

Lincoln Park Emergency Manager

July 22, 2015





- **70% of all financial distress caused by bad management**

Annual Turnaround Management Association survey

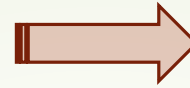
- Cash Flow covers up a lot of sins

- Most financially troubled entities don't feel the pain until they run out of money

Eat away at the balance sheet while incurring losses

Maximize borrowing to avoid making decisions

General Fund Deficits



FINANCIAL EMERGENCY

General Fund Balance

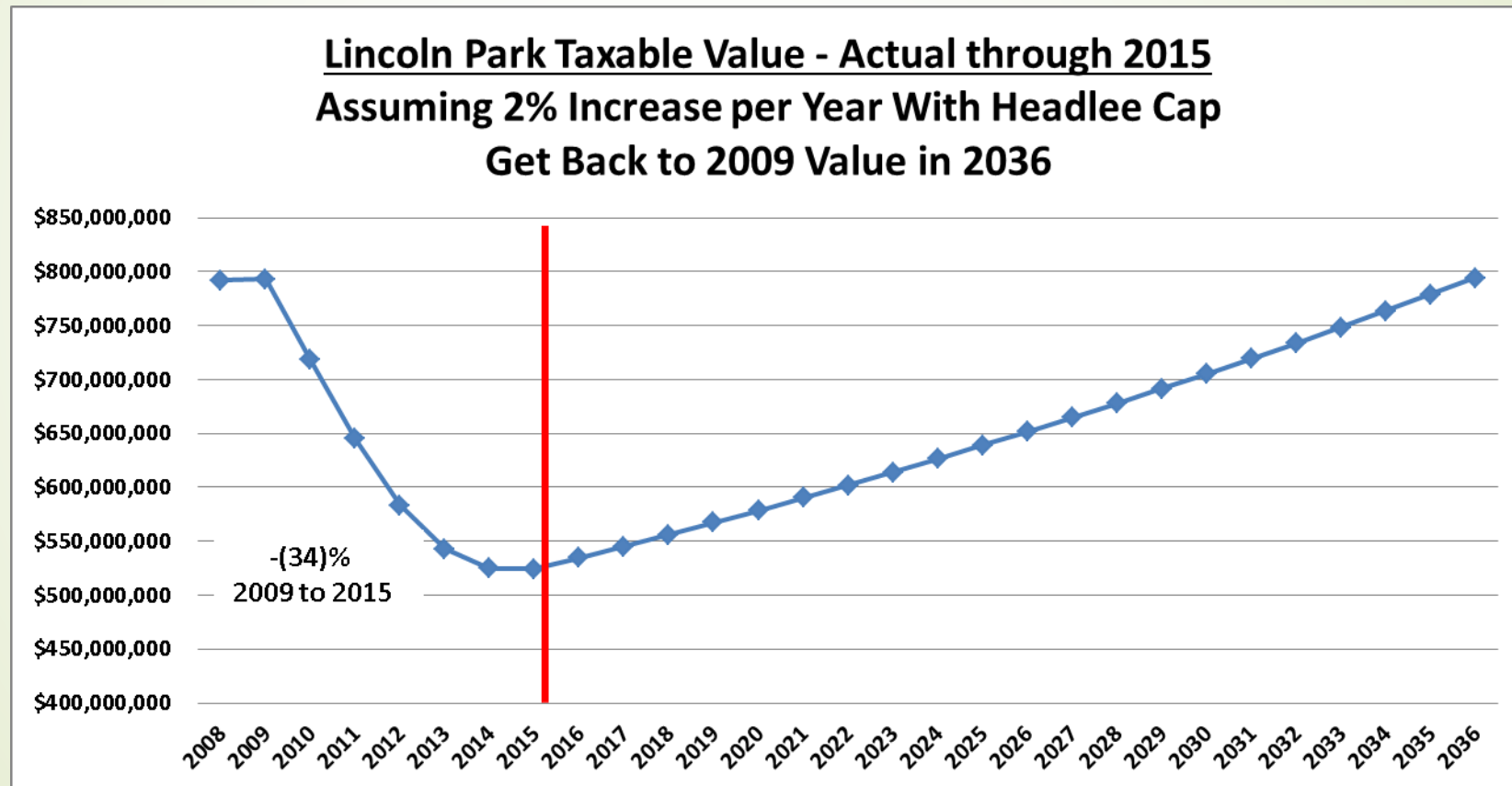
Fiscal Years Ending June 30

	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Estimated 2014-15	Forecast 2015-16
Revenue	24,638,575	23,689,097	23,696,056	21,542,629	20,402,022	20,427,768	20,216,445	20,283,273
