

**EMERGENCY FINANCIAL AND OPERATING PLAN
FOR THE CITY OF LINCOLN PARK, MICHIGAN**

August 20, 2014



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Section 1.01: Authorization of Objectives Section

This Emergency Financial and Operating Plan for the City of Lincoln Park is required by Section 11 of Public Act 436 of 2012, the Local Financial Stability and Choice Act (MCL 141.1551). A Financial Plan for a city must provide for all of the following:

- a) Conducting the operations of the local government within the resources available according to the Emergency Manager's revenue estimate.
- b) The payment in full of the scheduled debt service requirements on all bonds, notes, and municipal securities of the local government, contract obligations in anticipation of which bonds, notes and municipal securities are issued, and all other uncontested legal obligations.
- c) The modification, rejection, termination, and renegotiation of contracts pursuant to Section 12.
- d) The timely deposit of required payments to the pension fund for the local government or in which the local government participates.
- e) Any other actions considered necessary by the Emergency Manager to achieve the objectives of the financial and operating plan, alleviate the financial emergency, and remove the local government from receivership.

Section 1.02: Objectives

The Emergency Financial and Operating Plan for the City of Lincoln Park has the following objectives:

- 1.) To provide a balanced budget based on realistic revenue and expenditure projections.
- 2.) To provide a realistic and practical plan to eliminate the structural and accumulated deficit.
- 3.) To provide for an operational plan for the organization that is streamlined and efficient.

After the initial development of an Emergency Financial and Operating Plan, the Plan shall be re-examined by the Emergency Manager in consultation with the local government. If the Emergency Manager reduces the revenue estimates or significantly changes the expenditures required, then the financial plan will be modified to conform with the new projections.

Section 2.01: Definitions

As used in this Emergency Financial Plan:

- a) "City" means the City of Lincoln Park, Michigan
- b) "Act" means Public Act 436 Local Financial Stability and Choice Act of 2012
- c) "Review Team" means the Lincoln Park Financial Review Team
- d) "Plan" means the Emergency Financial and Operating Plan
- e) "Treasurer" means the Treasurer for the State of Michigan
- f) "MERS" means the Municipal Employee's Retirement System for Municipal Employees
- g) "GRS" means actuary Gabriel Roeder Smith & Company

Section 2.02: Singular or Plural Terms

Every word or defined term in this plan importing the singular manner only may extend to and embrace the plural number, and every word or defined term importing the plural number may be applied and limited to the singular number.

Section 2.03: References to Statutes

A reference to a Michigan statute or portion of a statute in the plan shall be deemed to include the latest amendments to the statute or portion of a statute.

Section 2.04: Catch Lines

The catch line heading of any section of this plan shall not be deemed to be a part of the section or the Plan, or be used to construe the section more broadly or narrowly than the text of the section would indicate, but shall be deemed to be inserted for purposes of convenience.

Section 3.01: Review Team and Financial Status of the City

The Lincoln Park Financial Review Team was appointed to review the financial condition of the City of Lincoln Park. On February 20th and 27th, March 4th, 13th and 28th, the Lincoln Park Financial Review Team members met and reviewed information relevant to the financial condition of the City. Based upon those reviews, the Review Team concluded in accordance with Section 5(4)(b) of PA 436 Local Financial Stability and Choice Act of 2012, that a local government financial emergency exists within the City of Lincoln Park, and that no satisfactory plan exists to resolve the emergency. On April 14, 2014 the Governor of Michigan concurred with the Review Team assessment that a financial emergency existed and communicated such to the City.

