3500 (Rev. 11-13)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

DATE: January 24, 2014

TO: Governor Snyder

FROM: City of Highland Park Financial Review Team:
Frederick Headen
Robert G. Burgess
Edward B. Koryzno
Doug Ringler
Christopher Roosen

SUBJECT: Report of the City of Highland Park Financial Review Team

On December 5th, 16th, 17th, 2013, and January 14th, 2014, City of Highland Park Financial Review Team members met and reviewed information relevant to the financial condition of the City of Highland Park. Based upon that review, the Review Team concludes, in accordance with Section 5(4)(b) of Public Act 436 of 2012, the Local Financial Stability and Choice Act, that a financial emergency exists within the City of Highland Park.

I. Background

A. Preliminary Review

On September 9th through October 9th, 2013, the Department of Treasury conducted a preliminary review of the finances of the City of Highland Park to determine whether or not a serious financial problem existed. The preliminary review of the City of Highland Park resulted from the conditions enumerated in subdivisions (d), (j), (n), (p), and (s) of Section 4(1) having occurred within the City.[1] The preliminary review found, or confirmed, the following:

[1] Subdivision (d) provides that "[t]he state financial authority receives written notification that a local government has not timely deposited its minimum obligation payment to the local government pension fund as required by law." Subdivision (j) provides that "[t]he local government has violated a requirement of sections 17 to 20 of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.437 to 141.440." Subdivision (n) provides that "[t]he local government is in breach of its obligations under a deficit elimination plan or an agreement entered into pursuant to a deficit elimination plan. Subdivision (p) provides that "[t]he municipal government has ended a fiscal year in a deficit condition as defined in section 21 of the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.921, or has failed to comply with the requirements of that section for filing or instituting a financial plan to correct the deficit condition." Subdivision (s) provides that "[t]he existence of other facts or circumstances that, in the state treasurer's sole discretion for a municipal government, are indicative of probable financial stress or that, in the state treasurer's or superintendent of public instruction's sole discretion for a school district, are indicative of probable financial stress."

- City officials engaged in expenditures in violation of Sections 17 through 20 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.[2] For the City's 2012 fiscal year, there were unbudgeted expenditures in several funds. For example, the Federal Grants Fund had unbudgeted expenditures of $3.5 million. The General Fund had $491,161 in unbudgeted expenditures in the form of a transfer to the Water and Sewer Fund to supplement its operations. However, when considered as a whole, total General Fund expenditures were actually under budget by $1.2 million.

- City officials failed to comply with a five-year deficit elimination plan filed with the Michigan Department of Treasury in 2009. Except for fiscal year 2011, each fiscal year of the City since the plan was filed ended with a higher deficit than for the preceding year. Furthermore, the Department deemed unacceptable the deficit elimination plan most recently filed by City officials because of the conclusion that the plan would not eliminate the existing deficit within five years.

- The City ended its fiscal year in a deficit condition in one or more funds since at least 2008. For the 2012 fiscal year, entity-wide governmental activities had a deficit of $46.8 million in unrestricted net assets and $16.4 million in total net assets. The business-type activities had a deficit of $5.4 million in unrestricted net assets and $2.2 million in total net assets. There also were deficits in the Federal Grants Fund ($210,976) the Neighborhood Stabilization Program 1 Fund ($116,608), the Community Development Block Grant Fund ($146,097), and the Water and Sewer Fund ($5.5 million).

- City officials engaged in significant inter-fund borrowing. The largest amounts from fiscal year 2012 were $463,771 that City officials borrowed from the General Fund for deposit into the 08 Pension Bond Debt Fund; $534,445 that City officials borrowed from the Tax Increment Finance Authority Fund for deposit in the General Fund; and $69,102 that City officials borrowed from the Federal Account Fund for deposit into the General Fund.

  While City officials continued the practice of inter-fund borrowing during fiscal year 2013, the financial records of the City had not been reconciled as of the time the preliminary review was completed and, therefore, inter-fund borrowing amounts could not be confirmed. However, in their response to an interim version of the preliminary review, City officials clarified that the $463,771 which they had borrowed from the General Fund for deposit in the 08 Pension Bond Debt Fund during fiscal year 2012 had been repaid after debt millage had been received.