Expenditures	23,538,348	23,254,508	24,098,957	23,847,944	22,704,240	21,074,415	20,563,107	19,904,654
Net Change	1,100,227	434,589	(402,901)	(2,305,315)	(2,302,218)	(646,647)	(346,662)	378,619
					Sale of Cell Tower Easement		545,702	350,000
					Net Change after Sale		199,040	728,619
Beginning Fund Balance	3,219,216	4,222,360	4,671,303	4,351,064	2,045,749	(89,803)	(736,450)	(537,410)
Net Change	1,100,227	434,589	(402,901)	(2,305,315)	(2,302,218)	(646,647)	199,040	728,619
Transfer In (Out)	(97,083)	(200,000)	82,662	-	166,666	-	-	-
General Fund Balance	4,222,360	4,456,949	4,351,064	2,045,749	(89,803)	(736,450)	(537,410)	191,209

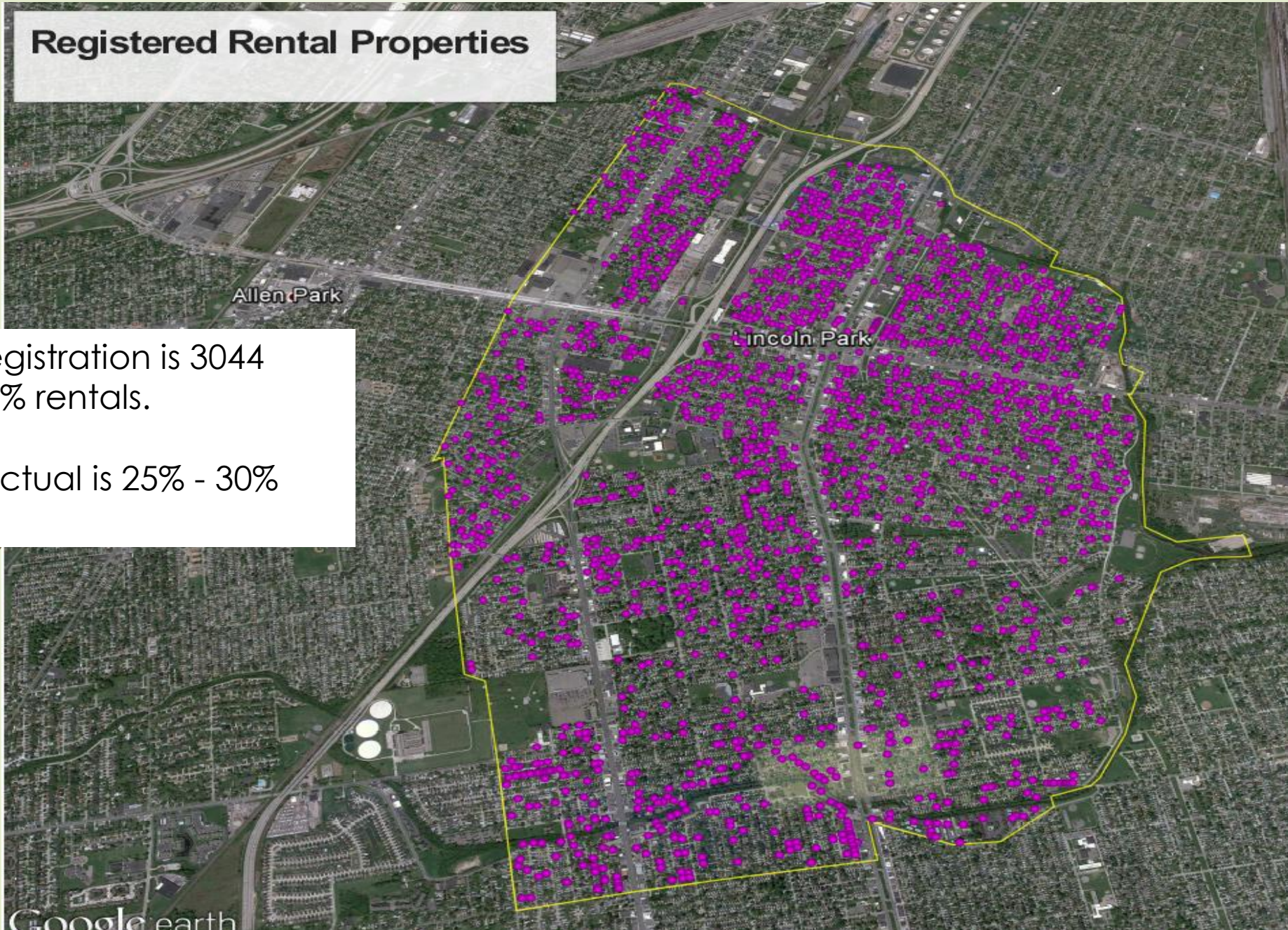
Borrowed \$2.5 million from Water & Sewer Fund in 2013 in order to make a pension payment.