The review concluded the following which was the basis for a determination that a financial emergency exists. Notable among the issues found:

- 1.) Per the audit for fiscal year 2012-2013, the General Fund fund balance decreased from a beginning level of \$2.0 million to negative (\$89,903) at year end June 30, 2013.
- 2.) The City experienced a significant decline in property value over the past five years. Property tax revenue constitutes roughly 60% of General Fund revenue and taxable values have fallen by 31.6% in recent years. A taxable value of \$793 million netted \$24.6 million in overall revenue for the fiscal year ending June 30, 2009. By 2013, values had fallen to \$543 million with related overall revenue of \$20.4 million for the fiscal year ending June 30, 2013.
- 3.) During fiscal year 2012-2013 the City borrowed \$2.5 million from the Water and Sewer Fund for use by the General Fund to make the annual Police Officers & Firefighters Retirement System pension payment.
- 4.) Audit reports for fiscal years 2011 through 2013 noted significant negative variances between budgeted General Fund revenues and expenditures versus actual results. In none of these years did General Fund revenues exceed expenditures.
- 5.) City officials indicated a possibility the City would deplete its General Fund cash balance by the end of fiscal year 2014.
- 6.) The level to which the City's two retirement systems are funded decreased dramatically from 2004 to the present. Based on the actuarial reports available at the time of the review, the Review Team noted the Municipal Employees Pension Plan was funded at 28.0% while the Police Officers and Firefighters Retirement System was funded at 34.6%.

Section 3.02: Annual Audits for 2012 and 2013 Fiscal Years

In addition to the Financial Review Team Report, the City's 2013 fiscal year financial audit indicated factors that would signify the presence of a financial emergency. Factors cited in the audit included the following:

- The General Fund ran a (\$2.1) million deficit in fiscal year 2012-2013 and ended the fiscal year with a (\$89,803) deficit. This deficit represents the third year in a row that the City had expenditures in excess of revenues.
- The Management Discussion section noted the City "will require significant restructuring in order to continue to exist."¹

The City's 2012 fiscal year financial audit also noted concerns that would indicate a looming financial emergency:

- The General Fund ran a (\$2.3) million deficit in fiscal year 2011-2012.

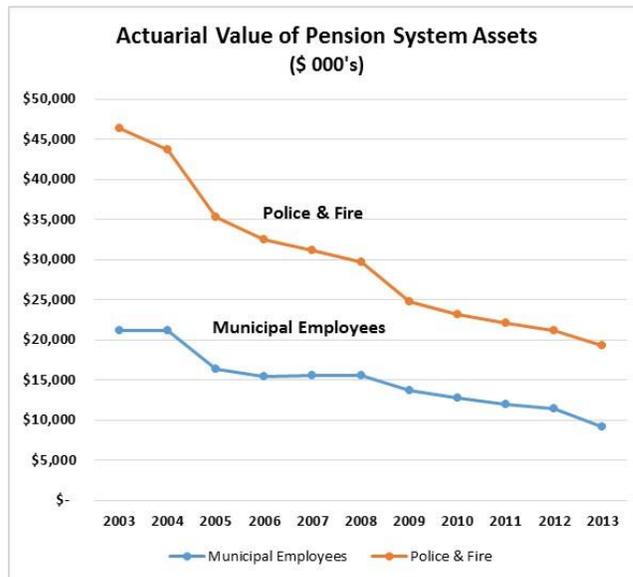
¹ City of Lincoln Park Financial Report, June 30, 2013, Page 10

- The Management Discussion section noted “Expenditures continue to exceed revenue, staff reductions will continue causing decreased service hours to the public”.²
- Further the City used \$2.3 million of fund balance “despite the public safety voter-approved millages”.³

Section 3.03: Most Recent Pension System Actuarial Reports

Both the Municipal Employee and Police Officers & Firefighters pension systems are in danger of running out of money in the next 9-11 years based on current contribution rates. The most recent actuarial reports, which were made available after the Review Team examination, stated the Municipal Employee system has slipped to 22% funded while the Police Officer & Firefighter system has declined to 31% funded. The Emergency Manager believes even these low funding levels to be overstated due to the use of optimistic actuarial assumptions and will be engaging an independent pension actuary to help determine the true extent of the pension shortfall. The total unfunded liability is currently reported as \$74.7 million, which the Emergency Manager believes understates the true extent of the problem.

The following chart shows the steady and continual decline in asset values since 2003.⁴ Both systems have lost over 50% of the asset value during this period. This decline is directly attributable to annual contributions that were not sufficient to keep up with benefit payments. The lower than needed contribution rates primarily resulted from the use of actuarial assumptions for payroll increases and investment returns that were far more optimistic than actual results - thus leading to a continual underfunding of the pension systems.



