3500 (Rev. 01-11)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

DATE: August 8, 2012

TO: Governor Snyder

FROM: Allen Park Financial Review Team:
Roger Fraser
Frederick Headen
Doug Ringler
Eric Scorsone
Mark Wollenweber
Joel Wortley

SUBJECT: Report of the Allen Park Financial Review Team

On July 18th, 23rd, and 24th and August 2nd, 2012, Allen Park Financial Review Team members met and reviewed information relevant to the financial condition of the City of Allen Park. Based upon those reviews, the Review Team concludes, in accordance with 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 exists within the City of Allen Park, and that no satisfactory plan exists to resolve that emergency. Therefore, the Review Team recommends the appointment of an emergency manager.

I. Background

A. Preliminary Review

On May 29th through June 21st, 2012, the Department of Treasury conducted a preliminary review of the finances of the City of Allen Park to determine whether or not probable financial stress existed. Section 12(1) of the Act provides that a preliminary review may be conducted if one, or more, of the conditions enumerated therein occurs. The preliminary review of the City of Allen Park resulted from the conditions enumerated in subdivisions (a), (q) and (r) of Section 12(1) having occurred within the City.[1]

The preliminary review found, or confirmed, the following:

- The City's long-term bond rating fell further below the BBB category and is considered "junk,"

[1] Subsection (a) provides that "[t]he governing body or the chief administrative officer of a local government requests a preliminary review under this act." Subsection (q) provides that "[a] local government has been assigned a long-term debt rating within or below the BBB category or its equivalent by 1 or more nationally recognized credit rating agencies." Subsection (r) 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 municipal financial stress."

"speculative," or "highly speculative." The credit rating agency Standard and Poors downgraded the City's bond rating from BB+ to B and gave the City a negative outlook, which indicated likelihood that the rating would be downgraded further.

- City officials had violated requirements of Section 17 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.[2] For example, for the 2011 fiscal year of the City, the police operations activity in the general fund exceeded its budget by $196,120 and the administration activity exceeded its budget by $90,504. However, the most significant deviation from the final amended budget was in transfers out, which exceeded its budget by $1,726,349. In the aggregate, the general fund had expenditure line items which exceeded budgeted amounts by $1,819,966.

  The City's original budget ended with a positive fund balance of $2,514,481 for the 2011 fiscal year, while the finally amended budget ended with a positive fund balance of $2,324,989 compared to an actual fund balance of only $505,023, reflecting an overestimation of $1,819,966. In addition, the City overestimated property tax revenues by $446,761 by not taking into account the chargeback of prior-year uncollectible delinquent taxes. District Court revenues were overestimated by $650,089. However due to the underestimation of other line items, the total general fund revenues were underestimated by $646,618.

- City officials had not filed an adequate or approved deficit elimination plan with the Department of Treasury for the 2011 fiscal year. On December 29, 2011, City officials had filed an audit report that reflected a $589,992 unrestricted cumulative deficit in the general fund and a

---

[2] Section 17 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, reads, in part, as follows:

> (1) Except as otherwise provided in section 19, a deviation from the original general appropriations act shall not be made without amending the general appropriations act. Subject to section 16(2), the legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment. The legislative body may require that the chief administrative officer or fiscal officer provide it with periodic reports on the financial condition of the local unit.
>
> (2) If, during a fiscal year, it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available surplus upon which appropriations from the fund were based and the proceeds from bonds or other obligations issued under the fiscal stabilization act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations, the chief administrative officer or fiscal officer shall present to the legislative body recommendations which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year.