Stabilizing Property Values is Priority #1

- Property Values and Related Tax Revenue Down 34% Since 2009
- Total property tax revenue represent 50% of General Fund revenue



Registered Rental Properties



Current Registration is 3044 units, or 19% rentals.

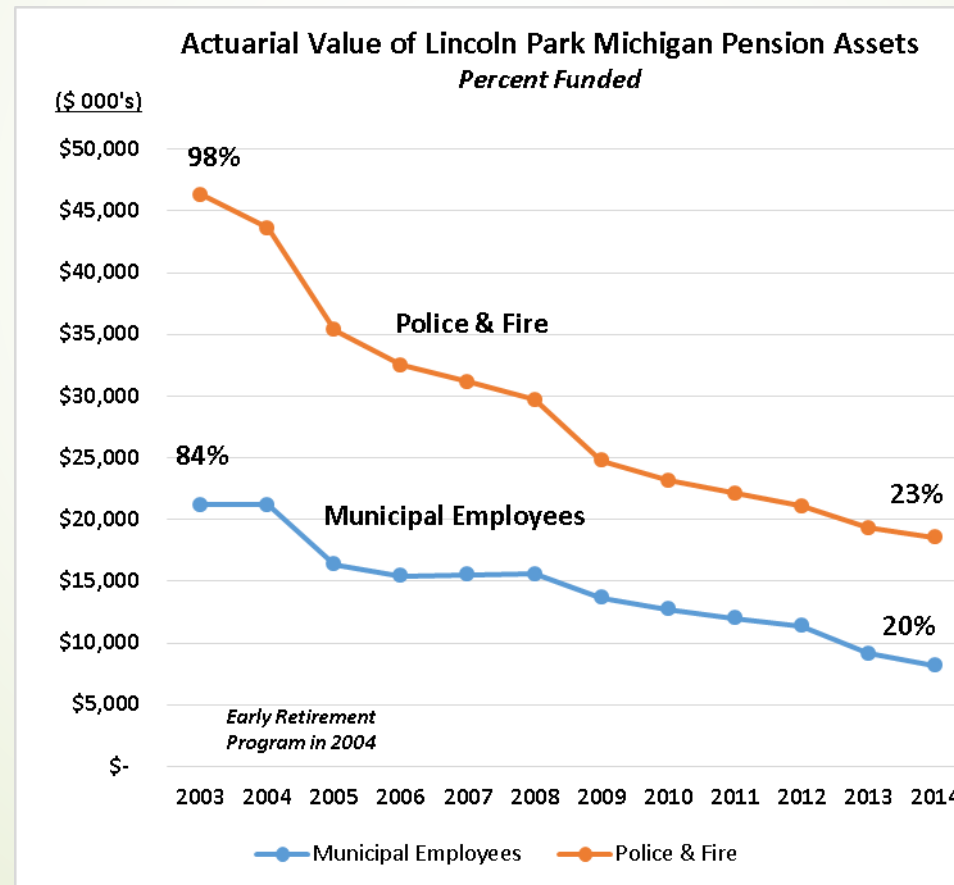
Estimate actual is 25% - 30% rentals

Crime Concentrated Primarily in Rental Areas



Pension Systems Losing Value Since 2004

- ▶ In danger of running out of money in 10 or so years based on current trends
- ▶ **60% funding is considered at risk, plans have been in trouble for the past 8 – 11 years**
- ▶ Lincoln Park always contributed the Actuarially Required Contribution. Problem is the assumptions did not match reality.