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[2] Those provisions, in the main, require local officials annually to adopt a balanced budget which sets forth a statement of estimated revenues, by source, in each fund maintained by the local government for the ensuing fiscal year; to monitor actual revenues and expenditures during the course of a fiscal year; to amend an adopted budget as necessary to keep it in balance; and to refrain from incurring expenditures in excess of amounts appropriated by the local legislative body.

- As of June 18, 2013, the City had more than $48.5 million in long-term debt and another $44.8 million in unfunded pension and other postemployment benefits, for a total of $93.3 million. Of the $48.5 million in long-term debt, governmental activities totaled roughly $39.1 million and business-type activities accounted for the remaining $9.4 million. A portion of the foregoing debt related to unfunded pension obligations is funded through a voter-approved, extra voted millage.

- As indicated in **Table 1**, the Water and Sewer Fund had operating losses since 2008, impacting cash flows and undermining the City's ability to pay its bills:

Table 1

Water and Sewer Fund Revenues, Expenses, and Change in Net Position

	2008	2009	2010	2011	2012
Revenues	$4,743,770	$4,965,088	$5,099,785	$5,290,608	$7,483,792
Expenses	$6,980,834	$6,889,623	$7,677,838	$6,798,258	$8,394,495
Operating Income (Loss)	($2,237,064)	($1,924,535)	($2,578,053)	($1,507,650)	($910,703)
Non-operating Revenue	($62,333)	($111,423)	($114,421)	($110,593)	($106,660)
Transfers/ Contrib. Capital	$226,956	($24,805)	-	$3,874,694	$491,161
Beginning Balance	($295,949)	($2,368,390)	($4,429,153)	($7,121,627)	($4,996,138)
Restatement Amount	-	-	-	($130,962)	-
Ending Balance	($2,368,390)	($4,429,153)	($7,121,627)	($4,996,138)	($5,522,340)

Source: Annual Financial Audits, 2008 through 2012

- City officials failed to make the actuarially required contribution for the General Employees Retirement Plan and Public Safety Retirement Plan, thereby increasing its pension obligation by $159,232 and $357,488 respectively for the 2012 fiscal year. In addition, City officials set aside proceeds from $27.0 million in pension bonds issued in 2008 to pay the current payroll contributions for two City retirement plans: the General Employees Retirement Plan and the former Municipal Employees Retirement System. City officials indicated having approximately $9.0 million remaining, and estimated this remaining amount likely would be depleted within two to three years. City officials had not determined what resources would be available to fund retirement payments after that time.

- As of June 30, 2012, City officials had failed to fully make annual required contributions for other post-employment benefits. At the end of its 2012 fiscal year, its unfunded liability was

> $26.1 million. The total cost for the 2012 fiscal year was $2.2 million, of which only $1.4 million was paid. The 2013 fiscal year cost was anticipated to be similar to that of the preceding fiscal year. However, City officials only had paid approximately $1 million for current retirees.

On October 9, 2013, the State Treasurer submitted the foregoing preliminary review to the Local Emergency Financial Assistance Loan Board. On October 23, 2013, the Local Emergency Financial Assistance Loan Board determined that probable financial stress existed for the City of Highland Park.[3]

B. Review Team Findings

On December 2, 2013, the Governor appointed a five-member Financial Review Team. The Review Team convened on December 5th, 16th, 17th, 2013, and January 14th, 2014.

1. Conditions Indicative of a Financial Emergency

The Review Team found, or confirmed, the existence of the following conditions based upon information provided by City officials or other relevant sources:

- According to the City's 2013 fiscal year financial audit, the ending balance in the General Fund decreased slightly from $2.99 million as of June 30, 2012, to $2.78 million as of June 30, 2013. Although General Fund revenues exceeded expenditures by $564,329, this was more than offset by a transfer of $771,279 from the General Fund to the Water and Sewer Fund, thereby continuing a concerning pattern of the former subsidizing the latter.

- According to the City's 2013 fiscal year financial audit, the ending balance in the Water and Sewer Fund increased from a negative $5.5 million as June 30, 2012, to a negative $12.5 million as of June 30, 2013. This 125.6 percent increase in the negative fund balance was attributable to a $7.7 million operating loss during the 2013 fiscal year which was offset slightly by the previously mentioned transfer of $771,279 from the General Fund.