$234,231 unrestricted deficit in the Southfield Lease Properties fund. These were the deficit amounts which needed to be eliminated. City officials had filed a deficit elimination plan to reduce these deficits and the Department granted "conditional" approval contingent upon passage of a May 8, 2012 millage proposal, the submittal of monthly updates, and public safety concessions, or outsourcing, or both. Subsequently, City voters rejected the millage proposal. Consequently, City officials were required to file a new deficit elimination plan. As of the date that the preliminary review was completed, City officials had not filed either a revised deficit elimination plan or monthly updates. [3]

- The City's debt was significantly high, due primarily to business-type activities, unfunded pension liabilities, and post-employment health care. For the 2011 fiscal year, the annual debt service requirements on $59 million of business-type debt was $5,565,900, and was projected to increase to $6,059,892 for the 2012 fiscal year. The unfunded pension liability was $24,000,000. The unfunded post-employment healthcare exceeded $120 million. The City had not made its annual required contribution to post-employment healthcare of $8.2 million because it used a pay-as-you-go method, only paying current retirees' benefits while not paying the rest of the obligation. During the 2011 fiscal year, this liability increased by over $5.0 million and was projected to increase by a like amount for the 2012 fiscal year. Also of concern was that City officials had not obtained a required biennial actuarial report for post-employment healthcare costs. The last report completed was for the 2008 calendar year.

- While the number of active members in the City's pension system had decreased from 176 in 1991 to 103 in 2011, annual pension outlays increased from $1,042,595 to $6,908,395 during that same period. The most recent actuarial evaluation indicated that the pension system was 70.2 percent funded.

- During the 2010 fiscal year, City officials issued limited tax general obligation debt to finance the acquisition of property adjacent to city hall for the purposes of establishing a movie studio. Because the studio was never realized, the City was left with annual debt service which had been remitted from the City's general fund. In the audit report for the 2010 fiscal year, City officials stated the following regarding the movie studio (Southfield Lease Properties):

    > In November 2009 the City completed the acquisition of 16630 Southfield Road. The City bonded for the purchase of this property along with work to be performed on the infrastructure and the building or moving of municipal facilities. The City's intentions on this 104 acre site are to lease the two buildings that are currently located there and to sell and/or ground lease the remaining vacant land.
    >
    > In November of 2009, the City issued $31 million in general obligation bonds related to the Southfield Lease Properties for "the purpose of paying all or part of the cost of

[3] Subsequent to the completion of the preliminary review, City officials did submit to the Michigan Department of Treasury two monthly updates, but have failed to submit a revised deficit elimination plan.

certain capital improvements together with all necessary appurtenances and attachments therefor in the City."

However, before the close of the 2010 fiscal year, the valuation of the property had been reduced by more than $4 million, with an additional $2.3 million impairment the subsequent year. Selected financial information concerning the Southfield Lease Properties is as follows:

Southfield Lease Properties	2010	2011	Projected 2012	Budget 2013
Operating Revenues	$1,373,863	$1,959,232	$2,285,000	$2,285,000
Operating Expenses	3,075,150	2,647,095	2,562,830	2,552,330
Operating Income (Loss)	(1,701,287)	(687,863)	(277,830)	(267,330)
Nonoperating Revenue (Expenses)				
Interest Expense	(1,276,465)	(2,148,519)	(2,148,515)	(2,117,866)
Impairment of Capital Assets	(4,023,914)	(2,300,000)	--	--
Transfer from General Fund		1,599,326	2,000,000	2,000,000
Other	397,655			
Total Nonoperating Rev (Exp)	(4,902,724)	(2,849,193)	(148,515)	(117,866)
Change in Net Assets	(6,604,011)	(3,537,056)	(426,345)	(385,196)
Beginning Net Assets	(333,036)	(6,937,047)	(10,474,103)	(10,900,448)
Ending Net Assets	($6,937,047)	($10,474,103)	($10,900,448)	(11,285,644)

- The City's general fund balance had decreased substantially since 2009, primarily because of the appropriation required to pay the debt service in the Southfield Lease Properties fund. The non-operating revenue (expense) line item shown below consists primarily of these appropriations:

General Fund	2009	2010	2011	Estimated 2012
Operating Revenues	$22,729,638	$22,383,529	$20,084,222	$19,641,200
Operating Expenses	22,648,415	21,787,665	18,612,436	17,924,500
Operating Income (Loss)	81,223	595,864	1,471,786	1,716,700
Total Nonoperating Rev (Exp)	357,030	(2,424,940)	(4,681,244)	(2,500,000)
Change in Net Assets	438,253	(1,829,076)	(3,209,458)	(783,300)
Beginning Fund Balance	4,472,267	5,543,557	3,714,481	505,023
Ending Fund Balance	$4,910,520	$3,714,481	$505,023	($278,277)

Note: The 2010 beginning fund balance was restated upward in the amount of $633,036; the 2011 unrestricted fund balance deficit was $589,992 and is estimated to increase in 2012; and 2012 includes tax-anticipation note proceeds that will be reversed in 2013, significantly increasing the deficit.

