



The City of Friendship

City of Ecorse

3869 WEST JEFFERSON
ECORSE, MICHIGAN 48229
PHONE: (313) 386-2520
FAX: (313) 386-4316

October 9, 2012

Andy Dillon, State Treasurer and Chair
State Financial Authority
Michigan Department of Treasury
Bureau of Local Government Services
430 West Allegan Street
Lansing, MI 48922

Dear Mr. Dillon:

Enclosed is the Quarterly Report of the Emergency Financial Manager for the City of Ecorse for your review and consideration. The report includes the Emergency Financial Manager Compliance Monitoring Report, Deficit Elimination Plan Progress Report, General Fund Cash Flow Report for three months ended September 30, 2012, and the General Fund Revenue and Expenditure Report for the fiscal year 2012/2013.

Please feel free to contact me at (313) 386-2410

Sincerely,

Joyce A. Parker, Emergency Financial Manager
City of Ecorse

**Emergency Manager's Compliance Monitoring Report
City of Ecorse
Quarter Ended September 30, 2012**

The following is the status of the City's compliance with maintaining adequate accounting systems and management practices:

- (a) **Confirm – Revenues for the quarter ended September 30, 2012 are fairly stated in all material respects on the modified accrual basis of accounting for governmental funds and full accrual basis of accounting for enterprise funds.**

General Fund revenue through September 30, 2012, including transfers in, other financing sources, and interdepartmental revenue, totaled \$3,657,548 or approximately 31% of budgeted revenues.

- (b) **Confirm – Expenditures for the quarter ended September 30, 2012 are fairly stated in all material respects on the modified accrual basis of accounting for governmental funds and full accrual basis of accounting for enterprise funds.**

The attached budget to actual report for the General Fund shows total actual expenditures of \$2,126,951 through September 30, 2012 for the fiscal year ended June 30, 2013. General Fund expenditures through the three months of the fiscal year are at approximately 19% of the annual amended budget.

- (c) **Confirm – All interfund transactions have been recorded in the financial records.**

- (d) **Confirm – The City is in compliance with the budget act.**

Confirm – The budget has been amended as required by law.

- (e) **Confirm – Bank reconciliations have been completed and appropriate journal entries have been made to the general ledger.**

- (f) **Confirm – Remittance of payroll taxes, pension payments, and taxes collected for other governmental units were completed on a timely basis.**

- (g) **Confirm – General Fund cash flow for the preceding month (June) is fairly stated in all material respects.**

- (h) **Confirm – Overtime is properly disclosed and reported in the most recent quarterly financial report.**

General Fund overtime, which is representative of Citywide overtime, totaled \$38,358.09.

- (i) **Confirm – All original financial source documents have been properly retained and preserved and the City is in compliance with all other financial legal requirements.**

CITY OF ECORSE

Deficit Elimination Plan Progress Report

September 30, 2012

The Emergency Financial Manager (EFM) of the City of Ecorse was appointed on October 30, 2009. Since her appointment, the EFM has come up with a plan for eliminating the annual operating deficit of the City, as well as the cumulative deficit. The annual operating deficit was approximately \$3.5 - \$4 million per year, on average, for the five fiscal years from June 30, 2005 through June 30, 2009. For fiscal year ended June 30, 2010 the revenues exceeded the expenditures by over \$1 million, which left a cumulative deficit to the City of approximately \$13.5 million. For fiscal year ended June 30, 2011 the City recorded a net change in fund balance in the amount of just over \$14.5 million. By having a positive change in fund balance the City eliminated the deficit fund balance and has a \$1,049,706 positive fund balance. The City has a balanced budget in place for the next two fiscal years ended June 30, 2014. This will keep the \$1 million fund balance intact.

Below is a summary of the components of the deficit elimination plan and a report on progress made for each item in the plan.

REVENUE ENHANCEMENTS	
Plan	Status
Review Licenses/permit fees to determine if amounts established are comparable rates given the cost of providing services. Negotiate an annual maintenance/permit fee agreement with US Steel.	A proposal from the Building Department is complete. Revenue increase is estimated at \$95,000 annually. The new fee schedule is being used, effective July 2010.
Meet with the Ecorse Housing Commission to explore the feasibility of a Public Housing Detail funded by the Housing Commission. The City would provide police officers to the Housing Commission and then in turn be reimbursed for expense associated with officers.	The Ecorse Housing Commission voted to decline the offer made by the City to provide public safety services.
Consider a special assessment under Public Act 33 of 1951 for Police and Fire Operations	The special assessment roll was confirmed on May 2010 and will be included on the July and December tax bills. Revenue is estimated at \$1,500,000.
Request Proposals for sale of city owned property for development	Vacant lots and homes have been advertised for sale. The City is requesting proposals for the Mill Street Site and other commercial properties. Revenue estimated at \$15,000 for sale of vacant lots.
Write an ordinance to add a technology fee of \$5.00 to each citation written within the City	Fee was approved and will be added to citations commencing in May 2010. Revenue estimated at \$25,000 annually.
Apply for grants available for Police and Fire operations	The City applied for a COPS grant for the Police Department and SAFER Grant for the Fire Department. The SAFER grant has been approved in the amount of \$395,000. The COPS grant has been approved in the amount of \$208,000. Grant amendment required to use funds to bring back officers laid off is completed. One police officer has been recalled based on the COPS grant. Four part-time firefighters and three full-time fire fighters will be funded with the SAFER Grant.
Addition of a Traffic Detail in the police department	The City hired two part time officers to assist in the reduction of overtime and to assist in the implementation of the traffic detail. Estimated savings for reduction of overtime and increased revenues from traffic detail is \$150,000.