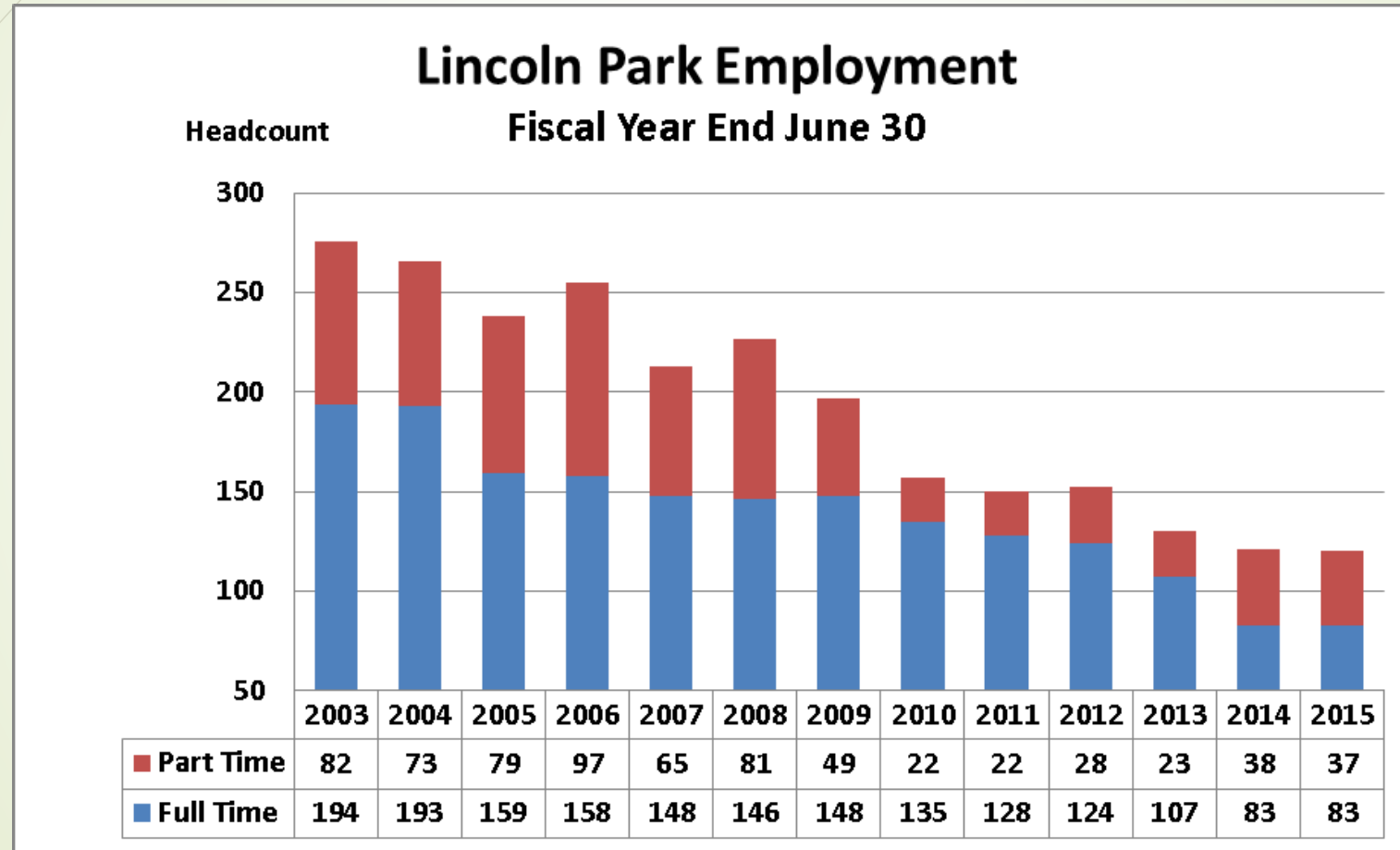
Lincoln Park Retiree Obligations

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	ESTIMATE FY 2014-15	BUDGET FY 2015-16	
<u>PENSION PAYMENTS</u>													
Municipal Employees	\$ 936,592	\$ 1,067,548	\$ 1,518,817	\$ 1,622,253	\$ 1,726,324	\$ 1,811,667	\$ 2,092,564	\$ 1,992,507	\$ 1,857,945	\$ 2,221,646	\$ 2,161,068	\$ 3,161,068	
<i>Percent Funded at Start of Year</i>	60%	45%	40%	40%	41%	33%	30%	N/A	28%	22%	20%		
Police & Fire	\$ 928,116	\$ 1,378,558	\$ 1,818,550	\$ 2,172,141	\$ 2,344,600	\$ 2,557,853	\$ 2,925,995	\$ 3,086,121	\$ 3,186,996	\$ 3,332,855	\$ 3,464,682	\$ 5,464,682	
<i>Percent Funded at Start of Year</i>	81%	66%	59%	54%	50%	42%	39%	37%	35%	31%	23%		
Total Pension Contribution	\$ 1,864,708	\$ 2,446,106	\$ 3,337,367	\$ 3,794,394	\$ 4,070,924	\$ 4,369,520	\$ 5,018,559	\$ 5,078,628	\$ 5,044,941	\$ 5,554,501	\$ 5,625,750	\$ 8,625,750	
<u>RETIREE HEALTH AND RX</u>													
									<i>Benefits modified in FY 2012-13</i>				
Retiree Health Care	2,090,788	2,489,409	2,911,123	2,948,363	3,220,774	3,335,901	4,188,086	4,189,977	3,632,833	3,901,843	4,295,356	650,000	
<i>Change</i>		16.0%	14.5%	1.3%	8.5%	3.5%	20.3%	0.0%	-15.3%	6.9%	9.2%		
Total Retiree Obligations	\$3,955,496	\$4,935,515	\$6,248,490	\$6,742,757	\$7,291,698	\$7,705,421	\$9,206,645	\$9,268,605	\$8,677,774	\$9,456,344	\$9,921,106	\$9,275,750	
<u>Percent of General Fund Revenue - Before Allocations to Other Funds</u>													
General Fund Revenue	\$22,435,276	\$21,057,348	\$21,282,879	\$22,061,501	\$24,638,575	\$23,689,097	\$23,745,519	\$21,644,608	\$20,617,589	\$20,427,768	\$20,216,445	\$20,208,273	
Percent of General Fund	17.6%	23.4%	29.4%	30.6%	29.6%	32.5%	38.8%	42.8%	42.1%	46.3%	49.1%	45.9%	

