

Speramus meliora; resurget cineribus; "We Hope for Better Things; It Will Arise From the Ashes"

*Original presentation made by Representative John Walsh to the
House Special Committee on Detroit's Recovery and Michigan's
Future – Spring 2014*



4th largest U.S. city, 1929



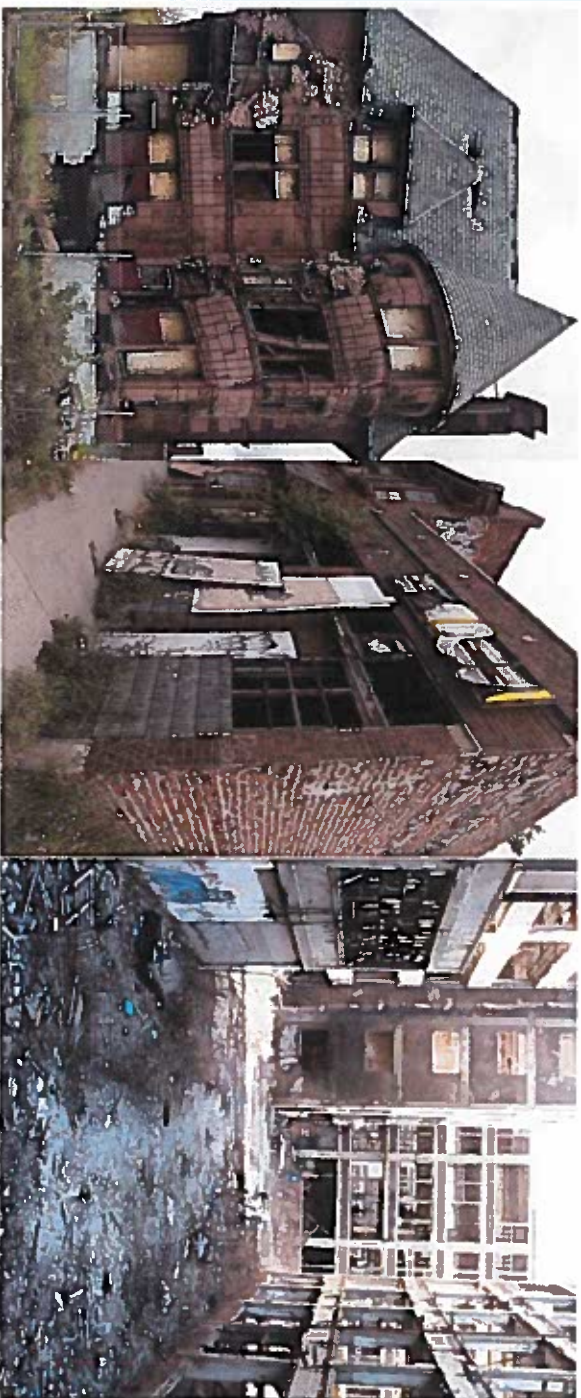
- Detroit's population peaked after WWII at 1.85 million people
- The cradle of the American Automobile Industry
- The Arsenal of Democracy

**Detroit
is now
18th
largest
U.S. city
(pop.
701,000)**



- **Many taxes levied at maximum allowed by law**
- **Half of all owners failed to pay property taxes in 2011**
- **No U.S. city has a lower credit rating**

Detroit isn't just broke... it's broken



Detroit has the largest municipal bankruptcy in U.S. history

DETROIT GOES BANKRUPT

HANDS ARE TIED
A local government's hands are tied in a lawsuit filed by the city of Detroit.

DEED
Detroit's bankruptcy filing is a landmark case for the city's future.

DEED'S WAY
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THE MOTOR CITY GOES BUST

How texting
Detroit's bankruptcy filing is a landmark case for the city's future.

DETROIT ROCK BOTTOM

THE HUFFINGTON POST
Detroit's bankruptcy filing is a landmark case for the city's future.

DETROIT'S RECKONING

THE DETROIT NEWS
Detroit's bankruptcy filing is a landmark case for the city's future.

DETROIT FILES FOR BANKRUPTCY

DETROIT FREE PRESS
Detroit's bankruptcy filing is a landmark case for the city's future.

'A CHANCE FOR A FRESH START'

NO OPTIONS: IT'S ALMOST RESORT TO
Detroit's bankruptcy filing is a landmark case for the city's future.

TIME IS YOUR CITY NEXT?

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Detroit and Michigan

- Detroit is a legal subdivision of the state
- The state has been responsible for some oversight of Detroit for a long time
- Emergency Manager filed bankruptcy on behalf of the state



Detroit can be an Economic Engine

- **38% of all Michigan residents live in the tri-county area**
- **44% of the state's total sales and income tax revenue comes from the tri-county area**
- **Detroit's successes & failures have driven success & failure for Michigan**



Rebuilding Detroit to Drive Michigan Forward

- Force reforms
- Hold Detroit accountable
- Once-in-a-lifetime opportunity to help fix Detroit





Accountability

- Settlement of bankruptcy and related lawsuits
- A new oversight commission
- A new pension investment oversight committee
- Requiring a Chief Financial Officer
- Adopting annual 4-year plan
- Bankruptcy Court jurisdiction for 20 years



Protecting Taxpayers

- No benefits for new city workers greater than state workers (all CBAs require oversight commission approval)
- Defined contribution plans required (after CBAs expire, as on Freedom to Work)
- No opt-out for 80/20 hard cap
- Avoid needing \$275 million more in taxpayer funding for social safety net
- Avoid long bankruptcy battle and save \$20 million in state legal costs



Protecting Retirees

- No more Pension Board junkets
- Participation by retirees while protecting them from falling onto the social safety net
- Limitations on existing pensions; no 13th check ever again



Preserving the DIA while protecting taxpayers

- Items arguably available for sale could bring total of \$250 million to \$800 million (likely divided among all creditors), minus litigation costs
- DIA removed from city's control, transferred to new nonprofit (board representation with state mission and focus)
- No DIA or foundation money without state money

If you
choose to
do nothing,
you still
have made
a choice

- Without a settlement, we will have no oversight
- Prolonged litigation will cost Michigan taxpayers more and delay Detroit's and Michigan's comeback
- Michigan's taxpayers will be funding a larger social safety net
- A chain is only as strong as its weakest link. In Michigan, that is currently Detroit.