² City of Lincoln Park Financial Report, June 30, 2012, Page 9

³ City of Lincoln Park Financial Report, June 30, 2012, Page 9

⁴ MERS and Gabriel Roeder Smith annual actuarial reports for the covered years. MERS took over the Municipal Employee pension system in 2012. Previously GRS provided the actuarial information and the system was managed by a pension board.

Municipal Employees - MERS

The latest annual actuarial report for the year ended December 31, 2013 on the MERS pension system covering Municipal Employees indicated severe concern over funding status. As of this date, the MERS plan was funded at 22% with an unfunded liability of \$32.0 million. Over the past ten years, the trend has been a consistent and continual decline in asset value since the early retirements were given out in 2004. MERS took over managing the plan from a local pension board in 2012. The MERS report also noted investment returns greater than the assumed 8% are required in the near term to get the market value of the assets in line with the actuarial valuation.

Based on the current fiscal year contribution rate of \$2.2 million, the system is losing \$1 million in asset value per year as benefit payments are greater than new contributions and investment returns. At this rate, the Emergency Manager estimates the MERS system will run out of money in 9-11 years. The Emergency Manager has requested analysis from MERS to confirm this estimate and better understand options for funding the system.

Due to the continual drain on asset value, combined with the closure of a portion of the plan and the associated accelerated amortization required, MERS is requiring the City to increase its pension contribution from \$2.2 million in the current fiscal year (fiscal year 2014-2015), to \$3.9 million starting July 1, 2015 (fiscal year 2015-2016), or an increase of \$1.7 million. Alternatively, in order to “accelerate to a 100% funding ratio in 20 years”, MERS calculates the City would need to contribute \$4.2 million annually, or an increase of \$2.0 million.⁵

This plan assumes the City contributes an additional \$2.0 million per year toward MERS. The actual amount required will be refined as the Emergency Manager works with actuarial experts to determine the true extent of the underfunding and options for pension contributions.

Police Officers and Firefighters Retirement System

The Police Officers & Firefighters pension system is almost a mirror of the underfunding situation with the Municipal Employees. The latest annual actuarial report for the year ended June 30, 2013 shows severe concern over funding status. As of this date, the Police Officers & Firefighters plan was funded at 31% with an unfunded liability of \$42.7 million. Over the past ten years, the trend has been a consistent and continual decline in asset value since the early retirements were given out in 2004.

The contribution for this fiscal year is \$3.4 million and the system is losing on average \$2 million per year in asset value as benefit payments are greater than new contributions and investment returns. Per GRS, the Police Officers & Firefighters pension system has “a strong short term possibility that the current level of negative cash flows (unrelated to investment income) could exhaust the System assets in the absence of consistently favorable investment returns. The current negative cash flows are approximately \$2 million and could exhaust the System assets in roughly 9 years in the absence of investment returns.”⁶

⁵ Municipal Employee’s Retirement System of Michigan Annual Actuarial Valuation Report December 31, 2013 Lincoln Park, City of (8244), Page 6.

⁶ City of Lincoln Park Police Officers and Firefighters Retirement System Seventy-First Annual Actuarial Valuation Report June 20, 2013, Page A-6.

The Emergency Manager estimates the annual contribution needs to be increased by \$2 million per year in order to start toward funding the system to 100%. The Emergency Manager has requested analysis from GRS to confirm this estimate and better understand options for funding the system.

The Emergency Manager is also concerned about the history of using annual contribution rates that were clearly below what is required to keep the system funded. There is concern over the lower than required investment returns achieved and the Emergency Manager will be benchmarking these returns against other retirement systems as well as various market indices. The Emergency Manager will explore the possibility of exercising rights under Section 12 (m) of the Act, where in the case of plans that are not at least 80% funded, allows the Emergency Manager to remove one or more pension board trustees or allows the Treasurer to name the Emergency Manager as sole trustee for the pension system.

This plan assumes the City contributes an additional \$2.0 million per year toward the Police Officers & Firefighters pension. The actual amount required will be refined as the Emergency Manager works with actuarial experts to determine the true extent of the underfunding and options for pension contributions.

