition, we have some additional subsidiaries required for the People Mover.

MALHOTRA

But to offset some of those increased costs, the City has incorporated some opportunities in order to not fully have to bear the cost of that decreased revenue from the State and some increased funding for the People Mover.

Q. Okay. So the State -- during the pendency of the bankruptcy, the State has reduced funding to the Department of Transportation; is that correct?

A. There is -- it's not just for the Detroit Department of Transportation. There is, based on this new legislation -- which is, I think State Operating Act 51 -- an assumption of a 6-plus-million-dollar decline annually for the Department of Transportation.

We have only incorporated that impact for the first ten years and have assumed that the Department of Transportation has to find other ways to mitigate that impact beyond the first ten years.

Q. Okay. If I follow you, the State cut funding for the Department of Transportation and other departments around the state, and that required the general fund to make greater

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expenditures than it otherwise would have. Is that fair?

A. Yes. We have a change based on the updated information we have, yes.

Q. Okay. Is there any portion of the increased subsidy to the Department of Transportation that's not due to this legislation from the State?

A. I believe it is a small portion that's related to an increased subsidy to the People Mover. But I would say the biggest change is the one change driven by the State.

Q. And I'm going to hand you a copy of Exhibit 2, which is a copy of the disclosure statement.

(Exhibit Malhotra-2 was marked for identification.)

BY MR. SMITH:

Q. If you could turn to Page 82, please.

MR. STEWART: This is absolute 82, not 82 of '197; right?

MR. SMITH: Yeah.

BY MR. SMITH:

Q. At the bottom there's a section called

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"Failure to Achieve Projected Financial Performance."

Do you see that?

A. Yes.

Q. Okay. And the disclosure statement says, "The projections are dependent upon the successful implementation of the City's budget and the reliability of other estimates and assumptions accompanying the projections."

Do you agree with that statement as it relates to your projections you've done for the City of Detroit?

A. Yes.

Q. And when you say implementation of the City's -- well, you didn't put this together, but -- why don't I ask you this: Have you used information from the City's budget in your forecast?

A. Yes.

Q. Okay. And then if you turn to Page 83 at the top, it says, "These estimates and assumptions may not be realized and are inherently subject to significant economic uncertainties and contingencies, many of which are beyond the City's

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control."

Do you agree with that statement as it pertains to your projections you've done?

A. Yes.

Q. And then if you look at the next section, Section K, the second sentence: "Unforeseen events and circumstances may occur affecting the City's future financial performance, resulting in those assumptions proving inaccurate and the City being unable to fulfill its obligations under the plan. No guarantee can be made as to the City's future financial performance due to a variety of unforeseeable circumstances that may affect such a performance."

Do you agree with that statement -- those statements as they relate to your projections?

A. Yes, I do.

Q. In your analysis, in your projections that you do, is there any time-series analysis that you do or not?

A. For which particular line items?

Q. For any of them.

A. Not generally.

MALHOTRA

Q. You agree that there's no scientific literature or data quantifying any increase in municipal revenue as a result of a restructuring or reinvestment effort like Detroit's; correct?

MR. STEWART: Objection.

THE WITNESS: I do not know if there is or is not.

BY MR. SMITH:

Q. You're not aware of anything you can cite, sitting here today; correct?

A. I can't cite -- make a specific citation on that, no.

Q. You agree that there's no scientific literature data demonstrating an increase in population associated with a reconstruction or reinvestment proposal such as that Detroit is making here?

A. I don't know what you mean by "scientific." It's the -- it's the assumption of a safer and cleaner city, being able to hold on to its population or increase it over the long-term compared to where we are today.

Q. But there's no study of any kind or data showing that a reconstruction or reinvestment

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proposal like Detroit's results in increased population; correct?

A. Well, what particular part of the proposal are you referring to of Detroit's proposal?

Q. Any of it. I mean, there's no study showing that any part of the restructuring and reinvestment proposal Detroit is making is associated with an increase in population; correct?

A. I do not know about the -- direct linkage that you're talking about but -- of a scientific study. I don't know what a scientific study is out there that would address this particular issue.

Q. Okay. You're not aware of any such study you can cite sitting here today; correct?

A. I'm not aware of a scientific study of such sort that I can cite.

MR. STEWART: It's about 1:30. Whenever you want to break for lunch.

MR. SMITH: Yeah, we can break.

MR. STEWART: If you just finish whatever your line of questions is.

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MR. SMITH: No, we can take lunch now.

THE VIDEOGRAPHER: Going off the record at 1:29. This is the end of Tape No. 3.

(Luncheon recess from 1:29 p.m. to 2:03 p.m.)

THE VIDEOGRAPHER: We are back on the record at 2:03. This is the beginning of Tape No. 4.

BY MR. SMITH:

Q. Do you agree that Detroit's Chapter 9 plan will put them in a better fiscal position than many other comparable cities?

A. I don't know about comparable cities. I think Detroit will be in a better position than it was before it entered into Chapter 9.

Q. Will Detroit be in a better position among other cities once it emerges from Chapter 9 under the plan?

A. Which other cities are you referring to? Any specific ones?

Q. Well, cities of comparable size.

A. I haven't done that analysis.

Q. There are several enterprise funds that are associated with the City. You're aware of

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A. If we reach more settlements, we will update the forecast as those settlements come along.

Q. What settlements are in process that you're talking about?

MR. STEWART: Before you answer, Mr. Malhotra, I just simply caution you to remember that you're not permitted by the judge's order to disclose anything that's been going on in mediations. Subject to that, please answer the question.

THE WITNESS: All right. Thank you. We're working on the Detroit Police Officers Association and with the Detroit Fire Fighters Association to hopefully wrap up those negotiations.

BY MR. SMITH:

Q. And what are specifically the issues that you're trying to wrap up there?

A. That's --

MR. STEWART: Once again, please answer with that same admonition about mediation.

THE WITNESS: That's subject to mediation.

MALHOTRA

BY MR. SMITH:

Q. Okay. Is there anything that's not subject to mediation that you could talk about relating to settlements in the works or not? Or is it all part of mediations?

A. It's generally the discussions are part of mediations.

Q. Okay. In your expert report you mention -- on Page 1 you say you've forecasted revenues and expenses for the City's general fund; correct?

A. That is correct.

Q. You haven't attempted to forecast revenues and expenses for the entire city; correct?

A. That is correct.

Q. And if you look at -- why did you perform a 40-year forecast?

A. It was to get a longer-term view of the liabilities that the City was signing up for in terms of the various settlements to ascertain and understand the City's ability to meet the obligations that it was signing up to.

Q. On Page 2 of your report in the middle,

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you say that your projected revenues and expenditures are reasonable forecasts.

Do you see that?

A. Yes.

Q. You'd acknowledge that other independent experts could come up with reasonable forecasts that differ from your forecast; correct?

A. I don't know what other experts would come up with. It's up to them.

Q. I know. But my only question is, there could be reasonable forecasts of the general fund's revenues and expenditures that are different from the forecasts you put together; correct?

A. I don't know about that. I feel that these are reasonable forecasts, and I can't talk to what other forecasts would be reasonable or not reasonable that are not generally the forecasts that I have in front of me.

Q. You're not taking the position that your forecasts are the only reasonable forecasts of general fund revenues and expenditures that could be made; correct?

A. I am taking the position that based on

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the assumptions we have in here, these are the forecasts that I -- I seem or deem are reasonable. So I can't talk to what other forecasts may or may not be reasonable unless I understand assumptions and so on and so forth.

Q. My only question is, is your forecast the only reasonable forecast that's possible of the general fund revenues and expenditures?

A. I don't know. I can talk to these forecasts being reasonable. I don't know whether other forecasts are reasonable or not.

Q. Over on Page 4 of your report, you identify some of the experts that you're relying on; correct? Such as Mr. Cline and Ms. Sallee.

A. That's correct.

Q. Page 7 of your report at the bottom of the page, you talk about the assumptions, some of the assumptions that you made. Do you see that? There's a section called "Assumptions."

A. That's correct.

Q. And it would be fair to say that your forecasts are based on a series of assumptions; correct?

A. Yes.

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Q. And among the assumptions you rely on are the analyses provided to you by Mr. Cline and Ms. Sallee regarding the City's tax revenues; correct?

A. That is correct, after I've had discussions with them and conversations and looked at what they've done and their sources they've used, yes.

Q. And then you mention that you have -- over on Page 8, you based your forecasts and sales and charges for services on assumptions regarding historical trends; correct?

MR. STEWART: Where on the page are you?

MR. SMITH: 8, Paragraph B. We're still in the assumptions section.

MR. STEWART: Got it. Yeah. Thank you.

THE WITNESS: Yeah. It says it's based on historical trends. It's just extrapolations based on historical trends.

BY MR. SMITH:

Q. So your forecasts are also based on a series of extrapolations from historical trends; correct?

A. That is correct. After they're adjusted

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for things that we know that have happened or changed, that is correct.

Q. And you adjusted your extrapolations based on information that you received from the City; correct?

A. That is -- that is correct, based on known information that we had from the City or any other source; yes.

Q. And so you would have discussion with the department managers at the City, and then you would change the numbers in your extrapolations to reflect what the people at the City departments were telling you; is that fair?

A. It's a little more complicated, because what you do is you look at the last three to four years of every line item in the departments, and you basically ascertain what is normalized versus if there's anomalies in the actual historical results. And then you used a normalized extrapolation. Then you also have discussions with the City and the other professionals involved about changes that are impacting that normalized trend that's been extrapolated.

Q. So when you say that you relied on

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historical trends in your report, you typically looked at three or four years of historical data; is that correct?

A. Yes, that is correct.

Q. And then did you use a mathematical formula to identify the trend? Or how did you identify a trend that you would extrapolate?

A. It was based on discussions, looking through the financial -- detailed financial records that the City had to ascertain if there were one-time items or not.

Q. You didn't use mathematical techniques to identify trends in the historical data; correct?

A. One-time blips -- there's not a formula that you can run to identify a one-time, which is a part of sort of what I was explaining earlier this morning about what all financial advisers will do, is to not run stretchy formulas to identify whether something is an anomaly or not or theoretical formulas. It's sort of understand what the trends are based on discussions and, you know, the financial records we have available.

Q. You could use -- you could use

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regression analysis or some other analysis to identify trends in historical data; correct?

A. Those are -- regression analyses would be used for much larger data sets. When you are looking at an individual, we actually did a far more detailed analysis than just using a broad regression by looking at detailed line items by department to try and analyze what of these expenses could be deemed one time versus normal trends.

Q. So when you say you looked at historical trends, there wasn't any mathematical analysis involved. You just have people look at the historical data and then identify a number that you assumed for your calculations?

A. No.

Q. What did you do with the historical data to identify -- I'm trying to figure out what you mean by "historical" -- how did you derive the historical trends that are discussed in your report?

A. I'd be happy to give you an example. We go through a particular department. You look at what the average headcount was. So use an

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average. You look at what the average salaries were. You look at during those years, if there is an anomaly, there is a significant increase or decrease, you want to talk to management at the City to figure out why there was an increase or a decrease compared to an historical average trend, again, an average.

Based on that, then you basically have discussions about if you were to use the average and then have discussions about what are some of the initiatives or changes that are taking place within the department that will actually impact that line item.

So it's a much more detailed exercise.

Q. So if I understand, when you're -- in order to come up with the historical trends, you would typically look at three or four years of data; correct?

A. We use -- yes, about four years of data, that is correct.

Q. And then you would calculate an average based on that simple arithmetic average based on that data?

A. We would use a simple mathematic average

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as well as pay probably more attention to the last one or two years, which was most relevant versus just looking at only a simple average of four or five years.

Q. Would you use some sort of weighted average in calculating the trends or not?

A. The -- it would be not a weighted average. It would be, in terms of historical trends, more depictive of the run rate of the last year versus a weighted average. But you would look at these three or four different data points at the same time to ascertain what the implications were from the forecast data.

Q. And you may go with the average value or some other value based on conversations with people at the City?

A. That is correct.

Q. Okay. So the conversations with people at the City dictated the ultimate value that you would use in your analyses when you're identifying these historical trends; is that fair?

A. I don't know about dictated versus not. But in terms of using the financial advisory experience, we have about -- coming up with what

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some of the historical trends would show, having discussions with the City and the other professionals at the City to try and ascertain what the normalized level was. But at the end of the day, that was the process we went through.

Q. Do you know -- can you identify for me, in 8C you talk about forecasting operating revenues, including parking, court fines; grant revenue; license permits and inspection charges; and revenue from the use of assets based upon recent trends as adjusted to account for recent or expected events.

Are you able to tell me what adjustments were made to those numbers?

A. Yes. We made sure that the revenue was, from the grant standpoint was adjusted for the expiration of the public safety grants, which was the fire and SAFER grants in the years -- if I go back here, I'll be able to tell -- fiscal year '16 and '17, as well as the expiration of some small cops grants.

When I meant cops, I mean the police officers grants. In the years '15 and '16, which were small, there was also the transition of the

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health and wellness department in which it has been transitioned out of the city, which is why the grant-related revenues and the grant-related expenses fall simultaneously to reflect that.

Q. On Page 9 you mention, at the bottom, 175 million for the exit financing.

Do you see that?

A. Yes, I do.

Q. Was that a number that Mr. Buckfire gave you?

A. I think it was from Miller Buckfire that we got the size of the exit facility, which was 120 plus 180 million, less fees.

Q. At Page 10 you mention a 10 percent wage reduction. Where did that number come from?

A. So that reflects that in fiscal year '14, the salaries already incorporate a 10 percent wage reduction that was imposed on all of the police or public safety and the ongoing 10 percent imposition of wage reductions on nonpublic safety. So fiscal year '14 reflected that starting point.

Q. And then you assume that there will be a reversal of headcount reductions beginning in fiscal year 2015; is that correct?

MALHOTRA

A. So the subsidy increase is predominantly driven, as stated here, in terms of the revised methodology in the State-calculated and State-operating assistance. And we continued to use a 1 percent inflation for -- most of the expenses, other than for salaries and wages, we used a -- the same assumptions as we had used for all of the non-uniformed professionals, as well as the expenses related to healthcare were also based on the same assumptions as the non-uniformed professionals.

Q. 14, Page 14, Paragraph L, talks about the exit financing. Are all those assumptions that you used, such as the data, the note, and the term and the interest rate, are those -- they were all information provided by Miller Buckfire; correct?

A. That is correct. I had discussions with them about it in terms of the structure, but most of those assumptions are provided by Miller Buckfire.

Q. Page 15, Paragraph 0, you talk about blight reduction. And you note that blight-removal expenditures exclude heavy

MALHOTRA

commercial blight.

Do you see that?

A. That is correct.

Q. The City's blight-reduction plan will -- it won't reduce commercial blight at all in the city; correct?

A. The current estimate that is provided in the plan, my understanding is, does not include commercial blight removal in the forecast.

Q. And Page 15, Paragraph Q, you talk -- the contingency reserve was set at 1 percent. How did you determine that number?

A. So I looked at the revenues over the next 10 years, and I looked at the top five revenues. And they were essentially growing by an approximate rate of 1 percent a year over the forecast period of 10 years. And used that as a level of contingency to be put into the plan.

Although revenues are increasing at a faster rate beyond 10 years, we only left a 1 percent contingency to be in the plan.

Q. Page 19, Paragraph B, at the top, you assume a 2 percent annual wage growth and then 2.25 percent after that. Where does the 2 percent

MALHOTRA

annual wage growth assumption come from?

A. So that comes from the long-term CBO, which is the congressional budget office outlook that's pulled together, which basically forecast long-term inflation to be 2.2 percent. And so we used the 2 percent for the second -- for the first and second decade and then 2.25 for the third and fourth decade.

Q. The 2.0, how many years of data is the CBO --

A. It goes out --

Q. -- number based on?

A. It goes out until 2053.

Q. And what would -- if you used a wage growth of 1 percent, the cost to the City from wages would be significantly reduced; correct?

A. If you change only that assumption from 2 percent to 1 percent, that would -- yes, the cost would come down.

Q. Do you have an idea of the dollar amount that the cost would come down if you changed the wage growth to 1 percent?

A. I don't have that handy, no.

Q. And would it be hundreds of millions of

MALHOTRA

dollars?

A. Starting when? In what time frame?

Q. Well, throughout the entire time frame.

A. I don't want to speculate. I would rather just do the math because it has a compounding feature to it which also impacts overtime. So I would rather just do the math and give you an answer.

Q. I mean, would it -- I'm just trying to get an order of magnitude on that, the wage growth rate.

A. Like I said, I would prefer to do the math versus just give you a guesstimate, because it's a big number with respect to what the City pays for payroll, and I would rather be accurate in terms of making a wage assumption impact.

Q. Changes in the wage growth factor can have a significant effect on the City's revenues, because the wage expenditures are a significant component of the City's total expenditures; is that fair?

MR. STEWART: Objection.

THE WITNESS: I would say wages are -- wages and salaries and health benefits

MALHOTRA

combined are the largest portion of the City's budget. And assumptions with respect to wage growth are -- have an important and material impact on the City's assumptions, everything else being constant.

BY MR. SMITH:

Q. Other than the wage growth assumption, are there other assumptions that can have a significant effect in terms of the overall revenues or expenditures?

A. Over 10 years or 40?

Q. Over 10 years.

A. Yes. I mean, over 10 years the City was relying upon its revenue increases that are forecasted in the plan based on various operating initiatives and -- which may or may not materialize.

The City is relying upon all the third-party funding coming in to make expansion contributions. Beyond that, the City is on the hook for its unfunded liability on its pensions at the end of the 10 years, which has to get amortized.

So I would say those are some of the

MALHOTRA

assumptions that come to my mind right now, but we could go through each one in more detail.

Q. Your forecasts don't include any amounts that could be derived from privatizing Detroit's interest in the DetroitûWindsor Tunnel, do they?

A. No, they do not.

Q. And has Ernst & Young in the past done some work on increasing revenue from the DetroitûWindsor Tunnel?

A. Yes.

Q. What kind of work were you doing?

A. Our team had looked at just the lease arrangement and trying to ascertain to make sure that Detroit was collecting its full share -- or the appropriate share of its rent. I can go back and get more details, but that's the extent of what I remember.

Q. Have you done any investigation into whether Detroit's interest in the tunnel can be privatized?

A. I have not.

Q. The -- there's a significant -- there's hundreds of millions of dollars that are owed to the court in Detroit. You're aware of that;

MALHOTRA

correct?

A. To the -- I'm sorry.

Q. The 36th District Court in Detroit.

A. That are owed to?

Q. Owed. Owed to it. Are you aware of that?

A. I'm not sure of the exact dollar amount or if it's hundreds of millions of dollars.

Q. You haven't investigated that at all?

A. I haven't done that on 36th District Court, no.

Q. And your forecast doesn't include sums attributable to collection of the amounts that are owed to the court system?

A. I believe the operating initiatives in the Conway MacKenzie reinvestment expenditures do. So that would be an appropriate question to ask them.

Q. But you don't know, sitting here today, how the amounts owed to the court system in Detroit are treated in your forecast?

A. Like I just said, there's collections of incremental court dues in the Conway MacKenzie model, but I would ask them about the exact

MALHOTRA

specifics.

Q. But you really didn't know what the -- you don't know how much you're assuming will be collected from moneys owed the court in your forecast?

A. You know what? I could get to it. I don't know sitting here, but I could get to it if we go all through the exhibits between this one and there's one from the restructuring agreement and reinvestment initiatives that's actually, from I remember, discrete line item on 36th District Court. I just can't recall that year-by-year dollar amount.

Q. Do you have any idea how Conway MacKenzie went about figuring out how much money could be obtained that was owed to the court system?

A. No. I would be speculating if I tried to answer that.

Q. And, in general, do you have an understanding of how Conway MacKenzie went about calculating the amounts that it's given you in its reinvestment projection?

A. I can say what -- the process I went

MALHOTRA

through to understand where they were coming up with the numbers, is we had several -- several discussions with their team and discussions on a by-department basis to make sure that if they were revenue initiatives that they were including in their particular assumptions that we had not already included in the baseline, we went that -- through that on several assumptions, including headcount.

So -- and so the process that we went through was to make sure that we weren't double-counting revenues or expenses. So we went through a fairly detailed process to ensure that.

(Discussion held off the stenographic record.)

BY MR. SMITH:

Q. Does your forecast take into account outsourcing of fleet maintenance?

A. We do not include that in the baseline. I would have to go back and check if that assumption is there in the restructuring and reinvestment initiatives, but I know the outsourcing of fleet maintenance is not included in the baseline.

MALHOTRA

Q. Okay. You know that the City has been investigating outsourcing fleet maintenance; correct?

A. Yes.

Q. Okay. And do you know what the projected savings are supposed to be from outsourcing fleet maintenance?

A. I do not know that off the top of my head in terms of what the exact savings were potentially from fleet outsourcing.

Q. That's okay. It's going to take you a long time; you don't have to feel like you have to look it up.

A. Okay.

Q. And you're not sure whether it's in the restructuring or not?

A. I don't want to speculate. I'm not sure on that.

Q. You're assuming that grants to the City are going to continue at the same level of -- at the same funding level; correct?

A. Grants are spread out over a lot of departments. So where we know of discrete grants that are expiring, we have shown the reduction of

MALHOTRA

those grants. Where there's been recent grants that have been awarded, we have shown that.

We have even the State funding that comes in -- or the federal funding that comes into Department of Transportation. Other than the information we know, we've kept it generally flat. So we've highlighted for grants we know. Like the grant for blight remediation, we have included that.

Q. There was a recent federal grant of $300 million that was announced. Are you familiar with that?

A. Yes. When you -- I'm sorry. When you say recent, this is probably six, eight months ago, if that's the same grant you're referring to.

Q. I'm not sure if it was six or eight months ago, but you've got a $300 million grant from the federal government incorporated into your forecast.

A. First, I would like clarification on what grant for $300 million we're talking about, just so that . . .

Q. Are you assuming that there will be any significant private donations to the City --

MALHOTRA

donations or grants over the course of the ten years?

A. Donations. Well, you've got the grand bargain or -- but --

Q. Other than the grand bargain, are any contributions by private entities incorporated into your projections?

A. We've got the hardest-hit funds, which we've talked about, that is coming in. Can't recall if any -- the specific one-off donations that are coming in.

For the federal guides that were highlighted, we went through -- and this was back again, six, eight months ago, from what I recall -- and in some detail to ascertain what grants, if any, were applicable for the City of Detroit and the general fund in the plan of adjustment.

Q. Who did the analysis of what grant moneys were available? Was that something your team did or was that somebody else that did that?

A. My team did that.

Q. And, certainly, you can't represent to the Court that over the course of the next ten

MALHOTRA

years, there won't be incremental additional grant money from the federal, state, or -- governments or private donors that's not incorporated into your forecasts; correct?

A. Yeah. I cannot say whether these grants will go up or the existing grants will go down. I can just talk about the assumptions that we have right now.

Q. Do you believe all -- well, I assume all the cost savings and revenue initiatives that are discussed in Mr. Moore's report, expert report, are incorporated into your forecast?

A. I have not read Chuck Moore's report, but the revenues and expenses, as provided to us by Conway MacKenzie on the restructuring and reinvestment initiatives and the corresponding operating revenue increases, have been incorporated into the plan of adjustment and the July 2nd updates.

Q. Are you aware that there are a number of businesses in Detroit that are operating without licenses?

A. I do not know.

Q. Your forecast doesn't incorporate any

MALHOTRA

amounts for increased revenue due to requiring businesses that are operating without licenses to obtain licenses as required by law?

A. I do not know of businesses operating without licenses. So I do not know.

Q. Do you know whether the corporate income -- I mean, the business tax reports are audited at all by the City of Detroit?

A. That would be a KPMG or a Plante Moran question.

Q. You just don't know the answer?

A. Yeah, we're not involved in any of those audits, so I can't tell.

Q. Do you agree that City revenue should increase as the economy improves?

A. Yes. Overall, if the economy continues to do well, Detroit will get -- potentially benefit from its pro rata share, as long as the overall trends and the issues that are specific to Detroit are taken into consideration at the same time.

Q. Do you agree that the economy is improving in Detroit?

A. Compared to what time frame?

MALHOTRA

Q. Well, I mean, there are ongoing -- compared to whatever the last reported period is, do you agree that the economy is improving?

A. I -- if you can give me a specific question on compared to what time frame. It's hard for me to give you an answer.

Q. Okay. So you can't tell me whether the economy is improving in Detroit?

A. Compared to what time frame?

Q. There's no -- nothing in your analysis that takes into account improving economic conditions in the City of Detroit?

A. There is assumptions with respect to how -- since the last recession. Maybe if I can put that into context. Right? Since the last recession, yes, Detroit's economy is improving. So I'm comfortable to say that.

But that's -- I'm just trying to figure out if it's a short-term time frame that you're trying to compare or much longer. Since the last recession, Detroit's economy is improving.

Q. In the short term, Detroit's economy is improving also?

MR. STEWART: Objection.

MALHOTRA

THE WITNESS: In the short term, you mean since the recession.

BY MR. SMITH:

Q. Well, which -- what recession are you talking about?

A. Well, 2008/2009.

Q. I got it.

A. And since 2008/2009, Detroit's economy has improved. But when I look at overall revenue basis, State revenue sharing is down, so State aid is down.

So I just want to make sure. I'm just trying to draw some specificity around your question.

Q. So the economy in Detroit has been improving since 2008 or 2009; correct?

A. Relative to 2000 -- 2008/2009, the economy is better today.

Q. And since that time, the State has been decreasing State payments through revenue sharing to Detroit; correct?

A. I don't want to draw a correlation between those two things, between the improved -- between the end of a rescission and the State's

MALHOTRA

decline. I can say the State revenue sharing has declined since 2008 or 2009 compared to where we are today.

Q. And, in fact, the State has reduced revenue sharing by hundreds of millions of dollars to Detroit in the last decade; correct?

A. I have the numbers since 2008. And since 2008, the number, from what I can tell from these -- my information here, it's roughly about $60 million that Detroit's revenue sharing has gone down, annual.

Q. Annually?

A. That's correct.

Q. So $60 million a year from 2008 to the present is the reduction in Detroit's revenue sharing?

A. I would actually like to -- now that I have this in front of me, I would like to clarify. The real revenue decline has really started after 2010 in State aid from -- and I want to just make sure that's clear for the record, because I said 2008 earlier.

From 2008 to 2010, State aid was continuing to go up. And since 2010, it has come

MALHOTRA

down for the years '11, '12; and then in '13 and '14 has taken a slight increase back, but still not at the same level as it was in 2010.

Q. Since 2010, approximately how much has the State cut revenue sharing in total?

A. In total, if I were to look at it through fiscal year '14, it's -- compared to 2010 through 2014 in aggregate, the State aid has been lowered by -- in excess of $200 million.

Q. Yeah. Do you know why the State's cut the aid, the revenue sharing aid?

A. I believe it's been cut for lots of local municipalities based on what the State budget was, but I do not know the exact basis of that last cut.

Q. Do you believe that blight-reduction efforts should improve property values in the City?

A. Overall, yes, in terms of the blight-reduction initiatives, should help either the collection rates or a cleanup of the tax roll in terms of the assessed values.

Q. And then just by virtue of the fact that blight has been reduced, property values should

MALHOTRA

increase. Do you agree with that?

A. I would have to give that some thought in terms of that direct link, which was your questioning this morning, that -- which was that there is no direct link between blight and any of the revenues.

But -- and my answer remains consistent, which is blight expenditures are a part of the overall reinvestment package, which should help the overall revenue and property taxes and income taxes of the city.

Q. I mean, do you know who came up with this idea to spend hundreds of millions of dollars on blight reduction?

A. It was a -- part of the overall restructuring effort; but I would -- on more details on that, I'm sure Conway MacKenzie will have.

Q. But you just don't know whose idea it was to spend hundreds of millions of dollars on blight reduction?

A. There were several discussions on blight reduction as we were developing the plan. I do not remember one specific person's idea it was.

MALHOTRA

Q. And nobody is willing to claim credit to be the father of the blight-reduction effort; is that fair?

A. I can tell you I am not -- I cannot answer that.

MR. SMITH: I'm going to hand you what I'm going to mark as Exhibit 4, which is an email attaching some materials from the financial advisory board.

Here you go.

(Exhibit Malhotra-4 was marked for identification.)

BY MR. SMITH:

Q. And you'll recall that we are talking about consensus revenue reports. And if you look at the Bates No. POA00537604, you'll see that there's a revenue consensus conference report there.

A. I'm sorry. What page are you on?

Q. It's POA00537604. Do you see that revenue consensus conference report?

A. Yes.

Q. And there's some projections in that report. Have you seen those before?

MALHOTRA

your forecast; is that correct?

A. I would answer that what we've collectively felt were the relevant dollars to be included have been included.

Q. And then there's some other dollars within the 300 million that are not included in your forecast; correct?

A. As there would be other dollars that could be a reimbursement of an expense that is not included either. So the -- you know, my answer is sort of consistent with what I said earlier --

Q. Well, I'm trying to understand how grants are treated in your analysis --

A. Sure.

Q. -- is what I'm trying to understand. And if there's a grant that's going to some other entity that's not the general fund but it's still part of the City, is all of the money from that grant, would that be picked up in revenue for your -- in your analysis?

A. It depends on what grant it is, because there are some non-general fund grants that have expenses and revenues that equal each other that are detailed out.

MALHOTRA

So if there was a new expense or a new grant funding that was made available to the City for which the City had to do additional things to make sure that it was compliant with that new grant, that would mean an incremental expense, but a corresponding reimbursement as well for that expense.

Q. But -- and my only question is, because you're focused on the general fund in your analysis, you don't include every dollar of grant revenue that is received by the City in your projection of revenues; correct?

A. That is correct, because they are self-funding. They are net neutral. In aggregate is the assumption between the revenues and the expenses.

So yes, there would be other grant-funded departments or grant funds that are not included in the revenues or the expenses because they offset each other.

Q. Do you know how many -- how much money in grants that the City has projected to receive are not included in your revenues?

A. I would have to go back and look. I do

MALHOTRA

not know off the top of my head.

Q. Do you have any ballpark idea?

A. No. I don't want to speculate.

Q. Would it be more than $100 million?

A. I don't want to speculate.

Q. Okay. The $300 million, though, you've at least taken account of in your analysis; is that correct?

A. That is correct. We have accounted for it. We have analyzed that $300 million; that's correct.

Q. Did your forecast, before September 2013, take into account the $300 million, or was that a special amount that was given to the City that was not -- that was in addition to historical-type amounts?

MR. STEWART: Objection.

Can I just have the question reread, please.

(Thereupon, the requested portion was read back by the reporter as above recorded.)

MR. STEWART: I think he said historical-type amounts. When you reread it,

MALHOTRA

I'm not sure you put the word "type" in. That is my question.

THE WITNESS: The $300 million was -- some of that was already amounts that the different departments were forecasting; some of those amounts were new amounts. So, again, if you were to look at that analysis, you know, they -- some of the amounts were already ongoing grants that were being renewed. So it wasn't new money.

BY MR. SMITH:

Q. I got it. And so it's correct, isn't it, that even since you started doing your forecast, the City has received incremental grant amounts that it did not -- it was not forecasted to receive; correct?

A. No.

Q. Well, I thought you just said that part of the 300 million was new grants?

A. Yeah, part of it was new grants that were renewed.

Q. Yeah. And then part of it was --

MR. STEWART: Well, hold on. He didn't finish his answer.

MALHOTRA

THE WITNESS: Part of it was new grants that were renewed, and then there were some new grants, like for the hardest-hit funds, for -- which were incremental revenues that the City was getting.

BY MR. SMITH:

Q. And --

A. Or assumption.

Q. And my question is, since you started your forecast, the City has received incremental grant revenues that it did not expect to receive and were not forecasted to receive. Is that correct?

A. That is correct in the context of the hardest-hit funds. That assumption was not included in the earlier version of the forecast.

Q. And there -- are there still some hardest-hit funds that haven't been allocated beyond the 52 million that the State has in its possession?

A. I'm not sure.

Q. Have you done any investigation into potential grants, incremental grant revenue that's not already included in your forecast that the

MALHOTRA

City may have access to over the next 10 years?

A. For the grants that we know of specifically, like SAFER and fire, although they were being removed from the baseline because we knew that they were expiring, but I believe those are the grants that I know of specifically.

But new and incremental grants over and above what's already in the baseline, I do not know off the top of my head.

Q. You just haven't done an investigation into potential incremental grants?

A. Right. I mean, the -- we have the grand bargain that's already highlighted that you already know about. You know, new grants over and above all the grant money that's already in the forecast, we have not done an investigation on that.

Q. Who at the City is the person -- or are there multiple people that are responsible for interacting with the state or federal government to get grants?

A. There are many people, because they are different grant writers in specific departments because they are chasing a particular type of

MALHOTRA

grant. For instance fire and the SAFER grant has its own unique set of requirements, and the same thing with the police grant.

So I would say it varies.

Q. Are there any people that are typically involved in grant work at the City?

A. There is a grant -- there are several. I don't want to name any one particular person, because there are several people, and I think that that effort is starting to get streamlined better in terms of the grant management; but there are still people at different departments that chase grants specific to their department.

Q. You're not offering any opinion saying that the City can't raise taxes; correct?

A. That's a policy question. The City is on the highest end, likely, of its comparable tax rates, but I'm not offering an opinion on changes in tax policy.

Q. You're not offering any opinion on whether the City can pay creditors more money than it's planned to pay; correct?

A. Could you repeat that again, please.

Q. You're not offering any opinion on

MALHOTRA

whether or not the City can pay creditors more money than it's planned to pay under the plan?

A. I am saying that the assumptions that are in the forecast are reasonable based on which the moneys that are available to spend are distributed to creditors have been calculated.

Q. Okay. In your -- in your scenario that you've done. But you're not offering any opinion about whether you can change the assumptions or do other things to pay creditors more money. That's not within the scope of your work?

A. No. If the assumptions change, those moneys available for creditors would go up or down. I'm okay with that, and -- if the assumptions change. But, you know, the amounts available to creditors as shown in the projects, in my view, are reasonable.

Q. Okay. But then the amounts as shown in the projections that go to creditors can be increased if you change the assumptions; correct?

A. It depends on what assumptions. I mean, if you -- and I've said this earlier. If you change an assumption and you leave everything else constant, there has to be a change in a result.

MALHOTRA

Q. That's right. And so if you change certain of the assumptions in your model, then you can increase the amount of money that the creditors receive; correct?

A. I would ask you to be more specific in terms of what certain assumptions mean.

Q. Okay. We can go back to tax rate increases again. I mean, increasing the tax rate or the collection rate on taxes. You could increase the amount of money available to creditors; correct?

A. It's a twofold question. Increasing tax rates and if you assume that everything else remains constant, that more people are actually going to leave -- because if you increase tax rates and more people leave, you're not going to increase revenues.

Q. Okay. Well, we'll assume that you increase tax rates and hold everything else constant. There will be more money for creditors; right?

A. If there is more money for creditors under any assumption, there is more money for creditors.

MALHOTRA

Q. And my only point is you could change the assumptions in your model and you can generate more money for the creditors; correct?

A. It depends on what assumptions you change. And so if you change the assumptions in the model, the answers will change; that is correct.

Q. And you're not attempting to calculate an actual amount that will be available to creditors; correct? Because you're doing a forecast; right?

A. It's a reasonable forecast. So it's, in my view, the information that we have today.

Q. But you're not trying to calculate actual values in your forecast, by definition; correct?

A. I'd like to understand that question better, because, I mean, we are projecting what the actual values or recoveries are based on the plan adjustment with respect to the notes. So I just want to make sure that I understand the context of the question.

Q. Okay. Your disclaimer on the front of your projections says, "There will usually be

MALHOTRA

differences between forecasted and actual results." Correct? That's what your representation is.

A. Yes.

Q. Okay. And so you're not attempting to calculate actual results; you're calculating forecasted results; correct?

A. Forecasts are not results. Forecasts are forecasts. These includes reasonable projections or reasonable forecasts. So I'm sorry. I don't understand your question.

Q. You're not trying to calculate actual results. It says right here on the front of your projections.

A. That's right, because it's a forecast. In the future, it will become an actual.

Q. And so you're not trying to calculate the actual amount of money that is going to be available to pay creditors over the next 10 years?

A. My answer remains the same as earlier. This -- the projection show what amounts would be available for unsecured creditors based on the forecast as laid out herein. The $630-odd million are in Note B that is laid out are the recoveries

MALHOTRA

under Note B.

And so that is the nominal dollars that will be paid out under Note B, regardless of the forecast in some fashion.

THE VIDEOGRAPHER: Excuse me. Go off the record? Going off the record at 4:01 p.m.

(Discussion off the record.)

THE VIDEOGRAPHER: Back on the record at 4:02.

BY MR. SMITH:

Q. In the proposal for creditors, do you recall that there was a provision in there for some notes that could be adjusted if the City received additional grant funds for blight reduction?

A. I believe I remember there was something; but if I could see it, I would get refreshed. But there was --

MR. SMITH: I only have a couple copies of this, unfortunately, but I will label it as Exhibit 9. It's Executive Summary of the Proposal from Creditors. And if you look at Page 59.

MALHOTRA

Here you go.

(Exhibit Malhotra-9 was marked for identification.)

BY MR. SMITH:

Q. Page 59, it talks about blight reduction.

MR. STEWART: I may have two of these.

MR. SMITH: I'll take one if you've got an extra.

MR. STEWART: Yeah, I do. This doesn't have a clip on it.

MR. SMITH: Okay. I was just going to ask about Page 59, that's the only page.

BY MR. SMITH:

Q. Do you see where I'm talking about?

A. Yes, I do.

Q. And you've got -- and there was going to be a provision about -- say that there would be an amount equal to 75 percent of the general fund revenues that would otherwise be spent on blight, but for the outside funds, that would be applied to reduce the principal amount of the notes.

Does that refresh your recollection about how it was a proposal to give creditors

MALHOTRA

these notes where they could potentially get reimbursed if there were additional funds for blight that came into the City?

A. I thought the 75 percent was asset sales -- I think the 75 percent was related to asset disposition proceeds.

Q. I'm looking at the paragraph above that. There's two paragraphs here.

A. Okay.

Q. The first one is grants and other -- I'm looking at the second paragraph on the page. It says, "Grants and other amounts received to offset costs of addressing blight."

Do you see that where I'm at?

A. Yes, and I do now. Thank you.

Q. And the City was provided -- [reading]: If the City receives any cash grants or other payments after the effective date and before the maturity date from the State of Michigan, the federal government, or any other government or nonprofit entity not affiliated in any way with the City for the purpose of funding programs or activities to address blight that are included in the 10 Year plan, blight revenues, and that can be

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utilized in place of the general fund sums in the 10-year projections in amount equal to 75 percent of the general fund revenues that would otherwise be spent on blight, but for the outside funds, shall be applied to reduce the principal amount of the notes.

Do you see that?

A. I do. That's what it says, yes.

Q. And so the City contemplates that it may have additional grant moneys available from the federal government, the state government, or nonprofit entities to engage in blight reduction efforts over the 10-year period; correct?

A. This was over and above the $500 million estimate that was included for blight removal in this particular proposal. The City was contemplating how, if more than -- after spending $500 million, if additional funds were being made available or during -- to help fund that $500 million, how some of those proceeds could be shared.

Q. And certainly the City recognizes that in the next 10 years, it may receive additional moneys from the federal, state governments, or

MALHOTRA

nonprofit entities to engage in blight reduction; correct?

A. No, because it could be increases for certain -- I do not know other revenues that are coming through to the City for blight remediation, and if something happens, we have to look at the overall construct if any other funding is being taken away.

Q. Yeah. My point here is only that the City recognizes that there could be new grants from the federal government, state government, or nonprofit entities for blight rejection -- blight reduction that it will receive in the next 10 years; correct?

A. That's what the City proposed in June 2013, which is evident in the $52 million in hardest-hit funds that the City has --

Q. That would be one example, but the City also contemplated it might get money other from other sources; correct?

A. Not that I know of.

Q. Well, nonprofit entities; right? It contemplated that it might get money for blight reduction from nonprofit entities?

MALHOTRA

A. Well, the City has a grand bargain that is existing with the City's ability to fund its reinvestment program because the grand bargain moneys are coming into the pension.

Q. Okay. So even in the months since this creditor proposal, the City has already received tens of millions of dollars in money that it didn't realize it would receive from various sources; correct?

A. The $52 million of funds that were for hardest-hit funds were not contemplated in the June 2013 proposal for blight.

Q. And then additional revenue from the grand bargain wasn't contemplated in the creditor proposal?

A. That is correct.

Q. And so I mean, in less than a year, the City has been able to generate significant additional revenues from sources that it did not expect to receive back in June of 2013; correct?

A. No. I don't think it's the City -- I mean, when you look at the grand bargain in terms of it's a very specific use that it's being directed towards. So it's not that the City has

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just, you know, gotten an extra $800 million for its general fund. So . . .

Q. But there are unpredicted receipt of tens of millions of dollars in revenue that have occurred for the City between June 2013 and the present; correct?

A. Could you repeat that question, please.

Q. The City is -- in the last year the City has received tens of millions of dollars in unanticipated revenue from various sources; correct?

A. Let me being specific. The grand bargain was not contemplated in June 2013. The uses of the grand bargain, in terms of the money being spent, were not contemplated in June 2013.

The City has received revenues, but the City has also now got expenses. For the hardest-hit funds, those are new moneys that the City has received in order to help assist the funding of its blight remediation.

Q. Okay. I mean, just in the -- within a few months, the City received more than $50 million it didn't anticipate to fund blight remediation; correct?

MALHOTRA

A. It's been in this -- it's been during the last year. We did not anticipate that $50 million of blight remediation that have come through, thanks to the federal government and how it comes through the state. So but those are -- they could be considered one-time items and were not expected in the June 2013 proposal.

Q. Okay. The forecasts that are included in the June 2013 proposal, are those, given what we now know, materially inaccurate?

A. I don't know what you define as "materially inaccurate."

Q. Why don't you use your own definition of "materially inaccurate."

MR. STEWART: Objection.

THE WITNESS: Well, I can explain changes have been made since the June 2013 proposal. I mean, based on the income taxes and the property taxes information or we can go line item by line item to bridge what has changed.

So I do not know the definition of "materially inaccurate."

BY MR. SMITH:

MALHOTRA

Q. You can't provide me with a definition of "materially inaccurate"; correct?

A. I'm sorry. Can you ask me that again?

Q. Can you provide me a definition of "materially inaccurate" that you would use? Yes or no.

A. No, I don't know what the context "materially inaccurate" is. I mean, so I can't provide a definition of materially inaccurate.

Q. Can you provide me a definition of "scientifically reliable"?

A. No, I cannot. I can provide you with an understanding of what the changes are in the assumptions, but "materially inaccurate" or "scientifically reliable," I can't put that into context.

Q. Can you tell me what, in your view -- well, you're aware that the Department of Transportation brings in hundreds of millions of dollars each year; correct?

A. In terms of revenues?

Q. Yes.

A. Somewhere between 100 and $150 million or up to $200 million. So I don't know if it's

MALHOTRA

increase revenues or reduce costs as long as they can be feasible and reasonable. In my view -- and it's not -- things that are not just rejected. I mean, the City is always looking to improve the operations.

Q. Okay. So in your experience the -- you anticipate that the City, going forward, will continue to look for new opportunities to increase revenues and reduce costs?

A. In my view, the City would do its best to try and at least recognize and accomplish the revenue initiatives, which are quite a few, that have already been incorporated into the plan to achieve its plan of adjustment.

Q. But you would expect that, going forward during the next 10 years, the City will look to develop other initiatives in addition to the reinvestment initiatives that could increase revenue or decrease cost. It just won't stop doing that; right?

A. No. I think the City will continue to focus its -- my belief is, is that the City will continue to try its hardest to ensure that the revenue initiatives that are in the plan are met

MALHOTRA

and the significant costs assumptions that are in the plan are not exceeded.

Q. Okay. One of the assumptions in your forecasts for the next 10 and 40 years, the City will not embark on any new initiatives to increase revenues further or decrease costs; correct?

A. Can you run that by me again, please?

Q. Okay. One of the assumptions in your forecast is that during the next 10 and 40 years, the City won't implement initiatives to increase revenues or decrease costs above and beyond the reinvestment initiatives; correct?

A. I just want to be specific. Like, for instance, asset sales, like of parking or water and sewer, are not included in this forecast. So if the City continues to embark upon an asset sales program, those could be additive to what's mentioned, what's highlighted in the assumptions here.

Q. And as a general matter, any new revenue initiatives or cost-reduction initiatives in the next 10 or 40 years would have to be added on to your projections; correct?

A. No. It could -- I'm sorry. Go ahead.

MALHOTRA

You were laughing.

Q. No, go ahead.

A. Those revenue initiatives could replace the revenue estimates or initiatives that are already in the forecast.

Q. Okay. But your analysis assumes that there won't be any new revenue initiatives or cost-reduction initiatives that increase revenues or decrease costs above and beyond the current forecast; correct?

A. No. They could continue to work on initiatives to even accomplish what is in the current forecast. But it could come through other initiatives versus new initiatives. If you're -- so my question -- answer is the same as earlier.

Q. Yeah, you're not getting my question.

A. Sorry. Okay. If you could please rephrase it, then.

Q. One of the assumptions is that the introduction -- one of the assumptions that you're making is there will be -- there will be no new initiatives that increase revenue above your forecasted amounts during the 10-year period; correct?

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MR. STEWART: Objection.

THE WITNESS: I apologize. I'm still not getting your question.

BY MR. SMITH:

Q. Okay.

A. If you could rephrase it, it might make it easier for me.

Q. One of your assumptions is that new initiatives -- new initiatives developed within the next 10 years will not increase revenue above your projections; correct?

A. No, that's not correct.

Q. Okay. How does -- so you agree that revenue may be increased above your projections in the next 10 years?

A. No, I did not say that. I am saying that revenue initiatives are based on the plan. Doesn't mean the City stops working towards new initiatives. The City could work towards new initiatives. That could -- those could replace or augment the existing -- the existing initiatives that are already in the plan.

I can't say with -- in a definitive manner that new initiatives will be incremental to

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what's in the plan or not.

Q. Okay. So you agree that new initiatives may increase revenues above what you've projected?

A. So as I've said this -- now I'm getting tired. So . . .

If you change the assumptions and you leave everything else the same, if you add more revenue, it will result in a different answer.

Q. I mean, and your example of asset sales is kind of what I'm getting at, but it's not just the privatizations. I'm trying to get at a more general point. If there are new estate sales that could -- you're assuming there won't be new asset sales above what -- what you've already assumed in the plan; correct?

A. That is correct.

Q. Okay. And so, more generally, you're assuming there won't be new initiatives that increase revenue above what you've projected in the forecast currently; correct?

MR. STEWART: Objection.

THE WITNESS: Same question you've asked me earlier, and my response remains the same as earlier.

MALHOTRA

BY MR. SMITH:

Q. Okay. And what was the response?

MR. STEWART: It's in the record. He's not going to repeat -- you've asked him this, I believe.

MR. SMITH: No, I think he has answered.

MR. STEWART: Well, I'm going to ask the reporter to find the question and read his answer. If you want to repeat it, this will come from the record. It's not --

MR. SMITH: So you're directing him not to answer.

MR. STEWART: No, I'm directing --

MR. SMITH: I just want to --

MR. STEWART: Please don't interrupt. I don't interrupt you.

MR. SMITH: Yes, you do.

MR. STEWART: Please don't interrupt me.

I'd like the reporter to find that question before and reread the answer since he has said -- and he is right --

MR. SMITH: Are you directing him not to answer the question?

MR. STEWART: -- that you have asked the

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same question again and again and he's given you the answer. You're not allowed to keep doing that. I haven't objected to --

MR. SMITH: So you're saying I can't ask the question.

(Simultaneous cross-talk.)

MR. STEWART: It is really abuse.

MR. SMITH: It's not abusive.

MR. STEWART: It is abusive, and it's improper.

MR. SMITH: So you're saying --

MR. STEWART: You've asked this five times, six times. Just let's find the answer. We're going to reread it.

And when you reread it, Madam Reporter --

MR. SMITH: Let's go off the record.

MR. STEWART: -- retype it into the record.

MR. SMITH: Let's go off the record, and you can have her look off the record. But it's not going to count on my time.

MR. STEWART: Okay. Then ask your next question.

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MR. SMITH: Are you directing him not to answer the question --

MR. STEWART: He just answered the question.

MR. SMITH: He didn't answer.

MR. STEWART: Yes, he did.

Reread his last answer.

MR. SMITH: His answer was "I've already answered."

MR. STEWART: That was his answer.

MR. SMITH: Okay.

BY MR. SMITH:

Q. Your forecast doesn't include revenue initiatives different from those that are in the reinvestment plan; correct?

A. That is correct.

Q. Okay. And so your plan is essentially assuming that the revenue initiatives that are in the reinvestment plan will continue for 10 years; correct?

A. Yes. In fact, for 40 years.

Q. Yeah. And so you're assuming that there won't be new revenue initiatives different from those in the plan for the next 40 years; correct?

MALHOTRA

A. No.

Q. So there could be new initiatives that increase revenues above your projections; correct?

A. If there are new revenues and everything else remains the same, everything else remains the same, it would be new increment -- if there's new incremental revenues, the data would be different.

What I'm trying to say is the City -- when you say the new initiatives will result in new revenues, that's not correct. That's because new initiatives may further augment and support the initiatives that are already in here to get the revenue that the City is projecting. It's not just newfound incremental revenue.

Q. And my point is you're assuming that there won't be new initiatives that provide incremental revenue; correct?

A. My point -- my point is that the assumptions that are in here reflect the initiatives that are in here. If everything else remains the same and all you do is you say that let's assume there is a new revenue item, that would be a new assumption; that will result in more revenue, assuming all the other initiatives

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and all the other assumptions are exactly the same and the City has already accomplished the revenue items that are laid out in its investment plan.

Q. So you are assuming that there won't be new revenue initiatives that augment the revenue above and beyond what you've projected; correct?

A. We have not assumed any asset sales from DWSD and public parking in these projections. If that is what you're referring to, that is correct, if you are not referring to those discrete asset sales in these projections.

Q. And there are other initiatives other than those two that the City might develop in the next 10 or 40 years that could lead to incremental revenues; correct?

MR. STEWART: Objection; asked and answered.

THE WITNESS: Could you repeat that again, please.

BY MR. SMITH:

Q. There are other initiatives other than the parking and the DWSD that you mentioned that could -- the City might develop within the next 10 or 40 years that could add incremental revenues;

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correct?

A. It depends on if all the other items remain the same and the City achieves all of its revenue estimates already and if there is a new initiative on top of that. So everything else has to remain the same in order for that statement to be correct.

So that's the only way I can answer it, is you're asking if there's going to be a new revenue initiative to increase more revenues; and my answer is, no, not necessarily, because new initiatives could replace existing initiatives and still yield the same amount of revenue.

Q. And I'm -- you're -- one of the assumptions in your model is new initiatives won't yield additional revenue over the next 10 or 40 years; correct?

MR. STEWART: Objection.

THE WITNESS: I've said no to that -- I've said no to that.

BY MR. SMITH:

Q. I guess I'm trying to figure out how you can say no to that.

A. Well, if you --

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MR. STEWART: That's not a question.

MR. SMITH: Yes, I --

MR. STEWART: No, it isn't. That's not a question.

MR. SMITH: Stop interrupting. You really are obstructing the deposition --

MR. STEWART: Let's call the judge.

MR. SMITH: -- and smirking.

MR. STEWART: Let's call the judge.

MR. SMITH: You're just --

MR. STEWART: Let's get him on the phone. I'm going to have the reporter read these questions. And I'm going to move for sanctions against you.

MR. SMITH: Okay. Let's --

MR. STEWART: You keep pushing and you'll wish you hadn't.

MR. SMITH: There's no basis.

MR. STEWART: You wait. You just wait. Now, what's your next question?

BY MR. SMITH:

Q. The City could get new grants that add incremental money in the next 10 or 40 years; correct?

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pension, it's just making a situation worse, because the plans continue to deplete assets and the position of the funds continues to get worse and worse.

Q. Does your base-case scenario include any assumptions regarding asset sales by the City?

A. Not -- I mean, just things like a building and the typical asset sales that continue in normal course, but nothing substantive like DWSD or the parking system.

Q. How about art?

A. No.

Q. Have you run alternative versions of the base-case scenario that include an assumption regarding a sale of DWSD or parking or art?

A. We have not run a scenario with parking or art.

Regarding DWSD, we did run a scenario a long time ago -- and I can't remember when -- or a few months ago, in which we were looking at a DWSD lease scenario versus not. So that's the only thing that comes to mind for DWSD.

Q. In the 40-year projections, you summarize the hypothetical distributions to

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creditors. And you've included a present-value calculation using a 5 percent discount rate; correct?

A. That is correct.

Q. What's the basis for using 5 percent?

A. We looked at a couple of items in terms of what the average interest rate was on the LTGO debt outstanding of the City; looked at the long-term interest rates on AA-rated municipal bonds; and then had discussions with the Miller Buckfire team to ascertain whether they were reasonable or not.

Q. Will you be testifying about the -- as an expert about the reasonableness of that 5 percent discount rate?

A. I don't know. I would have to check, but I've had discussions with Ken Buckfire and Jim Doak on that, so I would have to go back and check.

Q. We spoke previously about alternative formulations of the base-case scenario. I now want to shift the focus a little bit and talk about potential alternative versions of the 40-year forecast.

MALHOTRA

So I'm just making sure we're on the same page here.

Have you run an alternative 40-year forecast that provided for a different treatment of the art than what is currently contemplated by what's referred to as the grand bargain?

A. No.

Q. Why not?

A. We weren't asked to do so.

Q. Do you know why you were not asked to do so?

A. No.

Q. Have you ever considered the impact on the City's revenues if the DIA museum was closed?

A. No.

Q. Have you ever considered the impact on the City's revenues if the DIA art collection was sold?

A. No.

Q. Have you ever considered the impact on the City's revenues if the art collection was removed from the City of Detroit?

A. No.

Q. Earlier you testified in response to one

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of Mr. Smith's questions about your expert report that if the City reaches more settlements, you expect to update your forecast, is that correct?

A. Yes; if the settlements change the forecast in any way.

Q. Putting that aside, is there any additional work or changes that you expect to make to your forecasts?

A. Not as of yet that comes to mind. We do not have an updated version since the July 2nd update.

Q. A few minutes ago we were talking about alternative base-case scenarios where you assumed different treatment of assets, and you testified that you did run an alternative scenario where you assumed that there was a lease for DWSD.

Do you recall that?

A. Yes. It was done -- I don't know if it was just the base-case scenario or if it was a base-case including the restructuring scenario. And my recollection is it was a base case plus the restructuring investments if what could -- what could potentially happen if there was a DWSD transaction.

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Q. How much annual revenue did you assume could be derived from that DWSD leasing transaction?

A. This is a few months ago. I think at that point in time the scenario was roughly a $47 million lease payment annually, but I would have to go back and check.

Q. Do you know if those -- if that alternative scenario was produced?

A. I believe it would have been produced. I don't know. I don't -- I haven't seen the few documents that have been produced. But my guess is they were circulated with the advisers potentially, but I have to go back and look.

MS. DiBLASI: Geoff, we'll check. And if we're not able to find it, we'll come back to you.

MR. STEWART: Give me a call.

MS. DiBLASI: Just one moment, please.

BY MS. DiBLASI:

Q. Do you think that upon emergence from the Chapter 9 bankruptcy case, Detroit will be AA-rated -- will be a AA-rated credit?

A. I do not know. I think that's

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something I would let Ken respond to.

Q. And when you considered the appropriateness of a 5 percent discount rate for present-valuing creditor distributions, did you look at the LTGO interest rates or did you look at their yields?

A. I can go back and check. I thought we looked at the LTGO interest rates.

Q. Is the B note an LTGO bond?

A. That's -- I cannot say. I don't think it's an LTGO bond.

MS. DiBLASI: I have nothing further.

MR. STEWART: Anyone on the phone?

MS. HUNGER: Does anyone on the phone have any questions?

MS. DiBLASI: We're done.

MR. STEWART: I guess you're done.

THE VIDEOGRAPHER: This concludes the video deposition at 5:15 p.m. Going off the record.

(Videotaped deposition concluded at 5:15 p.m.)

MALHOTRA

C E R T I F I C A T I O N

I hereby certify that I have read the foregoing transcript of my deposition testimony, and that my answers to the questions propounded, with the attached corrections or changes, if any, are true and correct.

GAURAV MALHOTRA

MALHOTRA

CERTIFICATE OF SHORTHAND REPORTER

I, Gail Inghram Verbano, Registered Diplomate Reporter, Certified Realtime Reporter, Certified Shorthand Reporter (CA) and Notary Public, the officer before whom the foregoing proceedings were taken, do hereby certify that the foregoing transcript is a true and correct record of the proceedings; that said proceedings were taken by me stenographically and thereafter reduced to typewriting under my supervision; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

Gail Inghram Verbano, CSR, RDR, CRR
CA-CSR No. 8635

<u>Exhibit 6F</u>

Excerpts of July 24, 2014 C. Sallee Deposition Transcript

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

The videotaped deposition of CAROLINE SALLEE, called for examination pursuant to the Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, taken before GINA M. LUORDO, a notary public within and for the County of Cook and State of Illinois, at 77 West Wacker Drive, Suite 3500, Chicago, Illinois, on the 24th day of July, 2014, at the hour of 9:04 a.m.

Reported by: Gina M. Luordo, CSR, RPR, CRR
License No.: 084-004143

on your behalf to represent you today, if you know?
A. I don't know.
Q. You're functioning, I guess -- there are multiple Ernst & Young witnesses who have filed expert reports in the case. You're aware of that, correct?
A. Yes.
Q. And I want to try to figure out kind of your role with respect to these other witnesses, okay?
A. Okay.
Q. You're holding yourself out as an expert, I guess, in tax policy; is that correct?
A. So I'm an expert in the real and personal property taxes for the General Fund for the City of Detroit.
Q. You're not holding yourself out as an expert in urban policy, correct?
A. Correct.
Q. You're not an expert in health benefits?
A. Correct.
Q. You're not an expert on government?
A. Correct.
Q. You're not an expert on blight reduction?
A. Correct.

Q. You're not an expert on property assessment?
A. I'm not an expert on property assessment.
Q. And you've never assessed property before, correct?
A. That's correct.
Q. You're not an expert in property tax collection?
A. That's correct.
Q. Not an expert on real estate valuation?
A. Correct.
Q. Never done a real estate valuation before?
A. That's correct.
Q. Never been involved in property tax collection before, correct?
A. By understanding the mechanisms of property tax collections, I understand those, but in terms of an expert in how it's being collected? Logistics?
Q. Well, I'm asking more of a factual question. Have you ever personally been involved in collecting property taxes before?
A. No, I have not.
Q. You're not holding yourself out as an expert in real estate in general, correct?

A. Correct.
Q. You're not an expert on the state government or the Michigan government, correct?
A. Correct.
Q. Not an expert on casinos or wagering revenue?
A. Correct.
Q. Not an expert on wagering tax revenue?
A. Correct.
Q. Not an expert on art valuation?
A. Correct.
Q. Not an expert on pensions?
A. Correct.
Q. Not an expert on government grants?
A. Correct.
Q. You're not an expert on information technology?
A. No.
Q. You're not an expert on transportation systems?
A. Correct.
Q. And you wouldn't hold yourself out as an expert in accounting?
A. Correct.
Q. You're not an expert in financial

analysis?
A. Correct.
Q. You are not an expert on Chapter 9 bankruptcy?
A. Correct.
Q. You're not holding yourself out as an expert on state revenue sharing?
A. So I am holding myself out as an expert on state revenue sharing for the City of Detroit.
Q. Have you ever been involved in state revenue sharing before?
A. What do you mean by involved?
Q. I mean, has there ever been any work that you've done in the area of state revenue sharing before?
A. Any work? So I've analyzed how the State of Michigan does their revenue sharing, and I've looked at distribution to certain counties, cities, townships. So in that capacity, I understood how it's done and in this case, how the revenue was going to the City of Detroit.
Q. Is the only work you've done on state revenue sharing for purposes of this case?
A. No.
Q. What was the other work you've done?

A. So I've done some work for the City of Flint, Michigan and then looking at how revenue sharing worked for past clients at my old job.
Q. What was that job?
A. I worked for Anderson Economic Group.
Q. And did you do work on Michigan revenue sharing or other states' revenue sharing?
A. Just Michigan.
Q. Okay. And you understand that the state has significantly cut its revenue sharing to all the cities in Michigan in recent years, correct?
A. I understand that Michigan revenue sharing has gone down.
Q. And it's gone down by hundreds of millions of dollars to Detroit, correct?
A. I wouldn't say hundreds of millions of dollars. So overall Michigan's revenue sharing has gone down, and Detroit has had fluctuations. So in any given year, it's gone up and down.
Q. Well, there have been analyses, though, that have showed that the cuts in recent years have cost Michigan -- I mean cost the City of Detroit more than $700 million. You're aware of that, correct?
A. I can't speak to that because I don't have

an analysis in front of me.
Q. I mean, do you know how much cumulatively the cuts in the last decade to revenue sharing have cost the City of Detroit?
A. I do not know that.
Q. You know that many cities, though, are under financial distress in Michigan because of the cuts to revenue sharing, correct?
A. I can't speak about other cities and townships.
Q. Well, the City of Flint, was that city under financial distress?
A. The City of Flint has been under financial distress, yes.
Q. And is one of the causes of financial distress of the City of Flint the cut in state revenue sharing?
A. I would say it's been one of the factors.
Q. And one of the factors causing Detroit's fiscal distress is the cut to state revenue sharing, correct?
A. One of the causes --
Q. Yes.
A. -- you're asking? I would say for the City of Detroit, reductions to state revenue

sharing is a problem for them, yes.
Q. And the City of Flint, when it was in fiscal distress, what activities did it try to engage in to improve its fiscal condition?
A. I can't speak to that.
Q. What specifically were you doing for the City of Flint?
A. So this is a public case, so I feel I can talk about it. So we were retained by the City of Flint to look at their revenue forecasting for the next five years.
Q. And so the City of Flint did revenue forecasting over a period of five years?
A. That's right.
Q. And why were you doing that? Why were you looking at the revenue forecasting?
A. Because we were asked to.
Q. I mean, why did they want you to, though? What was --
A. My understanding is that EY had -- was hired, and I was brought in from the restructuring team to look at the revenue forecasting, and they were asked by the State of Michigan to look at their -- both their expenses and their -- forecasted expenses and revenues, and the State

wanted them just to do one more check.
Q. And was the City of Flint put under an emergency manager as a result of fiscal distress?
A. They have been under emergency financial management, yes.
Q. And do you know what actions the emergency manager has taken to alleviate financial distress?
A. I do not.
Q. Do you know if Flint has improved its fiscal situation at all?
A. I do not.
Q. Do you know -- as far as you know, did the City of Flint ever consider going into Chapter 9 as a result of fiscal distress?
A. I don't know.
Q. You're not aware of that ever coming up?
A. I don't know if they've ever talked about it.
Q. During your interactions with the City of Flint, though, they never suggested to you that they would go into Chapter 9 to alleviate fiscal distress, correct?
A. So during my conversations with the City, we never talked about whether or not they would go into bankruptcy.

Q. And why was the State of Michigan having the City look at its revenues again?
MR. STEWART: Objection.
THE WITNESS: I don't know.
BY MR. SMITH:
Q. Do you know if the city of -- City of Flint cut costs and services in order to address fiscal distress?
A. I don't know.
Q. Do you know if -- I mean, you were doing the revenue forecasting, I guess. Do you know if the City of Flint raised taxes in order to address its fiscal distress?
A. So I was doing forecasting, so in terms of -- I don't know what they had done in the past. Going forward, we looked at the various taxes and whether or not things were going to expire at certain times, so it was all under current law, things that had been planned so...
Q. What kind of things did the City of Flint plan in terms of taxes for raising revenue?
A. They -- so I looked at their property and income taxes and state revenue sharing. They had certain millages that were going to expire at certain times, and so we just took that into

account in our forecast, made sure we were following what was the current law.
Q. Were there increases in taxes that were planned or increases in tax revenues that you incorporated into your Flint revenue --
A. So anything that was in current law we incorporated.
Q. And what would that include?
A. Off the top of my head, I can't remember.
Q. When did you do the analysis for Flint?
A. I did it in February of 2014.
Q. You mentioned that you can talk about this because it's public, correct?
A. Correct.
Q. Are there nonpublic engagements that Ernst & Young has been engaged for for cities in Michigan?
A. Not that I'm aware of.
Q. Are there other nonpublic engagements that you've been engaged in by any cities?
A. Nonpublic engagements, yes.
Q. How many of those are there?
A. I can't recall at the moment off the top of my head.
Q. Do those have anything to do with the

Detroit bankruptcy?
A. No.
Q. The -- did the City of Flint receive, other than the revenue sharing, any special assistance from the State in terms of monetary payments?
A. I don't know.
Q. Before the City of Detroit matter, though, had you ever forecast state revenue sharing payments?
A. Before the Detroit matter, no.
Q. In Flint, are there -- other than -- one difference between your projections in the City of Flint and the City of Detroit matter is the length of time over which the projection occurs, correct?
A. There were different time periods that I was asked to look at, yes.
Q. And you were asked to look at a shorter period for Flint, Michigan, correct?
A. I was asked to look at five years.
Q. Which is shorter than --
A. Which is shorter than 10, yes.
Q. Are there other differences in your methodology for the Flint projections compared to Detroit?

A. No.
Q. Were you asked to look at anything other than property tax and state revenue sharing, or did you do other sources of revenue?
A. We looked at other sources of revenue.
Q. Okay. What other sources?
A. So income taxes.
Q. Anything else?
A. So what I was responsible for was property and revenue sharing, so those are the ones that I'm comfortable talking about.
Q. I mean, do you know if there were other revenue sources?
A. There are other revenue sources, yes.
Q. What were the other revenue sources for Flint?
A. So those were the ones that I was not personally involved in forecasting.
Q. Well, I'm just wondering what they were, not the details necessarily.
A. Just like any city, they would have certain grants or other things, but that was not what I looked at.
Q. So one significant source of revenue for a city is grants from either the federal government

or the state government, correct?
MR. STEWART: Just a second. Objection.
BY MR. SMITH:
Q. Now you can answer.
MR. STEWART: You can answer the question.
THE WITNESS: I guess I don't know what the question is.
BY MR. SMITH:
Q. One significant source of revenue for a city is grants from the federal government or state government, correct?
A. I guess it depends on the city and what you mean by significant.
Q. For the City of Detroit, grant money from the state and federal governments is a significant source of funds, correct?
A. I don't know.
Q. You would agree that property tax revenue is a significant sort of revenue for Detroit, correct?
A. What do you mean by significant?
Q. Well, you've used the word significant before, right?
A. I don't know. I don't think I have.
Q. You're saying in your life, you've never

used the word significant before?
A. Well, I use it, but I don't know if I would use it in this context, so what do you mean by significant?
Q. Okay. The property tax revenue would be one of the top revenue sources for the City of Detroit?
A. So for the City of Detroit, when I look at the various tax components, property tax revenue makes up a good portion of the tax revenue that the City receives.
Q. Do you know what the proportion is?
A. So it's around 17 percent.
Q. And what's the proportion of revenue for the city that the state revenue sharing makes up?
A. Off the top of my head, I don't know.
Q. Would it be fair that to say that state revenue sharing is one of the top revenue sources for the City of Detroit?
A. State revenue sharing, when I look at the tax revenue plus the state revenue sharing, state revenue sharing is a good portion of that revenue, yes.
Q. Have you ever forecasted expenditures for a city?

A. Expenditures for a city? No, I haven't.
Q. Before -- before the Detroit matter, did you ever forecast property tax revenues?
A. Yes.
Q. What context did you do that?
A. I would do it for clients related to certain projects, so for example, I would be retained in my old job to look at a new facility and then to forecast the property tax revenue from that.
Q. Okay. But before the Detroit matter, you never forecasted the total property tax revenues a city received, did you?
A. For -- what do you mean the total forecast for a city?
Q. I mean you never forecasted the amount of property tax revenue a city would receive in total before your retention on the Detroit matter, correct?
A. That's correct.
Q. You've never been qualified as an expert by any court; is that correct?
A. That's correct.
Q. Have you ever been retained to do any expert work before in a litigation context?

A. Yes.
Q. And what context was that?
A. Sorry. Let me clarify. Do you mean -- so in my old job, my boss had been an expert on a number of cases, so I would work on his cases. I was not the expert, though.
Q. Okay. So you've done litigation consulting work before, but you weren't personally the expert, correct?
A. That's correct.
Q. When did you begin your work on the City of Detroit matter?
A. I started work in May of 2013.
Q. Have you ever forecasted municipal population levels before?
A. For specific projects in my old job, yes.
Q. Have you ever forecasted -- have you ever done a forecast for municipal revenue sharing for the Detroit matter?
A. No, I don't think so.
Q. And have you ever forecasted what future property assessments would be in a city before the Detroit matter?
A. So in this case, I forecasted taxable value, which obviously, has some relationship with

assessments, and this is the first time that I did that for a municipality, yes.
Q. You're not a lawyer, correct?
A. I am not.
Q. And you're not holding yourself out as a legal expert?
A. What do you mean by legal expert? I'm an expert in this case.
Q. Okay. Are you offering any opinions on the law like as it relates to this case?
MR. STEWART: Objection.
THE WITNESS: I don't think I'm offering opinions on the law. I'm offering opinions on the two things that are in my report.
BY MR. SMITH:
Q. Okay. So other than what's in your report, you're not offering any expert opinions other than that, correct?
A. That's correct.
Q. Okay. And is it fair to say that in your report, you're not -- or anywhere else, you're not trying to offer an opinion about interpreting the law, correct?
A. I'm not offering an interpretation of the law.

Q. Okay. Have you reviewed any depositions in this case?
A. Yes. No, I haven't. Sorry. I've reviewed expert reports. Sorry.
Q. But no depositions?
A. I have not reviewed depositions.
Q. So you didn't review Mr. Evanko's deposition?
A. I have not reviewed Mr. Evanko's deposition.
Q. You know who Mr. Evanko is, though, correct?
A. I do.
Q. Who is Mr. Evanko?
A. Gary Evanko --
Q. Yes.
A. -- is the city assessor for the City of Detroit.
Q. Have you -- you mentioned you had reviewed expert reports. What expert reports have you reviewed?
A. I have read Robert Cline's expert report and Gaurav Malhotra's.
Q. Any other expert reports?
A. Not that I'm aware of, no.

Q. You didn't read Charles Moore's expert report, correct?
A. I have not.
Q. And do you know who he is?
A. I do not.
Q. Do you know --
A. And I read Martha -- what's her last name?
Q. Ms. Kopacz?
A. Yes. Thank you.
Q. You read her report?
A. I did read her report.
Q. And you know that Ms. Kopacz opines that the forecasts Ernst & Young had presented were subjective, correct?
MR. STEWART: Objection.
THE WITNESS: I do not recall reading that, no.
BY MR. SMITH:
Q. Do you recall her doing an analysis where she calculated the effect of a 1 percent increase in property tax collections?
A. I did read her report where she did do the sensitivity analysis, yes.
Q. She found that increasing property tax collections by 1 percent could lead to more than a $20 million increase in revenue, correct?

A. My recollection from her report is that if you assumed that -- if you were able to change the parameter by 1 percent, what would that mean over the long haul, and my recollection is over 20 million in property tax revenue.
Q. Has Ernst & Young done any sensitivity analysis on its forecast to understand what changing the inputs would mean in terms of revenues available to the city?
A. Throughout the process, we would vary our assumptions, change our assumptions and see what the revenue impacts are.
Q. And what assumptions did you change during the process?
A. So for property taxes, we would change the important drivers, so whether it be taxable value or collection rates. Those are the key assumptions that we would change.
Q. And did you increase or decrease taxable value over time, I mean, in changing the assumptions?
A. Well, so do you have a -- I mean, both. I mean, there are times when we would say we would get a new piece of information, and we might adjust our growth rates, and sometimes they would raise

forecasting for the City, correct?
A. I wouldn't say that, no.
Q. Okay. Did Katie Ballard do any of the forecasting for the City?
A. She did not.
Q. Has Katie Ballard ever done forecasting for the City before?
A. I don't know, so maybe I should say she did assist me on the Flint matter.
Q. Would it be fair to say that you were relying on the expertise of the City of Detroit people that you talked to in formulating the assumptions for your forecast?
A. I had conversations with the City, and I used the information that they gave me in forming my opinion.
Q. Did you do any independent testing or analysis of the information that was provided to you by the City for your forecast?
A. So what do you mean by independent testing?
Q. Did you go back and test any of the data that the city provided you for your forecast to ensure it was accurate?
A. I checked to make sure that the ad valorem

taxable value information they gave me matched what was in the State Tax Commission reports, and that was the only check to make sure that those numbers matched.
Q. Was there information that the city provided you that you didn't do independent testing for to ensure its accuracy?
A. I did not verify every piece of information, go back and see if I thought it was accurate. I did not do that.
Q. What were some of the pieces of information you didn't do any testing to verify its accuracy?
A. So for the most recent tax bills, the ad valorem data. I took that information they gave me since it was certified and used it.
Q. Anything else?
A. I had conversations with the City about when they were planning to hire consultants to do the reappraisal study. I did not go back and check to see when a contract was filed or things like that.
Q. Other information that you relied on from the City you didn't verify its accuracy?
A. I took information from their audited

financial statements. They had been audited, so I didn't go back and check. They ran certain reports from their system. I didn't have access to those systems, so I took that information.
Q. And other information you received from the City you didn't verify its accuracy?
A. I don't think so.
Q. I mean, basically on the conversations with the City officials that were used to formulate your assumptions, you didn't do anything to verify the accuracy of what the people at the City were telling you; is that fair?
MR. STEWART: Objection.
THE WITNESS: I don't think that's fair.
BY MR. SMITH:
Q. Were there instances, though, where people from the City gave you information verbally that you used in formulating your assumptions where you didn't go and try to verify the accuracy of the information?
A. There were times when the City would give me -- would tell me something over the phone or what they planned to do, and there are times that I would have conversations with our ground -- our team on the ground in Detroit. I would talk to

multiple people about what was going on, talk to the mayor. So there were times where I was able to make sure the information was consistent, and there were other times where they would run a report, and they'd give it to me, and I accepted it.
Q. So generally when the City would run a report from their system to which you didn't have access, you wouldn't do anything to verify the accuracy of that report, correct?
A. Sometimes I was able to go back and look to see if, like I said, the taxable value matched what was being reported to the state or available in other systems or would show up in a budget book or an audited financial statement. So there are times I was able to check to make sure the numbers were consistent, and then there were times where I had requested collection rate information by property type that they had to run a report for me. I talked to the person, made sure I understood it, made sure numbers added up, and then I would accept it.
Q. You didn't verify the accuracy of the collection rate information, though, that you have you were given by the City, correct?
A. If you mean by -- what do you mean by

verify?
Q. You didn't go back to actually test and verify the accuracy of the collection rate information that was given to you by the City, correct?
A. I was not able to go and, say, run the report myself or look at their base data.
Q. When you began work on this case, was there already some sort of model in place for forecasting property tax or state revenue sharing revenue?
A. There was a model in place for property taxes.
Q. Do you know who created that model?
A. I do not know.
Q. Did you look at the experience of any other cities in developing your forecast?
A. No.
Q. Do you know what cities would be comparable to Detroit in terms of their financial situation?
A. No.
Q. Did you rely on data provided by the assessor's office in formulating your opinions?
A. I did receive data from the assessor's

office.
Q. And you relied on that in formulating your opinions?
A. I did rely on some of that data.
Q. Did you work with Shavi Sarna at all?
A. I did.
Q. What was your interaction with that individual?
A. Shavi and I would have conversations. We would exchange e-mails. He would ask questions.
Q. Do you know what fees the City collects?
A. What do you mean by fees?
Q. Well, you know the City of Detroit charges fees for various services, correct?
A. Correct.
Q. Do you have any idea what fees the City of Detroit collects?
A. I don't.
Q. Do you have any idea what licensing revenues the City gets?
A. I don't.
Q. Do you have any idea what the mechanisms for property tax assessment are in the City?
A. What do you mean by mechanisms?
Q. I mean, can you -- are you able to explain

the mechanism or methodology used in assessing property taxes?
A. I don't know what the city assessor's office was doing to assess property. I don't know.
Q. Can you explain the methodology used by the City in collecting property taxes?
A. No.
Q. Can you explain to me the methodology the city used in setting property tax rates?
A. No.
Q. Can you explain the methodology the State used in setting the revenue sharing levels?
A. So there are two parts of revenue sharing. So there's the constitutional portion, which has a formula, and then there's the EVIP portion, the Economic Vitality Incentive Program. And in terms of how exactly they decide what they're going to allocate cities, villages or townships, I don't know the formula for that.
Q. Okay. So it would be fair to say that you don't know the formula or methodology used in setting the statutory portion of the revenue sharing; is that correct?
A. I wouldn't say that. The EVIP portion doesn't have a formula, and so it would be

inaccurate to say I don't know the formula because there isn't a formula.
Q. Let me re-ask my question then.
Would it be fair to say you don't know the methodology used in setting the EVIP portion of the state revenue sharing?
A. I personally don't know why legislators decide to allocate a certain amount of money to Detroit. There is a -- there are three components to EVIP. There's supposed to be -- they're supposed to meet certain things in order to get the revenue, but what the legislature decides year to year to allocate is their discretion, so...
Q. Basically the amount of revenue sharing, would you agree, is a discretionary political decision by the legislature?
A. For EVIP, it is the discretion of the legislature.
Q. And it's a political decision. The amount of money that the legislature decides to give to cities is decided by people who are elected and make a political decision about how much money to give, correct?
A. People who are elected make that decision.
Q. And the decision about how much money the

City gets in state revenue sharing is a decision that's made in the political process, correct?
A. I wouldn't say that because there are two components.
Q. The EVIP portion of the state revenue sharing is generated by political process, correct?
A. In that the legislature and the legislature is part of the political process, yes.
Q. And the EVIP portion is the largest portion of the state revenue sharing, correct?
A. For the City of Detroit?
Q. Yes, for the City of Detroit.
A. That's correct.
Q. In your view, what are the biggest sources of untapped revenue for the City of Detroit?
A. I don't have an opinion on that.
Q. Do you have an opinion about how the City of Detroit could increase property tax revenues?
A. I do not.
Q. The City of Detroit has never asked you or anyone else at Ernst & Young to use your expertise to increase property tax revenues for them, correct?
A. Correct. We don't do specific tax policy recommendations.