*Note: Approximately 45% of the Municipal Employee pension contribution and health care are allocated to the Road Funds and Water & Sewer Fund.
For FY 2014-15 and FY 2015-16, retiree obligations represent 41% of General Fund revenue after allocation to the other funds.*

Headcount has Been Reduced to a Minimum

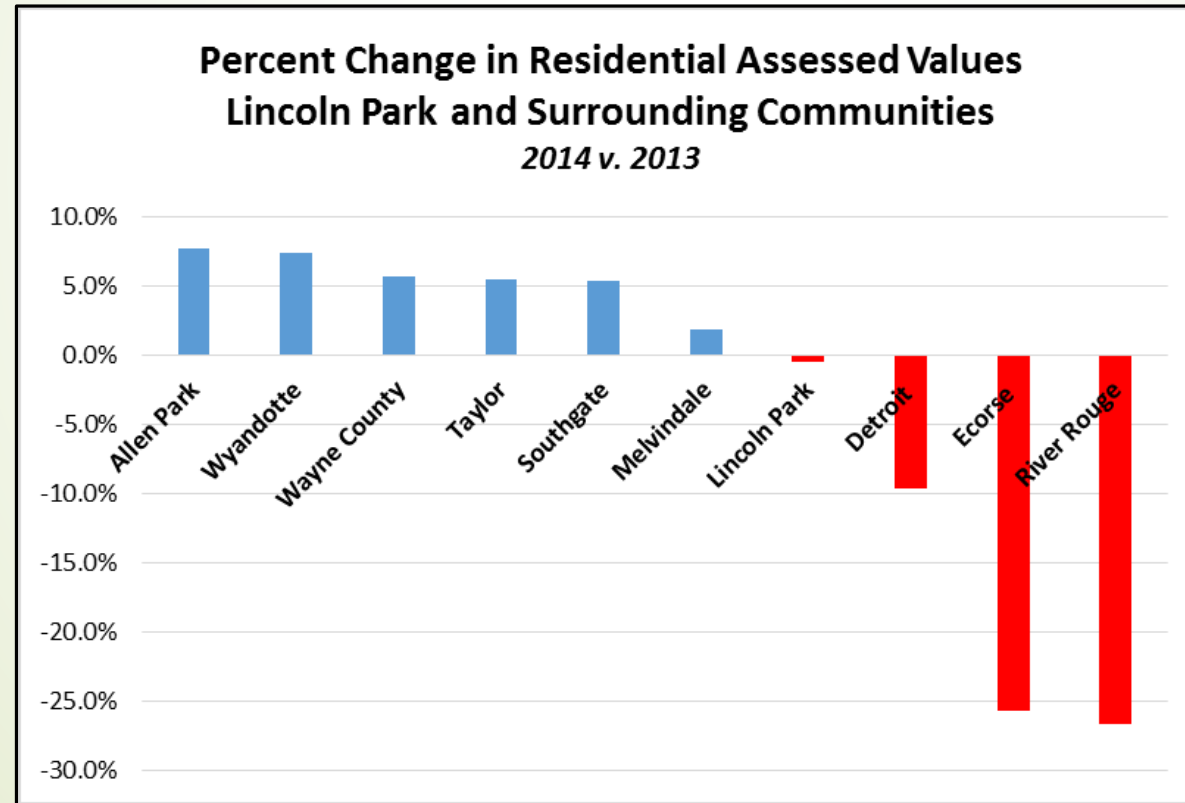
Population: 38,000



Lincoln Park is on the Edge

Residential Property Values not yet Recovering
Cannot cut back further on City services or risk continual decline

Values can either recover like surrounding communities in Allen Park and Southgate, or crater like neighboring Ecorse.





