



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

DATE: April 4, 2014

TO: Governor Snyder

FROM: City of Lincoln Park Financial Review Team:
Frederick Headen
Max R. Chiddister
Michael Krouse
Doug Ringler
Steve Schiller

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

On February 20th and 27th, and March 4th, 13th, and 28th, 2014, City of Lincoln Park Financial Review Team members met and reviewed information relevant to the financial condition of the City of Lincoln 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 Lincoln Park.

I. Background

A. Preliminary Review

On October 14th through November 13th, 2013, the Department of Treasury conducted a preliminary review of the finances of the City of Lincoln Park to determine whether or not a serious financial problem existed. The preliminary review of the City of Lincoln Park resulted from the conditions enumerated in subdivisions (a) and (j) of Section 4(1) having occurred within the City.¹ The preliminary review found, or confirmed, the following:

- During fiscal year 2013, City officials borrowed \$2.5 million from the Water and Sewer Fund for use by the General Fund to make an annual pension payment.
- The City stopped making required debt service payments to SunTrust Bank. Due to the non-payment of the loan, the Bank filed a lawsuit against the City in United States District Court (Eastern District).

¹ Subdivision (a) provides that “[t]he governing body or the chief administrative officer of a local government requests a preliminary review. The request shall be in writing and shall identify the existing or anticipated financial conditions or events that make the request necessary. 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. The latter condition was determined to have occurred based upon the preliminary review.

- 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 several unbudgeted expenditures in the General Fund, the single largest being \$501,892 in the general government category. Total unbudgeted expenditures in the General Fund exceeded \$711,000. However, after accounting for other expenses and transfers out, unbudgeted expenditures in the General Fund equaled \$691,300.
- As shown in **Table 1**, the City experienced a decline in revenues over the last five years. For example, property taxes accounted for 60 percent of the City’s General Fund revenue and taxable valuations within the City decreased by 31.6 percent in recent years, from \$793 million in 2009 to \$543 million in 2013. As a result, General Fund revenues also declined, from \$24.6 million as of June 30, 2009 to \$20.4 million as of June 30, 2013. In fact, expenditures exceeded revenues in each of the last two fiscal years by more than \$2.3 million. For the 2013 fiscal year, the General Fund deficit was \$89,803.

Table 1

**General Fund Revenues, Expenditures,
 and Change in Fund Balance**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues	\$24,638,575	\$23,689,097	\$23,696,056	\$21,542,629	\$20,402,022
Expenditures	<u>\$23,538,348</u>	<u>\$23,254,508</u>	<u>\$24,098,957</u>	<u>\$23,847,944</u>	<u>\$22,704,240</u>
Operating Surplus (Deficit)	\$1,100,227	\$434,589	(\$402,901)	(\$2,305,315)	(\$2,302,218)
Other Finances Sources	(\$97,083)	(\$200,000)	\$82,662	-	\$166,666
Net Change	\$1,003,144	\$234,589	(\$320,239)	(\$2,305,315)	(\$2,135,552)
Beginning Balance	<u>\$3,219,216</u>	<u>\$4,222,360</u>		<u>\$4,351,064</u>	<u>\$2,045,749</u>
Restatement Amount		-	<u>\$4,671,303</u>	-	-
Ending Balance	<u>\$4,222,360</u>	<u>\$4,456,949</u>	<u>\$4,351,064</u>	<u>\$2,045,749</u>	<u>(\$89,803)</u>

Source: Annual Financial Audits, 2009 through 2013

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.

- While the fund balance in the City’s Water and Sewer Fund remained positive, the Fund experienced operating losses in each of the last five fiscal years, even with non-operating revenue of approximately \$1.0 million annually to offset those operating losses. See **Table 2**. In recognition of increased expenditures, City officials increased Water and Sewer Fund rates approximately 8.0 percent in 2012.

