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June 25, 2010

Detroit Heading Towards Bankruptcy

A recent report entitled, 'The Fiscal Condition of the City of Detroit' by the Citizens Research Council of Michigan concluded that unless drastic measures are taken to address the burgeoning budget deficit, the city of Detroit could end up bankrupt or under state receivership.

The city's overheads in government spending at its present rate looks set to overshoot its \$1.6 billion budget by between \$446 and \$466 million. The report recommends that the city restructure its government in the face of twin realities of the day, firstly reduced tax revenue collection and secondly the state government's inability to provide shared revenues. The report, compiled at the behest of the city's business community through a coalition called Business Leaders of Michigan, details the challenges faced by the city, among which are a dwindling population and a high rate of unemployment.

The 60-page report goes on to put forth its argument that the city council must respond to these challenges by downsizing and making draconian budget cuts. This point has been acknowledged by Detroit Mayor Dave Bing who knows he faces a herculean task of revamping the city's operational and financial structure.

The report goes on to describe how bad decisions when drawing up the city's budget had had a detrimental effect on the city leaving it with having to make tough choices as a consequence. For example, last year the city planned to sell the Detroit-Windsor Tunnel and the Detroit Public Lighting Department. These sales were expected to contribute towards a sum of \$275 million in revenue that were added into the city's budget for last year. But within the entire fiscal year, the sales did not materialize thus resulting in a drastic revenue shortfall. It does not take a genius to figure out that eventually, the city will have to pay for this indiscretion in their budget decision.

This report can be read online at www.crcmich.org and was released just as the Mayor was about to give his budget speech to the city council. Mayor Bing's director of communications, Karen Dumas said that the CRC's recommendations do warrant due consideration by the city authorities. She also said the city council was fully aware of the city's shrunken tax base and the need for operational restructuring in the city government. However she stated that the implementation of such restructuring and its fruition in terms of results would take time.

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