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[3] Under the prior emergency management statutes (Public Act 101 of 1988; Public Act 72 of 1990, the Local Government Fiscal Responsibility Act; and Public Act 4 of 2011, the Local Government and School District Fiscal Accountability Act), a preliminary review reached a conclusion regarding whether a serious financial problem or probable financial stress existed in the unit of local government that was subject to the review. However, under the current Act, a preliminary review reaches no such conclusion. Instead, pursuant to Section 4(2) of the Act, "[t]he state financial authority [the State Treasurer or Superintendent of Public Instruction] shall prepare and provide a final report detailing its preliminary review to the local emergency financial assistance loan board…Within 20 days after receiving the final report from the state financial authority, the local emergency financial assistance loan board shall determine if probable financial stress exists for the local government."

- As of October 31, 2013, the City owed approximately $19.5 million in total accounts payable to various venders. This total included an estimated $18.2 million owed to the City of Detroit for water and sewer services; $311,380 owed to DTE Energy; $142,265 owed to Wayne County for property assessing; $125,370 owed to Wayne County for prisoner maintenance; $105,667 owed to the City of Hamtramck for municipal income tax collection and administration; and $101,284 owed to the State of Michigan for principal and interest upon outstanding emergency loans. In fact, according to information provided by City officials, accounts payable increased by $756,587 during the one-month period of September 30, 2013 to October 31, 2013, due primarily to water and sewer services provided by the City of Detroit.

- On November 22, 2013, the City of Detroit, through its Water and Sewer Department, filed a lawsuit in United State District Court (Eastern District) against the City of Highland Park for an estimated $17.7 million in delinquent accounts payable (i.e., $16.9 million for unpaid sewer service and $805,000 for unpaid water service). On December 30, the Court dismissed the majority of the lawsuit upon subject-matter jurisdiction grounds (i.e., that the lawsuit should have been filed in State court rather than in federal court).

- On December 12, 2013, Fifth Third Bank served written notice upon City officials that failure by them to timely pay the City of Detroit for water and sewer services, which resulted in the above-mentioned lawsuit by the City of Detroit, constituted an "event of default" upon a letter of credit extended by the Bank. The written notice also indicated that the Bank would, beginning in January 2014, deny City officials access to bond proceeds on deposit with the Bank that City officials have utilized to remit certain pension obligations.[4]

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[4] In 2008, City officials issued approximately $27.0 million in bonds to remit certain pension obligations. The sale of the bonds was coordinated by the Michigan Municipal Bond Authority (now the Michigan Finance Authority) within the Michigan Department of Treasury. City officials deposited the bond proceeds ($25.8 million, net of $1.2 million in expenses) with Fifth Third Bank, with the understanding that City officials would withdraw from those proceeds on a monthly basis an amount sufficient to remit that month's pension obligations. The bond proceeds were not invested and City officials developed no long-term strategy for addressing the related pension obligations, electing by default to pursue a pay-as-you-go arrangement. Of the original $25.8 million in net bond proceeds deposited with the Bank, approximately only $7.9 million remained as of September 20, 2013.

The bonds were supported by a voter-approved, unlimited tax pledge of the City. However, given the precarious financial condition of the City, potential bondholders required security in addition to the unlimited tax pledge. That additional security, in the form of a letter of credit, was provided by Fifth Third Bank. The alternative would have been a higher rate of interest for the bonds (i.e., higher debt service costs) that likely would have proven financially unacceptable to City officials.

The City entered into a reimbursement agreement with Fifth Third Bank related to the bonds entitling the Bank to seek recovery from the City for violations of the agreement. Therefore, pursuant to the letter of credit, were the City to default upon a debt service payment to bondholders, Fifth Third Bank would be obligated to make the debt service payment and then would be subrogated to the rights of those bondholders, entitling the Bank to seek recovery from the City.

- City officials have been consistently unable to issue timely and accurate bills to residential and commercial users of water and sewer services, in some instances for up to two years. According to City officials, there are in the City approximately 4,000 meters and approximately 3,000 water and sewer active accounts, of which some 367 are business or commercial accounts. One City official expressed the belief that up to 80 percent of the water and sewer accounts are delinquent, either because the City had not issued a bill or because the user had received a bill, but had not remitted the amount due.