Deficit Elimination Strategy

- **Eliminate General Fund Deficit**
- **Pensions must be funded**
- **Property Values must be stabilized for any plan to succeed**
 - Keep the City safe
 - Enhanced code enforcement on rentals, maintenance
 - Tear down abandoned buildings
- **Community Involvement**
 - Fresh blood in City boards and commissions
 - Reach out to local businesses and realtors
 - Create areas of cooperation between City and School District
- **Promote Lincoln Park as a safe, affordable place to live**

Changes Made: Active Employees

- ▶ All employees took a 10% pay cut in 2014
 - ▶ City Council took a 50% pay cut
- ▶ Complete re-underwriting of claims data, new policies – save \$250,000 per year (23% savings)
 - ▶ Continued 20% employee contribution on health insurance
- ▶ Retiree health care eliminated
- ▶ Can no longer purchase 3 years of service credit toward retirement
 - ▶ Cost of \$30,000 - \$60,000 per person
- ▶ Vacation and Personal Leave time reduced by at least 30% in order to increase time on the job and control overtime
- ▶ Can no longer sell back leave time at the end of the year
 - ▶ One employee sold back \$150,000 in FY 2013-14
- ▶ Eliminate COLA for future retiree pensions
- ▶ Police & Fire pension multiplier capped at 2.5 if employed through retirement, else 2.0x

Changes Made: Fire Department Overtime

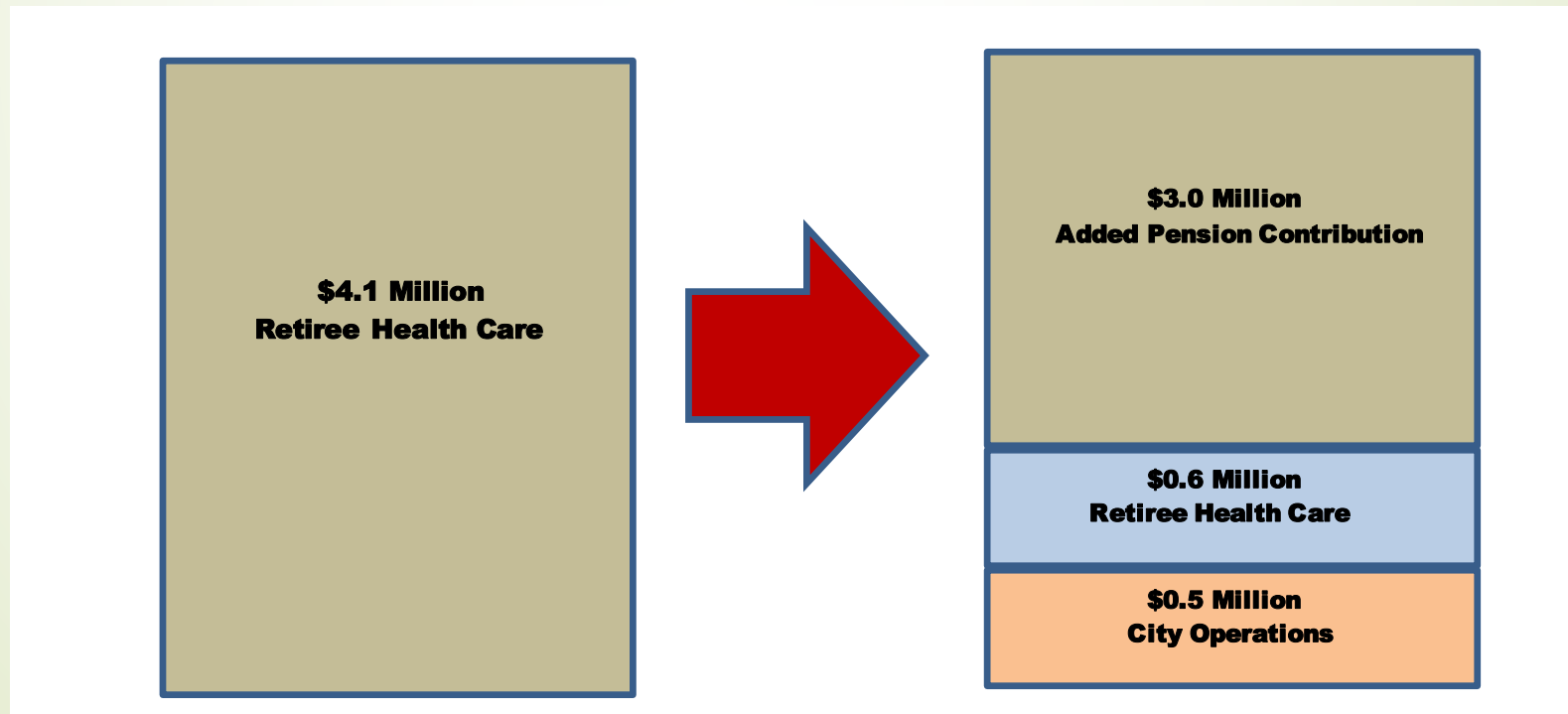
- 18 Firefighters, 10 made over \$90,000 in 2014.
- **Base wage total of \$1.3 million plus \$600,000 in overtime**
- Actively use sick time, vacation and Super Kellys to game overtime