Q. Okay. So you're offering no opinion about whether the City can increase tax revenues, correct?
A. I'm not offering an opinion about whether they can increase tax revenues.
Q. And you're not offering an opinion about whether the City can pay the creditors more money in the bankruptcy, correct?
A. I'm not offering an opinion on that.
Q. And you're not offering an opinion about how much revenue the City would have if the bankruptcy case is dismissed, correct?
A. That's correct.
Q. I mean -- and in fact, Ernst & Young's policy would prohibit you from offering opinions about how much -- whether the City can generate more tax revenue or increase tax rates or do other things like that, correct?
A. So Ernst & Young would not want us to make specific recommendations on tax policy the City of Detroit should pursue. We just do the analysis.
Q. And why doesn't Ernst & Young allow its staff to make recommendations about tax policy like that?
A. So the bulk of our business is providing

auditing services, accounting services. We do, obviously, tax advisory. We prepare tax statements. Our business is not to consult in the policy realm in this way. And so I didn't make those decisions, but that's what I follow.
Q. Okay. So Ernst & Young is not in the business of offering tax policy advice to municipalities, correct?
A. So the work that I do, I do not provide specific policy recommendations. I don't know if other parts of EY offer, but I know as a whole, we don't make, say, specific tax policy recommendations.
Q. In the past, have you made tax policy recommendations to government in your other jobs?
A. In my other job, I would do the analysis around a policy change, and so I would provide my opinion sometimes about the change.
Q. I mean, you know that other cities have increased taxes to address fiscal distress to raise revenue, correct?
A. Some cities have done that, yes.
Q. And you're aware that cities have cut services in order to address fiscal distress and improve their fiscal situation?

A. Some cities have done that, yes.
Q. And you know that cities have added new fees for services in order to raise revenue to address fiscal distress, correct?
A. I don't know anything specifically.
Q. Do you know that other cities have imposed new taxes to raise revenue for -- to address fiscal distress?
A. That could be possible. I don't know of any specific instance.
Q. Do you know generally that there are a number of cities in the country now because of the recession we've had that are experiencing fiscal distress?
A. Yes, I'm aware of cities experiencing fiscal distress.
Q. In fact, you've worked for at least one other city that's experiencing fiscal distress in the state of Michigan, right?
A. That's right.
Q. And you know in the state of Michigan, there are multiple cities that are under the supervision of emergency managers because of fiscal distress, correct?
A. Correct.

Q. And what are the causes of these cities in Michigan having to be under the supervision of emergency managers and being in physical distress?
MR. STEWART: Objection.
THE WITNESS: I don't know the specifics for other cities.
MR. ALBERTS: Objection. I think you mean fiscal.
MR. SMITH: Yes, fiscal.
BY MR. SMITH:
Q. You know that declines in state revenue sharing have -- in Michigan have adversely impacted the fiscal situation of multiple cities, correct?
A. I can't talk about other cities.
Q. Do you know whether the City of Flint undertook efforts to try to get the state legislature to increase state revenue sharing?
A. I don't know.
Q. Do you have any opinion about the sources of untapped cost savings for the City?
A. I don't.
Q. Does Ernst & Young ever do any kind of evaluation of cities to determine how they can increase revenues?
A. I don't know.

Q. Is the only work that you've done for the City of Detroit the work leading to your expert opinions in this case?
A. Yes.
Q. Do you know whether there are any formal studies that have been conducted to ascertain whether Detroit can raise taxes or increase revenue?
A. I don't know.
Q. Do you know whether there are any formal studies that have been conducted to determine whether Detroit can cut costs more than half?
A. I don't know.
Q. Do you know of any formal studies -- can you identify any studies on Detroit property taxes or revenue sharing?
A. Do I know of any formal studies on Detroit property taxes or revenue sharing? Other than what the CRC report you mentioned earlier?
Q. Yes.
A. No.
Q. How many people assisted you in preparing your forecast?
A. So I did the work and the analysis. I had discussions with Bob Cline, Katie Ballard.

Q. What percent of your time is spent on the Detroit matter?
A. What percent of my daily just sort of work time?
Q. Your billable time.
A. My billable time? So I've been working on this for a year or a little over a year. My billable time might be around 50 percent.
Q. Do you know what proportion of your -- what proportion of Katie Ballard's billable time is spent on the City of Detroit?
A. I have no idea.
Q. Can you identify any other matters other than the City of Detroit that Katie Ballard works on?
A. What do you mean matter? Do you just mean projects or --
Q. Yeah.
A. Sure. She works on our economic impact studies for private clients, basically, you know, just some of our thought leadership pieces. And she also worked on our council on state taxation business tax burden study.
Q. Have you had any interaction with anyone from Conway MacKenzie?

A. I've been on phone calls where Conway & MacKenzie have been on the line.
Q. Do you have an understanding of Conway & MacKenzie's role in this matter?
A. I understand a little bit, and I've occasionally received things they prepared.
Q. Like what kind of things?
A. So when they put together some of the reinvestment initiatives, I would see a copy of it.
Q. And do you have any understanding of Miller Buckfire's role in this case?
A. I've interacted with lawyers from Miller Buckfire. I seen them as a coordinating role. I don't know any more what they're doing.
Q. I mean, when you say coordinating role, what exactly have you done with them?
A. So Kyle Herman, who works for Miller Buckfire, he would coordinate collection of materials. He would organize calls with the creditors, things like that.
Q. Would it be fair to say that there are people who have contributed information to your forecasts that you don't know who they are and you've never met?
A. No.

information at all? We can just let the forecasts sit there, and no matter what changes, it's okay, right?
MR. STEWART: Objection.
THE WITNESS: I don't -- what's the question?
BY MR. SMITH:
Q. If you don't incorporate new information as it becomes available, a forecast can become inaccurate or unreliable, correct?
A. No, I wouldn't say that.
Q. Okay. So if the property tax were increased by 100 percent, your opinion is you wouldn't have to update your forecast?
A. So new information can sometimes confirm what you've already put down, so that's why.
Q. And new information can also change your forecast, right?
A. Yes.
Q. And so it's possible that new information, if you don't incorporate it, your forecasts will be inaccurate or reliable. That's possible, correct?
A. So it depends on the situation. New information can improve the accuracy of the forecast. New information can confirm it.
Q. And in the hall, Mr. Stewart had his

finger in your face, didn't he, during the break?
MR. STEWART: Objection.
THE WITNESS: No.
BY MR. SMITH:
Q. Did you have a conversation with Mr. Stewart during the break?
A. I did.
Q. What was he telling you?
MR. STEWART: Objection. It's privileged. You know that.
MR. SMITH: You're directing her not to answer that?
MR. STEWART: Yes, that's right. Do you want me to start asking what you talk to your clients about? Do you want to waive it? Would you like to? We can have a mutual waiver across the board. I'd like to learn what you're telling Syncora.
BY MR. SMITH:
Q. How long did you talk to Mr. Stewart for?
A. Maybe 30 seconds.
Q. The -- do you know whether the assessor's office has been subject to any reviews by outside consultants?
A. I don't know.
Q. So you haven't been provided with reviews

of the assessor's office conducted by Plante Moran?
A. No.
Q. Were you aware that the assessor's office -- there have been a number of problems identified in the assessor's office?
A. I have a general sense that people have said there are problems.
Q. What problems are you aware of in the City of Detroit Assessor Office?
A. The only problem that people have talked about has been overassessments.
Q. That's the only problem that you're aware of in the assessor's office is overassessments?
A. That's the only problem that people have talked to me about.
Q. Would it be fair to say that you haven't cited any scientific literature or anything like that in performing your forecasting?
A. What do you mean by scientific?
Q. Well, there's no literature of any kind that you've cited as the basis for your forecast, correct?
A. So as I noted in my report, I followed the procedures laid out by the revenue -- the State of Michigan's Consensus Revenue forecasting, and

that's in report that I think was produced.
Q. Have you run any runs of your forecasts that had higher revenues available to the City?
A. I guess I don't understand your question.
Q. Have you done any runs of your forecast where you generated revenues that are higher than what you're forecasting currently for the City?
A. Yes.
Q. And what kind of runs?
A. So as you've noted, we've updated our analysis, our forecasts several times, and so previous earlier iterations had slightly higher property taxes.
Q. And are there runs that you haven't submitted to the creditors or others that have included higher revenues than you're forecasting?
A. Everything we've done has been turned over, so the creditors would have access.
Q. Do you agree that you've used your discretion in selecting the specific values for the assumptions in your model?
A. I've used my judgment in selecting the assumptions.
Q. Do you agree that in conducting a tax forecast, you should seek to gather all evidence

reasonably related to the forecast?
A. What's the question?
Q. Do you agree in conducting a tax forecast, you should collect all information reasonably related to the forecast?
A. So I think you need to make sure you take in relevant information in doing the forecast.
Q. And you should endeavor to collect all relevant information in doing a forecast, correct?
A. So it depends on what you mean by relevant.
Q. Have you ever used the word relevant before?
A. I have.
Q. Okay. Using your definition of relevant, do you agree that you should endeavor to collect all relevant information in doing a forecast?
A. I did endeavor to collect relevant information for the forecast.
Q. That's not my question. My question is do you agree that in conducting a forecast, you should endeavor to collect all relevant information?
A. I would say in conducting a forecast, you should collect information that's pertinent and related.

Q. And if you have incomplete information, your forecast can be inaccurate, correct?
A. Not necessarily, no.
Q. But it can be inaccurate if you have incomplete information, correct?
A. Incomplete information can make it -- it can go either way. It depends on the situation. I mean, the nature of forecasting, you're selecting data and assumptions. It's not complete, so there -- so yeah, I mean, there are situations and incomplete information could make it inaccurate, or it could not. It depends.
Q. Have you done any stress testing on your forecast?
MR. STEWART: Objection.
THE WITNESS: What do you mean by stress tests?
BY MR. SMITH:
Q. Well, I've seen reference to stress tests that have been conducted on forecasts before. Do you know what that is?
A. I have not done a stress test.
Q. Have you ever done any kind of stress testing on forecasts before?
A. What is stress test in this context?
Q. So you don't know what a stress test is in

the context of forecasting?
A. I guess I don't know what you mean by stress test.
Q. Do you know what length of time is the standard length the City uses for its forecasts?
A. I don't know anything about the City's forecasting.
Q. Have you ever looked at the consensus forecast for the City?
A. I did receive one piece of information that had their consensus revenue estimates for the next fiscal year.
Q. And do you know how many years they looked at?
A. I can't remember off the top of my head.
Q. Have you ever done a tax forecast for as long as 10 years?
A. I'm not sure.
Q. Have you ever -- you haven't done a revenue sharing forecast for as long as 10 years, correct?
A. I do not think I have.
Q. What are some of the factors that can occur over the next 10 years that could affect the actual values for property taxes or revenue

sharing?
A. What do you mean by actual values?
Q. The actual collections of property tax revenue and the actual amount of money that's received from revenue sharing.
A. Sure. So population rate is important, employment, new economic activity. These are all things that are driving both the portion of state revenue sharing and property taxes.
Q. If population increases, the revenue from property taxes and revenue sharing could increase, correct?
A. It's possible.
Q. And if employment increases, the revenue from property taxes and revenue sharing would increase?
A. It's possible.
Q. And if economic activity increases, revenue from revenue sharing and the property taxes would increase?
A. It's possible.
Q. And is that -- are those -- your model, though, do revenues increase if employment, population or economic activity increase?
A. So in our model, if there is greater

economic activity, we have better property tax revenues.

Q. If there's increased economic activity, do you -- does your model generate increased revenue sharing, or does it not take into account economic activity for revenue sharing?

A. So revenue sharing, because it is based on per-capita distribution on the constitutional side and for EVIP, there's no formula. Economic activity, it doesn't really affect it directly.

Q. There was no formula you used for calculating the revenue sharing that you projected, correct?

A. That's not true.

Q. Well, I mean, you were just saying no formula. What did you mean?

A. There's no formula in how the legislature allocates the EVIP portion.

Q. Does increasing population in your model increase property tax revenues or revenue sharing?

A. So there's no direct link between a one-for-one population increase causes property tax increase. So there's no one-to-one relationship in the model.

Q. Does your model take into account the

effect of population on property tax increase at all?

A. So population forecasts were used to inform certain growth rates in the model.

Q. Okay. So an increasing population could increase growth rates which would increase property tax revenues in your model; is that correct?

A. That is fair.

Q. In your model, does an increase in employment lead to an increase in property tax revenue or to revenue sharing?

A. So an increase in employment doesn't affect the revenue sharing in our forecast. And employment, there's no sort of direct input for employment on the property tax side. It would be something that would help to inform a growth rate of a tax base.

Q. Okay. So increased employment could increase growth rates, which would increase property tax revenues in your model, correct?

A. So it depends. Employment in Detroit doesn't mean that someone is a property owner, and so in that sense, we're concerned doing the forecasting about the different tax bases. So employment can mean that there is additional

property or not.

Q. In your model, does increased employment in the city among residents lead to an increase in property tax revenue?

A. There's no direct relationship in the model between employment and the tax bases.

Q. Okay. What is the relationship then in the model?

A. Sure. So in the model, there are four different tax bases, and so employment is something that's important for -- I guess for all three, for residential, commercial, industrial. So if you have improved economic activity, improved employment, we could see those tax bases grow, and that could translate into more tax revenue, but if everything else is equal. So there's other factors that drive the model.

Q. Do you agree that increased employment will lead to people purchasing more goods and services in the city and an increase in sales tax revenue?

MR. STEWART: Objection.

THE WITNESS: Can you say that one more time, your question?

BY MR. SMITH:

Q. Increased employment will lead to an increase in people purchasing goods and services in the city and an increase in sales tax revenue?

A. It's possible.

Q. Your model does not take into account increased employment having any effect on revenue sharing, correct?

A. That is correct.

Q. Can you identify any forecast comparable to the Ernst & Young forecast that's been done for Detroit over a 10-year period?

A. I have not seen any other forecast.

Q. Can you identify -- so you've never seen any forecasts like that Ernst & Young has done for Detroit in any Chapter 9 bankruptcy, correct?

A. I have not looked at any other Chapter 9 bankruptcies.

Q. Have you done any investigation to find out what other forecasts have been done to model property tax or state revenue sharing for a municipality?

A. Have I -- what's your question?

Q. Have you done any investigation to look at other forecasts for property tax revenue or revenue

sharing in a municipality?
A. I have not looked at other forecasts.
Q. Do you agree that the longer period of time a forecast covers, the less reliable it becomes?
A. No.
Q. So your point of view is that your 40-year forecast is as reliable and likely to be accurate as your 10-year forecast, correct?
A. My opinion is the -- we did a 10-year forecast, and we did an extrapolation for 30 years, and it could go either way. That's the nature. It could be as accurate as the 10-year. I don't know yet.
Q. There's no way to note -- no way to assess the level of accuracy of your forecast, correct?
A. The way that you could assess the accuracy is to compare the forecast with actual, and the actual hasn't happened yet.
Q. So there's, in fact, no way to assess the accuracy of your forecast, correct?
A. Right, except for comparing to actual, and our actuals so far have come in pretty well compared to the forecast.
Q. And how long has your forecast been in

existence?
A. We did the first iteration in June of 2013.
Q. You're aware that the City is failing to collect approximately half of the property taxes owed, correct?
A. I am aware, sorry, half of property taxes on the residential.
Q. Okay. And are you aware that the City has identified more than 100,000 properties where taxes have not been paid in addition to the foreclosed properties?
A. I don't know the number.
Q. Do you know that the City has identified over $504 million in unpaid property taxes that are owed to it?
A. I don't know the amount.
Q. Your forecast doesn't take into account or doesn't include any amounts for payment of property taxes that are owed, but haven't gone collected thus far, correct?
A. That's not correct.
Q. Okay. How does your forecast take into account the property taxes that are owed to the City from prior years, but haven't been collected?

A. So in Michigan, unpaid taxes at the municipal level are turned to the county for collection, and so the county will try to collect on them, and then it will foreclose and has been doing public auctions to sell the property. So the model takes into account net payments from the county, which would be then the county paying for the taxes that these properties owe. And so that's factored into the property tax collections in the model.
Q. Do you know what percent of the owed taxes your model predicts will be actually paid from prior years?
A. Not in that way, no.
Q. Do you know what -- is there a collection or a payment rate or anything like that that is incorporated into your model for the past year's owed taxes?
A. So the model includes a percent of the tax levy that is assumed the City will receive from Wayne County.
Q. Okay. And what number is that?
A. It depends on the year.
Q. How did you select that number?
A. So Wayne County provided their prior

year's net revolving fund payments, and so it analyzed the trends and what had been happening and had some conversations about what was happening with the foreclosure process and then used judgment to select what was going to happen in future years.
Q. Okay. So in terms of the amount of collection that will occur with respect to amounts already owed from prior years, you implemented different assumptions for different years based on your judgment; is that fair?
A. What's the question?
Q. For the amount of property tax that would be collected from prior years that's still owed, you implemented different assumptions for different years based on your judgment?
A. So using my judgment, I selected payment amount from Wayne County that was likely, and that varied by year.
Q. Okay. And how did you go about using your judgment to figure out how to vary the payment amount by year?
A. So using data from the past, we're able to see what was happening over the last -- I guess I got data for eight or nine years is my recollection, and I was able to see what had

Q. Were you aware that the majority of transactions that form the basis for valuations you've been provided were not arm's length transactions before you formulated your opinions?
A. I didn't know if it was the majority.
Q. Did you know the percentage at all of the transactions that were not arm's length that form the basis for the valuation you were provided?
A. I did not know what percentage were not arm's length transactions.
Q. Would it be fair to say you're not qualified to assess the reliability of the real estate valuations for property in Detroit that you've been provided?
A. I was not asked to assess the reliability of the assessments.
Q. Would you be qualified to assess the reliability of the assessments you've used in your forecast?
A. What do you mean qualified?
Q. I mean are you somebody who is qualified enough to be able to tell how reliable the assessment valuations that you've been given are, or does that require somebody with a different skill set?

A. So in the work that I did, I did some analysis of the assessments and came to my conclusion that they were overassessed. I did not systematically look at their transactions and their process of assessing.
Q. Okay. So one of the bases for your forecast is your determination that property is overassessed in the city, correct?
A. I do think property was overassessed, yes.
Q. You've never been trained in property assessment, correct?
A. I have not been trained to assess property.
Q. Do you know whether there's standards governing property assessment?
A. There are methods for assessing property, yes.
Q. And have you been trained in those methods?
A. Formally trained on those methods?
Q. Yes.
A. I have not.
(Document marked No. 2)
Q. Were you aware -- let me hand you what's been marked as Exhibit 2. It's a news article entitled Detroit's Property System Plagued By

Mistakes, Waste. Have you ever seen this article?
A. I don't think so.
Q. Have you seen any of the news articles that have been issued on the problems with Detroit property collections?
A. I have seen news articles on this issue.
Q. Okay. And the first sentence says the city's property tax system is riddled with errors and waste and is overseen by a pair of double-dipping officials who work just two days a week the Detroit news investigation has found. Do you see that?
A. Uh-huh.
Q. Were you aware of that information before you formulated your opinions?
A. Was I aware of this reporter's opinion that the City's tax system is riddled with errors and waste? What's the date on this? No.
Q. Were you aware of people who had come to the conclusion, though, that the Detroit property tax system is riddled with errors and waste before you formulated your opinions?
A. I don't know about waste or what the definition -- I, obviously, had conversations where people talked about the property being overassessed

or problems with the system, but no specifics were told to me.
Q. What problems with the Detroit property tax system were you told of?
A. These are just general recollections, but problems with how property was assessed leading to overassessments and property collection issues, but these type of issues relating to the logistical collection are not things that we dealt with in our forecast.
Q. Were you aware that Ernst & Young had done its own review of the property tax system in Detroit?
A. What do you mean by review?
Q. Well, you see there's a section in that article entitled hardest job in the state?
A. Okay.
Q. And you see in the first paragraph it talks about a Plante Moran review, correct?
A. Yeah.
Q. And the second paragraph, it says one review by Ernst & Young concluded the two departments have a prevailing culture which is riddled with bureaucracy and a lack of accountability. Do you see that?

A. Okay.
Q. Were you aware that Ernst & Young had conducted a review of the property collection processes in Detroit before you worked on your opinions?
A. No.
Q. And nobody has provided you with a copy of the report in which Ernst & Young concluded that departments in the city relating to property taxes have a prevailing culture which is riddled with bureaucracy and a lack of accountability? Do you see that?
A. Uh-huh. I did not receive a report that Ernst & Young had done.
Q. And you're not in a position to dispute Ernst & Young's conclusions that the City's departments charged with property tax collection have a prevailing culture which is riddled with bureaucracy and a lack of accountability, correct?
MR. STEWART: Objection.
THE WITNESS: I didn't work on this report, and I've not seen it, so I can't comment on it.
BY MR. SMITH:
Q. Were you even told who at Ernst & Young might have done reviews of the City's property tax

collection processes?
A. I know the team in Detroit, but I don't know who did this study.
Q. Okay. So the team in Detroit you've been working with daily never informed you that they had done a review of the City's property tax collections and found that it was riddled with bureaucracy and had a lack of accountability, correct?
(Document marked No. 3 and No. 4)
A. We never had a specific conversation about a report that reached those findings, no.
Q. Let me hand you what's been marked as Exhibit 3. I'm just wondering if you've ever seen this document before?
A. No.
MR. STEWART: Before you testify about it --
MR. SMITH: I don't have any questions about it other than whether she's seen it.
THE WITNESS: No, I haven't seen it.
BY MR. SMITH:
Q. Okay. I'm going to hand you what's been marked as Exhibit 4, which is a Detroit news article entitled Half of Detroit Property Owners Don't Pay Taxes, and you can let me know if you've ever seen this news article before. Is that

something that you've seen?
A. I may have seen it. I'm not recalling whether I read this or not.
Q. Going back to the -- were you aware that property tax bills were frequently sent to the wrong address in Detroit?
A. No, I wasn't aware.
Q. Were you aware that homeowners exemptions have been granted to people without proof of eligibility in Detroit?
A. No, I wasn't aware.
Q. Were you aware that the City is going to undertake a review because it believes that there may be people that are improperly taking homeowners exemptions?
A. I was not aware of that.
Q. Are you aware that the City has begun implementing reforms of its property tax collection system to improve revenues?
A. I've had some conversations that note that they've done some -- they're working on that. I don't know any specifics.
Q. Who have you had those conversations with?
A. Just conversations with the Detroit team, the EY Detroit team, so I don't remember who

specifically, though.
Q. Do you know what an equalization factor is?
A. I do.
Q. And you know that an equalization factor of 1 means that property is properly assessed in the view of the county, correct?
A. It means that the county believes property has not systematically been over or underassessed.
Q. And in fact, Detroit has always received a value of 1 meaning that property is not over or underassessed, correct?
A. I wouldn't reach that conclusion. The county has given them an equalization factor of 1, and so the processes that they're following have given them an equalization factor of 1. That doesn't mean that in reality or by other measures, the property is not over or underassessed.
Q. You're aware that the county has always given Detroit an equalization factor of 1, correct?
A. I don't know always. I know when I looked at the last 10 years, they've received an equalization factor of 1.
Q. You're not aware of any instance where the City of Detroit didn't receive an equalization

A. I'm going to testify at the confirmation hearing for this matter, yes.
Q. And before the confirmation hearing, wouldn't you want to know if Mr. Evanko had characterized -- had criticisms of your forecast?
A. I would like to know.
Q. And why would you like to know that?
A. I would find it surprising.
Q. You agree that equalization factor of 1 means the county has determined that property is being properly assessed and not overassessed or underassessed, correct?
A. Equalization factor means that the county believes the process has not systematically over or underassessed property.
Q. And currently you understand that the county is giving Detroit an equalization factor of 1, correct?
A. The county is giving Detroit an equalization factor of 1.
Q. And it would be unlawful for the City to assess property in any way that was inconsistent with what the county was saying, correct?
MR. STEWART: Objection.
THE WITNESS: I don't understand that question.

BY MR. SMITH:
Q. It would be unlawful for the City of Detroit to assess property in any way that was inconsistent with the way the county assessed property, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know. There are rules governing how property must be assessed, and so municipalities have to follow those, and the county has to follow their procedures as well.
BY MR. SMITH:
Q. And if the county assessed an equalization factor different than 1, Detroit would have to change its assessments, correct?
A. The equalization factor would be applied to what the City had assessed, and it would be modified in those ways. In that way.
Q. Okay. So it would -- if the county implemented a different equalization factor other than 1, then as a matter of law, the assessments would be changed, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if the assessments would be changed. The assessment factor is multiplied by what the City produces.

BY MR. SMITH:
Q. So property taxes would be changed on the properties if the equalization factor were different than 1, correct?
A. Property taxes are based on taxable value, and state -- you're talking about the state equalized value, which is a different concept.
Q. Do you -- would it be fair to say that your opinion that Detroit property is overassessed is inconsistent with the determination of the county?
A. I don't know inconsistent. The county has their process by which they review and they assign an equalization factor. And using their rules, they've come up with their opinions. And I've looked at it differently, and I come up with my own opinion that it's overassessed.
Q. Okay. So the methodology you used for determining assessments whether properties are properly assessed in the city is different than the county's methodology, correct?
A. It could be. I don't know.
Q. You don't know what methodology the county uses, correct?
A. I don't know specifically what they looked

at in determining the equalization factor.
Q. The county's conclusion that property is properly assessed, though, is inconsistent with your conclusion that it's overassessed, correct?
A. The county in using the equalization factor has said that it's not under or overassessed, and my conclusion is that it's overassessed.
Q. So you've come to inconsistent conclusions with the county, correct?
A. My opinion is different than the county's.
Q. The planned reassessment, do you know who is going to be conducting that?
A. No.
Q. Do you know what method will be used for the planned reassessment?
A. I understand generally how they go about reassessing.
Q. But do you know -- I mean, do you know what reassessment methodology the unidentified contractor who is doing the reassessment is going to employ?
A. I do not know specifically what they're going to do.
Q. Do you know how long the planned

reassessment is going to take?
A. I was told it would take three to five years.
Q. Who told you that?
A. Alvin Horhn.
Q. Is that somebody at the City?
A. It is.
Q. And do you know when the planned reassessment will begin?
A. Initially I was told they wanted to have a contract in place by March 2014. The last time I checked to see if a contract was in place I was told they were working on that, or they thought they were going to have it done this month.
Q. Okay. So so far there's no contract, as far as you're aware, that has been written for the reassessment?
A. I don't know if a contract is in place.
Q. And have you also been told that the reassessment could take longer than five years?
A. I have not been told that.
Q. Do you know when -- do you know whether it's possible that the reassessment may not occur?
A. I don't know anything about the contract.
Q. Would it be fair to say that you just

can't provide us with any specifics about what the planned reassessment is going to entail one way or the other?
A. I don't know the specifics about the reassessment. I know generally what they're going to do.
Q. Has anybody informed you regarding Mr. Evanko's opinion that the reassessment -- he doesn't know whether it's going to increase or decrease property values?
MR. STEWART: Objection.
THE WITNESS: I have not been told what Mr. Evanko said during his deposition about that matter.
BY MR. SMITH:
Q. Wouldn't you want to know if Mr. Evanko said that he couldn't say that the property reassessment would result in lower property values?
A. What's the question?
Q. Wouldn't you want to know if Mr. Evanko's opinion was that the property values would not necessarily change under the planned reassessment?
A. I guess I would want to know that. That would be surprising.
Q. Would it be surprising to you if -- well,

let me ask you this. Would you want to know if Mr. Evanko determined that your forecast of the personal property tax was ridiculous?
A. Would I want to know that? That, again, would be surprising.
Q. Is that something you would want to know?
A. It would be something I would be interested in, sure.
Q. Did you ever submit your forecast to anyone at the City to solicit their opinion after you were done about whether your forecast was reasonable?
A. We discussed sending the forecast to the City back when we started a year ago, and I don't believe we ever did that. They did review our forecast. I had a conversation in January with Gary Evanko, and he had seen what we put together is my recollection, so we had conversations about the forecast for sure.
Q. So Mr. Evanko's familiar with details of your forecast, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if he's familiar with the details. I couldn't say for him.

BY MR. SMITH:
Q. You didn't -- the current forecast, though, the one that's been completed in July, you never resubmitted that to the assessor's office to determine if they thought that it was reliable and accurate, correct?
A. I did not turn over the July forecast to the City. I did not provide it to them.
Q. Do you agree there are -- well, we've talked about how there are a lot of people that are in Detroit that are delinquent on their property taxes. Do you recall that?
MR. STEWART: Objection.
THE WITNESS: We talked about -- you showed me some articles about that.
BY MR. SMITH:
Q. And you agree there are many reasons that people don't pay their property taxes, right?
A. Yeah, there are many reasons.
Q. One reason people may not pay their property taxes is if they believe that enforcement efforts are lax, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know specifically why people are not paying their taxes.

BY MR. SMITH:
Q. The City of Detroit certainly thinks that it needs to improve property tax collections, correct?
A. My conversations with the people at the City in the assessor's office has been that they would like to see collections improved.
Q. And they're taking active efforts to try to do that, correct?
A. I don't know what efforts they're doing.
Q. In your report, you relied on the Case-Shiller Home Price Index for Detroit. Do you recall that?
A. It is one of the things that I looked at.
Q. And you agree the Case-Shiller Index is a standard measure of housing prices, correct?
A. It is a measure of housing prices, yes. It's widely used.
Q. And it's a reliable -- Case-Shiller is a reliable measure of housing prices, correct?
A. What do you mean by reliable?
Q. I mean, people -- a lot of people in government, business, academia rely on the Case-Shiller Index for housing prices, correct?
A. Many people rely and look at it, yes.

Q. And you've done analyses where you've utilized the Case-Shiller Housing Price Index in the past for property valuations, haven't you?
A. I have looked at the Case-Shiller Index for projects in the past.
Q. And did you use the Case-Shiller Index in your work in Flint, Michigan?
A. I don't recall. I don't think so. I don't know if Flint is one of the -- I don't think it's one of the areas that the Case-Shiller Index would cover.
Q. I mean, why do people look at the Case-Shiller Housing Price Index?
A. It's viewed as a reputable source of trends in house prices.
Q. And did the creators of the Case-Shiller Housing Price Index, have they received the Nobel Prize?
A. Yes.
Q. They're widely respected economists, right?
A. They are widely respected economists, yes, I would agree.
Q. The -- in generating your forecasted values for revenues, did you actually use numbers

from the Case-Shiller Property Index?
A. So the Case-Shiller Index was one source that I consulted in selecting my inputs.
Q. But didn't you use some different numbers for average housing selling prices in generating your forecast other than Case-Shiller?
A. I did.
Q. And what were those?
A. I used the Detroit Association of Realtors data.
Q. And did you use that updated to the present time or not?
A. I took the information through December 2013, which was the last full year, and I pulled -- I think I had through March, March or May. And so I looked at it, but in order to use it in comparison of other data, my analysis went through December 2013.
Q. Okay. And you know that the Detroit realtor information shows that housing prices continue to increase from the point you used, December 2013, to the most recent data in 2014?
A. Housing prices did go up, yes.
Q. In fact, housing prices have gone up fairly significantly in 2014 under the Detroit

realtor data you used?
A. What is significant in your opinion?
Q. Well, do you know how much they've gone up?
A. I can't remember off the top of my head.
Q. It would be more than 10 percent, wouldn't it?
A. I don't recall.
Q. In the -- do you agree that based on all the data you've seen, real estate values in the city are increased in 2014?
A. The data I've looked at have shown real estate values increasing in residential.
(Document marked No. 7)
Q. And you're aware that there are -- let me just hand you a copy of what I'm going to mark as Exhibit 7. It's an article entitled Detroit Named a Top Turnaround Town For Residential Real Estate.
Do you have that in front of you?
A. Okay.
Q. And you've seen news stories and assessments that have indicated that Detroit is one of the markets in the country that's experienced the largest increases in home prices during 2014, correct?
A. I haven't compared Detroit to other

cities.
Q. Well, this assessment reports that, in the first sentence, Detroit's housing market ranks seventh overall in a realtor.com turnaround town study of the national housing market in the second quarter the real estate tracking firm said in a report Wednesday. Do you see that?
A. I do see that.
Q. And you don't dispute that, correct?
A. I have no idea how realtor.com did their analysis.
Q. Okay. Well, that's not my question. I mean, you don't dispute -- you haven't done the work necessary to dispute the fact that Detroit is one of the fastest growing markets in terms of housing prices in the country, correct?
MR. STEWART: Objection.
THE WITNESS: So I've looked at the most recent data for Detroit. I've not compared it to other cities.
BY MR. SMITH:
Q. So you can't identify any city with more rapidly growing housing prices in 2014 than Detroit sitting here today, correct?
A. Well, this says it's the seventh.

Q. Okay.
A. I haven't looked at it, though.
Q. I mean, you wouldn't find that surprising that it's the seventh most highest in terms of housing price growth, Detroit is?
A. From a very low base, it's had growth, so that seems plausible, sure.
Q. And in fact, you mentioned the Detroit Land Bank. Have you done any investigation into its operations?
A. I don't know its operations.
Q. Were you aware that the City had transferred 16,000 properties to the Detroit Land Bank recently?
A. No.
Q. Do you know that the Detroit Land Bank has recently had an auction of blighted properties?
A. Recently when?
Q. During the last year. I mean in this year.
A. They have had auctions, yes.
Q. And in fact, there's been high demand in the Detroit Land Bank auctions for blighted properties, correct?
A. I don't know.

Q. You haven't done any analysis to determine the effect of the Detroit Land Bank on housing prices in Detroit, correct?
A. No.
Q. And you haven't done any analysis to determine the effect of the City's blight reduction efforts on housing prices, correct?
A. We -- in our forecast in a reinvestment scenario, we take into account removal of blight property as part of general economic improvement to the city, and so we've -- in that scenario, we've factored in removal of blight as a positive for our forecast.
Q. Do you actually know whether the forecasts that have been done for the City attach a dollar value to blight removal in terms of improved revenue for the City?
A. What's the question?
Q. Do you actually know whether the forecasts that have been done attach a dollar amount for blight removal?
A. There has been money put in for each year for blight removal in what I've seen.
Q. But do you know in terms of increased revenue?

A. There has not been a sort of one relationship done to say this much spending on blight translates into X dollars of revenue.
Q. And you've done no analysis that's tried to determine how much the blight removal will increase revenues to the City in your analysis, correct?
A. I have not. Right. So in my analysis, I did not look at the direct relationship between blight removal and property tax revenue.
(Document marked No. 8)
Q. Let me hand you what's been marked as Exhibit 8. It's a regional commerce paper from Detroit Regional Commerce. If you go to the first page entitled Detroit Facts, this document says that approximately 12 billion in private investments have been made in Detroit since 2006.
Do you have any basis to dispute that?
A. I have no idea where that number is coming from.
Q. Have you done any investigation into how much private investment has been made in Detroit in the past few years?
A. I've only read some articles on it.
Q. Okay. You know there's been significant private investment in Detroit in the last few

Q. And there's been a recent uptick in 2014 in employment, correct?
A. The seasonally unadjusted data is higher than some of the 2010, 2011 periods.
Q. And in fact, there's an inflexion point in the data now that the employment is going up, correct?
A. Where is the inflexion point?
Q. Around April of 2014, April and March.
A. There was a downward trend between, it looks like, December 2013 down to April 2014, and then May 2014 it's slightly higher.
Q. Do you know what period of time the employment data that you looked at for your analysis?
A. So we -- so primarily Bob Cline with the assistance of Katie Ballard used the employment information in their forecast, and so they did -- they pulled the historical data, did the trend analysis, so they would be the ones to better speak to it.
Q. I mean, did you use the trend analysis by Mr. Cline and Ms. Ballard in your forecast?
A. So they did the trend analysis, and then I looked to see what their employment forecasts were

based on that analysis so that my analysis was consistent with theirs.
Q. And did they forecast decrease in employment?
A. They did.
Q. Do you have any idea how they arrived at their forecast of decreasing employment after looking at the Bureau of Labor Statistics data?
MR. STEWART: Objection.
THE WITNESS: So generally I know what they did. They performed an analysis looking at the historical trend and the relationship between Detroit and the rest of the state, and so they used that information to forecast employment trends with relationship to the state forecast.
BY MR. SMITH:
Q. Okay. Can you explain to me how the employment forecast was actually calculated that you relied on?
A. Other than generally saying, I was not the one that did it, so no.
Q. And who was the person who you understood did that forecast?
A. Bob Cline with the assistance of Katie Ballard.

Q. You know there are private entities that have pledged money to assist the City and improve its economy and reduce blight, correct?
A. I know that private entity have pledged money. I don't know off the top of my head for what purposes.
Q. You've done no analysis of the impact of private donations on property tax revenues in the city, correct?
A. The only way it would factor into the analysis is private donation improving the economy and stabilizing some of the negative aspects of Detroit, and then that shows up in our reinvestment scenario.
Q. So private donation improving the economy can improve property tax revenues, correct?
A. It's possible.
Q. And -- but as far as you're aware, nobody has tried to forecast the amount of private donations over the next 10 years for the City, correct?
A. I don't know if that's been done.
Q. Okay. As far as you're aware, there's no analysis that's been done to try to show the impact of private donations on City revenues, correct?

A. I don't know if it's been done.
Q. You certainly didn't do any analysis to assess the impact of private donations on the housing market or private tax revenues, correct?
A. As I said before, only in that if as part of reinvestment in the city, private donations occur and it helps to improve the economic environment, then that's been factored into the reinvestment scenario.
Q. But you don't know if the reinvestment scenarios tried to forecast the amount of private donations that will come into the city, correct?
A. I don't know how private donations are included in that.
Q. And you don't know how the reinvestment forecast was put together, correct?
A. I was shown the reinvestment forecast. I don't know how it was put together.
Q. And you didn't do anything to test the reliability of the reinvestment forecast, correct?
A. So as before, you can only test, I think, reliability with actuals, and it hasn't occurred, so I don't know.
Q. Do you know who actually put together the reinvestment forecast?

A. I don't know specifically who did.
Q. You used the reinvestment forecast to generate some of your forecast; is that fair?
A. I would not say generate. I would say that I looked to see what was put together for reinvestment for further reinvestment initiatives, and that helped think about how we selected our growth rates in that reinvestment scenario.
Q. Were numbers from the reinvestment forecast plugged into your forecast?
A. Were numbers for the reinvestment forecast plugged into our forecast? No.
Q. Did you use the reinvestment forecast to generate some of the assumptions for your forecast?
A. It was something that was looked at along with other things in terms -- in how we put together the reinvestment scenario.
(Document marked No. 11)
Q. I'm going to hand you a copy of what's been marked as Exhibit 11, which is from the Case-Shiller Detroit Home Price Index, and let me know if this is the type of data that you have reviewed regarding housing prices.
A. Yeah.
Q. And the Case-Shiller Index shows the

housing prices have been increasing in Detroit over the last two years, correct?
A. The Michigan Detroit Home Price Index is going up, yes.
Q. And there was an inflexion point around 2010; is that correct? It's a little bit light on there.
A. Yeah, midway through 2010, 2011. Yeah.
Q. And increasing housing prices in your model lead to increased property tax revenues, correct?
A. So increasing home prices is one factor in our model, and it could lead to our overall increase in tax revenue. It really depends on what happens to taxable value.
Q. Holding all other factors constant, do increased home prices have an effect in increasing property tax revenues in your model?
A. Holding everything constant, an increase in a home price would -- well, it depends on the taxable value, I guess. It depends on what the taxable value is when the property sells and it's reset. And so if the home price is higher than -- and the reset of the taxable value is higher than what it had been, it would increase tax revenues. If sort of varies house to house.

Q. But overall, your model, the way it's constructed, could show a decrease in property tax revenue even if the Case-Shiller Home Price Index shows housing prices are going up, correct?
A. So the Case-Shiller Detroit Home Price Index is for the Detroit metro region, and so the metro region could see home price indexes go up. And we show that other factors mean that taxable value declines, and so tax revenues go down.
Q. And there's not -- in your model, you're assuming there's not necessarily a link between actual home values or prices as measured in the Case-Shiller Index and taxable value, correct?
A. So the relationship is whether the selling of the home price when it's reset -- when the taxable value is reset after the sale, whether it was higher or lower than what the taxable value had been the year before. That's what matters.
Q. In your forecast, you're predicting a large decrease in property tax revenue and assessed values even though the Case-Shiller Index shows that property -- home prices have been increasing for the last two years, correct?
A. So in our model, we have taxable value continuing to decline even with some improvements

in home prices.
Q. And in fact, you're predicting the tax revenues are going to be cut in half, aren't you, over the course of the 10-year period?
A. Tax revenue --
Q. Or taxable values are going to be cut in half in the city of Detroit over the 10-year period?
A. So residential property is going to be cut in half over the 10-year period.
Q. So you're predicting that property values are going to be cut in half even though the Case-Shiller Home Price Index is showing an increase in property home prices for the last two years in Detroit, correct?
A. Right. So you can have an increase in home prices, but your taxable value could still be higher than what it is when the home sells. So you could see even with an increase with home prices, you could see your taxable value fall.
Q. And the taxable value is something -- is that set by the City?
A. So taxable value is put together by the City, and then it goes to -- there are several review processes before it's finalized.

(Document marked No. 12)
Q. I'm going to hand you what's been marked as Exhibit 12. It's another printout from Case-Shiller. At first at the top, it describes what the Home Price Index, the Case-Shiller Index tries to do, which it seeks to measure changes in the total value of all existing single-family housing stock.
Is that your understanding of what it does?
A. Uh-huh.
Q. And if you look at the index levels below, it indicates the one-year change in the index is an increase of 15.37 percent for Detroit, correct?
A. Yes.
Q. And the three-year change for Detroit is a 12.86 percent increase, correct?
A. Uh-huh.
Q. And they also provide figures for a 20-year -- a 20-city composite home index as a benchmark. Do you see that?
A. Yes, I do.
Q. And you're familiar with that benchmark?
A. I am.
Q. And the benchmark of 20 cities shows growth in home prices that is lower than Detroit's

for the one and three-year periods, correct?
A. Uh-huh. Yeah.
Q. Detroit's home prices using the Case-Shiller Index have increased more than other cities in the benchmark index over the one and three-year and five-year periods, correct?
A. Correct.
Q. And what are some of the reasons that Detroit's home prices would have been increasing at greater rates than other cities over the last one, three or five years?
A. I haven't looked at the other cities, but when I looked at Detroit specifically, the percentage increases have been so large, in part, because the base is so low.
Q. Right. I mean, Detroit is starting out from a low period, so it's not surprising that you would see a large increase in home prices, correct?
A. That is correct. A $5,000 increase is large in Detroit.
Q. And you would anticipate that the Case-Shiller Index would continue to increase for the Detroit market over the 10-year period that you forecast?
A. I don't know what it's going to do for the

Detroit metro area. I don't know.
Q. You haven't looked at that?
A. So we were charged with looking specifically at the city of Detroit, not the entire Detroit metro region.
Q. Is it possible to forecast what the Case-Shiller Home Price Index would look like for Detroit over the next 10 years?
A. I don't understand the question.
Q. Is it possible to forecast what the Case-Shiller Home Price Index will be for Detroit over the next 10 years?
A. So Case-Shiller is using actual data. I don't know if they do forecasts.
Q. I'm asking could you forecast the Case-Shiller Home Price Index over the next 10 years?
A. I have not done that, no.
Q. I know, but is it possible for you to do that? Is that something that's technically possible for you to do?
A. So you can forecast what is going to happen to average home prices. That's an exercise that I've done, that I've engaged with.
Q. Okay. And if we were to forecast home

prices over the next 10 years in Detroit, those home prices would increase under a reasonable forecast, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know what reasonable is. When I've done this, I've had -- I've looked at what would likely happen to average home prices, and they have been going up in my forecast.
BY MR. SMITH:
Q. Okay. And those are forecasts over the next how many years?
A. So looking out 10 years.
Q. Okay. So you're forecasting home prices to increase over the next 10 years, correct?
A. I am.
Q. And that would include in Detroit?
A. That's just for Detroit. I didn't look at the entire area.
Q. Okay. And why were you doing that forecast? Is that part of your expert analysis?
A. So as I mentioned in my report, one of the things that I looked at is the uncapping of taxable value when homes prices sell, and so part of the exercise was thinking about what happens to home prices.

continued to increase in the city of Detroit; is that correct?
A. There were increases, yes.
Q. The information you talk about about Renaissance Zones, it's kind of down toward the bottom of the page, and you mention you had the one year's data from 2013. Do you see that?
A. Yes.
Q. And we already talked about how that was provided to you by the assessor's office, right?
A. It was.
Q. And the reason you need the Renaissance Zone data is because there's different tax -- different taxes apply to Renaissance Zone than elsewhere in the city; is that correct?
A. So Renaissance Zones are exempt from certain taxes.
Q. And that includes the property tax?
A. Portions of the property tax. So if you're in a Renaissance Zone, you're still paying the debt millages, but you're not paying general operating. You're not paying library.
Q. Page 7 of your report, it says in Paragraph C use separate growth rates for real and personal property by property class. Do you see

that?
A. Uh-huh.
Q. Do you know what growth rates you used?
A. So it varied by type of property within real and personal.
Q. Did you pick the growth rates for real and personal property based on your judgment?
A. So ultimately I selected those growth rates based on my judgment.
Q. And do those growth rates also vary over year for each class of property?
A. They change year to year, yes.
Q. And you used your judgment to decide how the growth rates for each class of property should change year to year; is that correct?
A. I used my judgment to see how they would change year to year, yes.
Q. Page 8, subsection ii(b), you say that -- one of your assumptions was the tax law will remain unchanged during the forecast time periods. Do you see that?
A. Yes.
Q. And who gave you that assumption?
A. So in this case, it's referring to the selected tax rate, and we kept it constant

following standard forecasting procedures. So as I outlined earlier, I followed the Michigan State Revenue Conference forecasting procedures, which is also what U.S. federal agencies use. So you follow current law, and you don't assume a tax rate has changed.
Q. Current law does not exempt personal property in the manner that the proposed legislation does, correct?
A. So right now in current law, it is planning for -- the bills have been passed that would repeal personal property. It has to be confirmed by voters. And so in that case, the third part of forecasting is to think about what known changes there are, and in this case, we accounted for a known change.
Q. Okay. Well, you don't know what the outcome of the vote will be, correct?
A. I do not know.
Q. And so under current law, personal property is not exempted, correct? That's not the law in the state of Michigan right now, correct?
MR. ALBERTS: Objection.
THE WITNESS: So currently personal property is slated to be repealed assuming voters approve it in

August.
BY MR. SMITH:
Q. Does current law as it exists at the date of this deposition exempt personal property?
A. So the laws have been passed that exempt it. It just hasn't been -- it's subject to approval by voters, so I kind of feel like this is gray, and I don't quite know how to answer that question.
Q. Okay. Right now personal property is not exempted. You can't say oh, I'm not going to pay my personal property tax, right?
A. So personal property right now is -- has been taxed in Michigan.
Q. Okay. And that's the current law right now?
A. Current law, the vote has not happened. It's still taxed. Okay. I will say that.
Q. But in your forecast, you've modeled the possibility that that current law treatment of personal property tax may change over time, correct? You've used a 50 percent factor to model that possibility, correct?
A. Right. So we -- so I've included a 50 percent chance that the vote passes in my

analysis.
Q. And so you've included in your analysis a 50 percent chance that personal property exemptions may pass in which case personal property taxes would be decreased, correct?
A. So what I specifically modeled is a 50 percent chance that personal property taxes will be reduced for commercial industrial taxpayers, and so I factored in a 20 percent -- what -- we're forecasting a 20 percent reduction in personal property and a 50 percent chance of that happening, so we've modeled a 10 percent reduction.
Q. So you factored in a chance that there will be a change in current law leading to a reduction in personal property taxes, correct?
A. Yes.
Q. And the -- have you done any investigation into whether there's any debate about changing tax rates in the state of Michigan?
A. For what?
Q. Have you done any investigation into whether there are any proposals to change tax rates in the state of Michigan?
A. In the state overall or --
Q. That would impact City of Detroit.

A. I have not looked into any tax rate changes in the city.
Q. Have you looked into any tax changes other than the personal property tax change that could impact Detroit's revenues and whether there are proposals for those?
A. I don't think I understand the question.
Q. Have you looked into any -- into whether there are any proposals for tax rate changes that might impact Detroit's tax revenues?
A. I am not aware of any proposals that would change tax rates in Detroit.
Q. Have you investigated the matter, though?
A. No. I have not looked into it.
Q. So you're saying that the assumption that you used for keeping tax rates constant came from the Michigan Manual; is that correct?
A. So they've published a paper about their procedures for doing their consensus revenue forecasting, and so that was consulted as well as what do other agencies do, and those procedures were followed.
Q. Have you done forecasting for taxes before where you did not assume current tax law applied, that there might be changes?

A. So I have done forecasting when a specific policy change has been given and we've asked to say -- to look at the revenue impacts.
Q. What kind of policy change have you forecasted to determine the potential impacts on taxes?
A. So in my old job, I participated in a two-year project looking at tax policy changes at the State of Michigan level. Some of the tax changes would have reduced revenues for certain taxes, and some would have increased tax revenue for certain taxes.
Q. So when you were working with the State of Michigan, you forecasted the effects of potential changes in tax policy on tax revenues?
A. So I wasn't working for the State of Michigan. Maybe you said with, but I was working for another organization doing State of Michigan taxes, and -- I've forgotten your question.
Q. What was the other organization that you worked on Michigan taxes with?
A. I worked for a group called Business Leaders for Michigan.
Q. Okay. When you were doing forecasting to look at changes various policies that could be

adopted would have on Michigan tax revenues, you did an analysis on that, correct?
A. So I did an analysis of specific tax changes for the state that would affect the state.
Q. Okay. And did you calculate -- forecast what the changes in revenues would be if tax policy changed in the state of Michigan when you did this other project?
A. When I did this other project, yes.
Q. And were you coordinating with the state, or how would you describe your relationship with the state in conjunction with that project?
A. So I would have -- I would go to meetings with state representatives to talk about the tax change and to collect data.
Q. And what kind of tax changes were you discussing with Michigan officials?
A. Generally looking at changes to the business tax and changes to the sales tax.
Q. Okay. Were they looking at increasing or decreasing the business tax and the sales tax?
A. They were looking at decreasing the business taxes and potentially raising the sales tax.
Q. And raising the sales tax would increase

the amount of money that the state collected that could be used for revenue sharing, correct?
A. The specifics of the different policies and models, I can't remember how revenue sharing was treated in that.
Q. Do you know where the city -- where the state gets the money that it uses for revenue sharing?
A. I do.
Q. Okay. Where do they get that money?
A. So -- so the constitutional piece is funded through sales and use tax revenue, a part of it.
Q. So increasing the sales tax would increase revenue sharing under the constitution of Michigan to the cities, correct?
A. All things equal, if you -- so -- so right now how the constitutional piece is structured, you have the first 4 percent, and then you have an add-on 2 percent. So the revenue sharing is -- the constitutional piece is 15 percent of that 4 percent, and those things are written that keep that 4 percent constant, and you play with that additional 2 percent.
So proposals that I often look at was sort

of keeping the revenue sharing intact. If you're able to increase that revenue, if you expand the sales tax base or you have more transactions or things, then you can see that sales tax revenue could go up, but you could play with the rate, and it may not actually affect sales tax revenue.
Q. Is it possible that increasing the rate of the sales tax will increase state revenue sharing payments to the cities?
A. Typically if you were to change the rate, you wouldn't be affecting, per se, the revenue sharing if you're not changing that 4 percent.
Q. What about the percent above 4 percent?
A. Well, that part of it isn't part of the sales tax formula.
Q. But generally you know that the state uses the sales tax as a source for its revenue sharing payments to the cities, correct?
A. The constitutional piece comes from the sales tax.
Q. Do you know if any of the statutory piece comes from the sales tax?
A. So right now the Economic Vitality Incentive Program is being -- the funds for it are coming from the General Fund, and part of the sales

and use tax go into the General Fund.
Q. Okay. So the more money that the state collects in sales tax, the more money that is available to fund revenue sharing payments, correct?
A. So the more sales tax revenue the state collects, the more money it would have available in its General Fund, and it could choose to increase payments to municipalities, or it could not.
Q. And so increasing the sales tax rate could have the effect of -- it would have the effect of making more money available for revenue sharing payments. It's just whether the legislature decides to use it or not, correct?
A. More money would be available. Legislature could or could not decide to use it.
Q. When were you doing that analysis about potentially raising the sales tax rate?
A. So that analysis I did back seven, eight years ago. What year is it? 2014. So I did that work, I'm remembering, but probably around 2007.
Q. Okay. And did the state raise the sales tax?
A. They didn't.
Q. Do you know why they didn't?

A. So Michigan ended up making some changes. They eliminated the SBT. They put in a new business tax and decided not to make any changes to the sales tax.
Q. And is the state of Michigan, compared to other states, a relatively low-tax state?
A. It depends on what time frame you look at.
Q. Currently.
A. Currently Michigan's in the middle in terms of tax burden.
Q. Do you know if there's any other planning regarding sales taxes, sales tax changes?
A. I'm not aware of any planned sales tax changes.
Q. Have you investigated whether there are any planned sales tax changes?
A. Nothing has come up in my conversations with anyone, so I'm not aware.
Q. Have you ever heard of the Revised Judicature Act of 1961?
A. I don't think so.
Q. Are you aware that under current law, if the City has a judgment against it, that it can charge -- it can raise property tax rates above statutory rates to collect money to satisfy the

judgment?
A. I'm not aware of that law.
Q. Did anybody ever tell you or inform you that the City has in the past raised property tax rates above statutory maximums to pay judgments against it?
A. No one told me that. When I looked at a history of property tax millages for general operating, I noticed that the rates in the past were above 20 mills.
Q. Okay. And so you noticed that the rates were above statutory maximums in the past. Then did you make any inquiry about why that was?
A. No, because going forward, what was relevant was the current tax rate.
Q. Okay. But the City -- Syncora could get a judgment against the City, and the property tax rate could be raised above statutory maximums, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know the likelihood of that.
BY MR. SMITH:
Q. Well, other -- you know other creditors of the City in the past have been successful in

getting judgments and having the tax rate raised above statutory maximums to pay it, correct?
A. I don't know any details.
Q. Well, you know that the tax rates have been assessed above statutory maximums in the past, correct?
A. The only thing that I noticed was in the past, the general operating mill was above 20, and I was not sure when the 20-mills limit became relevant for Detroit.
Q. Nobody -- I guess since nobody has told you about this possibility of property tax rates being above statutory maximums, so that's correct, right?
A. Nobody has told me about that.
Q. Okay. So nobody has asked you to consider what taxes -- property taxes could be collected at rates above statutory maximums under the Revised Judicature Act, correct?
A. Correct. Nobody asked me to look into that.
Q. And you don't have any idea why they didn't ask you, correct?
A. I have no idea why people did not ask me to do something.

Q. Okay. You did do an adjustment for changes in collection rates over time, correct?
A. Correct.
Q. Do you know if there's an adjustment for changes in collection rates for the income tax under Mr. Cline's analysis?
A. I don't know.
Q. You haven't done anything to ensure that your methodology in terms of the treatment of collection rates is consistent with Mr. Cline's methodology, correct?
A. Can you say that again?
Q. You haven't done anything to investigate or ensure that the methodology you used with respect to collection rate on the property tax is consistent with Mr. Cline's approach on the income or other taxes, correct?
A. We took pains to make sure that the inputs we were using were consistent, and the way we were going about -- he had a different methodology because it's a different type of tax with a different tax base. He had a different methodology than I did, and I don't -- given how -- I don't know -- you know, there's a different collection process. I don't know how he factored in

collection exactly into his model.
Q. You don't know whether Mr. Cline factored any changes in collection rate in his model one way or the other, correct?
A. I don't know how his model incorporates collection. I would have to see it.
Q. You agree that it's important to factor in the collection rate in forecasting income tax, correct?
A. So there are -- collections of income is important, and he -- you know, collections for income taxes are different than property taxes, so it's not -- it's not unusual that he would deal with it differently than I would. He's -- for example, you have tax withheld from paychecks, so that's a very different model than someone paying their property taxes.
Q. But you agree that it's important to factor in in some way changes in collection rate over time in forecasting the income, corporate, wagering or utility user tax, correct?
A. I think you said, though, that it's important to factor in changes. I think it's important to think about the revenue that you're going to be receiving, you're actually receiving,

and for each of the different taxes, we did that.

In property, we thought about what's the collection rate. In income taxes, we thought about the tax base, different tax bases, taxes withheld versus taxes paid, so collection would show up in that analysis. For the other taxes, we thought about well, what is being actually paid by, say, the casinos or utility users. So collections is present, but I think they're different in each of the tax bases.

Q. But in the income tax analysis, you know there's no change or analysis of what the collection rate might be over the next 10 years, correct?

A. I don't know exactly what Mr. Cline did there.

Q. Okay. But you agree it's important to take into account the collection rate in any forecast of taxes and tax revenue that you do, correct?

A. I don't know if I would say it's important to think about a collection rate. I think it's important to think about what money the entity is going to receive, which is what we've tried to do in our forecast. We tried to think about actual

money in the door in a given fiscal year.

Q. And would you agree that collection rate is one of the key drivers of tax revenue?

A. In the property taxes forecasts that I did, collection rate is an important driver.

Q. Yeah. For any tax revenue analysis, collection rate is a key driver of tax revenue, correct?

A. Income taxes, like I said, I think each of them collections is different, and so the collection process is different, and so it's more important and less important in other areas.

Q. Have you ever done a tax forecast where you failed to incorporate a collection rate?

A. In the forecast that I prepared related to property taxes, I've included a collection rate.

Q. I'm asking about any tax forecast. Have you ever done a tax forecast where you didn't take into account potential changes in collection rates?

A. I mean, I think -- I've always incorporated collections, and we all think -- you know, both in this project and other work what do we actually think money is going to be in the door, so collections are always a process of what we're thinking about.

Q. Because the higher your collection rate, the higher your tax revenue, and the lower your collection rate, the lower the revenue, correct?

A. In some cases, yes. In other cases, you can have a higher collection rate and a lower tax levy, and you could have -- you would have a lower tax revenue.

Q. All other things being equal, the higher the collection rate, the more tax revenue you take in, correct?

A. Up to a certain point.

Q. And that's why it's important to consider the collection rate in a tax forecast, right?

MR. STEWART: You've asked this question, I think I've counted, 15 times now, so she's going to answer. This is going to be the last time because I am going to instruct her after this.

MR. SMITH: You have a pattern of obstructing every deposition you've been in. By the way, I'm going to ask her about deposition transcripts later, so I ask that you produce this order of the court because I'm informed there is no such order.

MR. STEWART: No. Ask Mr. Hackney.

MR. SMITH: No. I'm asking you. I'm going to ask about it. Where's the order?

MR. STEWART: It was a ruling that he made. Your partner, Mr. Hackney was there.

MR. SMITH: And there was no such ruling, so --

MR. STEWART: Yes, there was.

MR. SMITH: -- you're obstructing the deposition.

MR. STEWART: I was in court when it happened.

MR. SMITH: Okay. Then I'm asking that you produce it. Produce it before the deposition is over. We've got like three or four hours left.

MR. STEWART: No.

MR. SMITH: We're at your offices. I just want the order.

MR. STEWART: I told you it's not an order. It's a ruling that he made.

MR. SMITH: Or the transcript, whatever it is. I want you to show me where the court issued this ruling.

MR. STEWART: Why don't you ask Mr. Hackney because he was the one that got in the colloquy with the judge, and he is the one where the judge said it. I think it was during the swaps trial, but we've had thousands and thousands of pages of transcript. So I'm not going to interrupt the deposition to go find it. I think, though --

MR. SMITH: You can do it at a break.
MR. STEWART: -- since your firm was the one that got the adverse ruling, I would think they'd have no trouble, and find Mr. Hackney. He remembers it well because he professed to be surprised by the judge's ruling, and the judge told him actually it's standard, and it is standard. And that's just -- everybody knows it. Surprised he didn't because he's an excellent lawyer, but that was the ruling.
So now the question, though, is I think -- I don't think I'm going unfair when I say that after you've asked this witness the same question 15 times and she's answered it 15 times, you have to move on. You're just arguing with her. You're wasting everybody's time, and it's an abuse of the witness. So let's reread the question. Reread the question. She's going to answer it, and then we're going to move on.
(Whereupon, the record was read as requested.)
THE WITNESS: Collections are important to consider in doing any tax forecast.
BY MR. SMITH:
Q. And Ms. Sallee, is it your understanding

that you're not allowed to look at any of the testimony given in deposition by other witnesses in this case, including Mr. Evanko?
MR. STEWART: You just misstated it.
MR. SMITH: I'm asking the question.
MR. STEWART: Ask her. Then I'm going to correct you because you just misstated what I told you.
MR. SMITH: You're coaching the witness.
MR. STEWART: Answer the question.
THE WITNESS: You said testimony. I'm trying to -- I don't know -- I don't know legal things, so I don't know.
MR. STEWART: Just because I think you misunderstood it, Mr. Smith, but the judge's ruling was --
MR. SMITH: Listen, your speaking objections are really obstructive.
MR. STEWART: Well, there's no pending question.
MR. SMITH: Then don't give a speech on the record.
MR. STEWART: Because you just misstated things, and we have to have the record corrected because you can't go around misstating things.

What the ruling was is you cannot ask a witness to comment on the testimony of another witness. That's what the ruling was.
MR. SMITH: Okay. That's what you've been telling everybody in this case, right?
MR. STEWART: Well, that's what the judge ruled. I should add, by the way, I didn't instruct her not to answer your questions. I just told you I have a standing objection to them, and I cannot stop you if you want to ask her what Mr. Evanko said. I just told you it's improper, and the judge has said not to do it.
MR. SMITH: You obstructed the deposition already.
MR. STEWART: No. If you want to ask her, ask all day about it.
MR. SMITH: I'm told the tape is running out. Let's take a break.
THE VIDEOGRAPHER: Off the record. The time is 1:32 p.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We're back on the record. The time is 1:39 p.m.

BY MR. SMITH:
Q. Hi, Ms. Sallee. Do you have Mr. Evanko's testimony in front of you? Do you see the excerpts there?
MR. STEWART: And you have my standing objection, and I will not interrupt your examination if it's clear my objection to this is standing.
MR. SMITH: Okay.
BY MR. SMITH:
Q. You've got it in front of you?
A. Yes.
Q. Okay. I wanted to ask you about Page 152 in there if you would flip through. These are just excerpts from his deposition, and let me know when you get to Page 152.
A. Okay.
Q. Okay. And actually if you go down to Line 13, you see Mr. Evanko's talking about the transactions they have and whether they're arm's length. Do you see that?
A. Yeah.
Q. And you see that the data that he's received was so scant of arm's length transactions. There could not have been a study developed because

it was just absolutely insufficient data. Do you see that?
A. Okay. I see that.
Q. And Mr. Evanko's testimony is generally consistent with the other materials we've seen from the assessor's office indicating that most of the transactions are not arm's length, correct?
MR. STEWART: Objection.
THE WITNESS: Well, I haven't seen any of the data, so I don't know.
BY MR. SMITH:
Q. Well, I mean, we saw some other documents talking about how most of the transactions were not arm's length. Do you recall that?
A. I don't know if most of the transactions were not arm's length.
Q. So you don't know what percent of the transactions the City has that are arm's length transactions, correct?
A. I do not know a percent, no.
Q. If you go over to Page 223 of the document, it's like the last two pages. Let me know when you get to 223.
A. Okay.
Q. If you'll look at Line 18, Mr. Evanko is

asked but when I said you don't remember discussing this with Ernst & Young, I was correct, right? Right. You don't recall discussing .5 reduction of 10 percent in collection in fiscal year 2015 due to loss of revenue from the small business personal property tax exemption? Not only do I not -- I do not recall, but this is a ridiculous estimate. I knew in December of 2013 that the small business personal property tax exemption would affect the City's tax base by approximately .7 of 1 percent, not 10 percent.
Do you see that?
A. Uh-huh.
Q. So Mr. Evanko is characterizing your forecast of the reduction in personal property tax as a ridiculous estimate, correct?
MR. STEWART: Objection.
THE WITNESS: Well, he says this is a ridiculous estimate.
BY MR. SMITH:
Q. And you didn't have any conversation with Mr. Evanko to ask him about whether it was a reasonable estimate the reduction in personal property tax before you put it in your report, correct?

A. So I had to -- I had several conversations with Mr. Evanko. I've talked with him in January of 2014 and received some data from him. He answered some questions. I also had conversations with Alvin Horhn in his office. And I had a call with Alvin in February of 2014, and I ran the 10 percent reduction by him, and he -- he said that was reasonable.
Q. Did you ever run the 10 percent reduction in personal property tax by Mr. Evanko before you put that in your report?
A. I can't remember if it came up in the conversations with him in January or not. I know I did run it by, because of my notes, with Alvin Horhn.
Q. Do you have written notes of all of your conversations with people at the City?
A. No, I don't.
Q. Do you have written notes of any of your conversations with people at the City or others you rely on?
A. I do have some written notes.
Q. Do you know if those have been collected for production?
A. They have.

Q. Do you understand that under the proposed legislation that there's sums that will be reimbursed to cities to help offset reductions in personal property taxes?
A. Yes, there's a replacement mechanism.
Q. Do you have an understanding that under the legislation, not all property is subject to the reduction in personal property tax?
A. What's the question?
Q. Is there some property that would be exempted from the reduction in personal property tax under the legislation?
A. So in personal property, you have commercial, industrial and utility. Utility property is not exempt, would not be subject to the reduction, and there's a -- and there's different phase-outs of how commercial and industrial are affected.
Q. Before today, you were never informed that Mr. Evanko had characterized your forecast for the reduction in personal property tax in the manner that he did in his deposition, correct?
A. So I have had some conversations with my lawyers about --
MR. STEWART: You can't talk about what you

talked to your lawyers about.
THE WITNESS: Okay.
MR. STEWART: He can ask -- he can tip-toe around the subject, and he will do that, but that's -- there's a little dance we usually do.
BY MR. SMITH:
Q. Did you know before today that Mr. Evanko characterized your personal property tax forecast reduction as ridiculous?
MR. STEWART: You can answer that.
THE WITNESS: I did not know he said it was ridiculous.
BY MR. SMITH:
Q. Okay. Then Mr. Evanko is asked on Page 224, he's asked about this -- the reassessment that's going to be completed in 2020. Do you see that?
A. Uh-huh.
Q. The planned reappraisal study?
A. Yeah.
Q. And he's asked and you could not have given them an estimate of how much to reduce taxable value based on this study because you, yourself don't know which way it's going to come out, correct? And he answers I don't know where --

how it's going to come out next year. 2020 is a lifetime.
And then he's asked okay, and he testifies you know, I'll be collecting Social Security living in North Carolina. And then he's asked I know you're thinking about two years. I know where your head is at, but you agree with my statement. You did not provide them with -- you didn't tell them this is about what it's going to look like when the reappraisal study is done, correct? Absolutely correct.
Do you see that testimony?
A. Uh-huh.
Q. Before today, were you aware of that testimony by Mr. Evanko?
A. I was not aware of this testimony, no.
Q. Okay. It's true that Mr. Evanko did not provide you with the assumption you use in your forecast regarding a reduction in assessed value as a result of the planned reappraisal, correct?
A. Mr. Evanko did not provide the assumption that was used in our forecast.
Q. And in fact, Mr. Evanko's testimony is that he doesn't know what the outcome will be in terms of whether property will increase or decrease

in value as a result of the planned reappraisal study, correct?
MR. STEWART: Are you asking her that's what this says?
BY MR. SMITH:
Q. That's what his testimony is, correct?
MR. STEWART: Objection.
THE WITNESS: Can you say that one more time?
BY MR. SMITH:
Q. Mr. Evanko's testimony is that he doesn't know what the outcome of the reappraisal study will be in terms of whether property values will increase or decrease, correct?
A. It says here, yeah, he does not know how the reappraisal study will come out, correct.
Q. And in fact, nobody knows how the reappraisal study is going to come out in terms of effect on property values and assessments in the city, correct?
A. Nobody knows for certain.
Q. Would you agree that Mr. Evanko would certainly be one of the most knowledgeable people in terms of assessed values in the City of Detroit?
MR. STEWART: Objection.
THE WITNESS: Mr. Evanko is knowledgeable of

the assessed values in Detroit.
BY MR. SMITH:
Q. In fact, Mr. Evanko is responsible for the assessed values in Detroit as the assessor, correct?
A. He is.
Q. And in fact, Mr. Evanko would be one of the most knowledgeable people about assessed values in Detroit, correct?
MR. STEWART: Objection.
THE WITNESS: He is a knowledgeable person.
BY MR. SMITH:
Q. Mr. Evanko has been dealing with assessed values in Detroit for much longer than you have, correct?
A. My understanding is he joined the City in January.
Q. Do you know where he joined from?
A. I think I was told he was at Wayne County.
Q. And at Wayne County, he would be dealing with assessed values in the city of Detroit, correct?
A. I don't know what he did.
Q. I'd like to go back to your report now.
A. Okay.

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Q. Page 9 you talk about how you had assumed there would be a reduction -- well, you talk about the planned reassessment at the top of Page 9, correct?
A. Yes.
Q. And you used your judgment in order to come up with the figure you used to reduce planned assessment as -- assessed values as a result of the planned assessment, correct?
A. No. I only looked at taxable value, so I took into account the City's activities and its impact on taxable value.
Q. Okay. So you used your judgment in developing the assumption about what taxable value would be under the reappraisal study that's planned, correct?
A. So after the reappraisals and the reassessments, I took those into account in thinking about what happens to taxable value.
Q. And did the value you used to reduce taxable value as a result of the reappraisal study, was that based on your judgment?
A. The parameter I used was based on my judgment after the reappraisal study.
Q. Okay. On Page 9 down under C, you say

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that the reinvestment scenario estimates improvements to the tax base on collections of the general operations and economic environment of the city improved during the 10-year period. Do you see that?
A. Uh-huh.
Q. And the City anticipates that improved economic conditions will increase property values, correct?
A. You said the City?
Q. Yeah, the City.
A. Okay.
Q. Well, do you anticipate that -- do you anticipate that improved economic conditions will increase property values?
A. So this scenario does say that if the economy in Detroit improves, we would see improvement to taxable values in the city. We would see improved property tax revenue.
Q. And under your model, improving services in the city should improve property tax revenues, correct?
A. We didn't look at services offered by the City.
Q. Okay. So you did no analysis to determine

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the effect on improved services on property tax revenues, correct?
A. Did not look at the relationship between improved city services and property tax revenue.
Q. Do you agree it's at least theoretically possible that improving city services could increase property tax revenues?
A. I agree it's theoretically possible.
Q. Page 9 to 10 you talk about the growth rates after recessions. Do you see that?
A. Yes.
Q. And you mention historical data. What historical data did you look at?
A. So I pulled historical taxable value information from the State Tax Commission for Detroit.
Q. And then did you use your judgment to set the various growth rates that you assume in your forecasting model?
A. Yeah. So I performed some analysis and then used that analysis to select growth rates.
Q. When you say analysis, what calculation did you perform?
A. So in this case, looking at historical taxable value and trends and seeing during

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different periods on different tax bases what's happened in the city.
Q. For any of the historical trends that you talk about in your report, did you actually come up with a mathematical formula to specify the trend, or did you eyeball it?
MR. STEWART: Objection.
THE WITNESS: So I mean, I would type in a compounded annual growth rate formula and calculate the compound annual growth rate, things like that. That's a formula, I guess.
BY MR. SMITH:
Q. But in order to do the trend, I mean, how did you figure out what the trend was? Did you do any mathematical analysis to determine the trend or not?
A. So I would calculate certain things using the data.
Q. What kind of things?
A. Like the compounded annual growth rate during certain periods.
Q. Did you just take an average of certain number of years or --
A. So I would look at a time period, and then I would calculate -- so compounded annual growth

the metro area, not Detroit specifically, so this was a chance to have some Detroit-specific data.
Q. Okay. And why didn't you look -- I mean, did you use the data to -- as a number input in your model? How was it used?
A. How was it used? So again, we did the analysis to see sort of where home prices were in the city and compare it to the City of Detroit's published state equalized value and taxable values, and then I was able to use that information in helping think through what was going to happen to residential taxable value in the forecast, so it helped me select my growth rates.
Q. Okay. And so the -- if you had looked at a different period of time, your growth rate assumptions would be different, correct?
A. Well, I did look at different periods of time. So I looked at longer periods and shorter periods, and I -- ultimately this information was used to help think through, you know, what were home prices -- average home prices five, 10, 15, 20 years ago, and what would their taxable value look like today versus where would it be reset if the home sold today. And so that helped me think about well, how much would taxable value have to

fall, how much is state equalized value likely to fall and go below -- need to go below the capped value and therefore, affect taxable value.
All of that is to say I looked at various time periods and used that to think through what needed to happen to taxable value in the forecast for residential property.
Q. Okay. If the property values don't fall below capped value, I mean, what's the effect of that?
A. I don't understand your question.
Q. Let me ask a better question. Down at the bottom of Page 13, you say that your forecast assumes a reduction in residential taxable value of between negative 2 and 4 percent per year between fiscal year 2016 and fiscal year 2020?
A. Yes.
Q. Is that assumption based on your judgment?
A. I used my judgment to select those rates, yes.
Q. And did those rates change over each year?
A. There are some years that I think have the same rate, so it varied depending on -- some of them are the same. Some of them aren't. I can't remember year to year what I picked.