- The City has a relatively high property tax millage rate and, correspondingly, a relatively low property tax collection rate. During the 2012 calendar year, according to its most recent financial audit report, the City levied an aggregate of 59.7258 mills for various purposes (e.g., operations, garbage collection, pensions, and judgments). However, according to City officials, the City collects on average only 60 percent of property taxes levied. The remaining 40 percent of property taxes not collected for a given year are returned delinquent to the Wayne County Treasurer's Office for collection, but remain the responsibility of the City if not collected by the County.

- The City's 2013 fiscal year financial audit raised a specific doubt about the ongoing financial viability of the City. Noting that the City "has a significant net deficit in the Water and Sewer Fund at June 30, 2013," the financial audit stated that "[t]his condition raises substantial doubt the City's ability to continue as a going concern."

- During the 2013 fiscal year, City officials engaged in expenditures in violation of Sections 17 through 20 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, as set out in **Table 2** below.

Table 2

General Fund Expenditures in Excess of Budgeted Appropriations

Program Area	Amount of Unbudgeted Expenditure
Community and Economic Development	$50,283
Legal Department	$19,016
Rubbish and Garbage Collection	$5,879
Recreation and Culture	$5,379
Total Unbudgeted Expenditures	$80,557

Source: Annual Financial Audit, 2013

2. Review Team Meetings

On December 5, 2013, Review Team members Robert G. Burgess, Frederick Headen, Edward B. Koryzno, Doug Ringler, and Christopher Roosen met with Cary Vaughn, Audit Manager, Local Audit and Finance Division, Bureau of Local Government Services; and with Gregory Terrell, of the certified public accounting firm Gregory Terrell & Company.

On December 16, 2013, Review Team members Robert G. Burgess, Frederick Headen, Edward B. Koryzno, Doug Ringler, and Christopher Roosen met with Christopher Woodard, Council President and Mayor Pro Tem; Janice Bibbs, City Treasurer; Brenda Clark, City Clerk; Earnestine Williams, Finance Director; Kevin Coney, Police Chief; DeAndre Windom, Mayor; and Norma J. Lewis, Titus McClary, Mamie Posey Moore, and Rodney Patrick, City Councilmembers.

On December 17, 2013, Review Team members Robert G. Burgess, Frederick Headen, Edward B. Koryzno, Doug Ringler, and Christopher Roosen met with Derek Hillman, Fire Chief; Sergeant Marlon Walton, President, Highland Park Police and Firefighters Association (Unit B); Sergeant Nathan Erwin, Secretary-Treasurer, Highland Park Police and Firefighters Association (Unit B); Mona King, Water Department Interim Director; Gerraj Surles, Department of Public Works Director; Michael Drain, Parks and Recreation Director; and Bridgette R. Officer-Hill, Chief Judge, Thirtieth District Court.

Also, on December 17, 2013, Review Team members Robert G. Burgess, Frederick Headen, Edward B. Koryzno, Doug Ringler, and Christopher Roosen conducted a public information meeting in the City of Highland Park pursuant to Section 5(2) of the Act. Review Team members discussed with approximately 40 City residents in attendance the statutory process, indicated that Review Team members had met with various City and union officials, and received comments from approximately 15 City residents.

3. Other Considerations

Both the financial challenges confronting the City, and State intervention and oversight in varying degrees to assist City officials in resolving those challenges, are longstanding. A chronology of the more significant aspects of State oversight of the City is set out in Appendix A.

It is sufficient here to observe that the City first was formally subjected to State oversight in 1996, when a review team was appointed pursuant to then Public Act 72 of 1990, the Local Government Fiscal Responsibility Act. That review team process concluded with a consent agreement which remained in effect for three years, until October of 1999. Subsequently, several other financial reviews by the Michigan Department of Treasury ensued. A determination was made in June of 2001 that a financial emergency existed in the City. Between June of 2001 and July of 2009, three successive Emergency Financial Managers were appointed for the City.

The City has not had an Emergency Financial Manager since July of 2009. Since that time, City officials essentially have been responsible for making day-to-day financial and operational decisions with some, but relatively minimal formal, involvement by the State. However, the original determination, made in 2001, that a financial emergency existed in the City has not been revoked because the City's financial condition has not improved sufficiently to commend such a revocation. City officials have noted with some poignancy, and not without a measure of accuracy, that a decade of State intervention has not resolved the City's financial difficulties.

During the present Review Team process, City officials were not unanimous in their assessment as to whether a financial emergency *continues* to exist within the City. However, it is worthy of remark that not a single City official articulated to this Review Team any comprehensive plan to address the accumulated deficits and other financial liabilities that undeniably continue to plague the City.