Total new revenue enhancements proposed at \$2,388,000.

CITY OF ECORSE
Deficit Elimination Plan Progress Report
September 30, 2012

STAFF REDUCTIONS			
Department	Position	Projected Savings	Status
City Clerk's Office	Clerk	\$38,300	Completed
Controller	Manager	65,000	Completed
Treasurer	Clerk	43,100	Completed
Fire Department	Reserve Positions	177,700	Completed
	Fire Chief	111,200	Completed
	3 Fire fighters	218,000	Paid thru SAFER grant for 2 yrs
Police Department	Deputy Police Chief	104,300	Completed
	3 Command Officers	353,000	Completed
*Mayor & Council	Wages Reduced 72% Mayor	49,680	Completed
	Wages Reduced 72% Pro-Tem	11,520	Completed
	Wages Reduced 72% Council	54,000	Completed
	Appointee Position	62,700	Completed
Building & Engineering	2 Clerks	85,200	Completed
*Fire Department	4 Fire fighters retired and replaced with part-time reserves	270,000	4 Fire Fighters have retired.
Assessing, Controller, Treasury	Eliminate Dep. Treasurer, Dep. Assessor, Benefit Coordinator, CDBG Director. Create Dep. Controller and CDBG/Assessing Dir	110,000	Completed
Fire Reorganization – Private Ambulance Service	Shifting of 8 full time firefighters to part time	650,000	Completed
*Police Department	2 Command Officers 1 Patrol Officer	213,000	This reduction will take place with the implementation of the Police Dept. moving from 8 hour shifts to 12 hour shifts.
*District Court	Merger of River Rouge and Ecorse District Courts	80,000	This merger was completed on April 1, 2012.

CITY OF ECORSE
Deficit Elimination Plan Progress Report
September 30, 2012

OTHER REDUCTIONS		
Plan	Projected Savings	Status
*10% Employee Contribution to MERS Pension Plan	\$107,309	4% contribution agreement with AFSCME and District Court Employees as of 7/1/11. Effective 12/2011, the Fire Department has an 8% contribution. Effective 01/2012, the Police Department has a 5% contribution.
Increase Prescription Co Pay to 5/10	117,000	Completed
One Furlough Day per week	159,300	Discontinued 1/1/11
Savings from Trash Contract	186,300	Completed
Estimated Savings/Public Works	355,000	Completed
Establish Docket Officer (Savings in Overtime)	60,000	Completed
Reprogram CDBG funds to pay expenses for ordinance officer.	40,000	Completed
Consider intergovernmental agreements with neighboring communities to reduce cost and increase efficiency	150,000	The City received a grant (EVIP) in the amount of \$357,000 to consolidate police and fire into public safety. Automatic aid is in place with River Rouge. The City is purchasing various supplies with a neighboring community to reduce costs.
Reduction in legal fees	200,000	\$160,000 is confirmed - reductions underway.
*Increase Prescription Co Pay for Police and Fire to \$5/\$25/\$50	70,000	Completed
*Consolidate Police and Fire into a Public Safety Department	190,000	In process of being implemented.

Total reductions proposed at \$4,331,609.

CITY OF ECORSE
Deficit Elimination Plan Progress Report
September 30, 2012

OTHER ITEMS	
Description	Status
Consider issuing Budget Stabilization Bonds and/or Judgment levy to structure repayment to Ecorse Public Schools for property tax collections from 2008 tax year and Summer 2009 taxes that were not distributed.	Court ordered judgment to be bonded. Completed June 2011.
Consider Budget Stabilization Bonds and/or Judgment Levy to structure repayment to Wayne County for property tax collections from 2008 tax year and Summer 2009 taxes that were not distributed.	Court ordered judgment to be bonded. Completed June 2011.
Review alternatives to restructuring debt related to Water and Sewer Fund.	Completed
Submit an application to a Local Lender requesting a Tax Anticipation Note to address immediate cash flow issues	Closed on January 26, 2010. Received TAN in the amount of \$2,600,000. TAN repaid in August 2010.
Submit an application to the State of Michigan, Department of Treasury requesting an Emergency Loan to address immediate cash flow issues	Application approved, closing occurred on February 19, 2010 for a loan in the amount of \$3,000,000. An additional loan of \$2,000,000 was approved 11/20/10.
Negotiating a settlement agreement with U.S Steel regarding a maintenance and permit fee agreement.	Settlement agreement completed with a settlement of \$367,000 and annual payments of \$30,000.
Request amendment to judgment levy for Pension Fund to allow funding for all divisions until the plans are 100% funded. Revenue estimated at \$1,100,000	Motion approved by Court on April 5, 2010.

