Robert, Carla M. (Treasury)

From:	Steckelberg, Larry (TREASURY)
Sent:	Tuesday, February 09, 2016 10:01 AM
To:	Saxton, Thomas (Treasury); Khouri, Nick (TREASURY)
Cc:	Headen, Frederick (Treasury)
Subject:	RE: emergency managers
Attachments:	EM Accomplishments v5 02-08-16.docx

Just FYI, I have attached a larger document we put together on accomplishments in the EM communities. Fred highlighted a couple but this is a good resource for reference on some of our successes across the communities.

From: Saxton, Thomas (Treasury)
Sent: Tuesday, February 09, 2016 5:49 AM
To: Khouri, Nick (TREASURY) <KhouriN@michigan.gov>
Cc: Headen, Frederick (Treasury) <HeadenF@michigan.gov>; Steckelberg, Larry (TREASURY) <SteckelbergL@michigan.gov>
Subject: Re: emergency managers

I would agree schools are more challenging because of the 'academic side' and the way they are funded... While it may be a pretty low bar in terms of gauging success I would say Muskegon Hts & HPS could be mentioned... The schools have stabilized. There was not the disruption associated with a dissolution. There is community support. The reason we have had to keep EMs place is somewhat tied to the fact they are psa districts. Pontiac schools has been a 'success'. Again, when we first got involved they were a week or two from making payroll. That situation involves a consent agreement not a EM. The 'jury' is still out on BHS. DPS is in a category by itself.

On Feb 8, 2016, at 1:26 PM, Khouri, Nick (TREASURY) <KhouriN@michigan.gov> wrote:

> Thanks
>
> Maybe it's just easier to turn around a city than it is a school
>
> **From:** Headen, Frederick (Treasury)
> **Sent:** Monday, February 08, 2016 1:19 PM
> **To:** Khouri, Nick (TREASURY) <KhouriN@michigan.gov>; Saxton, Thomas (Treasury) <SaxtonT@michigan.gov>; Steckelberg, Larry (TREASURY) <SteckelbergL@michigan.gov>
> **Subject:** RE: emergency managers
>
> Not in my view. The school districts that have had EFMs/EMs (Detroit, Highland Park, Inkster, and Muskegon Heights) have not fared well. Inkster was dissolved and the other school districts have had multiple EMs.
>
> Prior to 2011, I would have said the reason was that Act 72 drew an artificial distinction between fiscal matters and instruction/academics and granted EFMs authority only over the former. However, under both Acts 4 and 436, EMs have had control over both fiscal matters and

instruction/academics and it appears to have made little difference in regards to lack of long-term success. It may be that because school finances are tied so closely to enrollments, that once enrollments begin a downward spiral, even an EM cannot cut enough, or quickly enough, to keep up.

From: Khouri, Nick (TREASURY)
Sent: Monday, February 08, 2016 12:51 PM
To: Headen, Frederick (Treasury) <HeadenF@michigan.gov>; Saxton, Thomas (Treasury) <SaxtonT@michigan.gov>; Steckelberg, Larry (TREASURY) <SteckelbergL@michigan.gov>
Subject: RE: emergency managers

Thanks Fred

Any schools?

From: Headen, Frederick (Treasury)
Sent: Monday, February 08, 2016 8:29 AM
To: Khouri, Nick (TREASURY) <KhouriN@michigan.gov>; Saxton, Thomas (Treasury) <SaxtonT@michigan.gov>; Steckelberg, Larry (TREASURY) <SteckelbergL@michigan.gov>
Subject: RE: emergency managers

Here are three possibilities:

1. Village of Three Oaks. The EFM was appointed on December 1, 2008 and exited after only one year. The EFM resolved all financial issues (including cash flow and accounts payable), while working cooperatively with local officials. Indeed, so positive was the working relationship between the EFM and Village officials that for a number of years after the EFM's departure, Village officials invited her back for annual events.

2. City of Detroit. The EM was appointed on March 25, 2013 and was succeeded by a FRC on December 9, 2014, after guiding the City through the largest municipal bankruptcy in U.S. history in only 18 months. In doing so, the EM addressed three primary issues: first, a cash crisis that was projected to reach a cumulative deficit in excess of $100.0 million by June 30, 2013; second, recurring general fund deficits (the City had not experienced a positive year-end fund balance since fiscal year 2004); and third, long-term liabilities, including unfunded actuarial accrued pension liabilities and other post-employment benefits, that exceeded approximately $14 billion as of June 30, 2012.

3. City of Hamtramck. The EM was appointed on July 1, 2013 and was succeeded by an RTAB on December 18, 2014. The EM addressed general fund operating deficits. In addition, unfunded liabilities (pension and other post-employment benefits) posed significant obstacles to long-term fiscal health. Actuarial evaluation had indicated the pension plan had $98.4 million in actuarial accrued liabilities, but only $55.8 million in pension assets (i.e., a funding ratio of only 56.8 percent).

Fred