Q. And did you use your judgment to pick whether the rate would change in a given year for all the years that are covered by your forecast?
A. Well, so the goal here in using -- so using some data to think about what's likely to happen to taxable value and then looking at sort of overall how much -- looking at the data, how much do I think taxable value on the residential side needs to drop and then spreading that out and thinking through how many years is it going to take, is this process going to take and then applying a growth rate for -- to those years.
Q. When you say figuring out how much residential value needs to drop, what do you mean?
A. So doing an analysis looking at -- in this case -- so overassessments impact taxable value in the following way. If your house is overassessed, your state equalized value is going to be higher than your capped value, and you're going to be paying taxable value equal to your capped value. If your assessment falls and your equalized value goes below your capped value, then your taxable value would fall, so it would be the lesser of the two.
And so I've now forgotten what you've

asked me after having gone through that.
Q. Right now the county isn't -- right now the county is saying that the properties are not overassessed, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if the -- the county has given it an equalization factor of 1.
BY MR. SMITH:
Q. Okay. And that means in the county's view, the property is not overassessed, correct?
MR. STEWART: Objection.
THE WITNESS: Through their process, the county has given them an equalization factor of 1.
BY MR. SMITH:
Q. Okay. And that means the county determines that the property is not overassessed because if it thought it was overassessed, it wouldn't give them a value of 1, correct?
A. So the process is that if the county thinks that the property is overassessed, it would not give it a factor of 1.
Q. 15 percent value at the bottom of the page, that's the value that you assumed for the effect on taxable value from the reappraisal study that's planned in three -- that's going to take

three to five years, correct?
MR. STEWART: Sorry. Where are we again?
THE WITNESS: Where are we?
BY MR. SMITH:
Q. Bottom of Page 14. The 15 percent drop in residential taxable value is the value you assumed based on that reappraisal study that's going to take place in the future; is that correct?
A. Yes.
Q. And then over on the top of Page 15, you say that your assumption of the 15 percent decline would bring residential taxable value to approximately half of its fiscal 2013 level. Is that accurate?
A. That's accurate.
Q. And so based on your assumption regarding the effect of the reappraisal study, you're saying that the taxable value of the property in the city would be reduced in half, correct?
A. No. I said the residential value would be half.
Q. As a result of your assumption about the reappraisal study, you're concluding that the residential taxable value will be reduced in half, correct?

A. It will be half of its fiscal year 2013 level, the residential taxable value.
Q. For commercial or industrial property, how did you go about figuring out taxable value for those?
A. So taxable value, how did I go about figuring out? So commercial and industrial taxable value, I pulled historic information as the starting point and then applied growth rates for the forecast period.
Q. For commercial and industrial property, you didn't factor in the potential of reappraisal during the forecast period, correct?
A. So during the next few years, I have commercial and industrial property taxable value declining. How property is evaluated for commercial industrial, I did not have a big factor like I did with residential.
Q. Do you know how the value of commercial industrial property is set by the City?
A. For personal, I understand. For real property, I know the methods they can choose from. I don't know exactly what the City has been selecting.
Q. Do you know -- I mean, do you know what

the City is going to do in the future in terms of evaluation of industrial or commercial property? Like have you investigated its plans or not?
A. I have not talked to the City about their plans about how they're assessing commercial industrial property.
Q. And the reason you don't have the big drop in taxable value for a commercial and industrial property is because you're not using this assumption of a reappraisal for those categories of property, correct?
A. So in this case, I don't have the reappraisal process resulting in a huge drop in commercial and industrial taxable value.
Q. But you do have a huge drop in taxable value for the residential property based on the planned reappraisal study that's going to take place over the next several years, correct?
MR. STEWART: Objection.
THE WITNESS: Can you say that again?
BY MR. SMITH:
Q. You do have a huge drop in the taxable value for residential property based on this reappraisal study that's planned to take place in the future over the next several years, correct?

A. So I have a 15 percent drop in -- well, I have a 15 percent drop between fiscal year 2019 and 2020 on the residential side because of the reappraisal.
Q. And that 15 percent drop results in wiping out half of the taxable value of residential property in the city, correct?
A. When you take into account what the taxable value is by 2020 compared to 2013, it's going to be half of the 2013 level.
Q. And that's in addition to drops in taxable value that have already occurred before 2013, correct?
A. The drops of taxable value before 2013?
Q. Yeah. Before 2013, taxable value already decreased, correct?
A. Yes.
Q. And so your forecasted 50 percent reduction is in addition to the reduction that has already occurred in taxable value in the city for residential property, correct?
A. There have been reductions in taxable value, and we have continued reductions occurring because of reassessments and reappraisals, yes.
Q. And the continued reduction in taxable

value, that's because of actions the City is going to take in the future, correct?
A. So some of the reductions in the residential taxable value are based on planned actions of the City, and some of them are not.
Q. Which ones are not?
A. Well, so as detailed earlier, there are, you know, things that are at -- causing taxable value on the residential side to decline that aren't based on the study, so population declines, etcetera.
Q. The greatest factor in reducing taxable value in your analysis are actions the City is going to take in the future, correct?
A. Can you say that again?
Q. The greatest factor causing a reduction in taxable value in your forecast is actions that the City is going to take in the future, correct?
A. So the largest drop in taxable value in the forecast have been -- so in fiscal year 2015, the City lowered assessments, and so that created a large drop in taxable value for residential, and so that's an action of the City. And then the planned reappraisal study is a second large -- results in a second drop in taxable value, and it is also an

action of the City, yes.
Q. And do you have any idea what factors were taken into account in assessing property in the city?
A. So I know theoretically what they could be using. I don't know what they are actually using.
Q. So you don't know what factors the City used in factoring assessments in the reappraisal it has done so far, correct?
A. I do not know the specifics.
Q. And you do not know what factors the City may use in its planned reappraisal study in the future, correct?
A. So the reappraisal study, they're hiring an outside firm to do the reappraisal, so the City will take that information. I don't know exactly how they're going to use it.
Q. I mean, part of the reason the City seems to be reducing assessments is basically for political reasons to reduce people's property taxes, correct?
MR. STEWART: Objection.
THE WITNESS: I have no idea.
BY MR. SMITH:
Q. Well, do you know that -- when the

reassessments came out already, were you aware there was a press conference where the politicians all came out and said look, we're lowering your property taxes? Were you aware of that?
A. I was aware there was a press conference.
Q. And you're aware the politicians in the city of Detroit were saying that the reappraisal that they did which lowered property taxes was done to benefit the residents of the city, correct?
A. I haven't read anything about what city officials are saying about the reassessments.
Q. You agree that Detroit is planning to do a reassessment even though Wayne County is saying the property is properly assessed, correct?
A. I don't know if Wayne County is saying the properties are properly assessed. They're giving it a state equalization factor of 1.
Q. Okay. Even though -- even though Wayne County is giving the property an equalization factor of 1, which means it's not over or underassessed, the City, nonetheless, is going to go in and reappraise the property, correct?
MR. STEWART: Objection.
THE WITNESS: So my understanding is the City is taking -- hiring a group to parcel by parcel

reassess the property in the city.
BY MR. SMITH:
Q. Page 17, you note that much of the industrial personal property qualifies for a Renaissance Zone exemption. Do you see that?
MR. STEWART: What paragraph?
MR. SMITH: Up at the top of Page 17.
THE WITNESS: Uh-huh.
BY MR. SMITH:
Q. Do you know what percent of the industrial personal property is subject to a Renaissance Zone exemption?
A. Off the top of my head, no. Let me see. I think about two-thirds of it. This is just without my spreadsheet in front of me.
Q. During the historical period that you've looked at, did property tax rates change?
MR. STEWART: Could I have the question reread, please.
(Whereupon, the record was read as requested.)
THE WITNESS: Which specific property tax rates?
BY MR. SMITH:
Q. Well, did any of them change?

A. I don't know.
Q. Well, you mentioned that there were some years where the rates were above 20, and I'm just wondering whether there were other changes that you noticed in property tax rates in the historical data that you examined?
A. So I don't know for the years where I pulled taxable value what the property tax rates were in those given years year by year. I don't know.
Q. You're assuming that no property rate changes will change for the next 40 years, correct?
A. The analysis done as such keeps the tax rate constant.
Q. And it does that for 40 years, correct?
A. Well, so we did a 10-year forecast where we kept our tax rates at current level, current law levels and then extrapolated for another 30 years, and so that, in effect, we're sort of holding tax rates constant.
Q. And you're doing that, in effect, for 40 years, correct?
A. For 40 years in total.
Q. Have you ever done a forecast before when you assumed the tax rates would remain constant for

as long as 40 years?
A. I think this is the only time I've done a 40-year forecast.
Q. And is it the only time you've done a 10-year tax forecast?
A. I have done 10-year forecasts of tax revenue for specific projects for individual clients.
Q. Okay. But you had never done a forecast for as long as 10 years trying to forecast revenues for a city or other government entity, correct?
A. I don't think so. I think just Detroit.
Q. And I mean, in the other -- what's the longest tax forecast that you've done for a city or any other governmental entity other than the Detroit one?
A. Well, so most of my work that I've done I've forecasted tax revenues to a municipality, but I wasn't working for the municipality. So I've done forecasts for -- I guess I've done forecasts for projects involving taxes to the State of Michigan. You know, those have been five to 10 years.
Q. I mean, my question is not about individual projects. I'm talking about overall tax

revenues. You haven't done any forecasts of overall tax revenues to a city or other government entity for as long as 10 years, correct?
A. I can't remember if for the Business Leaders for Michigan project, which was forecasting State of Michigan tax revenue, how long our time frame was. That was forecasted at least five years. I don't know how much longer if I did -- if I did beyond that.
Q. Okay.
A. So I don't know.
Q. And that was just the sales -- was that limited to certain taxes in Michigan, or was it all taxes?
A. In that case, it was limited to a few taxes.
Q. When you did the Flint, Michigan forecast, how many years was that?
A. Five years.
Q. Did you assume that tax rates would all stay constant for five years in Flint, Michigan?
A. So I think as I said earlier, they do have certain millages expiring, and so anything that was in current law we took into account. So if a millage was expiring, then we would add it back in

for parts of the analysis where it was relevant.
Q. And did you look at corporate tax at all in your Flint, Michigan analysis?
A. So we looked at income taxes.
Q. And you know the corporate income tax rates changed recently, correct?
A. Corporate tax rates have changed, yes.
Q. Did you factor that into your analysis, or was that not during the period of your analysis?
A. So anytime there were changes that had been enacted, they were taken into account. So if there was something on any of the taxes, if they were by law slated to expire, decrease, increase, we would incorporate that.
Q. And do you advise about various tax rates in different states in the course of your practice?
A. What do you mean by advise?
Q. I mean do you give advice or do analysis of tax rates in different states or what they are?
MR. STEWART: Objection.
THE WITNESS: So part of our practice, we will look at effective tax rates that various industries are facing in certain states. We do a tax burden study where we look at the tax environment for all 50 states. So we don't offer specific advice about

whether you should lower or increase your taxes. We will do an analysis of what businesses are paying.
BY MR. SMITH:
Q. But based on the surveys Ernst & Young does, you know that tax rates change in states on various taxes, correct?
A. Yes, tax rates change from time to time.
Q. And so -- well, do you update your survey every year, or how often do you update that?
A. We have sort of complex models, so we every few years will go through, and we will update our models, our state-by-state models to take into account tax rate changes that have happened.
Q. Okay. And you know that tax rates frequently change on various taxes in the states, correct?
A. I don't know about frequently, but when tax rates change and have been -- gone into effect, we put them in our model.
Q. Okay. Have there ever been any states where tax rates didn't change for 10 or 40 years in your survey that you can identify?
A. I don't know off the top of my head if there are states that have had the same tax rate

for 10 or 40 years. I don't know.
Q. You can't identify anyone sitting here today?
A. I don't know. I would have to look at the data and then come back and tell you.
Q. You can't identify anyone sitting here, any state where tax rates haven't changed for 10 or 40 years sitting here today, correct?
A. There could be. I just don't know off the top of my head.
Q. And certainly you know that tax rates have changed in the last 10 years in Detroit? I mean in Michigan, correct?
A. Tax rates for various taxes have changed in the last 10 years, yes.
Q. What kind of tax rates have changed in the last 10 years in Michigan?
A. So Michigan's taxes on business have changed in the last 10 years.
Q. And have corporate tax rates changed in the last 10 years?
A. Well --
Q. I mean, have individual tax rates, personal tax rates changed over the last 10 years in Michigan?

A. The state level?
Q. Yeah.
A. Has the state? I can't remember if the state personal income tax rate has -- I think it -- yes, it has changed. I mean, so yeah, there are tax rates that have changed. New taxes have been passed and old taxes eliminated.
Q. What kind of taxes have been passed in Michigan in the last 10 years?
A. So we're going back to what, 2004, so the single business tax was replaced with the Michigan business tax, which then was replaced by the corporate income tax.
Q. Has the sales tax changed in Michigan in the last 10 years, if you know?
A. I don't think so.
Q. Page 18 at the bottom, you've got this 20 percent reduction or 20 percent of the property tax revenue from industrial and commercial property will not be replaced by a new funding mechanism. Do you see that statement?
A. Yes.
Q. And that was an assumption you made based on your judgment?
MR. STEWART: Objection.

THE WITNESS: So we looked at the -- looked at the set of laws that had been passed about the personal property tax, and I looked at the Michigan Senate Fiscal Agency memo. And they put together an estimate of how much of the lost revenue would be replaced by various funding mechanisms, so that was used to help me select how much revenue Detroit would lose with the repeal and then to factor in the likelihood that voters approve the referendum next month.
BY MR. SMITH:
Q. And was that a statewide estimate, though, of how much revenue would be replaced?
A. It was a statewide.
Q. So there wasn't any estimate of how much revenue Detroit might lose from personal property tax legislation that you've ever seen, correct?
A. I have not seen a Detroit-specific estimate.
Q. Other than what Mr. Evanko provided in his deposition, correct?
MR. STEWART: Objection.
THE WITNESS: Did he provide a specific number?
BY MR. SMITH:
Q. Yeah. He was talking about .7 percent.

MR. STEWART: No, he did not. He said that's tax base. He used the word tax base. You just misquoted him. She's talking about the personal property receipts reduction. He was talking about the overall tax base.
BY MR. SMITH:
Q. Okay. So you've never seen any estimate for personal property tax receipts reduction in anything you've seen, correct?
A. I have not seen anything that is Detroit-specific.
Q. How did you pick -- I think you gave it a 50/50 chance of passing. How did you pick that number?
A. So doing the analysis, we started doing the work, like I said, over a year ago, and the referendum, the ballot was coming up a year later. And you know, just like most things, there's a certain probability it will go through. At that point, we had to select a probability that 50/50 was reasonable.
Q. I mean, you didn't do any investigation into the likelihood of passage in the legislature of the personal property legislation?
MR. STEWART: Objection.

THE WITNESS: Well, by this point, the legislature had already passed it, so it's whether or not the voters approve it. And so you know, you have to say, you know, I follow the press, and at that point, some people are for it. Some people are against it. So 50/50 seemed reasonable.
I mean, at the end of the day, we needed to -- we were trying to come up with a reasonable method of thinking about what personal property tax revenue the City would lose, and this seemed like the best method.
BY MR. SMITH:
Q. At the end of the day, nobody knows whether this new legislation is going to pass about personal property taxes; is that correct?
MR. STEWART: Objection.
THE WITNESS: I guess we'll know in two weeks, a week and a half.
BY MR. SMITH:
Q. Right now, though, I mean, when you put together your expert opinions, you had no way of knowing whether the personal property tax legislation would pass, correct?
MR. STEWART: Objection.
THE WITNESS: Yes. So the way of dealing with

that uncertainty is to assign a probability and then to multiply that probability by sort of an average reduction, what's a reasonable reduction in property tax revenue, and so that's how we arrived at our estimate.
BY MR. SMITH:
Q. You mentioned reasonable a lot of times. Can you give me your definition of reasonable in terms of forecasting?
A. In this case, reasonable is realistic or likely.
Q. And you would agree with me there could be more than one reasonable forecast for the City of Detroit, correct?
A. I would agree with that.
Q. Page 18, Paragraph ix (a), you've got some collection rates for residential property, commercial property and industrial and utility property. Were those assumptions based on your judgement?
MR. STEWART: Which page?
MR. SMITH: 19.
BY MR. SMITH:
Q. On Page 19, you made -- you have some numbers for the collection rates you used of

50 percent for residential property, 3 percent for commercial property, 87 percent for industrial property and 100 percent for utility property.
Were those assumptions you made based on your judgment?
A. These were after looking at data provided by the City on their collection rates by type of property, I then selected those rates.
Q. So in the baseline scenario, are you assuming that the City is not going to collect more than 50 percent of its residential property tax?
A. For part of it. So I kept the current situation of about 50 percent collections on non-delinquent for residential. I kept that assumption for the next four years of the forecast, and I increased it after that.
Q. And why was it four years that you kept that assumption rather than five or six years?
A. It's coinciding with the reappraisal study. So when the results go on, the forecast has things stabilizing on the residential side.
Q. So it's your belief that the reappraisal study will result in the stabilization of property tax, or let me ask you another question. Is it your view that the reappraisal study is going to

judgment?
A. So the forecast -- so the 10-year forecast we followed the SEMCOG forecast, and then for the 30-year extrapolation followed SEMCOG up until 2029. Both us and SEMCOG have in 2029-30 no population growth or sort of a leveling. And then in going forward, the .2 percent and the .3 percent that you mentioned, I did analysis of sort of metro areas that had experienced a decade of population decline and what growth they had afterwards, and that analysis led me to select those two growth rates.
Q. Does SEMCOG not project population values after 2029?
A. SEMCOG has a projection until 2050.
Q. Why didn't you use the SEMCOG projection during the entire forecast period?
A. So SEMCOG, they prepared their forecast before the bankruptcy, before the reinvestment scenarios were put together, and so the 30-year extrapolation is off of the -- with the reinvestment scenario, and so SEMCOG hadn't taken that into account, and so we decided that we needed to deviate from it slightly going after 2029.
Q. Do you project higher or lower population

growth factors than SEMCOG for after 2029?
A. So in some years, our growth actually matches theirs. Overall, our population forecasts are slightly higher than SEMCOG.
Q. On Page 22, you have a rate of increase for -- of 3.4 percent of taxable value in 2024 and 2025, and then -- I mean, what's that's based on?
A. So as we discussed earlier, I use the Congressional Budget Office forecasts, and they go out 10 years. And so I continued sort of -- looked to see what overall is happening with home prices and used that to help think through if Detroit, we have at the end of our 10-year, picking up and rebounding what's a reasonable growth rate in the first part of our 30-year extrapolation.
Q. Okay. If you go over to Page 24, in the middle of the page, you have a statement that there's no set formula for EVIP payments for the City of Detroit. That's a correct statement, correct?
A. So what is meant by that is there's no -- there's no, you know, statutory formula or any government formula for what needs to be allocated to the City of Detroit. There are components of EVIP, things that they are supposed to meet, but

unlike kind of the old statutory revenue sharing in Michigan where there was a way that money was supposed to be allocated, EVIP doesn't have that sort of formula.
Q. Okay. Did you hold the rate of revenue sharing constant over time in your forecast?
A. Only for the EVIP portion.
Q. And we know that the EVIP portion of state revenue sharing will not be constant during the 10 or 40-year period you forecast, correct?
A. We don't know that.
Q. I mean, if you were sitting here today, would your -- has there been any two years when the EVIP portion of revenue sharing has been the same?
A. EVIP has been around for three years, so no, they haven't been the same each year.
Q. Okay. We know that the EVIP portion, because it's based on a number of factors, is not going to be the same each year, correct?
A. You're right. It's not probably going to be the same each year. I don't know for certain.
Q. You've assumed a 2 to 3 percent sales tax growth rate. What was that based on?
A. Based on what the Michigan Department of Treasury forecasts.

Q. Okay. Is the treasury -- do they forecast it for years after 2025?
A. They do not.
Q. Okay. What period of time do they forecast it for?
A. So the information that I used, you know, started with actuals, so it probably started with fiscal year 2012, and then it went all the way to 2025.
Q. The -- you know that there's a forecasted increase in income tax revenues, correct?
MR. STEWART: Objection.
THE WITNESS: I don't have the disclosure statement in front of me, so I don't know exactly what the income tax revenues are for the 10 and 40-year off the top of my head.
BY MR. SMITH:
Q. I mean, do you know if they increase -- do you know if Ernst & Young is forecasting an increase or decrease for income tax revenues over 10 or 40 years?
A. So an increase compared to what? So year on year?
Q. Compared to 2013. I mean, what's the trend in income tax? Do you know if it's

increasing or decreasing under the Ernst & Young forecast?
A. So we have income tax -- so I'm going off memory. We have income taxes falling for a period and then growing for another period.
Q. Okay. And corporate tax, is that similar that the Ernst & Young forecasts have a growth in corporate tax?
A. I don't want to comment on it based on memory.
Q. Okay. On Page 25, you note that your 10-year forecast includes the legislature-approved fiscal year 2015 revenue sharing payments for Detroit. Do you see that? Do you see where I'm at?
A. Yes, I do.
Q. Your prior forecasts, you did not use the fiscal year 2005 revenue sharing payments for Detroit, correct?
MR. STEWART: Do you mean 2015?
MR. SMITH: 2015.
THE WITNESS: So previous iterations, we always used what the most recent current law amount was, so the legislature-approved fiscal year 2015 in the first week and a half of June. And so in the

latest version, we incorporated fiscal year 2015 once it had been passed.
BY MR. SMITH:
Q. And did the incorporation of fiscal year 2015 revenue sharing payments materially increase your forecast for the state revenue sharing?
A. What do you mean by materially?
Q. Well, do you know how much -- did it increase it?
A. So the EVIP payment to Detroit did go up between 2014 and 2015.
Q. And do you know how much it did?
A. It went up by almost 4 million.
Q. And then for periods after that, did you use the 2015 rate?
A. We used the higher 2015 amount.
Q. And what additional amounts did using the higher 2015 rate add to your forecast compared to the last time you did it?
A. Somewhere between 35, 40 million.
Q. Okay. So incorporating the fiscal year 2015 revenue sharing payment into your forecast increased revenue sharing by 35 to $40 million; is that correct?
A. Going off the top of my head, but it's

around there.
Q. Okay. And so using your assumption of current law remaining unchanged led you, in your prior forecast, to be off by approximately 35 to $40 million compared to your current forecast, correct?
A. So using current law, we had planned for -- so we used current law, which was lower than the fiscal year 2015 amount.
Q. And using -- the assumption of using current law led you to predict that revenue sharing would be 35 to $40 million lower than you're now predicting, correct?
A. So using current law led us to -- so we can compare what did we predict for 2015 compared to -- 2015 versus actual. And so using current law, we were slightly below. We don't know what's going to happen to EVIP. It could be eliminated next year, so this is --
Q. And it could be increased by 100 percent?
A. It could be increased by 100 percent. You never know, so this is a good way to do it.
Q. And my question is but using the assumption of no change in current law led you to underestimate state revenue sharing by 35 to

$40 million in your last projection compared to this projection, correct?
MR. STEWART: Objection.
THE WITNESS: I wouldn't say underestimate. The forecasts differ, and you're right. So using this new assumption, we are forecasting a higher state sharing EVIP revenue to Detroit. It remains to be seen whether that actually happens.
BY MR. SMITH:
Q. There's no way we know what the actual revenue sharing numbers are going to be over the period of your forecast?
A. That's right.
Q. They could be much higher, or the state could completely eliminate revenue sharing, correct?
A. They could eliminate EVIP and do something else or not do anything at all.
Q. The state could -- the City of Detroit could find itself in bankruptcy again within the next 10 years, correct?
MR. STEWART: Objection.
THE WITNESS: I have no idea.
BY MR. SMITH:
Q. Well, if the state eliminates revenue

sharing payments, the City could find itself in bankruptcy again within the next 10 years, correct?
MR. STEWART: Objection.
THE WITNESS: I have no idea.
BY MR. SMITH:
Q. In fact, you have no idea what's going to happen to the revenue streams that you measure in your forecast. There's too many factors, correct?
MR. STEWART: Objection.
THE WITNESS: So what we were asked to do was using reasonable assumptions, put -- reasonable meaning here realistic assumptions, put together a 10-year forecast and then a 30-year extrapolation of that, and that's what we did.
BY MR. SMITH:
Q. But there's -- your forecast can be changed depending on actions by various people in either the state government or the City of Detroit government, correct?
A. So -- so you know, the forecasting exercise, as any forecasting entity would tell you, you know, you forecast, and your forecasts can't really incorporate, you know, whimsical, random, whatever changes, large changes year to year, and the forecast exercise, you acknowledge that at the

get-go. And so you're right. Anything could happen.
Q. And the revenues received for property taxes and state revenue sharing depend on -- in the future, the actual revenues depend on actions by politically-elected state and city officials, correct?
A. I don't think I understand the question.
Q. Okay. The state revenue sharing depends on the -- in the future over the next 10 years depends on the action of elected officials in setting revenue sharing values, correct?
A. So a portion of it depends on the legislature.
Q. And the largest portion of revenue sharing depends on the actions of elected officials, correct?
A. The largest share for Detroit, not for the entire state.
Q. And similarly the property tax depends on the action of officials in the city of Detroit in terms of what they do with assessments over the next 10 years, correct?
A. Say that again.
Q. The actual property tax revenues in the

city of Detroit over the next 10 years depends on the actions of state -- city officials in terms of what they do with property tax assessments over the next 10 years, correct?
A. I would say it's one factor.
Q. And so right now you don't even -- nobody can know the identity of the officials that are going to influence revenues for the City in the next 10 years, correct?
A. It's possible that elected officials in the future that we do not know affect revenues.
Q. And it's impossible to know what actions officials in the city or state will take over the next 10 years that could materially impact the revenues to the City of Detroit, correct?
A. There are things that can happen that can impact the revenue forecasts.
Q. And it's impossible to know what those things are sitting here today?
A. The forecast takes into account what we know, and there could be things we don't know.
Q. And one of the things we don't know is what officials in the state or city will do which could have a material impact on the revenues that you forecast, correct?

MR. ALBERTS: Objection.
THE WITNESS: Future officials could have some impact on the revenues. That's a possibility.
BY MR. SMITH:
Q. I mean, they will have an impact. I mean, the state officials set the revenue sharing level really, right? We know for a fact that state officials are going to impact the revenue available to the City, correct?
A. We know that the legislature does set the amount of EVIP for Detroit.
Q. And we know for a fact that city officials are in charge of the assessments of property to the City, correct?
A. City officials set the property assessment rolls, yes.
Q. So we know as a matter of fact that officials from the city and the state will take unknown actions in the future that will have unknown consequences for the revenues that you estimate for the City of Detroit, correct?
A. It's possible that city officials, their actions in the future affect the forecast.
Q. And the same as the state officials, correct?

prepared based on the analysis I provided.
Q. Okay. I'm just wondering how did you -- did you forecast the real property, personal property and Renaissance Zone numbers that are contained in this spreadsheet?
MR. STEWART: What exhibit number is this one?
MR. SMITH: It's 18.
THE WITNESS: So here this says change in assessed values, but it should be change in taxable value because these are -- so you see values, and these are taxable values, and these look like they're my numbers, yes.
BY MR. SMITH:
Q. Okay. Are the values that are under the heading change in assessed values your numbers?
A. They are not how I prepared it. They've calculated those based on the taxable values, and I put together the taxable values that are shown here.
Q. Okay. So the numbers that are in this spreadsheet are your numbers, but they're really taxable values and not assessed values; is that correct?
A. They're taxable values, yes.
Q. So somebody made an error in putting

together the description of this data in this spreadsheet, correct?
A. They labeled the change in values in a way that I wouldn't have labeled it.
Q. They labeled it in an inaccurate way, correct?
A. I would have used a different label.
Q. The taxable values shown here, they change from year to year, correct?
A. Taxable values change from year to year, yes.
Q. And can you tell me are all those changes numbers you picked based on your judgment?
A. So as we talked about, to come to these total taxable value numbers for each year, I did analysis for each tax base and selected the growth rates, and that modeling feeds into those total values.
Q. And the growth rates, all these growth rates vary in each year. Those were numbers you picked based on your judgment, correct?
A. After doing analysis, I selected certain growth rates, and I used my judgment, yes.
Q. So all these different numbers for each year and each category of property are numbers you

picked based on your judgment for the growth rate, correct?
A. After doing analysis, I selected growth rates for each of the tax bases, and I had to use my judgment to select those growth rates.
Q. And when you said you did analysis, you didn't calculate any of those growth rates, did you?
A. What do you mean by calculate?
Q. You didn't calculate any of the growth rates using a mathematical formula, correct?
A. Well, all of the analysis requires some sort of mathematical formula.
Q. But those growth rates that appear in the spreadsheet, those aren't generated by a mathematical formula, correct?
A. I guess it depends on mathematical formula. I mean, so math is used in the analysis.
Q. But you didn't -- the numbers that are chosen for the growth rate are selected numbers. They're not numbers that are calculated using a mathematical formula, correct?
MR. STEWART: Objection.
THE WITNESS: Ultimately all of the numbers, the growth rates, I had to select.

BY MR. SMITH:
Q. If we look at the General Fund collection rates, do you see where that is on this spreadsheet down kind of towards the bottom?
A. I do.
Q. Did you select the General Fund collection rates that vary from year to year for your analysis?
A. So those were built up, as we discussed earlier, by looking at the non-delinquent collection rates by each type of property and then also the payments from Wayne County. And so for historical years, I was able to see what the total collection rate was and then going forward had to decide what that collection rate would be, so I had to use my judgment to ultimately select the collection rate going forward.
Q. Okay. So for future years, 2015 going forward, you selected the collection rates for the various categories based on your judgment, correct?
A. Based on my analysis of the different components and how they were being collected, I did use my judgment to select those rates.
Q. But the collection rates you used are numbers you selected, and they're not numbers that

couple conversations with Alvin Horhn, and I had had at least one conversation with Gary, and he had provided some data to me.
Q. Do you have any familiarity with the methods used by municipalities to estimate the revenue generated by a tax increase?
A. Do you have a specific example?
Q. Well, I'm wondering if you have any knowledge about what methodology municipalities use to estimate revenue from a tax increase?
A. I don't know what -- I think it would vary from city to city, so I don't know what a particular city would do.
Q. Okay. But do you know -- are you familiar with the method -- the various methods that cities can use to estimate increases in revenue from a tax increase?
A. So there are, I would say, accepted methods of estimating tax changes and its revenue impacts.
Q. And what would be the accepted methods of estimating increased revenue from a tax increase?
A. So conceptually you would want to understand how -- and you said a tax increase?
Q. Yeah.

A. So you would want to understand what is the -- so what does the tax increase mean? Is it a tax rate increase? Is it an addition to the tax base? So you would have to think through how is your tax base going to change by whatever is being proposed to raise revenue. And so you could have -- with the tax increase, you could have any number of things. You could have an addition to the tax base making it bigger. You could have -- if you increased the tax rate, you would have to think about well, does that increase in the tax rate, how does that affect the tax base.
There's a number of things. You know, you would want to parse out sort of changes that affect your tax calculation, which would typically be your rate and your tax base.
Q. And are there -- you said there are a number of accepted methodologies for doing that type of analysis?
A. I would say I don't know a number of, but there is a way that you would go about doing it, which is you could set up your analysis of here's your tax change and thinking through all factors that affect, you know, the tax base, and that would be an accepted way of doing it. You could use one

of the software tools we talked about earlier like REMI to help you model changes to the tax base given a tax policy change, and that would be an accepted way of doing it.
Q. Would another method be IMPLAN or --
A. IMPLAN doesn't work for tax changes like that.
Q. If you were asked to forecast the rate of compliance with a tax, how would you go about that, or what factors would you consider?
A. So for rate of compliance, thinking about compliance with the tax change, you would want to think about so what is the -- what is the tax base being affected. And there's literature on how compliance differs across tax bases, and so I would consult the literature and also the historical performance to use that as a guide as to what the compliance is and then what, obviously, is happening in terms of whether you're raising or lowering taxes. And there's literature on that as well, and you could consult that to help you think through what happens with compliance whether you're raising or lowering taxes.
(Document marked No. 25)
Q. Why don't I hand you what I'm going to

mark as Exhibit No. 25. It's some data from the Michigan Realtors Association on residential home sales.
Is this the type of data that you looked at in your analysis?
A. Yes.
Q. And for Detroit Board of Realtors, they've got a 14 to 13 year-to-date percent change of 42.13 percent in home prices. Do you see that?
A. Yes.
Q. So home prices based on the Detroit realtor data went up 42.13 percent in 2014 so far compared with the prior year. Is that accurate?
A. You said the year-to-date average price changed?
Q. Yeah.
A. Yeah, that's right.
Q. And you've updated your spreadsheets with data such as this; is that correct?
A. Uh-huh.
Q. Okay. But you didn't use the updated data in your actual analysis or calculations; is that correct?
A. So I used the data -- every time we updated, I looked to see if growth rates needed to be updated, so it's one of the things that I would

look at in doing updates.
Q. Why have home prices increase by 42 percent in Detroit thus far in 2014 compared to 2013?
A. I don't know.
Q. Do you know any of the factors that contributed to that increase?
A. I don't know why average home price sales have gone up that much. I don't know.
Q. Let me ask you this. I mean, can you identify any other cities that have had comparable growth in average home prices in 2014 to Detroit?
A. I haven't specifically looked at other cities, so I don't know.
Q. Historically in Detroit, has there ever been a period of time where home prices have increased by as much as 40 percent?
A. The period I looked at, there was not. I haven't -- I would have to speculate. I don't know before the periods I looked at.
Q. What period did you look at?
A. So I had consistent data from 2001 onward.
Q. Okay. So the increase that we're seeing in 2014 in average home prices is greater than any of the increases that occurred at least since 2001

in Detroit; is that correct?
A. I think that's correct.
(Document marked No. 26)
Q. Let me ask you about what I'll mark as Exhibit 26. Is this the type of data that you got for your building permit spreadsheet?
A. Yes.
Q. Okay. And so this has some updated numbers just up to May 2014 of -- I guess there's a total of $68 million in construction cost for permits that have been issued so far; is that correct?
A. That looks to be correct, yes.
Q. And is that -- do you know if that's an increase compared to prior periods or not?
A. When I looked at it, the -- so the year-to-year change in the last few years had been positive.
Q. You have mentioned that you had reviewed or at least up to about Page 75 of Kopacz's report. I'm going to hand you a copy of that. Is that a copy of the report that you were talking about?
A. Let me look.
MR. STEWART: What exhibit number on this one?
MR. SMITH: 27.
(Document marked No. 27)
THE WITNESS: Yes, this looks to be the report.

BY MR. SMITH:
Q. On Page 15 of the report at the top --
A. Okay.
Q. -- Ms. Kopacz says that financial modeling is a highly subjective undertaking that is affected by the assumptions made and the professional biases of the analysts developing the model.
Do you agree with that statement?
A. I may not say highly. I think in financial modeling, there's some art in addition to science to it, so...
Q. Do you agree the financial modeling is a subjective undertaking that is affected by the assumptions made and the professional biases of analysts developing the model?
A. I would agree with that.
Q. And you would agree that financial modeling is both a science and an art?
A. I do. I do agree with that.
Q. Over on Page 25, there's a section called the plan of adjustment.
A. Yeah.
Q. And she says even after many years of practice with dysfunctional, insolvent, operationally troubled enterprises, I was confused

by the City's projections in POA. Section E of this report provides detail on how the projections in our eyes are structured. Suffice it to say that the 10-year projections, the 10-year, 40-year projections and the restructuring and reinvestment initiatives form an unusual construct for a financial plan for an enterprise attempting to emerge from bankruptcy. Do you see that?
A. I do.
Q. You haven't ever participated in constructing financial projections that are similar to the ones that have been constructed in the Detroit case, have you?
A. I have not been involved in putting together -- what was the word you used?
Q. Projections similar to the type that are in this Detroit bankruptcy.
A. I have not been responsible for putting together this exact kind of format. That's true.
Q. Have you ever been involved in any construction of projections where you had to rely on other experts for their own projections such as the reinvestment projections that were given to you from Conway MacKenzie?
A. So in work that I've done in looking at

the projections of, say, a particular project, I would often rely on information provided by a third party such as the planned construction costs for the project. So they would forecast how that would look like over that period of time, so I would have to take somebody else's work and use it, which is a little bit, I guess, similar to this situation where we were looking at information projections prepared by another group or expert.

Q. Page 27, the last paragraph, the second sentence says 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.

A. I see that.

Q. Were you aware that the projections that Ernst & Young had done had not been harmonized with the City budget?

A. I was not aware of that until I read this part of the report.

Q. Have you looked at the budget's projections at all in doing your work?

A. I looked at past City budgets. I have not looked at this June 5, 2014 budget.

Q. On Page 52, there's an analysis here, the sensitivity analysis for the revenue sharing. Do

you see that?

A. Yes.

Q. And she says at the end of the first paragraph the statutory payment of 5 percent change in the allocation would have a cumulative impact of 70 million to the General Fund during the fiscal year 2014-2023 period. Do you see that?

A. Yes, I do see that.

Q. In your view, is this sensitivity analysis that Ms. Kopacz has provided showing a 5 percent change in the statutory revenue sharing allocation would have a $70 million impact over the 10-year period, is that reasonable?

A. Yeah, it is reasonable.

Q. Then underneath the graph or the chart she says the City of Detroit reasonable saw its state's revenue sharing decreased significantly from a combined annual total of 267 million in fiscal year 2009 to as low as 173 million in fiscal year 2012.

Is that consistent with your understanding?

A. I don't have my spreadsheet in front of me, but that seems about right.

Q. Over on Page 61, at the bottom, it says for the without-RRIs scenario, every 1 percent

change in the 10-year assumption will result in approximately 21 million change in collected -- oh, that's income tax revenue. Never mind.

MR. STEWART: Sorry. Where are we?

MR. SMITH: Never mind. We're in a place that's not relevant for Ms. Sallee.

BY MR. SMITH:

Q. Do you have any plans to reserve -- to read the rest of the Kopacz report or not?

A. I guess I haven't thought about it. I don't know.

Q. Do you have any plans to do any additional work before you testify?

A. I will probably do some preparation before I testify, I'm guessing.

Q. But any additional changes to your forecast, are you planning those before you testify?

A. No, I'm not.

Q. In the historical data that you've looked at, has the City always been in poor financial shape?

A. I was not asked to look at the City's financial position in the past, and so I didn't do that. So I don't know.

(Document marked No. 28)

Q. I'm going to hand you what's been marked as Exhibit 28, which is an article entitled How Michigan's Revenue Sharing Raid Cost Communities Billions for Local Services. And in the third paragraph, it says over the past decade, lawmakers and governors from both political parties have used some 6.2 billion in sales tax collections to fill state budget holes rather than fulfill a statutory revenue sharing promise to local communities according to the Michigan Municipal League, which released a city-by-city analysis earlier this month.

Is that consistent with your understanding?

A. So it is true that the state has not in the past allocated what statute would say is full funding to municipalities. It hasn't done that.

Q. And the amount for -- in total, is it a reasonable to say around $6 billion over the last decade?

A. I don't know where that number is coming from or how they've calculated it, so I don't know if that's reasonable.

Q. The last paragraph says Detroit, which filed for bankruptcy protection last year, missed

have to do that before I could comment on whether it was accurate.
Q. And in fact, the revenue sharing cuts are described as a heist in this paper, right?
A. That's what the title says.
Q. I mean, there's a lot of widespread publicity about the problems that the cuts in revenue sharing have had for Michigan cities, correct?
A. It is a topic in news articles and things that I've read.
Q. And isn't it true that the state has cut the revenue sharing payments and used the money to balance the state budget?
A. So Michigan's financial -- fiscal situation was pretty dire after the 2001 recession, and so one form -- one way of achieving a balanced budget was to not allocate full funding for municipal revenue sharing.
Q. But now Michigan has a balanced budget, the state, correct?
A. Well, they always have a balanced budget. They're legally required to each year.
Q. Well, if you look at this article, the last sentence on the page or last couple sentences

say the state is now in an enviable position, revenues that exceeded expectations. It is posting large surpluses, but has failed to take steps to restore local funding. Do you see that?
A. I do.
Q. And are you aware that the state in recent years has been posting large surpluses?
A. So large, I don't know about large, so you would have to say well, what do you mean by large. The state, the last two years they did have a -- their revenues exceeded their planned budgeted expenses, so they were running a surplus in that sense.
Q. And do you know how much those surpluses were for the last two years?
A. Off the top of my head, no.
Q. Would it be fair to say that the fact the state is running surpluses has made the cities even more upset that the state isn't increasing revenue sharing payments?
MR. STEWART: Objection.
THE WITNESS: I wouldn't know. I haven't talked to anyone, so I don't know how they're feeling.

BY MR. SMITH:
Q. How about in Flint, Michigan, do you think they're upset that the state is running surpluses while they're not paying them the full amount of revenue sharing?
A. I did not ask them that question, so I don't know.
Q. What does the state do with all the surplus money?
A. I don't -- I haven't looked to see how they've used the money. I don't know.
Q. Do you know why the governor's budget ended up including the increase in revenue sharing that you've incorporated into your most recent forecast?
A. I don't know why the legislature passed the increase. I don't know why.
Q. Do you agree that you can't tell me what the property tax rate is going to be over the next 10 years?
A. I -- so property tax rates meaning all the different types of millages, I don't know what all the different types of millages are going to be over the next 10 years.
Q. Can you -- are you able to testify about

the funds that the City expects to receive from the State of Michigan in the future?
A. Not all funds, so the only thing that I've said that I will speak about is the state revenue sharing.
Q. That's the only source of funds you can talk about?
A. That's the only source of funds I'm going to talk about, yeah.
Q. And in terms of what the actual amounts that are going to be given to the state, not the forecasts in your forecast, have you done any investigation to find out what, if anything, the City knows about actual sources of funds that might be provided by the state over the next 10 years?
A. Okay. So I got lost in that. What's your question?
Q. Do you know who from the City deals with the state on revenue sharing?
A. No, I don't know.
Q. And so would it be fair to say that you haven't talked to the people at the City to find out what, you know, actually might happen with state revenue sharing over the next 10 years?
A. So I haven't talked with anyone at the

City about state revenue sharing. I'm not sure how that would mean -- how the City would be affecting state revenue sharing. I mean, there's two parts of it. The constitutional piece, I can't see how City officials can affect that directly. And the EVIP portion is being decided by the legislature.

Q. Well, I'm just wondering not that they can affect it, but have you asked people at the City to give you what information they know about what might actually happen to revenue sharing over the next 10 years?

A. I have not had a conversation with anyone at the City about what they think might happen to revenue sharing in the next 10 years.

Q. Have had you a conversation with anyone at the state about what might happen with revenue sharing over the next 10 years?

A. Yes.

Q. Who did you have a conversation with?

A. Well, when you say state, I had a conversation -- I also had a conversation with Jay Wortley at Treasury, and I had a conversation -- several conversations with Jay Wortley, several conversations with Jim Stansell at House Fiscal Agency.

Q. And what did they tell you?

A. So Jim Stansell's pretty pessimistic about EVIP, thinks it's going to be eliminated next year, and there's some -- he thinks some program will be put in its place, but he doesn't see it as -- I asked him about our assumption keeping EVIP constant in our forecast, and he agreed with that. There's that -- it's very variable.

And then I talked to Jay Wortley when I received the state forecast of revenue sharing, the constitutional portion, and talked to him about growth rates in sales tax revenue. And so that's, I think, what we talked about there.

Q. Did he believe that sales tax revenue would be increasing over the next 10 years?

A. He did.

Q. And did he give you any numbers about how much he believes the sales tax revenue might increase over the next 10 years for Michigan?

A. So we used his -- the projections from his office for the 10-year forecast for constitutional revenue sharing.

Q. Did he identify any factors that might increase the sales tax revenues above what he's anticipated in the written document you're

referring to?

MR. STEWART: Could I have the question read back, please.

(Whereupon, the record was read as requested.)

MR. STEWART: Objection.

THE WITNESS: He only -- we only talked about his projections and what he thought was reasonable for the sales tax and nothing beyond that.

BY MR. SMITH:

Q. Why is the EVIP going to be eliminated potentially next year?

A. In my conversation with Jim Stansell, that came up, and this is just his opinion. He's not a legislator. He thought that people in the legislature were not really in favor of the program and that there had been some statements about it saying that they wanted to change the program for something else.

Q. And what is -- did he tell you what he anticipates might be substituted for EVIP?

A. He didn't know.

Q. So right now the only person you talked to suggested that the EVIP program that you assume is going to continue for the next 10 years is -- may

be eliminated next year, correct?

A. So he's responsible for understanding those kinds of programs. It's his duty at the House Fiscal, and he thought that program might be eliminated. The money associated with it would still be distributed in some ways to the cities, villages and townships.

Q. Did the state official, though, you spoke with give you any idea about whether there would be increases or decreases in revenue sharing at any point in time?

A. He didn't comment on revenue sharing as a whole, increases or decreases, no.

Q. Right now the information you have, though, is -- I mean, the best information you have is EVIP is likely to be eliminated, perhaps, within about a year; is that correct?

A. So that was one piece of information I received, and you know, we've decided as others like Michigan Treasury to hold that funding for Detroit constant in our forecast given that it is uncertain. That program could be eliminated. It could be replaced with something else. And our most reasonable assumption is that that sort of type -- that amount of money would likely go to

A. So the analysis here, Chicago and Philadelphia, had decades of decline followed by a decade or more of population growth, and I don't know what activities they undertook in terms of reinvestment or restructuring. I don't know what they did.
MR. STEWART: Can you tell us when there's five minutes left.
BY MR. SMITH:
Q. On the second page of this document, you mention conversations with Jim Stansell, correct?
A. Uh-huh.
Q. Did you write this document?
A. I wrote portions of it.
Q. Okay. In this document, you didn't disclose that Jim Stansell had told you that EVIP may be eliminated within a year, correct?
A. This document was written, I believe, in January of 2013, and that conversation with Jim Stansell was after that.
Q. Have you had any conversations with anybody else at the State of Michigan other than Mr. Stansell and Mr. Wortley?
A. I don't think so.
Q. Were they individuals that you had known

before this case or not?
A. They were.
Q. And how did you know them?
A. I had -- so in my previous job, I did mostly work in Michigan. In a number of projects, I was either in meetings with them or obtained data or information from them.
(Document marked No. 35)
Q. Let me hand you what I'm marking as Exhibit 35 and let me know if you created this document.
MR. STEWART: I have two documents here. Is this also --
MR. SMITH: Never mind that one.
MR. STEWART: This is 35? Okay.
BY MR. SMITH:
Q. Did you create that document?
A. Yes.
Q. What's the purpose of that document?
A. Well, so do you want me to talk to about each of them or --
Q. Are these separate spreadsheets doing separate analyses?
A. Yes.
Q. Okay. Got it.
The second page of this document has the

building permits data, and then the third page has the realtor data, and it's not -- it's only going up until 2013 it looks like. Do you see that?
A. Uh-huh.
Q. Is this the most recent version of the spreadsheets you've created?
A. No.
(Document marked No. 36)
Q. I'm going to hand you what I will mark as Exhibit 36, and you can let me know if this is a document that you created.
A. This is not a document I created.
Q. Do you know why this was created?
A. So it says at the bottom prepared by the Office of Revenue and Tax Analysis Michigan Department of Treasury, so this is the analysis from Jay Wortley.
Q. And do you know how more Wortley put together this analysis?
A. Other than just being able to look at his steps here, that's all the information I have.
Q. And did you rely on this analysis in your revenue sharing opinion?
A. I used his projections for the constitutional piece in the 10-year forecast.
Q. When you see for fiscal year 2013, 2014,

2015, he has consensus written underneath there, do you know what that means?
A. I do.
Q. What does it mean?
A. So Michigan has a consensus revenue estimation process, and so these are the sales tax numbers, or sales tax revenue numbers shown here are the consensus estimates.
THE VIDEOGRAPHER: Counsel, we're at the five-minute mark.
MR. STEWART: And I have a couple of questions of my own.
BY MR. SMITH:
Q. Can you explain to me what exactly are the reimbursement mechanisms under the new legislation or that may or may not get passed related to personal property tax?
A. What's your question?
Q. Can you explain to me what the reimbursement mechanisms are under the proposed legislation or measure that would change the personal property tax?
A. So portions -- so there are several different ways that revenue is being replaced. One is a new use tax that's being created that would

allow money through the use tax to then be sent to municipalities that meet certain requirements, and the municipalities themselves would be able to levy a millage on real property. And there's rules around how they can set that millage and what it applies to, and they can set that rate equal to raising enough revenue to cover essential service. Essential services isn't the word. It's more -- it's the police, fire, those kinds of services.

Q. The amount of reimbursement that the City receives under the personal property measure, is that within the control of the City to some extent?

A. Within certain parameters, the City should be able to levy a millage that replaces some of the lost revenue.

Q. And how would it do that?

A. Nobody really knows how all this is going to work, so I don't know how they're going to do that.

Q. Have you had any discussions with anybody at the City about what they're going to do if the personal property legislation ends up going into effect?

A. We've had conversations generally about the personal property tax. They haven't told me

what their plan is going forward.

Q. Would it be fair to say that you've modeled in your revenue forecasts the imposition of a new tax that is not in effect yet under current law?

A. I think the right characterization of what I've done is thinking about the probability of whether the law goes into effect and then what the likely reduction in revenue would be, and taking those two factors into account inform the adjustment made for the personal property tax repeal.

Q. And the amount of the reduction in revenue depends on what the City ends up doing in the future in terms of invoking mechanisms for reimbursement; isn't that correct?

MR. STEWART: Objection.

THE WITNESS: My understanding is that the City will be able to levy certain millages to replace some of the lost revenue, and I don't know exactly what that's going to look like.

BY MR. SMITH:

Q. Okay. Have we covered all the areas that you plan to testify about, or are there any areas that we haven't covered?

A. I think we've covered everything.

MR. STEWART: I have a couple of questions.

EXAMINATION

BY MR. STEWART:

Q. Ms. Sallee, you testified about population estimates that you made?

A. Yes.

Q. And some came from SEMCOG --

MR. SMITH: Objection.

BY MR. STEWART:

Q. -- in a certain period of time?

A. Yes.

Q. And others you came up with?

MR. SMITH: Objection. Leading.

THE WITNESS: That's correct.

BY MR. STEWART:

Q. Are you in a position to testify about the City's anticipated population changes by year as implied in the 10 and 40-year forecast?

A. Yes.

MR. SMITH: Objection. Asked and answered.

MR. STEWART: Thank you. That's all I have. We are we done.

MR. SMITH: I assume nobody on the phone has anything.

THE VIDEOGRAPHER: Off the record. The time is 5:24 p.m.

(FURTHER DEPONENT SAITH NAUGHT.)

Exhibit 6G

Excerpts of July 31, 2014 M. Kopacz Deposition Transcript

- MARTI KOPACZ - VOLUME 1-

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

In Re) Chapter 9

CITY of DETROIT, MICHIGAN,) Case No. 13-53846

Debtor.) Hon. Steven Rhodes

DATE: July 31, 2014
TIME: 9:12 a.m.

VOLUME 1

VIDEOTAPED DEPOSITION OF MARTI KOPACZ, held at the offices of Squire Patton Boggs, 30 Rockefeller Plaza, New York, New York, pursuant to Order, before Hope Menaker, a Shorthand Reporter and Notary Public of the State of New York.

- MARTI KOPACZ - VOLUME 1-

A P P E A R A N C E S

GEOFFREY S. STEWART, ESQ.
CHRISTOPHER DiPOMPEO, ESQ.
ALEXANDER BLANCHARD, ESQ.
Jones Day
51 Louisiana Avenue, N.W.
Washington, D.C. 20001
Appearing on behalf of the Debtor

STEPHEN C. HACKNEY, ESQ.
Kirkland & Ellis, LLP
300 North LaSalle Street
Chicago, Illinois 60654
Appearing on behalf of Syncora

KATHLEEN HITCHINS, ESQ.
Sidley Austin, LLP
1501 K Street, N.W.
Washington, D.C. 20005
Appearing on behalf of National Public Financing

- MARTI KOPACZ - VOLUME 1-

ALFREDO R. PEREZ, ESQ.
Weil, Gotshal & Manges, LLP
700 Louisiana Street, Suite 1700
Houston, Texas 77002
Appearing on behalf of Financial Guaranty Insurance Company

LISA SCHAPIRA, ESQ.
Chadbourne & Parke, LLP
30 Rockefeller Plaza
New York, New York 10112
Appearing on behalf of Assured Guaranty Municipal Corporation

SHANNON L. DEEBY, ESQ.
Clark Hill, PLC
151 South Old Woodward Avenue
Suite 200
Birmingham, Michigan 48009
Appearing on behalf of the Retirement Systems for the City of Detroit

- MARTI KOPACZ - VOLUME 1-

JENNIFER K. GREEN, ESQ. (Via Telephone)
Clark Hill, PLC
500 Woodward Avenue, Suite 3500
Detroit, Michigan 48226
Appearing on behalf of the Retirement Systems for The City of Detroit

SAM J. ALBERTS, ESQ.
Dentons US, LLP
1301 K Street, N.W.
Suite 600, East Tower
Washington, D.C. 20005
Appearing on behalf of the Retiree Committee

ALLAN S. BRILLIANT, ESQ.
Dechert
1095 Avenue of the Americas
New York, New York 10036
Appearing on behalf of Macomb County

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analysis or projections, what-ifs, that sort of thing, whereas a forecast is something that's a little more rigorous, a best -- the best guess, if you will.

Q. So would it be fair to say, and I'm not going to spend a lot of time on this, this morning, that the base case scenario from EY is a forecast, but the restructuring analysis is a projection?

A. I don't know that I would say that.

Q. Okay. And I'll use the terms interchangeably myself.

A. Thank you.

Q. You raise the -- use the phrase "mathematically accurate."

I assume that means whether the calculations that were done produced the results that mathematics requires?

A. Yes.

Q. In other words, no errors in calculation?

A. Correct.

Q. Okay. You used the phrase "reasonableness" when you speak about assumptions.

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What do you mean when you use the phrase "reasonableness"?

A. That the assumption is neither too conservative or too aggressive.

Q. Okay. Is reasonableness a synonym in this context for reliable?

A. No.

Q. Okay. In other words, that a reasonable assumption is one that is in the middle of the continuum of possible assumed facts?

A. I think I can agree with that, yes.

Q. Okay. Did you try to place it a particular place on the continuum?

A. No.

Q. You also listed qualitative factors as well, and I'll come back to those.

A. Yes.

Q. And they're part of your feasibility analysis too?

A. They are.

Q. Sometimes you've used the term "material" in your report?

A. Yes.

Q. What does the term "material" mean as

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you've used it here?

A. Material is a term that indicates whatever the value or the variable is could have an impact, positive or negative. It is not -- it's not de minimis.

Q. Okay. Do you associate any percentage level with the term "material"?

A. I do not.

Q. Have you heard, for example in the accounting world, they sometimes speak of materiality as being 1 percent of assets or 5 percent of income?

A. I think it depends on the context.

Q. But it's not how you've used it, one way or another?

A. Not how I've used it, no.

Q. Now, I'm going to ask you about forecasting now.

A. Sure.

Q. Let me go back to Exhibit 1 of your report. This is your -- for want of -- I'll call it your CV although --

A. It's not really.

Q. -- it's not really a CV. What would

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you call it? Just a back -- description of your background?

A. Yes.

Q. Okay. Why don't we just call it Exhibit 1?

A. Exhibit 1 is good.

Q. Under "General Experience," you've written about your -- about your experience with financial projections and I'm going to read parts of this, and I'm going to ask you questions about it.

First sentence you've written -- by the way, did you write this part of your report or was it written for you by others?

A. No. This is the -- this is the same document that was attached to my proposal. It's just in a different format, but the --

Q. Sure.

A. -- the -- the information is generally the same and I think there's some added -- there may be some added verbiage around speaking engagements, publications and the like.

Q. Sure. Is it accurate however?

A. Yes, it is.

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would it be possible for you to tell me when it does make senses and when it does not make senses?

A. I can give you an example.

Q. Sure.

A. If you had an ongoing operation, and you were selling widgets to someone, right, and that customer bought, you know, a hundred dollars worth of widgets every year for the past ten years, unless something suggested a contrary behavior, you would probably project that they're going to buy a hundred dollars worth of widgets. Okay?

On the expense side, if you're manufacturing those widgets in a production plant and it costs you 80 cents to make a widget, right, but then you're building a new plant and all of a sudden your costs are going to go down to 65, you wouldn't be using the continuation of the historical cost to make a going-forward projection.

Q. Now, is it sometimes the case as you extrapolate forward, instead of having a constant value, you're dealing with a value that is expected to increase in some manner or decrease in

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some manner year to year to year; in other words, either in the linear or nonlinear function?

A. Yes, it is.

Q. Okay. And what do you do when you're faced with that type of a forecast?

A. You have to look at the basis for why the change is going to occur and evaluate it with the information you have as to, you know, does that new assumption make sense.

Q. Now, when you dealt with looking at the forecasts for the City of Detroit, did you find that those extrapolations required forecasting that was not a constant value for either revenue or expense year to year in the years that were coming?

A. In some cases, yes.

Q. So how did you determine what the appropriate coefficient was year to year to increase or decrease the projected amount?

A. The -- the example that I can give you is the baseline is -- for example, the baseline projections include ongoing pension expense.

Q. Okay.

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A. Ongoing interest expense. Obviously, as the City worked through its bankruptcy and its plan, it became clear that those weren't going to get paid, so those numbers changed in line with what the settlements were. So I didn't really have to make -- it was a number that was in the ten-year that didn't need to be there, so it just came out.

Q. So that came out.

Let me take the example though of a revenue item. I don't -- we'll just make it income tax.

As you looked at the forecasts of income tax revenue in the years to come, it was not a constant number, correct?

A. Correct.

Q. And it went up or down as the years went on, correct?

A. Yes.

Q. And it went up or down for various reasons, such as incomes and other factors such as that, correct?

A. Yes.

Q. How did you determine whether a

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forecast of income in future years -- income tax revenues in future years was or was not a reasonable forecast?

A. I looked at historical information. I looked at the outside -- the statewide information from various parties, and I and my team interviewed the team at Ernst & Young who did the analysis and the development of these projections.

Q. Fair to say you didn't simply accept the credibility of the Ernst & Young assumptions?

A. I did not.

Q. Or the Ernst & Young calculations?

A. I did not.

Q. You did your own checking of them?

A. I did.

Q. And then used your own knowledge base to reach a conclusion about the quality of Ernst & Young's work?

A. I -- I didn't reach a conclusion about the quality of Ernst & Young's work. I reached a conclusion on the reasonableness of those assumptions.

Q. Okay. And -- and by the way, the

- MARTI KOPACZ - VOLUME 1-
process you just described for me, we used the example of income tax.
A. Yes.
Q. Would it -- would you give the same answer if I asked about other types of taxes of revenue items in terms of your general approach?
A. Yes.
Q. And in terms of various items of expense in terms of your general approach?
A. Yes.
Q. Okay. Now, let me, if I could, just ask you about some of the opinions that you reached.
A. Uh-huh.
Q. And on Page 200 of your report you speak of some of the qualitative issues.
A. Yes. I have quantitative issues on 200.
Q. I'm sorry. Quantitative, sorry. Advancing age and failing eyesight has -- has undermined me. Yeah, on quantitative issues.
A. Yes.
Q. The first paragraph you write, "It is my opinion that except for otherwise noted in my

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report the projections are generally mathematically correct and materially reasonably and, therefore, fall within the feasibility standard I have defined."
Do you see the language I read?
A. Yes.
Q. I notice there's a typo. Did you mean to write "materially reasonable" instead of "materially reasonably"?
A. Yes. Thank you.
Q. It's all right. It's basically what lawyers are trained to do is look for typos. I went to law school imagining myself in front of the U.S. Supreme Court; instead I've become a glorified proofreader.
All right. Now, when you say the generally mathematically -- the projections you're speaking about are the City's 10 and 40-year projections?
A. That's correct.
Q. And we already -- go ahead. I'm sorry.
A. And the -- and the RRI projections.
Q. And I've already asked you about the

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phrase "mathematically correct."
A. Uh-huh.
Q. What do you mean when you say "materially reasonable"?
A. I believe the projections taken as a whole are reasonable.
Q. And then the next paragraph says, "It is my opinion that, except where otherwise noted in my report, the individual assumptions used to build the projections fall into a reasonable range and that, when taken as a group, these assumptions are also reasonable."
Can you tell me why you were able to reach that conclusion?
A. Because we reviewed and looked at every line item, every cell of every model.
Q. And how big was this model?
A. The -- the E&Y model is, my recollection, I think about a -- over a hundred sheets -- over a hundred Excel spreadsheets.
Q. Okay.
A. The Conway model is actually about 30 models together and each of those models is multiple Excel spreadsheets. Clearly, Kevin Barr

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on my team probably knows exactly how many pages there are, but it's hundreds.
Q. And you looked at every one of those worksheets --
A. He did -- he did. I didn't.
Q. And every -- every cell of every worksheet?
A. He did.
Q. On Page 37 of your report, you refer to -- you state at the bottom, there's a carryover sentence having to do with the fact that the City does not have an aggregated forecast to use.
Can you tell me what you meant by an "aggregated forecast"?
A. Can you show me the sentence?
Q. It's the carryover. It says, "while the respective -- "
A. Ten-year 40-year.
Q. Yes. And then it carries over and the language I was referring to is the top of the next page.
It says, "The City does not have an aggregated forecast to use as a fiscal road map going forward."

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What do you mean by "an aggregated"?
A. The City does not have a forecast at the department level which includes all of the baseline projections and the RRIs incorporated into a single set of projections like you would typically see for an entity.
Q. Okay. And so the City needs to create such a document in order to go forward?
A. I think it would be highly advisable.
Q. The beginning of the sentence says, pardon me, "While the respective 10-year, 40-year and RRI forecasts have been expertly researched, constructed and amended."
What do you mean when you say "expertly researched, constructed"?
A. The, the 10-year, the 40-year and the RRIs, okay, are appropriately correct to the extent of the purpose for which they were intended. Okay? They are fit for that purpose.
Q. Uh-huh. Okay. Now, excuse me -- you mentioned that the City forecast cover a period of ten years and there's also a 40-year forecast too.
A. Yes.
Q. Is that the customary period for

- MARTI KOPACZ - VOLUME 1-
forecast, at least in the municipal world?
A. I'm not sure there is a customary period.
Q. Have you seen forecasts before of such length?
A. Have I in a general context, yes. In typically municipalities don't budget for that long a time.
Q. Do you know why it is that forecasts were prepared for periods so long as those we see here?
A. I don't know why those projections -- those periods were chosen, no.
Q. What's the relationship, if there is one at all, between the length of a forecast and its reliability?
A. Generally, the longer a forecast -- the longer period of time a forecast covers, the more variability you would expect as time goes on.
Q. Would there also -- let me ask you to look actually at Page 17 of your report. At the very bottom of that page --
A. Uh-huh.
Q. -- you've written -- I'm directing

- MARTI KOPACZ - VOLUME 1-
your attention to the last two sentences on that page. You wrote, "As the time horizon expands, so too does the magnitude required for an issue to impact feasibility. For example, a potential $50 million shortfall in Year 1 will have a much more significant impact on the assessment of feasibility than the same shortfall in Year 20."
Now, can you tell me what you meant when you wrote that?
A. I mean, I don't know how to say it any better. I'm sorry. I really don't. I think that's really clear.
Q. Okay.
A. Okay? I -- obviously -- the time horizon to my -- to the way we've defined the standard and the way I evaluated it is if there's going to be an impact near-term, that is clearly more significant than if it's going to occur 10 or 20 years down the road because 10 or 20 years down the road, people have an opportunity to respond and change their behavior and do different things to overcome whatever that risk might be. If it's a risk in the early part of a forecast, you don't have that time to respond.

- MARTI KOPACZ - VOLUME 1-
Q. So you testified that one feature of a long forecast is the greater chance for variability as the years go on, correct?
A. I would agree with that statement, yes.
Q. Are you also saying that in the future years that, although there may be such variation, it becomes less material as we sit here today because the variations happen so far into the future?
A. The material word, I don't agree with that in the sense that if it is a large risk component in the out years, that could affect my assessment of feasibility even though it was far out into the future. The other part, and I don't mean to quibble, but the near-term forecasts are going to be wrong too. It's just will there be enough variation in the forecast both plus and minus that on average things will be okay.
Q. Okay. And there are such things as -- as offsetting entries or offsetting variations, correct?
A. Correct. Yes.
Q. Is there any mathematical or

- MARTI KOPACZ - VOLUME 1-

A. Generally, a sensitivity analysis is done around a single variable.
Q. Okay.
A. Right?
Q. And all of the sensitivity analyses -- analyses you have done have been done around a single variable, right?
A. Yes.
Q. And when it predicts a -- the effects of a 1 percent change, it would be that absolute number whether the 1 percent is up or whether the 1 percent is down, correct?
A. Yes. Yes.
MR. STEWART: That is all I have.
MR. HACKNEY: This might be a good time for a break. I'm going to move all my stuff over there.
MR. STEWART: Sure.
THE VIDEOGRAPHER: Okay. The time now is 11:04 a.m. We're going off the record.
(Whereupon, there was a brief recess in the proceedings.)
THE VIDEOGRAPHER: Time now is

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11:12 a.m., and we're back on the record.
EXAMINATION BY MR. HACKNEY:
Q. Ms. Kopacz, we've met before but --
A. We have.
Q. -- I'll introduce myself again. My name is Steve Hackney and I represent Syncora in the City of Detroit bankruptcy case. It's ice to see you again.
A. Nice to see you again.
Q. Let me ask you some open-ended questions at the start here.
I first want to confirm that you're not intending to offer opinions other than the ones that are contained in your report, correct?
A. That is my intention, yes.
Q. Okay. And you have disclosed the bases for your opinions as well as the facts and data that you considered in your report, correct?
A. Yes.
Q. What are the limitations of the EY forecasts in your view? And I'm going to get some terminology down here, which is to say when I refer to the EY forecast at large, I mean all of them. So I mean the -- the baseline forecast

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without RRIs. I mean the forecast with RRIs. I mean the 40-year forecast. So when I refer to the forecasts at large, I'll call them the EY forecasts. Does that work for you?
A. And that includes the Conway position?
Q. It does.
A. Okay.
Q. Because you have to -- to have a name for them and ultimately EY assembled them.
A. Right.
Q. And so -- I mean, I can call them whatever you want, put it another way --
A. Okay.
Q. -- but if there's a time where you want to say well, Steve, I need to talk about this instead of this, let me know. Okay?
And, as a general rule, if I ask you a question that doesn't make sense, as I am wont to do, will you please let me know so that I can rephrase it?
A. Yes.
Q. If you -- do you understand that if you answer my question, I'm going to assume that

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you understood my question?
A. Yes.
Q. So going back to it, what are the limitations of the EY forecasts that are included in the plan in your view?
A. The limitations? I'm struggling with the word "limitations."
Q. Okay.
A. As I said in an answer to Mr. Stewart's question, the projections in the City's plan are -- were created for specific purpose and they are not what we would typically expect to see as a set of projections for a plan of reorganization in a Chapter 11 case. So, they're just -- they're -- it takes more effort to understand what they are and what they aren't.
Q. Going back to that, I wanted to make clear that you are specifically disclaiming any opinions on whether the -- whether the plan is in the best interests of creditors, correct?
A. That was not in my scope.
Q. And you don't have any opinions on that?
A. I do not have an opinion.

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Q. And you did not attempt to -- to determine whether the -- the City might do better than the -- the forecasts such that there would be more to distribute to creditors, correct?

A. Yes. And I -- I think at some point in my report I said there are -- there are things that I didn't -- that I very clearly didn't do, and I didn't -- I didn't look at best interest of creditors. It was outside of my scope, and I didn't look to see if there was a way in which the City could generate more cash, and I didn't look at any of the alternative plans.

Q. And just to be clear, to the extent the City is purporting to use the projections to satisfy the best interests of creditors test, you do not have an opinion that the projections are appropriate for that purpose, correct?

A. I don't have any opinion around best interest at any level.

Q. Okay. But I have to tie it to the forecasts as well, correct? You're not saying these forecasts satisfy the City's burden in connection with the best interests of creditors?

A. I -- no. I don't have any -- I don't

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have anything to say about that.

Q. Okay. I guess -- let me go back to the subject of limitations and give you an example to help inform my question a little bit.

So you're aware that the City has what I'll describe as troubled data systems with respect to the collection of financial records?

A. Yes.

Q. You're also aware that the forecast is, in some respects, based on historical financial records?

A. Yes.

Q. So, an example of a limitation would be that if the City has historical financial records that are of questionable validity, that that could be a limitation on the accuracy of the forecast. So I'm using this as an example of something that could be a limitation. I'm not saying that it is or it isn't, but I'm trying to inform my question to you more to help put some meat on the bones so to speak.

A. The City has accurate financial information once a year when it completes its -- its annual audit and gets its annual financial

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stuff, right? And at that point in time, when KPMG signs off and it files its CAFR, then -- CAFR, C-A-F-R, comprehensive annual financial report, those are numbers that have been vetted, if you will.

Q. The negative implication of your question is that in between CAFRs, the City does not have reliable financial records, correct?

A. They have ad hoc records.

Q. They are definitely ad hoc.

A. Yes.

Q. Are they reliable?

A. Some may be and some may not be.

Q. Okay. You did not have sufficient time to audit the records of the City, correct?

A. No, and it wasn't in my scope.

Q. Okay. So you have not made a determination as to whether the financial information upon which the projections are built, to the extent that they're not derived from a CAFR, are based on reliable financial records, correct? You haven't made that determination.

A. Can you repeat the question, please?

MR. KANE: I was distracting her with

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the microphone.

MR. HACKNEY: That's okay. It's a long one, but I think it was the best way to ask it, so it may be better to have it read back.

(The question requested was read back by the reporter.)

THE WITNESS: That didn't help me. Can we try again?

BY MR. HACKNEY:

Q. Yeah. So, I think -- let me try and summarize what you've said.

I believe that you have testified that you believe the CAFRs are reliable financial information sets, correct?

A. Right. I -- the CAFRs are based on financial information that has been tested and vetted and upon which KPMG has opined. Okay?

I may quibble with some of the accounting that's in there just because I have a view of certain things. Okay? But at least at that point in time, if we're looking at, for example, the CAFR in June of '12, which was the basis for the original baseline by E&Y, if they

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said they had 10,002 employees and they paid them $386 million, I think those are probably very good numbers.

Q. Okay. So, I think we're on common ground when we say to one another the CAFRs are in your view reliable financial information sets, correct?

A. Right.

Q. We then talked about the -- in the interim between --

A. Right.

Q. -- between the CAFRs, I think your testimony was to the effect of some information may be reliable and some may not be reliable, correct?

A. Yes.

Q. That's part of the problem that Detroit is facing now, right, it's difficulty with its an assembly of financial information?

A. Yes.

Q. So my question is that to the extent that the forecasts in the plan are based on information that was developed after the 2012 fiscal year CAFR, you have not made an assessment

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of whether that financial information is reliable, correct?

A. Individually that is correct. Yes.

Q. Okay. And isn't it true that the fiscal year 2013 CAFR just came out last week?

A. That is correct.

Q. So that wasn't available to the forecasters at EY in connection with their forecast, correct?

A. Parts of that -- information that is contained in the CAFR is available throughout the year. So, for example, the City has a good handle on cash, so it can tell you how much cash it has and how much cash it has to pay, right?

What its future obligations may be for some construction project that's going on, it probably can't tell you.

Q. Okay. So there were parts of the 2013 CAFR that may have been available to E&Y --

A. Yes.

Q. -- and parts that were not?

A. Correct.

Q. And they -- the same parts were available to you and not, correct?

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A. Yes.

Q. Okay. Now, with respect to the forecasts that are included in the plan, what is the base year for those forecasts?

A. The base year for the original ten-year was 2012 and then it was updated for information that was known in 2013 and it has been subsequently updated for information that is known in 2014, which is the year we just finished.

Q. So let's get terminology straight, because I would get this turned around.

But isn't it true that fiscal year 2013 ended on June 30th, 2013?

A. Correct.

Q. Okay.

A. And that's the first baseline.

Q. And you understand that when the first baseline forecast was being built it was prior to the end of fiscal year 2013?

A. Yes.

Q. And so, in that forecast, the base year was clearly fiscal year 2012, correct?

A. Up to -- yes, and updated for what was discernable and knowable before that

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projection was made.

Q. So I understand that the projection involves updating --

A. Yes.

Q. -- things, but when I talk about the base year, that's not something that you update, correct?

A. Correct.

Q. The base year is the historical base, correct?

A. Correct. Yes.

Q. So, when we get to the forecasts that are included in the instant plan, the most recent set of those was dated July 2nd, correct?