During our interactions with City officials, and with residents, two issues were recurrent: first, the deficiencies related to billing residential and commercial users of water and sewer services and second, the circumstances surrounding pension bonds which were issued by the City in 2008 to fund certain pension obligations. While many other issues may be said to contribute to the City's financial emergency, a detailed consideration of these two issues offers insight into whether City officials possess the capacity to resolve that financial emergency or whether resort should be had to auxiliary measures. We address the two issues seriatim.

a. Water and Sewer Billings

As was noted earlier in this report, City officials consistently have been unable to issue timely and accurate bills to residential and commercial users of water and sewer services. City officials have permitted this situation to persist despite an increasing deficit condition in the City's Water and Sewer Fund; that accumulated deficit was $5.5 million as of June 30, 2012, and ballooned to $12.5 million as of June 30, 2013. Furthermore, during this same timeframe, City officials allowed such arrearages to reach an estimated $17.7 million as of last fall. That City officials would permit the City to incur ongoing costs for water and sewer services without a concerted effort to recover those costs from the end users of those services suggests a dereliction of leadership on the part of City officials.

In fairness to present City officials, the inability to perform this function did not originate with them. It has been a longstanding problem within the City. However, it also is fair to observe that present City officials have done little to address the problem in an effective manner and, to an extent, have exacerbated the problem. For example, the present City administration made a decision to stop issuing water and sewer bills altogether because of concerns over the accuracy of some of the bills that had been issued. Whether due to the City's delinquency in issuing accurate bills, an inability of residents to pay, or other factors, City officials estimated that $8.5 million in water and sewer bills were uncollectible. This represents 73 percent of the total Water and Sewer Fund receivables as reported in the City's June 30, 2013 audited financial statements.

Numerous questions remain concerning why City officials had not realigned human resources to address this important function; why estimated bills might not be issued until such time that actual and accurate meter readings could be conducted; whether overdue water and sewer bills should be placed upon the property tax rolls for collection; whether it is economically feasible or practical to re-open the City's water treatment facility; and whether rates are appropriate, given current costs and necessary infrastructure repairs?

The responses we received to these, and related, questions differed depending upon the City official to whom they were posed. For example, one City official indicated that estimated water and sewer bills had been issued in some instances, while another City official indicated having recommended such an approach, but that no response had been received concerning the recommendation. We were informed that the City had secured the services of a private company to assist with sending water and sewer bills to customers, but the sending of bills presupposes that meters are read and that the results are input into the City's computer system in order to generate the bills. Ultimately, none of the responses (e.g., antiquated meters, antiquated meter-reading equipment and computer systems, departure of key staff, or staffing shortages) afforded an adequate answer for why the City cannot perform a function routinely done by other units of local government.

Indeed, City officials seem to lack the political will to confront the issue. While water and sewer bills, and their corresponding billing rates, often are highly sensitive issues within units of local government, Highland Park City officials have not coalesced around a strategy to address this issue. Nor have they effectively communicated to residents what options, if any, are under consideration.

We note that a number of the residents who addressed the Review Team at the December 17, 2013, public information meeting, spoke to this issue. Many expressed disbelief over the inability of City officials and personnel to perform the seemingly routine process of preparing and issuing water and sewer bills. Likewise, many expressed confusion as to why some residents had received bills, while others did not. Given the lack of action by City officials, many of those residents likely will face overdue bills of several thousand dollars and, furthermore, will not have received the insight and direction they deserve.

b. Pension Bonds

In 2008, as noted above in Footnote 4, City officials issued approximately $27.0 million in bonds to finance certain pension obligations. The bonds, after expenses, generated $25.8 million in net proceed which City officials have drawn down on a monthly basis in an amount sufficient to remit that month's pension obligations. The bond proceeds were not invested and City officials developed no long-term strategy for addressing the related pension obligations, electing by default to pursue a pay-as-you-go arrangement. Of the original $25.8 million in net bond proceeds, approximately only $7.9 million remained as of September 20, 2013. City officials have estimated that the remaining bond proceeds likely will be exhausted in approximately 36 months.