Table 2
Water and Sewer Fund Revenues, Expenses,
and Change in Net Position

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues	\$7,930,337	\$7,480,877	\$8,157,553	\$7,737,041	\$7,877,434
Expenses	<u>\$7,969,775</u>	<u>\$7,618,897</u>	<u>\$8,432,968</u>	<u>\$10,013,916</u>	<u>\$9,471,226</u>
Operating Income (Loss)	(\$39,438)	(\$138,020)	(\$275,415)	(\$2,276,875)	(\$1,593,792)
Non-operating Revenue	\$1,072,953	\$903,664	\$1,072,951	\$961,663	\$941,740
Transfers/ Contrib. Capital	-	\$223,471	-	\$400,016	\$328,957
Net Change	\$1,033,515	\$989,115	\$797,536	(\$915,196)	(\$323,095)
Beginning Balance	<u>\$27,835,836</u>	<u>\$28,869,351</u>	<u>\$29,858,466</u>	<u>\$30,656,002</u>	<u>\$29,740,806</u>
Ending Balance	<u>\$28,869,351</u>	<u>\$29,858,466</u>	<u>\$30,656,002</u>	<u>\$29,740,806</u>	<u>\$29,417,711</u>

Source: Annual Financial Audits, 2009 through 2013

- The level at which the City’s two retirement systems are funded decreased significantly, due to the effects of an early retirement incentive program offered to City employees in 2004. For example, in 2003, the City’s Municipal Employees’ Pension Plan and the Police and Fire Retirement System were funded at 70.1 percent and 101.3 percent, respectively. However, based upon the most recent actuarial valuations of the two retirement systems (i.e., December 31, 2012 and June 30, 2012, respectively) those funding levels had decreased to 28.0 percent and 34.6 percent. Those actuarial valuations also indicated that the two retirement systems had a combined unfunded pension liability of \$69.1 million.
- Based upon a 2010 actuarial report, the City’s unfunded liabilities for other post-employment benefits exceeded \$100.0 million and were zero percent funded. The 2011 and 2012 yearly increases in the City’s obligations were \$2.1 million and \$2.2 million, respectively.

On November 13, 2013, the State Treasurer submitted the foregoing preliminary review to the Local Emergency Financial Assistance Loan Board. On December 2, 2013, the Local Emergency Financial Assistance Loan Board determined that probable financial stress existed for the City of Lincoln Park.³

B. Review Team Findings

On February 10, 2014, the Governor appointed a five-member Financial Review Team. The Review Team convened on February 20th and 27th, and March 4th, 13th, and 28th, 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 from \$2.0 million as of June 30, 2012, to a negative \$89,803 as of June 30, 2013. This \$2.1 million net change in fund balance resulted from General Fund expenditures exceeding General Fund revenues by \$2.3 million, which was slightly offset by a transfer into the General Fund of \$166,666.

More significantly has been the trend of over expenditures in the General Fund. As recently as June 30, 2010, the ending balance in the General Fund was \$4.5 million. Therefore, in just three fiscal years (2011 through 2013), City officials depleted a \$4.5 million fund balance in the General Fund.

Furthermore, City officials indicated that the General Fund deficit likely will increase by an additional \$1.0 million during the current fiscal year, which ends June 30, 2014. City officials indicated this estimate to be a best-case scenario. In other words, it assumed the City will receive financial concessions from its police command and patrol officers unions which City officials can then apply to the remaining months of the current fiscal year. In the event those concessions are not realized, the deficit for the current fiscal year likely will be commensurately greater.

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 summarized in **Table 3**, 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 two of the years in question, General Fund revenues were overestimated, including by nearly \$1.0 million in fiscal year 2011. Furthermore, in none of the years in question did actual General Fund revenues exceed actual General Fund expenditures. These budget-to-actual variances rendered the adopted budgets and in some instances, the amended budgets, ineffective as a financial management tool.

Table 3

General Fund Revenues and Expenditures as Initially Budgeted, Amended, and Actual

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>
<u>Revenues</u>						
Budgeted	\$21,886,775		\$21,590,359		\$20,306,384	
Amended	\$24,600,962		\$21,862,799		\$19,822,472	
Actual	<u>\$23,692,937</u>		<u>\$21,541,707</u>		<u>\$20,400,808</u>	
Variance	(\$908,025)	(3.69)	(\$321,092)	(1.47)	\$578,336	2.92
<u>Expenditures</u>						
Budgeted	\$23,326,683		\$21,684,359		\$22,373,601	
Amended	\$23,745,638		\$23,153,359		\$22,425,281	
Actual	<u>\$23,959,476</u>		<u>\$23,844,659</u>		<u>\$22,704,240</u>	
Variance	(\$213,848)	(0.90)	(\$691,300)	(2.99)	(\$278,959)	(1.24)

Source: Annual Financial Audits, 2011 through 2013

It also is noteworthy that in all three fiscal years, City officials adopted General Fund budgets in which expenditures exceeded revenues. These were not instances in which a budget was in balance at the time of adoption, but was rendered unbalanced by subsequent events. Rather, these budgets were unbalanced as adopted, which was in manifest violation of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act. Section 16(7) of that Act prohibits a local governing body from adopting a budget “which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus and the proceeds” from certain other obligations.

