



DETROIT FINANCES IMPROVE AFTER BANKRUPTCY

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THE FINANCIAL STATE OF DETROIT

Truth in Accounting's (TIA) new city report ranks and grades the 75 most populous cities in the United States by their financial health. Detroit ranks No. 52, earning it a "D" on TIA's grading scale.

Decisions by city officials have left the city with a debt burden of \$1.8 billion, according to TIA's analysis of its 2016 financial filings. That burden equates to \$8,000 for every Detroit taxpayer.

Detroit's financial problems are largely driven by runaway pension obligations. The city has \$1.9 billion in unfunded pension promises and \$2.7 million in unfunded retiree healthcare benefits. While Detroit has promised these benefits, little money has been set aside to fund them.

Detroit's financial position has improved in recent years, as evidenced by the decrease of its Taxpayer Burden™ from \$14,100 in 2015 to \$8,000 in 2016. However, the means by which this occurred are not praiseworthy. In 2013, the city filed for bankruptcy and subsequently eliminated \$8.3 billion of debt from its books, including \$5.7 billion of retiree healthcare obligations and \$1.3 billion of pension liabilities. The city also had to lease its regional water and sewer systems.

52

Rank

**\$1.8
billion**

Money needed
to pay bills

-\$8,000

Taxpayer
Burden™

D

Financial grade

DETROIT FINANCIAL BREAKDOWN

FAST FACTS

- + Detroit has \$2.4 billion available in assets to pay \$4.2 billion worth of bills.
- + The outcome is a \$1.8 billion shortfall and an \$8,000 Taxpayer Burden™.
- + Unlike most cities, Detroit reports most of its retirement liabilities on its balance sheet. However, \$702.7 million of pension and retiree healthcare obligations are still excluded.

THE CITY'S BILLS EXCEED ITS ASSETS

Assets	\$6,566,918,000
<i>Minus:</i> Capital assets	-\$3,549,766,000
Restricted assets	-\$635,489,000
Assets available to pay bills	\$2,381,663,000
<i>Minus:</i> Bills	-\$4,216,297,000
Money needed to pay bills	-\$1,834,634,000
Each taxpayer's share of this debt	-\$8,000

BILLS THE CITY HAS ACCUMULATED

Bonds	\$1,870,336,000
Other liabilities	\$1,975,482,000
<i>Minus:</i> Debt related to capital assets	-\$1,503,536,000
Unfunded pension benefits	\$1,871,338,000
Unfunded retiree healthcare	\$2,677,000
Bills	\$4,216,297,000

GRADE: D

Bottom line: Detroit does not have enough money to pay its bills, so it has received a "D" for its finances from Truth in Accounting. A "D" grade is given to cities with a Taxpayer Burden™ between \$5,000 and \$20,000.

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 truthful and transparent financial information.