Total Increase in Annual Pension Funding Assumed

With a goal of having both plans funded to 100% over the next 20 years, the total increase in pension contribution assumed in this plan is \$4.0 million per year resulting in a total annual contribution of \$9.6 million starting in fiscal year 2015-2016. The Emergency Manager will be working with MERS, GRS and an independent actuary to determine the final contribution stream that must be paid into the systems.

In order to help pay for this increased pension contribution, the Plan proposes the \$4.2 million per year spent on retiree health care is reduced to \$1 million per year. The \$1 million in retiree health care spending is proposed to be used for stipends or other replacement benefits for the retirees. The Emergency Manager plans to contract health care experts to assist retirees transition into plans on the health care exchange and explore options for subsidies and alternative coverages.

The Emergency Manager acknowledges there is a risk of lawsuits being filed against the City for taking this action and legal fees defending this action could be expensive. But, the Emergency Manager sees no other viable alternative for shoring up the grossly underfunded pension system.

Section 4.01: Bankruptcy

Under Section 18 of the Act, the Emergency Manager may provide written notice to the Local Emergency Financial Assistance Loan Board requesting authorization to proceed under Chapter 9 of Title II of the United States Code, Adjustment of Debts of a Municipality, by stating no feasible financial plan can be adopted that can satisfactorily resolve the financial emergency in a timely manner. Or the Emergency Manager can determine that an adopted financial plan, in effect for at least 180 days cannot be implemented as written, or as it might be amended, in a manner that can satisfactorily resolve the financial emergency in a timely manner.

The Emergency Manager has determined the initiation of bankruptcy proceedings under the Act is not a viable option at this time for achieving the objectives of the City for the following reasons:

- a) The requirements under the Act for requesting the initiation of bankruptcy proceedings cannot currently be satisfied.
- b) An alternative to bankruptcy for rectifying the financial emergency exists and is described in Section 5. If the alternative stated in Section 5 is determined to be inadequate to eliminate the structural and cumulative deficit, reconsideration may occur regarding bankruptcy.
- c) One scenario where the Emergency Manager might contemplate a bankruptcy filing would be in the case of a large judgment being entered against the City that could not be paid without damaging the ability to provide essential City services (e.g., judgment from class action flooding lawsuit, potential retiree health care lawsuit). The Emergency Manager would then weigh whether putting the judgment on the tax rolls, thus making it more expensive to buy and own property in Lincoln Park, would hold down property values to the point where filing bankruptcy and attempting to discharge the judgment would be a better option.

Section 5.01: Components of the Financial and Operating Plan

The Financial and Operating Plan as stated in this Section is being considered based on a number of factors; guidance from Lincoln Park residents, employees, and businesses; consultation with Lincoln Park elected officials and City staff; and experts in the financial, legal, pension and health care arenas.

The Plan is comprised of three categories: Revenue Enhancements, Expenditure Reductions, and Operational changes to facilitate a higher functioning, more effective and efficient organization. As stated, the overall objective in the Financial and Operating Plan is to eliminate the cumulative and structural deficit plus make the necessary reforms to bring the City organization in line with current benchmarks and standards that are inherent with high performance organizations.

Overview and Strategy

The City of Lincoln Park has suffered drastic revenue declines over the past five years. This loss was due in large part to an over 30% decline in property values since 2009 and a loss of close to \$5 million in annual property tax revenue. At the same time, health care costs for both active employees and retirees have continued to increase. Locked in contractual health care plans give the City little room to maneuver and control costs. In addition, continual underfunding of the Municipal Employee and Police Officer & Firefighter pension systems over the past ten years has allowed the City to avoid making tough choices on compensation and delivery structure, especially in the public safety area.

All of the above issues must now be addressed. Retiree obligations for health care and pensions constitute over 40% of the General Fund budget as well as taking up a large portion of the spending in the Major and Local Street funds and the Water Fund. The recent MERS actuarial report for Municipal Employees and the GRS report for the Police Officers & Firefighters pension system indicate that both pension funds are grossly underfunded and at risk of running out of money within a projected 9-11 years if annual contribution levels are not increased.