The bonds were issued for a 30-year repayment term. Therefore, City residents will, in effect, bear the burden of higher property taxes over a 30-year period to repay principal and interest on bonds, the proceeds from which will have been exhausted in a total of eight years. City officials articulated to the Review Team no plan for remitting the pension obligations in question after current bond proceeds are exhausted. Given that City officials have been unable to effectively resolve the relatively simple task of reliably issuing water and sewer bills, we place little confidence in their ability to resolve the far more complex issues of debt restructuring and pension obligations.

C. Conclusion

Based upon the foregoing information, meetings, and review, the Review Team confirms the findings of the preliminary review, the determination of the Local Emergency Financial Assistance Loan Board, and concludes that a financial emergency exists within the City of Highland Park.

II. Section 5(3) Requirements

Section 5(3) of the Act requires that this report include the existence or an indication of the likely occurrence of any of the conditions set forth in subdivisions (a) through (m).[5] The conditions in subdivisions (b), (d), (e), (g), (j), (l), and (m) of Section 5(3) exist or are likely to occur, as follows:

- For the 2013 fiscal year, City officials failed to make actuarially required contributions to the General Employees Retirement Plan and Public Safety Retirement Plan. (Section 5(3)(b).)

- For the 2013 fiscal year, the City had total accounts payable of $20.3 million (in Governmental Activities, Business-Type Activities, and General Fund) which exceeded 10 percent of total expenditures of $45.2 million. (Section 5(3)(d).)

- The City had a Water and Sewer Fund deficit of $12.5 million as of June 30, 2013, which was not eliminated within the two-year period preceding the end of the fiscal year of the City during which this Review Team report is received. (Section 5(3)(e).)

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[5] Subdivisions (a) through (m) of Section 5(3) of the Act provide as follows:

> (a) A default in the payment of principal or interest upon bonded obligations, notes, or other municipal securities for which no funds or insufficient funds are on hand and, if required, segregated in a special trust fund.
>
> (b) Failure for a period of 30 days or more beyond the due date to transfer 1 or more of the following to the appropriate agency:
>
> (i) Taxes withheld on the income of employees.
>
> (ii) For a municipal government, taxes collected by the municipal government as agent for another governmental unit, school district, or other entity or taxing authority.
>
> (iii) Any contribution required by a pension, retirement, or benefit plan.

- In 2009, City officials filed with the Michigan Department of Treasury a five-year deficit elimination plan, but in each year covered by the plan except 2011, the City had a Water and Sewer Fund deficit which was greater than in the preceding year. (Section 5(3)(g).)

- A structural operating deficit has existed in the Water and Sewer Fund during the 2008 through 2013 fiscal years. Over the last six fiscal years, annual revenues averaged $5.8 million, while annual expenditures averaged $8.6 million. (Section 5(3)(j).)

- As of July 18, 2013, an open invoices report summary provided by City officials reflected an outstanding balance of over $15.7 million. Of that amount, $13.2 million was more than 90 days past due. (Section 5(3)(l).)

- According to the 2013 financial audit of the City, City officials did not distribute delinquent personal property tax collections to third parties in a timely manner. (Section 5(3)(m).)

(c) Failure for a period of 7 days or more after the scheduled date of payment to pay wages and salaries or other compensation owed to employees or benefits owed to retirees.

(d) The total amount of accounts payable for the current fiscal year, as determined by the state financial authority's uniform chart of accounts, is in excess of 10% of the total expenditures of the local government in that fiscal year.

(e) Failure to eliminate an existing deficit in any fund of the local government within the 2-year period preceding the end of the local government's fiscal year during which the review team report is received.

(f) Projection of a deficit in the general fund of the local government for the current fiscal year in excess of 5% of the budgeted revenues for the general fund.

(g) Failure to comply in all material respects with the terms of an approved deficit elimination plan or an agreement entered into pursuant to a deficit elimination plan.

(h) Existence of material loans to the general fund from other local government funds that are not regularly settled between the funds or that are increasing in scope.

(i) Existence after the close of the fiscal year of material recurring unbudgeted subsidies from the general fund to other major funds as defined under government accounting standards board principles.

(j) Existence of a structural operating deficit.

(k) Use of restricted revenues for purposes not authorized by law.

(l) The likelihood that the local government is or will be unable to pay its obligations within 60 days after the date of the review team's reporting its findings to the governor.

(m) Any other facts and circumstances indicative of local government financial emergency.

