

Koryzno, Edward (Treasury)

From: Workman, Wayne (TREASURY)
Sent: Friday, June 12, 2015 2:12 PM
To: Snyder, Rick (GOV)
Cc: Scott, Allison (GOV); Muchmore, Dennis (GOV); Roberts, John (DTMB); Allard, Claire (GOV); Khouri, Nick (TREASURY); Saxton, Thomas (Treasury); Storberg, Ann Marie (TREASURY); Gelisse, Ashley (TREASURY); Wisniewski, Wendy (GOV); Dempkowski, Angela (Treasury); Koryzno, Edward (Treasury)
Subject: Local Government Update to State Treasurer/June 2015
Attachments: Gov LG Update 6-12-15.docx

Attached is the periodic update on distressed local governments. If you have any questions, please call.

Wayne L. Workman
Deputy State Treasurer
Michigan Department of Treasury



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: June 12, 2015
TO: Rick Snyder, Governor
FROM: Wayne Workman, Deputy State Treasurer
SUBJECT: Status of Financially Stressed Local Governments

EMERGENCY MANAGER

Lincoln Park

Emergency Manager: Brad Coulter

Appointed: July 3, 2014

Anticipated Exit: January 2016

Recent Developments

- The Police and Fire Pension Board elected to switch investment advisors to PNC. EM Coulter now expects better returns on pension assets.
- An actuarial analysis published on May 20, 2015 shows a further decline in pension funding, down to 23%. More conservative actuarial assumptions were used in this report.
- EM Coulter has modified retiree collective bargaining agreements to reduce healthcare benefits. These changes are to be implemented on July 1, 2015 and will reduce retiree healthcare costs from \$4.1M to \$600K annually.

Significant Actions/Issues

- FY 14 ended with a general fund accumulated deficit of \$736K, out of a total budget of \$21M. This is a significant increase from the FY 13 accumulated deficit of \$89K. Salient increases were in Public Safety - \$1.1M, Public Works - \$700K, and Culture and Recreation - \$600K.
- Voters rejected the Firefighters and Police Officers Retirement Act proposal last month by a 53% to 47% margin. Had it been approved, an additional \$3M annually would have helped fund fire/police pension and healthcare costs. EM Coulter is working to determine next steps.

Issues to Resolve before EM Exit

- Police CBAs must be finalized.
- Increase and stabilize pension funding levels.