- City officials indicated there exists the possibility the City will deplete its cash by the end of the current fiscal year. Over the next four to five months, the City will realize revenue from a delinquent property tax advance from the Wayne County Treasurer's Office for prior year delinquencies as well as from its 2014 summer property tax levy. During this period, various financial obligations also will arise, such as scheduled payroll and pension-funding payments. If the City's cash is depleted, City officials will be unable to satisfy such financial obligations as they legally come due.
- During the City's 2013 fiscal year, City officials defaulted upon an \$82,263 quarterly rental payment owed to a lessor for heating and cooling equipment for certain City owned buildings. As a result of the nonpayment, the lessor filed suit in United States District Court (Eastern District) against the City of Lincoln Park. The lawsuit was settled, but in a manner that imposed a judgment upon the City requiring officials to remit to the lessor \$900,000 per year over the next two fiscal years.
- 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 4** below.

Table 4

**General Fund Expenditures
in Excess of Budgeted Appropriations**

<u>Program Area</u>	<u>Amount of Unbudgeted Expenditure</u>
General Government	\$379,785
Municipal Buildings and Grounds	\$138,054
Community and Economic Development	\$34,070
Recreation and Culture (Library)	<u>\$9,997</u>
Total Unbudgeted Expenditures	\$561,906

Source: Annual Financial Audit, 2013

2. Review Team Meetings

On February 20, 2014, Review Team members Max R. Chiddister (by conference telephone), Frederick Headen, Michael Krouse, Doug Ringler, and Steve Schiller met with Cary Vaughn, Audit Manager, Local Audit and Finance Division, Michigan Department of Treasury; and Review Team members Frederick Headen, Michael Krouse, Doug Ringler, and Steve Schiller met with and received comments from Beth Bialy, of the certified public accounting firm Plante & Moran, PLLC., which conducted the City's most recent financial audit.

On February 27, 2014, Review Team members Max R. Chiddister, Frederick Headen, Michael Krouse, Doug Ringler, and Steve Schiller met with and received comments from Thomas Karnes, Mayor; Joseph Merucci, City Manager; Donna Breeding, City Clerk; Jennifer Richardson, Human Resources Coordinator; Brian Hawk, Police Chief; Brian Bartok, Public Services Director; Donald Cook, Community Planning and Development Director; Patricia Lulko, City Treasurer; and Madhu Oberoi, Downtown Development Authority and Economic Development Corporation Director.

On March 4, 2014, Review Team members Max R. Chiddister, Frederick Headen, Michael Krouse, Doug Ringler, and Steve Schiller met with and received comments from Mario DiSanto, Larry Kelsey, Mark Kandes, and Deborah Henderson, City Councilmembers; Liam Carroll, Fire Chief; Lisa Griggs, Finance Director; William Sant'Angelo, President, Police Officers Labor Council; Raymond Watters, Vice President, Police Officers Labor Council; Daniel Couvreur, Secretary, Police Officers Labor Council; Patrick Culter, President, Lincoln Park Police Officers Association; Ron Wise, Treasurer, Lincoln Park Police Officers Association; Robert Figurski, Labor Representative, Police Officers Labor Council; Tom Zulch, Attorney, Police Officers Labor Council; Steve Heim, President, Lincoln Park Firefighters Association, Local 1292; Dennis Gratopp, Vice President, Lincoln Park Firefighters Association, Local 1292; Shellee Davies, President, Technical Professional Office Workers Association of Michigan; Michael LeBlanc, Field President, Technical Professional Office Workers Association of Michigan; Krystina Erdos, Vice President, General Employees Labor Council; JoAnn Schrader, President, AFSCME, Local 25; Ronald Rail and Mark Judge, Negotiators, Technical Professional Office Workers Association of Michigan; Wayne Beerbower, Business Agent, Technical Professional Office Workers Association of Michigan; and Thomas Murphy, City Council President.

Also, on March 4, 2014, Review Team members Max R. Chiddister, Frederick Headen, Michael Krouse, Doug Ringler, and Steve Schiller conducted a public information meeting in the City of Lincoln 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 5 City residents.