A. Correct.

Q. And that's of 2014?

A. Correct.

Q. What was the historical base year for the forecasts that are in the plan?

A. It's -- it's still the baseline plan, the ten-year plan, updated for the updated RRIs, updated for the new 40-year.

Q. But based off of fiscal year 2012?

A. The baseline was 2012.

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Q. Right.
A. Right.
Q. But what about the ten-year restructuring forecast? Is that base year 2012? Base year 2013?
A. The ten-year restructuring forecast, I think of that as the 40-year plan. The ten-year that's within the 40-year?
Q. Yes.
A. I think that has been largely up dated for '13.
Q. Okay. So is the base year for the 40-year that includes the 10-year --
A. Yes.
Q. -- fiscal year 2013?
A. It's '12 adjusted for what they knew about '13.
Q. Okay. So it's --
A. It's a hybrid.
Q. -- it's a bit of a hybrid?
A. It is.
Q. Okay. And is that typical in forecasting?
A. Is it typical in forecasting? It is

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typical if forecasting goes on for a long period of time as this has. And think about it. They've been -- they've been doing these forecasts for a long, long time, and so they keep updating them. But originally, it started with the baseline which was predicated on '12 -- of 2012.
Q. Okay. And so to the extent the forecast for 2013 was superseded by actual results, your testimony is that the forecast was updated to take account of the actual results that had already happened?
A. To the -- to the extent that -- yes, there are -- there are updates. Because there are -- I'm trying to think, I think there are six sets of projections, right? We only focused on the May 5th and the July 2nd, but there were other sets of projections before that that existed, you know, from that. So, all of those have changed and incorporated both new actual results and new assumptions.
Q. And the new actual results post-fiscal year 2012 are ones that were derived from something other than the CAFR, correct?
A. As the CAFR was filed last week, yes,

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had to be.
Q. Yeah. It had to be.
A. By definition, had to be.
Q. Are there problems with the forecasts that are in the plan in your view?
A. Problems? I -- I don't -- there's not problems with them in the sense of where they end up, right? I, again, have been really critical of how confusing they are.
Q. I was going to say that it seems to me that when a forecast is confusing, and I'm one of the people that shares your view that they're confusing, that strikes me as a problem with the forecast. I think a forecast should not be confusing, but that's me and I wanted to ask whether or not the confusing nature of the forecasts was a problem from your point of view?
A. It -- it caused my team to spend an enormous amount of time in understanding and checking the model, right? It -- it -- I think the -- the word I'd use in here or a word I used at one point in time was it was tedious.
Q. Isn't it fair to say that it -- it took an enormous amount of time just to understand

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the model?
A. We -- yes. I -- I believe that I have a good understanding of all the models. You know, members of my team have a -- an incredibly intimate understanding of those models. But that required a significant effort on our part, but we understand them now.
Q. How long would you say it took you and your team to reach the point where you could say, okay, I now have an understanding of the model?
A. About the -- by the time we got the July 2nd numbers, we had a really good understanding of the May 5th numbers.
Q. Okay. So, you were retained on or about April 22?
A. April 22nd. We got the working models on the E&Y stuff Memorial Day.
Q. Which was April 30 or something like that?
A. May something or other, right?
Q. Okay.
A. And, you know, within a couple of weeks of actually getting the working models, we

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were in -- in pretty good stead with understanding the May 5th, and then we got the July 2nd and went through a similar process with that; albeit, you know, we already knew how they worked so it was easier to do those.

Q. So would you say by the end of May that you believe your team had achieved a good working understanding?

A. No. By the end of -- by the end of June.

Q. Oh, by the end of June?

A. By the end of June.

Q. And you --

A. We didn't get the working models until the end of May.

Q. Okay. You had less than --

A. May something or other.

Q. You had less than 90 days to do your work in this case, correct?

A. Yeah, whatever it's been.

Q. So May, June, July -- April 22 to May -- July 18 I think.

A. Yes.

Q. Did you have sufficient time to do

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your work?

A. I feel like I did. I mean there's still a couple of things that, as I said in to response to Mr. Stewart, questions that I intend to do going forward. But for the most part, I am satisfied with our ability to evaluate what all the information that was available and meet with the people that were available and do what we needed to do.

Q. With respect to the forecasts?

A. With respect to the forecasts.

Q. Now, with respect to the restructuring and reinvestment initiatives, you're not offering the opinion that they will achieve the goals that they're held out to achieve, correct?

A. No. No.

Q. And you haven't conducted a comprehensive review of the City's department from an operational standpoint to understand how the restructuring and reinvestment initiatives map on to needs of each department, correct?

A. I have not redone -- I have not redone the work that Conway has done. That's for

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sure, right?

Q. And my question was, you haven't done a comprehensive review to test whether Conway is correct in either the assessment of operational needs or its conclusion regarding whether the RRIs will solve the operational needs, correct?

A. That's correct.

Q. What -- what revenue streams are not included in the plan forecasts?

A. The Grand Bargain revenue streams.

Q. Okay. Those are not included in the forecasts?

A. Well, they're in the forecasts, but they're not in the -- they're in the plan forecast, but they're not in the City's budget because those monies don't -- they don't flow through the city when they come in.

Q. Understood. Okay. So the Grand Bargain forecasts are not -- not --

A. So the --

Q. -- in -- the Grand Bargain proceeds are not in the City's forecasts, correct?

A. They're in the plan, but they're not in -- I -- I may have confused myself.

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They're not in -- they're not what we would consider to be part of the City's budget.

Q. Understood.

A. Right. But they're in the plan as a sources of funds.

Q. Okay. So, let me -- let me put -- let me turn the question around, which is what revenue streams did you not study?

A. I don't think that there was any revenue stream of a recurring nature that we didn't study.

Q. Well, what about something like DWSD? Did you undertake an analysis to determine whether in the future the City's general fund might obtain revenue from what is currently known as DWSD?

A. We did not do that.

Q. Okay. So you have no opinions on that one way or the other?

A. I do not.

Q. You are generally aware that there is this concept that the DWSD may change the structuring in which it's housed in a way that yields an additional revenue stream to the general fund?

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MR. KANE: Objection. You can answer.

BY MR. HACKNEY:

Q. Just -- are you aware of the concept?

A. I'm aware that there's discussion around that, yes, and that DWSD is an enterprise fund.

Q. Other than that, DWSD was outside your scope?

A. DW -- other than the pension funding transfer from DWSD to the general fund, I did not look at DWSD.

Q. What about, did you study the likelihood and magnitude of potential asset sales?

A. I met with people in the City and with the City's advisors to talk about potential asset sales, yes.

Q. Are potential asset sales included in the plan forecasts as a potential source of revenue?

A. No.

Q. Okay. So, is it fair to say that, because they're not in the forecasts, you don't have an opinion on the likelihood of revenue that

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will arise from asset sales in the future?

A. That's correct.

Q. Okay. What are the uncertainties that exist over the next ten years that could impact the forecasts?

A. I think we went through them, right, in the report? The risk and opportunity.

Q. So, yeah -- to the -- to the extent there are uncertainties, if I want to know what your view on that is, I should read your report?

A. You should. And it's the section on risk and opportunity.

Q. Do you agree that changes to the law is an uncertainty that could impact the forecast?

A. Changes to what law?

Q. Any law.

A. That impacts the City? It could.

Q. Changes to the tax law could certainly impact the forecast?

A. Yes.

Q. Did you study the likelihood of changes to tax law?

A. Generally, no.

Q. The macroeconomic condition of the

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United States could impact the City over the next ten years, correct?

A. It could.

Q. Did you conduct a separate analysis of that question?

A. No.

Q. What kinds of information were you unable to examine regarding the forecasts?

A. I -- the -- the exhibit here of what the open requests I was not able, I obviously haven't -- they're still open requests, so I haven't looked at that.

Q. Anything else other than that that was something that you would have liked to have had but you didn't?

A. Not that I'm recalling.

Q. What about information regarding grants? Did you undertake an assessment of what grants the City is or is not likely to get in the future?

A. Only as it relates to the departmental reviews, not a broad review of grants that are available that it doesn't apply for, no.

Q. What are the assumptions that area in

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the forecasts regarding what grants the City will get?

A. It -- again, there's an exhibit in here that identifies the grants and the totality of the grants, but they -- they're fire and safety, public safety and transportation primarily.

Q. And did you undertake any assessment of the likelihood that they would get those grants?

A. No, I mean in terms of -- no. I mean there -- I assumed -- I looked at the grants that they're assuming they're going to get and I agreed that it looks like they're going to get those grants.

Q. On what basis?

A. On the fact that they've applied for those, like the SAFER grants for the fire department, those sort of things.

Q. So the extent of your confirmation was to confirm that they had, in fact, applied for the grants?

A. No. My -- my analysis of that was to get comfortable that the grants that were in the

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initially filed in February, two months before your appointment, called for steeper cuts than are in the current plan?
A. I -- I have no recollection of that.
Q. So, just as you sit here today you're not generally aware of the fact that the City reduced the pension cuts significantly between the first -- reduced the pension cuts between the first plan and the plan that's on file?
A. No. I -- when I got appointed, right, the -- was the day before I went I think for my interview with the Judge, the fourth plan got filed and, at that point, I didn't look at anything other than the fourth plan going forward. So I just -- I don't have any --
Q. I see.
A. I don't have any recollection.
Q. So -- okay. Let me ask it then as a hypothetical. Okay?
A. Okay.
Q. If the prior plans included steeper cuts to pensions than the current plan --
A. Okay.
Q. -- from your standpoint, that would

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increase the likelihood that the prior plans, all things being equal, were feasible, correct? Because it would make the City's ability to comply with the plan a lower bar?
MR. ALBERTS: Objection.
THE WITNESS: More cash available improves feasibility.
BY MR. HACKNEY:
Q. If steeper cuts to pensions increases the amount of cash that's available, steeper cuts to pensions makes the plan more feasible. Do you agree?
A. I'm not sure if it's -- that's it's if P then Q, and you're saying Q therefore P. I'm not sure that -- that you can do that, right?
Q. Why not?
A. Well, because again, it's -- it's the totality of the cash that's available. So would I like to have -- again, I have been very clear in my report. I'm being very clear today.
I would like to see more cash that's not committed to somebody or something available in this plan to provide cushion for variabilities that are necessarily going to happen. So if -- if

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any of the settlements would, would reduce the amount of cash the City has to pay to somebody, I'm going to think that improves the feasibility.
Q. Understood. I wasn't trying to trap you into a notion where, you know, if you cut pensions more, but then you give the savings and more to someone else?
A. Right.
Q. I was saying all things being equal, the steeper the cuts to the pensions, the more feasible the City would become from a financial standpoint?
A. And again, I just have conceptually a hard time isolating a single action around, you know, what you're trying -- to get. It sounds to me like you're trying to get me into the best interest of creditors and I'm just not going there.
Q. No. I'm trying to assess your own definitions of feasibility.
A. Yes.
Q. Which you admit is on a continuum, correct?
A. It is on A continuum.

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Q. So feasibility isn't just a magical point on the spectrum, right?
A. Right. It's a hurtle.
Q. It's a --
A. You got to get over the hurdle of feasibility and then it's a continuum.
Q. And the hurdle is the obligations imposed on the City under the plan, right?
A. Yes.
Q. The lower those obligations, the lower the hurdle. Do you agree with that?
A. All other things equal, yes.
Q. Have you ever seen another municipality do a ten-year forecast?
A. I have, but, again, not -- generally, it's around long-term financing in terms of -- it tends not to be a full-blown revenues and expenses. It tends to look at certain kinds of long-term obligations or long-term revenue sources, yes.
Q. Have you ever seen another municipality do a comprehensive general fund forecast over a ten-year period?
A. I have not.

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Q. Have you ever seen another municipality do a comprehensive general fund forecast over a 40-year period -- a gen -- comprehensive general fund forecast over a 40-year period?
A. Forty years.
Q. Yeah.
A. No.
Q. So, the two that are in the plan, the 10-year and the 40-year, are the first you've ever seen a municipality do, correct?
A. That I've ever seen? Yes.
Q. Have you ever seen a municipality do a forecast when it was undergoing this level of change?
A. Personally? No.
Q. Ma'am, have you ever been qualified in a court of law as an expert before?
A. I have.
Q. Okay. And tell me how many times that's happened to you?
A. We should go back and look at my testimony list, right? Probably -- I don't think it's in there. I think it's in my proposal. I

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referenced it.
MR. KANE: I've got some copies of it if you want it.
BY MR. HACKNEY:
Q. Okay. I missed that.
A. Yeah. More than two, probably less than five, ten. Something like that.
Q. Okay. So that means that's where a Court has said Ms. Kopacz is an expert and I'm going to allow her to testify on Subject X?
A. Right.
Q. And it's somewhere between two and five?
A. That's what I'm thinking.
Q. What were the subjects of your testimony?
A. Generally, it's all been insolvency and restructuring oriented. So whether or not, you know, an entity was solvent or insolvent. Whether or not -- it's all -- I mean, my career has been spent in restructuring, so it's all in that context.
Q. A very typical restructuring expert testimonies that I come across in my practice, an

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example would be valuation. Have you been qualified as an expert in valuation?
A. I don't think so. I don't think so.
Q. You talked about solvency.
A. Yes.
Q. Have you ever been qualified as an expert in whether an entity is or is not solvent?
A. Yes.
Q. Have you ever offered expert testimony as to whether or not a plan was feasible?
A. I don't think so in terms of that narrow definition of feasibility.
Q. Okay.
A. Right?
Q. Have you ever offered expert testimony in a Chapter 9 case?
A. No. No.
MR. KANE: Other than this one?
BY MR. HACKNEY:
Q. Other than this one -- other than today?
A. Yeah.
Q. Have you ever offered expert

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testimony on whether a plan satisfies the best interests of creditors test?
A. No.
Q. Other than expert testimony on insolvency, do you remember any -- any other areas where you testified as an expert?
A. Yes. And I have testified -- I have testified on behalf of clients in a variety of bankruptcy hearings and confirmation hearings and I -- to be honest with you, I don't really know if that's expert or fact or some sort of mix of the two. All right? I -- very few times in my career have I been hired exclusively as an expert. I've generally been the financial advisor, the chief restructuring officer or had some other role before I got to the witness stand.
Q. And it does create some complexity because sometimes an FA will be a witness to facts that happen in the bankruptcy.
A. Yes.
Q. And then they will also have the expertise to render opinions, as we lawyers think of them, in connection with their testimony. So I under -- understand what I think you're alluding

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the average income data for the City of Detroit, correct?
A. That's correct.
Q. Okay. You relied on data that was given to you by Ernst & Young?
A. That's correct.
Q. Okay. And you haven't taken steps to assess the accuracy of that data, correct?
A. That's correct.
Q. And with respect to the level of unemployment in the City, you also relied on data that was given to you by Ernst & Young, correct?
A. Yes.
Q. But you did not attempt to independently verify that data --
A. I'm not --
Q. -- correct?
A. -- sure. I'm not sure what independent information we had on employment -- on unemployment.
Q. Okay. You may have. You may not have. You just don't know?
A. Yes.
Q. Is it true that unemployment in the

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City of Detroit bottomed out in 2010?
A. I don't know that.
Q. Isn't it true that year over year since 2010 unemployment has decreased?
A. I don't know that.
Q. Do you know how the City's current unemployment rates compare to last year's unemployment rates?
A. I don't.
Q. Let me ask you some questions about the wagering revenues.
What is the tax rate that's applied to the wagering revenues?
A. It's in my report. It's 10.95? We can look it up.
Q. Did you conduct any independent analysis of the gaming market in the City of Detroit?
A. I did not.
Q. Okay. So you didn't do an independent study to understand, for example, the impact that the Toledo casinos will have on the casinos in the City of Detroit; is that correct?
MR. KANE: He'll direct you to this

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if he wants you to look for the specific page.
MR. HACKNEY: Yeah, that's okay.
THE WITNESS: Yeah. No.
BY MR. HACKNEY:
Q. I am correct when I say that, right?
A. Correct.
Q. And you also did not conduct any sensitivity analysis around casino gaming revenue, correct?
A. Whatever's in here is what we did.
Q. Okay. So if you did sensitivity analysis, it's in your report, correct?
A. That's correct.
Q. If it's not in your report, it's because you didn't do it?
A. That's correct.
Q. What is the utility user's tax?
A. It is a tax that the City of Detroit assesses on telephone, cable, utility charges to residents in Detroit.
Q. Now, when it came to historical data about utility user tax revenues, you relied on what was given to you by Ernst & Young; is that

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correct?
A. That's correct.
Q. You did not attempt to independently assess that data, correct?
A. Correct.
Q. And to the extent you conducted sensitivity analysis around the utility user's tax, it will be in your report?
A. We did not.
Q. You did not? I --
A. Did not.
Q. It's not a memory test, but it's fine.
Let's talk a little bit about your experience -- your personal experience forecasting municipal revenues -- or I'm sorry, doing municipal forecasts of both revenues and expenses. Okay?
A. Okay.
Q. So tell me about the times that you've had the opportunity to do it personally.
A. I have not directly worked for a municipality in projecting revenues or expenses.
Q. Okay. What do you mean by

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A. No.
Q. What about judgmental forecasting?
A. No.
Q. Consensus forecasting, do you know what that is?
A. Consensus generally means that everybody agrees on It. It's -- it's the way that Michigan does its revenue forecasting and Detroit does it.
Q. That's using multiple people to check one another, correct?
A. Yes.
Q. And then do you know what expert forecasting is in the qualitative context?
A. No.
Q. Fair to say that you have never consciously applied these methodologies in your own forecasting work?
A. That's correct.
Q. And you did not in connection with the City's forecasting?
A. That's correct.
Q. Now, let me ask you some questions about the -- the quantitative types.

- MARTI KOPACZ - VOLUME 1-
Have you ever heard of econometric forecasting?
A. Yes.
Q. Okay. You did not perform any econometric forecasting, correct?
A. That's right.
Q. Neither did the City, right?
A. I'm not going to answer for the City.
Q. Oh, you don't know whether they did or they didn't?
A. I'm not -- again, I didn't do any, but I didn't -- I haven't seen any, so...
Q. Sorry. Maybe I'm not asking my question the right way.
In connection with the City's forecasts, you're unaware of anyone associated with the City performing an econometric forecast?
A. Like I said, I'm not aware of it, but I don't know.
Q. Okay. So I'm not trying to -- I'm not trying to sharp shoot you, but one of your jobs here was to understand everything about the forecasts, so --
A. Yes.

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Q. To -- when you say I'm not aware of someone doing it, your expectation is that it wasn't done?
A. That's correct.
Q. Okay. And similarly, have you ever heard of regression analysis?
A. Yes.
Q. You didn't perform any regression analysis with respect to the City forecasts?
A. That's correct.
Q. And to the best of your knowledge, neither did the City, correct?
A. Not that I'm aware of.
Q. Okay. Are you aware of -- of what's called a time series forecast?
A. Yes.
Q. You didn't perform any time series analysis of the City's forecast, correct?
A. That's correct.
Q. And to the best of your knowledge, neither did the City?
A. Not that I'm aware of.
Q. Okay. And then you're aware of a concept of trend analysis, correct?

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A. Yes.
Q. You didn't perform trend analysis with respect to the City's forecasts?
A. That I would say we did.
Q. Okay. That is something you would say that you did do?
A. Yes.
Q. And did the City do that?
A. I believe the City did that.
Q. Okay. Now, have you reviewed the National Advisory Council on State and Local Budgeting and their publications?
A. I have not.
Q. Do you agree that forecasting is a highly subjective area?
A. Yes.
Q. And, as such, it's subject to the biases of the person doing the forecast, correct?
A. Yes. And -- and -- but I would qualify biases as neither good nor bad.
Q. Understood. It's not a -- it's not meant to be a negative word like -- like racial bias.
A. Right.

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Q. It's meant to be a word that says your own personal viewpoint can have an impact on your forecast?
A. That's correct. I agree with that.
Q. And do you -- as a restructuring professional, do you understand the idea that the City here has an incentive to have a very conservative forecast?
MR. KANE: Objection. You can answer.
THE WITNESS: I --
BY MR. HACKNEY:
Q. Thinking about it from the stand -- just as a restructuring professional and drawing on your experience, do you understand the general concept that the City has an incentive to have a conservative forecast because then it can say to creditors, I have nothing more to give you, but if it does better than the forecast, it will have more cushion later.
MR. STEWART: Objection.
THE WITNESS: I'm struggling --
MR. STEWART: Did you get my objection to the question?

- MARTI KOPACZ - VOLUME 1-
THE WITNESS: I'm not under -- I'm -- I'm struggling with incentive.
BY MR. HACKNEY:
Q. Okay. Let's turn it around then.
You didn't consider or analyze what the biases of the City forecasters were, correct?
A. Correct.
Q. Okay.
MR. HACKNEY: Ma'am, there is just five minutes left on tape, and one of the things I like to tell people is that a deposition is not akin to being stretched out on the rack. So, if you would like to take a lunch break, this could be a good time.
THE WITNESS: I would like to take a break.
MR. HACKNEY: Okay. Absolutely.
THE VIDEOGRAPHER: Thank you. The time is now 12:17 p.m. We're off the record. This is the end of Disk Number 2.
(Whereupon, a lunch break was taken from 12:17 p.m. to 1:20 p.m.)
THE VIDEOGRAPHER: The time now is approximately 1:20 p.m. We're back on the

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record. This is the beginning of Disk Number 3.
BY MR. HACKNEY:
Q. Ms. Kopacz, welcome back.
A. Thank you.
THE VIDEOGRAPHER: Do you have your microphone on?
MR. HACKNEY: I don't. Neither of us do.
MR. KANE: Let the record reflect I have mine on.
MR. HACKNEY: Teacher's pet.
(Whereupon, a brief discussion was held off record.)
BY MR. HACKNEY:
Q. Okay. Ms. Kopacz, so do you agree that in order to minimize the impacts of subjectivity, it is important for a forecaster to utilize a reliable methodology?
A. Never thought about it.
Q. Okay. Having thought about it for the first time, do you agree?
A. I don't know. I don't know.
Q. How about put it this way: Do you

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agree that it's important for a forecaster to use a reliable methodology?
A. Yes.
Q. What methodology did the City use?
A. I'm not understanding the question.
Q. Okay. Methodology is one of those words that's kind of hard. It -- the more you try define it, the more you can roll around in it.
Do you have a general understanding of the concept of a methodology?
Let's try and get on common ground in terms of what the word means and then we can try and ask the questions.
A. Okay.
Q. So, when I talk about forecasting methodology, what does that mean to you?
A. Approach.
Q. Okay. Okay. And so what approach did the City utilize in compiling its forecasts?
A. There's not -- I'm struggling because I think the way you're using it is as if there's a professional standard for methodology. There are like -- like we were talking about generally accepted accounting principles. There aren't --

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A. I don't know.
Q. Okay. Now, I think we talked about earlier the fact that you haven't done any?
A. That's correct.
Q. Any statistical testing, correct?
A. Correct.
Q. Is it fair to say that the City's forecasts are -- and I'm talking about the ones in the plan of adjustment, you understand that, right?
A. Okay.
Q. The City's forecasts are principally the product of the judgment of the City forecasters?
A. I don't know who that is.
Q. You don't know --
A. What are -- tell me who those people are.
Q. Well, I was talking about the forecasters that are the subject of your expert opinion.
A. Right.
Q. So those forecasts are principally the product of the judgments of the forecasters.

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Do you agree with that?
A. I think so. Yes. The people who prepare the forecast, it seems circular. They prepare the forecast, they make the assumptions and the calculations, yes.
Q. But the assumptions are ones that they use their judgment to determine, correct?
A. I believe that's correct, yes.
Q. Who are the forecasters on the revenue side for the City?
A. Ernst & Young.
Q. Yeah, I meant the people.
A. Bob Kline and his team.
Q. Who else?
A. I -- I would -- I would have to -- we could look and see who we talked about, but I remember Bob.
Q. Okay.
A. And there are a couple of women who worked with him.
Q. Do you remember Caroline Sally?
A. That's sounds familiar.
Q. Okay.
A. But, yes.

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Q. And then Gaurav Malhotra?
A. No.
THE REPORTER: I'm sorry.
MR. HACKNEY: Gaurav Malhotra.
And general spellings I can definitely give them you at a break.
Q. You remember Gaurav?
A. Absolutely I remember Gaurav.
Q. I didn't hear your answer, I'm sorry.
A. I said Bob Kline and his team, okay --
(Cell phone interruption.)
THE VIDEOGRAPHER: I'm sorry that shouldn't happen.
MR. HACKNEY: That's okay. That's a good ringer.
A. Bob Kline and his team, who are a division of Ernst & Young in some way, shape or form, were the professionals that worked on the revenue projections.
Q. On the revenue projections?
A. Correct.
Q. I see what you're saying.
Okay. So, are you distinguishing

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Gaurav from Bob Kline's team --
A. Bob --
Q. Is it Bob Kline or Ron Kline?
A. Bob. Bob. I think so.
Q. Mr. Kline.
A. Mr. Kline.
Q. Let's get a sense of who's on Mr. Kline's team and whether Gaurav is on that team.
A. Gaurav is the Ernst & Young partner responsible for the Detroit engagement.
Q. Got it.
A. Okay? Gaurav has work groups, right, from various parts of Ernst & Young working for him on this.
Bob Kline is the Ph.D. economist that has a group of people also working for him that worked on the revenue projections.
Q. And the cost projections principally came from Conway MacKenzie; is that right?
A. No. No. It depends on which --
Q. I see?
A. The RRIs came from the Conway MacKenzie.

Q. The historical call cost expense came from whom?
A. The historical costs came from the City. The cost projections came primarily from Ernst & Young, a group of people that worked for Gaurav.
Q. I see. Okay.
So if I was thinking broadly about the forecasts in the go-forward years, if I was thinking about revenue forecasts, I'm thinking about Mr. Kline's team?
A. That's how I think of it, yes.
Q. If I'm thinking about cost projections that don't entail RRIs, I'm thinking about Mr. Malhotra's team?
A. Right. And he has specific people that are responsible for specific parts of the cost projections that work for him.
Q. Understood.
Then if I'm thinking about RRIs and their impacts on either costs or revenues, I'm thinking about the Conway MacKenzie team?
A. Generally that's correct.
Q. And is this, by the way, part of the

reason that you found the forecasts confusing is because they were the product of actually three different groups of forecasters?
A. It's not that there are different people involved. It is that they were never harmonized and concatenated in a way that they're all in one kind of place.
Q. What is the experience of Mr. Kline and his team when it comes to forecasting municipal revenues?
A. I don't know.
Q. Okay. Did you make any effort to assess that?
A. I did not.
Q. Was that important to you?
A. I looked at -- I used all the information that was available to me and all the people that were available to me and -- got satisfied with the projections in the plan as being reasonable revenue projections.
Q. Were you working under the assumption that Mr. Kline and his team had substantial experience forecasting municipal revenues?
A. I did not make that assumption, no.

Q. You hadn't thought about it one way or the other?
A. No, I did not make a determination one way or the other.
Q. Okay. Did you ever meet them in person?
A. I did not.
Q. You spoke to them on the phone?
A. I did.
Q. And what was the experience of Mr. Malhotra's team when it came to forecasting municipal expenses?
A. I don't know.
Q. And what was the experience of the Conway MacKenzie team when it came to projecting the costs or revenues associated with a municipal restructuring?
A. I don't know.
Q. Now, when you were assessing the reliability of the assumptions that are in the forecasts, did you independently seek to develop your own assumptions first and then compare so that you could then compare them to the City's assumption and see how they compared?

A. No.
Q. Okay.
A. Generally not.
Q. So what you did, instead, was you first understood what the City's assumption was and then you tested the reasonableness of that assumption, correct?
A. Generally that's correct, yes.
Q. Okay. Why didn't you, for example, kind of in order to avoid just, you know, the impact that even seeing their assumption can have on you, why didn't you say, What do I think wages will be year over year for the next ten years, and do the work independently and then see how it mapped?
A. Generally two reasons, time. When I was appointed I had, I think, 62 days originally between when I was appointed and when my report was due.
Q. Yeah.
A. Okay. Secondly, I learned very quickly the condition of the historical records of the City, and realized that in order to get done with my assignment, I was going to have to rely on

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the assimilation of data that the other professionals had acquired. And that included the creditors' professionals, as well.

Being the last person at the dance, so to speak, I needed to rely on not only on Ernst & Young and Conway, but Alvarez and FDI --

Q. Yeah.
A. -- and Houlihan, to help get us to the best data that was out there.
Q. So let me see if I can summarize, the time that you were allotted which we discussed and which I've told you I'm of the view wasn't very much, but it was what it was, but the time that you were allotted did not allow you to either independently verify the data or independently generate your own assumptions?
A. I -- I wouldn't go so far as to say we didn't independently verify because we did, specifically on the revenue projections and things surrounding those, we did seek other third-party sources of data. So --
Q. There were instances where you sought some form of corroboration?
A. Separate and apart from the City.

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Q. But in general, you'd agree with my statement that you didn't have sufficient time to independently verify all of the data on which the forecasts are built in order to develop your own assumptions?
MR. KANE: Objection. Go ahead and answer.
A. Yes.
Q. You agree with me?
A. Yes.
Q. Your reliance materials only list the City's CAFR for 2012 specifically by name?
A. Uh-huh.
Q. Is that the only CAFR that you reviewed?
A. We did not get the CAFR, the '13 CAFR until after my report was filed.
Q. Understood.
So we've had a conversation about the '13 CAFR and how some of the information in it may have been known to you --
A. Right.
Q. -- and other parts of the information may not have been?

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A. Right.
Q. Let's put that to one side, now let's go backwards in time.
Did you review any CAFRs other than the 2012 CAFR?
A. I did not.
Q. And whether your team did or not, you don't know?
A. I don't know.
Q. Do you -- is it your opinion that none of the prior year CAFRs prior to 2012 have any relevance to the City's financial projections?
A. Like I said, I didn't look at it. Don't know if my team did or not.
Q. So, do you think they are relevant or not?
A. I don't know.
Q. You don't know. They might be, they may not be?
A. They weren't part -- they weren't part of the basis for my opinion.
Q. Okay. But I'm asking about the relevance of them?
A. I don't know.

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Q. You don't know what the relevance is?
A. Yes.
Q. Would you agree -- let's go back to our word methodology which you've used to describe as approach.
Methodologies is an important word in the legal setting, that's why lawyers are always asking about methodology.
But would you agree that the City did not employ a uniform approach in constructing the forecasts?
A. Yes.
Q. Would you also agree that the City didn't apply a uniform methodology in constructing the forecasts?
A. I don't like the word methodology.
Q. Okay. You're more comfortable with approach?
A. I'm more comfortable with approach.
Q. But can you describe what the approach was?
A. It depends on -- it depends on which model we're talking about. The original baseline E & Y model, the Conway models, or the E & Y

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10-year, 40-year model. It depends on what the line item that is being projected is, okay?

And there are different approaches used for estimating both revenues and expenses depending on which one you're talking about and who did it.

Q. And then are there different approaches even within categories like did they employ a different approach to estimating different types of revenue?

A. Yes. Well, revenue -- revenue in terms of the E & Y models, no. Okay. There are differences in approaches, for example, to salaries and wages, depending on whether it's a Conway model or whether it's an E & Y model.

Q. Did you say in your expert report that you found the City's model to be convoluted?

A. And confusing.

Q. Yeah. Did you also say convoluted?

A. Yes.

Q. Okay. I will put my hand up and agree with you on that.

MR. KANE: Objection.

MR. HACKNEY: For now?

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MR. KANE: What?

BY MR. HACKNEY:

Q. So we've talked a lot about -- we've talked about industry standards and -- but have you ever seen another city employ the approach for its forecasts that was employed here?

A. No, because as we've established, I've never seen another city like this doing forecasts for a plan of adjustment.

Q. True, but you have seen other cities doing forecasts, right?

A. Budgetary forecasts, yes.

Q. Yeah. Have you ever seen any of those cities employ a methodology or an approach, sorry, like this one?

A. No.

Q. When it comes to forecasting revenue, do you believe that the forecasting technique that you employed depends on the nature of the revenue source that's being forecasted?

A. Can you explain that?

Q. Sure. So do you understand that there are -- certainly understand that there are different types of revenue, right? You understand

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that?

A. Yes.

Q. Income tax revenue is a different type of revenue from wagering revenue, right?

A. Yes.

Q. Do you understand the idea that there are -- there are -- that revenue is often divided into two board categories of whether it's deterministic on the one hand or volatile on the other?

A. I would agree there are different types of revenue that have the different bases for -- around which you would estimate. But I would want you to define those words before I would agree or disagree with them.

Q. Deterministic I use in the sense that it means predictable and volatile means unpredictable.

A. Yes.

Q. Have you ever -- do you understand the idea that you can classify revenue streams as being either predictable or unpredictable?

A. I would think that is the analyst's choice of how they want to describe them,

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generally.

Q. Yes. Right. And did you undertake a revenue portfolio analysis in this case?

A. A revenue portfolio analysis? Don't know what a revenue portfolio analysis is.

We looked at all the revenues that were presented in the plan of adjustment projections.

Q. So I guess can I say that to the extent you undertook a revenue portfolio analysis, you didn't do so consciously?

A. I wouldn't -- I don't think -- that sounds like a term of art, it doesn't sound like something that you would think about.

Q. That's -- that sounds like a term of art from the world of revenue forecasting?

A. It's somebody's -- it's somebody's term of art, but it's not my term of art.

Q. Okay. Did you make an independent assessment for yourself as to whether or not the City's revenue streams could be classified as either predictable or unpredictable?

A. I looked at each revenue stream and assessed whether I thought the City's forecast or

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Q. And so as a result of the passage of time, as we sit here today, there are now actually historical results that we have that are historical as of today, that can be compared to what was once a forecast, correct?
A. That's possible, yes.
Q. I take it you have not done that?
A. I have not done that.
Q. So you haven't attempted to validate what the prior forecasts against subsequent historical information that's come in?
A. No, I have not.
Q. Okay. You have not -- I want to talk briefly about taxes, okay?
You did not include -- you did not conduct analysis of whether the City can increase taxes, correct?
A. That's correct.
Q. Both from the standpoint -- you didn't analyze whether it legally can increase taxes, correct?
A. Correct.
Q. You also didn't analyze whether economically if it did increase taxes, what would

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happen to the City, correct?
A. Correct.
Q. And you're offering opinions on tax policy in this case, correct?
A. I am not.
Q. Now, is it correct -- I want to talk about property value, okay?
Is it correct that the average assessed value per parcel in the City of Detroit decreased by 37 percent between 2008 and 2013?
A. I'm not familiar with that data point.
Q. Do you know -- do you agree that there was a substantial decrease in the assessed value per parcel in the City of Detroit between 2008 and 2013?
A. I don't know what "substantial" means but I can say, yes, I am aware that property value -- assessed property values decreased.
Q. What would you define "substantial" as?
A. I don't know.
Q. I mean, you can do whatever you want.
A. Property -- assessed property value

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decreased.
Q. Do you know how much it decreased?
A. I don't.
Q. I take it you don't know what the City's assessed property values are as you sit here today?
A. I do not.
Q. And you haven't engaged in an independent effort to determine what the assessed value should be, correct?
A. That's correct.
Q. Now, is it reasonable to assume that the assessed value per parcel in the City of Detroit will fall by an additional 50 percent between -- over the next seven years?
A. I am not --
MR. STEWART: Objection.
A. I have no way to know that.
Q. You have no way to test that assumption?
Let's start -- you did not test that assumption, correct?
A. That's correct.
Q. Okay. There is a way to test the

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assumption, though, correct?
A. I don't know.
Q. Okay. Do you understand that the City's forecasts include assumptions about future assessed value per parcel?
A. I don't know -- I know that the City's projections include estimates for property taxes going forward, right.
Q. Yes.
A. I don't know what their per parcel estimates have been.
Q. Okay. I take it you made no effort to validate any assumptions regarding assessed value per property?
A. That's correct.
Q. Or in the aggregate, correct?
A. Or in the aggregate?
Q. Meaning to the extent the City aggregated assessed values across the City and made assumptions about that, you did not test those assumptions, correct?
A. Correct.
Q. Now, do you know what Mr. -- do you know that the City reassessed its properties in

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Decem -- December of 2013?
A. I believe it's in the process of assessing a lot of properties, right.
Q. So I want to distinguish between these two concepts, so I'm going to ask you about them separately, though, because you're right, there is a citywide appraisal, and you're right, it is ongoing. Put that here for a second, mentally, okay?
A. Okay.
Q. Now, are you aware there was a reassessment in December of 2013?
A. Vaguely, yes.
Q. So "vaguely" means?
A. I was aware of it --
Q. You are --
A. Anecdotally I am aware of it, yes.
Q. Okay. You did not -- do you know the impact of that assessment on taxable value in the City of Detroit?
A. I don't.
Q. Do you know the approximate impact of it?
A. I don't.

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Q. Do you know what impact it had on the forecasts?
A. I know that property tax forecast -- property tax revenue forecasts declined between the May 5th and the July 2nd projections.
Q. Do you know why it declined?
A. It declined as a result of -- Ernst & Young's view that the assessed value was going down.
Q. Was going to go down or had gone down?
A. I don't -- I don't have a precise time recollection on that.
Q. Do you know whether the citywide reappraisal has begun?
A. I don't know.
Q. Do you know when it will -- it is estimated to conclude?
A. I don't.
Q. Do you know anyone in the City of Detroit who is more knowledgeable about the assessed values of property in the City of Detroit than Mr. Evanko, the chief assessor?
A. I don't know.

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Q. Is it fair to assume that he is the most knowledgeable person in the City of Detroit?
A. I don't know.
Q. That's not a question you've considered?
A. It is not.
Q. Do you believe that Mr. Evanko's opinions regarding the effect of the citywide reappraisal will have on property values are relevant to determining future property values?
A. Could you repeat that question?
Q. Yeah. So do you believe Mr. Evanko, who is the City's only Level 4 assessor, right?
A. Uh-huh.
Q. Yes?
A. Yes.
Q. Sorry. That's okay. I do that all the time.
Do you agree that Mr. Evanko's coast views about the impact of citywide reappraisal that we were just talking about, that the impact that that will have on taxable value in the City of Detroit is an important data point to consider?
A. Yes.

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Q. If Mr. Evanko told you that he has no idea whether that citywide reappraisal will cause taxable values to be lower or higher, would you consider that an important data point?
A. I -- I'm -- I would consider what he said to be relevant. Okay? So I don't know what he said so I can't really say whether I think I agree or don't agree. I would think that the City's assessor would be an important person to consider as somebody who is looking at this.
Q. Understood. So do you understand that the Ernst & Young forecasts project the taxable value will decrease by 9 percent as a result of the citywide reappraisal?
A. I understand that as part of their assumption, yes.
Q. What is the basis for their assumption?
MR. DiPOMPEO: Objection.
A. Their assessment in consultation with the City.
Q. Okay. But like what -- they talk to people that told them that?
A. That is my assumption, yes.

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Q. That's your assumption about their assumption?

A. Yes.

Q. Okay. Have you independently verified the reasonableness of that particular assumption?

A. I have not.

Q. Do you believe -- this get -- so do you believe it's reasonable to assume that taxable value in the City of Detroit will decrease over the next -- by 9 percent, as a result of the citywide reappraisal where the City's senior assessor says that he doesn't know whether taxable value will go up or down.

MR. STEWART: Objection.

A. I don't know.

Q. You don't know if that's reasonable or not?

A. Yes, I do not know if that's reasonable or not.

Q. It's not something you've considered before today?

A. That's correct.

Q. One of the interesting things about

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when you are feasibility expert is we were talking earlier about the notion of there being a hurdle and your job being to assess whether the City will get over that hurdle, right?

A. Correct.

Q. Do you remember that testimony?

A. Uh-huh.

Q. Isn't it true that if the City adopts an assumption about taxable value which is that in the future it's going to go down by 9 percent, as it did, right? Correct?

A. We can look at it.

Q. If you want to double-check it, that's totally fine.

Do you want to?

Take a look at Page 59.

A. About Page 59, there is a typo on Page 59 about two-thirds of the way down, there are two numbers, FY 215, 2015, followed by another FY 2015. The second FY 2015 should be 2016.

Q. Okay. So what this is saying is that because of the citywide reappraisal, there's going to be a 9 percent drop in real property assessments in fiscal year 2015 and then another

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three to four percent drop in fiscal year 2016, right?

A. That is --

Q. What it should say?

A. -- the -- yes, it should say '16.

Q. That's what you meant it to say?

A. That is what I meant it to say.

Q. Now, if the available evidence shows that -- and Ms. Kopacz, this is kind of a -- this almost goes to your own methodology, so consider this for a second.

If the available evidence shows that there's unlikely to be any drop in taxable value in either 2015 or 2016, would you still consider this a reasonable assumption because it's conservative?

You see the point of my question? Which is I'm trying to tease out a little bit what you were thinking about when you were testing assumptions.

Consider a situation where the available evidence actually suggests that there will not be any drop in real property assessments, okay? But the City employs a methodology that

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says that there will be a nine percent drop in 2015 and a three to four percent drop in 2016, okay?

Isn't it true that based on your task as the feasibility expert, you could still find that assumption to be reasonable. Correct?

MR. KANE: Hold on a second. So there's a lot in there so, one, I will object on vagueness. But I'm not trying to interfere, I just want to clarify.

Are you asking her to assume that the available evidence shows that?

MR. HACKNEY: Yes.

MR. KANE: Okay. So he's asking you to assume --

MR. HACKNEY: It's a hypothetical?

MR. KANE: That's all I want --

A. It's an assuming there's evidence to say that property values won't decline.

Q. That's right.

A. And that this forecast says they will decline, right?

Q. Right.

A. That is a positive contributor to my

- MARTI KOPACZ - VOLUME 1-

Q. So it's interesting. So in every other instance, though, where -- where the EY forecasters were forecasting revenue, they considered the impact of the RRIs, right, to the best of your knowledge?
A. Clearly with income tax and property tax.
Q. Oh, right. Good point. Good point.
A. They do it both ways.
Q. Yes. Fair -- fair correction.
But is it your understanding that when -- when they were forecasting --
A. Not wagering taxes.
Q. Right.
A. Not wagering taxes and not sales and services tax. Income, not taxes income.
Q. Yes. But is it your understanding that the EY forecasters did not consider the impact of restructuring reinvestment initiatives on sales and charges for services?
A. The Bob Kline group didn't do sales -- didn't do the categories we're talking about right now; sales and charges for services.
Q. Okay.

- MARTI KOPACZ - VOLUME 1-

A. That was done by somebody in on Gaurav 's direct team.
Q. Okay. So, take a look at Page 59. We're going to move on to property values here, okay?
A. Yes. We did this.
Q. So, yeah, we definitely touched on these. But I guess I want to confirm that you didn't make any independent findings regarding whether a one percent, 1.7 percent decline in real property values during the period was a reasonable assumption, correct?
A. Correct.
Q. And you didn't make any findings with respect to whether the personal property increased by .9 percent was a reasonable assumption during that period, correct?
A. That's correct.
Q. And it's also correct that you didn't test the assumption of a 4.8 percent renaissance zone increase during that period, correct?
A. That's correct.
Q. We did talk about the nine percent, I'm sorry, we actually skipped forward to this

- MARTI KOPACZ - VOLUME 1-

page, didn't we?
On the collection rates, do you notice that the City has assumptions regarding different collection rates that bleed from Page 59 to 60?
A. I do.
Q. And it's also fair to say that you didn't make independent findings regarding whether their property tax collection assumptions were reasonable, correct?
A. That's correct.
Q. Then, similarly, on the utility users tax on Page 62, do you see that?
A. I do.
Q. The forecast -- the forecasted amount is forecast to be approximately two percent of general fund revenue, correct?
A. Yes.
Q. Fair to say you did not test the assumptions around the specific utility user tax revenue assumptions by the City forecasters, correct?
A. Correct.
Q. So, let me ask you a question about

- MARTI KOPACZ - VOLUME 1-

the feasibility of the POA, if there's no exit financing.
In your opinion, you assumed that there would be. Do you remember that?
A. I did.
Q. Let's engage the hypothetical where Mr. Buckfire fails to obtain exit financing. How does that impact your finding of feasibility?
A. If there is no replacement source of funding?
Q. Yes.
A. Then I would conclude that the plan is not feasible.
Q. Why is that?
A. Because the -- going back to my definition of feasibility, it is both a quantitative and a qualitative assessment. I think the reinvestment initiatives, the RRIs, are important to the City's ability to deliver municipal services, to pay the commitments in the plan and the City does not have the surplus, the structural surplus in the next couple of years to execute on the RRIs without the exit financing.
Q. What is the basis for your assumption

Exhibit 6H

Excerpts of June 24, 2014 G. Evanko Deposition Transcript

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

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

The Videotaped Deposition of GARY EVANKO,
Taken at 1114 Washington Boulevard,
Detroit, Michigan,
Commencing at 9:01 a.m.,
Tuesday, June 24, 2014,
Before Kathryn L. Janes, CSR-3442, RMR, RPR.

APPEARANCES:

GEOFFREY S. STEWART, ESQ.
SARAH A. HUNGER, ESQ.
Jones Day
51 Louisiana Avenue, N.W.
Washington, D.C. 20001-2113
Appearing on behalf of the Debtor, City of Detroit.

SAM J. ALBERTS, ESQ.
Dentons US LLP
1301 K Street, NW
Suite 600, East Tower
Washington, DC 20005-3364
Appearing on behalf of the Retiree Committee.

STEPHEN C. HACKNEY, ESQ.
Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654
Appearing on behalf of Syncora Guarantee Inc. and Syncora Capital Assurance Inc.

ERNEST J. ESSAD, JR., ESQ.
Williams, Williams, Rattner & Plunkett, P.C.
380 North Old Woodward Avenue
Suite 300
Birmingham, Michigan 48009
Appearing on behalf of the Financial Guaranty Insurance Company

MATTHEW G. SUMMERS, ESQ. (Telephonically)
Ballard Spahr LLP
919 North Market Street
11th Floor
Wilmington, Delaware 19801
Appearing on behalf of Hypothekenbank Frankfurt AG; Hypothekenbank Frankfurt International S.A.; and Erste Europaische Pfandbrief-und Kommunalkreditbank Aktiengelsellschaft in Luxemburg S.A.

JENNIFER K. GREEN, ESQ. (Telephonically)
Clark Hill, PLC
500 Woodward venue
Suite 3500
Detroit, Michigan 48226
Appearing on behalf of the Retirement Systems for the City of Detroit.

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A. Every finance director will -- will call the fiscal year a future year.
Q. I see.
A. So right now I have completed a '14 assessment roll and I've actually compiled a '14 summer tax roll, and those taxes that are being levied on that '14 tax roll will fund fiscal '15.
Q. Meaning that the money will come in then?
A. Right. And their fiscal '15 begins on July 1 of 2014.
Q. I see.
A. And ends on June 30, 2015.
Q. I see, because basically the fiscal year, it's irrelevant to you from the standpoint of the assessment. The assessments go out when they go out and they're due when they're due?
A. Right.
Q. And what that money is used for in the City's budget, that's for someone else to decide?
A. Right. I just need to pay attention so that when the finance people say, you know, what's your tax base for the fiscal '15, I've got to know that they're meaning '14.
Q. Yeah. Okay.
A. I know it as '14.
Q. Okay. But we'll --

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A. And again, it's something I struggled with my entire career.
Q. So let's tie it up then. You don't think that you gave -- whatever this person was relying on to make that analysis, that's not something you directly recall giving Ernst & Young?
A. I mean, these numbers make no sense to me.
Q. Okay. The utility personal property in number 3, you've never discussed utility personal property with Ernst & Young?
A. No. As a matter of fact, when it comes to utility personal as I was writing this memorandum to, excuse me, Mr. Papapanos.
Q. Of course, the guys' name comes up.
A. It was the first time I realized that the utility personal tax base increased in -- by significant proportions. I can't remember the -- the percentage, but it was to the extent that it increased by 5 percent, I would find that remarkable.
Q. Okay. So just to clarify, you did not provide information to Ernst & Young regarding utility personal property value growth rates?
A. No. I mean --
Q. Okay.
A. Again, I mean, I'm a bit embarrassed by telling you

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that here it is in June, you know, a couple months after we certified an assessment roll that I just now realized the utility personal had, you know, increased notably.
Q. No, I mean you're drinking from a fire hose here I can imagine, so.
A. Yeah.
Q. The -- if you look at number 4, it lowered expected fiscal year 2014 and '15 collections based on conversations with City and planned lower assessments in tax year 2014. You don't recall discussing with Ernst & Young your view of lowered taxable value as a result of the reassessment of some neighborhoods, correct?
A. No, and at the -- at the time that this was written, I mean, my numbers for 2014, tax year 2014, were historical fact already.
Q. But when I said you don't remember discussing this with Ernst & Young, I was correct, right?
A. Correct.
Q. Are you don't recall discussing .5, reduction of 10 percent in collections in fiscal year 2015 due to loss of revenue from the small business personal property tax exemption?
A. Not only do I not -- I do not recall, but this is a

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ridiculous estimate. I knew in December of 2013 that the small business personal property tax exemption would affect the City's tax base by approximately 0.7 of 1 percent, not 10 percent.
Q. Okay. So take a look at number 6, lowered residential taxable value in fiscal year 2020 due to city-wide planned reappraisal study. Okay, so let's make clear, you never discussed the impact of the city-wide planned reappraisal study with Ernst & Young, correct?
A. Correct.
Q. And you could not have given them an estimate of how much to reduce taxable value based on the study because you yourself don't know which way it's going to come out, correct?
A. I don't know where -- how it's going to come out next year. 2020 is a life time.
Q. Okay.
A. You know, I'll be collecting Social Security living in North Carolina.
Q. I know you're thinking about two years, I know where your head is at. So but you agree with my statement, you did not provide them with -- you didn't tell them this is about what it's going to look like when the reappraisal study is done, correct?
A. Absolutely correct.

Q. Okay. And by the way, I mean, you don't know what's going to happen in the sense that you really don't have a feel for whether it's going to go up or down, correct? That's partly why you're doing the mass reappraisal, right?
A. Exactly.
Q. Okay.
A. I care about this town and I hope that the tax base goes up, but I don't know if -- what the chance is going to be next year.
Q. Understood. The last one is on collections' rates, and we know that wouldn't have been you because you're not the guy in collections' rates?
A. I have no information on collections.
Q. By the way, I want to ask you a quick question, if I could, which is -- you know what, let's get into this reappraisal issue.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 13
4:06 p.m.

BY MR. HACKNEY:
Q. Mr. Evanko, this is an excerpt from something that's called the disclosure statement, a disclosure statement is this like gigantic document, and this is not all of it, this is just pages that relate to

property tax rates.
A. Okay.
Q. Just so you know, the disclosure statement is this thing that the City puts together that basically explains how the plan of adjustment works and it provides other detail and just has lots of stuff about the city in it.
A. Okay.
Q. In case you are curious. I was because I didn't know what they were. Okay. So if you look on page 168, do you see where I'm -- well, you've got it, yeah.
A. I see it.
Q. Okay. Now, you'll see at the top Revenue Adjustments and Tax Reform. It says: As part of its broader restructuring effort, the City seeks to increase tax revenues, and it goes on and talks about what it's going to do. And part B is one of the ways it's going to do that is by rationalizing nominal tax rates currently assessed by the City, okay? And then you'll see the heading B is Rationalization of Nominal Tax Rates; do you see that?
A. I see that.
Q. Okay. So take a look at the second paragraph which says: On January -- on January 27th; do you see there?

A. I do see that.
Q. On January 27, 2014, the City announced a major reform in property assessments that will reduce the residential property assessment for the great majority of Detroiters and result in a tax cut ranging from 5 to 20 percent in 2014. So let me stop. That was the -- I want to get our terminology down. That was the -- that was the press conference that you held with the mayor on -- in late January 2014, correct?
A. That is correct.
Q. And you remember that you said that you had gotten the 24-month sales study that you did -- or you got the 24 months of data that you did the sales study of; do you remember that?
A. I do remember that.
Q. And that was -- am I correct that that was the data on which you based your reform of the property assessments?
A. Correct.
Q. Okay.
A. Although the use of reform of the property assessments is kind of some new verbiage.
Q. Let me say it a different way. You made a decision to lower the property assessments on properties in the city of Detroit in January of 2014, correct?

A. I changed the residential assessments throughout the city of Detroit of improved properties downward.
Q. And you did that on the basis of the sales study that we talked about earlier, the 24-month sales study?
A. Correct.
Q. Okay. The purpose of -- I'm going on here. The purpose of property tax reassessment initiative is to make the city more appealing to current and prospective residents, and then this is the key part. It is based on a comprehensive review of current assessments and actual home sales between October 1, 2011 and September 30, 2013. Do you see that?
A. I do.
Q. And is it your understanding that you are the one that undertook that comprehensive review?
A. Yes. I mean, the only person that could have performed a comprehensive review of current assessments utilizing sales data in that range would be me.
Q. Yeah, that was my next question is, you're not aware of anyone else having done it, correct?
A. We did mention that Mr. Philip Mastin, director of Wayne County assessment equalization conducted his own study with regard to selling prices during the same period and arrived at the same result as I did, you

Exhibit 6I

City of Detroit Ten-Year Financial Projections (July 2, 2014) (POA00706519)

City of Detroit

Ten-Year Financial Projections

The attached 10 year preliminary forecast (the "10 Year Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's 10 Year Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

POA00706519

City of Detroit

Ten-Year Financial Projections
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General Fund Summary

City of Detroit **Exhibit 1**

Ten-Year Financial Projections
General Fund assumptions

Base projections represent trends from fiscal years 2012 and 2013 as well as certain operating assumptions within the 2014 Budget.

Revenues (Exhibit 4)	
Municipal income tax	Increases due to improved employment outlook and wage inflation. FY 2013 reflects the impact of one-time items including tax amnesty program and one-time benefit from increase in capital gains tax rate
State revenue sharing	Increases due to anticipation of higher taxes collected and distributed by the State. Reflects input from Michigan State Treasury
Wagering taxes	Decreases through FY 2015 due to competition from Ohio casinos and recovers thereafter due to improved economic outlook
Sales and charges for services	Decreases primarily due to transition of Health and Wellness department, including Vital Records operations, and Public Lighting department distribution business
Property taxes	Continued decline in taxes collected through FY 2021 as a result of ongoing reductions in assessed values driven by sales study and reassessment process, with modest increases beginning FY 2022
Utility users' and other taxes	Decreases beginning FY 2014 due to the annual allocation of $12.5m to the Public Lighting Authority. Inflationary increases assumed beginning FY 2017
Parking/court fines and other revenue	Based on recent trends
Grant revenue	Decreases due to transition of Health and Wellness department and expiration of certain public safety grants
Licenses, permits and inspection charges	Based on recent trends. FY 2013 includes one-time permit and inspection revenues from utility providers
Revenue from use of assets	FY 2013 includes proceeds from the sale of assets. FY 2015 includes proceeds from sale of Veteran's Memorial building
Street fund reimbursement	Decreases beginning FY 2015 due to the assumed outsourcing of solid waste operations, which will no longer reimburse GSD for maintenance costs
DDOT risk mgmt reimbursement	Based on recent trends. Reimbursement not reflected in FY 2013 as General Fund made payments from refunding proceeds
Parking & vehicle fund reimbursement	Based on recent trends and scheduled debt service for vehicle fund through FY 2016 (revenues and associated expenses offset). FY 2012 includes $16m one-time contribution from DDOT
UTGO property tax millage	Property tax millage for UTGO debt service. Projections assume the City is able to continue to collect UTGO property tax millage
POC allocation - governmental	Transfer from general city, non-General Fund for allocated POC debt service . Revenues and associated expenses offset
POC allocation - enterprise funds (excl. DDOT)	Transfer from enterprise funds for allocated POC debt service . Revenues and associated expenses offset
Expenditures (Exhibit 4)	
Operating expenditures	
Salaries and wages	10% wage reduction assumed for public safety employees beginning FY 2014 for contracts expiring FY 2013. Headcount ramp-up begins FY 2015 to return to previously projected levels due to lower actual headcount ir FY 2014. For all employees, 5% wage inflation assumed in FY 2015, 0% in FY 2016, 2.5% annually beginning FY 2017 and 2% annually beginning FY 2020
Overtime	Based on recent trends. Increases in FY 2014 due to higher Police overtime primarily resulting from elimination of 12 hour shifts
Health benefits - active	Average 5.6% inflation assumed annually for hospitalization cost. Reflects cost of healthcare plan designs being offered for 2014 enrollment
Other benefits	Based on recent trends, projected by specific other benefit/fringe. FY 2016 includes bonus payment of 3% of salary to public safety and 2.5% of salary to non-public safety
Professional and contractual services	Decreases beginning FY 2014 primarily due to transition of Health and Wellness department. 1.0% cost inflation assumed beginning FY 2015
Materials & supplies	Decreases beginning FY 2015 due to transition of Public Lighting department distribution business. 1.0% cost inflation assumed beginning FY 2015
Utilities	Based on recent trends. 1.0% cost inflation assumed beginning FY 2015. Average cost inflation of 3.5% has been assumed for water/sewer rates beginning FY 2015
Purchased services	Increases beginning FY 2014 due to prisoner pre-arraignment function costs and FY 2016 due to payroll processing management. 1.0% cost inflation assumed beginning FY 2015
Risk management and insurance	1.0% cost inflation assumed beginning FY 2015
Maintenance capital	FY 2013 includes one-time capital outlays. 1.0% cost inflation assumed beginning FY 2015
Other expenses	Primarily includes printing, rental and other operating costs. 1.0% cost inflation assumed to certain costs beginning FY 2015
Contributions to non enterprise funds	Increases in FY 2015 and 2016 primarily due to scheduled vehicle fund debt service. Contributions to the Public Lighting Authority for operations begins FY 2014
DDOT subsidy	Increases primarily due to personnel and operating cost inflation. FY 2012 includes $16m one-time contribution to General Fund. FY 2013 excludes risk management payment, made from refunding proceeds
Grant related expenses	Grant expenses captured within specific expense line items
Legacy expenditures	
Debt service (UTGO & LTGO)	Reflects scheduled principal and interest payments
POC - principal, interest and swaps	Reflects principal, interest and swap payments. No acceleration or refinancing assumed
Pension contributions	Per actuarial analysis performed by the City's actuaries
Health benefits - retiree	Average 4.9% inflation assumed annually for hospitalization cost. Reflects cost of current healthcare plan designs
Other (Exhibit 4)	
Financing proceeds	FY 2013 includes $137m refunding proceeds ($129.5 bond issuance)

Ten-Year Financial Projections
General Fund assumptions

Operational restructuring initiatives / Reinvestment in the City (Exhibit 4)

Department revenue initiatives	Reflects increases to fees, improved billing and collection efforts and collections of past due receivables
Additional operating expenditures	Primarily reflects increases to headcount to improve and provide adequate level of City services. Costs are partially offset by potential savings
Technology	Reflects costs associated with information system upgrades and maintenance
Capital expenditures and other infrastructure	Primarily reflects City's capital improvement plan to invest in facilities and vehicles
Implementation costs	Primarily reflects non-recurring costs associated with implementing operational initiatives
Blight (excludes heavy commercial)	Reflects costs associated with demolition and clean up efforts of residential and light commercial (subject to change). Heavy commercial blight removal would require significant additional funding. Assumes all blight related expenditures are paid by the General Fund. Other funding sources may be available

Restructuring scenario (Exhibit 3)

Capital investment	Reflects technology, capital expenditures and implementation costs
Active pension contributions	Reflects contribution of 12.25% of salary assumed for public safety and 5.75% assumed for non-public safety
OPEB Payments - future retirees	Reflects contribution of $1m annually assumed for future public safety retirees and 2% of salary assumed for non-public safety
POC reimbursements	Includes revenue received from enterprise and other non-General Fund agencies
PLD decommission	Preliminary estimates for 31 substations, excluding Mistersky
Increased tax revenues	Reflects potential revenue opportunities due to increased property values and employment conditions resulting from restructuring efforts
Contributions to income stabilization fund	Reflects excess UTGO collections to be contributed to an income stabilization fund to guarantee minimum levels of household income for retirees who meet certain eligibility criteria
Payments to secured claims	Based on the unaltered scheduled payments of secured debt and other notes payable (with the exception of POC swap payments)
QOL / exit financing proceeds (net)	Assumes QOL net financing proceeds of $118m between FY 2014 and FY 2015. $175m of net additional proceeds from exit financing in FY 2015 and FY 2016
QOL / exit financing principal/interest payments	Exit financing assumes 11 year note funded 10/31/2014 with interest only payments in first 4 years and equal principal payments made in years 5 through 11
Working capital	Primarily relates to past due vendor payments and required funding of the self insurance escrow set-aside
Contingency	Reflects amounts reserved for unexpected events
Deferral	Reflects timing adjustment of reinvestment initiatives to manage liquidity

City of Detroit **Exhibit 2**

Ten-Year Financial Projections

General Fund summary view

($ in millions)

	Fiscal year ended actual					Preliminary forecast											10-year
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**total**
Revenues																	
Municipal income tax	$ 276.5	$ 240.8	$ 216.5	$ 228.3	$ 233.0	$ 248.0	$ 246.4	$ 250.4	$ 252.1	$ 253.8	$ 255.5	$ 257.1	$ 258.7	$ 260.9	$ 264.1	$ 267.3	$ 2,566.3
State revenue sharing	249.6	266.6	263.6	239.3	173.3	183.8	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Sales and charges for services	193.3	167.4	154.1	154.9	149.2	123.8	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Property taxes	155.2	163.7	143.0	182.7	147.8	133.6	114.9	102.6	99.2	96.8	94.9	93.1	90.2	90.1	90.7	91.3	963.8
Utility users' and other taxes	73.0	71.5	64.8	64.8	57.1	47.2	29.7	34.1	34.1	34.5	34.9	35.2	35.6	36.0	36.4	36.8	347.2
Other revenue	152.9	138.5	134.2	152.5	121.6	111.8	70.3	77.0	69.1	57.7	56.4	56.7	57.0	57.3	57.6	57.9	617.2
General Fund reimbursements	36.9	59.2	47.6	32.3	47.6	23.8	26.4	41.7	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	259.5
Transfers in (UTGO millage & non-General Fund POCs)	84.2	89.1	91.5	93.6	95.2	93.5	93.9	90.8	86.6	87.6	87.2	84.2	83.6	83.0	68.2	64.4	829.3
Total revenues	1,401.7	1,369.9	1,298.7	1,325.3	1,206.4	1,140.0	1,074.1	1,079.4	1,066.3	1,035.5	1,035.2	1,034.0	1,034.1	1,029.1	1,021.0	1,025.9	10,434.5
Expenditures																	
Salaries/overtime/fringe	(512.0)	(514.7)	(474.3)	(463.3)	(440.3)	(361.3)	(331.0)	(350.2)	(364.8)	(363.6)	(372.5)	(381.8)	(389.4)	(397.1)	(404.8)	(412.9)	(3,768.1)
Health benefits - active	(58.9)	(57.7)	(74.1)	(68.5)	(59.0)	(47.8)	(49.2)	(48.0)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(609.8)
Other operating expenses	(554.4)	(457.7)	(422.2)	(359.4)	(361.5)	(305.2)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.2)	(303.3)	(309.4)	(310.3)	(3,073.2)
Operating expenditures	(1,125.3)	(1,030.1)	(970.7)	(891.2)	(860.8)	(714.3)	(671.5)	(718.4)	(743.7)	(723.0)	(737.2)	(747.3)	(757.7)	(769.2)	(785.7)	(797.5)	(7,451.2)
Net operating surplus	276.4	339.8	328.0	434.1	345.6	425.6	402.6	361.0	322.6	312.5	298.0	286.7	276.4	259.9	235.3	228.3	2,983.3
Debt service (LTGO & UTGO)	(133.8)	(177.6)	(135.9)	(137.3)	(135.6)	(143.1)	(144.6)	(124.7)	(119.8)	(96.5)	(95.4)	(92.9)	(92.3)	(91.9)	(75.3)	(71.5)	(1,004.9)
POC - principal and interest	(42.8)	(39.7)	(44.2)	(55.7)	(56.4)	(61.2)	(66.7)	(68.9)	(71.1)	(73.3)	(75.7)	(73.9)	(74.7)	(75.5)	(76.2)	(76.8)	(732.7)
POC swaps	(40.5)	(45.1)	(45.9)	(45.1)	(45.1)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.0)	(44.2)	(43.5)	(42.8)	(450.8)
Pension contributions	(66.2)	(57.3)	(42.2)	(112.4)	(78.3)	(59.3)	(195.8)	(229.5)	(255.0)	(280.9)	(309.1)	(315.6)	(325.5)	(330.9)	(332.8)	(335.8)	(2,910.9)
Health benefits - retiree	(121.1)	(144.1)	(131.4)	(140.4)	(151.9)	(147.8)	(143.9)	(152.9)	(158.0)	(165.2)	(172.2)	(181.8)	(191.2)	(201.9)	(211.7)	(221.9)	(1,800.7)
Legacy expenditures	(404.4)	(463.9)	(399.7)	(491.0)	(467.3)	(457.3)	(596.9)	(621.9)	(649.7)	(661.8)	(698.2)	(710.1)	(728.7)	(744.5)	(739.5)	(748.8)	(6,900.0)
Deficit (excl. financing proceeds)	(127.9)	(124.1)	(71.7)	(56.9)	(121.8)	(31.7)	(194.2)	(260.9)	(327.1)	(349.3)	(400.2)	(423.4)	(452.3)	(484.6)	(504.2)	(520.5)	(3,916.7)
Financing proceeds	75.0	-	250.0	-	-	143.5	-	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	$ (52.9)	$ (124.1)	$ 178.3	$ (56.9)	$ (121.8)	$ 111.9	$ (194.2)	$ (260.9)	$ (327.1)	$ (349.3)	$ (400.2)	$ (423.4)	$ (452.3)	$ (484.6)	$ (504.2)	$ (520.5)	$ (3,916.7)
Accumulated unrestricted General Fund deficit (1)	(219.2)	(331.9)	(155.7)	(196.6)	(326.6)	(214.8)	(409.0)	(669.9)	(997.0)	(1,346.3)	(1,746.5)	(2,170.0)	(2,622.3)	(3,106.9)	(3,611.0)	(4,131.5)	
Reinvestment in the City																	
Department revenue initiatives	$ -	$ -	$ -	$ -	$ -	$ -	$ 7.2	$ 88.0	$ 45.1	$ 49.7	$ 52.9	$ 42.5	$ 46.9	$ 46.8	$ 51.3	$ 52.5	$ 482.9
Additional operating expenditures	-	-	-	-	-	-	(8.0)	(64.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Capital investments	-	-	-	-	-	(0.0)	(20.6)	(118.9)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Blight (excludes heavy commercial)	-	-	-	-	-	-	(2.0)	(100.0)	(46.0)	(40.0)	(43.0)	(48.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
Total reinvestment in the City	-	-	-	-	-	(0.0)	(23.4)	(195.5)	(152.7)	(95.8)	(75.9)	(82.1)	(90.0)	(77.5)	(46.6)	(37.3)	(876.7)
Adjusted surplus (deficit)	$ (52.9)	$ (124.1)	$ 178.3	$ (56.9)	$ (121.8)	$ 111.8	$ (217.7)	$ (456.4)	$ (479.8)	$ (445.1)	$ (476.1)	$ (505.5)	$ (542.3)	$ (562.1)	$ (550.8)	$ (557.8)	$ (4,793.5)
Adj. accumulated unrestricted General Fund deficit	(219.2)	(331.9)	(155.7)	(196.6)	(326.6)	(214.8)	(432.5)	(888.8)	(1,368.6)	(1,813.7)	(2,289.8)	(2,795.4)	(3,337.7)	(3,899.7)	(4,450.5)	(5,008.3)	

Footnotes:

(1) Historical accumulated deficits may not equate to previous balance plus annual surplus/deficit due to changes in inventories, reserves, and the restricted deficit

City of Detroit **Exhibit 3**

Ten-Year Financial Projections

Restructuring scenario - Amount available for unsecured claims

($ in millions)

	Preliminary forecast										10-year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	total
Total revenues	$ 1,074.1	$ 1,079.4	$ 1,066.3	$ 1,035.5	$ 1,035.2	$ 1,034.0	$ 1,034.1	$ 1,029.1	$ 1,021.0	$ 1,025.9	$ 10,434.5
Department revenue initiatives	7.2	88.0	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
Operating expenditures	(671.5)	(718.4)	(743.7)	(723.0)	(737.2)	(747.3)	(757.7)	(769.2)	(785.7)	(797.5)	(7,451.2)
Additional operating expenditures	(8.0)	(64.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Net operating surplus	**$ 401.8**	**$ 384.4**	**$ 322.3**	**$ 322.3**	**$ 315.3**	**$ 296.2**	**$ 290.3**	**$ 273.4**	**$ 254.1**	**$ 248.7**	**$ 3,108.7**
Reinvestment expenditures/adjustments											
Capital investments	(20.6)	(118.9)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Restructuring professional fees	(82.2)	(47.8)	-	-	-	-	-	-	-	-	(130.0)
Blight (excludes heavy commercial)	(2.0)	(100.0)	(46.0)	(40.0)	(43.0)	(48.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
Active pension contributions	(18.8)	(33.3)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
OPEB payments - current retirees	(123.8)	(19.0)	-	-	-	-	-	-	-	-	(142.8)
OPEB payments - future retirees	(3.0)	(3.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
POC reimbursements	(24.0)	(27.0)	(28.9)	(29.9)	(30.6)	(30.1)	(30.2)	(30.3)	(30.4)	(30.5)	(292.0)
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Increased income tax revenues	1.5	5.8	10.3	14.5	18.6	22.8	27.2	31.2	34.4	37.7	204.0
Increased property tax revenues	-	-	1.6	5.5	7.7	10.8	16.7	19.5	22.6	25.7	110.1
Increased utility users' tax revenues	-	-	0.4	0.6	0.8	0.8	0.8	0.8	0.8	0.8	5.6
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Total restructuring	(272.8)	(348.2)	(213.5)	(170.2)	(148.0)	(139.4)	(142.2)	(125.8)	(91.7)	(68.2)	(1,720.0)
Funds available for legacy liabilities	129.0	36.1	108.8	152.0	167.2	156.8	148.1	147.6	162.4	180.5	1,388.7
Payments to secured claims (Subject to further review/negotiation)											
LTGO - secured	(25.9)	(29.5)	(29.5)	(29.5)	(29.5)	(29.5)	(29.6)	(29.6)	(29.6)	(29.6)	(291.7)
UTGO - secured	(9.6)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(10.0)	(98.8)
POC swaps (1)	(45.9)	(15.7)	-	-	-	-	-	-	-	-	(61.6)
POC swaps settlement (1)	-	(42.1)	-	-	-	-	-	-	-	-	(42.1)
Notes/loans payable	-	-	-	-	-	-	-	-	-	-	-
Total payments to secured claims	(81.3)	(97.2)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(494.2)
Funds available for unsecured claims	$ 47.7	$ (61.0)	$ 69.4	$ 112.6	$ 127.8	$ 117.4	$ 108.7	$ 108.1	$ 122.9	$ 140.9	$ 894.5
Adjustments to funds available for unsecured claims											
QOL / exit financing proceeds (net)	$ 52.5	$ 199.4	$ 40.8	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 292.7
QOL / exit financing principal/interest payments	(0.7)	(13.4)	(18.0)	(18.0)	(18.0)	(46.6)	(59.1)	(56.6)	(54.0)	(51.4)	(335.8)
Total QOL financing impact	51.8	186.0	22.8	(18.0)	(18.0)	(46.6)	(59.1)	(56.6)	(54.0)	(51.4)	(43.2)
Working capital	(39.8)	15.0	-	-	-	-	-	-	-	-	(24.8)
Contingency	-	(13.5)	(11.4)	(10.8)	(10.8)	(10.8)	(11.0)	(11.0)	(11.0)	(11.1)	(101.3)
Reinvestment deferrals / timing adjustments	-	-	6.4	3.4	(9.8)	23.8	24.7	22.0	(8.9)	(31.8)	29.8
Total adjustments to funds available	12.0	187.5	17.8	(25.4)	(38.6)	(33.6)	(45.4)	(45.6)	(73.9)	(94.4)	(139.4)
Adjusted funds available for unsecured claims	**$ 59.6**	**$ 126.5**	**$ 87.3**	**$ 87.2**	**$ 89.2**	**$ 83.8**	**$ 63.3**	**$ 62.6**	**$ 49.0**	**$ 46.5**	**$ 755.0**

Footnotes:

(1) Reflects an $85m settlement. POC swap payments made in full through October 2014, at which time the remainder of the settlement amount is paid.