The City has room for one major round of cost rationalization. After that, it will depend on the recovery in property values and the resulting increased tax revenue to keep the budget positive. Health care costs are expected to continue increasing by up to 10% per year and property tax revenue must keep pace in order for the City to avoid falling back to a deficit situation. Property tax revenues are severely limited under Proposal A and Headlee with estimated increases limited to 1% - 2% per year.

Stabilizing and growing property values is the key to the long term viability of this plan. The latest assessment had property values declining by 2.2%. It's hoped the decline in values has bottomed out as other communities in metro Detroit have started to see property values increase. But, increasing values are not a certainty. For this reason, the City needs to allocate additional funding and more efficiently deliver public services such as park maintenance, graffiti control, code enforcement, rental permits, and other operational needs that have been neglected as budgets have been slashed in these areas.

The Emergency Manager has designated the following three areas as top priorities for the success of the deficit elimination and restructuring plan:

- 1.) Control crime.
- 2.) Fund pension obligations.
- 3.) Restore enforcement of the City's property ordinances and improve maintenance of City facilities in order to control blight and stabilize property values.

Section 5.02: Plan Assumptions

- 1.) With both pension systems in danger of running out of money in an estimated 9-11 years, the Plan assumes increases in annual contributions by \$4 million per year to start toward the goal of having the plans 100% funded over the next 20 years. The Emergency Manager is working with MERS, GRS and an independent actuary to determine funding options for the pension systems.

Pension Contribution (\$ 000's)			
	MERS	Police & Fire	Total
<u>Current</u>			
General Fund	1,492	3,465	4,957
Major Streets	122	-	122
Local Streets	84	-	84
Water & Sewer	402	-	402
Total Current	2,100	3,465	5,565
<u>Additional Contribution</u>			
General Fund	1,080	2,000	3,080
Major Streets	160	-	160
Local Streets	200	-	200
Water & Sewer	560	-	560
Total Additional	2,000	2,000	4,000
Total Pension Contribution	\$ 4,100	\$ 5,465	\$ 9,565

- 2.) The Plan proposes reduction in retiree health care spending from \$4.2 million per year to \$1 million per year. The \$1 million is assumed used for stipends and alternative coverages. The Emergency Manager will contract with health care experts to assist retirees transition into plans on the health care exchange and explore options for subsidies and alternative coverages.

- a. The retiree health care reduction is assumed to start in January 2015 and increased pension contributions start in July 2015. This six month gap will allow the City to free up \$1.6 million for building a needed cash cushion.

Retiree Health Care

(\$ 000's)

	<u>Current</u>	<u>Plan</u>
General Fund	3,401	819
Major Streets	132	32
Local Streets	187	45
Water & Sewer	433	104
Total	\$ 4,153	\$ 1,000

- b. Before the January 2015 date for reducing retiree health care, the Emergency Manager will also explore the immediate cessation of reimbursing the cost of Medicare Part B for retirees over 65. This benefit is not contractual and is being provided per City Council resolution 95-383 passed in 1995. This benefit costs the City over \$200,000 per year with approximately \$165,000 being paid out of the General Fund.
 - c. Depending on the final actuarially determined increase required in pension contributions, if that amount is below the assumed \$4 million included in this Plan, some additional funds may be available for enhancing retiree health care stipends.
- 3.) The Plan assumes a \$150,000 savings in active health care costs including switching from a single coverage plan for all employees to a cafeteria style plan with a variety of carriers and coverage options. A hard cap could also be put in place on the City's contribution plus reviewing the need to continue coverage for dental and vision. For this plan, health insurance costs are assumed to increase by 10% per year after the savings adjustment.
- 4.) The Plan proposes to make necessary changes in the Collective Bargaining Agreements to reflect modifications noted in this Plan and other changes deemed necessary to provide a financial cost structure and efficient service delivery model for the City. These modifications will be made consistent with Section 12 of the Act.
- 5.) The Plan assumes up to \$1 million in annual savings from the Fire Department. The savings are proposed accomplished by either moving to a Fire Authority with neighboring communities or by reducing headcount to a core group of personnel with 100% outsourcing of EMS activities. This second alternative will explore using on call personnel for fire as well as cross trained public safety officers that can work as both Police and Fire. In addition, the time off allowed is proposed to be reduced in order to decrease overtime required to staff the department. The sell back of unused time is proposed to be eliminated as well longevity pay and the accruing of termination benefits except for a yet to be determined amount of banked sick time.
- a. The Emergency Manager will work with the Union to modify the contract to allow part time Firefighters to count toward the five man staffing minimum. This change would be done as an interim measure while options for the final plan for the Fire Department are finalized. The Emergency Manager does not want to hire full time employees to replace any that leave while the Emergency Manager is working on the final plan.

