



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

June 11, 2013

Karen Majewski, Mayor
City of Hamtramck
3401 Evaline Street
Hamtramck, Michigan 48212

Hamtramck City Council
3401 Evaline Street
Hamtramck, Michigan 48212

Dear Mayor Majewski and Hamtramck City Councilmembers:

On May 23, 2013, the Hamtramck Financial Review Team submitted its report to my Office. The report concluded, pursuant to Section 5(4)(b) of Public Act 436 of 2012, the Local Financial Stability and Choice Act, that a financial emergency existed within the City of Hamtramck.

On June 3, 2013, I concurred in the assessment of the Review Team and determined, pursuant to Section 6(1)(b) of the Act, that a financial emergency existed in the City of Hamtramck. By letter dated June 3, 2013, I notified you of my determination and set forth the findings of fact upon which that determination was based. The letter also provided notice of the City's right to request a hearing upon the determination.

Section 6(2) of the Act requires, in part, as follows:

Following the hearing, or if no hearing is requested following the expiration of the deadline by which a hearing may be requested, the governor, in his or her sole discretion based upon the record, shall either confirm or revoke, in writing, the determination of the existence of a financial emergency. If confirmed, the governor shall provide a written report to the governing body and chief administrative officer of the local government of the findings of fact of the continuing or newly developed conditions or events providing a basis for the confirmation of a financial emergency and a concise and explicit statement of the underlying facts supporting these factual findings.

The deadline by which City officials could have requested a hearing, June 10, 2013, expired without a hearing being requested. Therefore, for the reasons set forth below, I confirm my determination that a financial emergency exists in the City of Hamtramck.

I again have reviewed in detail the report submitted to me on May 23, 2013, by the Review Team. The Review Team found, or confirmed, the existence of the following conditions based upon information provided by City officials, or the City's audit firm, or other relevant sources:

- According to the City's 2012 fiscal year financial audit, the ending balance in the General Fund decreased from \$2,721,020 as of June 30, 2011 to a negative \$582,365 as of June 30, 2012. This one-year negative net change in fund balance of \$3,303,385 resulted from an operating deficit (i.e., expenditures in excess of revenues) of the same amount.
- Financial audit reports for the City for its last three fiscal years reflect notable variances between General Fund revenues and expenditures, as initially budgeted and as amended, versus General Fund revenues and expenditures actually realized. In all three of the years in question, General Fund revenues were overestimated, substantially so in fiscal years 2010 and 2012. In none of the three years in question did General Fund revenues exceed expenditures. These significant variances, in concert with an inability of City officials to accurately monitor revenues and expenditures throughout a given fiscal year and to properly amend City budgets accordingly, rendered the adopted budgets, and in many instances the amended budgets, effectively meaningless as a financial management tool.
- As of the date of submission of this Review Team report, City officials had not filed with the Michigan Department of Treasury a deficit elimination plan that is sufficient for certification. The proposed deficit elimination plan submitted by City officials included significant revenue enhancements (e.g., increased license and permit revenue, a 13 percent increase in City Income Tax revenues, and a 35 percent increase in fines and forfeiture revenues) as well as expenditure reductions. However, City officials provided no evidence that the proposed revenue enhancements were realistic or that the expenditure reductions would be made. Furthermore, even if the proposed revenue enhancements and expenditure reductions were to be fully achieved, City officials projected expenditures still would exceed available revenues by more than \$1.7 million. The filing of an approvable deficit elimination plan is required by State law.

I remain in agreement with the conclusions of the Review Team report. Furthermore, I note that City officials have not disputed the accuracy of any of the information contained in the report, nor disputed any of its conclusions. Therefore, pursuant to Section 6(2) of the Act, I confirm my determination that a financial emergency exists in the City of Hamtramck.

Pursuant to Section 7(1) of the Act, the City Council must within seven days of the date of this confirmation adopt a resolution that selects one of the following four statutory options to address the financial emergency:

- (a) The Consent Agreement option pursuant to Section 8 of the Act.
- (b) The Emergency Manager option pursuant to Section 9 of the Act.

Karen Majewski, Mayor
Hamtramck City Council
June 11, 2013
Page 3

(c) The Neutral Evaluation Process option pursuant to Section 25 of the Act.

(d) The Chapter 9 Bankruptcy option pursuant to Section 26 of the Act.

The deadline by which the City Council must submit to my Office an adopted resolution selecting one of the foregoing statutory options is 5:00 P.M., Tuesday June 18, 2013. Pursuant to Section 7(3) of the Act, if the City Council fails or refuses to select a statutory option by the deadline, the City will be required to proceed under the Neutral Evaluation Process.

Sincerely,



Rick Snyder
Governor

cc: Kyle Tertzag
Senator Bert Johnson
Representative Rose Mary Robinson