

October 26, 2009

Herbert W. Worthy, Mayor
City of Ecorse
3869 West Jefferson Avenue
Ecorse, MI 48229

Dear Mayor Worthy:

On August 19, 2009, the Ecorse Financial Review Team transmitted its report to my Office that concluded, pursuant to Section 14(3)(c) of Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, that a local government financial emergency existed in the City of Ecorse because no satisfactory plan existed to resolve a serious financial problem.

On September 19, 2009, I concurred in the assessment of the Ecorse Financial Review Team and determined, pursuant to Section 15(2) of the Act, that a local government financial emergency existed in the City of Ecorse because no satisfactory plan existed to resolve a serious financial problem. By letter dated September 19, 2009, I notified you and the Councilmembers of the City of Ecorse of my determination and set forth the findings of fact upon which that determination was based. The letter also provided notice of the City's right to request a hearing upon the determination.

On September 22, 2009, you requested, pursuant to Section 15(2) of the Act, a hearing upon the determination of a local government financial emergency in the City of Ecorse. The hearing was conducted on October 13, 2009, before State Treasurer Robert J. Kleine.

On October 26, 2009, the State Treasurer submitted to me his report concerning the testimony and information received at the hearing. Having carefully reviewed the record of that hearing, and pursuant to Section 15(2) of the Act, I hereby confirm my determination that a local government financial emergency exists in the City of Ecorse because no satisfactory plan exists to resolve a serious financial problem.

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The testimony presented on behalf of the Ecorse 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:

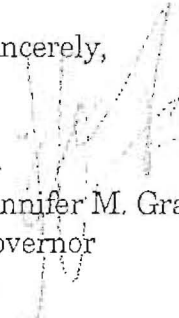
- A seventy-six percent increase in the City's general fund deficit, from \$5.3 million as of June 30, 2007 to \$9.3 million as of June 30, 2008.
- Approximately \$6.8 million in property tax collections owed by the City to other taxing jurisdictions, including this State, which the City has utilized, in violation of State law, to maintain its own spending levels.
- The use by the City, for two consecutive years, of pension-related judgment levy proceeds to support general operations of the City.
- Receipt by the City, for two consecutive years, of an adverse opinion in its financial audit report, the last of which contained 25 significant deficiencies, including 13 material weaknesses, which are considered to be the most serious category of accounting deficiencies.
- A failure by the City for the last six fiscal years (2003 through 2008), to file its annual financial audit reports on time with the Department of Treasury as required by State law.

Although you, the City Attorney, and the City's Auditor did offer testimony, that testimony largely concerned efforts City officials anticipated taking in the future if you were afforded additional time and, as such, was beyond the scope of the hearing. Furthermore, I must note the City's own testimony that you did not dispute any of the findings contained in the Review Team's report and acknowledging that the City's financial condition had worsened since the Review Team filed its report. Given the foregoing information, I find more than ample factual support to confirm, pursuant to Section 15(2) of the Act, my determination that a local government financial emergency exists in the City of Ecorse.

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Therefore, pursuant to Section 18(1) of the Act, I hereby assign responsibility for managing the financial emergency in the City of Ecorse 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,



Jennifer M. Granholm
Governor

cc: City of Ecorse Council Members
Local Emergency Financial Assistance Loan Board