City of Detroit — **Exhibit 4**

Ten-Year Financial Projections
General Fund detail view
($ in millions)

	Fiscal year ended actual					Preliminary forecast											10-year
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	total
Revenues																	
Municipal income tax	$ 276.5	$ 240.8	$ 216.5	$ 228.3	$ 233.0	$ 248.0	$ 246.4	$ 250.4	$ 252.1	$ 253.8	$ 255.5	$ 257.1	$ 258.7	$ 260.9	$ 264.1	$ 267.3	$ 2,566.3
State revenue sharing	249.6	266.6	263.6	239.3	173.3	183.8	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Sales and charges for services	193.3	167.4	154.1	154.9	149.2	123.8	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Property taxes	155.2	163.7	143.0	182.7	147.8	133.6	114.9	102.6	99.2	96.8	94.9	93.1	90.2	90.1	90.7	91.3	963.8
Utility users' and other taxes	73.0	71.5	64.8	64.8	57.1	47.2	29.7	34.1	34.1	34.5	34.9	35.2	35.6	36.0	36.4	36.8	347.2
Parking/court fines and other revenue	57.6	38.6	43.0	63.8	31.5	31.4	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	291.9
Grant revenue	63.5	65.1	77.6	76.0	80.6	58.2	27.9	27.1	25.6	14.2	14.5	14.8	15.0	15.3	15.5	15.8	185.7
Licenses, permits and inspection charges	9.0	6.7	8.7	8.6	7.4	10.7	9.0	9.1	9.1	9.1	9.2	9.2	9.3	9.3	9.3	9.4	92.0
Revenue from use of assets	22.8	28.1	4.9	4.1	2.1	11.5	4.1	11.7	5.2	5.2	3.6	3.6	3.6	3.6	3.6	3.6	47.6
General Fund reimbursements from:																	
Street fund	14.0	12.4	19.3	9.0	9.0	9.3	9.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	46.8
DDOT (risk mgmt)	10.8	12.9	10.0	12.1	12.1	1.6	9.9	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	118.8
Parking & vehicle fund	12.1	33.9	18.4	11.2	26.4	12.9	7.3	25.4	25.5	5.1	5.1	5.1	5.1	5.1	5.1	5.1	94.0
Transfers in for:																	
UTGO property tax millage	67.2	71.5	72.4	72.8	73.0	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
POC allocation - other governmental	8.7	9.1	9.8	10.7	11.4	11.4	15.2	15.6	16.1	16.8	17.2	16.9	17.0	17.1	17.1	17.2	166.1
POC allocation - enterprise funds (excl. DDOT)	8.2	8.6	9.3	10.1	10.8	11.5	12.2	12.5	12.8	13.1	13.4	13.2	13.2	13.3	13.3	13.3	130.4
Total revenues	1,401.7	1,369.9	1,298.7	1,325.3	1,206.4	1,140.0	1,074.1	1,079.4	1,066.3	1,035.5	1,035.2	1,034.0	1,034.1	1,029.1	1,021.0	1,025.9	10,434.5
Expenditures																	
Salaries and wages - Public Safety	(269.2)	(279.3)	(269.7)	(278.4)	(259.0)	(222.1)	(205.4)	(222.1)	(228.8)	(235.2)	(241.1)	(247.1)	(252.1)	(257.1)	(262.3)	(267.5)	(2,418.7)
Salaries and wages - Non-Public Safety	(146.9)	(149.6)	(131.1)	(105.3)	(101.5)	(75.5)	(69.8)	(71.9)	(71.5)	(71.3)	(72.9)	(74.7)	(76.2)	(77.7)	(79.1)	(80.6)	(745.8)
Overtime - Public Safety	(35.2)	(41.9)	(36.4)	(38.4)	(41.0)	(23.2)	(26.5)	(26.8)	(26.3)	(27.0)	(27.7)	(28.4)	(29.0)	(29.6)	(30.1)	(30.7)	(282.2)
Overtime - Non-Public Safety	(10.4)	(9.5)	(7.2)	(7.4)	(7.9)	(6.5)	(5.4)	(4.1)	(4.1)	(4.0)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.6)	(43.6)
Health benefits - active- Public Safety	(23.0)	(25.0)	(42.9)	(39.6)	(36.0)	(28.9)	(35.8)	(35.0)	(38.5)	(41.4)	(44.4)	(47.1)	(49.0)	(50.9)	(53.0)	(55.1)	(450.1)
Health benefits - active - Non-Public Safety	(35.9)	(32.7)	(31.3)	(28.8)	(23.0)	(19.0)	(13.5)	(13.0)	(13.9)	(14.5)	(15.6)	(16.5)	(17.2)	(17.8)	(18.5)	(19.3)	(159.7)
Other benefits - Public Safety	(27.6)	(18.8)	(16.4)	(18.6)	(17.0)	(18.6)	(13.4)	(14.5)	(21.7)	(15.2)	(15.6)	(16.0)	(16.3)	(16.6)	(17.0)	(17.3)	(163.5)
Other benefits - Non-Public Safety	(22.7)	(15.5)	(13.5)	(15.3)	(14.0)	(15.3)	(10.6)	(10.9)	(12.6)	(10.8)	(11.0)	(11.3)	(11.5)	(11.7)	(11.9)	(12.2)	(114.3)
Professional and contractual services	(115.1)	(124.9)	(113.1)	(98.1)	(97.9)	(76.3)	(53.5)	(63.6)	(60.1)	(57.1)	(57.8)	(54.0)	(53.1)	(52.2)	(55.1)	(52.3)	(558.9)
Materials & supplies	(88.1)	(72.4)	(61.4)	(69.1)	(64.0)	(63.2)	(66.0)	(35.8)	(36.7)	(35.0)	(34.7)	(34.0)	(33.6)	(33.2)	(33.3)	(33.5)	(375.9)
Utilities	(35.6)	(38.7)	(27.9)	(30.1)	(27.1)	(21.4)	(28.5)	(31.0)	(29.1)	(28.8)	(29.0)	(29.2)	(29.4)	(29.7)	(30.2)	(30.7)	(295.7)
Purchased services	(15.3)	(14.7)	(11.8)	(8.8)	(8.1)	(5.5)	(18.4)	(19.3)	(22.6)	(24.8)	(24.6)	(24.3)	(24.2)	(24.0)	(24.0)	(24.2)	(230.4)
Risk management and insurance	(63.2)	(51.7)	(54.4)	(63.6)	(40.1)	(43.5)	(35.8)	(43.7)	(44.1)	(44.6)	(45.0)	(45.5)	(45.9)	(46.4)	(46.8)	(47.3)	(445.1)
Maintenance capital	(43.1)	(22.6)	(9.2)	(12.3)	(12.6)	(14.0)	(5.9)	(6.0)	(6.1)	(6.1)	(6.2)	(6.2)	(6.3)	(6.4)	(6.4)	(6.5)	(62.0)
Other expenses	(43.9)	(33.1)	(48.5)	(6.5)	(28.7)	(37.6)	(34.9)	(39.7)	(36.4)	(35.8)	(35.2)	(35.2)	(35.3)	(35.3)	(35.4)	(35.5)	(358.7)
Contributions to non enterprise funds	(55.0)	(41.7)	(37.0)	(18.2)	(19.8)	(18.4)	(11.4)	(34.4)	(37.5)	(18.1)	(18.4)	(18.7)	(18.9)	(19.3)	(19.6)	(19.9)	(216.1)
DDOT subsidy	(92.8)	(55.2)	(57.7)	(50.3)	(61.7)	(25.0)	(36.8)	(46.6)	(53.7)	(53.3)	(53.9)	(54.8)	(55.4)	(57.0)	(58.6)	(60.3)	(530.4)
Grant related expenses (operating)	(2.3)	(2.8)	(1.4)	(2.5)	(1.4)	(0.4)	-	-	-	-	-	-	-	-	-	-	-
Operating expenditures	(1,125.3)	(1,030.1)	(970.7)	(891.2)	(860.8)	(714.3)	(671.5)	(718.4)	(743.7)	(723.0)	(737.2)	(747.3)	(757.7)	(769.2)	(785.7)	(797.5)	(7,451.2)
Net operating surplus	276.4	339.8	328.0	434.1	345.6	425.6	402.6	361.0	322.6	312.5	298.0	286.7	276.4	259.9	235.3	228.3	2,983.3
Debt service (LTGO)	(66.6)	(105.9)	(63.2)	(64.2)	(62.3)	(71.4)	(77.8)	(59.2)	(59.2)	(38.9)	(38.8)	(38.8)	(38.9)	(39.3)	(37.6)	(37.5)	(466.0)
Debt service (LTGO - DDOT)	-	(0.3)	(0.3)	(0.3)	(0.3)	(1.1)	(0.3)	(2.9)	(2.9)	-	-	-	-	-	-	-	(6.1)
Debt service (UTGO)	(67.2)	(71.5)	(72.4)	(72.8)	(73.0)	(70.6)	(66.5)	(62.6)	(57.7)	(57.6)	(56.5)	(54.1)	(53.4)	(52.7)	(37.7)	(33.9)	(532.8)
POC - principal and interest (Governmental)	(34.5)	(31.4)	(34.9)	(45.0)	(44.5)	(47.6)	(51.7)	(52.6)	(54.3)	(56.0)	(57.8)	(56.4)	(57.0)	(57.6)	(58.2)	(58.7)	(560.3)
POC - principal and interest (EF, excl. DDOT)	(5.2)	(5.2)	(5.8)	(6.7)	(7.4)	(8.1)	(8.8)	(9.1)	(9.4)	(9.7)	(10.0)	(9.7)	(9.9)	(10.0)	(10.1)	(10.1)	(96.7)
POC - principal and interest (DDOT)	(2.8)	(2.8)	(3.2)	(3.6)	(4.0)	(4.4)	(4.8)	(4.9)	(5.1)	(5.2)	(5.4)	(5.3)	(5.3)	(5.4)	(5.5)	(5.5)	(52.5)
POC - principal and interest (General Fund grant)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(1.1)	(1.3)	(2.3)	(2.3)	(2.4)	(2.5)	(2.4)	(2.5)	(2.5)	(2.5)	(2.5)	(23.2)
POC - swaps (Governmental)	(35.5)	(39.5)	(40.2)	(39.5)	(39.5)	(39.2)	(39.3)	(38.9)	(38.9)	(38.9)	(38.9)	(38.9)	(38.2)	(37.5)	(36.9)	(36.3)	(382.7)
POC - swaps (EF, excl. DDOT)	(3.0)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.3)	(3.3)	(3.2)	(33.7)
POC - swaps (DDOT)	(1.6)	(1.8)	(1.9)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)	(1.7)	(18.3)
POC - swaps (General Fund grant)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(1.4)	(1.3)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.6)	(1.6)	(1.6)	(1.6)	(16.1)
Pension contributions - Public Safety	(47.6)	(37.9)	(32.6)	(91.8)	(58.8)	(50.2)	(133.1)	(156.0)	(172.4)	(189.7)	(207.9)	(209.8)	(214.6)	(215.5)	(212.6)	(211.7)	(1,923.2)
Pension contributions - Non-Public Safety	(10.7)	(11.5)	(1.7)	(9.4)	(7.6)	(4.0)	(32.8)	(36.5)	(41.0)	(45.0)	(50.0)	(52.4)	(55.0)	(57.4)	(60.0)	(62.2)	(492.1)
Pension contributions - DDOT	(6.8)	(7.3)	(6.9)	(9.5)	(10.9)	(2.8)	(23.6)	(27.7)	(31.2)	(34.8)	(38.7)	(40.6)	(42.7)	(44.5)	(46.6)	(48.3)	(378.8)
Pension contributions - General Fund grant	(1.0)	(0.7)	(0.9)	(1.7)	(1.0)	(2.4)	(6.4)	(9.4)	(10.3)	(11.4)	(12.6)	(12.8)	(13.2)	(13.5)	(13.6)	(13.7)	(116.8)
Health benefits - retiree - Public Safety	(73.7)	(80.2)	(70.4)	(79.6)	(90.6)	(83.1)	(89.4)	(94.4)	(97.5)	(102.0)	(106.3)	(112.2)	(118.0)	(124.6)	(130.7)	(136.9)	(1,112.0)
Health benefits - retiree - Non-Public Safety	(47.4)	(51.6)	(50.6)	(49.0)	(49.2)	(51.5)	(36.4)	(38.3)	(39.6)	(41.4)	(43.2)	(45.6)	(47.9)	(50.6)	(53.1)	(55.6)	(451.8)
Health benefits - retiree - DDOT	-	(12.2)	(10.4)	(11.8)	(12.1)	(13.2)	(13.9)	(14.6)	(15.1)	(15.8)	(16.5)	(17.4)	(18.3)	(19.3)	(20.3)	(21.2)	(172.3)
Health benefits - retiree - General Fund grant	n/a	n/a	n/a	n/a	n/a	n/a	(4.2)	(5.6)	(5.8)	(6.0)	(6.3)	(6.6)	(7.0)	(7.4)	(7.7)	(8.1)	(64.6)
Legacy expenditures	(404.4)	(463.9)	(399.7)	(491.0)	(467.3)	(457.3)	(596.9)	(621.9)	(649.7)	(661.8)	(698.2)	(710.1)	(728.7)	(744.5)	(739.5)	(748.8)	(6,900.0)
Deficit (excl. financing proceeds)	(127.9)	(124.1)	(71.7)	(56.9)	(121.8)	(31.7)	(194.2)	(260.9)	(327.1)	(349.3)	(400.2)	(423.4)	(452.3)	(484.6)	(504.2)	(520.5)	(3,916.7)
Financing proceeds	75.0	-	250.0	-	-	143.5	-	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	$ (52.9)	$ (124.1)	$ 178.3	$ (56.9)	$ (121.8)	$ 111.9	$ (194.2)	$ (260.9)	$ (327.1)	$ (349.3)	$ (400.2)	$ (423.4)	$ (452.3)	$ (484.6)	$ (504.2)	$ (520.5)	$ (3,916.7)

Ten-Year Financial Projections
General Fund detail view
($ in millions)

	Fiscal year ended actual					Preliminary forecast											10-year
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	total
Reinvestment in the City																	
Department revenue initiatives																	
Fire	$ -	$ -	$ -	$ -	$ -	$ -	$ 2.0	$ 8.1	$ 6.6	$ 18.3	$ 19.0	$ 6.7	$ 6.6	$ 6.6	$ 6.6	$ 6.6	$ 87.0
Non-Departmental (36D Initiatives)	-	-	-	-	-	-	-	5.8	8.2	8.5	8.7	9.0	9.2	9.5	9.8	10.1	78.8
Blight	-	-	-	-	-	-	3.0	60.3	9.0	-	-	-	-	-	-	-	72.3
Municipal Parking	-	-	-	-	-	-	-	5.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	60.3
DDOT - Transportation	-	-	-	-	-	-	(1.7)	(5.7)	(1.5)	(0.1)	4.6	6.3	10.4	10.0	14.1	15.0	51.4
Police	-	-	-	-	-	-	-	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	32.6
General Services	-	-	-	-	-	-	1.1	2.1	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	26.0
Other	-	-	-	-	-	-	2.9	8.1	9.4	9.7	7.3	7.3	7.4	7.4	7.5	7.5	74.4
Sub-total: Revenues initiatives	-	-	-	-	-	-	7.2	88.0	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
Additional operating expenditures																	
General Services	-	-	-	-	-	-	(2.1)	(9.2)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)	(123.4)
Police	-	-	-	-	-	-	(2.2)	(13.5)	(10.1)	(9.0)	(7.3)	(7.8)	(8.5)	(9.5)	(9.5)	(9.9)	(87.3)
Finance/Budget	-	-	-	-	-	-	(0.7)	(5.0)	(3.7)	(3.8)	(1.2)	(1.7)	(2.2)	(2.6)	(3.1)	(3.6)	(27.6)
Other	-	-	-	-	-	-	(3.1)	(36.9)	(18.0)	(13.5)	(13.3)	(9.5)	(8.3)	(6.9)	(5.5)	(4.1)	(119.1)
Sub-total: Add. operating exp.	-	-	-	-	-	-	(8.0)	(64.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Capital investments																	
Technology	-	-	-	-	-	-	(3.1)	(41.3)	(34.4)	(19.6)	(10.1)	(7.4)	(10.7)	(8.8)	(8.8)	(7.5)	(151.7)
Capital expenditures and other infrastructure	-	-	-	-	-	-	(14.2)	(59.3)	(65.7)	(45.2)	(38.8)	(35.2)	(38.5)	(35.2)	(30.4)	(30.2)	(392.8)
Implementation costs	-	-	-	-	-	(0.0)	(3.2)	(18.2)	(6.3)	(0.9)	(1.2)	(1.0)	(2.7)	(2.0)	(1.2)	(1.0)	(37.7)
Sub-total: Capital investments	-	-	-	-	-	(0.0)	(20.6)	(118.9)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Blight (excludes heavy commercial)	-	-	-	-	-	-	(2.0)	(100.0)	(46.0)	(40.0)	(43.0)	(48.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
Total reinvestment in the City	-	-	-	-	-	(0.0)	(23.4)	(195.5)	(152.7)	(95.8)	(75.9)	(82.1)	(90.0)	(77.5)	(46.6)	(37.3)	(876.7)
Adjusted surplus (deficit)	$ (52.9)	$ (124.1)	$ 178.3	$ (56.9)	$ (121.8)	$ 111.8	$ (217.7)	$ (456.4)	$ (479.8)	$ (445.1)	$ (476.1)	$ (505.5)	$ (542.3)	$ (562.1)	$ (550.8)	$ (557.8)	$ (4,793.5)

Appendix A

General Fund Department detail

Note: Civic Center, Former Cost Center, and DWDD have been excluded from the presentation as they do not contribute to the forecast and have minimal impact in historical years

City of Detroit **Appendix A.1a**

Ten-Year Financial Projections
Budget - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	-	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(1.4)	(1.4)	(1.2)	(1.1)	(1.1)	(0.9)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.6)	(0.8)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)
Medical & fringe benefits	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)
Professional and contractual services	-	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Materials & supplies	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Utilities	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest (1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(2.6)	(2.6)	(2.4)	(2.3)	(2.4)	(2.2)	(3.1)	(3.4)	(3.5)	(3.7)	(3.9)	(4.0)	(4.1)	(4.3)	(4.4)	(4.5)
Total surplus (deficit)	$ (2.6)	$ (2.6)	$ (2.4)	$ (2.3)	$ (2.4)	$ (2.2)	$ (3.1)	$ (3.4)	$ (3.5)	$ (3.7)	$ (3.9)	$ (4.0)	$ (4.1)	$ (4.3)	$ (4.4)	$ (4.5)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (2.2)	$ (3.1)	$ (3.4)	$ (3.5)	$ (3.7)	$ (3.9)	$ (4.0)	$ (4.1)	$ (4.3)	$ (4.4)	$ (4.5)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Budget - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	22	23	20	16	15	16	16	16	16	16	16	16	16	16	16	16
Average salary & wages (1)	$ 62,323	$ 62,796	$ 62,338	$ 71,811	$ 73,322	$ 57,557	$ 64,173	$ 67,381	$ 67,381	$ 69,066	$ 70,792	$ 72,562	$ 74,013	$ 75,494	$ 77,003	$ 78,544
Average overtime	864	891	925	1,177	1,022	1,583	1,765	1,853	1,853	1,899	1,947	1,995	2,035	2,076	2,117	2,160
	$ 63,187	$ 63,687	$ 63,263	$ 72,988	$ 74,344	$ 59,140	$ 65,937	$ 69,234	$ 69,234	$ 70,965	$ 72,739	$ 74,557	$ 76,049	$ 77,570	$ 79,121	$ 80,703
Overtime as a % of salary & wages	1.4%	1.4%	1.5%	1.6%	1.4%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Pension as a % of salary & wages						9.5%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	44.4%	40.8%	46.3%	50.6%	55.5%	76.8%	81.3%	80.7%	83.3%	84.9%	86.5%	88.7%	90.8%	93.2%	95.2%	97.2%

Key Items	**Comment/Reference**
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Other expenses	Primarily building rental expense

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
DPW - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	4.3	2.4	5.1	2.7	3.5	5.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	2.8	2.9	1.8	0.1	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Revenue from use of assets	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.7	1.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	0.0	1.0	0.4	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.2	0.6	0.1	0.3	0.0	0.3	-	-	-	-	-	-	-	-	-	-
Total revenues	8.1	8.3	7.6	3.1	3.1	6.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Expenditures																
Salaries and wages	(7.6)	(7.5)	(3.6)	(2.3)	(1.8)	(0.9)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Overtime	(0.3)	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(1.2)	(1.0)	(0.5)	(0.1)	(0.1)	(0.1)	(0.4)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
Medical & fringe benefits	(4.0)	(3.8)	(2.0)	(1.3)	(1.3)	(0.4)	(1.0)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)
Professional and contractual services	(0.8)	(0.8)	(0.5)	(0.3)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	0.0	(0.1)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilities	(2.3)	(1.0)	(0.2)	(0.3)	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Purchased services	(0.1)	(0.1)	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.0)	(1.0)	(0.6)	(0.6)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(17.8)	(15.9)	(7.9)	(5.4)	(4.4)	(2.6)	(3.0)	(3.5)	(3.6)	(3.8)	(4.0)	(4.1)	(4.3)	(4.4)	(4.6)	(4.7)
Total surplus (deficit)	$ (9.7)	$ (7.6)	$ (0.3)	$ (2.3)	$ (1.3)	$ 3.4	$ 0.7	$ 0.2	$ 0.1	$ (0.1)	$ (0.3)	$ (0.4)	$ (0.6)	$ (0.7)	$ (0.8)	$ (1.0)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring						$ -	$ -	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)
Adjusted surplus (deficit)						$ 3.4	$ 0.7	$ 0.2	$ 0.0	$ (0.2)	$ (0.3)	$ (0.5)	$ (0.6)	$ (0.7)	$ (0.9)	$ (1.0)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections

DPW - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	184	179	123	114	114	41	14	19	19	19	19	19	19	19	19	19
Average salary & wages(1)	$ 30,107	$ 30,392	$ 35,862	$ 30,300	$ 32,448	$ 31,439	$ 33,550	$ 35,112	$ 35,112	$ 35,990	$ 36,890	$ 37,812	$ 38,568	$ 39,339	$ 40,126	$ 40,929
Average overtime	1,609	1,151	523	383	828	1,505	3,346	3,039	3,039	3,115	3,193	3,273	3,338	3,405	3,473	3,542
	$ 31,715	$ 31,543	$ 36,385	$ 30,683	$ 33,275	$ 32,943	$ 36,896	$ 38,151	$ 38,151	$ 39,105	$ 40,082	$ 41,085	$ 41,906	$ 42,744	$ 43,599	$ 44,471
Overtime as a % of salary & wages	3.9%	2.8%	1.8%	1.9%	5.1%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Pension as a % of salary & wages						7.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	53.0%	50.8%	55.9%	55.7%	69.0%	47.9%	158.4%	142.6%	147.5%	150.6%	153.5%	157.8%	161.9%	166.6%	170.7%	174.7%

Key Items	**Comment/Reference**
Revenues	
Licenses, permits and inspection charges	Inspection charges and street-use permits. FY 2013 includes payment from utilities for permits to complete work over several years.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
	Department moved positions between DPW general fund and DPW street fund in FY 2014 and FY 2015 to more accurately capture costs
Professional and contractual services	Contracted repair services
Other expenses	Building rental expenses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.3a**

Ten-Year Financial Projections
Finance - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	18.9	8.2	4.4	3.0	3.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Revenue from use of assets	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Parking/court fines and other revenue	0.1	0.6	1.3	0.7	(0.1)	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	23.6	12.4	5.8	3.7	3.3	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Expenditures																
Salaries and wages	(14.5)	(15.0)	(14.0)	(12.9)	(11.6)	(10.0)	(9.8)	(10.3)	(10.3)	(10.1)	(10.3)	(10.6)	(10.8)	(11.0)	(11.2)	(11.5)
Overtime	(1.2)	(1.0)	(0.7)	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Pension	(0.5)	(0.3)	(0.4)	(0.7)	(0.9)	(1.1)	(6.2)	(7.4)	(8.4)	(9.1)	(10.2)	(10.7)	(11.2)	(11.7)	(12.3)	(12.7)
Medical & fringe benefits	(7.4)	(6.9)	(7.0)	(6.9)	(7.2)	(8.1)	(11.3)	(11.8)	(12.2)	(12.6)	(13.2)	(13.9)	(14.5)	(15.2)	(15.9)	(16.6)
Professional and contractual services	(2.9)	(8.2)	(5.1)	(6.9)	(5.2)	(3.6)	(3.6)	(3.6)	(3.6)	(3.7)	(3.7)	(3.7)	(3.8)	(3.8)	(3.9)	(3.9)
Materials & supplies	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Utilities	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Purchased services	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Risk management and insurance	0.0	-	(0.1)	-	(0.3)	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(3.2)	(3.1)	(5.4)	(2.7)	(2.8)	(3.3)	(4.2)	(4.2)	(4.2)	(4.2)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.4)
Debt service	(0.0)	0.3	(0.0)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(2.7)	(2.8)	(3.0)	(3.3)	(3.5)	(3.4)	(4.4)	(4.6)	(4.8)	(4.8)	(4.9)	(4.8)	(4.8)	(4.8)	(4.9)	(4.9)
Transfers out	-	(1.0)	(1.0)	(0.9)	(1.9)	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(33.1)	(38.6)	(37.5)	(35.8)	(34.7)	(30.7)	(40.8)	(43.3)	(44.9)	(45.8)	(47.9)	(49.3)	(50.8)	(52.4)	(53.9)	(55.4)
Total surplus (deficit)	$ (9.6)	$ (26.2)	$ (31.6)	$ (32.1)	$ (31.4)	$ (30.0)	$ (40.6)	$ (43.1)	$ (44.7)	$ (45.6)	$ (47.7)	$ (49.1)	$ (50.6)	$ (52.1)	$ (53.7)	$ (55.2)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ 0.5	$ 1.0	$ 1.0	$ 1.0	$ 1.1	$ 1.1	$ 1.1	$ 1.1
Expenses																
Additional operating expenditures						-	(0.7)	(5.0)	(3.7)	(3.8)	(1.2)	(1.7)	(2.2)	(2.6)	(3.1)	(3.6)
Technology						-	(1.7)	(24.5)	(20.0)	(16.1)	(6.7)	(4.1)	(6.7)	(5.3)	(5.5)	(4.2)
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	(2.4)	(7.9)	(3.7)	(0.5)	(0.9)	(0.6)	(1.4)	(0.6)	(0.9)	(0.6)
Subtotal: Expenses						-	(4.8)	(37.4)	(27.5)	(20.5)	(8.8)	(6.5)	(10.3)	(8.6)	(9.5)	(8.4)
Operational restructuring						$ -	$ (4.8)	$ (37.4)	$ (27.0)	$ (19.5)	$ (7.8)	$ (5.5)	$ (9.2)	$ (7.5)	$ (8.4)	$ (7.3)
Adjusted surplus (deficit)						$ (30.0)	$ (45.4)	$ (80.5)	$ (71.6)	$ (65.1)	$ (55.5)	$ (54.6)	$ (59.8)	$ (59.6)	$ (62.1)	$ (62.4)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Finance - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	327	310	285	266	235	228	216	216	216	206	206	206	206	206	206	206
Average salary & wages(1)	$ 44,290	$ 48,404	$ 49,213	$ 48,545	$ 49,479	$ 44,131	$ 45,415	$ 47,685	$ 47,685	$ 48,878	$ 50,099	$ 51,352	$ 52,379	$ 53,427	$ 54,495	$ 55,585
Average overtime	3,822	3,175	2,398	2,920	3,280	3,203	3,296	3,461	3,461	3,547	3,636	3,727	3,801	3,877	3,955	4,034
	$ 48,113	$ 51,580	$ 51,611	$ 51,465	$ 52,759	$ 47,333	$ 48,710	$ 51,146	$ 51,146	$ 52,425	$ 53,735	$ 55,079	$ 56,180	$ 57,304	$ 58,450	$ 59,619
Overtime as a % of salary & wages	8.6%	6.6%	4.9%	6.0%	6.6%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Pension as a % of salary & wages						10.5%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	50.9%	46.3%	50.1%	53.8%	62.1%	81.1%	115.7%	114.9%	118.7%	125.5%	127.8%	131.3%	134.6%	138.5%	141.7%	145.0%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Pension system reimbursements, which are recorded in Non-Departmental beginning in FY 2013. The remainder represents interagency billings.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3 Headcount reductions occur beginning in FY 2017 due to external payroll processing services provider.
Professional and contractual services	Other contracts for pension services, assessments, and general accounting
Other expenses	Primarily building rental expense and bank service charge

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	28	120	121	121	112	112	112	112	112	112

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Fire - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	2.4	2.0	1.4	1.8	0.6	2.3	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	16.2	17.6	15.9	16.3	13.1	12.6	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	0.1	0.0	0.4	0.2	13.6	13.7	11.7	11.2	-	-	-	-	-	-	-
Total revenues	18.8	19.8	17.4	18.6	14.0	28.8	31.4	29.5	29.0	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Expenditures																
Salaries and wages	(86.3)	(88.4)	(85.3)	(84.7)	(81.9)	(69.3)	(66.2)	(72.7)	(72.1)	(73.9)	(75.8)	(77.7)	(79.2)	(80.8)	(82.4)	(84.1)
Overtime	(7.5)	(10.1)	(11.5)	(12.7)	(15.1)	(4.9)	(5.6)	(4.4)	(4.3)	(4.4)	(4.5)	(4.7)	(4.8)	(4.8)	(4.9)	(5.0)
Pension	(16.7)	(6.9)	(9.2)	(26.4)	(17.3)	(17.0)	(44.8)	(53.3)	(56.7)	(62.2)	(68.1)	(68.7)	(70.3)	(70.6)	(69.7)	(69.4)
Medical & fringe benefits	(50.9)	(42.7)	(49.2)	(52.4)	(54.9)	(51.2)	(41.4)	(43.3)	(44.7)	(46.9)	(49.2)	(51.8)	(54.1)	(56.6)	(59.0)	(61.5)
Professional and contractual services	(3.0)	(2.9)	(2.6)	(3.0)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(3.0)	(3.0)	(3.0)	(3.0)	(3.1)	(3.1)	(3.1)
Materials & supplies	(1.9)	(1.8)	(1.6)	(1.9)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Utilities	(1.6)	(3.0)	(1.2)	(2.1)	(1.5)	(1.4)	(1.6)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.1)
Purchased services	(0.4)	(0.1)	0.0	0.0	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	(1.4)	(1.6)	(2.2)	0.1	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(0.3)	(1.0)	(1.0)	(0.9)	(0.5)	(0.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Debt service	(0.0)	-	-	-	-	(0.5)	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(13.0)	(14.0)	(14.7)	(15.3)	(16.0)	(16.8)	(17.6)	(18.1)	(17.7)	(17.9)	(18.2)	(18.0)	(17.9)	(17.8)	(17.8)	(17.7)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.0)	0.0	-	(0.0)	(0.0)	(0.4)	-	-	-	-	-	-	-	-	-	-
Total expenditures	(183.1)	(172.4)	(178.6)	(199.3)	(192.1)	(167.2)	(184.0)	(200.5)	(204.3)	(214.2)	(224.7)	(229.8)	(235.3)	(239.8)	(243.0)	(247.0)
Total surplus (deficit)	$ (164.3)	$ (152.6)	$ (161.2)	$ (180.7)	$ (178.0)	$ (138.4)	$ (152.5)	$ (171.0)	$ (175.3)	$ (196.4)	$ (206.9)	$ (212.0)	$ (217.5)	$ (222.1)	$ (225.3)	$ (229.2)
Operational restructuring																
Department revenue initiatives						$ -	$ 2.0	$ 8.1	$ 6.6	$ 18.3	$ 19.0	$ 6.7	$ 6.6	$ 6.6	$ 6.6	$ 6.6
Expenses																
Additional operating expenditures						-	1.1	(9.8)	(8.8)	(7.5)	(6.2)	(2.4)	(1.2)	1.5	3.0	5.5
Technology						-	-	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)
Capital expenditures and other infrastructure						-	(9.3)	(17.6)	(18.9)	(13.4)	(11.4)	(14.6)	(14.8)	(13.1)	(8.4)	(8.2)
Implementation costs						-	(0.3)	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(8.5)	(28.6)	(27.8)	(21.1)	(17.8)	(17.2)	(16.8)	(12.0)	(5.6)	(2.8)
Operational restructuring						$ -	$ (6.5)	$ (20.5)	$ (21.2)	$ (2.8)	$ 1.2	$ (10.6)	$ (10.2)	$ (5.4)	$ 1.0	$ 3.7
Adjusted surplus (deficit)						$ (138.4)	$ (159.0)	$ (191.5)	$ (196.6)	$ (199.2)	$ (205.7)	$ (222.6)	$ (227.7)	$ (227.5)	$ (224.3)	$ (225.5)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Fire - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	1,444	1,406	1,355	1,330	1,257	1,189	1,183	1,238	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228
Average salary & wages(1)	$ 59,754	$ 62,869	$ 62,968	$ 63,698	$ 65,189	$ 58,311	$ 55,950	$ 58,747	$ 58,747	$ 60,216	$ 61,721	$ 63,264	$ 64,530	$ 65,820	$ 67,137	$ 68,479
Average overtime	5,176	7,152	8,484	9,522	11,983	4,084	4,756	3,525	3,525	3,613	3,703	3,796	3,872	3,949	4,028	4,109
	$ 64,930	$ 70,022	$ 71,452	$ 73,220	$ 77,172	$ 62,395	$ 60,705	$ 62,272	$ 62,272	$ 63,829	$ 65,425	$ 67,060	$ 68,401	$ 69,769	$ 71,165	$ 72,588
Overtime as a % of salary & wages	8.7%	11.4%	13.5%	14.9%	18.4%	7.0%	8.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Pension as a % of salary & wages						24.6%	67.6%	73.3%	78.6%	84.1%	89.9%	88.5%	88.7%	87.4%	84.5%	82.5%
Medical & fringe as a % of salary & wage	59.0%	48.3%	57.7%	61.8%	66.9%	73.9%	62.5%	59.5%	62.0%	63.5%	64.9%	66.6%	68.2%	70.0%	71.6%	73.1%

Key Items	Comment/Reference
Revenues	
Licenses, permits and inspection charges	Fire marshal inspections; increases represent FY 2014 budgeted revenues
Sales and charges for services	Primarily EMS administration service charges, for which there is a fee increase assumed beginning FY 2014
Grant revenue	SAFER grant, which expires at the end of FY 2016
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Other contracts - EMS administration and EMS Casino municipal service costs
Materials & supplies	Operating supplies and repairs & maintenance
Utilities	Primarily telecommunication, natural gas, and electricity
Other expenses	Primarily building rental expense and capital outlays

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	161	97	84	182	193	165	153	135	129	117

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Health & Wellness - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	1.6	1.5	1.4	1.3	0.7	0.2	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	10.1	11.1	7.9	5.8	8.7	2.8	1.0	-	-	-	-	-	-	-	-	-
Revenue from use of assets	0.2	0.1	0.2	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	1.3	1.3	1.1	0.1	0.0	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	54.5	52.0	64.3	53.4	57.3	28.3	1.6	1.7	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.3
Total revenues	68.1	66.0	74.9	60.7	66.8	31.4	2.5	1.7	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.3
Expenditures																
Salaries and wages	(13.4)	(13.3)	(11.6)	(9.7)	(7.9)	(2.4)	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	(0.1)	(0.2)	(0.1)	0.1	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(2.0)	(1.8)	(1.9)	(2.3)	(1.3)	(0.2)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)
Medical & fringe benefits	(6.7)	(6.2)	(5.7)	(5.9)	(5.2)	(2.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Professional and contractual services	(49.2)	(49.2)	(60.4)	(49.3)	(52.6)	(21.4)	-	-	-	-	-	-	-	-	-	-
Materials & supplies	(3.3)	(2.5)	(1.8)	(1.1)	(1.2)	(0.3)	(0.1)	-	-	-	-	-	-	-	-	-
Utilities	(2.0)	(2.5)	(1.4)	(2.0)	(1.4)	(1.3)	(0.7)	-	-	-	-	-	-	-	-	-
Purchased services	(1.7)	(2.0)	(1.2)	(0.2)	(0.9)	(0.4)	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.6)	(0.6)	(0.4)	(0.7)	(1.5)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-
Debt service	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(0.6)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transfers out	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(1.7)	(2.0)	(1.0)	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(81.6)	(81.2)	(86.3)	(72.8)	(73.0)	(28.6)	(2.8)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)
Total surplus (deficit)	$ (13.5)	$ (15.2)	$ (11.5)	$ (12.1)	$ (6.2)	$ 2.8	$ (0.3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	(5.1)	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.3)	(0.2)	(5.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Operational restructuring						$ -	$ (0.3)	$ (0.2)	$ (5.3)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)
Adjusted surplus (deficit)						$ 2.8	$ (0.6)	$ (0.2)	$ (5.3)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)	$ (0.2)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Health & Wellness - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	348	317	262	243	185	80	14	9	9	9	9	9	9	9	9	9
Average salary & wages(1)	$ 38,399	$ 42,069	$ 44,205	$ 39,808	$ 42,873	$ 29,627	$ 60,946	$ 73,547	$ 73,547	$ 75,386	$ 77,270	$ 79,202	$ 80,786	$ 82,402	$ 84,050	$ 85,731
Average overtime	404	525	529	(486)	456	164	164	187	187	191	196	201	205	209	213	218
	$ 38,804	$ 42,594	$ 44,734	$ 39,322	$ 43,329	$ 29,791	$ 61,110	$ 73,734	$ 73,734	$ 75,577	$ 77,466	$ 79,403	$ 80,991	$ 82,611	$ 84,263	$ 85,948
Overtime as a % of salary & wages	1.1%	1.2%	1.2%	-1.2%	1.1%	0.6%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Pension as a % of salary & wages						8.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	50.3%	46.6%	49.3%	61.0%	65.3%	88.6%	29.6%	26.5%	27.2%	27.7%	28.2%	28.7%	28.9%	29.1%	29.4%	29.7%

Key Items	**Comment/Reference**
General	Health & Wellness transitioned to Institute for Population Health (IPH) effective 10/31/12. The department will retain approximately 9 individuals to perform a required administrative function; the costs incurred by these individuals are assumed to be grant funded
Revenue	
Sales and charges for services	Vital records revenue, which is assumed to be transferred to the County beginning 1/1/2014.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Human Resources - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	7.2	4.1	2.4	6.8	3.2	(0.4)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	7.2	4.1	2.4	6.8	3.2	(0.4)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Expenditures																
Salaries and wages	(9.2)	(9.2)	(8.5)	(6.8)	(5.9)	(4.2)	(4.2)	(4.4)	(4.4)	(3.2)	(3.3)	(3.4)	(3.4)	(3.5)	(3.6)	(3.7)
Overtime	(0.5)	(0.6)	(0.6)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	(0.8)	(0.7)	(0.5)	(0.4)	(0.6)	(0.5)	(2.6)	(3.2)	(3.6)	(2.9)	(3.2)	(3.4)	(3.6)	(3.7)	(3.9)	(4.1)
Medical & fringe benefits	(4.8)	(4.4)	(4.5)	(3.8)	(3.7)	(3.4)	(5.0)	(5.2)	(5.4)	(5.2)	(5.4)	(5.7)	(6.0)	(6.3)	(6.6)	(6.9)
Professional and contractual services	(0.7)	(0.7)	(0.7)	(0.5)	(1.3)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Materials & supplies	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.8)	(1.0)	(0.6)	(0.5)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(1.2)	(1.2)	(1.3)	(1.5)	(1.6)	(1.5)	(1.9)	(2.0)	(2.0)	(1.5)	(1.6)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(18.3)	(18.0)	(17.0)	(14.0)	(13.9)	(10.7)	(15.4)	(16.5)	(17.2)	(14.5)	(15.2)	(15.7)	(16.3)	(16.8)	(17.4)	(17.9)
Total surplus (deficit)	$ (11.1)	$ (14.0)	$ (14.5)	$ (7.2)	$ (10.7)	$ (11.1)	$ (13.2)	$ (14.3)	$ (14.9)	$ (12.3)	$ (13.0)	$ (13.5)	$ (14.0)	$ (14.6)	$ (15.1)	$ (15.7)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	(2.2)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)	(4.3)
Technology						-	-	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capital expenditures and other infrastructure						-	-	-	(1.0)	-	-	-	-	-	-	-
Implementation costs						-	-	(1.4)	(1.0)	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(4.1)	(6.0)	(4.1)	(4.1)	(4.1)	(4.2)	(4.2)	(4.3)	(4.4)
Operational restructuring						$ -	$ -	$ (4.1)	$ (6.0)	$ (4.1)	$ (4.1)	$ (4.1)	$ (4.2)	$ (4.2)	$ (4.3)	$ (4.4)
Adjusted surplus (deficit)						$ (11.1)	$ (13.2)	$ (18.3)	$ (20.9)	$ (16.3)	$ (17.1)	$ (17.6)	$ (18.2)	$ (18.8)	$ (19.4)	$ (20.0)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Human Resources - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	175	168	171	176	107	93	84	84	84	60	60	60	60	60	60	60
Average salary & wages(1)	$ 52,849	$ 55,000	$ 49,465	$ 38,861	$ 55,145	$ 44,710	$ 49,727	$ 52,213	$ 52,213	$ 53,519	$ 54,857	$ 56,228	$ 57,353	$ 58,500	$ 59,670	$ 60,863
Average overtime	2,760	3,423	3,558	944	925	2,125	2,363	2,481	2,481	2,543	2,607	2,672	2,725	2,780	2,835	2,892
	$ 55,609	$ 58,423	$ 53,023	$ 39,805	$ 56,070	$ 46,835	$ 52,090	$ 54,694	$ 54,694	$ 56,062	$ 57,463	$ 58,900	$ 60,078	$ 61,279	$ 62,505	$ 63,755
Overtime as a % of salary & wages	5.2%	6.2%	7.2%	2.4%	1.7%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Pension as a % of salary & wages						11.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	52.0%	47.7%	52.8%	55.1%	62.4%	82.6%	118.7%	118.0%	121.9%	161.6%	164.5%	169.1%	173.6%	178.9%	183.3%	187.7%

Key Items	**Comment/Reference**
General	Payroll administration will be managed by an external firm beginning in FY 2017. This results in decreased personnel costs beginning FY 2017; however, certain implementation costs will be incurred in FY 2016 (captured in Non-departmental)
Revenues	
Sales and charges for services	Interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3 - Headcount reductions occur beginning FY 2016 due to external payroll processing services provider
Professional and contractual services	Primarily labor relations administration
Other expenses	Building rental expenses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	4	22	33	33	33	33	33	33	33	33

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Human Rights - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.5	0.4	0.5	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.5	0.4	0.5	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Expenditures																
Salaries and wages	(0.7)	(0.7)	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Overtime	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Professional and contractual services	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.0)	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.4)	(1.3)	(0.9)	(0.9)	(0.7)	(0.7)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)
Total surplus (deficit)	$ (0.8)	$ (0.9)	$ (0.5)	$ (0.5)	$ (0.5)	$ (0.4)	$ (0.9)	$ (0.9)	$ (1.0)	$ (1.1)	$ (1.1)	$ (1.2)	$ (1.2)	$ (1.3)	$ (1.3)	$ (1.4)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ 0.2	$ 0.2	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.4	$ 0.4
Expenses																
Additional operating expenditures						-	-	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)
Technology						-	-	(0.1)	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)
Operational restructuring						$ -	$ -	$ (0.5)	$ (0.4)	$ (0.4)	$ (0.3)	$ (0.3)	$ (0.3)	$ (0.3)	$ (0.2)	$ (0.3)
Adjusted surplus (deficit)						$ (0.4)	$ (0.9)	$ (1.4)	$ (1.3)	$ (1.4)	$ (1.4)	$ (1.5)	$ (1.5)	$ (1.6)	$ (1.6)	$ (1.6)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Human Rights - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	13	12	n/a	8	6	5	5	5	5	5	5	5	5	5	5	5
Average salary & wages(1)	$ 51,973	$ 58,859	n/a	$ 54,195	$ 56,173	$ 50,106	$ 57,093	$ 59,948	$ 59,948	$ 61,447	$ 62,983	$ 64,558	$ 65,849	$ 67,166	$ 68,509	$ 69,879
Average overtime	290	230	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-
	$ 52,263	$ 59,089	$ -	$ 54,195	$ 56,173	$ 50,106	$ 57,093	$ 59,948	$ 59,948	$ 61,447	$ 62,983	$ 64,558	$ 65,849	$ 67,166	$ 68,509	$ 69,879
Overtime as a % of salary & wages	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						10.4%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	41.8%	38.4%	42.5%	47.6%	55.3%	72.7%	134.0%	133.5%	137.9%	140.7%	143.2%	147.2%	151.0%	155.5%	159.3%	163.1%

Key Items	**Comment/Reference**
Revenues	
Parking/court fines and other revenue	Detroit Business Certification Program (DBCP) fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	6	6	6	6	6	6	6	6	6

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.8a**

Ten-Year Financial Projections
Human Services - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.6	0.9	-	-	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.4)	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	0.1	0.1	0.1	0.0	-	-	-	-	-	-	-	-	-	-
Total revenues	1.7	0.9	0.1	0.1	0.1	0.0	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(0.7)	(0.4)	(0.3)	(0.2)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-
Overtime	(0.0)	(0.0)	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Medical & fringe benefits	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-
Professional and contractual services	(0.6)	(0.5)	(0.2)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Materials & supplies	(0.1)	(0.1)	(0.0)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Utilities	(0.0)	(0.0)	(0.0)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Purchased services	(0.0)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(2.0)	(1.5)	(0.9)	(0.3)	(0.2)	(0.0)	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	$ (0.3)	$ (0.6)	$ (0.8)	$ (0.3)	$ (0.1)	$ (0.0)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (0.0)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Human Services - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	117	91	95	85	52	22	-	-	-	-	-	-	-	-	-	-
Average salary & wages(1)	$ 42,296	$ 53,028	$ 47,676	$ 46,749	$ 64,791	$ 44,951	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average overtime	60	56	-	-	4	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	$ 42,356	$ 53,084	$ 47,676	$ 46,749	$ 64,795	$ 44,951	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime as a % of salary & wages	1.0%	1.2%	0.0%	0.0%	0.2%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pension as a % of salary & wages						0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medical & fringe as a % of salary & wages	59.3%	55.6%	54.1%	46.5%	83.7%	66.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key Items	**Comment/Reference**
General	The Human Services department is being transitioned out of the City effective FY 2014

Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
ITS - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.5	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Revenue from use of assets	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.1)	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.9	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expenditures																
Salaries and wages	(5.1)	(5.1)	(4.0)	(3.4)	(2.6)	(2.0)	(2.0)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)
Overtime	(0.4)	(0.2)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.6)	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(1.3)	(1.7)	(1.9)	(2.1)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)
Medical & fringe benefits	(2.6)	(2.3)	(1.9)	(1.8)	(1.5)	(1.5)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)	(3.2)	(3.3)	(3.5)	(3.6)
Professional and contractual services	(2.4)	(2.5)	(4.9)	(3.0)	(2.6)	(3.8)	(3.8)	(3.8)	(3.9)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)
Materials & supplies	(8.4)	(11.4)	(12.3)	(8.7)	(8.1)	(4.8)	(7.8)	(7.8)	(7.8)	(5.9)	(6.0)	(6.0)	(6.1)	(6.1)	(6.2)	(6.3)
Utilities	(0.8)	(1.4)	(0.5)	(0.8)	(0.5)	(2.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Purchased services	-	(0.2)	(0.2)	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.7)	(1.7)	(1.8)	(1.5)	(0.8)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Debt service	(0.1)	-	-	-	-	(1.1)	(1.4)	(1.4)	(1.4)	(0.7)	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.6)	(0.9)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Transfers out	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(22.7)	(26.0)	(26.7)	(20.3)	(17.0)	(18.1)	(21.7)	(22.7)	(23.1)	(21.0)	(20.9)	(21.3)	(21.7)	(22.1)	(22.6)	(23.0)
Total surplus (deficit)	$ (21.8)	$ (25.5)	$ (26.6)	$ (19.1)	$ (16.7)	$ (17.4)	$ (21.2)	$ (22.2)	$ (22.6)	$ (20.5)	$ (20.4)	$ (20.8)	$ (21.2)	$ (21.6)	$ (22.0)	$ (22.5)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (17.4)	$ (21.2)	$ (22.2)	$ (22.6)	$ (20.5)	$ (20.4)	$ (20.8)	$ (21.2)	$ (21.6)	$ (22.0)	$ (22.5)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
ITS - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	99	92	65	46	43	35	35	38	38	38	38	38	38	38	38	38
Average salary & wages(1)	$ 51,306	$ 55,548	$ 61,007	$ 74,548	$ 60,681	$ 57,494	$ 57,494	$ 60,369	$ 60,369	$ 61,878	$ 63,425	$ 65,011	$ 66,311	$ 67,637	$ 68,990	$ 70,369
Average overtime	4,087	2,260	2,140	1,465	597	2,467	2,467	2,590	2,590	2,655	2,721	2,789	2,845	2,902	2,960	3,019
	$ 55,393	$ 57,808	$ 63,147	$ 76,013	$ 61,278	$ 59,961	$ 59,961	$ 62,959	$ 62,959	$ 64,533	$ 66,146	$ 67,800	$ 69,156	$ 70,539	$ 71,949	$ 73,388
Overtime as a % of salary & wages	8.0%	4.1%	3.5%	2.0%	1.0%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Pension as a % of salary & wages						9.7%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	51.0%	45.7%	48.1%	53.2%	55.9%	74.7%	117.9%	110.5%	114.1%	116.4%	118.5%	121.7%	124.8%	128.3%	131.3%	134.4%

Key Items	**Comment/Reference**
Revenues	
Sales and charges for services	Primarily interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Information technology contracts
Materials & supplies	Primarily hardware (servers, Xerox, etc.) and software (Oracle, Groupwise, etc.) maintenance & upgrade costs; does not include upgrade costs in excess of 2012 levels
	Beginning FY 2017, savings from payroll administration outsourcing reflected as certain upgrades would not be completed
Other expenses	Rental expenses (building, computers, and other office equipment)
Debt service	Payments for IBM product purchased through financing in FY 2013; purchase captured in Non-Departmental

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Law - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	(1.2)	1.0	0.6	0.1	1.2	0.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Revenue from use of assets	-	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.1	0.3	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	(1.1)	1.3	0.6	0.2	1.5	0.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Expenditures																
Salaries and wages	(9.3)	(9.2)	(8.2)	(7.7)	(7.4)	(6.1)	(6.1)	(6.4)	(6.4)	(6.6)	(6.8)	(6.9)	(7.1)	(7.2)	(7.3)	(7.5)
Overtime	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.3)	(0.2)	(0.0)	(0.2)	(0.5)	(0.6)	(3.9)	(4.6)	(5.2)	(6.0)	(6.7)	(7.0)	(7.3)	(7.7)	(8.0)	(8.3)
Medical & fringe benefits	(4.0)	(3.6)	(3.4)	(3.5)	(4.0)	(4.2)	(3.3)	(3.4)	(3.5)	(3.7)	(3.8)	(4.0)	(4.2)	(4.3)	(4.5)	(4.7)
Professional and contractual services	(3.3)	(3.5)	(3.0)	(2.1)	(1.6)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
Materials & supplies	(0.5)	(0.3)	(0.4)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Utilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(1.2)	(0.9)	(1.4)	(1.2)	(1.4)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.1)	(1.2)	(1.1)	(0.9)	(0.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(1.6)	(1.6)	(1.8)	(1.9)	(2.0)	(2.0)	(2.8)	(2.9)	(3.0)	(3.1)	(3.2)	(3.1)	(3.2)	(3.2)	(3.2)	(3.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(21.5)	(20.7)	(19.3)	(17.9)	(17.3)	(16.9)	(20.2)	(21.6)	(22.4)	(23.6)	(24.7)	(25.4)	(26.1)	(26.8)	(27.5)	(28.2)
Total surplus (deficit)	$ (22.6)	$ (19.4)	$ (18.6)	$ (17.8)	$ (15.8)	$ (16.2)	$ (18.4)	$ (19.8)	$ (20.6)	$ (21.8)	$ (23.0)	$ (23.6)	$ (24.3)	$ (25.0)	$ (25.8)	$ (26.4)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6
Expenses																
Additional operating expenditures						-	-	1.6	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Technology						-	(0.5)	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	(0.1)	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.5)	1.5	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Operational restructuring						$ -	$ (0.5)	$ 1.5	$ 1.0	$ 1.0	$ 0.9	$ 0.9	$ 0.8	$ 0.8	$ 0.7	$ 0.7
Adjusted surplus (deficit)						$ (16.2)	$ (18.9)	$ (18.3)	$ (19.6)	$ (20.9)	$ (22.0)	$ (22.8)	$ (23.5)	$ (24.3)	$ (25.0)	$ (25.7)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Law - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	127	122	113	105	94	86	86	86	86	86	86	86	86	86	86	86
Average salary & wages(1)	$ 73,486	$ 75,672	$ 72,144	$ 73,252	$ 78,313	$ 71,497	$ 71,497	$ 75,072	$ 75,072	$ 76,949	$ 78,873	$ 80,844	$ 82,461	$ 84,111	$ 85,793	$ 87,509
Average overtime	222	728	161	114	568	1,094	1,094	1,148	1,148	1,177	1,207	1,237	1,261	1,287	1,312	1,339
	$ 73,709	$ 76,400	$ 72,305	$ 73,366	$ 78,881	$ 72,591	$ 72,591	$ 76,220	$ 76,220	$ 78,126	$ 80,079	$ 82,081	$ 83,723	$ 85,397	$ 87,105	$ 88,847
Overtime as a % of salary & wages	0.3%	1.0%	0.2%	0.2%	0.7%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Pension as a % of salary & wages						10.0%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	42.3%	38.9%	41.8%	45.7%	54.1%	68.6%	53.6%	52.9%	54.5%	55.6%	56.6%	57.9%	59.0%	60.3%	61.4%	62.6%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Primarily interagency billings; Law department began invoicing other departments correctly in FY 2012
Parking/court fines and other revenue	Miscellaneous receipts
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Contracts for legal work/assistance and other printing contracts/services
Purchased services	Purchased administration costs
Other expenses	Building rental expenses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	9	17	17	17	17	17	17	17	17

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Mayor - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	0.1	0.0	0.2	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.1)	(0.4)	0.7	(0.2)	0.1	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	-	-	0.2	0.1	(0.1)	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	0.0	(0.3)	0.7	0.1	0.2	(0.1)	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditures																
Salaries and wages	(5.7)	(5.3)	(4.6)	(4.0)	(3.1)	(2.2)	(2.1)	(2.3)	(2.3)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)	(2.7)
Overtime	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.7)	(0.5)	(0.4)	(0.5)	(0.5)	(0.2)	(1.3)	(1.7)	(1.9)	(2.2)	(2.4)	(2.5)	(2.7)	(2.8)	(2.9)	(3.0)
Medical & fringe benefits	(2.6)	(2.1)	(1.9)	(1.6)	(1.5)	(1.2)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.7)
Professional and contractual services	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.0)	(0.5)	(1.0)	(1.1)	(1.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.2)	(0.2)	(0.2)	(0.2)	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Utilities	(0.3)	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	(0.0)	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(1.5)	(1.3)	(0.9)	(0.7)	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.8)	(0.9)	(1.1)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	0.2	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(11.3)	(10.1)	(8.7)	(8.0)	(6.6)	(5.0)	(7.2)	(8.7)	(9.0)	(9.5)	(8.9)	(9.2)	(9.4)	(9.7)	(10.0)	(10.3)
Total surplus (deficit)	$ (11.3)	$ (10.5)	$ (8.0)	$ (7.8)	$ (6.4)	$ (5.0)	$ (7.2)	$ (8.6)	$ (8.9)	$ (9.4)	$ (8.8)	$ (9.1)	$ (9.4)	$ (9.7)	$ (10.0)	$ (10.2)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operational restructuring						$ -	$ (1.3)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.1)
Adjusted surplus (deficit)						$ (5.0)	$ (8.5)	$ (8.7)	$ (9.0)	$ (9.5)	$ (8.9)	$ (9.2)	$ (9.5)	$ (9.8)	$ (10.1)	$ (10.3)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Mayor - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	108	74	63	52	39	22	22	24	24	24	24	24	24	24	24	24
Average salary & wages(1)	$ 52,946	$ 71,222	$ 73,700	$ 76,927	$ 80,495	$ 98,421	$ 92,861	$ 97,504	$ 97,504	$ 99,942	$ 102,440	$ 105,001	$ 107,101	$ 109,243	$ 111,428	$ 113,657
Average overtime	9	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	$ 52,955	$ 71,248	$ 73,700	$ 76,927	$ 80,495	$ 98,421	$ 92,861	$ 97,504	$ 97,504	$ 99,942	$ 102,440	$ 105,001	$ 107,101	$ 109,243	$ 111,428	$ 113,657
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						11.2%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	45.0%	40.6%	41.4%	40.8%	48.4%	56.0%	85.9%	80.6%	83.0%	84.6%	86.0%	88.1%	90.3%	92.7%	94.8%	96.8%

Key Items	Comment/Reference
Revenues	
Parking/court fines and other revenue	Miscellaneous receipts
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
	Headcount reduction due to reallocation of Neighborhood City Hall employees to Recreation department in FY 2013
Professional and contractual services	Contracts for legal work/assistance and PSCs
Materials & supplies	Primarily repairs, maintenance, and supplies
Other expenses	Primarily rental expenses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	31	31	31	31	31	31	31	31	31	31

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Planning & Development - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	(0.1)	0.0	0.8	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	3.3	18.4	1.0	0.2	(1.5)	7.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Parking/court fines and other revenue	0.4	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	2.0	1.8	1.5	2.0	0.7	1.6	1.4	4.5	4.6	4.6	4.7	4.8	4.9	4.9	5.0	5.1
Total revenues	5.9	21.7	2.5	2.2	0.1	9.1	1.6	4.7	4.8	4.9	5.0	5.0	5.1	5.2	5.3	5.3
Expenditures																
Salaries and wages	(1.5)	(1.8)	(1.7)	(1.0)	(0.7)	(0.6)	(0.6)	(3.2)	(3.2)	(3.3)	(3.4)	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)
Overtime	-	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	(0.4)	(2.3)	(2.6)	(3.0)	(3.3)	(3.5)	(3.6)	(3.8)	(4.0)	(4.1)
Medical & fringe benefits	(0.7)	(0.8)	(0.8)	(0.5)	(0.4)	(0.3)	(0.5)	(2.2)	(2.2)	(2.3)	(2.4)	(2.6)	(2.7)	(2.8)	(2.9)	(3.0)
Professional and contractual services	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Materials & supplies	(0.3)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Utilities	(0.0)	(0.0)	0.1	-	(0.0)	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	(0.1)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(5.3)	(5.4)	(4.8)	(3.8)	(2.7)	(2.9)	(2.9)	(7.5)	(4.1)	(4.1)	(4.1)	(4.2)	(4.2)	(4.2)	(4.3)	(4.3)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(8.3)	(8.9)	(7.8)	(5.6)	(4.1)	(4.1)	(4.8)	(17.8)	(14.7)	(15.4)	(16.0)	(16.4)	(16.8)	(17.2)	(17.6)	(18.0)
Total surplus (deficit)	$ (2.5)	$ 12.8	$ (5.3)	$ (3.4)	$ (4.0)	$ 5.0	$ (3.2)	$ (13.1)	$ (9.9)	$ (10.5)	$ (11.0)	$ (11.4)	$ (11.7)	$ (12.0)	$ (12.3)	$ (12.7)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	(0.4)	(1.2)	(1.0)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)
Technology						-	-	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	(0.6)	(6.8)	(0.8)	-	-	-	(1.0)	(1.0)	-	-
Subtotal: Expenses						-	(1.0)	(8.5)	(1.8)	(1.0)	(1.0)	(1.0)	(2.1)	(2.1)	(1.1)	(1.1)
Operational restructuring						$ -	$ (1.0)	$ (8.5)	$ (1.8)	$ (1.0)	$ (1.0)	$ (1.0)	$ (2.1)	$ (2.1)	$ (1.1)	$ (1.1)
Adjusted surplus (deficit)						$ 5.0	$ (4.2)	$ (21.5)	$ (11.8)	$ (11.5)	$ (12.0)	$ (12.4)	$ (13.7)	$ (14.1)	$ (13.4)	$ (13.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Planning & Development - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	172	173	160	154	122	116	116	113	113	113	113	113	113	113	113	113
Average salary & wages(1)	$ 54,225	$ 54,491	$ 55,121	$ 51,860	$ 59,007	$ 53,640	$ 53,640	$ 56,322	$ 56,322	$ 57,730	$ 59,173	$ 60,652	$ 61,865	$ 63,103	$ 64,365	$ 65,652
Average overtime	-	0	2	0	-	-	-	-	-	-	-	-	-	-	-	-
	$ 54,225	$ 54,491	$ 55,124	$ 51,860	$ 59,007	$ 53,640	$ 53,640	$ 56,322	$ 56,322	$ 57,730	$ 59,173	$ 60,652	$ 61,865	$ 63,103	$ 64,365	$ 65,652
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						4.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	47.5%	43.1%	46.7%	49.0%	56.5%	58.6%	88.6%	68.1%	70.2%	71.6%	72.8%	74.6%	76.3%	78.2%	79.8%	81.5%

Key Items	Comment/Reference
General	HUD is requiring the City to capture indirect costs and those related to Development/Real Estate and Planning functions in the General Fund and seek reimbursement after payment is made. Personnel costs related to Development/Real Estate and Planning functions transferred to the General Fund will no longer be reimbursed as those heads are not related to grant funded projects
Revenues	
Sales and charges for services	Block grant reimbursements
Revenue from use of assets	Real estate rentals. FY 2012 reflects a loss on sale of property and FY 2013 reflects proceeds from a sale; no gain/loss assumed in the projection period
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Other expenses	Development costs. Includes one-time repayment ($3.5m) of grant funds to HUD due to FY12 and FY13 over reimbursements

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	16	(32)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Police - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	51.7	49.9	44.2	44.6	39.8	35.3	20.1	24.5	24.5	24.9	25.3	25.7	26.1	26.4	26.8	27.2
Licenses, permits and inspection charges	0.6	0.9	0.8	0.8	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	7.6	8.7	10.4	13.2	4.7	2.9	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Revenue from use of assets	0.0	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	2.4	2.5	1.5	3.4	5.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	4.3	3.2	8.4	12.0	12.6	8.2	7.4	5.2	4.1	3.6	3.7	3.8	3.8	3.9	3.9	4.0
Total revenues	69.3	65.2	65.3	74.0	63.9	51.0	36.6	38.9	37.7	37.6	38.1	38.5	39.0	39.4	39.9	40.3
Expenditures																
Salaries and wages	(182.9)	(190.9)	(184.4)	(193.7)	(177.1)	(152.8)	(139.1)	(149.3)	(156.6)	(161.3)	(165.3)	(169.5)	(172.8)	(176.3)	(179.8)	(183.4)
Overtime	(27.7)	(31.9)	(24.9)	(25.7)	(25.9)	(18.4)	(20.9)	(22.4)	(21.9)	(22.6)	(23.2)	(23.7)	(24.2)	(24.7)	(25.2)	(25.7)
Pension	(31.1)	(31.0)	(23.6)	(66.3)	(42.2)	(35.5)	(94.1)	(109.5)	(123.1)	(135.6)	(148.6)	(150.0)	(153.4)	(154.1)	(152.0)	(151.3)
Medical & fringe benefits	(102.8)	(97.5)	(100.5)	(111.3)	(117.6)	(105.5)	(100.6)	(104.2)	(109.8)	(115.5)	(121.2)	(127.8)	(133.7)	(140.4)	(146.6)	(153.1)
Professional and contractual services	(4.9)	(6.7)	(4.0)	(3.6)	(4.5)	(5.1)	(5.1)	(5.2)	(5.2)	(5.3)	(5.3)	(5.4)	(5.5)	(5.5)	(5.6)	(5.6)
Materials & supplies	(3.4)	(3.2)	(3.1)	(3.0)	(2.7)	(2.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)	(3.3)	(3.4)	(3.4)	(3.4)
Utilities	(6.7)	(8.7)	(8.3)	(9.0)	(8.9)	(2.8)	(9.5)	(10.0)	(10.1)	(10.2)	(10.3)	(10.5)	(10.6)	(10.7)	(10.8)	(10.9)
Purchased services	(1.8)	(2.3)	(1.1)	(0.7)	(1.1)	(1.3)	(11.1)	(11.2)	(11.3)	(11.4)	(11.5)	(11.6)	(11.8)	(11.9)	(12.0)	(12.1)
Risk management and insurance	(0.0)	-	0.0	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(6.1)	(7.1)	(6.1)	(7.2)	(8.1)	(5.6)	(7.0)	(7.0)	(7.0)	(7.1)	(7.1)	(7.2)	(7.2)	(7.3)	(7.3)	(7.3)
Debt service	(0.1)	-	-	(0.1)	(0.0)	(1.6)	(0.0)	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(27.8)	(30.0)	(31.4)	(32.7)	(34.1)	(35.6)	(36.9)	(37.2)	(38.4)	(39.0)	(39.6)	(39.2)	(39.0)	(38.9)	(38.7)	(38.6)
Transfers out	-	(0.5)	(0.5)	(0.4)	(0.5)	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.8)	(0.9)	(0.4)	(1.6)	(1.4)	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(396.2)	(410.8)	(388.3)	(455.2)	(424.2)	(366.4)	(427.4)	(459.1)	(486.8)	(511.3)	(535.5)	(548.1)	(561.6)	(573.0)	(581.4)	(591.6)
Total surplus (deficit)	$ (326.9)	$ (345.6)	$ (323.1)	$ (381.2)	$ (360.3)	$ (315.4)	$ (390.8)	$ (420.3)	$ (449.1)	$ (473.7)	$ (497.4)	$ (509.6)	$ (522.6)	$ (533.6)	$ (541.6)	$ (551.2)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ 3.6	$ 3.6	$ 3.6	$ 3.6	$ 3.6	$ 3.6	$ 3.6	$ 3.6	$ 3.6
Expenses																
Additional operating expenditures						-	(2.2)	(13.5)	(10.1)	(9.0)	(7.3)	(7.8)	(8.5)	(9.5)	(9.5)	(9.9)
Technology						-	(0.9)	(12.2)	(10.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Capital expenditures and other infrastructure						-	(0.7)	(23.2)	(18.3)	(10.1)	(10.6)	(10.2)	(13.3)	(13.1)	(13.1)	(13.0)
Implementation costs						-	-	(0.6)	(0.4)	-	-	-	-	-	-	-
Subtotal: Expenses						-	(3.8)	(49.4)	(39.0)	(21.3)	(20.0)	(20.2)	(23.9)	(24.8)	(24.7)	(25.1)
Operational restructuring						$ -	$ (3.8)	$ (45.8)	$ (35.4)	$ (17.6)	$ (16.4)	$ (16.5)	$ (20.3)	$ (21.2)	$ (21.1)	$ (21.4)
Adjusted surplus (deficit)						$ (315.4)	$ (394.6)	$ (466.1)	$ (484.5)	$ (491.4)	$ (513.8)	$ (526.1)	$ (542.8)	$ (554.7)	$ (562.6)	$ (572.7)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Police - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	3,421	3,688	3,288	3,195	3,016	2,909	2,706	2,747	2,882	2,895	2,895	2,895	2,895	2,895	2,895	2,895
Average salary & wages(1)	$ 53,597	$ 51,883	$ 56,204	$ 60,742	$ 58,848	$ 52,625	$ 51,514	$ 54,454	$ 54,454	$ 55,816	$ 57,211	$ 58,641	$ 59,814	$ 61,010	$ 62,231	$ 63,475
Average overtime	8,104	8,646	7,576	8,050	8,590	6,312	7,719	8,159	7,615	7,806	8,001	8,201	8,365	8,532	8,703	8,877
	$ 61,701	$ 60,529	$ 63,780	$ 68,792	$ 67,438	$ 58,936	$ 59,233	$ 62,613	$ 62,070	$ 63,621	$ 65,212	$ 66,842	$ 68,179	$ 69,543	$ 70,933	$ 72,352
Overtime as a % of salary & wages	15.2%	16.7%	13.5%	13.3%	14.6%	12.0%	15.0%	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Pension as a % of salary & wages						23.2%	67.6%	73.3%	78.6%	84.1%	89.9%	88.5%	88.7%	87.4%	84.5%	82.5%
Medical & fringe as a % of salary & wage	56.2%	51.1%	54.5%	57.5%	66.4%	69.0%	72.3%	69.8%	70.1%	71.6%	73.3%	75.4%	77.4%	79.6%	81.5%	83.5%

Key Items	Comment/Reference
Revenues	
Utility users' and other taxes	Utility users' tax decreases beginning FY 2014 due to the allocation to the Public Lighting Authority ($17m in FY 2014; $12.5m thereafter). Inflationary increases assumed beginning FY 2017.
Sales and charges for services	Interagency billings and charges for external services
Revenue from use of assets	Real estate rentals and concessions. FY 2012 and FY 2013 reflect proceeds from sales; no gain/loss assumed in the projection period
Parking/court fines and other revenue	Primarily court proceeds
Grant revenue	Includes COPS grant
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Contracts such as crime scene services, E-911 improvements and technology support
Materials & supplies	Operating supplies and repairs & maintenance
Utilities	Primarily water, sewage and electricity
Other expenses	Primarily capital outlays and rental expenses
Transfers out	Retirement of debt principal

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	125	250	250	210	175	162	149	149	149	149

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
PLD - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	(0.0)	0.0	0.0	0.1	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and Charges for Services	52.3	37.2	43.3	30.8	45.1	36.5	41.2	28.7	26.1	23.5	20.8	18.1	15.3	12.3	10.6	10.7
Revenue from use of assets	-	0.2	-	0.3	0.1	0.5	0.5	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.3	0.0	0.7	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	3.5	3.5	3.5	0.4	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	0.4	-	-	-	-	-	-	-	-	-	-
Total revenues	56.1	40.9	47.5	31.5	45.2	37.5	41.7	28.7	26.1	23.5	20.8	18.1	15.3	12.3	10.6	10.7
Expenditures																
Salaries and wages	(10.1)	(9.6)	(8.0)	(6.8)	(5.8)	(4.8)	(3.4)	(1.0)	(0.6)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	-	-
Overtime	(3.4)	(2.8)	(2.5)	(2.9)	(3.5)	(2.4)	(1.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-
Pension	(0.7)	(0.4)	(0.3)	(0.2)	(0.5)	(0.8)	(2.2)	(0.7)	(0.5)	(0.4)	(0.2)	(0.2)	(0.3)	(0.2)	-	-
Medical & fringe benefits	(5.7)	(5.0)	(4.8)	(4.9)	(5.1)	(5.1)	(1.1)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	-	-
Professional and contractual services	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	(2.6)	(14.1)	(10.2)	(6.6)	(4.6)	(3.7)	(2.3)	(0.9)	-	-
Materials & supplies	(43.1)	(37.8)	(27.5)	(37.4)	(36.5)	(39.1)	(39.4)	(12.4)	(13.3)	(13.3)	(12.8)	(12.0)	(11.4)	(10.7)	(10.6)	(10.7)
Utilities	(4.3)	(5.0)	(5.4)	(5.0)	(4.4)	(5.7)	(5.0)	(6.9)	(4.5)	(3.8)	(3.6)	(3.3)	(3.1)	(2.9)	(2.8)	(2.8)
Purchased services	(1.6)	(2.0)	(1.0)	(0.0)	(0.1)	(0.2)	(0.2)	(0.9)	(1.4)	(1.7)	(1.4)	(0.9)	(0.5)	(0.1)	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.2)	(3.1)	(0.1)	(0.0)	(0.1)	(0.5)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	(0.8)	(5.3)	(8.4)	(9.3)	(9.6)	(9.9)	(10.2)	(10.5)	(10.8)	(11.1)
POC - principal and interest1	(2.0)	(2.1)	(2.2)	(2.4)	(2.6)	(2.7)	(1.6)	(0.5)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(71.2)	(68.0)	(52.1)	(59.8)	(58.8)	(61.3)	(57.4)	(42.3)	(39.5)	(36.0)	(32.8)	(30.5)	(28.2)	(25.6)	(24.2)	(24.6)
Total surplus (deficit)	$ (15.1)	$ (27.1)	$ (4.6)	$ (28.3)	$ (13.6)	$ (23.8)	$ (15.6)	$ (13.6)	$ (13.3)	$ (12.6)	$ (12.0)	$ (12.4)	$ (12.9)	$ (13.3)	$ (13.6)	$ (13.9)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (23.8)	$ (15.6)	$ (13.6)	$ (13.3)	$ (12.6)	$ (12.0)	$ (12.4)	$ (12.9)	$ (13.3)	$ (13.6)	$ (13.9)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
PLD - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	225	206	160	123	103	99	70	12	7	5	3	3	3	2	-	-
Average salary & wages(1)	$ 44,676	$ 46,839	$ 50,059	$ 55,114	$ 55,866	$ 48,724	$ 49,211	$ 84,190	$ 81,474	$ 79,817	$ 79,591	$ 81,182	$ 82,806	$ 84,462	n/a	n/a
Average overtime	15,017	13,619	15,896	23,374	34,123	24,252	14,708	8,419	8,147	7,982	7,959	8,118	8,281	8,446	n/a	n/a
	$ 59,693	$ 60,459	$ 65,955	$ 78,489	$ 89,989	$ 72,975	$ 63,919	$ 92,610	$ 89,622	$ 87,799	$ 87,550	$ 89,301	$ 91,087	$ 92,908	$ -	$ -
Overtime as a % of salary & wages	33.6%	29.1%	31.8%	42.4%	61.1%	49.8%	29.9%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	n/a	n/a
Pension as a % of salary & wages						16.9%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	n/a	n/a
Medical & fringe as a % of salary & wages	57.1%	51.4%	59.8%	72.5%	89.0%	105.7%	32.7%	25.7%	26.6%	27.6%	28.5%	29.0%	29.2%	29.5%	n/a	n/a

Key Items	Comment/Reference
General	Lighting (Street lights): Street lights will be transitioned to the Public Lighting Authority (PLA) over a 3-year period beginning FY 2014 (3/1/14 - 2/30/17). Overhead lights representing 85% of total PLA street lights are projected to be completed on an 18 month schedule while underground lights (15% of final mix) are forecast over a 36 month period. The final system will have 55,000 street lights.
	City Grid: All customers currently on the City grid are assumed to be transitioned to a 3rd party provider effective beginning of FY 2015 (7/1/14). Once transitioned, the City will no longer collect revenue from external customers. The grid will be deactivated over a 7-year period beginning FY 2015 (7/1/14 - 6/30/21).
	PLD plans to utilize third party outsourced labor to maintain its portion of street lights until the transition to PLA is complete (by end-FY 2017)
Revenues	
Sales and Charges for Services[2]	Represents external and internal revenues
External electricity sales	Decreasing consistent with the assumption that electricity customers are transitioned by end-FY 2014. FY 2014 includes $2.4 million of collections based on the Power Supply Cost Recovery Factor applied to customer bills beginning December 2013
Internal electricity sales	Assumes PLD continues to provide electricity to City departments at current consumption level; departments are billed based on consumption at DTE Rate book
Third-party contributions	Represents reimbursement from 3rd party utility provider to operate and maintain PLD grid until fully transitioned. This reimbursement decreases through FY 2021 when the grid deactivation is complete
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
	PLD plans to utilize third party outsourced labor to maintain its portion of street lights and grid until transition of street lights and grid (by end-FY 2021). Legacy health and pension costs are expected to remain. Minimal PLD administrative staff remains until year 7 of transition (end of FY 2021) when grid deactivation is completed
Materials & supplies	Grid: Fuel and lubricants - electricity purchased, which decreases due to amount purchased for internal consumption only
Utilities	Street light electricity will continue to be purchased by the City, assumes 55,000 street lights full transition by end of FY 2017. Assumes legacy light electricity rate of $0.0987/kWh and PLA LED rate of $0.0707/kWh in FY 2014
	Alley Lights: Additionally, 12,000 alley lights will remain on until the bulbs fail. The forecast assumes the bulbs to fail over a 5 year period or 20% a year. The City will purchase electricity for these street lights
Contributions to non-enterprise funds	Represents contribution to Public Lighting Authority for operations; replaces decreases in personnel
	Lighting: Total operations & maintenance based the O&M agreement between the City and PLA includes a $126,250 monthly admin. fee plus per streetlight O&M fee subject to 3% annual increase

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.
(2) FY 2012 includes a one-time payment from DPS to account for previous balances due.

