



Honorable Rick Snyder  
Governor of Michigan  
111 South Capitol Avenue  
Lansing, MI 48909

December 21, 2015

Governor Snyder,

I was appointed Emergency Manager under the authority of PA 436 of 2012 for the City of Lincoln Park and took office on July 7, 2014. During my tenure considerable progress has been made to solve the City's financial crisis and start rebuilding the community. As a result of these changes, the financial emergency within the City has been sufficiently addressed and I feel it is time to relinquish my position.

When I came to Lincoln Park in July 2014, the City had an unassigned General Fund deficit of \$(1,007,245) for the fiscal year ended June 30, 2014. Based on results for the annual financial report produced by Plante Moran, the City will have eliminated the unassigned deficit as of June 30, 2015. The unassigned fund General Fund balance now stands at positive \$186,901. For fiscal 2015-16, the City is projected to have at least a \$700,000 positive contribution from operations and one time revenue sources, so the General Fund balance will continue to strengthen.

The following actions summarize the major steps taken to eliminate the General Fund deficit, improve City operations, and start rebuilding property values. Many of the improvements were initiated in fiscal 2014-15 with the full benefit to be realized in this current fiscal year.

#### Revenue Improvements

The City started to capture towing revenue as well as initiated cost recovery for 911 services. These items are budgeted to generate over \$250,000 during fiscal 2015-16.

Two cell tower easements were sold with gross proceeds of \$545,702 in fiscal 2014-15 and \$365,762 in fiscal 2015-16. These asset sales are one time revenue items.

The benefits of having a consolidated district court system for Lincoln Park, Ecorse and River Rouge are just starting to be seen. The net revenue contribution from court operations is substantially greater than anticipated. This consolidation was put in place before the Emergency Manager arrived.

#### Cost Savings

The contract with the firefighters was renegotiated to eliminate minimum manning and place restrictions on the number of staff that can take time off per day. Restrictions on sick time were also put in place to stem sick time abuse. As a result, overtime has dropped from over \$600,000 per year to a budgeted \$50,000 in fiscal 2015-16. In addition the Fire Chief and Fire Marshall positions were combined for a payroll savings of \$65,000 per year.

Retiree health care was eliminated and replaced with a monthly stipend. Instead of having retirees purchase health insurance on the public exchange, an arrangement was made to allow retirees to purchase insurance under the City's group coverage. This unique benefit provided retirees an estimated 30% savings in the cost of purchasing health insurance versus the public exchange.

In fiscal 2014-15, the City spent \$4.3 million in retiree health insurance. With the move to a monthly stipend, the City is now spending \$600,000 per year on the retiree health care. Of the savings, \$3 million per year was shifted to funding the pensions systems while the remaining \$700,000 provided cost savings to the General Fund, Water Fund and Road funds.

A thorough evaluation of Lincoln Park's health care underwriting data was undertaken by a third party expert. This analysis assisted the City in negotiating savings of over \$200,000 per year from its health care provider for active employee coverage starting in fiscal 2015-16. In addition, the City is receiving a one-time rebate from its health insurance provider of \$221,000 in fiscal 2015-16.

The City had been subsidizing the operation of its ice rink. After renegotiation of the management contract, the City is no longer responsible for any operating costs and will save \$67,000 per year.

The ability for employees to purchase three years of service credit toward retirement was eliminated. The cost for this benefit had run between \$100,000 - \$300,000 per year.

The payout of sick time when an employee terminates was eliminated. Now only payment of sick time is allowed when an employee reaches full retirement. Since retiree health care was eliminated for current employees, the payout goes toward helping with health care costs and can be deposited in a health savings account.

### Pension Systems

Lincoln Park's pension systems are grossly underfunded and were in danger of running out of money within the next few years. The Municipal Employee system is funded at 20% while the Police & Fire system stands at 23%. In order to stem the negative outflow from the systems, savings from retiree health care were used to increase overall pension contributions from \$5.6 million to \$8.6 million per year. Even with this increase, the systems are still basically pay as you go until more equity is built up. The target is to get both systems 60% funded by 2035.

### Operations

When I arrived, the City had a very dysfunctional management with limited cooperation between departments. Through changes in leadership and instilling a more positive attitude, the City is now operating in a cohesive manner. A computer based CompStat crime-mapping system was developed for the Police department to improve patrol efficiency. Daily operations for the Building Department were outsourced to a third party which resulted in significant performance improvement. Resident complaints about City operations have declined dramatically and departments are working together on important issues such as blight, regulation of rental properties, and attracting new development. An experienced City Manager has been brought in and he inherits a well-functioning leadership team.

### Community Engagement

With property values falling 34% since 2009, stabilizing property values is a key to the City's turnaround. Being an inner-ring suburb of Detroit, the City was built out decades ago. With no new residential construction and minimal land available for commercial development, Lincoln Park must depend on rebuilding the value of its existing real estate.

As part of that strategy, I have made efforts to reinvigorate volunteerism and a sense of community. The City Council and various citizen groups have been and continue to be active in this effort. I have given them my full support and encouragement. The main achievement of this effort came when my office was successful in raising \$25,000 through donations and an MEDC grant to refurbish the dormant art deco bandshell that is a centerpiece for the City. The bandshell was repainted and had a full overhaul of its electrical system. For the first time in five years, evening music programming returned to the bandshell in the summer of 2015 and the bandshell is again a show piece for the community.

### Financial Emergency Status

Section 22(1) of Public Act 436 of 2012, the Local Financial Stability and Choice Act, provides that when an Emergency Manager determines the financial emergency has been rectified, the Governor and the State Treasurer must be informed of the situation. I believe the above information supports my determination that the financial emergency in the City of Lincoln Park has been rectified. In addition, as required by Section 21(1) of the Act, I have adopted and implemented a two-year budget inclusive of all contractual and employment agreements for the City.

Although I have determined the financial emergency in the City is resolved, I believe both City officials and residents would benefit from the appointment of a Receivership Transition Advisory Board, as allowed by Section 23 of the Act. In my opinion, the Board will be able to assist the City in their transition back to local control, while assisting City officials in discharging their duties responsibly on a long-term basis by providing appropriate oversight and guidance.

It was an honor to serve the City of Lincoln Park in this important capacity. I greatly appreciate the opportunity to have been of service.

Regards,



Brad Coulter  
Emergency Manager  
City of Lincoln Park