



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

October 24, 2012

BY ELECTRONIC MAIL

William Matakas, Mayor
City of Allen Park
16850 Southfield Road
Allen Park, Michigan 48101

Allen Park City Council
16850 Southfield Road
Allen Park, Michigan 48101

Dear Mayor Matakas and Allen Park City Councilmembers:

On August 8, 2012, the Allen Park Financial Review Team transmitted to me its report which concluded, pursuant to Section 13(4)(d) of Public Act 4 of 2011, the Local Government and School District Fiscal Accountability Act, that a local government financial emergency existed within the City of Allen Park, and that no satisfactory plan existed to resolve that emergency.

On September 7, 2012, I concurred in the assessment of the Allen Park Financial Review Team. I determined, pursuant to Section 15(1)(c) of the Act then in effect, Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, that a local government financial emergency existed in the City of Allen Park because no satisfactory plan existed to resolve a serious financial problem.

By letter dated September 7, 2012, I notified you of my determination and set forth the findings of fact upon which my determination was based. My letter also provided notice of the City's right to request a hearing upon my determination. Pursuant to Section 15(2) of the Act, the City Council timely requested a hearing upon the determination of a local government financial emergency in the City of Allen Park. The hearing was conducted on September 19, 2012, before Deputy State Treasurer Roger Fraser.

On October 1, 2012, Mr. Fraser submitted to me his report concerning the testimony and information provided at the hearing. Having carefully reviewed the record of that hearing, pursuant to Section 15(2) of the Act, I hereby confirm my determination that a local government financial emergency exists in the City of Allen Park because no satisfactory plan exists to resolve a serious financial problem.

The testimony presented on behalf of the Allen Park Financial Review Team by Frederick Headen, Director of the Bureau of Local Government Services and member of the Review Team, documented the financial condition of the City, which I summarize as follows:

- The year-end balance in the City's general fund decreased from \$3.7 million as of June 30, 2010, to approximately \$500,000 as of June 30, 2011. The year-end balance had been \$5.5 million as of June 30, 2009. In other words, the year-end balance in the general fund decreased approximately 91 percent in just two years.
- In November of 2009, City officials purchased the Southfield Lease Properties to establish a movie studio. According to the deed recorded with the Wayne County Register of Deeds, the purchase price was \$24.8 million. At the time of the purchase, the seller had a property tax valuation appeal pending before the Michigan Tax Tribunal. However, before the appeal was decided, the then-Mayor, then-City Administrator, and then-City Attorney stipulated that the value of the property was only \$14 million. The stipulation was filed less than one month after the same City officials had purchased the property for \$24.8 million.
- The Review Team reached the conclusion that the City Council was manifestly dysfunctional. As an example, earlier this year the City Council issued for cash flow purposes a tax-anticipation note with the initial intention of remitting the note from emergency loan proceeds. Subsequently, however, the City Council elected not to apply for such a loan. By its actions of issuing a tax-anticipation note, but then rejecting the intended means of its repayment, the City Council worsened the city's deficit by approximately \$2.0 million.
- The City's current year budget, as adopted, contained no funding for police or fire operations. The budget was predicated upon City officials contracting out both police and fire services to one or more surrounding unit of local government. However, City officials still have not done so. Therefore, the City's current budget, at least as adopted, is not realistic.
- Police and fire union representatives informed the Review Team that they had offered various contract concessions to City representatives but received no meaningful responses for several months. The apparent inability of City officials to respond to these proposals further underscored the Review Team's conclusion of dysfunction.

Section 15(2) of Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, provides 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 shall either confirm or revoke, in writing, the determination of the existence of a local financial emergency. If confirmed, the governor shall provide a written report of the findings of fact of the continuing or newly developed conditions or events *providing a basis for the confirmation* of a local financial emergency, and a concise and explicit statement of the underlying facts supporting these factual findings. Emphasis supplied.

William Matakas
Allen Park City Councilmembers
October 24, 2012
Page 3

The Michigan Court of Appeals has held in regards to the foregoing provision that, while the Act “does not encompass any right to present evidence of last ditch efforts by city officials to avoid the consequences of years of mismanagement” in an effort to rebut a determination of financial emergency, I, as Governor, may consider continuing or newly developed conditions or events which *support a confirmation* of financial emergency.

While you, Mayor, and the City Attorney offered testimony at the September 19, 2012, hearing, that testimony largely concerned actions which were prospective in nature. Those prospective actions included applying to the Department of Treasury for an emergency loan, placing on the November 2012 ballot a millage proposal related to the Southfield Lease Properties, and plans to reduce retiree health care costs.

What impact those proposed actions may have upon the City’s financial condition is speculative because those actions may, or may not, be realized. This is why the Review Team considered those proposals to be a series of disjointed efforts rather a satisfactory plan, which is what the Act requires. The conclusion to which this leads is that the financial emergency in the City of Allen Park is one which City officials do not appear to have the ability to address without the outside assistance of an emergency financial manager.

Therefore, pursuant to Section 18(1) of the Act, I hereby assign responsibility for managing the financial emergency in the City of Allen Park to the Local Emergency Financial Assistance Loan Board established pursuant to Public Act 243 of 1980, the Emergency Municipal Loan Act, and direct them to appoint an emergency financial manager.

Sincerely,



Rick Snyder
Governor

cc: Local Emergency Financial Assistance Loan Board