- In November of 2011, City officials requested two extra voted millages. The first was for police and fire services, while the second was for Southfield Lease Properties debt. Voters approved the former, but rejected the latter, proposal. In May of 2012, City officials requested a two-year rate increase which voters again rejected. On May 22, 2012, the City Council then voted to eliminate its police and fire service functions and to outsource them to save approximately $3.5 million. In its proposed 2013 budget, the Council intended to use the new police and fire millage of $2.62 million to pay for the lower costs of outsourcing thereby freeing up funds to pay the Southfield Lease Properties debt service which is also just over $2.6 million.

  However, the preliminary review concluded that the outsourcing of police and fire personnel would not likely occur sooner than October of 2012 since no other unit of local government had yet agreed to perform those functions for the City. Consequently, the 2013 general fund budget which had decreased revenues by $4 million, but also had decreased expenditures by over $4 million (not including the new police and fire millage), was seemingly balanced. However, the budget did not appear realistic because, among other things, it did not take into account expenses which would be incurred if outsourcing were to occur.

- The City was experiencing significant cash flow shortages. The City received $2,050,000 in tax-anticipation note proceeds in May 2012, without which the City would have depleted its general fund cash. This note will mature in October 2012 and necessitate the use of future property tax revenues for repayment. At the end of May, the City had a cash balance in its general fund of $1.6 million because of the tax-anticipation note proceeds.

  The City was withholding payments to vendors and others. The preliminary review noted that at the end of May, there were five small boxes of invoices not yet entered into the City's accounting system that had been set aside for payment. The invoices totaled over $1 million, with some dating back to January of 2012.

- City officials had delayed making payments to the City's pension system. Historically, City officials made monthly payments into the system. However because of cash flow issues, City officials terminated these payments in October of 2011. These payments were substantial and exceeded $2 million annually. Years of exceptional pension benefits had increased the costs to the City. The preliminary review found that current police and fire employees could retire at age 52 based on 2.9 multipliers, with overtime used in the calculation if hired prior to 2009 and 2.5 multipliers if hired after that date with overtime not included.

  Other cost pressures included the current salary and benefit structure. Current collective bargaining agreements with police and fire unions were found to contain minimum manning requirements which reduced managerial flexibility in respect to those budgets. The police and fire service budgets represented over 43 percent of the total general fund budget in 2011 (including transfers out to other funds) and accounted for 73 percent of personnel positions in the City, excluding the City Council.

- The City's 2011 fiscal year financial audit indicated there were factors that raised substantial doubt that the City could continue as a "going concern." Among the factors cited in that audit included the following:

  1. An impairment loss of approximately $4 million attributable to the Southfield Lease Properties fund.

  2. Significant negative cash flow from the Southfield Lease Properties fund and substantial debt obligations of approximately $2 million each year.

  3. The general fund balance deficit.

  4. The failure of a 3.5 millage request for the Southfield Lease Properties which called into question the ability of the City to meet its obligations.

- Taxable valuation within the City had declined during the past several years thereby reducing the amount of property tax revenues received. As shown below, the taxable valuation of real and tangible personal property within the City had fallen 24 percent.

Year	Taxable Valuation	Percentage Change
2007	$1,084,114,503	--
2008	1,037,125,624	-4.3
2009	1,034,970,465	-0.2
2010	908,807,719	-12.2
2011	837,839,119	-7.8

Based upon the preliminary review, the State Treasurer concluded, and reported to the Governor on June 21, 2012, that probable financial stress existed in the City of Allen Park and recommended the appointment of a financial review team.

B. Review Team Findings

On July 10, 2012, the Governor appointed a six-member Financial Review Team. The Review Team convened on June 18th, June 23rd, June 24th, and August 2nd, 2012.