- 6.) The Plan proposes to reduce the amount of time off allowed in the Police Department in order to decrease the amount of overtime required, eliminate the sell back of unused time as well as longevity pay and the accruing of termination benefits except for a yet to be determined amount of banked sick time. The Plan will explore the regular use of Sergeants on patrol duty to increase staffing and allow the use of Lieutenants as well for patrol duty in times of tight staffing such as summer. Savings are assumed used to add both full and part time staff as necessary for increasing Police coverage. This Plan assumes an additional cost of \$250,000 is assumed for added staffing.
- 7.) Funding for 3.5 Police narcotics officers is assumed taken out of the Drug Forfeiture Fund after fiscal year 2014-2015 and put back in the General Fund for an added cost of \$350,000. The Drug Forfeiture Fund will be almost depleted after this year due to including officer's salaries in the Fund. Going forward, the \$200,000 per year generated by the Drug Forfeiture Fund will be used for equipment needs.
- 8.) The Emergency Manager proposes to review the contracts of all Municipal Employees and explore reductions in the amount of time off allowed, eliminating the sell back of unused time as well as longevity pay and the accruing of termination benefits except for a yet to be determined amount of banked sick time.
- 9.) The Plan assumes the 3.4591 mill, or \$1.8 million per year, Police & Fire millage which expires June 30, 2017 is renewed for another three years.
- 10.) The Plan proposes placing a Headlee Override on an upcoming ballot to take effect in fiscal year 2015-2016. The proposal was narrowly defeated in August 2014. This action can generate over \$500,000 per year.
- 11.) Compensation and expenses for the mayor and council were automatically suspended per the Act when the Emergency Manager was named. Assuming the Council provides a positive contribution toward the City's revitalization plan, the Emergency Manager proposes that pay be restored to 50% of the previous compensation levels going forward.
- 12.) The Plan assumes \$400,000 in legal, accounting, actuarial and other professional costs for restructuring the City's finances and operations.
- 13.) The Plan proposes disposal of over 100 vacant lots to save on maintenance costs such as mowing plus reduce potential liability. Explore giving the lots to adjacent property owners for a minimal amount plus the cost of the lot combination fee. The maintenance savings are estimated at \$15,000 per year.
- 14.) The Plan proposes to use the notice of first refusal with Wayne County to take possession of select properties being sent to the County's tax auction. The City would sign an agreement with a third party investor (e.g. Global Realty) who would fund the transaction and take possession of the properties in exchange for paying all or part of the water liens attached to the properties. The investor would then rehab and sell or rent the properties after taking possession. Had Lincoln Park been able to organize this transaction for the September 2014 tax auction, \$27,000 could have been generated from payment of water liens that otherwise are wiped out at the tax auction.

- 15.)The Plan allocates additional spending toward City maintenance such as graffiti control, parks maintenance, and other areas that make the City an attractive place to live. These needs are part of the long term solution to increasing property values and capturing the resulting tax revenue.
- 16.)No payment is assumed for a possible judgment on the class action flood lawsuit pending against the City since 2011.
- 17.)The Plan will explore changes in fee schedules, staffing and enforcement to generate an additional \$75,000 per year in the Building Department and in Code Enforcement. \$75,000 in cost savings is also assumed as the Emergency Manager explores contracting with a third party to manage the Building Department, Animal Control, and possibly Code Enforcement.
- 18.)Under the Act, any City owned parcel may be sold or disposed of as part of the Plan. Specifically, but not inclusive, the Emergency Manager proposes to explore the sale of City Hall, the Library, the Historical Museum, the Police Station, Quandt Park, and the Ice Arena to commercial investors that may turn the properties into taxable real estate. These would all be one time revenue generators and values are not included in this plan. The cost of relocating operations plus ongoing occupancy costs will need to be evaluated before selling any City building.