Contract Changes

- New budget only has \$50,000 in overtime
- Eliminate minimum manning. Run with 4-5 per shift
- Reduce Super Kelly days from 12 to 6, pay straight time instead
- Super Kelly days can be taken at any time just like vacation
- Only allow one person on leave per shift. Leave cannot create overtime
- If a firefighter has more than 3 sick days per year, subsequent sick days cannot cause overtime or the firefighter does not get paid.

Changes Made: Shift Money from Retiree Health Care into Pension System and General Fund

- ▶ Goal – Have both pension systems at least 60% Funded by 2035
 - ▶ Shift \$3.0 million per year from retiree health care to pension systems
 - ▶ Eliminate retiree health care and replace with a monthly contribution toward coverage.
 - ▶ Maintained group coverage with Blue Cross versus putting retirees on the Exchange
 - ▶ Increase total pension contribution from \$5.6 million to \$8.6 million per year.



Changes Made: Find New Revenue

- ▶ **Take over Storage and Auction of Towed Vehicles**
 - ▶ Had Zero Towing Revenue Before EM
 - ▶ Added \$70 Administrative Fee plus lease a storage lot
 - ▶ Total New revenue of \$200,000 per year
- ▶ **Private Ambulance Service pays \$70,000 per year to offset 911 Call Center Costs**
 - ▶ Over 5,000 runs per year in 6.6 Square Miles
 - ▶ High Medicare and Medicaid volume make Lincoln Park a desirable contract
- ▶ **Sell Cell Tower Easement Rights** : 17X Revenue - \$910,000 for two towers
- ▶ **Right of First Refusal on Tax Foreclosures**
 - ▶ 100 properties go to internet tax auction, bought and turned into rentals – most unregistered
 - ▶ Work with a developer to fund purchase of foreclosures and then rehab for sale or rent
 - ▶ Mitigate charge offs for auction shortfall, pay water and other liens on property that are wiped out at auction
 - ▶ Help grow tax base



Changes Made: Get the City Operating

- Organization now working together as a team
 - Focus on Crime, Blight, Controlling Rental Properties
- New Attitude Required – Cannot view City as a Piggy Bank
- Four new department heads plus other staff turnover has made a huge difference in attitude
 - Integrity
 - Customer Service
 - Responsive
 - Friendly
 - Team Oriented



Clean Slate

- ▶ **ALL THAT MATTERS IS GOING FORWARD**
 - ▶ Emergency Management gives Lincoln Park the chance to forget the past and start fresh
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