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 the City's audit firm, or other relevant sources:

- According to the City's 2011 fiscal year financial audit, the ending balance in the general fund decreased from $3,714,481 as of June 30, 2010 to $505,023 as of June 30, 2011. This one-year negative net change in fund balance of $3,209,458 resulted from an operating transfer out of the general fund of $4,681,549, which more than offset an operating surplus of 1,471,786. It is noteworthy that the 2011 fiscal year ending balance in the general fund was 91 percent less than the $5,543,557 balance that existed as of June 30, 2009.

- Financial audit reports for the City for its last three fiscal years reflect the following variances between general fund revenues and expenditures, as initially budgeted and as amended, versus general fund revenues and expenditures actually realized:

	2008-09	%	2009-10	%	2010-11	%
Revenues						
Budgeted	$22,785,200		$23,882,000		$20,730,840	
Amended	$22,163,825		$22,082,330		$20,730,840	
Actual	$22,729,638		$22,383,529		$20,084,222	
Variance	$565,813	2.55	$301,199	1.36	($646,618)	(3.12)
Expenditures						
Budgeted	$22,741,965		$21,380,815		$18,970,640	
Amended	$23,227,021		$24,081,875		$19,160,132	
Actual	$22,648,415		$21,787,665		$18,612,436	
Variance	$ 578,606	2.49	$2,231,210	9.27	$547,696	2.86

- In November of 2009, City officials purchased the Southfield Lease Properties for the purpose of establishing a movie studio. There appears to be some dispute concerning the amount which City officials paid for the property. According to a note contained in the City's 2010 fiscal year financial audit report, the property was purchased for $25.3 million. However, the warranty deed filed with the Wayne County Register of Deeds on December 1, 2009, stated the purchase price as $24.8 million.

  What is not in dispute is that at the time of the purchase, there was pending with the Michigan Tax Tribunal an appeal by the then owner regarding the valuation of the property. However, the appeal was not heard because the then Mayor and then City Administrator stipulated that the value of the property was $14.0 million. Presumably, refunds for three years of adjusted taxes were paid to the seller based upon the stipulated valuation. Subsequently, in the same year, the property valuation was adjusted to approximately $24 million. Assuming, for the sake of argument, that the purchase price was the $24.8 million stated in the warranty deed, it is not readily apparent why the then Mayor and then City Administrator agreed to purchase the property for $10.8 million more than the amount they had simultaneously stipulated to be its value in order to settle the valuation appeal. Whether the purchase of the Southfield Lease Properties, which has had so adverse a financial impact upon the City, was merely improvident or was of questionable propriety is beyond the scope of this review. However, the circumstances surrounding this matter warrant further inquiry by appropriate authorities.

2. Review Team Meetings

On July 18, 2012, the Review Team met with Randall Darnell, of the certified public accounting firm Darnell & Meyering, PC.

On July 23, 2012, Review Team members conducted a series of meetings in the City of Allen Park with David Boomer, Interim City Administrator; James Wilkewitz, Interim Police Chief; Paula Grivins, City Assessor; Maureen Armstrong, City Treasurer; Don Wood, Human Resources Director; John Courtright, Chief Judge, 24th District Court; Richard A. Page, Judge, 24th District Court; Dawn Grubbs, Administrator, 24th District Court; Doug Morton, Transportation Director; and Carl Johnson and Carolyn Lorenz, of Plante and Moran.

On July 24, 2012, Review Team members conducted a series of meetings in the City of Allen Park with Mayor William Matakas; City Council Mayor Pro Tem Robert Keenan; Angelo DeGiulio, Harry Sisko, Tina Gaworecki, Dennis Hayes, and Larry Templin, City Councilmembers; Michael Mizzi, City Clerk; Doug LaFond, Fire Chief; Christopher Egan, President, Allen Park Lieutenants and Sergeants Association; Jeff Rimer, Vice President, Allen Park Lieutenants and Sergeants Association; Dan Cerroni, Secretary, Allen Park Lieutenants and Sergeants Association; Jeff Miller, President, Allen Park Police Officers Association; Michael Bacile, Vice President, Allen Park Police Officers Association; Bill Mehall, Secretary, Allen Park Police Officers Association; Wayne Albright, Allen Park Police Officers Association; Jeff O'Riley, President, Allen Park Firefighters Officers Association; and Craig Hickey, Vice President, Allen Park Firefighters Officers Association.

