

Financial state of the city

DETROIT



MONEY
NEEDED TO
PAY BILLS:
\$2.9 BILLION

-\$14,100
TAXPAYER
BURDEN

Truth in
Accounting

THE FINANCIAL STATE OF DETROIT

Why did Detroit's reported pension debt increase by \$2.7 billion this year?

Because of a new accounting rule, Detroit now has to report its pension debt on its balance sheet. As a result, the city's reported pension debt grew from \$167 million in 2014 to \$2.9 billion in 2015.

For years, Truth in Accounting has called for this financial reporting change, and we welcome the shift towards more transparent accounting.

The city's bills exceed its assets

Assets	\$10,650,749,000
Minus: Capital assets	-\$7,211,940,000
Restricted assets	-\$1,200,088,000
Assets available to pay bills	\$2,238,721,000
Minus: Bills	-\$5,177,825,000
Money needed to pay bills	-\$2,939,104,000
Each taxpayer's share of this debt	-\$14,100

Detroit has \$10.7 billion in assets, but most of these assets are not available to pay city bills.

The \$7.2 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$1.2 billion of the assets is restricted by law or contract.

That leaves \$2.2 billion of the city's assets available to pay \$5.2 billion of bills as they come due.

The -\$2.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those years. Instead these costs have been shifted to future taxpayers.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable, and transparent government financial information.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

Key findings

- Detroit has only \$2.2 billion available to pay \$5.2 billion worth of bills. Therefore, the city has a -\$2.9 billion financial hole.
- Detroit has a taxpayer burden of -\$14,100, which is each taxpayer's share of the city's unfunded debt.
- Despite reporting all of its pension debt, the city still continues to hide some of its retiree health care debt. The city's total hidden debt is \$392,000.

The bills Detroit has accumulated

Bonds	\$8,101,667,000
Other liabilities	\$1,469,366,000
Minus: Debt related to capital assets	-\$5,724,659,000
Unfunded pension benefits	\$1,329,035,000
Unfunded retiree health care benefits	\$2,416,000
Bills	\$5,177,825,000

Despite the balanced budget requirement, the city has accumulated bonded debt of \$8.1 billion and other liabilities of \$1.5 billion. The calculation of assets available to pay bills does not include capital assets, so \$5.7 billion of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 26% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$1.3 billion of pension benefits and \$2.4 million of retiree health care benefits, but the city has not adequately funded them.

Unless these pension and retiree health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Data is derived from the city of Detroit's June 30, 2015 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.

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