3. Other Considerations

A substantial majority of the City and union officials with whom the Review Team met indicated that, in their view, a financial emergency exists within the City of Lincoln Park. Among the reasons offered in support of this view were an ongoing decline in the taxable valuation of existing real and tangible personal property within the City, coupled with little potential for countervailing new construction; the depletion of the City's General Fund balance; questions concerning whether some City positions were occupied by individuals with the appropriate skill set; and the lingering effects, both financial and operational, of a 2004 early retirement incentive program. There was, however, less agreement among City officials concerning a specific strategy for addressing the City's financial situation.

a. Early Retirement Incentive Program

The latter circumstance, the 2004 early retirement incentive program, appears to have been particularly problematic. The Review Team was advised that in 2004, City officials concluded the existing personnel cost structure was unsustainable. Therefore, an early retirement incentive program was conceived as an alternative to employee layoffs. Borne no doubt of good intentions, there now appears to be general agreement among City and union officials that the early retirement incentive program was both ill-conceived and poorly implemented.

For example, many more City employees elected to participate in the program than had been anticipated. As the program originally was proposed, an employee would be eligible if he or she had at least 22 years of service. It was estimated that 18 of the City's then approximately 196 full-time employees were eligible. However, before the program was implemented, City officials expanded it to include any City employee who had at least 18 years of service, regardless of age, or who had at least 15 years of service and was at least 55 years old. Furthermore, City employees could purchase up to five years of service credit to acquire eligibility. As a result, 73 City employees became eligible to retire under the program and 63 elected to do so.

While payroll costs were reduced, each employee who retired early was one less individual to support the City's retirement systems, thus adversely affecting the funding levels of those retirement systems. Inexplicably, City officials did not retain the services of an actuary to advise them on what financial impact would be had upon the City's retirement systems.

Finally, an additional, albeit foreseeable, effect of the early retirement incentive program was an immediate loss of experienced City personnel. The Review Team was advised that in some City departments, several layers of management departed simultaneously, leaving behind managerial and operational voids that have not been entirely addressed a decade later.

b. Structural and Organizational Issues

Second, the Review Team is of the opinion that the City's organizational structure lacks a coherent delineation of which officials are responsible for the efficient and effective conduct of City operations. Perceptions offered by City officials, staff, and union officials corroborated the ambiguities of which we speak.

For example, relevant provisions of the City Charter establish the position of Mayor. Chapter III, Section 8 provides that "[t]he Mayor shall be the chief executive of the City" and shall "exercise supervision over the affairs of the City and over the public property belonging thereto; and see that the laws relating to the City and the ordinances and regulations of the Council are enforced." These provisions have existed for many years.

An amendment to the City Charter in November 1942 established a five-member Commission of Public Safety. Among the responsibilities vested in the Commission are the "...general control and

management of the Fire and Police Departments.” The City Charter precludes the demotion or dismissal of Police or Fire Department personnel without direct approval by the Commission.

The City Charter also provides, permissively, for a City Manager and since April 2004, the City has retained the services of such a position. A relevant City ordinance provides, in part, that “[t]he City Manager shall be under the direction of the Mayor and Council and shall supervise the administrative affairs of the City” and “coordinate the activities of the various departments and provide management direction.” Similarly, the written employment agreement for the position indicates that a City Manager shall “[s]upervise the administration of municipal affairs,” “[d]irect and coordinate the activities of the various City departments” and possess other powers and duties.

One result of the foregoing organizational structure has been confusion concerning whether department heads and other key personnel are, as a practical matter, responsible to the Mayor, the City Manager, the City Council or, in the case of Police and Fire personnel, to the Public Safety Commission. Several City officials indicated that confusion was partly intentional in that some prior City Councilmembers wished to avoid responsibility for unpopular or improvident actions by assigning blame to a City Manager rather than accepting it themselves. Furthermore, to some extent, the degree of authority exercised by City Managers appears to have been more a function of personality and the relationship that a given City Manager had with the Mayor and City Council rather than any written position description.

The organizational deficiencies described here might be viewed as of no consequence were the City’s financial condition less critical. But, that is not the case. As it is, the organizational structure presents unnecessary challenges as City officials should be focused upon considering possible ways to address that financial condition.