3. Other Considerations

During the course of its deliberations, the Review Team gave appropriate consideration to the statutory option of a consent agreement, but concluded that a consent agreement would not afford an efficacious remedy in this matter. There were several considerations in support of this conclusion.

First, there is nothing magical about a consent agreement, many of the provisions of which do no more than impose upon local officials conditions already required by State statutes, if not by common sense. Among those conditions generally are that local officials annually adopt a budget based upon a realistic estimate of anticipated revenues and expenditures; that local officials monitor that budget throughout the fiscal year and amend the budget as necessary to ensure that it remains realistic; that local officials not engage in deficit spending; that local officials not utilize for general operations funds that are restricted by law for specific purposes; and that local officials exercise the same degree of care and due diligence in handling the financial affairs of their unit of local government as one would expect a prudent person to exercise in respect to his or her personal financial affairs. The Review Team found little evidence to suggest that City officials consistently have acted in accordance with these basic requirements, or that they could be expected to perform in an appropriate manner in the future.

Second, successful implementation of a consent agreement requires not just a demonstrated willingness on the part of local officials, but also the existence of individuals in key positions who possess the wherewithal to execute day-to-day decisions. However, the City has experienced considerable turnover in key positions and this circumstance remains unresolved. For example, the present City Administrator holds that position on an interim basis, but without the benefit of a written appointment. So does the present Police Chief. The present Human Resources Director holds his position on a part-time basis. The interim City Administrator also continues to maintain his duties as Community Development Director and Chief Building official. In respect to all three positions, the City Council apparently has been unable to arrive at a decision about whom to appoint upon a permanent full-time basis or to reach agreement on the terms of interim appointments. Therefore, these appointees have remained in limbo.[4] One result of this inconstancy in various positions within the City has been considerable uncertainty which has rendered difficult day-to-day management of the City's administrative and financial affairs. And, this brings us to a third consideration.

The Review Team reached the conclusion that the City Council is manifestly dysfunctional. This is not a criticism of any *individual* Councilmember, but rather an observation of the City Council as a *collective* entity. For example, as was noted in the preliminary review, earlier this year City officials 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. Whether the City Council should, or should not, have applied for an emergency loan is quite beside the point. The point is that the City Council by its actions -- issuing a tax-anticipation note, but then rejecting the intended mean of its repayment, worsened the City's deficit by approximately $2.0 million. No further steps have been undertaken by the City Council to correct this pending deficit, other than to request State intervention.

The manner in which the City Council addressed the provision of police services during the current fiscal year affords another example of incoherent decision making. The budget allocation proposed for police services was $6,086,900 for the fiscal year that commenced July 1, 2012. By contrast, the budget actually adopted by the City Council contains but $2,540,000 for police services and that

[4] The City Council recently revised the employment status of the Interim City Administrator and the Human Resources Director, among other things. While we express no opinion concerning the merits of these actions, it was the considered judgment of the Review Team that these actions by the City Council did not alter our conclusion concerning the financial condition of the City.

amount is for contractual services only. The adopted budget for police services was predicated upon City officials contracting for police services from another unit of local government.

However, no such agreement has been reached and the Review Team was provided conflicting indications of the status of such discussions with neighboring communities. In the interim, the City continues to operate its own Police Department, but without an underlying appropriation to support it. Furthermore, the amount appropriated for contractual police services -- $2,540,000 -- is roughly $4.0 million less than the City expended for police services in each of the last two fiscal years. In sum, both the adoption of a budget for police services that was predicated upon a contractual model that has yet to be realized and the expectation of $4.0 million in savings from that model constitute decisions which have placed the City's financial condition at further risk. Unfortunately, the City Council followed the same budget strategy for fire services, further compounding the extent of the City's budget woes. [5]

Finally, the Review Team was advised that unions representing the City's police and firefighters had offered various concessions in the form of counterproposals, but had received no meaningful response. These counterproposals were made either directly to City officials or indirectly to labor counsel representing City officials. It was unclear whether all of the counterproposals made to the latter were forwarded to the former. Furthermore, the Review Team expresses no opinion concerning the merits of the various counterproposals. However, the apparent inability of City officials to offer meaningful responses underscores the dysfunction noted previously. Given these, and other, consideration, the Review Team concluded that the political and administrative talent needed in the City of Allen Park to ably comply with a consent agreement is not available.