III. Review Team Report Transmittal Requirements

Section 5(3) of the Act also requires that a copy of this report be transmitted to Highland Park Mayor DeAndre Windom, Highland Park City Councilmembers, the Speaker of the House of Representatives, the Senate Majority Leader, and each State Senator and Representative who represents the City of Highland Park.

cc: DeAndre Windom, Mayor
Highland Park City Councilmembers
James Bolger, Speaker of the House of Representatives
Randy Richardville, Senate Majority Leader
Bert Johnson, Michigan Senator
John Olumba, Michigan Representative

Appendix A

Chronology of Oversight of the City of Highland Park

<u>1996</u>	
February	State Treasurer commences preliminary review of City's financial condition pursuant to Public Act 72 of 1990, the Local Government Fiscal Responsibility Act.
March	State Treasurer informs Governor that a serious financial problem exists.
May	Governor appoints Financial Review Team.
August	Financial Review Team executes Consent Agreement with City.
<u>1999</u>	
July	Financial Review Team recommends to State Treasurer either that it be dissolved or that an Emergency Financial Manager be appointed.
October	Financial Review Team is dissolved after meeting with City officials to encourage them to take steps necessary to resolve projected financial issues. City officials agree to take necessary steps, but failed to do so.
<u>2000</u>	
August	City officials request Michigan Department of Treasury approval to issue $3.5 million in fiscal stabilization bonds.
September	State Treasurer commences preliminary review of City's financial condition pursuant to Public Act 72 of 1990, the Local Government Fiscal Responsibility Act.
	Governor appoints Financial Review Team.
November	Financial Review Team concludes that a financial emergency exists and informs Governor.
	Governor determines that a financial emergency exists in the City and assigns to Local Emergency Financial Assistance Loan Board responsibility to manage financial emergency.
December	Local Emergency Financial Assistance Loan Board appoints Emergency Financial Manager.
	City officials file suit in Wayne County Circuit Court; the Court enjoins appointment of Emergency Financial Manager.

Chronology of Oversight of the City of Highland Park

<u>2001</u>	
February	Michigan Court of Appeals denies State's motion for interlocutory consideration and stay of Wayne County Circuit Court injunction.
March	State Treasurer commences preliminary review of City's financial condition pursuant to Public Act 72 of 1990, the Local Government Fiscal Responsibility Act.
April	State Treasurer informs Governor that a serious financial problem exists.
	Governor appoints Financial Review Team.
May	Financial Review Team concludes that a financial emergency exists and informs Governor.
June	Governor determines that a financial emergency exists in the City and assigns to Local Emergency Financial Assistance Loan Board responsibility to manage financial emergency.
	Local Emergency Financial Assistance Loan Board appoints Emergency Financial Manager.
<u>2003</u>	
May	Local Emergency Financial Assistance Loan Board approves $1.0 million emergency loan for City.
November	Eaton County Circuit Court enters $5.0 million consent judgment against City in favor of Municipal Employees Retirement System of Michigan for delinquent employer contributions.
<u>2004</u>	
January	Local Emergency Financial Assistance Loan Board approves issuance by City of not to exceed $6.0 million in financial recovery bonds to remit $5.75 million in unfunded pension liabilities.
<u>2005</u>	
March	Local Emergency Financial Assistance Loan Board terminates appointment of Emergency Financial Manager and appoints successor Emergency Financial Manager.
<u>2006</u>	
September	Local Emergency Financial Assistance Loan Board approves $1.0 million emergency loan for City.

Appendix A (Continued)

Chronology of Oversight of the City of Highland Park

2007	
June	The City's delinquent employer contributions to Municipal Employees Retirement System of Michigan stand at $.27 million.
August	Municipal Employees Retirement System of Michigan terminates City's participation in defined benefit program.
2008	
April	Local Emergency Financial Assistance Loan Board approves $3.0 million emergency loan for City.
2009	
April	Local Emergency Financial Assistance Loan Board terminates appointment of successor Emergency Financial Manager and appoints second successor Emergency Financial Manager.
July	Appointment of second successor Emergency Financial Manager ends.
2013	
September	State Treasurer commences preliminary review of City's financial condition pursuant to Public Act 436 of 2012, the Local Financial Stability and Choice Act.
October	Local Emergency Financial Assistance Loan Board determines probable financial stress to exist.
December	Governor appoints Financial Review Team.