Water and Sewer Fund

Water loss rates average 25% versus a benchmark of 12% in other communities. Flooding has been an ongoing issue for the City as well. The aging water and sewer system is in need of investment. This Plan calls for an updated study of the water and sewer system along with development of a detailed maintenance and capital spending calendar so residents and city officials can understand what is being done and when.

- 1) This Plan assumes an increase in water rates by 15% to cover \$1.2 million in capital spending per year. Over time the increased capital spending will reduce maintenance costs for the City's aging infrastructure. Before taking any action, the Emergency Manager will ensure that the proposed rate increase is legally allowed based on current regulation of water rates.
- 2) The Emergency Manager will explore the release of the \$1 million Ecorse Creek retention bond reserve into the Water and Sewer Fund as the associated debt has been paid in full. The \$1 million will put used for needed capital spending and maintenance. The City is not aware of a continued formal requirement to continue this reserve.
- 3) This Plan assumes that all water rate increases from the Detroit Water and Sewer Department are immediately passed on the users in Lincoln Park.

**Forecast Statement of
Revenue, Expenditures and Changes
in Fund Balances Water and Sewer**

	Forecast			Forecast	Forecast	Forecast	Forecast
	FYE 2015 -		2015 Final	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	Original	Adjustments	Adjusted				
REVENUE							
Sale of Water	2,944,990	-	2,944,990	3,386,739	3,386,739	3,386,739	3,386,739
Sewage Disposal Charges	3,876,867	-	3,876,867	4,455,991	4,455,991	4,455,991	4,455,991
System Maintenance Charge	1,174,230	-	1,174,230	1,350,290	1,350,290	1,350,290	1,350,290
Other	1,205,605	-	1,205,605	1,280,077	1,287,605	1,302,811	1,318,321
Total Revenue	9,201,692		9,201,692	10,473,097	10,480,624	10,495,830	10,511,340
EXPENDITURES							
Operations	8,002,508		8,002,508	7,308,294	7,316,843	7,327,005	7,341,011
<i>Retirement Costs</i>							
MERS - Current	402,000	-	402,000	402,000	402,000	402,000	402,000
MERS - Additional			0	560,000	560,000	560,000	560,000
Retiree Health Care	433,000	(164,500)	268,500	104,000	104,000	104,000	104,000
Admin Charge	719,994		719,994	719,994	719,994	719,994	719,994
Total Expenses	9,557,502	(164,500)	9,393,002	9,094,288	9,102,837	9,112,999	9,127,005
Change in Fund Balance	(355,810)		(191,310)	1,378,808	1,377,787	1,382,831	1,384,335
Added Capital Spending	-	-	-	1,200,000	1,200,000	1,200,000	1,200,000
Pro-Forma Change in Fund Balance	(355,810)	-	(191,310)	178,808	177,787	182,831	184,335

Section 5.03: Other Items to be Addressed

- 1.) Explore modifying the final compensation calculation for pension benefits to include only base salary. Explore reducing the benefit multiplier and examine changes to cost of living adjustments. Analyze effects on the annual required pension contribution going forward.
- 2.) This Plan proposes changing the interest rate given on the employee contribution and annuity withdrawal to an annual rate of 2% going forward.
- 3.) Change the City ordinance and various employee contracts to eliminate the ability to purchase up to three years of service time for retirement.
- 4.) Explore reorganization of the staff, streamline lines of authority and eliminate positions which are unnecessary or not cost efficient. The Emergency Manager will work to put in place a team and salary structure that is able to perform essential City services for the residents while being consistent with the budget constraints faced by the City.
- 5.) Explore the use of a third party payroll service.
- 6.) Explore the sale of cell tower lease revenue stream.
- 7.) Explore consolidating Lincoln Park Pride code enforcement into the Building Department to improve efficiency and coordination on blight. Also explore having a third party take over all or certain functions of the Building Department, Animal Control, and possibly code enforcement.