C. Conclusion and Recommendation

Based upon the foregoing information, meetings and review, the Review Team confirms the findings of the preliminary review, concludes that a local government financial emergency exists within the City of Allen Park, and that no satisfactory plan exists to resolve the emergency. Therefore, the Review Team recommends the appointment of an emergency manager.[6]

---

[5] As was indicated in Footnote 2 above, Section 17 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, requires, among other things, that the chief administrative officer or fiscal officer of a unit of local government present to the legislative body a recommended budget amendment "which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year."

[6] In the event an emergency manager is appointed and he or she concludes that no reasonable alternative exists to rectify that financial emergency, the emergency manager should give consideration to whether the City would be an appropriate candidate for proceedings under Chapter 9 of the federal bankruptcy code. This is so for three reasons.

First, the November 2009 purchase by City officials of the Southfield Lease Properties is a unique ingredient in the City's present financial emergency. The limited-tax general obligation debt that City officials issued to finance the purchase and related improvements has resulted in, and likely will continue to result in, an annual recurring drain of approximately $2.0 million upon the general fund of the City.

II. Section 13(3) Requirements

Section 13(3) of Act 4 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 (l).[7] The conditions in subdivisions (a), (g), and (l) of Section 13(3) exist or are likely to occur, as follows:

Second, the preliminary review indicated that the City was experiencing cash shortages. That circumstance has not been resolved. Indeed, information provided by Plante and Moran staff projects that, absent an emergency loan, the City will deplete its cash during June of 2013 and even with an emergency loan may deplete its cash during September 2013.

Finally, for the City's 2012 fiscal year, budgeted expenditures for police and fire services, retirement, other post-employment benefits, and debt service on the Southfield Lease Properties accounted for 82 percent ($14.4 million of the $17.6 million in total budgeted expenditures), leaving only 18 percent ($2.3 million) for all remaining City operations. In effect, the foregoing five budget categories have largely decimated other City services. And the existence of minimum manning requirements for both police and fire services will render this situation difficult to resolve.

[7] Subdivisions (a) through (l) of Section 13(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.
>
> (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.

- As previously noted, City officials issued a tax-anticipation note for cash-flow purposes. Public Act 34 of 2001, the Revised Municipal Finance Act, requires an issuing unit of local government to remit the note from proceeds of the next succeeding property tax levy. City officials had intended to remit the note from emergency loan proceeds. Subsequently, however, the City Council elected not to apply for such a loan. Therefore, the source of repayment presently is unclear. (Section 13(3)(a)).

- As previously noted, City officials filed a deficit elimination plan to address certain deficits. The Department of Treasury granted a conditional approval contingent upon, among other things, passage of a May 8, 2012 millage proposal. By having failed to submit a revised deficit elimination plan after the millage proposal was rejected by the City's voters, City officials have failed to comply with the terms of the deficit elimination plan which was approved on a conditional basis. (Section 13(3)(g)).

- While the City does not have a technical structural *operating* deficit, the ongoing payment from the general fund of debt service related to the Southfield Lease Properties constitutes a *practical* structural problem for the City's general fund. (Section 13(3)(l)).

III. Review Team Report Transmittal Requirements

Section 13(3) of Act 4 also requires that a copy of this report be transmitted to Mayor William Matakas, Allen Park City Councilmembers, the Speaker of the House of Representatives, and the Senate Majority Leader.

cc: William Matakas, Mayor
Allen Park City Councilmembers
James Bolger, Speaker of the House of Representatives
Randy Richardville, Senate Majority Leader

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