For example, the Review Team was advised that Fire Department officials have expended considerable effort assessing the feasibility of sharing services with neighboring communities, evaluating best practices from other jurisdictions that have engaged in shared service arrangements, and calculating potential revenue enhancement and cost savings. Yet given the conflicting lines of responsibility noted above, these proposals appear not to have been afforded thorough consideration by the City’s administration.

In addition, more clearly established lines of authority and responsibility may have prevented, or at least mitigated, circumstances which have profoundly impacted the City’s cash flow. For example, various collective bargaining agreements into which City officials have entered permit employees to “sell back” to the City unused leave time. In one instance, the current Police Chief sold back unused time valued at over \$140,000, resulting in gross wages of \$232,000 during calendar year 2013. Furthermore, it has been estimated that an aggregate of \$226,000 of potential unused sick time existed within the Police Department as of January 30, 2014.

While the Review Team is aware that numerous considerations may be in play during the give and

take of collective bargaining negotiations, the decision by City officials to accept collective bargaining agreements, the provisions of which permit selling back unused leave time, appears particularly improvident. Without instituting limits to mitigate the impact of these provisions, City officials have effectively ceded their ability to manage the City's cash to the whim of any Lincoln Park employee who has unused leave time and elects to sell it back to the City.⁴

c. Budget Formulation and Monitoring

Finally, a word is in order regarding the City's budget formulation and monitoring processes. Those processes do not appear commensurate to the challenges presented by the City's current financial emergency. Departmental officials indicated that they provide minimal input during the budget development process, that they are provided no periodic budget-to-actual information concerning their departmental operations, and that they perform virtually no budget oversight during a given fiscal year.

Indeed, only Finance Department staff appeared aware of whether revenues that had been budgeted to fund expenditures ever actually materialized. As a result, several department officials indicated that, while they only make necessary purchases, they do so without regard to, or knowledge of, their budget status and were unaware whether they finished the preceding fiscal year within, or over, budget. If Lincoln Park officials are to properly resolve the City's current financial condition, then a modification of the budget formulation and monitoring process would appear to be in order.

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 Lincoln Park.

⁴ The current tentative agreement between the City of Lincoln Park and the Lincoln Park Firefighters Association, Local 1292, prohibits, during the life of the tentative agreement, the practice of selling back unused leave time. However, it is unclear from the terms of the tentative agreement whether the intent of the parties was to reinstate the practice of selling back unused leave time once the tentative agreement expires on June 30, 2015, or to make the prohibition permanent.

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 (e), (f), (j), (l), and (m) of Section 5(3) exist or are likely to occur, as follows:

- The City had a General Fund deficit of \$89,803 as of June 30, 2013, which City officials indicated will not be 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).)
- City officials are projecting a deficit in the General Fund for the 2014 fiscal year of approximately \$1.09 million, which would exceed five percent of the revenues (\$20.44 million) budgeted for the General Fund for that fiscal year. (Section 5(3)(f).)

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.

(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.

- A structural operating deficit has existed in the General Fund during fiscal years 2011 through 2013. During that period, annual revenues averaged \$21.9 million, while annual expenditures averaged \$23.6 million. A structural operating deficit also has existed in the Water and Sewer Fund during fiscal years 2008 through 2012. During that period, annual revenues averaged \$7.8 million, while annual expenditures averaged \$8.7 million. (Section 5(3)(j).)
- City officials indicated there exists the possibility the City will deplete its cash by the end of the current fiscal year. If the City's cash is depleted, City officials will be unable to satisfy financial obligations as they legally come due. (Section 5(3)(l).)
- The funding level of the City's Municipal Employees' Pension Plan was 28 percent and had an unfunded actuarially accrued liability of \$29.3 million. The funding level of the City's Police and Fire Retirement System was 34.6 percent and had an unfunded actuarially accrued liability of \$39.8 million. Furthermore, the City's liability for other post-employment benefits exceeds \$100.0 million and is zero percent funded. (Section 5(3)(m).)

III. Review Team Report Transmittal Requirements

Section 5(3) of the Act also requires that a copy of this report be transmitted to the Lincoln Park City Manager, Lincoln 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 Lincoln Park.

cc: Joseph Merucci, City Manager
Lincoln Park City Councilmembers
James Bolger, Speaker of the House of Representatives
Randy Richardville, Senate Majority Leader
Hoon-Yung Hopgood, Michigan Senator
Paul Clemente, Michigan Representative

(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.