Ten-Year Financial Projections
Recreation - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.1	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Revenue from use of assets	1.1	1.1	1.0	0.8	1.1	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Parking/court fines and other revenue	0.8	0.8	0.5	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.1	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	1.4	2.4	0.7	0.4	2.8	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Total revenues	3.5	4.3	2.4	1.8	4.2	2.0	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Expenditures																
Salaries and wages	(7.4)	(7.7)	(6.8)	(5.9)	(5.2)	(3.4)	(3.4)	(3.6)	(3.6)	(3.7)	(3.8)	(3.9)	(3.9)	(4.0)	(4.1)	(4.2)
Overtime	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(2.2)	(2.6)	(2.9)	(3.3)	(3.7)	(3.9)	(4.1)	(4.3)	(4.5)	(4.6)
Medical & fringe benefits	(2.5)	(2.4)	(2.2)	(1.9)	(1.9)	(2.2)	(10.8)	(11.4)	(11.7)	(12.3)	(12.8)	(13.5)	(14.2)	(14.9)	(15.6)	(16.4)
Professional and contractual services	(1.0)	(1.0)	(0.3)	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Materials & supplies	(0.1)	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Utilities	(7.5)	(7.2)	(7.1)	(7.7)	(7.5)	(5.8)	(8.4)	(9.0)	(9.3)	(9.6)	(9.8)	(10.1)	(10.4)	(10.7)	(11.0)	(11.4)
Purchased services	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(3.4)	(4.7)	(2.9)	(2.7)	(3.7)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.5)	(1.6)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(23.3)	(24.6)	(20.7)	(20.5)	(20.3)	(14.8)	(28.3)	(30.2)	(31.3)	(32.6)	(33.9)	(35.2)	(36.5)	(37.8)	(39.2)	(40.5)
Total surplus (deficit)	$ (19.8)	$ (20.3)	$ (18.3)	$ (18.7)	$ (16.2)	$ (12.9)	$ (26.4)	$ (28.3)	$ (29.3)	$ (30.7)	$ (32.0)	$ (33.2)	$ (34.5)	$ (35.8)	$ (37.1)	$ (38.5)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1
Expenses																
Additional operating expenditures						-	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	(0.9)	(4.8)	(4.1)	(4.8)	(4.0)	(4.5)	(3.9)	(3.3)	(3.3)	(3.3)
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.9)	(4.8)	(4.2)	(4.9)	(4.1)	(4.6)	(4.0)	(3.4)	(3.4)	(3.4)
Operational restructuring						$ -	$ (0.9)	$ (4.8)	$ (4.1)	$ (4.8)	$ (4.1)	$ (4.5)	$ (3.9)	$ (3.4)	$ (3.4)	$ (3.4)
Adjusted surplus (deficit)						$ (12.9)	$ (27.3)	$ (33.1)	$ (33.4)	$ (35.5)	$ (36.0)	$ (37.7)	$ (38.4)	$ (39.2)	$ (40.5)	$ (41.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Recreation - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	472	388	508	510	300	202	202	202	202	202	202	202	202	202	202	202
Average salary & wages(1)	$ 15,783	$ 19,905	$ 13,500	$ 11,659	$ 17,264	$ 16,904	$ 16,904	$ 17,749	$ 17,749	$ 18,193	$ 18,648	$ 19,114	$ 19,496	$ 19,886	$ 20,284	$ 20,690
Average overtime	306	402	259	265	524	525	525	551	551	565	579	593	605	617	630	642
	$ 16,088	$ 20,307	$ 13,759	$ 11,924	$ 17,787	$ 17,429	$ 17,429	$ 18,300	$ 18,300	$ 18,758	$ 19,227	$ 19,707	$ 20,102	$ 20,504	$ 20,914	$ 21,332
Overtime as a % of salary & wages	1.9%	2.0%	1.9%	2.3%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Pension as a % of salary & wages						8.7%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	34.1%	31.7%	31.7%	32.7%	36.8%	63.3%	315.8%	316.7%	327.0%	333.6%	339.2%	349.0%	359.2%	371.1%	381.0%	390.9%

Key Items	**Comment/Reference**
Revenues	
Revenue from use of assets	Real estate rental and concessions. FY 2012 and FY 2013 include the gain on sale of property, no gain/loss is included going forward
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Operating supplies
Utilities	Sewage, water, and various other utilities
Other expenses	Primarily capital outlays

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2. Most Recreation department employees are part-time employees.

Ten-Year Financial Projections
Administrative Hearings - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.2	0.2	1.2	0.8	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.2	0.3	1.5	0.8	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expenditures																
Salaries and wages	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Overtime	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Professional and contractual services	(1.0)	(1.4)	(0.8)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	-	0.0	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.9)	(2.2)	(1.6)	(1.4)	(1.1)	(1.1)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)
Total surplus (deficit)	$ (1.7)	$ (1.9)	$ (0.1)	$ (0.6)	$ (0.2)	$ (0.6)	$ (0.8)	$ (0.9)	$ (0.9)	$ (1.0)	$ (1.0)	$ (1.1)	$ (1.1)	$ (1.1)	$ (1.2)	$ (1.2)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology						-	-	(0.5)	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring						$ -	$ -	$ (0.5)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)
Adjusted surplus (deficit)						$ (0.6)	$ (0.8)	$ (1.4)	$ (0.9)	$ (1.0)	$ (1.0)	$ (1.1)	$ (1.1)	$ (1.2)	$ (1.2)	$ (1.2)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

City of Detroit **Appendix A.16b**

Ten-Year Financial Projections
Administrative Hearings - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	6	6	9	6	4	4	4	4	4	4	4	4	4	4	4	4
Average salary & wages(1)	$ 55,358	$ 56,863	$ 42,971	$ 60,124	$ 82,470	$ 69,770	$ 82,422	$ 86,544	$ 86,544	$ 88,707	$ 90,925	$ 93,198	$ 95,062	$ 96,963	$ 98,902	$ 100,881
Average overtime	-	38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	$ 55,358	$ 56,901	$ 42,971	$ 60,124	$ 82,470	$ 69,770	$ 82,422	$ 86,544	$ 86,544	$ 88,707	$ 90,925	$ 93,198	$ 95,062	$ 96,963	$ 98,902	$ 100,881
Overtime as a % of salary & wages	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						10.0%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	53.9%	42.8%	43.5%	50.2%	55.5%	66.3%	33.0%	32.3%	33.2%	33.8%	34.4%	35.0%	35.4%	35.9%	36.4%	36.8%

Key Items	**Comment/Reference**
Revenues	
Sales and charges for services	Fees (Blight violation adjudication) and interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Information technology contracts

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.17a**

Ten-Year Financial Projections
Homeland Security - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.0	0.0	0.0	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.3	1.0	2.2	2.8	3.2	2.4	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Total revenues	1.7	1.0	2.2	2.9	3.3	2.4	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Expenditures																
Salaries and wages	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-
Overtime	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Medical & fringe benefits	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-
Professional and contractual services	(0.0)	-	(0.1)	(0.7)	(0.8)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Materials & supplies	(0.8)	(0.6)	(0.4)	(1.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Utilities	0.0	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.8)	(0.1)	(1.6)	(0.8)	(2.4)	(2.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(2.2)	(1.7)	(2.4)	(2.9)	(3.5)	(4.5)	(2.1)	(2.1)	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.3)	(2.3)
Total surplus (deficit)	$ (0.5)	$ (0.7)	$ (0.2)	$ (0.0)	$ (0.3)	$ (2.0)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (2.0)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

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Ten-Year Financial Projections
Homeland Security - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	5	5	1	2	2	1	-	-	-	-	-	-	-	-	-	-
Average salary & wages(1)	$ 67,938	$ 69,172	$ 185,204	$ 69,322	$ 73,932	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Average overtime	2,699	90,636	254	583	1,297	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	$ 70,637	$ 159,808	$ 185,458	$ 69,905	$ 75,229	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime as a % of salary & wages	4.0%	131.0%	0.1%	0.8%	1.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pension as a % of salary & wages						n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medical & fringe as a % of salary & wages	40.1%	36.7%	59.1%	40.8%	49.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key Items	**Comment/Reference**
Revenues	
Grant revenue	Federal grant proceeds
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Urban Area Security initiative
Other expenses	FY 2012 and FY 2013 include capital outlays, which will not persist

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.18a**

Ten-Year Financial Projections
General Services - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.7	1.9	5.4	0.7	1.3	0.9	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Revenue from use of assets	(0.0)	-	0.8	1.0	1.2	1.7	1.7	9.9	3.4	3.4	1.7	1.7	1.7	1.7	1.7	1.7
Parking/court fines and other revenue	5.6	5.3	0.2	4.7	5.6	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	1.6	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	5.3	3.2	1.3	2.5	4.8	5.1	5.1	-	-	-	-	-	-	-	-	-
Grant revenue	-	0.0	0.2	4.6	3.5	1.4	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Total revenues	12.6	10.4	7.8	15.1	16.3	13.7	14.4	17.5	11.0	11.0	9.3	9.4	9.4	9.4	9.4	9.4
Expenditures																
Salaries and wages	(21.0)	(20.4)	(17.5)	(16.2)	(12.0)	(9.1)	(10.0)	(9.6)	(9.6)	(9.8)	(10.0)	(10.3)	(10.5)	(10.7)	(10.9)	(11.1)
Overtime	(2.9)	(2.2)	(2.3)	(2.8)	(2.7)	(2.1)	(2.3)	(2.2)	(2.2)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)
Pension	(2.3)	(1.7)	(1.3)	(2.2)	(1.6)	(1.3)	(6.3)	(6.9)	(7.8)	(8.9)	(9.9)	(10.4)	(10.9)	(11.4)	(11.9)	(12.4)
Medical & fringe benefits	(12.1)	(11.1)	(10.5)	(10.4)	(9.6)	(9.0)	(8.7)	(8.6)	(8.9)	(9.3)	(9.8)	(10.3)	(10.7)	(11.2)	(11.7)	(12.2)
Professional and contractual services	(11.7)	(13.1)	(10.9)	(11.6)	(9.5)	(8.1)	(8.1)	(7.9)	(8.0)	(8.1)	(8.1)	(8.2)	(8.3)	(8.4)	(8.5)	(8.6)
Materials & supplies	(22.2)	(10.6)	(11.2)	(12.1)	(10.8)	(10.1)	(10.1)	(6.8)	(6.9)	(7.0)	(7.1)	(7.1)	(7.2)	(7.3)	(7.3)	(7.4)
Utilities	(0.2)	(0.5)	(0.8)	(1.4)	(1.0)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Purchased services	(2.5)	(1.7)	(1.9)	(1.2)	(1.2)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Risk management and insurance	-	-	-	-	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Other expenses	(0.3)	(0.5)	(0.4)	(5.4)	(3.4)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(2.6)	(2.7)	(2.9)	(3.2)	(3.4)	(4.2)	(4.5)	(4.3)	(4.4)	(4.6)	(4.8)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(77.7)	(64.6)	(59.8)	(66.5)	(55.3)	(46.9)	(53.0)	(49.2)	(50.7)	(52.9)	(55.0)	(56.4)	(57.8)	(59.2)	(60.7)	(62.1)
Total surplus (deficit)	$ (65.0)	$ (54.1)	$ (51.9)	$ (51.4)	$ (39.0)	$ (33.2)	$ (38.6)	$ (31.7)	$ (39.7)	$ (41.9)	$ (45.6)	$ (47.0)	$ (48.4)	$ (49.9)	$ (51.4)	$ (52.7)
Operational restructuring																
Department revenue initiatives						$ -	$ 1.1	$ 2.1	$ 2.8	$ 2.8	$ 2.8	$ 2.8	$ 2.8	$ 2.8	$ 2.8	$ 2.8
Expenses																
Additional operating expenditures						-	(2.1)	(9.2)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	(3.3)	(9.3)	(10.3)	(7.9)	(4.4)	(4.1)	(4.2)	(4.3)	(4.2)	(4.3)
Implementation costs						(0.0)	-	(0.4)	-	-	-	-	-	-	-	-
Subtotal: Expenses						(0.0)	(5.4)	(18.8)	(23.8)	(21.6)	(18.1)	(18.1)	(18.3)	(18.6)	(18.6)	(18.8)
Operational restructuring						$ (0.0)	$ (4.3)	$ (16.7)	$ (20.9)	$ (18.7)	$ (15.3)	$ (15.3)	$ (15.4)	$ (15.7)	$ (15.8)	$ (16.0)
Adjusted surplus (deficit)						$ (33.2)	$ (42.9)	$ (48.4)	$ (60.7)	$ (60.6)	$ (60.9)	$ (62.3)	$ (63.9)	$ (65.6)	$ (67.1)	$ (68.7)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
General Services - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	676	528	481	447	343	298	298	272	272	272	272	272	272	272	272	272
Average salary & wages(1)	$ 31,804	$ 39,503	$ 36,473	$ 36,309	$ 34,874	$ 30,695	$ 33,501	$ 35,176	$ 35,176	$ 36,056	$ 36,957	$ 37,881	$ 38,639	$ 39,412	$ 40,200	$ 41,004
Average overtime	4,326	4,194	4,758	6,245	7,778	7,045	7,689	8,073	8,073	8,275	8,482	8,694	8,868	9,045	9,226	9,410
	$ 36,130	$ 43,697	$ 41,231	$ 42,554	$ 42,652	$ 37,740	$ 41,190	$ 43,249	$ 43,249	$ 44,331	$ 45,439	$ 46,575	$ 47,506	$ 48,457	$ 49,426	$ 50,414
Overtime as a % of salary & wages	13.9%	10.8%	13.1%	17.2%	22.3%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
Pension as a % of salary & wages						13.9%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	57.6%	54.3%	59.7%	64.3%	80.2%	98.3%	86.7%	89.8%	93.0%	95.1%	97.2%	99.7%	102.0%	104.6%	106.8%	109.1%

Key Items	**Comment/Reference**
Revenues	
Sales and charges for services	Interagency billings
Revenue from use of assets	Internal real estate rentals; FY 2015 includes the proceeds from sale of the Veteran's building, FY 2015 - FY2017 include receipt of $5m settlement from the Red Wings/Joe Louis facility for past-due payments
Parking/court fines and other revenue	Revenues for fleet management services
Street fund reimb. and financing proceeds	Reimbursement from street funds for GSD services provided to solid waste; revenue are associated expenses are eliminated with the assumed outsourcing of solid waste beginning FY 2015
Grant revenue	Federal grant proceeds
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Security expenses and inventory management
Materials & supplies	Fuels & lubricant and repairs & maintenance
Utilities	Primarily electricity
Purchased services	Court building operating expense
Other expenses	Primarily capital outlays

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	112	112	112	112	112	112	112	112	112	112

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.19a**

Ten-Year Financial Projections
Auditor General - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	0.0	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures																
Salaries and wages	(1.0)	(1.2)	(1.1)	(1.0)	(0.9)	(0.8)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.7)	(0.8)	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)
Medical & fringe benefits	(0.4)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)
Professional and contractual services	(2.7)	(3.5)	(5.7)	(1.3)	(1.8)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)
Materials & supplies	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(4.5)	(5.6)	(7.6)	(3.1)	(3.6)	(3.6)	(4.7)	(5.0)	(5.1)	(5.4)	(5.6)	(5.7)	(5.9)	(6.0)	(6.1)	(6.3)
Total surplus (deficit)	$ (4.5)	$ (5.5)	$ (7.6)	$ (3.1)	$ (3.6)	$ (3.6)	$ (4.7)	$ (5.0)	$ (5.1)	$ (5.4)	$ (5.6)	$ (5.7)	$ (5.9)	$ (6.0)	$ (6.1)	$ (6.3)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Technology						-	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)
Operational restructuring						$ -	$ -	$ (0.4)	$ (0.4)	$ (0.4)	$ (0.4)	$ (0.5)	$ (0.6)	$ (0.5)	$ (0.5)	$ (0.5)
Adjusted surplus (deficit)						$ (3.6)	$ (4.7)	$ (5.4)	$ (5.6)	$ (5.8)	$ (6.0)	$ (6.2)	$ (6.4)	$ (6.5)	$ (6.6)	$ (6.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Auditor General - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	21	18	17	15	12	14	17	17	17	17	17	17	17	17	17	17
Average salary & wages(1)	$ 48,165	$ 65,138	$ 63,262	$ 66,940	$ 73,255	$ 62,503	$ 65,304	$ 68,569	$ 68,569	$ 70,283	$ 72,041	$ 73,842	$ 75,318	$ 76,825	$ 78,361	$ 79,928
Average overtime	2,379	2,325	752	1,373	1,781	1,531	1,600	1,680	1,680	1,722	1,765	1,809	1,845	1,882	1,919	1,958
	$ 50,544	$ 67,463	$ 64,014	$ 68,313	$ 75,036	$ 64,034	$ 66,904	$ 70,249	$ 70,249	$ 72,005	$ 73,805	$ 75,650	$ 77,163	$ 78,706	$ 80,281	$ 81,886
Overtime as a % of salary & wages	4.9%	3.6%	1.2%	2.1%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Pension as a % of salary & wages						8.5%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	42.5%	38.8%	40.3%	44.8%	53.0%	62.5%	56.0%	55.3%	57.0%	58.1%	59.2%	60.6%	61.8%	63.2%	64.4%	65.6%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Auditing

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	4	4	4	4	4	4	4	4	4

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Zoning - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditures																
Salaries and wages	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Overtime	-	-	(0.0)	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Professional and contractual services	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(0.8)	(0.8)	(0.8)	(0.8)	(0.7)	(0.7)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)
Total surplus (deficit)	$ (0.7)	$ (0.7)	$ (0.7)	$ (0.7)	$ (0.7)	$ (0.7)	$ (0.9)	$ (0.9)	$ (1.0)	$ (1.0)	$ (1.1)	$ (1.1)	$ (1.2)	$ (1.2)	$ (1.2)	$ (1.3)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring						$ -	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)	$ (0.0)
Adjusted surplus (deficit)						$ (0.7)	$ (0.9)	$ (0.9)	$ (1.0)	$ (1.0)	$ (1.1)	$ (1.1)	$ (1.2)	$ (1.2)	$ (1.3)	$ (1.3)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Zoning - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	16	15	15	15	12	11	11	11	11	11	11	11	11	11	11	11
Average salary & wages(1)	$ 28,828	$ 29,822	$ 29,517	$ 27,705	$ 29,516	$ 25,120	$ 25,120	$ 26,376	$ 26,376	$ 27,035	$ 27,711	$ 28,404	$ 28,972	$ 29,551	$ 30,142	$ 30,745
Average overtime	-	-	0	-	-	2	2	2	2	2	2	2	2	2	2	2
	$ 28,828	$ 29,822	$ 29,517	$ 27,705	$ 29,516	$ 25,121	$ 25,121	$ 26,378	$ 26,378	$ 27,037	$ 27,713	$ 28,406	$ 28,974	$ 29,553	$ 30,144	$ 30,747
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						8.4%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	39.9%	36.7%	39.2%	44.6%	51.5%	83.8%	97.2%	95.3%	99.0%	101.4%	103.9%	106.7%	109.0%	111.7%	114.1%	116.5%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Charged fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
City Council - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	(0.0)	0.0	0.0	0.2	0.1	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	(0.0)	-	0.0	-	0.0	0.1	-	-	-	-	-	-	-	-	-	-
Total revenues	(0.0)	(0.0)	0.0	0.0	0.2	0.1	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(5.8)	(6.0)	(5.3)	(4.1)	(3.4)	(2.9)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.5)	(0.4)	(0.6)	(0.6)	(0.4)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(2.6)	(2.5)	(2.5)	(2.2)	(2.4)	(2.2)	(1.6)	(1.7)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)
Professional and contractual services	(2.4)	(2.1)	(2.1)	(3.5)	(3.7)	(3.0)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)	(5.3)	(5.3)	(5.4)	(5.4)	(5.5)
Materials & supplies	(0.1)	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Utilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.4)	(0.9)	(0.7)	(0.6)	(0.6)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(13.6)	(13.0)	(12.4)	(12.2)	(11.7)	(10.2)	(8.6)	(9.0)	(9.2)	(9.5)	(9.7)	(9.9)	(10.1)	(10.3)	(10.5)	(10.7)
Total surplus (deficit)	$ (13.6)	$ (13.0)	$ (12.4)	$ (12.2)	$ (11.5)	$ (10.1)	$ (8.6)	$ (9.0)	$ (9.2)	$ (9.5)	$ (9.7)	$ (9.9)	$ (10.1)	$ (10.3)	$ (10.5)	$ (10.7)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Technology						-	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Operational restructuring						$ -	$ 0.0	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4
Adjusted surplus (deficit)						$ (10.1)	$ (8.6)	$ (8.6)	$ (8.8)	$ (9.0)	$ (9.3)	$ (9.5)	$ (9.7)	$ (9.9)	$ (10.1)	$ (10.3)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
City Council - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	90	97	74	61	52	46	9	10	10	10	10	10	10	10	10	10
Average salary & wages(1)	$ 64,504	$ 61,899	$ 71,166	$ 67,902	$ 66,094	$ 63,205	$ 68,378	$ 71,500	$ 71,500	$ 73,288	$ 75,120	$ 76,998	$ 78,538	$ 80,108	$ 81,711	$ 83,345
Average overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	$ 64,504	$ 61,899	$ 71,166	$ 67,902	$ 66,094	$ 63,205	$ 68,378	$ 71,500	$ 71,500	$ 73,288	$ 75,120	$ 76,998	$ 78,538	$ 80,108	$ 81,711	$ 83,345
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						10.9%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage:	44.9%	41.5%	48.0%	54.0%	71.1%	76.1%	247.3%	232.0%	239.6%	244.4%	248.6%	255.7%	263.0%	271.4%	278.5%	285.6%

Key Items	**Comment/Reference**
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Support staff personal service contracts and other City Council member's office expenses, media services, and board of review
Other expenses	Primarily rental expense

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Ombudsperson - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(0.7)	(0.8)	(0.8)	(0.6)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
Medical & fringe benefits	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Professional and contractual services	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.4)	(1.4)	(1.3)	(1.1)	(1.1)	(0.9)	(1.5)	(1.7)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.1)	(2.2)	(2.3)
Total surplus (deficit)	$ (1.4)	$ (1.4)	$ (1.3)	$ (1.1)	$ (1.1)	$ (0.9)	$ (1.5)	$ (1.7)	$ (1.7)	$ (1.8)	$ (1.9)	$ (2.0)	$ (2.1)	$ (2.1)	$ (2.2)	$ (2.3)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	(0.0)	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)
Technology						-	-	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	(0.0)	(3.6)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)
Operational restructuring						$ -	$ -	$ (0.0)	$ (3.6)	$ (1.5)	$ (1.5)	$ (1.6)	$ (1.6)	$ (1.6)	$ (1.7)	$ (1.7)
Adjusted surplus (deficit)						$ (0.9)	$ (1.5)	$ (1.7)	$ (5.4)	$ (3.3)	$ (3.5)	$ (3.6)	$ (3.7)	$ (3.8)	$ (3.9)	$ (4.0)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Ombudsperson - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	10	11	11	7	7	6	6	6	6	6	6	6	6	6	6	6
Average salary & wages(1)	$ 73,193	$ 75,227	$ 69,371	$ 82,534	$ 79,133	$ 72,256	$ 81,064	$ 85,117	$ 85,117	$ 87,245	$ 89,426	$ 91,662	$ 93,495	$ 95,365	$ 97,272	$ 99,217
Average overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	$ 73,193	$ 75,227	$ 69,371	$ 82,534	$ 79,133	$ 72,256	$ 81,064	$ 85,117	$ 85,117	$ 87,245	$ 89,426	$ 91,662	$ 93,495	$ 95,365	$ 97,272	$ 99,217
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						6.2%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	41.2%	37.6%	40.8%	45.5%	51.7%	65.8%	84.7%	84.4%	87.0%	88.6%	90.2%	92.5%	94.7%	97.3%	99.4%	101.6%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	20	20	20	20	20	20	20	20

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
City Clerk - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures																
Salaries and wages	(1.2)	(1.2)	(1.1)	(0.9)	(0.9)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(0.6)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)
Professional and contractual services	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Materials & supplies	(0.9)	(0.6)	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Utilities	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	0.0	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.5)	(0.5)	(0.5)	(0.4)	(0.7)	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(3.6)	(3.1)	(2.9)	(2.6)	(2.7)	(2.2)	(3.2)	(3.3)	(3.5)	(3.6)	(3.8)	(3.9)	(4.0)	(4.1)	(4.2)	(4.3)
Total surplus (deficit)	$ (3.6)	$ (3.1)	$ (2.9)	$ (2.6)	$ (2.7)	$ (2.2)	$ (3.2)	$ (3.3)	$ (3.5)	$ (3.6)	$ (3.8)	$ (3.9)	$ (4.0)	$ (4.1)	$ (4.2)	$ (4.3)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operational restructuring						$ -	$ (0.3)	$ (0.4)	$ (0.1)	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2
Adjusted surplus (deficit)						$ (2.2)	$ (3.5)	$ (3.8)	$ (3.6)	$ (3.4)	$ (3.5)	$ (3.6)	$ (3.8)	$ (3.9)	$ (4.0)	$ (4.1)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
City Clerk - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	25	23	22	20	18	15	15	15	15	15	15	15	15	15	15	15
Average salary & wages(1)	$ 48,947	$ 53,794	$ 48,633	$ 46,038	$ 48,336	$ 42,763	$ 46,300	$ 48,615	$ 48,615	$ 49,831	$ 51,076	$ 52,353	$ 53,400	$ 54,468	$ 55,558	$ 56,669
Average overtime	26	115	119	85	13	22	24	25	25	26	26	27	28	28	29	29
	$ 48,973	$ 53,909	$ 48,752	$ 46,123	$ 48,349	$ 42,785	$ 46,324	$ 48,640	$ 48,640	$ 49,856	$ 51,103	$ 52,380	$ 53,428	$ 54,497	$ 55,587	$ 56,698
Overtime as a % of salary & wages	0.1%	0.2%	0.2%	0.2%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Pension as a % of salary & wages						13.2%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	48.7%	40.5%	44.4%	48.0%	57.8%	75.5%	119.7%	119.0%	123.0%	125.6%	128.0%	131.4%	134.8%	138.6%	141.9%	145.2%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Printing supplies
Other expenses	Advertising and rental expenses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Elections - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.2	0.0	0.0	0.0	0.0	1.1	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.0	0.0	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Total revenues	1.2	0.0	0.0	0.0	0.0	1.2	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(2.7)	(3.4)	(2.4)	(2.1)	(2.0)	(1.9)	(2.2)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)
Overtime	(0.5)	(0.8)	(0.3)	(0.4)	(0.2)	(0.4)	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	0.1	0.0	0.2	0.2	0.2	(0.2)	(1.4)	(1.3)	(1.4)	(1.6)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)
Medical & fringe benefits	(1.4)	(1.5)	(1.3)	(1.3)	(1.2)	(1.4)	(2.0)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.6)
Professional and contractual services	(4.2)	(6.5)	(3.4)	(2.9)	(2.5)	(3.3)	(6.1)	(3.3)	(3.3)	(3.3)	(6.6)	(3.3)	(3.3)	(3.3)	(6.6)	(3.3)
Materials & supplies	(0.6)	(0.5)	(0.3)	(0.5)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Utilities	(0.3)	(0.4)	(0.4)	(0.2)	(0.3)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.6)	(1.0)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(10.8)	(14.1)	(8.7)	(8.0)	(7.6)	(8.5)	(14.2)	(10.1)	(10.3)	(10.7)	(14.4)	(11.3)	(11.6)	(11.8)	(15.4)	(12.3)
Total surplus (deficit)	$ (9.7)	$ (14.0)	$ (8.7)	$ (8.0)	$ (7.6)	$ (7.3)	$ (14.2)	$ (10.1)	$ (10.3)	$ (10.7)	$ (14.4)	$ (11.3)	$ (11.6)	$ (11.8)	$ (15.4)	$ (12.3)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology						-	(0.0)	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	(0.4)	(0.6)	(0.3)	-	(0.5)	(0.5)	(0.5)	(0.5)
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	0.0	0.1	(0.3)	(0.6)	(0.2)	0.0	(0.5)	(0.5)	(0.5)	(0.5)
Operational restructuring						$ -	$ 0.0	$ 0.1	$ (0.3)	$ (0.6)	$ (0.2)	$ 0.0	$ (0.5)	$ (0.5)	$ (0.5)	$ (0.5)
Adjusted surplus (deficit)						$ (7.3)	$ (14.2)	$ (10.0)	$ (10.7)	$ (11.3)	$ (14.6)	$ (11.3)	$ (12.0)	$ (12.3)	$ (15.8)	$ (12.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Elections - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	68	102	55	51	83	80	80	60	60	60	60	60	60	60	60	60
Average salary & wages(1)	$ 39,379	$ 33,805	$ 44,289	$ 40,872	$ 23,655	$ 24,311	$ 27,971	$ 29,370	$ 29,370	$ 30,104	$ 30,856	$ 31,628	$ 32,260	$ 32,906	$ 33,564	$ 34,235
Average overtime	8,088	7,564	5,040	7,017	2,514	5,046	6,259	3,121	3,121	3,199	3,279	3,361	3,428	3,497	3,567	3,638
	$ 47,467	$ 41,369	$ 49,329	$ 47,890	$ 26,169	$ 29,357	$ 34,230	$ 32,491	$ 32,491	$ 33,303	$ 34,136	$ 34,989	$ 35,689	$ 36,403	$ 37,131	$ 37,873
Overtime as a % of salary & wages	20.5%	22.4%	11.4%	17.2%	10.6%	20.8%	22.4%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
Pension as a % of salary & wages						9.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	53.5%	43.5%	52.9%	62.6%	62.0%	73.3%	90.9%	104.5%	108.4%	110.9%	113.4%	116.5%	119.2%	122.3%	125.0%	127.7%

Key Items	Comment/Reference
General	Due to the FY 2014 election year, overtime and professional and contractual services are temporarily increased
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Administration of conducting elections and information technology contracts
Materials & supplies	Primarily postage
Utilities	Steam, telecommunications, and electricity

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
36th District Court - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	0.8	0.2	0.7	0.1	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Sales and charges for services	11.2	11.1	9.2	10.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	7.5	7.4	6.7	6.8	6.2	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	19.6	18.7	16.6	17.1	16.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6
Expenditures																
Salaries and wages	(20.9)	(21.3)	(21.0)	(19.7)	(18.7)	(18.6)	(16.7)	(17.6)	(17.6)	(18.0)	(18.4)	(18.9)	(19.3)	(19.7)	(20.1)	(20.5)
Overtime	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	(4.1)	(4.3)	(4.7)	(4.7)	(5.1)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Medical & fringe benefits	(7.4)	(6.9)	(7.6)	(7.9)	(7.3)	(6.3)	(6.4)	(6.8)	(7.1)	(7.5)	(7.9)	(8.3)	(8.6)	(8.9)	(9.2)	(9.5)
Professional and contractual services	(2.3)	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(3.0)	(3.0)	(3.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)
Materials & supplies	(1.0)	(1.0)	(0.9)	(0.8)	(0.5)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Utilities	(0.8)	(0.6)	(0.6)	(0.5)	(0.6)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Purchased services	(5.0)	(4.1)	(3.8)	(3.9)	(3.0)	(0.4)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)	(4.2)	(4.2)	(4.3)
Risk management and insurance	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other expenses	(4.1)	(4.9)	(4.1)	(3.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(45.8)	(45.6)	(45.0)	(43.2)	(37.7)	(34.1)	(36.7)	(38.0)	(38.4)	(39.3)	(40.3)	(41.3)	(42.0)	(42.8)	(43.6)	(44.4)
Total surplus (deficit)	$ (26.3)	$ (26.8)	$ (28.4)	$ (26.2)	$ (21.2)	$ (16.5)	$ (19.1)	$ (20.4)	$ (20.8)	$ (21.7)	$ (22.7)	$ (23.7)	$ (24.4)	$ (25.2)	$ (26.0)	$ (26.8)
Operational restructuring																
Department revenue initiatives																
Expenses																
Additional operating expenditures																
Technology																
Capital expenditures and other infrastructure																
Implementation costs																
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (16.5)	$ (19.1)	$ (20.4)	$ (20.8)	$ (21.7)	$ (22.7)	$ (23.7)	$ (24.4)	$ (25.2)	$ (26.0)	$ (26.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
36th District Court - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	285	285	285	285	365	362	362	362	362	362	362	362	362	362	362	362
Average salary & wages(1)	$ 73,310	$ 74,878	$ 73,616	$ 69,189	$ 51,102	$ 51,391	$ 46,252	$ 48,564	$ 48,564	$ 49,779	$ 51,023	$ 52,299	$ 53,345	$ 54,411	$ 55,500	$ 56,610
Average overtime	756	1,012	786	739	458	420	378	397	397	407	417	427	436	445	453	462
	$ 74,067	$ 75,891	$ 74,403	$ 69,928	$ 51,559	$ 51,811	$ 46,630	$ 48,961	$ 48,961	$ 50,185	$ 51,440	$ 52,726	$ 53,780	$ 54,856	$ 55,953	$ 57,072
Overtime as a % of salary & wages	1.0%	1.4%	1.1%	1.1%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Pension as a % of salary & wages						26.7%	29.6%	28.2%	28.2%	27.5%	26.9%	26.2%	25.7%	25.2%	24.7%	24.2%
Medical & fringe as a % of salary & wage	35.4%	32.1%	36.1%	39.9%	39.0%	33.9%	38.0%	38.5%	40.3%	41.6%	43.0%	44.0%	44.7%	45.3%	46.0%	46.6%

Key Items	**Comment/Reference**
Revenues	
State revenue sharing	State transferred court fines
Sales and charges for services	Court fees, including traffic, civil, real estate, and general administrative fees
Parking/court fines and other revenue	Court fines
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Legal and other contracts (court administration)
Materials & supplies	Repairs & maintenance, postage, and office supplies
Utilities	Electricity and telecommunications
Purchased services	Court security expense

Operational restructuring

Additional Department employees

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Non-Departmental - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ 155.2	$ 163.7	$ 143.0	$ 182.7	$ 147.8	$ 133.6	$ 114.9	$ 102.6	$ 99.2	$ 96.8	$ 94.9	$ 93.1	$ 90.2	$ 90.1	$ 90.7	$ 91.3
Municipal income tax	276.5	240.8	216.5	228.3	233.0	248.0	246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3
Utility users' and other taxes	21.3	21.6	20.6	20.2	17.3	11.9	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	248.8	266.4	263.0	239.2	172.9	183.1	190.4	195.9	198.0	199.6	201.3	203.1	204.9	198.4	200.1	201.8
Sales and charges for services	62.5	61.6	50.7	64.9	56.4	54.7	51.8	51.7	52.1	52.6	53.1	53.6	54.1	54.7	55.2	55.7
Revenue from use of assets	12.9	3.7	1.3	1.6	1.0	0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Parking/court fines and other revenue	26.9	26.0	24.8	37.2	6.8	3.8	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
DDOT risk mgmt reimbursement	10.8	12.9	10.0	12.1	12.1	1.6	9.9	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Reimb. from parking & vehicle fund	61.6	78.8	66.7	50.1	62.3	74.0	11.9	25.4	25.5	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Street fund reimb. and financing proceeds	73.6	4.7	264.1	6.0	4.3	147.7	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,130.4	1,053.2	1,244.1	1,019.1	895.3	1,033.4	812.1	823.1	824.8	806.6	810.3	814.1	816.9	814.9	822.6	830.4
Expenditures																
Salaries and wages	(2.3)	(3.9)	(5.6)	4.7	(6.7)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
Overtime	(0.2)	(0.2)	0.0	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(1.0)	(3.5)	4.4	(1.9)	(0.6)	2.3	(0.5)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(7.1)	(19.6)	(15.4)	(9.5)	(1.1)	(8.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Professional and contractual services	(12.3)	(9.9)	(2.2)	(2.0)	(3.3)	(13.4)	(3.3)	(3.3)	(3.4)	(3.4)	(3.4)	(3.5)	(3.5)	(3.6)	(3.6)	(3.6)
Materials & supplies	(0.5)	(0.4)	(0.3)	(0.3)	(0.4)	(1.8)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Utilities	(0.3)	(0.0)	(0.2)	(0.0)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.4)	(0.9)	(0.1)	(0.7)	0.0	(0.4)	(0.4)	(0.4)	(3.1)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
Risk management and insurance	(112.4)	(96.2)	(100.4)	(104.0)	(75.2)	(104.0)	(35.2)	(43.2)	(43.6)	(44.0)	(44.5)	(44.9)	(45.4)	(45.8)	(46.3)	(46.7)
Other expenses	(48.7)	(32.4)	(32.5)	19.8	(9.1)	(21.9)	(10.8)	(10.8)	(10.8)	(10.8)	(10.9)	(10.9)	(10.9)	(10.9)	(11.0)	(11.0)
Debt service	(0.7)	(2.7)	(9.9)	(2.5)	(1.3)	(2.3)	(78.1)	(62.1)	(62.1)	(38.9)	(38.8)	(38.8)	(38.9)	(39.3)	(37.6)	(37.5)
Contributions to non-enterprise funds	(108.9)	(44.0)	(23.5)	(17.8)	(12.8)	(18.1)	(10.7)	(29.1)	(29.1)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
POC - principal and interest1	(5.2)	(2.0)	(2.2)	(7.1)	(2.6)	(4.9)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	(112.5)	(179.0)	(136.5)	(138.0)	(156.5)	(115.7)	(85.5)	(95.7)	(107.0)	(111.0)	(116.4)	(120.0)	(123.5)	(128.0)	(132.7)	(137.1)
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(412.5)	(394.7)	(324.3)	(259.4)	(269.7)	(289.1)	(226.6)	(247.0)	(261.6)	(224.3)	(230.3)	(234.4)	(238.6)	(244.1)	(247.7)	(252.6)
Total surplus (deficit)	$ 717.8	$ 658.5	$ 919.9	$ 759.8	$ 625.7	$ 744.3	$ 585.5	$ 576.2	$ 563.2	$ 582.4	$ 580.0	$ 579.7	$ 578.4	$ 570.8	$ 575.0	$ 577.8
Operational restructuring																
Department revenue initiatives						$ -	$ 2.7	$ 7.9	$ 7.9	$ 7.7	$ 5.2	$ 5.2	$ 5.2	$ 5.2	$ 5.2	$ 5.2
<u>Expenses</u>																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ 2.7	$ 7.9	$ 7.9	$ 7.7	$ 5.2	$ 5.2	$ 5.2	$ 5.2	$ 5.2	$ 5.2
Adjusted surplus (deficit)						$ 744.3	$ 588.2	$ 584.0	$ 571.1	$ 590.1	$ 585.3	$ 584.9	$ 583.6	$ 576.0	$ 580.2	$ 583.0

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Non-Departmental - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	44	33	21	20	14	21	21	17	17	17	17	17	17	17	17	17
Average salary & wages(1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average overtime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Overtime as a % of salary & wages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pension as a % of salary & wages						n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medical & fringe as a % of salary & wages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key Items	**Comment/Reference**
Revenues	
Property taxes	Appendix B.1a
Municipal income tax	Appendix B.2
Wagering taxes	Appendix B.3
Utility users' and other taxes	Reimbursements, including cable franchise fees and interest/penalties on taxes
State revenue sharing	Appendix B.4; State shared taxes and liquor & beer license fees
Sales and charges for services	Primarily interagency billings and Casino municipal services fee
Parking/court fines and other revenue	Other revenue / Misc. recepits
Reimb. from parking & vehicle fund	Reimbursements from Parking Department & Vehicle Fund, revenues and associated expenses offset
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Primarily dues and memberships
Purchased services	Payroll and benefits administration outsourcing one-time implementation costs reflected in FY 2016 and recurring costs reflected beginning FY 2017
Risk management and insurance	General Fund risk management and insurance payments. Historical data captures double count, which gets eliminated by CAFR adjustments
Other expenses	Primarily development authority, construction and capital improvement costs for Pass-Through Recipients funded by grants and special tax revenues
Debt service	General Fund debt service payments
Contributions to non-enterprise funds	Primarily contributions to Municipal Parking, Vehicle Fund, and the museum of African American History
Transfers out	Historical data represents debt service, which gets reallocated by CAFR adjustments. Projection data reflects subsidy to DDOT

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	-	(15)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)

(1) Based on department salaries & wages and employees, see Appendix C.2.

City of Detroit **Appendix A.27a**

Ten-Year Financial Projections
BSED - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	(0.0)	-	-	1.9	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.3
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	3.9	-	-	0.2	1.0	-	-	-	-	-	-	-	-	-	-
Total revenues	(0.0)	3.9	-	2.0	1.9	2.8	1.9	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.3
Expenditures																
Salaries and wages	-	-	-	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Overtime	-	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.1	0.1	0.1	(0.1)	(0.0)	(0.0)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Medical & fringe benefits	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Professional and contractual services	-	(3.4)	0.9	(0.7)	(0.4)	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	-	-	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Purchased services	-	-	-	(0.0)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	0.0	-	-	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	0.0	(3.4)	0.9	(1.7)	(1.4)	(1.6)	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)
Total surplus (deficit)	$ (0.0)	$ 0.6	$ 0.9	$ 0.2	$ 0.6	$ 1.2	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3
Operational restructuring																
Department revenue initiatives						$ -	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2
Expenses																
Additional operating expenditures						-	0.4	(4.3)	(0.4)	2.3	2.7	3.6	3.6	3.2	3.7	3.7
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	(0.4)	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	0.4	(4.7)	(0.4)	2.3	2.7	3.6	3.6	3.2	3.7	3.7
Operational restructuring						$ -	$ 0.5	$ (4.5)	$ (0.3)	$ 2.5	$ 2.9	$ 3.7	$ 3.8	$ 3.3	$ 3.8	$ 3.8
Adjusted surplus (deficit)						$ 1.2	$ 1.1	$ (4.1)	$ 0.2	$ 2.9	$ 3.2	$ 4.1	$ 4.1	$ 3.7	$ 4.1	$ 4.1

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
BSED - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	-	-	-	6	7	6	7	7	7	7	7	7	7	7	7	7
Average salary & wages(1)	n/a	n/a	n/a	$ 83,261	$ 72,376	$ 67,350	$ 67,006	$ 70,356	$ 70,356	$ 72,115	$ 73,918	$ 75,766	$ 77,281	$ 78,827	$ 80,403	$ 82,011
Average overtime	n/a	n/a	n/a	4,143	1,797	2,426	2,414	2,534	2,534	2,598	2,662	2,729	2,784	2,839	2,896	2,954
	$ -	$ -	$ -	$ 87,404	$ 74,174	$ 69,776	$ 69,419	$ 72,890	$ 72,890	$ 74,712	$ 76,580	$ 78,495	$ 80,065	$ 81,666	$ 83,299	$ 84,965
Overtime as a % of salary & wages	n/a	n/a	n/a	5.0%	2.5%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Pension as a % of salary & wages						10.1%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	n/a	n/a	n/a	56.4%	61.1%	72.8%	57.8%	56.8%	58.8%	60.2%	61.6%	63.2%	64.6%	66.2%	67.6%	69.0%

Key Items	**Comment/Reference**
Revenues	
Licenses, permits and inspection charges	Business license fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Demolition administration and business license center

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Parking - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	10.4	12.5	9.8	10.5	9.0	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	10.4	12.5	9.8	10.5	9.0	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Expenditures																
Salaries and wages	(1.9)	(1.9)	(1.8)	(1.6)	(1.6)	(1.4)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(1.0)	(1.2)	(1.3)	(1.5)	(1.7)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)
Medical & fringe benefits	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.2)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)
Professional and contractual services	(4.7)	(2.7)	(3.2)	(3.3)	(1.9)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.7)	(2.7)	(2.7)	(2.8)	(2.8)	(2.8)
Materials & supplies	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Utilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.3)	0.0	(0.9)	(0.5)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.0)	(0.3)	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest (1)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(8.6)	(6.4)	(7.8)	(7.3)	(5.7)	(6.4)	(7.4)	(7.8)	(8.0)	(8.4)	(8.7)	(8.9)	(9.1)	(9.4)	(9.6)	(9.8)
Total surplus (deficit)	$ 1.8	$ 6.0	$ 2.0	$ 3.2	$ 3.3	$ 5.0	$ 4.0	$ 3.7	$ 3.4	$ 3.0	$ 2.7	$ 2.5	$ 2.3	$ 2.1	$ 1.9	$ 1.7
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ 5.6	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 6.8
Expenses																
Additional operating expenditures						-	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	(1.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.1)	(1.5)	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Operational restructuring						$ -	$ (0.1)	$ 4.1	$ 6.6	$ 6.6	$ 6.6	$ 6.5	$ 6.5	$ 6.5	$ 6.5	$ 6.4
Adjusted surplus (deficit)						$ 5.0	$ 3.9	$ 7.7	$ 10.0	$ 9.7	$ 9.3	$ 9.0	$ 8.8	$ 8.5	$ 8.3	$ 8.1

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

Ten-Year Financial Projections
Parking - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	109	104	97	92	97	90	90	90	90	90	90	90	90	90	90	90
Average salary & wages (1)	$ 35,423	$ 36,835	$ 37,362	$ 34,955	$ 30,576	$ 30,621	$ 33,594	$ 35,274	$ 35,274	$ 36,156	$ 37,060	$ 37,986	$ 38,746	$ 39,521	$ 40,312	$ 41,118
Average overtime	171	51	25	102	19	46	50	53	53	54	55	57	58	59	60	61
	$ 35,594	$ 36,886	$ 37,387	$ 35,057	$ 30,594	$ 30,667	$ 33,644	$ 35,327	$ 35,327	$ 36,210	$ 37,115	$ 38,043	$ 38,804	$ 39,580	$ 40,372	$ 41,179
Overtime as a % of salary & wages	1.0%	0.3%	0.1%	0.6%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Pension as a % of salary & wages						11.6%	62.9%	71.8%	81.5%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wages	53.2%	49.5%	53.3%	60.1%	68.8%	84.9%	70.5%	69.0%	71.5%	73.2%	75.0%	76.8%	78.4%	80.2%	81.7%	83.3%

Key Items	**Comment/Reference**
Revenues	
Parking/court fines and other revenue	Parking fines
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Parking violations bureau contract services
Other expenses	Development costs

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operational restructuring											
Additional Department employees	-	1	7	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Department of Transportation
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Fare box revenue	28.0	27.3	25.0	26.2	21.7	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
State operating assistance (State Act 51)	55.1	51.6	53.0	53.8	47.6	47.4	46.4	38.2	38.8	39.5	40.3	41.1	41.8	42.4	43.1	43.8
Grant revenue (1)	50.8	54.4	63.6	47.8	60.0	34.4	13.3	22.9	22.9	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Subsidy from General Fund	104.1	79.3	80.0	77.0	90.6	47.2	85.5	95.7	107.0	111.0	116.4	120.0	123.5	128.0	132.7	137.1
Other revenue	6.7	5.0	5.5	6.7	3.0	(2.8)	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Total revenues	244.7	217.6	227.1	211.5	222.9	147.6	171.2	182.9	194.8	196.6	202.8	207.1	211.3	216.5	221.8	226.9
Expenses																
Salaries and wages	(47.4)	(48.4)	(45.1)	(40.8)	(36.8)	(30.3)	(30.1)	(33.9)	(34.4)	(35.3)	(36.1)	(37.1)	(37.8)	(38.5)	(39.3)	(40.1)
Overtime	(20.4)	(22.1)	(21.2)	(19.7)	(14.4)	(13.0)	(12.0)	(13.5)	(13.8)	(14.1)	(14.5)	(14.8)	(15.1)	(15.4)	(15.7)	(16.0)
Pension	(6.8)	(7.3)	(6.9)	(9.5)	(10.9)	(2.8)	(23.6)	(27.7)	(31.2)	(34.8)	(38.7)	(40.6)	(42.7)	(44.5)	(46.6)	(48.3)
Benefits (2)	(45.8)	(52.6)	(47.9)	(47.2)	(41.4)	(46.3)	(43.0)	(43.9)	(45.2)	(46.7)	(48.3)	(50.0)	(51.5)	(53.2)	(54.7)	(56.4)
Professional and contractual services	(22.1)	(14.1)	(13.7)	(14.9)	(28.5)	(13.5)	(15.5)	(15.7)	(18.8)	(17.4)	(17.1)	(16.7)	(16.4)	(16.5)	(16.7)	(16.9)
Materials & supplies	(34.7)	(26.5)	(22.5)	(24.9)	(23.9)	(21.6)	(21.6)	(21.9)	(22.1)	(22.3)	(22.5)	(22.7)	(23.0)	(23.2)	(23.4)	(23.7)
Utilities	(4.0)	(4.3)	(3.7)	(4.4)	(3.5)	(2.8)	(3.5)	(4.0)	(4.1)	(4.1)	(4.2)	(4.2)	(4.3)	(4.3)	(4.4)	(4.5)
Purchased services	(5.5)	(8.8)	(9.5)	(16.7)	(6.9)	(10.1)	(10.1)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)
Risk management and insurance	(11.1)	(10.9)	(18.7)	(19.2)	(12.5)	(0.4)	(10.3)	(12.6)	(12.7)	(12.8)	(13.0)	(13.1)	(13.2)	(13.4)	(13.5)	(13.6)
Other expenses	(23.0)	(21.2)	(17.3)	(17.2)	(22.9)	(20.0)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Debt service	-	-	-	-	-	(7.1)	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	(6.2)	(6.2)	(6.2)	(4.4)	(3.4)	-	(4.0)	(4.0)	(6.5)	(5.8)	(5.0)	(4.5)	(4.0)	(4.0)	(4.0)	(4.0)
POC - principal and interest (3)	(4.5)	(4.7)	(5.0)	(5.5)	(5.9)	(6.2)	(6.6)	(6.8)	(6.9)	(7.1)	(7.3)	(7.1)	(7.2)	(7.2)	(7.2)	(7.2)
Transfer - debt service	-	-	-	-	(7.5)	(1.6)	(4.9)	(2.9)	(2.9)	-	-	-	-	-	-	-
Total expenditures	(231.7)	(227.2)	(217.8)	(224.2)	(218.4)	(175.7)	(186.2)	(197.9)	(209.8)	(211.6)	(217.8)	(222.1)	(226.3)	(231.5)	(236.8)	(241.9)
Total surplus (deficit)	$ 13.0	$ (9.6)	$ 9.3	$ (12.7)	$ 4.5	$ (28.1)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)	$ (15.0)
Operational restructuring																
Department revenue initiatives						$ -	$ (1.7)	$ (5.7)	$ (1.5)	$ (0.1)	$ 4.6	$ 6.3	$ 10.4	$ 10.0	$ 14.1	$ 15.0
Expenses																
Additional operating expenditures						-	(0.9)	(3.5)	0.7	(2.4)	(3.8)	(4.4)	(4.4)	(5.1)	(5.6)	(6.6)
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	(1.6)	(2.0)	(2.3)	(2.5)	(1.0)	(1.0)	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	(0.9)	(5.1)	(1.3)	(4.7)	(6.2)	(5.4)	(5.4)	(5.1)	(5.6)	(6.6)
Operational restructuring						$ -	$ (2.6)	$ (10.8)	$ (2.8)	$ (4.8)	$ (1.7)	$ 0.9	$ 5.1	$ 4.9	$ 8.5	$ 8.5
Adjusted surplus (deficit)						$ (28.1)	$ (17.6)	$ (25.8)	$ (17.8)	$ (19.8)	$ (16.7)	$ (14.1)	$ (9.9)	$ (10.1)	$ (6.5)	$ (6.5)

(1) Forecast excludes capital grants and related expenses.
(2) Includes ~$15m non-cash OPEB expense which is the difference between the annual required contribution (per actuarial analysis) and actual payments made for retiree benefits.
(3) Historical POC payments have been split out from debt service based on forecasted POC allocation.

Appendix B

Key revenue drivers

Ten-Year Financial Projections

Property tax revenue - without reinvestment

($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Change in assessed values																
Real Property	n/a	1.9%	-4.4%	-5.7%	-5.0%	-6.9%	-6.4%	-14.0%	-3.8%	-2.7%	-2.4%	-2.3%	-9.6%	-0.1%	0.7%	0.7%
Personal Property	n/a	-1.9%	-0.6%	-6.2%	-13.9%	3.8%	-1.5%	-1.2%	-1.1%	-0.7%	-0.2%	-0.1%	0.3%	0.3%	0.4%	0.4%
Renaissance Zone	n/a	3.5%	23.9%	-20.3%	70.6%	28.3%	47.3%	-11.8%	1.0%	1.0%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%
Values																
Real Property	$ 8,149.5	$ 8,302.7	$ 7,937.2	$ 7,483.9	$ 7,112.6	$ 6,622.8	$ 6,200.3	$ 5,335.3	$ 5,134.4	$ 4,993.6	$ 4,874.8	$ 4,762.7	$ 4,307.4	$ 4,303.0	$ 4,333.2	$ 4,363.7
Personal Property	1,469.0	1,440.6	1,431.9	1,343.6	1,157.5	1,201.8	1,183.7	1,169.0	1,156.0	1,148.3	1,145.8	1,144.6	1,147.9	1,151.2	1,155.7	1,160.3
Total Valuation (for Non-Departmental & Library)	$ 9,618.5	$ 9,743.3	$ 9,369.1	$ 8,827.5	$ 8,270.2	$ 7,824.6	$ 7,384.0	$ 6,504.3	$ 6,290.4	$ 6,141.9	$ 6,020.6	$ 5,907.3	$ 5,455.3	$ 5,454.1	$ 5,488.9	$ 5,524.0
Renaissance Zone	278.2	287.9	356.8	284.4	485.2	622.8	917.2	809.1	817.2	825.4	833.7	846.2	863.1	880.4	898.0	915.9
Total Valuation (for Debt Service)	$ 9,896.7	$ 10,031.3	$ 9,725.9	$ 9,111.9	$ 8,755.4	$ 8,447.4	$ 8,301.2	$ 7,313.4	$ 7,107.6	$ 6,967.4	$ 6,854.3	$ 6,753.5	$ 6,318.4	$ 6,334.5	$ 6,386.9	$ 6,439.9
Millage																
Non-Departmental (General City)	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*
Debt Service	*8.068*	*7.478*	*7.477*	*8.916*	*9.556*	*9.556*	*9.771*	*10.699*	*10.143*	*10.343*	*10.311*	*10.013*	*10.060*	*9.896*	*7.030*	*6.270*
Library	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*
Tax Levy																
Non-Departmental (General City)	$ 191.9	$ 194.4	$ 186.9	$ 176.1	$ 165.0	$ 156.1	$ 147.3	$ 129.8	$ 125.5	$ 122.5	$ 120.1	$ 117.9	$ 108.8	$ 108.8	$ 109.5	$ 110.2
Debt Service	79.8	75.0	72.7	81.2	83.7	80.7	81.1	78.2	72.1	72.1	70.7	67.6	63.6	62.7	44.9	40.4
Library	44.5	45.1	43.4	40.9	38.3	36.2	34.2	30.1	29.1	28.4	27.9	27.4	25.3	25.3	25.4	25.6
Levy adjustments																
Non-Departmental (General City)	$ (4.5)	$ (4.5)	$ (6.0)	$ (2.9)	$ (4.3)	$ -	$ -	$ (1.6)	$ (1.5)	$ (1.5)	$ (1.5)	$ (1.5)	$ (1.5)	$ (1.5)	$ (1.5)	$ (1.5)
Debt Service	(0.3)	(2.3)	(1.1)	(1.5)	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Library	(0.4)	(0.4)	(0.8)	(1.0)	(1.0)	-	-	-	-	-	-	-	-	-	-	-
Adjusted tax levy																
Non-Departmental (General City)	$ 187.4	$ 189.9	$ 180.9	$ 173.2	$ 160.7	$ 156.1	$ 147.3	$ 128.2	$ 124.0	$ 121.0	$ 118.6	$ 116.4	$ 107.3	$ 107.3	$ 108.0	$ 108.7
Debt Service	79.5	72.7	71.7	79.7	82.2	80.7	81.1	78.2	72.1	72.1	70.7	67.6	63.6	62.7	44.9	40.4
Library	44.2	44.8	42.6	39.9	37.3	36.2	34.2	30.1	29.1	28.4	27.9	27.4	25.3	25.3	25.4	25.6
Total	$ 311.1	$ 307.4	$ 295.1	$ 292.8	$ 280.1	$ 273.1	$ 262.6	$ 236.6	$ 225.2	$ 221.5	$ 217.2	$ 211.3	$ 196.2	$ 195.3	$ 178.3	$ 174.7
Collection rate																
Non-Departmental (General City)	*82.8%*	*86.2%*	*79.1%*	*78.8%*	*77.6%*	*85.6%*	*78.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*84.0%*	*84.0%*	*84.0%*	*84.0%*
Debt Service	*88.9%*	*92.4%*	*82.1%*	*87.0%*	*84.1%*	*87.4%*	*82.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*84.0%*	*84.0%*	*84.0%*	*84.0%*
Library	*96.1%*	*78.9%*	*84.4%*	*84.5%*	*84.0%*	*84.2%*	*82.0%*	*82.0%*	*82.0%*	*84.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*
City collections																
Non-Departmental (General City) [A]	$ 155.2	$ 163.7	$ 143.0	$ 136.5	$ 124.7	$ 133.6	$ 114.9	$ 102.6	$ 99.2	$ 96.8	$ 94.9	$ 93.1	$ 90.2	$ 90.1	$ 90.7	$ 91.3
Debt Service	70.7	67.2	58.8	69.3	69.1	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9
Library	42.5	35.3	35.9	33.7	31.3	30.5	28.0	24.7	23.9	23.9	23.7	23.3	21.5	21.5	21.6	21.7
Total	$ 268.3	$ 266.2	$ 237.8	$ 239.6	$ 225.2	$ 234.7	$ 209.5	$ 189.9	$ 180.7	$ 178.4	$ 175.1	$ 170.4	$ 165.0	$ 164.3	$ 150.0	$ 147.0
Non-Departmental adjustments [B]																
Prior Year delinquent collections	-	-	-	5.8	5.7	-	-	-	-	-	-	-	-	-	-	-
Chargeback Liability Reduction	-	-	-	26.9	5.7	-	-	-	-	-	-	-	-	-	-	-
Pass-Through Recipients Capture - Part of special act millage	-	-	-	9.1	7.3	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	4.4	4.3	-	-	-	-	-	-	-	-	-	-	-
General fund collections [A]+[B]	**$ 155.2**	**$ 163.7**	**$ 143.0**	**$ 182.7**	**$ 147.8**	**$ 133.6**	**$ 114.9**	**$ 102.6**	**$ 99.2**	**$ 96.8**	**$ 94.9**	**$ 93.1**	**$ 90.2**	**$ 90.1**	**$ 90.7**	**$ 91.3**

Ten-Year Financial Projections

Property tax revenue - with reinvestment

($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Change in assessed values																
Real Property	n/a	1.9%	-4.4%	-5.7%	-5.0%	-6.9%	-6.4%	-14.0%	-2.0%	-1.3%	0.0%	1.2%	-4.1%	2.8%	3.5%	3.5%
Personal Property	n/a	-1.9%	-0.6%	-6.2%	-13.9%	3.8%	-1.5%	-1.2%	-0.3%	1.0%	1.0%	1.8%	1.8%	2.0%	2.2%	2.2%
Renaissance Zone	n/a	3.5%	23.9%	-20.3%	70.6%	28.3%	47.3%	-11.8%	1.0%	1.0%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%
Values																
Real Property	$ 8,149.5	$ 8,302.7	$ 7,937.2	$ 7,483.9	$ 7,112.6	$ 6,622.8	$ 6,200.3	$ 5,335.3	$ 5,228.1	$ 5,158.6	$ 5,158.4	$ 5,218.0	$ 5,005.5	$ 5,146.4	$ 5,328.1	$ 5,516.5
Personal Property	1,469.0	1,440.6	1,431.9	1,343.6	1,157.5	1,201.8	1,183.7	1,169.0	1,164.9	1,176.6	1,188.4	1,209.5	1,231.1	1,255.7	1,283.7	1,312.5
Total Valuation (for Non-Departmental & Library)	$ 9,618.5	$ 9,743.3	$ 9,369.1	$ 8,827.5	$ 8,270.2	$ 7,824.6	$ 7,384.0	$ 6,504.3	$ 6,393.0	$ 6,335.2	$ 6,346.8	$ 6,427.5	$ 6,236.5	$ 6,402.1	$ 6,611.9	$ 6,828.9
Renaissance Zone	278.2	287.9	356.8	284.4	485.2	622.8	917.2	809.1	817.2	825.4	833.7	846.2	863.1	880.4	898.0	915.9
Total Valuation (for Debt Service)	$ 9,896.7	$ 10,031.3	$ 9,725.9	$ 9,111.9	$ 8,755.4	$ 8,447.4	$ 8,301.2	$ 7,313.4	$ 7,210.3	$ 7,160.6	$ 7,180.4	$ 7,273.6	$ 7,099.6	$ 7,282.4	$ 7,509.9	$ 7,744.9
Millage																
Non-Departmental (General City)	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*	*19.952*
Debt Service	*8.068*	*7.478*	*7.477*	*8.916*	*9.556*	*9.556*	*9.771*	*10.699*	*9.999*	*9.818*	*9.603*	*9.070*	*8.645*	*8.311*	*5.773*	*5.034*
Library	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*	*4.631*
Tax Levy																
Non-Departmental (General City)	$ 191.9	$ 194.4	$ 186.9	$ 176.1	$ 165.0	$ 156.1	$ 147.3	$ 129.8	$ 127.6	$ 126.4	$ 126.6	$ 128.2	$ 124.4	$ 127.7	$ 131.9	$ 136.3
Debt Service	79.8	75.0	72.7	81.2	83.7	80.7	81.1	78.2	72.1	70.3	69.0	66.0	61.4	60.5	43.4	39.0
Library	44.5	45.1	43.4	40.9	38.3	36.2	34.2	30.1	29.6	29.3	29.4	29.8	28.9	29.6	30.6	31.6
Levy adjustments																
Non-Departmental (General City)	$ (4.5)	$ (4.5)	$ (6.0)	$ (2.9)	$ (4.3)	$ -	$ -	$ (1.6)	$ (1.5)	$ (1.6)	$ (1.6)	$ (1.6)	$ (1.6)	$ (1.7)	$ (1.7)	$ (1.7)
Debt Service	(0.3)	(2.3)	(1.1)	(1.5)	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Library	(0.4)	(0.4)	(0.8)	(1.0)	(1.0)	-	-	-	-	-	-	-	-	-	-	-
Adjusted tax levy																
Non-Departmental (General City)	$ 187.4	$ 189.9	$ 180.9	$ 173.2	$ 160.7	$ 156.1	$ 147.3	$ 128.2	$ 126.0	$ 124.8	$ 125.1	$ 126.6	$ 122.8	$ 126.1	$ 130.2	$ 134.5
Debt Service	79.5	72.7	71.7	79.7	82.2	80.7	81.1	78.2	72.1	70.3	69.0	66.0	61.4	60.5	43.4	39.0
Library	44.2	44.8	42.6	39.9	37.3	36.2	34.2	30.1	29.6	29.3	29.4	29.8	28.9	29.6	30.6	31.6
Total	$ 311.1	$ 307.4	$ 295.1	$ 292.8	$ 280.1	$ 273.1	$ 262.6	$ 236.6	$ 227.7	$ 224.5	$ 223.4	$ 222.4	$ 213.1	$ 216.3	$ 204.2	$ 205.1
Collection rate																
Non-Departmental (General City)	*82.8%*	*86.2%*	*79.1%*	*78.8%*	*77.6%*	*85.6%*	*78.0%*	*80.0%*	*80.0%*	*82.0%*	*82.0%*	*82.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*
Debt Service	*88.9%*	*92.4%*	*82.1%*	*87.0%*	*84.1%*	*87.4%*	*82.0%*	*80.0%*	*80.0%*	*82.0%*	*82.0%*	*82.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*
Library	*96.1%*	*78.9%*	*84.4%*	*84.5%*	*84.0%*	*84.2%*	*82.0%*	*82.0%*	*82.0%*	*84.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*
City collections																
Non-Departmental (General City) [A]	$ 155.2	$ 163.7	$ 143.0	$ 136.5	$ 124.7	$ 133.6	$ 114.9	$ 102.6	$ 100.8	$ 102.4	$ 102.6	$ 103.9	$ 106.8	$ 109.7	$ 113.3	$ 117.0
Debt Service	70.7	67.2	58.8	69.3	69.1	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9
Library	42.5	35.3	35.9	33.7	31.3	30.5	28.0	24.7	24.3	24.6	25.0	25.3	24.5	25.2	26.0	26.9
Total	$ 268.3	$ 266.2	$ 237.8	$ 239.6	$ 225.2	$ 234.7	$ 209.5	$ 189.9	$ 182.8	$ 184.7	$ 184.1	$ 183.2	$ 184.8	$ 187.5	$ 177.0	$ 177.8
Non-Departmental adjustments [B]																
Prior Year delinquent collections	-	-	-	5.8	5.7	-	-	-	-	-	-	-	-	-	-	-
Chargeback Liability Reduction	-	-	-	26.9	5.7	-	-	-	-	-	-	-	-	-	-	-
Pass-Through Recipients Capture - Part of special act millage	-	-	-	9.1	7.3	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	4.4	4.3	-	-	-	-	-	-	-	-	-	-	-
GF collections - restructuring [A]+[B]	**$ 155.2**	**$ 163.7**	**$ 143.0**	**$ 182.7**	**$ 147.8**	**$ 133.6**	**$ 114.9**	**$ 102.6**	**$ 100.8**	**$ 102.4**	**$ 102.6**	**$ 103.9**	**$ 106.8**	**$ 109.7**	**$ 113.3**	**$ 117.0**
GF collections - without reinvestment							114.9	102.6	99.2	96.8	94.9	93.1	90.2	90.1	90.7	91.3
Increased collections							$ -	$ -	$ 1.6	$ 5.5	$ 7.7	$ 10.8	$ 16.7	$ 19.5	$ 22.6	$ 25.7

Ten-Year Financial Projections

Income tax revenue - without reinvestment

($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Municipal Income Taxes Calculation																
City Residents (A)																
Taxable income growth						2.8%	1.9%	1.5%	0.5%	0.5%	0.5%	0.5%	0.7%	0.7%	1.0%	1.0%
Taxable income	$ 7,142.5	$ 6,207.7	$ 5,581.3	$ 5,838.5	$ 6,003.4	$ 6,174.3	$ 6,294.0	$ 6,385.5	$ 6,414.7	$ 6,444.0	$ 6,473.5	$ 6,503.3	$ 6,545.8	$ 6,588.6	$ 6,654.5	$ 6,721.1
Income tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total City Resident income taxes	178.6	155.2	139.5	146.0	150.1	148.2	151.1	153.3	154.0	154.7	155.4	156.1	157.1	158.1	159.7	161.3
growth rate		*-13.1%*	*-10.1%*	*4.6%*	*2.8%*	*-1.3%*	*1.9%*	*1.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.7%*	*0.7%*	*1.0%*	*1.0%*
Non-Residents (B)																
Taxable income growth						2.6%	2.2%	1.7%	0.7%	0.7%	0.7%	0.7%	0.5%	1.2%	1.7%	1.7%
Taxable income	6,848.7	5,952.3	5,351.6	5,598.2	5,784.5	5,932.5	6,065.0	6,168.1	6,211.2	6,254.4	6,297.9	6,341.7	6,373.4	6,449.4	6,558.5	6,669.3
Income tax rate	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Total Non-Resident income taxes	85.6	74.4	66.9	70.0	72.3	71.2	72.8	74.0	74.5	75.1	75.6	76.1	76.5	77.4	78.7	80.0
growth rate		*-13.1%*	*-10.1%*	*4.6%*	*3.3%*	*-1.5%*	*2.2%*	*1.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.5%*	*1.2%*	*1.7%*	*1.7%*
Corporations (C)																
Net tax collection growth							2.3%	2.5%	2.0%	2.0%	2.0%	1.5%	1.0%	1.0%	1.0%	1.0%
Taxable income (implied)	1,238.7	907.7	1,033.4	1,043.7	1,064.6	1,102.5	1,128.3	1,156.5	1,179.6	1,203.2	1,227.3	1,245.7	1,258.2	1,270.7	1,283.5	1,296.3
Corporate tax rate	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net tax collections	12.4	9.1	10.3	10.4	10.6	22.1	22.6	23.1	23.6	24.1	24.5	24.9	25.2	25.4	25.7	25.9
growth rate		*-26.7%*	*13.8%*	*1.0%*	*2.0%*	*107.1%*	*2.3%*	*2.5%*	*2.0%*	*2.0%*	*2.0%*	*1.5%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Total Municipal income taxes (D) = (A+B+C)																
Taxable income	15,229.9	13,067.7	11,966.3	12,480.4	12,852.4	13,209.2	13,487.3	13,710.2	13,805.5	13,901.7	13,998.8	14,090.7	14,177.4	14,308.8	14,496.4	14,686.7
Calculated tax rate	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Total Municipal income taxes	276.6	238.7	216.8	226.4	233.0	241.4	246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Adjustment Municipal income taxes																
Adjustment for actuals	(0.1)	2.2	(0.2)	1.9	0.0	6.6	-	-	-	-	-	-	-	-	-	-
Total Adjusted Municipal income taxes	**$ 276.5**	**$ 240.8**	**$ 216.5**	**$ 228.3**	**$ 233.0**	**$ 248.0**	**$ 246.4**	**$ 250.4**	**$ 252.1**	**$ 253.8**	**$ 255.5**	**$ 257.1**	**$ 258.7**	**$ 260.9**	**$ 264.1**	**$ 267.3**

Ten-Year Financial Projections

Income tax revenue - with reinvestment

($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Municipal Income Taxes Calculation																
City Residents (A)																
Taxable income growth						2.8%	2.6%	3.2%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Taxable income	$ 7,142.5	$ 6,207.7	$ 5,581.3	$ 5,838.5	$ 6,003.4	$ 6,174.3	$ 6,332.7	$ 6,533.4	$ 6,680.7	$ 6,827.2	$ 6,974.0	$ 7,124.5	$ 7,279.5	$ 7,437.9	$ 7,599.7	$ 7,765.0
Income tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total City Resident income taxes	178.6	155.2	139.5	146.0	150.1	148.2	152.0	156.8	160.3	163.9	167.4	171.0	174.7	178.5	182.4	186.4
growth rate		*-13.1%*	*-10.1%*	*4.6%*	*2.8%*	*-1.3%*	*2.6%*	*3.2%*	*2.3%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*
Non-Residents (B)																
Taxable income growth						2.6%	2.9%	3.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Taxable income	6,848.7	5,952.3	5,351.6	5,598.2	5,784.5	5,932.5	6,105.4	6,306.5	6,444.0	6,584.5	6,728.0	6,874.7	7,024.6	7,177.7	7,334.2	7,494.1
Income tax rate	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Total Non-Resident income taxes	85.6	74.4	66.9	70.0	72.3	71.2	73.3	75.7	77.3	79.0	80.7	82.5	84.3	86.1	88.0	89.9
growth rate		*-13.1%*	*-10.1%*	*4.6%*	*3.3%*	*-1.5%*	*2.9%*	*3.3%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*	*2.2%*
Corporations (C)																
Net tax collection growth							2.8%	4.7%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Taxable income (implied)	1,238.7	907.7	1,033.4	1,043.7	1,064.6	1,102.5	1,133.4	1,186.6	1,234.1	1,271.1	1,296.5	1,322.5	1,348.9	1,375.9	1,403.4	1,431.5
Corporate tax rate	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net tax collections	12.4	9.1	10.3	10.4	10.6	22.1	22.7	23.7	24.7	25.4	25.9	26.4	27.0	27.5	28.1	28.6
growth rate		*-26.7%*	*13.8%*	*1.0%*	*2.0%*	*107.1%*	*2.8%*	*4.7%*	*4.0%*	*3.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Total Municipal income taxes (D) = (A+B+C)																
Taxable income	15,229.9	13,067.7	11,966.3	12,480.4	12,852.4	13,209.2	13,571.4	14,026.5	14,358.7	14,682.8	14,998.6	15,321.7	15,653.0	15,991.5	16,337.3	16,690.6
Calculated tax rate	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Total Municipal income taxes	276.6	238.7	216.8	226.4	233.0	241.4	247.9	256.2	262.3	268.3	274.0	279.9	286.0	292.2	298.5	304.9
Adjustment Municipal income taxes																
Adjustment for actuals	(0.1)	2.2	(0.2)	1.9	0.0	6.6	-	-	-	-	-	-	-	-	-	-
Income tax revenue - restructuring	**$ 276.5**	**$ 240.8**	**$ 216.5**	**$ 228.3**	**$ 233.0**	**$ 248.0**	**$ 247.9**	**$ 256.2**	**$ 262.3**	**$ 268.3**	**$ 274.0**	**$ 279.9**	**$ 286.0**	**$ 292.2**	**$ 298.5**	**$ 304.9**
Income tax revenue - without reinvestment							246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Increased income tax revenues							$ 1.5	$ 5.8	$ 10.3	$ 14.5	$ 18.6	$ 22.8	$ 27.2	$ 31.2	$ 34.4	$ 37.7

Ten-Year Financial Projections
Wagering tax revenue
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Wagering Taxes Drivers																
% Change in Gross Receipts						-4.0%	-2.5%	-1.0%	0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Adjusted Gross Receipts																
MGM					$ 608.4	$ 580.2	$ 565.4	$ 559.7	$ 562.5	$ 565.3	$ 571.0	$ 576.7	$ 582.5	$ 588.3	$ 594.2	$ 600.1
Motorcity					468.7	457.3	445.6	441.2	443.4	445.6	450.0	454.5	459.1	463.7	468.3	473.0
Greektown					358.0	340.3	331.6	328.3	329.9	331.6	334.9	338.2	341.6	345.0	348.5	352.0
Wagering Taxes Calculation																
Adjusted Gross Receipts (A)																
MGM	$ 560.2	$ 564.8	$ 562.1	$ 589.6	$ 608.4	$ 580.2	$ 565.4	$ 559.7	$ 562.5	$ 565.3	$ 571.0	$ 576.7	$ 582.5	$ 588.3	$ 594.2	$ 600.1
Motorcity	478.9	459.6	437.4	460.1	468.7	457.3	445.6	441.2	443.4	445.6	450.0	454.5	459.1	463.7	468.3	473.0
Greektown	331.2	319.0	356.6	350.0	358.0	340.3	331.6	328.3	329.9	331.6	334.9	338.2	341.6	345.0	348.5	352.0
Wagering Tax Rate (B)	11.4%	11.2%	11.1%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Additional Payment (per 2006 operating agreement) **(C)**	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Subtotal Wagering Tax (D) = (A)*(B+C)																
MGM	67.9	67.2	66.9	70.2	72.4	69.0	67.3	66.6	66.9	67.3	67.9	68.6	69.3	70.0	70.7	71.4
Motorcity	59.4	54.7	52.1	54.8	55.8	54.4	53.0	52.5	52.8	53.0	53.6	54.1	54.6	55.2	55.7	56.3
Greektown	42.5	41.2	44.5	41.7	42.6	40.5	39.5	39.1	39.3	39.5	39.9	40.3	40.7	41.1	41.5	41.9
Revenue Target Supplemental Wagering Tax (E)																
MGM	5.6	5.7	5.6	5.9	6.1	5.8	5.7	5.6	5.6	5.7	5.7	5.8	5.8	5.9	6.0	6.0
Motorcity	4.8	4.6	4.4	4.6	4.7	4.6	4.5	4.4	4.4	4.5	4.5	4.6	4.6	4.6	4.7	4.7
Greektown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Wagering Tax (F) = (D+E)																
MGM	73.5	72.9	72.5	76.1	78.5	74.9	72.9	72.2	72.6	72.9	73.7	74.4	75.1	75.9	76.7	77.4
Motorcity	64.2	59.3	56.4	59.4	60.5	59.0	57.5	56.9	57.2	57.5	58.1	58.6	59.2	59.8	60.4	61.0
Greektown	42.5	41.2	44.5	41.7	42.6	40.5	39.5	39.1	39.3	39.5	39.9	40.3	40.7	41.1	41.5	41.9
Total Wagering Tax	180.1	173.3	173.4	177.1	181.6	174.3	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3
Adjustment Wagering Taxes																
Adjustment for Actuals	0.3	(0.3)	9.9	(0.2)	(0.1)	0.3	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Total Adjusted Wagering Taxes	$180.4	$173.0	$183.3	$176.9	$181.4	$174.6	$169.9	$168.2	$169.0	$169.9	$171.6	$173.3	$175.0	$176.8	$178.6	$180.3