- 8.) Explore streamlining the legal process for eliminating blight and demolishing abandoned homes and dangerous structures.
- 9.) Explore moving the Police Department from a manual based scheduling and payroll system to an automated systems. This change will allow accrued time to be tracked each payroll.
- 10.) Hire a new City Manager as the position is currently vacant.
- 11.) Review ongoing legal costs and strategy for the class action flooding lawsuit filed against the City. Evaluate the City's litigation strategy on other lawsuits as well.
- 12.) Revitalize the sense of community. Use college intern(s) to coordinate grant writing, volunteer efforts, social media communication, and publicizing Lincoln Park as an affordable place to either live or have a business.
- 13.) Review and modify budgets as necessary for the DDA, EDC, and CDBG to align with the strategy for revitalizing the City, demolishing abandoned structures, and stabilizing property values.
- 14.) This Plan proposes changing the City Charter to eliminate the Public Safety Commission.
- 15.) Use the authority in Section 12 (p) of the Act to appoint a local inspector to review the integrity of books and records as well as the efficiency and waste in the operations of all departments.
- 16.) Explore the possibility of exercising rights under Section 12 (m) of the Act, where in the case of pension plans that are not at least 80% funded, allows the EM to remove one or more pension board trustees or allows the Treasurer to name the EM as sole trustee for the pensions system.
- 17.) Audit all healthcare participants to ensure only eligible beneficiaries are receiving benefits.
- 18.) Explore contracting with the Michigan Municipal League or another provider for training of the City Council and other elected officials on areas such as finance, governance, and operations.

Section 5.04: General Fund Revenue Enhancements

Revenue			
	2015	2016 - 2019	
Other Miscellaneous Income	\$ -	\$ 25,000	Assign Right of First Refusal on foreclosed properties, capture water liens
Property Taxes	-	\$ 524,153	Headlee Override - assumed passed in conjunction with restructuring plan
Building Department	\$ 37,500	\$ 75,000	Improve permit enforcement and increase revenue
Total New Revenue	\$ 37,500	\$ 624,153	

Section 5.05: General Fund Expenditure Reductions

Expenses: Increase (Decrease)			
	2015	2016 - 2019	
General Government	\$ 32,500	\$ 130,000	Fill open City Manager position in 1st Quarter 2015 (\$130,000 with benefits)
	(37,500)	(75,000)	Possibly use third party to manage Building Department
	18,900	25,200	Restoring 50% Mayor and Council's pay effective October 2014
	300,000	100,000	Estimated restructuring Costs during Financial Emergency process (legal, accounting, actuary, other experts)
	(2,500)	(15,000)	Reduce lawn maintenance after transferring 100 vacant City lots to residents by spring 2015.
	30,000	75,000	Key operational staff hires or wage increases to balance with market
	(6,295)	(12,590)	Reduction in active insurance premiums
Total General Government	\$ 335,105	\$ 227,610	
	(7,201)	(14,403)	Reduction in active insurance premiums
Total District Court	(7,201)	(14,403)	
Public Safety	-	350,000	Move Police staff pay out of Drug Forfeiture Fund, use fund for equipment spending
	(150,000)	(1,000,000)	Fire Dept. - target savings from either a regional fire authority or outsourcing EMS, reduce staffing
	(34,436)	(68,871)	Reduction in active insurance premiums
	75,000	250,000	Possibly add full or part time Police patrol staff, possibly train as PSO
Total Public Safety	(109,436)	(468,871)	
Public Works	(1,490)	(2,980)	Reduction in active insurance premiums
Recreation and Culture	50,000	75,000	Additional expense for City maintenance, graffiti control, etc.
	(78)	(156)	Reduction in active insurance premiums
Total Recreation and Culture	49,922	74,844	
Reduce Retiree Health Care	(1,291,239)	(2,582,477)	Reduce spending for retiree health care to fund pension shortfall.
Increase Pension Contributions	-	3,080,000	
Total General Fund Savings	\$ (1,024,339)	\$ 313,723	