Ten-Year Financial Projections

State revenue sharing

($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
State Revenue Sharing Calculations																
Constitutional																
2000 Population	949,231	949,231	949,231	949,231	--	--	--	--	--	--	--	--	--	--	--	--
2010 Population	--	--	--	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	--	--
2020 Population	--	--	--	--	--	--	--	--	--	--	--	--	--	625,152	625,152	625,152
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	12.443	11.812	10.837	11.353	12.456	13.001	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848
October Payment	11.8	11.2	10.3	10.8	8.9	9.3	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	8.0	8.0
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	11.554	12.370	10.291	10.381	12.215	12.287	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089
December Payment	11.0	11.7	9.8	9.9	8.7	8.8	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	8.2	8.2
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	12.010	11.540	11.223	11.969	12.106	12.596	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949
February Payment	11.4	11.0	10.7	11.4	8.6	9.0	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	8.1	8.1
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	10.744	8.954	9.423	10.254	11.497	11.214	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565
April Payment	10.2	8.5	8.9	9.7	8.2	8.0	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	7.2	7.2
Population	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152	625,152
Distribution Rate	10.809	10.623	10.830	11.003	11.645	11.802	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166
June Payment	10.3	10.1	10.3	7.8	8.3	8.4	8.7	8.7	8.7	8.7	8.7	8.7	8.7	7.6	7.6	7.6
Population	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152	625,152
Distribution Rate	11.920	10.228	10.916	11.010	11.620	12.398	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222
August Payment	11.3	9.7	10.4	7.8	8.3	8.8	8.7	8.7	8.7	8.7	8.7	8.7	8.7	7.6	7.6	7.6
Adjustment (1)	-	-	-	(10.2)	-	(0.0)	0.2	1.5	3.6	5.2	6.9	8.7	10.5	6.1	12.2	13.9
Adjustment for Actuals	0.4	0.9	0.6	0.5	-	-	-	-	-	-	-	-	-	-	-	-
Total Constitutional Payment	**$ 66.4**	**$ 63.1**	**$ 60.9**	**$ 47.6**	**$ 51.0**	**$ 52.2**	**$ 53.5**	**$ 54.8**	**$ 56.9**	**$ 58.5**	**$ 60.2**	**$ 62.0**	**$ 63.8**	**$ 57.3**	**$ 59.0**	**$ 60.7**
Statutory (EVIP)																
Accounting and Transparency					40.5	43.3	45.4	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8
Consolidation of Services					40.5	43.3	45.4	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8
Employee Compensation					40.5	43.3	45.4	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8
Adjustment for Actuals					-	0.2	-	-	-	-	-	-	-	-	-	-
Total Statutory Payment (EVIP)	-	-	-	-	121.4	130.3	136.3	140.5	140.5	140.5	140.5	140.5	140.5	140.5	140.5	140.5
Total Constitutional Payment	66.4	63.1	60.9	47.6	51.0	52.2	53.5	54.8	56.9	58.5	60.2	62.0	63.8	57.3	59.0	60.7
Total Statutory Payment	181.8	202.6	201.5	191.5	121.4	130.3	136.3	140.5	140.5	140.5	140.5	140.5	140.5	140.5	140.5	140.5
Estimated State Revenue Sharing	**$ 248.2**	**$ 265.8**	**$ 262.4**	**$ 239.2**	**$ 172.3**	**$ 182.5**	**$ 189.8**	**$ 195.3**	**$ 197.4**	**$ 199.0**	**$ 200.7**	**$ 202.5**	**$ 204.3**	**$ 197.8**	**$ 199.5**	**$ 201.2**
State calculations used for FY15 and beyond																
Other shared taxes (including liquor and beer licenses)	$ 1.4	$ 0.8	$ 1.3	$ 0.1	$ 1.0	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3	$ 1.3
Total State Revenue Sharing	**$ 249.6**	**$ 266.6**	**$ 263.7**	**$ 239.3**	**$ 173.3**	**$ 183.8**	**$ 191.2**	**$ 196.6**	**$ 198.7**	**$ 200.3**	**$ 202.0**	**$ 203.8**	**$ 205.6**	**$ 199.1**	**$ 200.8**	**$ 202.5**

Notes:

(1) Adjustment due to estimated increases in sales tax collections by the State, resulting in higher assumed distributions

Appendices C - D

Key expense drivers

Ten-Year Financial Projections
Headcount - Full-Time Equivalents

	Detailed Headcount by Department															
	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uniform																
Police	3,421	3,688	3,288	3,195	3,016	2,909	2,706	2,747	2,882	2,895	2,895	2,895	2,895	2,895	2,895	2,895
Fire	1,444	1,406	1,355	1,330	1,257	1,189	1,183	1,238	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228
Total Uniform	4,865	5,094	4,643	4,525	4,273	4,098	3,890	3,986	4,110	4,123	4,123	4,123	4,123	4,123	4,123	4,123
Civilian																
Budget	22	23	20	16	15	16	16	16	16	16	16	16	16	16	16	16
DPW	803	788	659	642	542	505	509	509	509	509	509	509	509	509	509	509
DWDD	91	99	113	73	46	7	-	-	-	-	-	-	-	-	-	-
Finance	327	310	285	266	235	228	216	216	216	206	206	206	206	206	206	206
Health & Wellness	348	317	262	243	185	80	14	9	9	9	9	9	9	9	9	9
Human Resources	175	168	171	176	107	93	84	84	84	60	60	60	60	60	60	60
Human Services	117	91	95	85	52	22	-	-	-	-	-	-	-	-	-	-
ITS	99	92	65	46	43	35	35	38	38	38	38	38	38	38	38	38
Law	127	122	113	105	94	86	86	86	86	86	86	86	86	86	86	86
Mayor	108	74	63	52	39	22	22	24	24	24	24	24	24	24	24	24
Planning & Development	172	173	160	154	122	116	116	113	113	113	113	113	113	113	113	113
PLD	225	206	160	123	103	99	70	12	7	5	3	3	3	2	-	-
Recreation	472	388	508	510	300	202	202	202	202	202	202	202	202	202	202	202
General Services	676	528	481	447	343	298	298	272	272	272	272	272	272	272	272	272
Legislative (1)	230	266	194	169	184	172	138	119	119	119	119	119	119	119	119	119
36th District Court	32	33	33	35	31	31	31	31	31	31	31	31	31	31	31	31
Other (2)	103	89	31	36	26	32	30	26	26	26	26	26	26	26	26	26
Total Civilian	4,127	3,767	3,413	3,178	2,467	2,043	1,868	1,757	1,752	1,716	1,714	1,714	1,714	1,713	1,711	1,711
Total General Fund	8,992	8,861	8,056	7,703	6,740	6,140	5,758	5,743	5,862	5,839	5,837	5,837	5,837	5,836	5,834	5,834
Enterprise																
Airport	11	10	9	8	7	5	5	5	5	5	5	5	5	5	5	5
BSED	296	276	258	235	204	192	192	192	192	192	192	192	192	192	192	192
Transportation	1,512	1,514	1,351	1,292	1,131	1,060	978	1,048	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065
Parking	109	104	97	92	97	90	90	90	90	90	90	90	90	90	90	90
Water	1,045	1,012	962	981	930	873	873	873	873	873	873	873	873	873	873	873
Sewer	1,215	1,177	1,119	1,142	1,082	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Library	460	466	450	371	334	335	335	335	335	335	335	335	335	335	335	335
Total Enterprise	4,648	4,559	4,246	4,121	3,785	3,572	3,490	3,560	3,577	3,577	3,577	3,577	3,577	3,577	3,577	3,577
Total City	13,640	13,420	12,302	11,824	10,525	9,712	9,248	9,303	9,440	9,417	9,415	9,415	9,415	9,414	9,412	9,412

(1) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
(2) Includes: Civic Center, Human Rights, Administrative Hearings, Homeland Security, Non-departmental

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Ten-Year Financial Projections
Payroll

	Average Salary															
	Fiscal year ended actual				Actual	Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uniform																
Police	$53,597	$51,883	$56,204	$60,742	$58,848	$52,625	$51,514	$54,454	$54,454	$55,816	$57,211	$58,641	$59,814	$61,010	$62,231	$63,475
Fire	59,754	62,869	62,968	63,698	65,189	58,311	55,950	58,747	58,747	60,216	61,721	63,264	64,530	65,820	67,137	68,479
Average Uniform	$55,424	$54,915	$58,178	$61,611	$60,713	$54,274	$52,864	$55,788	$55,737	$57,126	$58,554	$60,018	$61,218	$62,443	$63,692	$64,965
Civilian																
Budget	$62,323	$62,796	$62,338	$71,811	$73,322	$57,557	$64,173	$67,381	$67,381	$69,066	$70,792	$72,562	$74,013	$75,494	$77,003	$78,544
DPW	30,107	30,392	35,862	30,300	32,448	31,439	33,550	35,112	35,112	35,990	36,890	37,812	38,568	39,339	40,126	40,929
DWDD	69,476	72,088	105,969	104,180	96,126	n/a	-	-	-	-	-	-	-	-	-	-
Finance	44,290	48,404	49,213	48,545	49,479	44,131	45,415	47,685	47,685	48,878	50,099	51,352	52,379	53,427	54,495	55,585
Health & Wellness	38,399	42,069	44,205	39,808	42,873	29,627	60,946	73,547	73,547	75,386	77,270	79,202	80,786	82,402	84,050	85,731
Human Resources	52,849	55,000	49,465	38,861	55,145	44,710	49,727	52,213	52,213	53,519	54,857	56,228	57,353	58,500	59,670	60,863
Human Services	42,296	53,028	47,676	46,749	64,791	44,951	55,538	58,314	58,314	59,772	61,267	62,798	64,054	65,335	66,642	67,975
ITS	51,306	55,548	61,007	74,548	60,681	57,494	57,494	60,369	60,369	61,878	63,425	65,011	66,311	67,637	68,990	70,369
Law	73,486	75,672	72,144	73,252	78,313	71,497	71,497	75,072	75,072	76,949	78,873	80,844	82,461	84,111	85,793	87,509
Mayor	52,946	71,222	73,700	76,927	80,495	98,421	92,861	97,504	97,504	99,942	102,440	105,001	107,101	109,243	111,428	113,657
Planning & Development	54,225	54,491	55,121	51,860	59,007	53,640	53,640	56,322	56,322	57,730	59,173	60,652	61,865	63,103	64,365	65,652
PLD	44,676	46,839	50,059	55,114	55,866	48,724	49,211	84,190	81,474	79,817	79,591	81,182	82,806	84,462	-	-
Recreation (1)	15,783	19,905	13,500	11,659	17,264	16,904	16,904	17,749	17,749	18,193	18,648	19,114	19,496	19,886	20,284	20,690
General Services	31,804	39,503	36,473	36,309	34,874	30,695	33,501	35,176	35,176	36,056	36,957	37,881	38,639	39,412	40,200	41,004
Legislative (2)	51,789	49,387	56,976	54,111	43,790	41,106	39,284	43,415	43,415	44,501	45,613	46,754	47,689	48,642	49,615	50,608
36th District Court	73,310	74,878	73,616	69,189	51,102	51,391	46,252	48,564	48,564	49,779	51,023	52,299	53,345	54,411	55,500	56,610
Other (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Civilian	$37,952	$41,894	$43,048	$39,407	$42,474	$37,652	$39,115	$41,290	$41,157	$41,927	$42,926	$43,998	$44,878	$45,753	$46,622	$47,554
Total General Fund	$47,405	$49,380	$51,768	$52,450	$54,037	$48,745	$48,404	$51,352	$51,378	$52,659	$53,965	$55,314	$56,420	$57,544	$58,686	$59,859
Enterprise																
Airport	$46,972	$51,750	$49,202	$44,746	$42,833	$39,678	$64,882	$68,126	$68,126	$69,829	$71,575	$73,364	$74,832	$76,328	$77,855	$79,412
BSED	44,694	49,103	50,316	49,154	48,069	40,757	47,306	49,672	49,672	50,913	52,186	53,491	54,561	55,652	56,765	57,900
Transportation	31,375	31,991	33,352	31,553	32,578	28,576	30,767	32,306	32,306	33,113	33,941	34,790	35,486	36,195	36,919	37,658
Parking	35,423	36,835	37,362	34,955	30,576	30,621	33,594	35,274	35,274	36,156	37,060	37,986	38,746	39,521	40,312	41,118
Water	36,004	41,942	29,473	35,952	36,621	39,949	40,481	42,505	42,505	43,568	44,657	45,774	46,689	47,623	48,575	49,547
Sewer	35,082	39,467	29,002	37,896	38,784	32,781	56,127	58,933	58,933	60,406	61,916	63,464	64,734	66,028	67,349	68,696
Library	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Enterprise	$31,260	$34,050	$28,948	$32,623	$33,273	$30,596	$38,662	$40,431	$40,392	$41,402	$42,437	$43,498	$44,368	$45,256	$46,161	$47,084
Total City	$41,903	$44,172	$43,892	$45,540	$46,570	$42,070	$44,727	$47,172	$47,215	$48,383	$49,585	$50,824	$51,841	$52,874	$53,925	$55,003

(1) Most Recreation department employees are part-time employees.
(2) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.
(3) Includes: Civic Center, Human Rights, Administrative Hearings, Homeland Security, Non-departmental

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Ten-Year Financial Projections
Benefits
($ in millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
						Preliminary forecast					
Active employees											
					Assumed inflation		6.0%	4.0%	4.0%	4.0%	4.0%
Medical costs per head ($ in actuals) (1)											
PFRS		$ 9,205	$ 8,795	$ 9,388	$ 10,051	$ 10,786	$ 11,433	$ 11,890	$ 12,366	$ 12,861	$ 13,375
General City		8,124	7,954	8,491	9,088	9,751	10,336	10,750	11,180	11,627	12,092
Department of Transportation		9,841	8,729	9,316	9,968	10,694	11,336	11,790	12,261	12,752	13,262
Water/Sewer		8,421	8,309	8,871	9,493	10,187	10,799	11,231	11,680	12,147	12,633
Library		7,441	7,240	7,708	8,255	8,854	9,385	9,761	10,151	10,557	10,980
36 District Court		12,098	12,944	13,819	14,793	15,875	16,828	17,501	18,201	18,929	19,686
Heads											
PFRS		3,890	3,986	4,110	4,123	4,123	4,123	4,123	4,123	4,123	4,123
General City		1,963	1,853	1,848	1,811	1,809	1,809	1,809	1,808	1,806	1,806
Department of Transportation		978	1,048	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065
Water/Sewer		1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890	1,890
Library		335	335	335	335	335	335	335	335	335	335
36 District Court		362	362	362	362	362	362	362	362	362	362
Total Active Medical costs											
PFRS		$ 35.8	$ 35.1	$ 38.6	$ 41.4	$ 44.5	$ 47.1	$ 49.0	$ 51.0	$ 53.0	$ 55.2
General City		15.9	14.7	15.7	16.5	17.6	18.7	19.5	20.2	21.0	21.8
Department of Transportation		9.6	9.1	9.9	10.6	11.4	12.1	12.6	13.1	13.6	14.1
Water/Sewer		15.9	15.7	16.8	17.9	19.3	20.4	21.2	22.1	23.0	23.9
Library		2.5	2.4	2.6	2.8	3.0	3.1	3.3	3.4	3.5	3.7
36 District Court		4.4	4.7	5.0	5.3	5.7	6.1	6.3	6.6	6.8	7.1
		$ 84.2	$ 81.7	$ 88.5	$ 94.6	$ 101.5	$ 107.6	$ 111.9	$ 116.3	$ 120.9	$ 125.8
General Fund Active Medical costs											
PFRS		$ 35.8	$ 35.0	$ 38.5	$ 41.4	$ 44.4	$ 47.1	$ 49.0	$ 50.9	$ 53.0	$ 55.1
General City		9.1	8.4	8.9	9.2	9.8	10.4	10.8	11.2	11.7	12.1
36 District Court		4.4	4.7	5.0	5.3	5.7	6.1	6.3	6.6	6.8	7.1
		$ 49.2	$ 48.0	$ 52.4	$ 55.9	$ 60.0	$ 63.6	$ 66.1	$ 68.7	$ 71.5	$ 74.3
Retirees											
Assumed inflation (2)		5.0%	5.6%	3.3%	4.6%	4.2%	5.6%	5.2%	5.6%	4.9%	4.8%
Implied Medical costs per head ($ in actuals)	$ 10,683	$ 11,213	$ 11,836	$ 12,230	$ 12,790	$ 13,330	$ 14,078	$ 14,804	$ 15,631	$ 16,391	$ 17,178
Heads	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027
Total Retiree Medical costs	$ 181.9	$ 190.9	$ 201.5	$ 208.2	$ 217.8	$ 227.0	$ 239.7	$ 252.1	$ 266.1	$ 279.1	$ 292.5
General Fund portion of Retiree Medical costs (3) (4)		$ 130.0	$ 138.3	$ 142.9	$ 149.4	$ 155.7	$ 164.4	$ 172.9	$ 182.6	$ 191.5	$ 200.7
% of total		*68.1%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*	*68.6%*

Footnotes:
(1) Based on Milliman letter dated November 3, 2013, Re: City of Detroit Active Health Plan Projections.
(2) Based on census data of Retirees by department. Unknown retirees have been allocated across all non-uniform departments. Individuals having retired from departments that no longer exist have been allocated across active General Fund departments.
(3) Growth assumptions based on plan provisions outline in Milliman letter dated June 30, 2013.
(4) Retirees representing departments in transition, such as Health & Wellness and PLD, have been included in the allocation across active General Fund departments.

Ten-Year Financial Projections
Pension
($ in millions)

	Preliminary forecast									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Third-party projections										
Milliman										
PFRS + GRS (baseline @ 7%)	**$ 277.0**	**$ 325.0**	**$ 363.0**	**$ 402.0**	**$ 444.0**	**$ 457.0**	**$ 474.0**	**$ 486.0**	**$ 495.0**	**$ 504.0**
Normal	75.0	76.0	77.0	78.0	80.0	81.0	81.5	82.0	82.6	83.1
UAAL	43.0	64.0	87.0	110.0	135.0	137.0	138.0	139.1	140.1	141.2
Existing DC plan (PFRS)	2.0	3.0	4.0	4.0	5.0	6.0	6.6	7.3	8.0	8.8
Total City										
PFRS	$ 139.0	$ 163.0	$ 180.0	$ 198.0	$ 217.0	$ 219.0	$ 224.0	$ 225.0	$ 222.0	$ 221.0
General City	54.4	63.8	72.1	80.4	89.4	93.7	98.5	102.8	107.5	111.5
DOT	23.6	27.7	31.2	34.8	38.7	40.6	42.7	44.5	46.6	48.3
Water/Sewer	56.7	66.6	75.2	83.9	93.3	97.8	102.8	107.3	112.2	116.3
Library	3.4	3.9	4.5	5.0	5.5	5.8	6.1	6.4	6.6	6.9
Total City Pension plans	$ 277.0	$ 325.0	$ 363.0	$ 402.0	$ 444.0	$ 457.0	$ 474.0	$ 486.0	$ 495.0	$ 504.0
36th District Court (State plan)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total estimated City Pension	$ 282.0	$ 330.0	$ 368.0	$ 407.0	$ 449.0	$ 462.0	$ 479.0	$ 491.0	$ 500.0	$ 509.0
General Fund										
PFRS	$ 138.8	$ 162.8	$ 179.8	$ 197.7	$ 216.7	$ 218.7	$ 223.7	$ 224.7	$ 221.7	$ 220.7
General City - General Fund	33.4	39.0	44.0	48.3	53.7	56.3	59.1	61.7	64.5	66.8
Estimated City Pension plans (GF)	$ 172.2	$ 201.8	$ 223.7	$ 246.0	$ 270.4	$ 275.0	$ 282.8	$ 286.4	$ 286.2	$ 287.5
36th District Court (State plan)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total estimated GF Pension	$ 177.2	$ 206.8	$ 228.7	$ 251.0	$ 275.4	$ 280.0	$ 287.8	$ 291.4	$ 291.1	$ 292.5

Pension unfunded liability

PFRS	$ 1,446.0	$ 1,428.0	$ 1,389.0	$ 1,327.0	$ 1,241.0	$ 1,148.0	$ 1,040.0	$ 925.0	n/a	n/a
GRS	2,077.0	2,095.0	2,095.0	2,075.0	2,031.0	1,976.0	1,906.0	1,821.0	n/a	n/a

Ten-Year Financial Projections

Debt summary

($ in millions)

Type	Funding source	Maturity	Interest rate	Beg. Bal. 2013	Paid by General Fund
LTGO	Sr. Lien on DSA & Self-Insurance	2013-2035	4.00%-8.00%	$ 452.6	✓
Refinance (LTGO)	3rd Lien on DSA	2033	2.50%-5.30%	129.5	✓
UTGO	Property taxes	2014-2028	3.75%-5.375%	510.8	
Capital Lease	n/a	n/a	n/a	1.6	✓
POC	n/a	2025-2035	Floating-5.989%	1,451.9	Portion
POC swap	Wagering taxes	2029-2034	6.323%-6.356%	n/a	✓
	Total principal			$ 2,546.4	

Debt Service	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Partially General Fund
	Preliminary forecast											
Principal												
LTGO	$ 41.8	$ 47.7	$ 33.5	$ 35.1	$ 13.6	$ 14.2	$ 14.9	$ 15.7	$ 16.8	$ 16.0	$ 16.7	✓
Refinance (LTGO)	-	2.9	4.4	4.6	4.9	5.1	5.3	5.6	5.8	6.1	6.5	✓
UTGO	41.7	39.8	37.9	34.9	36.7	37.5	37.0	38.2	39.5	26.6	24.2	
Capital Lease	0.5	0.1	-	-	-	-	-	-	-	-	-	✓
Total debt principal	84.0	90.5	75.8	74.6	55.1	56.8	57.2	59.4	62.1	48.7	47.3	
Interest												
LTGO	23.3	21.3	18.2	16.5	14.8	14.1	13.4	12.7	11.9	11.1	10.4	✓
Refinance (LTGO)	4.2	6.1	6.0	5.8	5.6	5.4	5.1	4.9	4.7	4.4	4.1	✓
UTGO	28.9	26.7	24.7	22.8	21.0	19.1	17.1	15.2	13.2	11.2	9.7	
Capital Lease	0.0	0.0	-	-	-	-	-	-	-	-	-	✓
Total debt interest	56.4	54.1	48.9	45.2	41.4	38.6	35.7	32.8	29.8	26.6	24.2	
GF adjustment (1)	2.7	-	-	-	-	-	-	-	-	-	-	
Total debt service	$ 143.1	$ 144.6	$ 124.7	$ 119.8	$ 96.5	$ 95.4	$ 92.9	$ 92.3	$ 91.9	$ 75.3	$ 71.5	
GF debt service (LTGO)	**$ 72.6**	**$ 78.1**	**$ 62.1**	**$ 62.1**	**$ 38.9**	**$ 38.8**	**$ 38.8**	**$ 38.9**	**$ 39.3**	**$ 37.6**	**$ 37.5**	
Debt service fund (UTGO) (2)	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	
POC (3)												
Principal												
POC - Governmental	$ 18.4	$ 23.6	$ 26.5	$ 29.4	$ 32.6	$ 36.1	$ 36.4	$ 38.3	$ 40.3	$ 42.4	$ 44.6	✓
POC - EF (incl. DDOT)	4.7	6.0	6.8	7.5	8.3	9.2	9.3	9.8	10.3	10.8	11.4	
Total POC principal	23.1	29.6	33.3	37.0	41.0	45.3	45.7	48.1	50.6	53.2	56.0	
Interest												
POC - Governmental	30.3	29.5	28.4	27.2	25.8	24.2	22.5	21.2	19.8	18.3	16.6	✓
POC - EF (incl. DDOT)	7.7	7.5	7.3	6.9	6.6	6.2	5.7	5.4	5.1	4.7	4.2	
POC swap - Governmental	40.6	40.6	40.6	40.6	40.6	40.6	40.6	39.8	39.1	38.5	37.9	✓
POC swap - EF (incl. DDOT)	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.1	5.0	4.9	
Total POC interest	84.0	82.9	81.5	80.0	78.2	76.2	74.1	71.6	69.1	66.4	63.6	
Total POC	$ 107.1	$ 112.6	$ 114.8	$ 116.9	$ 119.2	$ 121.5	$ 119.7	$ 119.7	$ 119.7	$ 119.7	$ 119.7	
Total POC - Governmental	$ 89.3	$ 93.7	$ 95.5	$ 97.2	$ 99.0	$ 100.8	$ 99.4	$ 99.3	$ 99.2	$ 99.2	$ 99.1	
General Fund adjustment (1)	(11.4)	(15.2)	(15.6)	(16.1)	(16.8)	(17.2)	(16.9)	(17.0)	(17.1)	(17.1)	(17.2)	
General Fund POC	**$ 77.9**	**$ 78.5**	**$ 79.8**	**$ 81.1**	**$ 82.2**	**$ 83.6**	**$ 82.5**	**$ 82.3**	**$ 82.2**	**$ 82.0**	**$ 81.9**	✓
Debt service + POC												
Total GF debt service + POC	$ 150.5	$ 156.6	$ 141.9	$ 143.2	$ 121.0	$ 122.4	$ 121.3	$ 121.2	$ 121.5	$ 119.6	$ 119.4	
POC allocation to enterprise and other funds	29.1	34.0	35.0	35.8	37.0	37.9	37.3	37.4	37.5	37.7	37.8	
Debt service fund (UTGO debt service)	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	
Total	$ 250.2	$ 257.2	$ 239.5	$ 236.7	$ 215.7	$ 216.9	$ 212.7	$ 212.0	$ 211.6	$ 195.0	$ 191.1	

Footnotes:

(1) Represents allocations to/from other funds/departments.

(2) UTGO debt service already accounted for within gross property taxes, from which a transfer is made to the Debt Service fund.

(3) See Appendix D.2 for additional POC allocation detail.

City of Detroit — Appendix D.2

Ten-Year Financial Projections

POC summary

($ in millions)

		Preliminary forecast 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total POC payments											
Total Principal Payments		$ (29.6)	$ (33.3)	$ (37.0)	$ (41.0)	$ (45.3)	$ (45.7)	$ (48.1)	$ (50.6)	$ (53.2)	$ (56.0)
Total Interest Payments		(32.2)	(30.8)	(29.3)	(27.5)	(25.5)	(23.4)	(21.9)	(20.2)	(18.4)	(16.3)
Total Quarterly Interest (Part of Set-Aside Requirements)		(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.7)	(4.6)	(4.5)
Total Interest Swap Payments - PFRS (1)		(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.1)	(28.5)	(28.1)	(27.6)
Total Interest Swap Payments - GRS (1)		(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.0)	(15.7)	(15.4)	(15.2)
Total payments		**$ (112.6)**	**$ (114.8)**	**$ (116.9)**	**$ (119.2)**	**$ (121.5)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**
POC payments by Pension system											
PFRS											
Principal		$ (11.1)	$ (12.4)	$ (13.8)	$ (15.3)	$ (16.9)	$ (17.1)	$ (18.0)	$ (18.9)	$ (19.9)	$ (21.0)
Interest		(12.0)	(11.5)	(11.0)	(10.3)	(9.6)	(8.7)	(8.2)	(7.6)	(6.9)	(6.1)
Quarterly		(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.7)	(1.7)	(1.7)
Swap		(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.1)	(28.5)	(28.1)	(27.6)
Subtotal: PFRS		(54.6)	(55.4)	(56.2)	(57.0)	(57.9)	(57.2)	(57.0)	(56.8)	(56.6)	(56.4)
DGRS											
Principal		(18.6)	(20.8)	(23.1)	(25.6)	(28.3)	(28.6)	(30.1)	(31.7)	(33.3)	(35.1)
Interest		(20.1)	(19.3)	(18.3)	(17.2)	(16.0)	(14.6)	(13.7)	(12.7)	(11.5)	(10.2)
Quarterly		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(2.9)	(2.9)	(2.8)
Swap		(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.0)	(15.7)	(15.4)	(15.2)
Subtotal: DGRS		(58.0)	(59.4)	(60.8)	(62.2)	(63.6)	(62.5)	(62.7)	(62.9)	(63.1)	(63.3)
Total payments		**$ (112.6)**	**$ (114.8)**	**$ (116.9)**	**$ (119.2)**	**$ (121.5)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**	**$ (119.7)**
DGRS POC payments by funding group											
DDOT	11.4%	$ (6.6)	$ (6.8)	$ (6.9)	$ (7.1)	$ (7.3)	$ (7.1)	$ (7.2)	$ (7.2)	$ (7.2)	$ (7.2)
Water/Sewer	18.5%	(10.7)	(11.0)	(11.2)	(11.5)	(11.7)	(11.5)	(11.6)	(11.6)	(11.6)	(11.7)
Library	2.6%	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)
General City (2)	67.5%	(39.1)	(40.1)	(41.0)	(41.9)	(42.9)	(42.2)	(42.3)	(42.5)	(42.6)	(42.7)
Total GRS payments	100.0%	**$ (58.0)**	**$ (59.4)**	**$ (60.8)**	**$ (62.2)**	**$ (63.6)**	**$ (62.5)**	**$ (62.7)**	**$ (62.9)**	**$ (63.1)**	**$ (63.3)**
POC Swap payments by funding group											
PFRS		$ (29.6)	$ (29.6)	$ (29.6)	$ (29.6)	$ (29.6)	$ (29.6)	$ (29.1)	$ (28.5)	$ (28.1)	$ (27.6)
DDOT		(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)	(1.7)
Water/Sewer		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(2.9)	(2.9)	(2.8)	(2.8)
Library		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
General City (2)		(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(10.8)	(10.6)	(10.4)	(10.2)
Total POC swap payments		**$ (45.9)**	**$ (45.9)**	**$ (45.9)**	**$ (45.9)**	**$ (45.9)**	**$ (45.9)**	**$ (45.0)**	**$ (44.2)**	**$ (43.5)**	**$ (42.8)**

Supporting allocations

Funding Group	2005-A 2006-A, 2006-B Refunding Tranaction	Allocations: Principal & Interest	GRS Swap	PFRS Swap
DDOT	$ 106.3	7.2%	11.4%	0.0%
Water/Sewer	171.4	11.5%	18.5%	0.0%
Library	24.5	1.6%	2.6%	0.0%
General City (2)	626.9	42.2%	67.5%	0.0%
Subtotal: DGRS	$ 929.1	62.6%	100.0%	0.0%
PFRS	$ 555.4	37.4%	0.0%	100.0%
Total	**$ 1,484.5**	**100.0%**	**100.0%**	**100.0%**

Footnotes:

(1) Allocation of swap interest based on $283.7 million of notional principal for GRS and $516.3 million of notional principal for PFRS.

(2) General City is comprised of a General Fund component as well as a portion allocated to other funds (i.e. Solid Waste fund, Street funds, and certain cost centers within Planning & Development, BSEED and Parking).

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Exhibit 6J

Excerpts of Expert Report of Martha Kopacz

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:	Chapter 9
City of Detroit, Michigan,	Case No. 13-53846
Debtor,	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 Order[1] 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

my interview on April 18, 2014[7]. I, and members of my team, have conducted more than two hundred interviews and fact gathering meetings with persons involved in this matter or with persons I believed to be helpful to me in forming my opinion.

Based on this work, I conclude that:

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

(b) The assumptions that underlie the City's plan of adjustment projections regarding its revenues, expenses and plan payments are reasonable.

It should be noted that this opinion is rendered in an environment where there are many factors that will have influence on the City's conditions post confirmation that are unknown and unknowable. Throughout this Report, I have noted some of these factors, while other factors may not even be recognized today as potentially having an impact. My opinion is necessarily limited by these unknown factors. It should be recognized, that these factors, when known, could have a material impact on my view of feasibility.

The above statement should only be viewed in the context of this entire Report. No reliance should be made on these statements outside of the context of this Report.

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[7] Transcript of Hearing, April 18, 2014

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The remainder of this Report will provide my definition of feasibility, the context in which I am rendering my opinion and my assessment of the key factors affecting my feasibility assessment. While my opinion is arguably very narrowly limited to "feasibility", the assessment I and my team did to arrive at my opinion is multifaceted. This Report attempts to clearly and succinctly lay out the foundation, framework and details supporting my opinion.

The following section, Section C, addresses my definition of feasibility and relies upon numerous resources – legal and otherwise – and my own experience to establish the benchmarks against which I assessed feasibility. Section D discusses the context in which I am rendering my opinion. While there are common experiences among every restructuring and even among municipalities, the unique mix that is Detroit and this chapter 9 proceeding, necessarily impact my perspective and opinion. My intent is not to rehash every issue or pleading that has occurred in this case or even Detroit's recent history, but rather, to highlight a few aspects of the facts and circumstances of this case which have had an important impact on the formulation of my opinion. The last sections of the Report provide a more in depth review of the issues, quantitative and qualitative, I found particularly relevant to my assessment of feasibility. By no means does this Report include every factor I reviewed or considered but does include those issues that shaped my opinion to the greatest extent.

Section C – Feasibility Definition

Defining a Feasibility Standard

Section 943(b)(7) of the Bankruptcy Code requires that before a plan of adjustment may be confirmed the Court must determine that the plan is feasible. However, the Bankruptcy Code does not define "feasible." Few chapter 9 cases address the feasibility requirement[8] and there is little in the way of authoritative writing published regarding feasibility. [9]

In assessing feasibility, I have examined available legal authority and consulted with counsel and other experienced professionals to assist in the formation of an appropriate approach to determining feasibility of the City's POA. Every

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[8] In re *Mount Carbon Metropolitan District*, 242 B.R. 18, 31 (Bankr. D. Colo. 1999) ("The Code does not define feasibility in Chapter 9 nor does it specify what factors the Court should consider in determining whether the Plan is feasible. Due to the relative rarity of Chapter 9 cases, neither the parties nor the Court have found case law specifically addressing the issue.")

[9] Pryor, Scott C., Who Bears the Cost? The Necessity of Taxpayer Participation in Chapter 9, (June 11, 2014) Available at SSRN, http://ssrn.com/abstract=2448997. The author referring to feasibility: "(w)hat is merely unclear in chapter 11 is an impenetrable fog in chapter 9."

Quantitative

- Are the projections contained in the POA mathematically correct and materially reasonable?
- Are the assumptions that the City has used to develop its projections individually, and when taken as a group, reasonable?
- Is there an adequate contingency included in the projections?

Qualitative

- Does the City have the human resources, or can it likely recruit the human resources, required to meet its obligations under the POA?
- Does the City have the appropriate systems and procedures to monitor its financial performance and to provide early warning signs of variances in performance that might cause the City to fall short of the projections and be unable to meet its obligations under the POA?
- Are there appropriate structures to ensure the City's compliance with the POA and with reasonable government standards of operation?
- Will the City be able to reasonably deliver a minimum level of municipal services?
- Is the City's trajectory sustainable?

The quantitative assessment of feasibility is straightforward but exacting. As will be more fully discussed in Part II, the projections[10] in the POA are (correctly

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[10] For purposes of this Report, "projections in the Plan" are inclusive of the 10 Yr plan, the 40 Yr plan and the RRIs. If only one of these is discussed, it will be noted. The term "forecast" is often used as a synonym for "projections". While this is not technically correct within accounting literature, the terms will be used interchangeably in this Report to provide variety. The term "model" is used in this Report to describe the one or more excel spreadsheets that together form a financial projection. A "values only model" or "flat model" is essentially a printout of the excel spreadsheets, although it may be provided in electronic format rather than in hard copy. A "working model" contains all the cell references, formulas and

so) quite detailed in many areas. Financial modeling is a highly subjective undertaking that is affected by the assumptions made and the professional biases of the analyst developing the model. Financial modeling is both a science and an art. When the analyst forecasts growing revenue, declining costs, or a change in headcount, he or she has a number of ways to write the mathematical formulas which arrive at the intended numbers. In this case, the POA projections are comprised of multiple forecasts, inclusive of hundreds of individual spreadsheets, prepared by many different individuals and then concatenated into what we all simply call the "projections"[11]. Simple questions, such as "are the salaries used to determine the cost of newly hired employees reasonable?" become detailed. For example, the salary estimates are multifaceted depending on which model and which analyst did the modeling and appear in many of the RRI projections. Because of this, the

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"macro" commands that are within the spreadsheets and allows a reviewer of the model to understand what the inputs and assumptions are that create the projections. It is in the working model that a reviewer can understand the "art" of the analyst's modeling.

[11] Expert Report of Charles M. Moore, CPA, CTP, CFF in re City of Detroit, Michigan. In footnote 2, Mr. Moore provides a similar explanation of modeling methodology: "Given the number and diversity of the departments my team and I examined, the specific methodology utilized was not exactly the same for each department. Notwithstanding any particular deviations that were necessary, this core methodology and approach was generally utilized across our analysis and development of the Reinvestment Initiatives." This is an example of differences that can occur within a model built by the same firm. There were also differences in modeling approach used by Conway MacKenzie, Mr. Moore's firm, and Ernst & Young, the City's other financial advisor.

quantitative assessment of "reasonableness" surrounding the individual assumptions, and assumptions taken as a group, of the POA projections was more involved than I would have expected.

The qualitative aspects of the Standard include what I have come to refer to, as "skill and will" and are as important as the quantitative assessment. Qualitative aspects also include external influences that can affect the implementation of the Plan. Part III, Section K – Leadership and Human Capital, discusses the City's need for more highly skilled employees. Another qualitative issue is the upcoming transition from the leadership of the Emergency Manager to the leadership of Mayor Duggan and his administration. When that transition occurs, there will be little more than three years remaining within which the current elected officials will have the responsibility to operate the City consistent with the POA – therefore political 'will' must be passed to future elected officials. This is not a problem limited to Detroit, but to all municipal proceedings. Section M – Post-Confirmation Oversight discusses ways to mitigate this variable.

trajectory towards service delivery solvency[12] and in some areas, the current level of service is adequate. I do not need to envision that Detroit will become a best in class municipality to determine that the POA is feasible. For Detroit, emerging from essential services failure to adequate and reasonable service delivery will be a success.[13]

What Feasibility is Not

When we developed the feasibility definition, we also considered what feasibility does not include. First, and foremost, feasibility is not a guarantee. If the City were to propose a plan under which, based on reasonable assumptions, the City could not help but meet its obligations – effectively a guaranteed outcome – it is likely that while feasible, such plan would not satisfy the best interests of creditors test under section 943(b)(7) of the Bankruptcy Code.[14]

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[12] Eligibility Opinion of Judge Rhodes

[13] Anderson, Michelle Wild "The New Minimal Cities" http://yalelawjournal.org/article/the-new-minimal-cities; March 2014

[14] The "best interest test of creditors" is specifically outside the scope of my appointment and as such, is not part of the opinion I have formed. See Docket #4215, Order Appointing Expert Witness, ¶2 and 3.

Similarly, but at the other end of the spectrum, a feasible plan should avoid visionary schemes primarily based on "mere hopes, desires and speculation"[15]. Further, the Court must determine whether there is a reasonable prospect of successful completion of the proposed plan.[16] As a point of reference, a frequently cited legal standard for feasibility in Chapter 11 is whether the factual showing at the plan confirmation hearing establishes a "reasonable assurance of success," though "success need not be guaranteed."[17]

Lastly, I do not believe the Standard entails: (1) whether the projections in the POA may generate more cash to distribute and therefore provide greater recoveries for creditors or (2) whether there may be alternative plans that could produce a better outcome for the City or its creditors. During my team's evaluation of feasibility, we have been exposed to numerous views on these subjects. Because this is outside my scope and not included in our Standard, I have not attempted to form, nor have I formed, any opinion on these matters.

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[15] 242 B.R. 18 (1999) in re Mount Carbon Metropolitan District.

[16] Lawall, Francis J. and Miller, J. Gregg, Debt Adjustments for Municipalities Under Chapter 9 of the Bankruptcy Code, a Collier Monograph, 2012.

[17] Case, Stephen H., Some Confirmed Chapter 11 Plans Fail, So What?, 47 B.C. L. Rev. 59 (2005), http://lawdigitalcommons.bc.edu/bclr/vol47/iss1/4.

In summary, the Standard we have defined includes both quantitative and qualitative assessments of feasibility, including a risk assessment measured against a time horizon and allows for a reasonable range of values within the projections. This Standard is the backdrop against which the remainder of this Report should be read.

enterprises - and as a government – as measured by its inability to deliver essential services. Having spent a large amount of time in Detroit since my appointment, my interaction with citizens, City employees and stakeholders in the bankruptcy have influenced my view of both the in-court restructuring and the out-of-court work that is equally important to Detroit's ability to effectuate its POA.

The Plan of Adjustment

Even after many years of practice with dysfunctional, insolvent, operationally troubled enterprises, I was confused by the City's projections in POA. Section E of this Report provides detail on how the projections and RRIs are structured. Suffice it to say that the "10 Yr projections", the "10 Yr/40 Yr projections," and the "Restructuring and Reinvestments Initiatives" form an unusual construct for a financial plan for an enterprise attempting to emerge from bankruptcy. The baseline projections ("10 Yr projection, Exhibit J to the Disclosure Statement) were prepared in June 2013 to show what would happen to the City without a restructuring, which they did very well. The "10 Yr/40 Yr projection" (Exhibit K in the Disclosure Statement) expands the baseline, steady state projection for the 40 Yr time horizon of the POA. Then, in order to begin to understand how the restructured Detroit might operate – delivering services and paying creditors – one must factor in the RRIs contained in Exhibit J to the Disclosure Statement. This is convoluted and contributes to the feelings amongst many creditors in this case that the financial projections in the POA are a "black box" and that it was the City's intent to obfuscate important information. I choose to believe that is was simply an unfortunate result of two advisory firms sharing responsibilities[18] rather than one firm "owning" the financial projections start to finish, as is, and should be, the norm.

The City's Plan of Adjustment is primarily limited to a "balance sheet" restructuring, as chapter 11 veterans would characterize it, and it includes only some of the City's operations. This is loosely analogous to a company that files a bankruptcy for the parent company and some, but not all, of the subsidiaries. The chapter 9 proceeding has been overwhelmingly focused on deleveraging the City for the long term, reducing future obligations. That is good. However, the operational restructuring that often occurs with commercial reorganizations will be left largely to Mayor Duggan and his managers for the post confirmation period. That is

[18]Ernst & Young, originally retained by the City of Detroit in May 2011, and Conway MacKenzie, originally retained by the City of Detroit in January 2013, have served the City post-petition in a collaborative arrangement. Each firm has taken responsibility for certain aspects of typical debtor "financial advisory" services and the firms work well together. No comments herein should be construed as criticism of this collaboration; rather, I believe it would have been preferable for a single firm to have prepared a single, integrated financial projection for the POA.

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 RRIs 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 estimate that appears reasonable when compared to the state and national forecasts highlighted below. The income growth forecast for corporations is 1.63% and is conservative relative to the State forecast. The Michigan Senate Fiscal Agency assumed an average 2.65% wage growth rate for Detroit which is reflective of the average state forecast of 3.65% reduced by a 1% structural adjustment for the City of Detroit.

Employment Growth (without RRIs)

The annual employment rate of City residents is forecasted to decline by 0.4% for the FY2014-FY2023 period. Non-residents' average annual employment is estimated to decrease by 0.07% for this time period. As was the case with forecasted wage growth, the employment growth assumptions seem reasonable when compared to the recent actual employment growth for the entire City of Detroit over the last three fiscal years which averaged 0.4%.

10 Year Plan – Municipal Income Tax (Without RRIs)
Taxable Income Growth Metrics

	Preliminary forecast										FY2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average/Total
City Residents (A)											
Wage Growth	2.53%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	**1.25%**
Employment Growth	-0.59%	-0.55%	-0.54%	-0.54%	-0.54%	-0.54%	-0.35%	-0.35%	0.00%	0.00%	**-0.40%**
Taxable income growth	**1.94%**	**1.45%**	**0.46%**	**0.46%**	**0.46%**	**0.46%**	**0.65%**	**0.65%**	**1.00%**	**1.00%**	**0.85%**
Non-Residents (B)											
Wage Growth	2.53%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	**1.25%**
Employment Growth	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.31%	-0.50%	0.19%	0.69%	0.69%	**-0.07%**
Taxable income growth	**2.23%**	**1.70%**	**0.70%**	**0.70%**	**0.70%**	**0.69%**	**0.50%**	**1.19%**	**1.69%**	**1.69%**	**1.18%**
Corporations (C)											
State CIT forecast (SFA est. May 2013)	3.80%	5.70%	5.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	**3.65%**
Detroit structural adjust.	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	**-1.00%**
Net growth rate	**2.80%**	**4.70%**	**4.00%**	**3.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.65%**
Assumed Forecast Growth Rate	**2.34%**	**2.50%**	**2.00%**	**2.00%**	**2.00%**	**1.50%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.63%**

10 Yr Plan with RRIs

The 10 Yr projections forecast annual municipal tax income through the estimation of the year-over-year ("YoY") growth in taxable income for the following subsections:

- City residents
  - Average annual YoY taxable income growth: 2.32%
  - Income tax rate: 2.4%
  - FY2014-FY2023 City resident income taxes: $1,693 million
- Non-residents
  - Average annual YoY taxable income growth: 2.37%
  - Income tax rate: 1.2%
  - FY2014-FY2023 non-resident income taxes: $817 million
- Corporations
  - Average annual YoY taxable income growth: 2.65%
  - Income tax rate: 2.0%
  - FY2014-FY2023 corporations income taxes: $260 million

Due primarily to the more optimistic City residents' taxable income growth assumptions in the "With Reinvestment Initiatives" scenario, the latter scenario assumes an additional $204 million in municipal income tax revenue in the 2014-2023 time period. A Sensitivity Analysis is provided below to gauge the impact of the City's actual results materially deviating from the 10 Yr Plan's forecast.

10 Year Plan – Municipal Income Tax (With RRIs)

	Preliminary forecast										FY2014-2023
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Average/Total**
City Residents (A)											
Taxable income growth	2.57%	3.17%	2.25%	2.19%	2.15%	2.16%	2.18%	2.18%	2.18%	2.18%	**2.32%**
Taxable income	$ 6,332.7	$ 6,533.4	$ 6,680.7	$ 6,827.2	$ 6,974.0	$ 7,124.5	$ 7,279.5	$ 7,437.9	$ 7,599.7	$ 7,765.0	**$ 70,554.5**
Income tax rate	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	
Total City Resident income taxes	152.0	156.8	160.3	163.9	167.4	171.0	174.7	178.5	182.4	186.4	**1,693.3**
Non-Residents (B)											
Taxable income growth	2.91%	3.29%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	**2.37%**
Taxable income	$ 6,105.4	$ 6,306.5	$ 6,444.0	$ 6,584.5	$ 6,728.0	$ 6,874.7	$ 7,024.6	$ 7,177.7	$ 7,334.2	$ 7,494.1	**$ 68,073.8**
Income tax rate	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Total Non-Resident income taxes	73.3	75.7	77.3	79.0	80.7	82.5	84.3	86.1	88.0	89.9	**$ 816.9**
Corporations (C)											
Net tax collection growth	2.80%	4.70%	4.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	**2.65%**
Taxable income (implied)	$ 1,133.4	$ 1,186.6	$ 1,234.1	$ 1,271.1	$ 1,296.5	$ 1,322.5	$ 1,348.9	$ 1,375.9	$ 1,403.4	$ 1,431.5	**$ 13,004.0**
Corporate tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Net tax collections	22.7	23.7	24.7	25.4	25.9	26.4	27.0	27.5	28.1	28.6	**$ 260.1**
Total Municipal income taxes (D) = (A+B+C)											
Taxable income	$13,571.4	$14,026.5	$14,358.7	$14,682.8	$14,998.6	$15,321.7	$15,653.0	$15,991.5	$16,337.3	$16,690.6	**$ 151,632.2**
Calculated tax rate	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	**1.8%**
Total Municipal income taxes	247.9	256.2	262.3	268.3	274.0	279.9	286.0	292.2	298.5	304.9	**$ 2,770.3**
Adjustment Municipal income taxes											
Adjustment for actuals	-	-	-	-	-	-	-	-	-	-	**$ -**
Total Adjusted Municipal income taxes	**247.9**	**256.2**	**262.3**	**268.3**	**274.0**	**279.9**	**286.0**	**292.2**	**298.5**	**304.9**	**2,770.3**

Wage Growth (with RRIs)

The 10 Yr projections estimate – for both the City residents and nonresident categories – an average wage growth of 2.16% for the FY2014-2023 period, or

Statutory Payments

The State's EVIP funds are appropriated annually by the State Legislature and therefore carry more inherent risk than the mandated State constitutional payments. The EVIP funds are allocated per the following categories:

- Category 1 – Accountability and Transparency
    - Each municipality is required by October 1st to produce a citizen's guide of its most recent local finances, including a recognition of unfunded liabilities, a performance dashboard, a debt service report, and a project budget report
- Category 2 – Consolidation of Services
    - Each municipality is required by February 1st to produce a service consolidation plan that is submitted to the Michigan Department of the Treasury; including details of service cooperation, consolidations, and privatizations with estimated cost savings
- Category 3 – Unfunded Accrual Liability Plan
    - Each municipality with unfunded accrual liabilities is required by June 1st to produce a plan to lower all such unfunded accrual liabilities; detailing previous actions taken and a go forward plan of existing and new initiatives

The 10 Yr projections assume that the City continues to receive 100% of its possible State allocation, or approximately $140 million annually for the entire FY2014-2023 time period.

Sensitivity Analysis

The following analysis illustrates the incremental impact to the City if State Revenue Sharing deviates from the assumptions in the 10 Yr forecast. The analysis below estimates the impact of a 5% change in the 2020 Census forecasted population and a 5% change in the statutory payment allocation. Because the constitutional payment is based on the 2010 Census figure through FY2021, the impact of a 5% population change would only be realized in FY2022 and FY2023. For the statutory payment, a 5% change in the allocation would have a cumulative impact of $70 million to the General Fund during the FY2014-2023 period.

	Preliminary forecast										10 Year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
For Every 5% Change in Applicable State Revenue Sharing Metric											
Constitutional Payment	-	-	-	-	-	-	-	-	3.0	3.0	$ 6.0
Statutory Payment	6.8	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	$ 70.0
Total State Revenue Sharing	**$ 6.8**	**$ 7.0**	**$ 7.0**	**$ 7.0**	**$ 7.0**	**$ 7.0**	**$ 7.0**	**$ 7.0**	**$ 10.0**	**$ 10.1**	**$ 76.0**

The City of Detroit recently saw its portion of State's revenue sharing decrease significantly, from a combined annual total of $267 million in FY2009 to as low as $173 million in FY2012. While the State's revenue sharing to Detroit has increased in FY2013 and FY2014, the City remains susceptible to decreases in revenue sharing should the State's budget position change.

Wagering Taxes

The City of Detroit, per the Michigan Gaming Control and Revenue Act, is authorized to impose a 10.9% wagering tax on casinos operating within the City. In addition, the City collects other fees from the casinos in the City based on operating agreements with each. Wagering tax revenues are forecasted to account for 17% of General Fund revenue in the FY2014-2023 period.

	Preliminary forecast										10 Year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Wagering Taxes Drivers											
% Change in Gross Receipts	-2.5%	-1.0%	0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.3%
Wagering Taxes Calculation											
Adjusted Gross Receipts (A)											
MGM	$ 565.4	$ 559.7	$ 562.5	$ 565.3	$ 571.0	$ 576.7	$ 582.5	$ 588.3	$ 594.2	$ 600.1	$ 5,765.8
Motorcity	445.6	441.2	443.4	445.6	450.0	454.5	459.1	463.7	468.3	473.0	$ 4,544.4
Greektown	331.6	328.3	329.9	331.6	334.9	338.2	341.6	345.0	348.5	352.0	$ 3,381.7
	$ 1,342.6	$ 1,329.2	$ 1,335.8	$ 1,342.5	$ 1,355.9	$ 1,369.5	$ 1,383.2	$ 1,397.0	$ 1,411.0	$ 1,425.1	$ 13,691.8
Wagering Tax Rate (B)	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	
Additional Payment (per 2006 operating agreement)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Subtotal Wagering Tax (D) = (A)*(B+C)											
MGM	67.3	66.6	66.9	67.3	67.9	68.6	69.3	70.0	70.7	71.4	$ 686.1
Motorcity	53.0	52.5	52.8	53.0	53.6	54.1	54.6	55.2	55.7	56.3	$ 540.8
Greektown	39.5	39.1	39.3	39.5	39.9	40.3	40.7	41.1	41.5	41.9	$ 402.4
Revenue Target Supplemental Wagering Tax (E)											
MGM	5.7	5.6	5.6	5.7	5.7	5.8	5.8	5.9	6.0	6.0	$ 57.8
Motorcity	4.5	4.4	4.4	4.5	4.5	4.6	4.6	4.6	4.7	4.7	$ 45.5
Greektown	-	-	-	-	-	-	-	-	-	-	$ -
Total Wagering Tax (F) = (D+E)											
MGM	72.9	72.2	72.6	72.9	73.7	74.4	75.1	75.9	76.7	77.4	$ 743.9
Motorcity	57.5	56.9	57.2	57.5	58.1	58.6	59.2	59.8	60.4	61.0	$ 586.3
Greektown	39.5	39.1	39.3	39.5	39.9	40.3	40.7	41.1	41.5	41.9	$ 402.4
Total Wagering Tax	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	$ 1,732.6

As a result of the wagering tax rate (10.9%) and the additional 2006 tax rate (1.0%) being held constant, the key assumption in the 10 Yr forecast is the annual percentage change in casino gross receipts. The Detroit casinos have experienced increasing competition recently due to the openings of casinos in Cleveland and Toledo, Ohio resulting in declining wagering tax revenues for the City. The 10 Yr projections assume a 2.5% YoY decline in FY2014, a 1.0% decline in FY2015, a 0.5% annual increase in FY2016 and FY2017, and a 1.0% annual increase in FY2018-2023.

Whenever contemporaneous financial information is required, the City has no choice but to rely on the incomplete and unreliable financial data from the G/L system. As such, external reports such as the Emergency Manager's reports to Financial Advisory Board contain necessary disclaimers such as:

> "The revenues and expenditures report includes entries that have not been posted in the general ledger and encumbrances. This manner of presentation provides the most up to date data on revenues and expenditures. Unposted entries are preliminary and subject to review before they are finalized; therefore, actual results will likely be different from the preliminary results presented herein, and those differences may be material."[40]

Potential Plan Implications

Beyond financial reporting, the efficient and controlled execution of the accounting and finance functions are essential to achieving the financial initiatives set forth in the Plan. Some of the most important assumptions in the POA depend on improving the accounting and finance function within the City. For example:

- Municipal Income Taxes: the City processes and audits income tax returns, and collects income tax revenues which account for 25% of the City's revenue in FY2014-2023
- Purchasing: the City's purchasing function manages the City's contracts for all commodities and services which are forecasted to total $3 billion in the next ten years
- Property Taxes: The assessor's office creates the tax rolls used to invoice citizens and commercial customers for real estate taxes which are estimated to account for 9% of the City's revenue in FY2014-2023 and the Treasury department is responsible for the billing and collection function

[40] Emergency Manager's report

- Grants: Grant funding is expected to increase in the City going forward. In fact, there are additional opportunities for the City to acquire grants if it can responsibly manage and account for them. The City has failed to properly account for and manage grants in the past which has led to improperly spent funds. The City can benefit by tens of millions of dollars if this process is improved

The diminished capacity of these finance departments to execute their basic functions is a result of attrition and an historic failure to invest in people and systems. If the City does not build internal capacity in its finance and accounting functions in a timely fashion, it could threaten the execution of the POA.

Information Technology

The City, as detailed in the Plan, is addressing its system issues with a number of major initiatives funded as part of the RRIs. These IT-related initiatives include:

- $29 million related to a new Enterprise Resource Planning ("ERP") system, which includes both the installation and annual maintenance to improve the City's financial processes and reporting.
- $11.7 million related to City-wide hardware upgrades.
- $10.9 million related to Data Back Up centers.
- $10.4 million related to the City-wide installation of Microsoft 365.
- $5.2 million related to the implementation of City Tax.

While the IT department expects to spend almost $85 million on restructuring initiatives over the next 10 years, the total investment in IT related expenses by the City is upwards of $150 million. It should be noted that this figure does not include a budget of $3 million for the implementation of a replacement payroll system, which is included in E&Y's base line financial projections. We believe the City would benefit with a more centralized control over all IT related investments. The following chart details the significant IT-related restructuring initiatives out of each of the departmental RRIs:

IT and Infrastructure	Department	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Ten Year Total
ERP System	Finance	$ -	$ 7.4	$ 10.3	$ 9.0	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 29.0
Replacement of Radios	Police	$ -	$ 7.5	$ 7.5	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 22.0
Implementation of Integrated Public Safety System	Police	$ -	$ 4.5	$ 2.5	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 13.8
Hardware Upgrade	Finance	$ -	$ 1.5	$ 2.0	$ 2.0	$ 1.2	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 11.7
Data Back Up Center	Finance	$ -	$ -	$ 4.9	$ 2.4	$ 0.2	$ 0.2	$ 2.7	$ 0.2	$ 0.2	$ 0.2	$ 10.9
Microsoft Application Department - 365 Cloud (Net of Savings)	Finance	$ -	$ 1.3	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 10.4
311 System	Ombudsperson	$ -	$ -	$ 3.0	$ 0.5	$ 0.5	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 7.0
Document Imaging and Management System	Finance	$ -	$ 3.0	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 5.4
Implementation of City Tax	Finance	$ 0.1	$ 1.7	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 5.2
Upgrades to 36th District Court Technology	Non Departmental	$ -	$ 1.6	$ 0.8	$ 0.4	$ 0.4	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 4.2
Citywide Network Infrastructure	Finance	$ -	$ 2.0	$ -	$ -	$ 1.1	$ -	$ -	$ 1.1	$ -	$ -	$ 4.2
Security Access System to Building	Finance	$ -	$ 0.6	$ 0.6	$ 0.6	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 3.8
Workbrain Upgrades	Finance	$ 1.1	$ -	$ -	$ -	$ 1.2	$ -	$ -	$ -	$ 1.3	$ -	$ 3.6
Fire Vehicle Technology Upgrade	Fire	$ -	$ 0.7	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.7	$ 0.1	$ 0.1	$ 0.1	$ 2.2
Helpdesk Software	Finance	$ -	$ 1.6	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 2.0
Active Directory Service Migration	Finance	$ -	$ 1.3	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 2.0
Cashiering Controls	Finance	$ -	$ 1.4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.4
HR Learning Center and Implementation	HR	$ -	$ 0.5	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 1.3
Operating System Upgrade	Finance	$ -	$ 1.0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.0
SQL Server Update	Finance	$ -	$ 0.2	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.7
All Other	Various	$ 1.9	$ 3.6	$ 0.5	$ 0.5	$ 0.5	$ 0.5	$ 0.6	$ 0.7	$ 0.5	$ 0.5	$ 9.8
Total IT and Infrastructure		**$ 3.1**	**$ 41.3**	**$ 34.4**	**$ 19.6**	**$ 10.1**	**$ 7.4**	**$ 10.7**	**$ 8.8**	**$ 8.8**	**$ 7.5**	**$ 151.7**

These initiatives are a significant investment and present an opportunity for the City to improve services and functionality throughout its operations. However, to enhance the City's ability to execute the proposals within the POA, the City will need to manage the execution of the IT initiatives at the most senior level in the City and make sure that it reacts to any material deviations - from cost or timeline - in the implementations.

According to CFO John Hill, the City's strategy to correct this catastrophic decline in essential finance, accounting and IT services has three major components:

whether the swap insurers have the right to prevent the City from gaining access to its wagering tax revenues (City of Detroit, Michigan v. Syncora Guarantee Inc. et al., Adv. Proc. No. 13-04942)[79], and 2) whether the swap counterparties had the "standing" to enter into the FOTA without the swap insurers' consent. On the first issue, the District Court – in a July 14, 2014 decision - ruled the swap insurers did not have the right to trap the City's wagering tax revenues. That decision, as well as the ruling on the swap counterparties authority to execute the FOTA without the swap insurers' consent, will thus be decided by the Sixth Circuit Court of Appeals. To the degree the insurers' appeal is successful, any clarity of the City's financial exposure to a potential swap termination payment would be lost and would possibly result in the future restricted access to some portion of the vital Casino revenues.

Collective Bargaining Agreements

The City of Detroit, throughout this bankruptcy process, has been negotiating to reach CBAs with its various labor unions representing the City employees. A total of 47 labor unions represent the City's employees, all of which had their CBAs

[79] Quarterly Report with Respect to the Financial Condition of the City of Detroit; Office of the Emergency Manager; dated April 15, 2014.

expire as of June 30, 2013. The City's employees have been subject to City Employment Terms ("CETs") since the expiration of the respective CBAs. The City estimates that the CETs have resulted in more than $200 million of annualized labor savings.

The City has negotiated many new CBAs with the goal of having them mirror the effective terms of the CETs. Phoenix has recently received the majority of negotiated CBAs, some of which have been fully approved by the State of Michigan, and some of which have been ratified but await the State's approval. Due to the timing of when Phoenix received these CBAs relative to our Report deadline, we have not fully reviewed each of these CBAs. To the degree that the final, agreed-upon terms of the respective CBAs contain aspects that are costlier to the City than the current CETs or contemplated in the projections, the City's liquidity could be negatively impacted. I am further concerned that the newly negotiated CBAs may not have sufficiently addressed the City's historic work rule issues.[80]

[80] I have received assurance from City advisors that all agreed-upon CBAs are included in the projections.

Potential Asset Sales

Concurrent with the City's bankruptcy process, the City and its representatives have been in discussions with multiple constituencies in efforts to ascertain the optimal utilization of certain assets of the City of Detroit, whether that may be the outright sale of certain assets or the proposed leasing and/or partnership of non-core City assets.

The City has been engaged in longstanding discussions pertaining to the Detroit Water and Sewerage Department ("DWSD") with the surrounding counties with regards to the potential formation of a regional water authority. It is conceivable that a new authority could assume operating control of the majority of DWSD assets. To date, the City has not able to reach an agreement on any disposition of the DWSD assets and, as such, the discussions have migrated to bankruptcy-ordered mediation.

In addition to a possible disposition of the DWSD assets, the City has also inquired with interested parties about the possibility of a public-private partnership. Such partnership would entail the operation and management of the DWSD by qualified candidates who have demonstrated the financial and operational capabilities required to execute the DWSD's operations.

The City, via its Auto Parking System ("APS"), owns and manages seven parking garages containing 6,793 spaces and controls roughly 3,400 on-street metered parking spaces. At the request of the City, Miller Buckfire & Co. has been tasked with exploring the potential monetization of the City's parking assets. At this time, no definitive decisions have been made by the City regarding these assets.

Lastly, options related to the City's Coleman A. Young Airport are currently being considered, specifically a possible sale or lease transaction. As the airport is currently a cash drain on the City's budget, the transfer of this asset could be beneficial to the City's overall liquidity.

Exit Financing

The City of Detroit is seeking to enter into a $300 million financing facility ("Exit Facility"), commensurate with the City's anticipated emergence from bankruptcy. Per the POA, an estimated $120 million of the Exit Facility will be used to refinance the City's existing, previously-funded Quality of Life loan. The balance of the Exit Facility is intended to provide the City with liquidity and begin to fund the POA's restructuring initiatives.

Section O - Other Risks and Opportunities

The POA and the projections that support the POA have been developed by the City to provide a reasonable forecast and represent a realistic picture of the City's General Fund.[81] Based upon my team's analysis and numerous discussions with the City's advisors, I understand these projections were not developed either to: 1) account for every opportunity the City may have to generate cash flow in the future, or 2) account for every possible downside risk associated with a loss of revenue or an increase to expenses. While I do not disagree with the City's exclusion of certain items, I believe it appropriate to briefly summarize certain risks and opportunities not fully explored elsewhere in this Report.

[81] Report of Gaurav Malhotra in re City of Detroit, Michigan 13-53846, page 3, "These projected revenues and expenditures are reasonable forecasts and represent a realistic picture of the City's General Fund's ability to afford its expenditures and satisfy its obligations under the plan while maintaining an adequate level of municipal services."

Macro-Economic Issues

I believe the City's economic forecasts that informed the projections considered normalized economic conditions. I do not believe the City's projections accounted for any significant economic disruptions similar to those experienced recently during the Great Recession. Depending on the severity, longevity and the direct impact on urban centers, a long term and negative economic condition could cause serious concerns with meeting the Plan requirements.

State and Federal Funding

The POA relies on a number of external funding sources including the State of Michigan and to a lesser extent the Federal government. The State contributes through annual revenue sharing totaling almost $2 billion over the first 10 years of the Plan as well as $194 million as part of the Grand Bargain. Any additional support for Detroit at the State level is not committed and, in fact, revenue sharing could decrease over the life of the Plan.

There is obvious interest by the Mayor in identifying new and recurring support from the Federal government and other grant making bodies. The Plan projections have tended to apply conservative assumptions to the current grants and the availability of additional grants in the future, although it is clear that not all grants assumed in the projections are committed at this time. Any increase in direct Federal support or grants will help to make the projections more achievable.

Impact of Private Parties

Third party funders have made significant commitments to the City. In fact, the Grand Bargain represents a huge commitment by these City benefactors and is already accounted for in the projections. However, there are a lot of small ways that third party benefactors may directly and indirectly impact the future of the City. The work of the Blight Task Force and the Future Cities Initiative are an example of this and cannot be measured in dollars. There would also be an improvement in the feasibility of the POA if a surge in private investment favorably impacts real estate values, employment and other factors that could contribute favorably to the initiatives in the Plan.

There is a downside to third party involvement as well. It can be fickle; a change in priorities or fortune could reduce the level of funding or delay it. The POA calls for $366 million from charities and foundations plus an additional $100 million to be raised by the DIA Corporation as part of the Grand Bargain which will be paid over a 20 year period. Failure of these foundations or benefactors to execute

In addition, I believe it is likely that the City will desire or require access to the capital markets in the future for potentially many different reasons. Mr. Buckfire believes the significant changes as a result of the POA and the State of Michigan's steps to remedy governance will allow the City to again access the capital markets. [84] The City's inability to access the capital markets beyond the Exit Financing may limit the City's working capital flexibility and its ability to respond to future, necessary changes in delivery of essential services or capital investments.

DWSD

Detroit Water and Sewerage Department is a significant portion of the City's operations, however, it has very little impact on the General Fund. DWSD largely operates independently from other City business units. While DSWD's debt is impacted by the POA, the DWSD operations are not included in the Plan. DWSD does play a significant role in funding the City's pension obligations during the forecast period[85]. In the event of a significant disruption to the DWSD operations, significant loss of customers impairing its financial prospects, or in the event that

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[84] Expert Report of Kenneth Buckfire in Support of the City of Detroit's Plan of Adjustment in re City of Detroit, Michigan 13-53846 pages 3-5 Sections 3-6.

[85] DWSD is expected to contribute a total of $428 million from FY2015-FY2023.

the DWSD contributions are not made according the POA, this could negatively impact on the outcome of the POA.

Sale of Assets

The POA largely excludes the sale of assets. While the sale of certain assets will have established treatment in the POA, there are significant asset sales that are not contemplated in the POA that could positively impact the projections. These assets might include parking related assets and other real estate. I have no visibility into the value of potential asset sales, but I believe they could produce cash which could improve the City's liquidity or revitalization prospects.

Tipping Point

The concept of the Tipping Point was made popular by author Malcolm Gladwell. He characterizes the tipping point as a moment of critical mass or boiling point where a group of small actions hit a threshold point and create an outsized impact. [86] A tipping point can be either positive or negative. Presently, the City has

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[86] The Tipping Point by Malcolm Gladwell, 2000 published by Little Brown.

momentum and emotional optimism that it can build upon to energize its revitalization. There is no way to stochastically identify this impact and I do not believe the City has included this optimism in its projections. But there is no doubt that it is real.

I believe the City may be experiencing a tipping point that could be either positive or negative. There is a lot of press about support for the City from external parties making significant investment in Detroit. Press accounts suggest percolating interest in real estate and low availability of market rate apartments in small sections of the City. The City is addressing in small ways the quality of life issues, including street lights and blight.

It is beginning to feel like it could be an exciting time to be in Detroit. Tipping points also work in the opposite direction. If the momentum starts to slow in lots of small ways, or if the headlines change from investors buying, to investors selling, or if blight remediation reverses direction, the City could tip backwards. It is a critical point in time for the City of Detroit. My opinion is that it is more likely to tip forward than to tip backwards.

Section P - Conclusions

As noted in the Feasibility Section of this Report, I, along with the Phoenix team, have proffered the following Feasibility Standard for use in determining whether the City of Detroit's Plan of Adjustment is feasible:

> '*Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default*?'

We have further qualified the Standard into two components:

Quantitative

- Are the projections contained in the POA mathematically correct and materially reasonable?
- Are the assumptions that the City has used to develop its projections individually, and when taken as a group, reasonable?
- Is there an adequate contingency included in the projections?

Qualitative

- Does the City have the human resources, or can it likely recruit the human resources, required to meet its obligations under the POA?

- Does the City have the appropriate systems and procedures to monitor its financial performance and to provide early warning signs of variances in performance that might cause the City to fall short of the projections and be unable to meet its obligations under the POA?
- Are there appropriate structures to ensure the City's compliance with the POA and with reasonable government standards of operation?
- Will the City be able to reasonably deliver a minimum level of municipal services?
- Is the City's trajectory sustainable?

The Quantitative Issues

It is my opinion that, except where otherwise noted in my Report, the projections are generally mathematically correct and materially reasonably and therefore fall within the Feasibility Standard I have defined.

It is my opinion that, except where otherwise noted in my Report, the individual assumptions used to build the projections fall into a reasonable range and, that when taken as a group, these assumptions are also reasonable and fall within the Feasibility Standard.

While I have noted issues with the level of contingency in the projections, and feel this must be addressed both as a practical matter and in response to Public Acts 181 and 182 of 2014 controlling law, I believe that there are enough conservative assumptions in the projections to offset what I view as an aggressive assumption

Exhibit 6K

Excerpts of July 18, 2014 J. Hill Deposition Transcript

JOHN W. HILL

UNITED STATES BANKRUPTCY COURT

FOR THE EASTERN DISTRICT OF MICHIGAN

\- - -

In Re:) Chapter 9

City of Detroit, Michigan,)

Debtor.) Hon. Steven Rhodes

____

The Videotaped deposition of JOHN W. HILL

Taken at 51 Louisiana Avenue, N.W.,

Washington, D.C.

Commencing at 9:03 a.m.

Friday, July 18, 2014

Before: Gail L. Inghram Verbano

Registered Diplomate Reporter,

Certified Realtime Reporter,

Certified Shorthand Reporter-CA (No. 8635)

JOHN W. HILL

APPEARANCES:

FRANK J. GUADAGNINO, ESQ.

CLARK HILL, PLC

301 Grant Street, 14th Floor

Pittsburgh, PA 15219

Appearing on behalf of the Retirement Systems for the City of Detroit.

GEOFFREY S. STEWART, ESQ.,

DAN T. MOSS, ESQ.,

BENJAMIN FRIEDMAN, ESQ.

JONES DAY

51 Louisiana Avenue, Northwest

Washington, D.C. 20001

Appearing on behalf of the Debtor and the Witness.

JOHN W. HILL

DAN BARNOWSKI, ESQ.

DENTONS US, LLP

1301 K Street, N.W.

Suite 600, East Tower

Washington, D.C. 20005

Appearing on behalf of the Retiree Committee.

DOUGLAS SMITH, ESQ.

KIRKLAND & ELLIS, LLP

300 North LaSalle

Chicago, Illinois 60654

Appearing on behalf of Syncora Guarantee, Inc., and Syncora Capital Assurance, Inc.

JOHN W. HILL

MICHAEL BHARGAVA, ESQ.,

ANA VUCETIC (Law Clerk),

MOLLY FEIDEN (law Clerk)

CHADBOURNE & PARKE, LLP

1200 New Hampshire Avenue, NW

Washington, D.C. 20036

Appearing on behalf of Creditor Assured Guaranty.

TELEPHONIC APPEARANCES:

BRENDA L. FUNK, ESQ.

WEIL, GOTSHAL & MANGES, LLP

700 Louisiana, Suite 1700

Houston, Texas 77002

Appearing on behalf of Financial Guaranty Insurance Company.

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emergency management, yes. Yeah, absolutely.

Q. The -- if you look at Page 5 of the consensus report, there's a section on wagering taxes. Do you see that?

A. Yes.

Q. At the end of that section it says "The turnaround is expected in fiscal year 2016 with the consensus projecting 1.5 percent growth in wagering tax revenues."

Do you see that?

A. Yes.

Q. Is that a reasonable projection?

A. I believe that it is.

Q. Okay. Do you agree that everyone participating in the consensus conference used different methodologies to estimate revenues?

A. Yes.

Q. Is there a reason that the consensus conference doesn't estimate or forecast expenditures?

A. Because it's a revenue estimation conference.

Q. Okay. The -- on Page 11 of the document, there's a section on potential upward

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adjustments to forecasts.

Do you see that?

A. Yes.

Q. "The consensus conference concluded that ongoing improvements in collection efforts in fiscal year 2013 should net additional income tax revenues not currently reflected in the consensus estimates."

Do you see that?

A. These -- yeah. But this is -- this is in context of the risk to the forecast, things that could happen on either side of the forecast. And so it wasn't a conclusion that this would happen. It's that this is a risk and a possibility.

Q. Okay.

A. That's --

Q. And do you -- well, do you agree that the income tax collections could well improve more than is forecasted in any of the forecasts?

A. Well, there are -- there are dollars in the plan associated with improving collections of taxes. They're not in the projected revenues of the plan, but they're in the con -- they're in the

JOHN W. HILL

restructuring initiatives in the plan, so you'd have to implement those strategies in order to increase the collections.

The way -- so the way it's constructed there in the plan, there are additional -- there are initiatives that would have additional revenue associated with them for collection of receivables.

Q. And does the plan assume that the City will obtain piggybacking of tax collections from the State?

A. I don't remember if that piece is actually in the plan or whether it came after. I can't say --

Q. Okay.

A. -- offhand. But there is an effort underway to have a piggyback effort with the State.

Q. Okay. And what's the status of the City's efforts to have the State piggyback tax collection for the City on its State return?

A. There's agreement in concept. We have started -- the potential forms that could be used have been discussed, and so there's planning for

JOHN W. HILL

implementation.

Q. Okay. So people are involved in drafting the actual forms that would be used for piggybacking the tax?

A. Yes.

Q. And have there been revisions back and forth with those forms already?

A. Yes.

Q. And when do you contemplate that that will be set up, the piggybacking of the tax?

A. It's -- it's the taxes that are -- the returns that are done in -- I think it's 2016 -- that are for the 2015 tax year. But I have to -- I'm within a year or so of the actual date. But it's within the next two to three years.

Q. Okay. And piggybacking the tax collection should increase income tax revenues for the City; correct?

A. That's the hope, yes.

Q. And when you piggyback the tax collections with the State, does that mean that the City income tax will then be withheld by employers? Or how does that work? Maybe you can explain --

JOHN W. HILL

A. No, not necessarily.

Q. Can you explain what piggybacking the tax collections means?

A. It means that any separate form by the City for income taxes would go away and that that would be a schedule for computing taxes on your State return. And so you would pay your Detroit taxes when you pay your State taxes.

Q. And how does that help to improve tax collections for the City?

A. It could identify non-filers, because anyone who has a Detroit address would also then be expected to file a return for Detroit.

And then the State's collection efforts, meaning that any withholding that occurs, whether it's from the State or from City, could be used to support the payment of the city taxes as well.

Q. Okay. So --

A. It comes down to one liability.

Q. So under the piggybacking proposal, there would be withholding of money that would be available to pay the City income tax; is that correct?

MR. STEWART: Objection.

JOHN W. HILL

THE WITNESS: It's not completely accurate.

BY MR. SMITH:

Q. Okay. Maybe you can explain to me how piggybacking makes money available to pay the City income tax.

A. It is a consolidated return. So the two ways that it could help -- and there may be others. The two ways that it would help would be you'd be able to identify people who live in Detroit who aren't filing a City return but yet they're filing a State return, so non-filers.

Ask then you'd also, since it's one number and one check on the return, then you'd be able to offset any withholdings above and -- any withholdings against the amount that's remitted to the State. So it's those two --

Q. And there are numerous people who were living in Detroit and working outside of Detroit who aren't paying the City income tax; correct?

A. I don't know the actual number, but the projection's that there are some.

Q. And there's been a study by MacKenzie that was indicating that it was as much as

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$140 million was being lost by the City in income tax revenue because people who lived in the city but worked outside the city weren't paying the tax; correct?

A. I'd have to look at that study again to see if that number is correct. But yeah, I'd have to look at it again.

Q. I mean, what are the numbers you've seen in terms of revenue losses for reverse commuters who don't pay the taxes?

A. I haven't -- I haven't seen -- you know, I've seen revenue numbers as a part of the MacKenzie report. I just don't remember the exact number that was in the report.

Q. You do remember it was tens of millions of dollars that was being lost as a result of reverse commuters not paying taxes?

A. I remember that there was a potential for, I'll say, millions of dollars in noncompliant -- noncompliance with the City's tax rules.

Q. Is there any legislative change that needs to be done to accomplish piggybacking, or is that just something that the State will do

JOHN W. HILL

administratively?

A. I don't know the specifics of how it would be actually implemented. I'd have to only assume. But they're lawyers that are working on that. I'm not a lawyer.

Q. The State has agreed to do the piggybacking; is that fair to say?

A. Yes. There has been agreement to move forward and get -- try to get to implementation.

Q. And the Governor and the emergency manager both recognize that piggybacking is an important way to increase revenues for the City of Detroit; correct?

MR. STEWART: Objection.

THE WITNESS: Yeah. I don't -- I don't know what -- what the Governor's -- what's in the Governor's mind. I do know that it's an initiative that is being supported by the emergency manager.

BY MR. SMITH:

Q. Okay. The emergency manager recognizes that piggybacking is an important mechanism for increasing revenues available to the City of Detroit; correct?

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A. It is one way to help increase revenues to the City. There's no -- yes. But when you say "important," it puts it in relationship to other things. But the -- yes. It's -- it's a way to help improve tax compliance and tax collection which would consequently improve revenues.

Q. Can you identify any revenue initiative that's in the stages of being planned that's more important in terms of the dollar amounts to the City, the incremental dollar amounts, than piggybacking the tax?

A. Yeah. If you look at the -- the Plan of Adjustment has a number of initiatives that are expected to improve revenue that would be higher at least in the plan than you would expect from the piggyback tax.

Q. Outside of the Plan of Adjustment, though, can you identify any initiative that's projected to bring more revenue into the City than piggybacking tax collections?

A. There is one other initiative that we've talked about, which we're still in conversation with the State about, which is the -- the withholding, requiring any employer to withhold

JOHN W. HILL

taxes for any person working -- to withhold local taxes. And so that is also an initiative that could result in greater compliance.

Q. Has the State agreed to implement the withholding of taxes?

A. It's a legislative initiative. So until the law has passed, you don't know if the State has agreed to it or not.

Q. Is the Governor supporting a law that would require withholding of City income tax?

A. I know that there are conversations about it. I don't know how the Governor is going to come down on it.

Q. What are the ongoing conversations about withholding the tax -- the income tax for the City of Detroit?

A. They are at -- there were conversations that occurred prior to -- prior to this legislation that was put through on the Control Board and the CFO. And those were conversations, the ones that I'm aware of, are the ones that occurred with the Mayor and the Governor and Kevyn Orr.

But beyond that on an ongoing basis, I

JOHN W. HILL

don't know who is talking to whom about it right now at this moment.

Q. But you know that there are ongoing discussions to try to get a withholding of the City income tax; is that correct?

A. I know that that's something the City would like to have done, yes.

Q. And the City is lobbying the State to withhold the City income tax because it would increase City income tax revenue; correct?

MR. STEWART: Objection.

THE WITNESS: I don't know exactly what lobbying is going on. I just know that there are discussions, and who -- who they're lobbying, I don't exactly know.

BY MR. SMITH:

Q. The City has requested that the State withhold the City income tax because it would increase revenue to the City; correct?

A. The State isn't withholding City income tax.

Q. No. Why is the City asking the State to withhold City income tax?

MR. STEWART: Objection.

JOHN W. HILL

THE WITNESS: The City isn't asking the State to withhold income tax.

BY MR. SMITH:

Q. The City wants the State to require withholding of the City income tax because it would generate increased revenue for the City; correct?

A. To -- yes.

Q. Okay. The -- has the City asked the State to increase income tax rates?

A. I know of no discussions about increasing income tax rates. I don't know that -- I don't know of any discussions about that.

Q. And has the City asked the State to -- the City did have -- there was an increase in the corporate tax rate; is that correct?

A. I'd have to go back to my -- to the rates and actually look at it; but yes, I believe there was.

Q. And why was there an increase to the corporate tax rate?

A. Again, I'd have to -- I'd have to look at that specific one in my documents. I couldn't tell you offhand.

JOHN W. HILL

Q. Is the City, on an ongoing basis, asking the State to increase any tax rates?

A. I don't -- I know of no discussions with the State about increasing taxes.

Q. Okay. Has the City asked the State to cooperate in imposing any new taxes?

A. I don't know of any discussions about that.

Q. Has the City had discussions with the State about reducing tax rates?

A. I've not been a party to those discussions if they're occurring.

Q. I mean, would you recommend that, reducing tax rates in the city?

A. You'd have to study it and look at the impact. You know, you'd have to study it and look at the impact.

Q. You haven't done any study looking at the impact of increasing or reducing tax rates in the city; correct?

A. I have not.

Q. And you're not aware of the City -- anybody at the City doing that, are you?

A. I'm not aware of any study.

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Q. There's -- did you refuse to provide the consensus conference with an estimate of accounts receivable?

A. Did I refuse?

Q. Well, I don't mean -- in a pejorative sense, I'm just -- if you look at Page 12 of the conference report, at the top, there's a section on delinquent receivables and it says "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 due to the following factors."

Do you see that?

A. Yeah. But that was not a refusal.

Q. Okay.

A. It wasn't provided.

Q. And did the consensus conference ask you to provide an estimate about accounts receivable that were outstanding?

A. No one in the consensus conference asked me for that. Whether there were other people within my department that were asked that, I don't know; but no one asked me for that.

JOHN W. HILL

Q. Okay. I'm just wondering why this section is in the report about accounts receivable, if you know.

A. Yeah. And the section is in the report about -- because accounts receivable right now is -- the records for accounts receivable across the City are in different places. And there are departmental accounts receivable that are managed, and they're not all within the central accounts receivable system.

That's one of the issues that we're facing in the redesign of our financial management system to make sure that we have centralized control over accounts receivable. And that was -- I know that was part of the issue in pulling, you know, this information together.

Q. And as far as you know, no one has tried to tally up all the money that's owed to the City in the accounts receivable spread across the various departments, have they?

A. Sure. I mean, there's -- in the financial statements, there's a number that's consolidated for accounts receivable that's a part of each financial statement, so that is across the

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entire City.

Q. And about how much money is owed to the City in the accounts receivable? Would it be hundreds of millions of dollars?

A. I can't tell you that. I'd have to look at the financial statement and give you the number.

Q. I guess what I'm wondering is if it's in the financial statements, you know, why wouldn't you just give the revenue conference the number that's in the financial statements?

A. Because the financial statements -- they have the information that's in the financial statements. But the financial statements -- we're working on the audit for fiscal year 2013.

Q. Oh, yeah.

A. So it's not the current numbers.

Q. Okay. So nobody knows currently how much money the City of Detroit is owed; is that correct?

A. No. That's not correct.

Q. I mean, is there a current sum that anybody has calculated for the amount that the City of Detroit is owed in accounts receivable

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who are improperly claiming the homestead exemption to reduce their property taxes?

A. I haven't looked at that specific issue. I haven't looked at that.

Q. Has anybody in the City investigated whether people are improperly claiming homestead exemption to reduce their property taxes?

A. I've not seen that report.

Q. And you're not aware of an investigation of that, one way or the other?

A. I'm not. Not at this point.

Q. Utility user's tax, are there any exemptions or reductions for that?

A. I know that there are -- I know that there are. I couldn't tell you specifically which ones there are.

Q. What about the wagering tax? Are there exemptions or reductions for that?

A. Not that I'm aware of.

Q. Are there exemptions or reductions for the corporate tax?

A. I know there are exemptions based on the type business, but I couldn't tell you which specific ones.

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Q. Are there private and nonprofit entities engaged in significant efforts to bring new businesses and jobs to the City of Detroit?

A. Yes.

Q. And what kind of private entities and nonprofits are doing that?

A. Certainly the efforts that are occurring with Quicken and their incubation of private companies; and some of the properties that they own is a major effort to try to create businesses here and to improve the growth of those businesses.

There are a number of organizations that are providing grants to businesses to come into the city. And then also foundations are providing resources to be able to work on business attraction as well.

Q. Are the efforts by private entities -- have they been successful in terms of increasing the potential for future increase in business in the city?

A. There have been new businesses that have come into the city as a result of that and that are being created.

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It remains to be seen how they grow and what impact that might have on the tax structure.

Q. So would that be another uncertainty in terms of the forecasting, the growth of new businesses?

A. That is an uncertainty, yes.

Q. And do you agree that there are a number of uncertainties with respect to the forecasts in this case?

A. I would agree that that's the nature of a forecast.

Q. Is the State engaged in any ongoing efforts to help bring new business and jobs to the City of Detroit?

A. I am -- I'm not specifically aware of the specific efforts, so I wouldn't know. I wouldn't be able to answer that.

Q. Is the federal government engaged in any ongoing efforts to bring new businesses and jobs to the City?

A. Yes.

Q. What kind of activities?

A. Certainly the work around grants that's being done with some of the federal departments

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could have the impact of bringing new jobs to the City. That's the one that I know of specifically.

Q. What grants are there that have the impact of bringing new jobs to the City in the future?

A. Grants around transportation, to be able to expand the number of buses and bus routes; grants around the M1 line, which would bring people from outside of the city into the city to work. And so those are all efforts that the federal government is involved in and the City is involved.

Q. What's the current status of the M1 line project?

A. I know that it's applied for certain grant funding. I also know that all of the funding needed has not been identified yet.

Q. Is it correct that there are grants that are given to the -- by the federal government to entities other than the City that could have the effect of increasing the City's revenues or reducing its costs?

A. You'd have to tell me the specific grants.

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Q. Well, you're saying that there are these grants that could result in improving business and the economy of Detroit that private entities or other entities are receiving. You're aware of that; correct?

A. Certainly the -- yes, absolutely.

Q. And so there are grants the federal government gives to entities other than the City that in the future could have the effect of increasing the City's revenues or decreasing its costs; correct?

A. Again, it's -- it could have the effect. And -- yes, efforts underway to have federal -- federal grants that go to other entities could have an effect on the revenues in the city.

Q. And have you ever heard of the Revised Judicature Act of 1961?

A. No.

Q. So you don't know what it provides?

A. No. I'm not --

Q. Do you know if the, one way or the other, whether the City has ever paid any judgments covered by the Revised Judicature Act?

A. I know that the City has paid judgments

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before and -- but the name of the act I'm not familiar with.

Q. Okay. What are you familiar with or what were you thinking of?

A. I know that there have been a couple of instances where there have been judgments in which the City has increased property taxes in order to pay for those judgments, but I only know of a couple of instances.

Q. What are those instances that you're aware of?

A. I couldn't -- I couldn't give you the specifics of them. I know of -- I know of two.

Q. Do you know when they occurred?

A. Quite a while ago.

And it was -- and it was in a -- a document that I was looking at, but I don't know the specifics of it.

Q. Okay. But you know that the City can increase property tax to pay judgments against the City; correct?

A. I know that that's a possibility.

Q. And you know it's -- that the City can increase property taxes above statutory maximums

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in order to pay judgments against the City?

A. I know that that has happened.

Q. I mean, were you ever -- did you -- I mean -- but you can't give me any of the specifics of those instances where that's happened?

A. No. Like I said, it was just in some materials that I was actually looking at, and I don't recall the specifics of it. But I do know that they were relatively small. And whenever that would be done, collectability is an issue.

Q. Well, did the City pay those judgments?

A. The judgments were paid, yes.

Q. And the City paid the judgments by increasing property taxes in full?

A. Yeah. And as I said, they were small.

Q. But they -- the City paid them in full?

A. Yes.

Q. Do you know if the City used money from the general fund -- well, it raised property taxes, I guess, is the answer to that.

Do you know whether there are instances where creditors threaten to invoke the law to require the City to pay judgments by increasing property taxes?

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A. I know of no specific lease. I'd have to know what you meant by threats.

Q. Well, you mentioned that it actually occurred in two instances. And I'm just wondering whether there was a possibility of it occurring in any other instances other than the two?

A. Not that I'm aware of. I wasn't here when it occurred. I just know from the documents I've read.

Q. Okay.

MR. STEWART: Do you want --

MR. SMITH: Sure, we can.

MR. STEWART: As you know, I never like to take breaks.

MR. SMITH: But I think the court reporter deserves one.

THE VIDEOGRAPHER: Going off the record at 12:59. This the end of Tape No. 3.

MR. STEWART: So we had another minute.

(Luncheon recess from 12:59 p.m. to 1:35 p.m.)

THE VIDEOGRAPHER: We are back on the record at 1:35. This is the beginning of Tape No. 4.

file a financial statement."
Do you see that?
A. Yes.
Q. What were the issues the City was dealing with in terms of its ability to file a financial statement?
A. At this point it was -- let me take a minute to read it.
Q. Yeah, sure.
MR. SMITH: Would you guys mind taking a break now?
MR. STEWART: Do you want to do it right now, or do you want to finish your question?
MR. SMITH: No --
MR. STEWART: Right now is fine.
MR. SMITH: I want to do it right now.
MR. STEWART: That's fine.
THE VIDEOGRAPHER: Going off the record at 3:03. This is the end of Tape No. 4.
(Short break taken.)
THE VIDEOGRAPHER: We are back on the record at 3:15. This is the beginning of Tape No. 5.
BY MR. SMITH:

Q. Mr. Hill, do you recall what the date of your testimony before Congress was regarding the D.C. fiscal crisis?
A. I had many testimonies before Congress on the D.C. fiscal crisis.
Q. Okay. I mean approximately what years. What range of years would your testimony have occurred in?
A. 1992 through 1994. Yeah.
Q. Okay. And you believe you went up there multiple times to testify?
A. I know I went up there multiple times.
Q. You know there's a deputy assistant Treasury secretary named Don Graves?
A. Yes.
Q. And he's actually moved out to Detroit, right, to help you with your problems?
A. No. He's -- he hasn't moved to Detroit.
Q. Okay.
A. He's -- he's not there now.
Q. Is there going to be -- is there some sort of federal office that's being set up in Detroit, though?
A. It's not a federal office. There are

people in Detroit who are acting as liaisons to the federal government, and Don Graves was one of the people that was involved.
Q. Who are the other people that are acting as liaison with Detroit and the federal government to try to improve Detroit's fiscal situation?
A. It was Don Graves, who is the person I dealt with more; and then Gina -- and I'm blanking on her last name. "Giacocoa" or something like that. But it's -- Gina is her first name.
Q. What's being discussed, you know, why -- between these liaisons with the federal government and the City of Detroit?
A. Mostly assistance that the federal government might be able to provide in either easing restrictions on certain grants or extending periods of time on certain grants that the City has. So those are some of the types of discussions.
Q. What kind of easing of restrictions are you discussing with the federal government?
A. It depends on the particular grant. But, you know, some of the grants expire on certain days. So we would ask the federal

government if it's possible to extend the date for those grants. And then others, we were attempting to get additional grant money from the federal government to be able to buy buses; and allowing certain moneys to be spent on those buses. But there's a whole -- there are a number of things that we're working with the federal government on.
Q. Is the City asking the federal government for extensions on the grants because it's so far not been able to adequately use the grant funds within the expiration time period?
A. That would be one of the reasons for it, yeah. Asking for extensions, yeah.
Q. How much money is at risk of having to be repatriated back to the federal government from federal grants right now if you don't get the extensions?
A. For the most part the federal government has been very helpful in that -- in that regard. I don't -- I don't have a dollar figure for you.
Q. Is it millions of dollars?
A. Yeah. The numbers, some of the grants -- yeah, it's more than a million dollars on some of -- yeah. I couldn't -- I couldn't

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really -- other than saying that.

Q. What are the reasons that Detroit has been unable to utilize effectively grant money within the time limits under the grants?

A. One of the principal reasons has been planning on actually how the grant is going to be expended. And so because of the long procurement period that the City has in some of these items that they're buying, if you take a certain amount of time and do the plan and then you take a certain amount of time and procure, you could be quite a bit into the grant time period before the grant actually expires.

So that would be one of the possible reasons.

Q. Okay. And what are the additional grant moneys you've been discussing with the federal government?

A. I know that there were discussions about grant money for the M1 that was part of the discussion, M1 line. And buses was a major one. There's a whole -- there's a list of items.

Q. Is there a long list of potential additional grants that you've been discussing with

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the federal government?

A. There's a question as to whether or not these are additional grants or whether it's allowing us to keep money that we would have lost otherwise, you know. So there's a long list of -- there's a list of grants that would result in the City having more money than it would have if the grants -- if -- with the expiration of the grants.

Q. Some of the grants, the issue is whether the City is going to lose money if the grant expires without the City using the funds; correct?

A. Yes.

Q. And then some of the grants you're talking with the federal government about would be new money --

A. Yes.

Q. -- that would be incremental; correct?

A. Yes.

Q. And do you have an idea of what the total of the new money is?

A. I have not added it up, no. I've not.

Q. Are there a number of grants that fall into both categories, either grants where the City could lose money if it expires and grants that

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contain new money for the City?

A. Yes.

Q. And is there a list of these grants someplace?

A. There is a list.

Q. Who has got that list?

A. There's a list of requests that have been made to the feds on -- for help. So there's a master list of those requests, and that's being maintained now by the Mayor's staff. Would be Lisa Howze, who is the Mayor's -- used to be the Mayor's chief of staff, now the Mayor's liaison to Washington and to Lansing.

Q. And do you expect that the federal government is going to grant all these new grants and grant you the extensions on the old grants?

A. I don't know. I don't know.

Q. When do you think the City will know about that?

A. I don't know. It's their process.

Q. Who is the most involved with that process?

A. Right now would be the Mayor's staff.

(Exhibit Hill-10 was marked for

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identification.)

BY MR. SMITH:

Q. I'm going to hand you Exhibit 10, which is another exhibit. It's another email that's to you.

You got that email, Exhibit 10?

A. Yes, I do.

Q. Before I go to the email, is the federal government being cooperative with the City and trying to help them with its fiscal situation?

A. The federal government has been cooperative.

Q. And are there activities the federal government is engaged in other than the grant activities that we've discussed, other ways the federal government is helping the City?

A. That's the -- that's the principal way. There are other activities that are going on -- for instance, the federal government was instrumental in helping to pull together the CIOs of major cities and getting them here. They were very helpful with that. It was paid for by foundations. And out of that came a report on the City's' IT infrastructure. So, yeah, there are

if it's a little i. You mean the last bullet point?

MR. SMITH: Yeah. I mean, I'm saying it's Page 2, but it's the --

MR. STEWART: I got it.

MR. SMITH: It's ii --

MR. STEWART: Okay.

MR. SMITH: -- is what I was trying to say.

You got it? Is everybody on the second page?

MR. STEWART: I think it's this one right here.

THE WITNESS: Yeah, yeah. Okay.

BY MR. SMITH:

Q. Do you see that statement?

A. Uh-huh.

Q. Do you know what money is being discussed here, the 100 million that could be freed up to divert from blight remediation to fund pension costs?

A. I know what they're -- I know what they're talking about here. There were talks with the Administration about additional funding for

blight remediation, but the Council would not determine how that money would be used. It's -- by any estimate, the cost of removing blight is much greater than the resources that are available.

So it's not clear to me that additional blight funding from the federal government would result in other changes to the plan.

But that's what they're saying.

Q. But what was the $100 million of potential additional blight money --

A. It was a grant -- I think there was a -- there were discussions about a grant from the feds for an additional 100 million.

Q. And where do those discussions stand now?

A. I don't know the current status of that.

Q. I mean, has -- the City hasn't gotten this money yet and incorporated it into its forecast, I take it?

A. I don't know. I'd have to research it.

Q. Okay. Can you describe for me any more about what this $100 million is that the Obama Administration was potentially going to give the

City in grants for blight?

A. No. That's the extent of my knowledge of that.

Q. Okay. Have there been any changes to the City charter to try to improve the City's ability to deal with fiscal crisis?

A. Yes.

Q. What changes have those been?

A. The legislation that was passed that implements the CFO's office and the Control Board would be a change to the City's charter.

Q. In what way?

A. It would create a CFO that doesn't exist in the charter, and it would create a relationship between the City and that Control Board that obviously doesn't exist in the charter.

Q. And did the City of Detroit request that the Legislature pass that legislation?

A. The Mayor supported the legislation.

Q. Okay. And can you give me any explanation why the City of Detroit didn't have the Legislature include in that legislation measures to increase the City's revenues, such as increasing tax rates or doing withholding or some

of these other activities that could be used to increase revenues?

A. Well, the package of bills did have additional money that would support the bankruptcy related to, you know, what was happening with DIA.

So there were additional moneys as part of a package of bills.

Q. And the City could have proposed additional measures in the legislative package to increase tax rates if it wanted; correct?

A. Yes. The City could have proposed anything.

Q. And do you have any idea why this -- I take it the City didn't propose additional revenue-generating measures other than what's in the legislation; correct?

A. I know that there were discussions about additional revenue measures, and it was very unlikely that any additional measures would pass based on my discussions with the Mayor.

Q. What additional revenue measures were discussed?

A. I don't know the specifics of the revenue measures. It's just in a conversation

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with the Mayor he indicated to me that he -- that he did not propose additional revenue measures in that legislation because of -- that it was very unlikely that any of that would pass.

Q. But you and the Mayor didn't discuss increasing tax rates?

A. No.

Q. And you didn't discuss requiring withholding?

A. No.

Q. Or other --

A. Well, the Mayor and I have had discussions about requiring withholding, and requiring withhold -- but -- and there was draft legislation to do that. He did not believe that would have passed as part of this package.

Q. And when was the draft legislation on withholding? When was that drafted?

A. It was prior -- I don't know the exact time, but I know there was a proposal, legislative proposal to have other jurisdictions -- have other companies outside of the District have to -- companies outside of Detroit have to withhold for people who lived in Detroit.

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Q. And was that legislation introduced at all?

A. I don't know.

Q. Did the City of Detroit support the draft legislation for requiring withholding?

A. Yeah. The Mayor is supportive of that legislation. But it's withholding for all -- the way that it's crafted, it's withholding for all cities. It's not just for Detroit.

Q. I mean, do you know whether there are plans to reintroduce -- or introduce the draft legislation that's been drafted?

A. It is a proposal that the Mayor would like to have pass.

Q. And who drafted the legislation? Was it somebody in the Legislature?

A. I don't know. I don't know who drafted it.

Q. Okay. Did the City draft the legislation?

A. I don't know who drafted it.

Q. I'm going to mark for you another document that's Exhibit 12, which is a -- it's got some documents attached, one of which is this

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office of the CFO project status that I wanted to ask you about.

(Exhibit Hill-12 was marked for identification.)

BY MR. SMITH:

Q. If you look at the page that has the Bates number beginning -- well, actually, the Bates numbers are up in the corner here, so it might be hard to find. It's the page with POA00537590, basically looking at the chart that your office prepared of various projects?

A. Right.

Q. You got that?

A. Yes.

Q. The first two issues are the CAFR and single audit, and you say you were getting an extension on both of those. Do you see that?

A. Yes.

Q. Have we already discussed those, the CAFR and the -- I'm trying to figure out what the single audit is that you were getting an extension on.

A. The single audit is the report that comes after and that's done after the CAFR, which

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is a review of internal controls around grants, grant's management.

Q. Why were you getting an extension on that?

A. Because it's based on the CAFR, so the CAFR has to be audited first; and then there's the audit of -- there's a single audit after that.

Q. And the next-to-last item on this page is "Determine if taxpayers who have applied for property tax relief meet state and local guidelines. The City is currently identifying additional resources."

Do you see that?

A. Yes.

Q. What's that item about?

A. It's an item to take a look at whether or not all of the people that are getting hardship exemptions for taxes actually deserved the hardship exemptions, so it's actually a review of all of those taxpayers who have applied for property tax relief to make sure that they qualify for that.

Q. And is the review of hardship exemptions for property taxes relief ongoing?

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Do you see that?

A. Yes.

Q. And Ernst & Young, while it was working on this bankruptcy case, was participating in the discussions of the consensus revenue group; is that correct?

A. They were in the room; yes.

Q. And the purpose of having Ernst & Young in the room was to make sure that the revenue estimates that Ernst & Young did -- to make sure that the consensus group didn't adopt revenue estimates that were materially different from Ernst & Young's; correct?

A. No.

Q. What was the purpose of having Ernst & Young, then?

A. To answer questions, if they had any questions, of Ernst & Young. But it wasn't to influence the group.

Q. And Mr. Naglick said, quote, "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

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totally different view from revenues in the plan."

Is that an accurate statement of Ernst & Young's role?

A. Not exactly. They were to explain what was in the plan so that -- Ernst & Young's role, they were there to explain what was in the plan so that they would be able to understand what revenues were being projected as part of the plan and what revenues were being projected as part of the budget, because there were revenues in the plan that weren't a part of the budget. So it was more to explain what was in the plan.

Q. Well, if you go like down to the next sentence -- the next email in the chain is from you. Below that it says "Let's talk about this. There are some good reasons to keep this process. It keeps everyone in sync with what's in Plan of Adjustment."

Do you see that?

A. Yes.

Q. And so from your view, was there a point in time when having the consensus revenue conference -- it might have been potentially discontinued?

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A. There was a point in time when people questioned whether or not we had it, and it was my decision to have it.

Q. Okay. So people -- there were people at the City that questioned whether it was a good idea to have the consensus revenue conference; correct?

A. Yes.

Q. And you wanted to continue the conference so that you could make sure that it was consistent with what the revenue estimates were in the Plan of Adjustment?

A. No.

Q. What was your reason for continuing the conference?

A. To make sure that the -- if there were major differences between the Plan of Adjustment and what the conference was projecting, then that we would be able to make changes in the plan. I wasn't -- I wasn't -- I tried very hard not to influence the process at all, because I wanted them to dig into those revenues. And I wanted them to feel free to come up with differences, because it's better to know that now than to have

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a revenue number that's there that you don't expect to have happen.

Q. The consensus conference only looked at revenues for three years; correct?

A. Right.

Q. You never asked the consensus conference to check the revenue estimates that were in the E&Y forecasts beyond three years; correct?

A. The purpose of the revenue conference was to come up with the revenues to be included in the budget. And that's -- yeah. That's what I asked them to do.

Q. So the revenue conference, you never asked them to look at the E&Y estimates for the -- going out ten years or 40 years to evaluate whether those estimates were reliable; correct?

A. No, I never asked them to do that.

Q. Conway MacKenzie also participated in the consensus revenue group; correct?

A. I believe at some of the meetings -- because there were a number of meetings they were there. I wasn't -- I wasn't in all of the meetings myself, but there were some that they were there.

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Q. Were there other advisers involved in the litigation that were present at the revenue conference proceedings --

MR. STEWART: Objection -- objection.

BY MR. SMITH:

Q. -- other than Conway MacKenzie and Ernst & Young?

A. Conway MacKenzie and Ernst & Young were involved. I don't know of other consultants that were involved.

(Exhibit Hill-22 was marked for identification.)

BY MR. SMITH:

Q. I'm going to hand you what's been marked as Exhibit 22, a copy of a judgment. Can you tell me anything about that judgment? Or do you have no information about it?

A. I don't know anything about this judgment.

(Exhibit Hill-23 was marked for identification.)

BY MR. SMITH:

Q. And I'm going to hand you a copy of Exhibit 23. Can you let me know if you have

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any --

MR. MOSS: Sorry. Exhibit what?

MR. SMITH: Exhibit 23.

BY MR. SMITH:

Q. Can you let me know if you have any information about that judgment.

MR. STEWART: You gave me one that has -- it's highlighted. Not that I object, but I don't know if you gave me your copy.

MR. SMITH: My highlighting will be fascinating.

(Simultaneous cross-talk.)

MR. STEWART: I didn't want to get one that had any of your work product on it.

BY MR. SMITH:

Q. Mr. Hill, can you tell me anything about the judgment in Exhibit 23?

A. I don't know these judgments specifically, I mean, the purpose of the judgments.

Q. Do you know anything about these judgments?

A. I believe that these are the judgments that -- where there was a demand payment.

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Q. And are those the judgments -- Exhibit 22 and 23, are those the judgments where the City ended up raising property tax to pay them?

A. Yes. I believe they are.

Q. You see, for example, Exhibit 23 was for $74 million?

A. Yes.

Q. And how much was the other one?

A. This was the 111 million.

Q. 111 million; is that correct?

MR. STEWART: Is it 22 or 23?

MR. SMITH: 22.

THE WITNESS: I don't know this one.

BY MR. SMITH:

Q. Mr. Hill, do you use your private email for work-related matters?

A. No. There may have been occasions where, because I'm using my phone, that I might be typing an email. On the iPhone, you flip through the email accounts before you send it. So there may have been an occasion where I've used it. But I don't routinely use my private email.

Q. You've got an email account that's

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jhill@hillgroup.com?

A. Yes.

Q. And don't you use that for work-related matters?

A. I have -- I've used that mostly when I was on -- when I was doing the work as a consultant, so there may be some emails in there. I've tried to use my Detroit email only for business as CFO.

Q. And you've got another personal email account; is that correct?

A. I have several other personal email accounts.

Q. Okay. Have any of your personal email accounts been searched for relevant documents in this case?

A. I don't know what's been searched. I don't know.

Q. Were there any other relevant aspects of the Washington, D.C., experience that we haven't talked about?

MR. STEWART: Objection.

THE WITNESS: Yes.

BY MR. SMITH:

<u>Exhibit 6L</u>

Excerpts of Financial Stability Agreement (City Ex. 032)

FINANCIAL STABILITY AGREEMENT

WHEREAS, the City of Detroit (the "City"), like many industrial cities throughout the United States, has experienced a prolonged period of economic change stretching over several decades which has eroded the quality of life of the City's residents and businesses; and

WHEREAS, the City currently confronts daunting challenges characterized by persistent and systemic fiscal imbalances and deficit conditions, aggravated by the deterioration in revenues received from property taxes, income taxes, interest earnings, utility revenues, and intergovernmental revenues resulting from the recent serious recession in the U.S. and Michigan economies; by the growth in the City's legacy costs concurrently with the City's diminished ability to carry such costs; and by the difficulty in rapidly restructuring the City's operations so as to bring short-term and long-term expenditures in line with current and projected revenues; and

WHEREAS, a financially stable and vibrant City is important as a catalyst for the State of Michigan's overall image and success in economic development, business attractiveness, quality of life, and a host of other factors; and

WHEREAS, fundamentally changing the City's current trajectory can restore the quality of life which families, businesses and visitors have a right to expect and enjoy; and

WHEREAS, the City, through the Mayor and City Council, seeks to pursue this long-term vision by achieving, first, financial stability for the City, and, second, a sustainable and stable platform for growth ensuring the City's financial integrity in a manner that enables the City to grow, prosper and thrive; and

(b) By approval of this Agreement, the City Council has approved of the "Operational Reform Program" attached hereto as Annex B and authorized its implementation. The City Council shall make such other changes in ordinances and resolutions and coordinate its staff as may be necessary or convenient to fully implement Annex B as contemplated by this Agreement, as well as approve other actions consistent with the Reform Program.

2.5. Support of Phase I Reform. Cooperating with the City, the Treasury Department, in addition to the supportive activities of the Treasury Department and the State described in Annex E, will undertake the following actions in support of the Phase I Reform actions taken by the City under Sec. 2.4:

(a) Cash stabilization transaction: The Treasury Department will assist with structuring and will grant relevant approvals for the City to complete a refinancing or refinancings of certain of the City's outstanding indebtedness so as to provide liquidity prior to June 30, 2012. The anticipated aggregate size of the refinancing(s) is approximately $137 million, of which approximately $33 million will be used to refinance existing debt, and approximately $104 million will be placed in an escrow account and used to pay for costs of the Reform Program and for City operating expenses. Draws from the escrow account shall be as and when approved by the State Treasurer in the State Treasurer's discretion.

(b) Technical and financial assistance: The Treasury Department shall provide the City with technical assistance (which may include in-kind financial assistance) and support to the City in rapidly implementing the following information technology projects:

(1) Completion of a payroll system upgrade.

(2) Integration of budgeting, accounting and financial reporting systems.

(3) Implementation of a new grants management system.

(c) Income tax collection: The Treasury Department will assist the City in maximizing revenues collected under the City income tax. This will include technical assistance to modernize processing, enhance enforcement, and improve collections. The Treasury Department will assist the City in preparation of draft legislation to require withholding of City Income Taxes for City residents working outside the City. Additionally, the Treasury Department will explore the possibility of enabling the collection and distribution of the City income tax in conjunction with the collection and distribution of the State income tax.

(d) Legislative assistance: The parties agree that legislation may be required to give the City the tools to achieve part of its Section 2.4 (Phase I Reform) objectives, including, but not limited to legislation:

(1) Enabling PLD changes;

(2) Enabling Bus Rapid Transit legislation;

(3) If determined appropriate by the Financial Advisory Board, enabling the long-term funding of unfunded pension and other post-employment benefit liabilities.

(4) Enabling appropriations proportional to the City's progress in achieving Reform Initiatives.

The Treasury Department agrees to draft for presentation to the Governor for recommendation to the Legislature as a recommended measure under Section 17 of Article V of the State Constitution of 1963 such legislation as the City and State reasonably agree is necessary or appropriate to enable the City to achieve its Phase I Reform objectives.

2.6 Implementation of Phase II Reform—Following Actions. Consistent with Mayor's and City Council's development of the strategy, policies and long-term vision of a revitalized City and to preserve financial integrity, following the implementation of the Phase I Reform actions detailed in Section 2.4, the City intends to implement a number of additional actions (the "Phase II Reform"), including, but not limited to, the development and implementation of plans related to (a) the further consolidation, disposition or elimination of City departments, (b) grants management restructuring, (c) property management review, and (d) the implementation of "best practices" with respect to the City's pension and other post-employment benefits in consultation with the Financial Advisory Board and in furtherance of the long-term vision. (The Phase I

Exhibit 6M

Excerpts of Michigan Municipal League, The Great Revenue Sharing Heist (Feb. 2014) (Syncora Ex. 4462)

SYNCORA
Exhibit
4462

THE GREAT REVENUE

SHARING HEIST

By Anthony Minghine

There have been a lot of high profile robberies over the years. The Lufthansa robbery, D.B. Cooper highjacking, the Antwerp Diamond Caper...but these crimes look amateurish compared to the state of Michigan's Great Revenue Sharing Heist. The state has managed to pinch over $6 billion in revenue sharing from local government over the last several years. Those numbers would even get Bernie Madoff's attention.

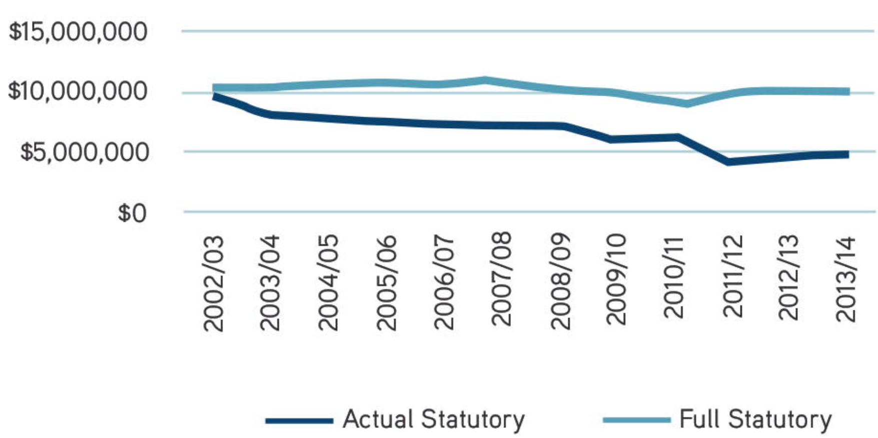
Michigan's broken municipal financing model is almost a cliché. Talking about budget numbers and deficits in the *billions* of dollars can cause us to lose perspective. The fact is, there are a record number of local governments that find themselves in the midst of a financial crisis. Is it the result of mismanagement, neglect, or incompetence? Or is it the result of a dramatic disinvestment by the state in local government? I suggest the latter.

In my view, there are three major factors that have led communities to the financial brink: post retirement costs; a steep decline in property values; and a dramatic reduction in state revenue sharing. The third factor will be the focus of this article.

Post retirement costs are a huge issue that locals are grappling with. Change here is difficult at best; local governments are hamstrung with contracts and laws that make transformation slow. The property tax declines local governments have experienced could not have been anticipated to the degree they occurred, and are certainly out of the control of anyone in this state. Statutory revenue sharing, on the other hand, has been unilaterally taken by the state to solve its budget issues. It's a fact. Revenue sharing is paid from sales tax revenues, which have been a remarkably stable source of income, and have in recent years experienced significant growth.

CITY OF PONTIAC

Annual Revenue Sharing Loss



Breaking Down the Numbers

Hopefully you'll stick with me, as I'm about to drop the "b" word. From 2003-2013, sales tax revenues went from $6.6 *billion* to $7.72 *billion*. Over that same period, statutory revenue sharing declined from over $900 million annually to around $250 million. The state is now in an enviable position—revenues that exceeded expectations. It is posting large surpluses but has failed to take steps to restore local funding.

PROJECTED REVENUE TAKEN 2003-2014

Allen Park	$8,440,088
Alpena	$4,371,700
Dearborn	$31,320,463
Detroit	$732,235,683
Farmington Hills	$20,488,283
Ferndale	$9,772,967
Flint	$54,868,096
Grand Rapids	$72,854,201
Hamtramck	$13,301,632
Lincoln Park	$17,147,092
Marquette	$6,907,445
Melvindale	$5,865,221
Pontiac	$40,533,681
Saginaw	$30,329,283
Southfield	$21,904,790
Traverse City	$4,307,187
Warren	$45,961,823

In fact, the state is trumpeting its sound fiscal management and admonishing local governments for not being as efficient. What the state fails to mention is that it balanced its own budget on the backs of local communities. This would be like me taking your money to pay my bills, and then telling you that you need to be more responsible with your household budget. In fairness, the state did experience revenue declines out of its control, much like locals experienced with property tax declines. It is different, though, in one important way—local communities couldn't take money from others and push those tough decisions down to someone else.

What is most shocking is the difference those revenue sharing dollars would have made at the local level. As I stated at the onset of this article, we now have a record number of communities facing financial emergencies. It's easy to blame local leaders, but you must consider all the facts. In most cases, communities that currently face large deficits would in contrast have general fund surpluses.

Let's Get Specific: Four Cities' Cuts

So what does it mean to specific communities? For Allen Park, an $857,000 deficit in 2012 becomes a surplus of over $5 million and would grow to a projected surplus of $7.3 million by 2014. Hamtramck's deficit of $580,000 would have been a surplus of $8.7 million. Flint will have lost $54.9 million dollars by the end of 2014. The deficit in its 2012 financial statements is $19.2 million. Flint could eliminate the deficit and pay off all $30 million of bonded indebtedness and still have over $5 million in surplus. In Detroit, a city facing the largest municipal bankruptcy in history, the state took over $700 million to balance the state's books.

This data begs the question: did municipalities ignore their duty to manage or did someone else change the rules of the game and then throw a penalty flag at them? I see yellow flags all over the playing field. Post-retirement benefits are a huge expense and burden to local government, but we must not ignore the reality—the promises were made with a different expectation from the state as it relates to sharing sales tax revenue with local government. It's a fact that the state has broken that promise. State leaders excused themselves from making tough choices, instead using local money to pay their bills. In the process, they have created most, if not all, of the financial emergencies at the local level.

The numbers don't lie. Revenue sharing is the only factor that anyone has had direct control over during these difficult financial times. It is time for the state to shift gears and start investing in local government again. Hardships at the local level weren't created by a lack of cooperation or collaboration. I would humbly submit that local governments invented the concept and the state is very late to the table. Local government officials have done, and will continue to do, their part to be prudent managers, but the goal cannot be to hang on and survive. Our goal must be to ensure that our cities are vibrant places that people will choose to live in, and that can only happen if the state fulfills its promise and responsibility to invest where the rubber meets the road, and that is at the local level.

Anthony Minghine is the associate director of the League. You may reach him at 734-669-6360 or aminghine@mml.org.

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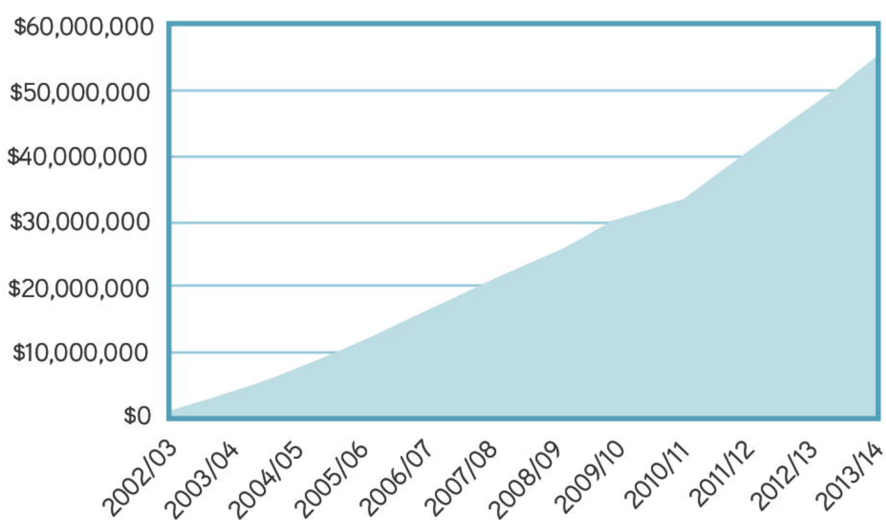
Cumulative Revenue Sharing Losses

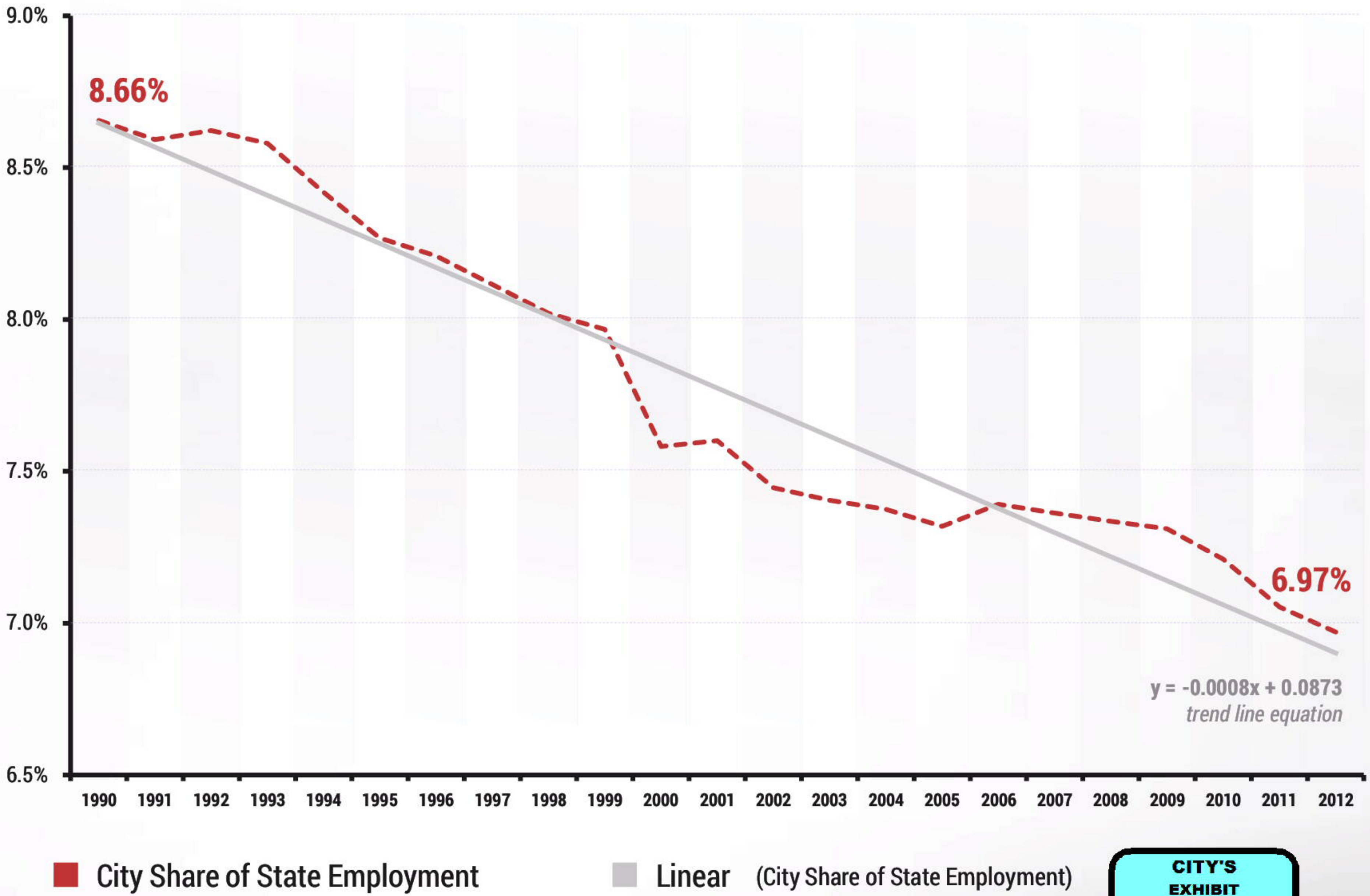


13-53846-swr Doc 7004-19 Filed 08/22/14 Entered 08/22/14 21:10:25 Page 3 of 3

Exhibit 6N

R. Cline Demonstratives (City Ex. 546 and 547)

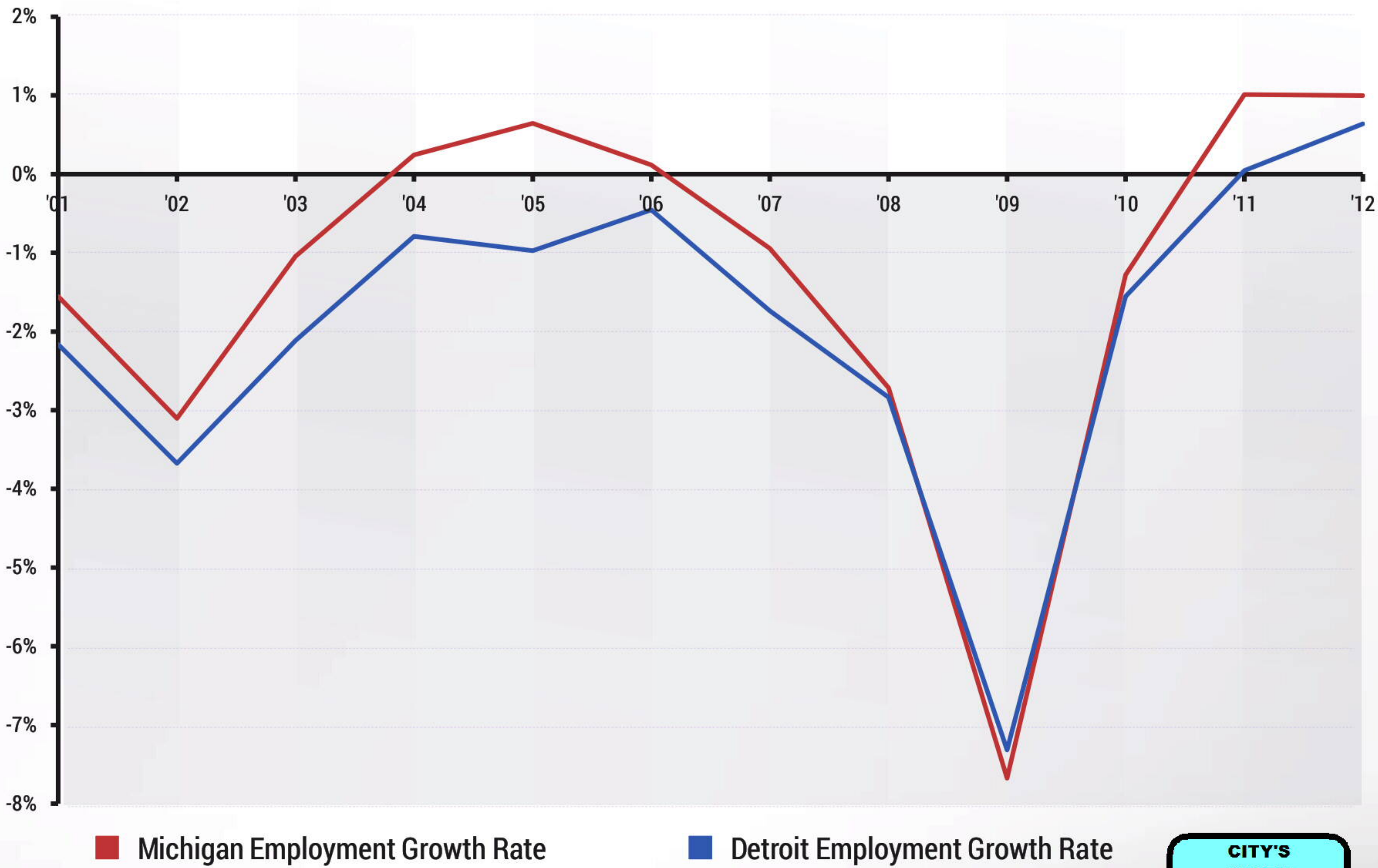
City of Detroit's Share of Total State of Michigan Employment, 1990 – 2012



CITY'S EXHIBIT 546

Source: BLS Local Area Unemployment Statistics

Growth Rates of City of Detroit & Michigan Employment, 2001 – 2012



CITY'S EXHIBIT 547

Source: BLS Local Area Unemployment Statistics

<u>Exhibit 6O</u>

Excerpts of KPMG, Independent Auditors' Report (2012)

KPMG

CITY OF DETROIT, MICHIGAN

OMB Circular A-133 Single Audit Report

Year ended June 30, 2012

KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Mayor Dave Bing
and
The Honorable Members of the City Council
City of Detroit, Michigan:

Compliance

We have audited the City of Detroit, Michigan's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority as discretely presented component units, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority, because these component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

Except as discussed in the following four paragraphs, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

We were unable to obtain sufficient documentation supporting the compliance of the City with the Neighborhood Stabilization Program 2 (CFDA #14.256) regarding the Reporting, and Special Tests & Provisions: Environmental Reviews compliance requirements as discussed in Findings 2012-30, and 2012-31, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Neighborhood Stabilization Program 2 regarding Reporting and Special Tests & Provisions: Environmental Reviews, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Neighborhood Stabilization Program 2 for the year ended June 30, 2012.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Weatherization for Low-Income Persons program (CFDA #81.042) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Eligibility compliance requirements as discussed in Findings 2012-57, 2012-58, and 2012-60, respectively, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Weatherization for Low-Income Persons program regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, and Eligibility, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Weatherization for Low-Income Persons program for the year ended June 30, 2012. As identified in Table IV, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as finding 2012-63.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Community Services Block Grant program (CFDA #93.569, 93.710) regarding the Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring compliance requirements as discussed in Findings 2012-75 and 2012-76, 2012-77, 2012-78, and 2012-82, respectively, in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Community Services Block Grant program regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Eligibility, and Subrecipient Monitoring, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Services Block Grant program for the year ended June 30, 2012. As identified in Table IV, the results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as finding 2012-79.

In addition, we were unable to obtain sufficient documentation supporting the compliance of the City with the Head Start program (CFDA #93.600, 93.708) regarding the Earmarking, and Subrecipient Monitoring compliance requirements as discussed in Finding 2012-88, and 2012-91 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. In our opinion, except for the effects of such noncompliance, if

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any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Head Start program regarding Earmarking and Subrecipient Monitoring, and because of the effects of the noncompliance described in Table I, the City did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Head Start program for the year ended June 30, 2012.

TABLE I – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS WITH SCOPE LIMITATIONS

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Cash Management	2012-26
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Earmarking	2012-27
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Period of Availability	2012-28
Housing and Urban Development	14.256	Neighborhood Stabilization Program 2	Procurement, Suspension and Debarment	2012-29
Energy	81.042	Weatherization for Low-Income Persons	Davis-Bacon Act	2012-59
Energy	81.042	Weatherization for Low-Income Persons	Procurement, Suspension and Debarment	2012-61
Energy	81.042	Weatherization for Low-Income Persons	Reporting and Period of Availability	2012-62
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-80
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2012-81
Health and Human Services	93.569, 93.710	Community Services Block Grant	Special Tests & Provisions: Criminal Background Checks	2012-83
Health and Human	93.600, 93.708	Head Start	Activities Allowed or Unallowed and	2012-84

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Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Services			Allowable Costs/Cost Principles	
Health and Human Services	93.600, 93.708	Head Start	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-85
Health and Human Services	93.600, 93.708	Head Start	Cash Management	2012-86
Health and Human Services	93.600, 93.708	Head Start	Earmarking	2012-87
Health and Human Services	93.600, 93.708	Head Start	Procurement, Suspension and Debarment	2012-89
Health and Human Services	93.600	Head Start	Reporting	2012-90

As identified in Table II and described in the accompanying schedule of findings and questioned costs, the City did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the identified major federal programs.

TABLE II – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS RESULTING IN ADVERSE OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-08
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension and Debarment	2012-09
Agriculture	10.557	Special Supplemental	Subrecipient	2012-10

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Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
		Nutrition Program for Women, Infants, and Children	Monitoring	
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-11
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-12
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Cash Management	2012-13
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Earmarking	2012-14
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Procurement, Suspension and Debarment	2012-15
Housing and Urban Development	14.218	Community Development Block Grants/Entitlement Grants	Reporting	2012-17
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-18
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Subrecipient Monitoring	2012-19
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Procurement, Suspension and Debarment	2012-93

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Health and Human Services	93.914	HIV Emergency Relief Project Grants	Reporting	2012-94
Health and Human Services	93.914	HIV Emergency Relief Project Grants	Subrecipient Monitoring	2012-95

In our opinion, because of the effects of the noncompliance described in Table II, the City did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the following major programs for the year ended June 30, 2012: Special Supplemental Nutrition Program for Women, Infants, and Children; Community Development Block Grants/Entitlement Grants; and HIV Emergency Relief Project Grants.

As identified in Table III and described in the accompanying schedule of findings and questioned costs, the City did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the identified major federal programs.

TABLE III – MATERIAL NONCOMPLIANCE NOTED IN PROGRAMS RESULTING IN QUALIFIED OPINION

Federal Awarding Agency	CFDA Number(s)	Federal Prngram	Compliance Requirement	Finding Number
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-20
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-21
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-32
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Cash Management	2012-33
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing	Cash Management	2012-34

		Program		
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Cash Management	2012-35
Housing and Urban Development	14.262	Homelessness Prevention and Rapid-Rehousing Program	Reporting	2012-36
Justice	16.710	Community Policing Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-37
Justice	16.710	Community Policing Grant	Equipment and Real Property Management	2012-38
Justice	16.710	Community Policing Grant	Procurement, Suspension and Debarment	2012-39
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Equipment and Real Property Management	2012-40
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Procurement, Suspension and Debarment	2012-41
Justice	16.738, 16.803	Edward Byrne Memorial Justice Assistance Grant	Subrecipient Monitoring	2012-42
Labor	17.245	Trade Adjustment Assistance	Cash Management	2012-44
Labor	17.245	Trade Adjustment Assistance	Special Tests & Provisions: Cycle Monitoring	2012-46
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-47
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Cash Management	2012-50
Labor	17.258, 17.259,	Workforce	Procurement, Suspension and	2012-51

	17.260, 17.278	Investment Act	Debarment	
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Special Tests & Provisions: Cycle Monitoring	2012-53
Transportation	20.500, 20.507	Federal Transit Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-54
Transportation	20.500, 20.507	Federal Transit Cluster	Davis-Bacon Act	2012-55
Transportation	20.500, 20.507	Federal Transit Cluster	Procurement, Suspension and Debarment	2012-56
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-64
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-65
Energy	81.128	Energy Efficiency and Conservation Block Grant	Reporting	2012-66
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-67
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-69
Health and Human Services	93.558	Temporary Assistance for Needy Families	Cash Management	2012-70
Health and Human Services	93.558	Temporary Assistance for Needy Families	Procurement, Suspension and Debarment	2012-71
Health and Human Services	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	2012-73

Health and Human Services	93.558	Temporary Assistance for Needy Families	Special Tests & Provisions: Cycle Monitoring	2012-74
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Reporting	2012-97

In our opinion, except for the noncompliance described in Table III, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the following major programs for the year ended June 20, 2012: Home Investment Partnerships Program; Homelessness Prevention and Rapid Re-housing Program; Community Policing Grant; Edward Byrne Memorial Justice Assistance Grant; Trade Adjustment Assistance program; Workforce Investment Act program; Federal Transit Cluster; Energy Efficiency and Conversation Block Grant; Temporary Assistance for Needy Families program; and Prevention and Treatment of Substance Abuse program.

As identified in Table IV, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs.

TABLE IV – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grants/Entitlement Grants	Reporting	2012-16
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management	2012-22
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Cash Management and Special Tests & Provisions: Drawdown of Funds	2012-23
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-24
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Reporting	2012-25
Labor	17.245	Trade Adjustment Assistance	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-43

Federal Awarding Agency	CFDA Number(s)	Federal Program	Compliance Requirement	Finding Number
Labor	17.245	Trade Adjustment Assistance	Eligibility	2012-45
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability	2012-48
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-49
Labor	17.258, 17.259, 17.260, 17.278	Workforce Investment Act	Reporting	2012-52
Energy	81.042	Weatherization for Low-Income Persons	Reporting	2012-63
Health and Human Services	93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2012-68
Health and Human Services	93.558	Temporary Assistance for Needy Families	Reporting	2012-72
Health and Human Services	93.569, 93.710	Community Services Block Grant	Procurement, Suspension and Debarment	2012-79
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Procurement, Suspension and Debarment	2012-96
Health and Human Services	93.959	Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	2012-98

Internal Coutrol over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-07, 2012-92, the items in Table I, the items in Table II, and the items in Table III to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs and listed as the items in Table IV to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012, which included a reference to the reports of other auditors. Our report on the basic financial statements was modified to recognize that we did not audit the financial statements of the Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, and Detroit Land Bank Authority which represent 100% of the assets and expenses of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System and the Policemen and Firemen Retirement System and the Detroit Building Authority, which represent 96% and 46% of the assets and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included in the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports of the other auditors. Our report included an explanatory paragraph stating that the City has an accumulated unassigned deficit in the General Fund of $326.6 million as of June 30, 2012, which has resulted from operating deficits over the last several years. Our audit was

KPMG

performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 28, 2012. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the financial statements themselves, and other additional audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, City Council, city management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Detroit, Michigan
March 28, 2013 (except as to the paragraph
relating to the schedule of expenditures of federal
awards, which is as of December 28, 2012)

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<u>Exhibit 6P</u>

Excerpts of Houlihan Lokey Expert Report (July 2014)

City of Detroit

Expert Witness Report

July 2014

MERGERS & ACQUISITIONS
CAPITAL MARKETS
FINANCIAL RESTRUCTURING
FINANCIAL ADVISORY SERVICES

HL.com

Overview of Detroit Asset Sales

- The City has historically sold assets to fund its annual budget and repay creditors. Furthermore, the Emergency Manager has repeatedly maintained that all of Detroit's assets remain "on the table" as part of the City's restructuring process
  - Despite past precedent and the Emergency Manager's continued verbal indications, the City's restructuring plan fails to capture the value of Detroit's numerous legacy assets in almost any meaningful way

Timeline of City Actions & Commentary on Asset Monetizations

1. **October 2005** – Detroit's Fiscal Analysis Director releases report analyzing the potential securitization of the Detroit-Windsor Tunnel[13]
2. **April 2006** – City approves sale of City-owned parking garage to the Greektown Casino for $32 million. Proceeds from the sale will be used to repay bond debt[14]
3. **April 2007** – Detroit's Fiscal Analysis Director issues recommendations on proposed sale of approximately $31 million of City-owned property[15]
4. **September 2010** – McKinsey releases report assessing potential P3 transactions for Detroit's numerous legacy assets. The report identifies DWSD, the Detroit-Windsor Tunnel, Coleman A. Young Municipal Airport, the DIA and Belle Isle as assets for "immediate [P3] consideration"[16]
5. **September 2012** – Detroit's Fiscal Analysis Director issues memo in favor of proposed Belle Isle lease with state of Michigan[17]
6. **March 2013** – Newly appointed Emergency Manager Kevyn Orr states that "everything is on the table" in response to a question regarding potential asset sales[18]
7. **June 2013** – The Emergency Manager releases his Proposal for Creditors identifying "generat[ing] value from City assets where it is appropriate to do so" as a key objective of Detroit's financial restructuring
   - The Proposal lists DWSD, the DIA, City-owned land, the City's parking operations, the Detroit-Windsor Tunnel and Joe Louis Arena, among other assets, as potentially saleable assets[19]
8. **November 2013** – Michigan Emergency Loan Board approves 30-year Belle Isle lease with City which will allow City to avoid approximately $5 million of annual operating costs[20]
9. **March 2014** – City discloses that it has retained DESMAN Associates to assess potential sale-lease transaction or other monetization of Detroit's parking assets[21]

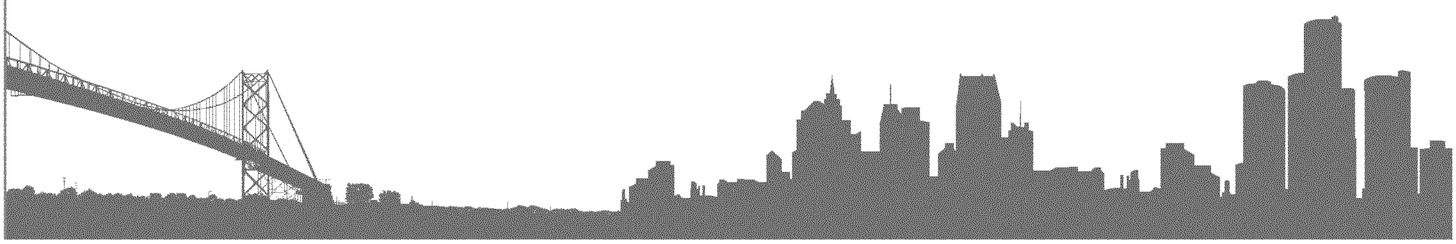
<u>Exhibit 6Q</u>

Excerpts of 6/14/13 City of Detroit Proposal for Creditors at 108 (City Ex. 033)

CITY OF DETROIT

PROPOSAL FOR CREDITORS

JUNE 14, 2013



    - Grants and Other Amounts Received to Offset Costs of Addressing Blight: If the City receives any cash grants or other cash payments after the Effective Date and before the Maturity Date from the State of Michigan, the Federal government, or any other government or nonprofit entity not affiliated in any way with the City for the purpose of funding programs or activities to address blight that are included in the 10 Year Plan ("Blight Revenues") and that can be utilized in place of the General Fund sums in the 10 Year Plan projections, an amount equal to 75% of the General Fund revenues that would otherwise be spent on blight but for the outside funds shall be applied to reduce the principal amount of the Notes.
    - Asset Disposition Proceeds: If the City receives cash consideration in connection with the transfer of Specified Assets after the Effective Date and before the Maturity Date, an amount equal to 75% of such cash shall be applied to reduce the principal amount of the Notes. For greater certainty, the assumption of indebtedness shall not constitute cash consideration.
    - The City shall make distributions of Blight Revenues and Asset Disposition Proceeds when the amount of such payments that are due equal or exceed $50 million or at the time a Revenue Participation Payment is due, whichever is sooner.
- **Dutch Auctions.** Any Revenue Participation Payment, Blight Revenues, Asset Disposition Proceeds and other amount made available by the City may be used to fund offers to purchase Notes through a Dutch Auction process. The City shall give notice of its intent to conduct a Dutch Auction using a Revenue Participation Payment on or before the July 15th following the end of the pertinent Fiscal Year and shall conclude the auction and purchase notes offered and accepted in the auction no later than the 90 days following the date such notice is given. The City shall give notice of its intent to conduct such a Dutch Auction using Asset Disposition Proceeds or Blight Revenues on or before the 30 days following the date when the City becomes obligated to make apply Asset Distribution Proceeds and shall conclude the auction and purchase notes offered and accepted in the auction no later than 90 days following the date such notice is given. The City may give notice of its intent to conduct a Dutch Auction using funds provided by the City which are not otherwise required to be applied to repayment of the Notes at any time.
- **Limited Recourse.** The City's obligation to pay interest on the Notes shall be a general obligation of the City. The City shall have no obligation to pay the principal amount of the Notes except to the extent that Revenue Participation Payments, Blight Revenues, or Asset Disposition Proceeds become due in accordance with the terms hereof.
- **Requirements of Law.** The terms of the Notes may be revised to conform with requirements of law.

Exhibit 6R

Excerpts of Citizens Research Council of Michigan "Detroit City Government Revenues," Report 382, April 2013 (Syncora Ex. 4466)

SYNCORA
Exhibit
4466

Citizens Research Council of Michigan

CRC

Detroit City Government Revenues

April 2013

Report 382

Celebrating 97 Years of Independent, Nonpartisan Public Policy Research in Michigan

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by the municipal income tax. Municipal income tax receipts are the largest single revenue source in Detroit's General Fund. Income tax receipts, which fund general city operations, totaled $323.5 million in FY2002, the last year the city had a general fund surplus. Receipts declined each year through FY2010, reflecting both rate reductions and employment conditions. Receipts increased in FY2011 and FY2012, possibly due in part to a number of major employers that have centralization operations from suburban locations to less expensive space downtown (See **Chart 15**).

Non-Filers

One market analysis (McKinsey Report) based on 2009 collections estimated that $6.6 million of municipal income taxes on commuters who work in Detroit, $21.8 million of corporate income taxes, and $155.0 million of income taxes on residents are not collected. Because 54 percent of employed Detroiters work outside of the city, and employers outside the city are not required to withhold city taxes, this analysis estimated that $142.3 million of municipal income taxes on reverse commuters are not collected. Detroit officials have indicated that they will pursue state legislation requiring employers outside of Detroit to withhold city income taxes on Detroit residents and enabling the levy and collection of taxes on non-resident wagering.

Shifting Responsibility for Income Tax Collection

The possibility of having the state collect municipal income tax for the city has been raised a number of times in the past, but estimates were that reimbursable state costs would result in little or no savings on the processing costs for Detroit. However, the proposal has been resurrected in the belief that state processing would increase the collection rate, especially for the majority of residents who work outside of the city limits and whose employers are not required to withhold Detroit taxes. If this were the case, the city would have additional resources to invest in services to citizens.

The consent agreement negotiated between the city and state includes income tax collection as one of the areas in which the state will support Phase I reforms:

> The Treasury Department will assist the City in maximizing revenues collected under the City income tax. This will include technical assistance to modernize processing, enhance enforcement, and improve collections. The Treasury Department will assist the City in preparation of draft legislation to require withholding of City Income Taxes for City residents working outside the City. Additionally, the Treasury Department will explore the possibility of enabling the collection and distribution of the City income tax in conjunction with the collection and distribution of State income tax.[9]

The Economic Vitality Incentive Program that replaced statutory state revenue sharing in 2011 includes incentives for local government to consolidate services, providing another incentive for consideration of state collection of municipal income taxes. The first consolidation grant under the EVIP was awarded to Grand Rapids for an interlocal agreement with Flint and Lansing to combine their municipal income tax processing and payment systems. According to the state Department of Treasury description, any of the 22 Michigan cities that impose an income tax can join this income tax processing partnership, which was expected to be operational in 2012.

Utility Users' Excise Tax

Detroit is the only city in Michigan allowed to impose a five percent utility users' excise tax under authority granted by PA 100 of 1990. Revenues from this tax on the privilege of consuming telephone, electric, steam, or gas services are affected by energy efficiency measures as well as changes in the number and type of households and businesses in the city. Under the original state authorization, revenues from the utility users' excise tax were required to be used to hire or retain police officers. New legislation, PA 392 of 2012, provides that up to $12.5 million of utility users' excise tax revenues may be used annually to retire debt issued by a public lighting authority. On February 5, 2013, the City Council approved articles of incorporation for such an authority, which can sell bonds to fund overhauling the

<u>Exhibit 6S</u>

Excerpts of the Expert Report of Charles Moore (City Ex. 464)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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

EXPERT REPORT OF CHARLES M. MOORE, CPA, CTP, CFF

A. Introduction

1. Scope of Engagement

I have been retained by the City of Detroit ("Detroit" or the "City") as an expert in advising municipal and corporate entities on organizational turnarounds and restructuring, including operational and financial revitalization. Conway MacKenzie, Inc. ("CM" or the "Firm") was engaged by the City in January 2013. I have led the Firm's engagement since that time. As the operational restructuring advisor for the City, my primary responsibility has been assisting the City in evaluating, developing, negotiating and executing the short- and long-term restructuring actions the City must take in order to achieve improved and adequate levels of services, structural cost savings, enhanced revenue generation, and deficit elimination. I, along with other CM professionals, have worked closely with the City and its other advisors, both prior to, software system in October 2013, which is expected to "go live" in September 2014. This system is utilized in 20 of the 22 cities within Michigan that levy an income tax. In order to improve customer service and income tax collections, investment in employees and technology are required. The Income Tax Division Organizational Efficiency Investment contemplates spending $12.2 million prior to cost savings of $10.4 million and additional revenue of $40.5 million, as described below:

- $7.0 million in incremental costs related to wages, benefits and training primarily related to creating a more robust Compliance/Audit function.

- $5.2 million in incremental costs related to a new income tax software system including annual maintenance costs over the course of 10 years. The new income tax software system will provide automation in order to reduce certain staff and allow the Division better reporting capabilities.

- $10.4 million in cost savings primarily related to improved processes and the implementation of the new income tax software system. Activities currently performed by a third-party vendor including interfacing with tax return imaging vendors in addition to non-filer analysis in comparison to IRS database, will be insourced, resulting in estimated savings of $9.2 million. Additionally, the City will save $1.2 million from headcount reductions due to automating the current manual process for taxpayer correspondence.

- $40.5 million in incremental revenue from various initiatives. Several initiatives are currently in process including: non-filer project, Income Tax Task Force, Small Claims Court and discovery of new taxpayers. Combined, these efforts are anticipated to yield $30.5 million in additional revenue. The City's Income Tax Division has also identified approximately $42.0 million of unpaid tax obligations that have not been paid, but in which the City has received a tax return. The City is in the process of engaging a third party collection agency and the Reinvestment Initiative assumes $10.0 million will be collected, net of commission.

Purchasing Division

The Purchasing Division is responsible for procuring goods and services for departments throughout the City. The Organizational Efficiency Initiatives include investment totaling $5.7 million for staffing, training and technology. As a result of this investment, it is expected that the Purchasing Division will achieve savings on City-wide purchases totaling $36.0 million. A summary of the Organizational Efficiency Initiatives that will impact the Purchasing Division is as follows:

- $4.7 million in incremental costs for wages, benefits and training. The division plans to hire five employees addressing the under-staffing in the Division and establishing a contract management function. These employees will allow the division to focus on specific commodities, develop expertise in these areas to improve cost saving opportunities and to ensure that vendors of the City are in compliance with contracts.
- $1.0 million in incremental costs to implement a software application (inclusive of maintenance) to procure goods and services by reaching vendors on a national scale to drive additional competition that will allow for improved pricing and service opportunities on future goods and services.
- $36.0 million in savings related to General Fund (excluding Grants, Detroit Water and Sewerage Department and non-General Fund subsidized Enterprise Funds) purchases. The estimated savings assumes on approximately $100.0 million of purchases of 2% per year for fiscal years

Exhibit 6

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Finance Department Detail

Limitations:

The following package represents a summary of our findings and should not be used for any purpose other than that for which it has been designated.

This package is confidential and is not to be distributed to or shared with any party who has not received it directly from Conway MacKenzie, Inc. ("Conway MacKenzie"). Conway MacKenzie, including its officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates does not make any representation or warranty, express or implied, with respect to the information contained herein and we hereby expressly disclaim any such representation or warranty. Conway MacKenzie assumes no responsibility with respect to the accuracy or completeness of the information contained herein and shall have no obligation to update or correct any of the information. Conway MacKenzie neither owes nor accepts any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damage or lost profits) or expense of whatsoever nature which is caused by, or alleged to be caused by, the use of this presentation or which is otherwise consequent upon the gaining of access to this presentation.

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants. Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Company or any financial or other information or the Company's internal control.

This package also includes certain estimates and projections that are inherently subject to significant economic, competitive and other uncertainties and contingencies. No representation, express or implied, is made as to the accuracy or completeness of such estimates or projections or of the Company's ability to achieve such projections. Because events and circumstances frequently do not occur as expected, actual results may vary materially from the estimates and projections.

By accepting this package, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations.

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Finance Department - Income Tax

($ in millions)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	Revenues											
1.	Collections	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2.	a. Increased Collection Rate	1.0	3.0	3.1	3.3	3.3	3.3	3.3	3.3	3.3	3.3	30.5
3.	b. Collection of Past Due	1.5	3.0	3.0	2.5	-	-	-	-	-	-	10.0
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	**Total Revenues**	2.5	6.0	6.1	5.8	3.3	3.3	3.3	3.3	3.3	3.3	40.5
	Expenditures											
8.	Permanent Labor	-	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(3.5)
9.	Professional & Contract Services	0.1	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	9.0
10.	Labor Costs / Service Contracts	0.1	0.8	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.5	5.6
11.	Active Benefits	-	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.6)
12.	Training	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	**Total Operating Expenditures**	0.1	0.7	0.6	0.3	0.3	0.3	0.3	0.3	0.2	0.2	3.4
23.	**Total Operating Surplus (Deficit)**	2.6	6.7	6.7	6.2	3.6	3.6	3.6	3.6	3.6	3.6	43.9
	Reorganization / Investment											
24.	Technology Infrastructure	(0.1)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(5.2)
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	**Total Reorganization / Investment**	(0.1)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(5.2)
29.	**Total Surplus (Deficit)**	$ 2.5	$ 5.0	$ 6.3	$ 5.7	$ 3.2	$ 3.2	$ 3.2	$ 3.2	$ 3.2	$ 3.2	$ 38.8
30.	**Incremental Headcount (FTE)**	-	2	2	8	8	8	8	8	8	8	8