CITY OF ECORSE
Deficit Elimination Plan Progress Report
September 30, 2012

OTHER SAVINGS/EARNINGS TO SUPPORT GENERAL FUND OPERATING EXPENDITURES AND BUILDING IMPROVEMENTS	
Description	Status
Demolish the Walcom building and salvage material	\$140,000
Reduce unused telephone lines and other services through AT&T	\$6,552 annual savings
Cancellation of New World Systems technology support	\$8,484 annual savings
Reduce the number of cell phones and associated expenses related to cell phone usage	\$9,600 annual savings
City wide auction of unused furniture and equipment	\$18,600
Salvage material (brick) at City location	\$5,000
Participate in Early Retiree Reinsurance Program and Retiree Drug Subsidy Program	ERRP – projected proceeds year 1 -\$99,500, year 2 - \$130,145. RDSP - \$71,500
Reduce janitorial service hours in City facilities	\$14,400 annual savings
Purchase of a new phone system	\$30,000 annual savings
Reduction in street lighting operations	\$82,000 annual savings
*Perform a formal study of the Building Department to assess staffing, services and fees.	An outside agency has been hired to perform the study. The study is currently underway.
*Review and implement changes in City wide health care coverage	\$500,000 annual savings

Total annual savings of \$651,036.

Total one time savings/earnings of \$464,745

*Areas that have additional plans added to the Plan Progress Report since the filing of the September 30, 2011 report.

CITY OF ECORSE, MICHIGAN
GENERAL FUND REVENUES AND EXPENDITURES
 Fiscal Year 2012/2013

	CURRENT YEAR									
	Actual June 30, 2008	Actual June 30, 2009	Actual June 30, 2010	Actual June 30, 2011	**Unaudited Actual as of June 30, 2012	Actual as of September 30, 2012	2011/2012 Adopted Budget	2011/2012 Amended Budget	Budget	Actual
									Variance - Favorable	% of Amended Budget
REVENUES										
Property taxes - Operating	\$ 7,137,059	\$ 6,319,580	\$ 6,494,747	\$ 6,646,965	\$ 6,672,372	\$ 3,190,993	\$ 6,392,548	\$ 6,392,548	\$ (3,201,555)	50%
Property taxes - judgment Levy	1,125,268	1,185,405	1,264,008	2,248,974	1,383,622	107,031	2,081,878	2,081,878	(1,974,847)	5%
Grants	94,754	-	98,412	251,056	489,243	67,240	434,501	434,501	(367,261)	15%
Revenue sharing	1,778,744	1,879,835	2,113,947	1,618,216	1,091,841	-	1,266,000	1,266,000	(1,266,000)	0%
Licenses and permits	298,594	255,646	609,196	242,429	246,792	61,660	279,700	279,700	(218,040)	22%
Fines and forfeitures	676,969	664,848	572,947	460,590	542,078	164,329	420,600	420,000	(255,671)	39%
Charges for services	245,739	211,756	373,819	439,150	178,746	23,280	122,816	122,816	(99,536)	19%
Interest income	14,073	15,122	3,885	1,679	(954)	-	1,800	1,800	(1,600)	0%
Administrative charges	187,515	199,846	274,000	353,500	400,791	-	475,765	475,765	(475,765)	0%
Other	1,311,383	713,998	244,124	438,742	396,264	34,861	381,456	381,456	(346,595)	9%
Proceeds from insurance recoveries	-	-	-	2,219,048	613,792	-	-	-	-	#DIV/0!
Proceeds from emergency loan	-	-	3,000,000	2,000,000	-	-	-	-	-	#DIV/0!
Proceeds from Judgement Bond Sale	-	-	-	9,495,000	-	-	-	-	-	#DIV/0!
Forgiveness of Interfund	-	-	-	6,364,984	-	-	-	-	-	#DIV/0!
Proceeds from the sale of assets	-	-	11,412	19,666	23,490	8,155	10,000	10,000	(1,845)	82%
TOTAL REVENUES	12,870,098	11,445,836	15,065,465	31,819,099	12,035,077	3,657,548	11,866,464	11,866,464	(8,208,916)	31%
EXPENDITURES										
Legislative	\$ 276,946	\$ 339,975	\$ 144,528	\$ 43,703	\$ 40,341	\$ 11,982	\$ 48,424	\$ 48,424	\$ 36,442	25%
District Court	582,858	541,341	497,968	484,420	374,628	118,640	509,204	509,204	390,564	23%
Executive	-	-	106,563	183,306	225,238	34,643	208,729	208,729	174,686	17%
Elections	37,823	31,724	41,790	45,766	45,344	8,853	31,500	31,500	22,647	28%
Assessor	132,116	124,744	137,581	134,369	46,523	1,196	65,318	65,318	64,132	2%
City Clerk	194,747	204,332	142,434	92,605	85,715	10,940	96,347	96,347	85,407	11%
Controller	370,444	340,643	350,840	278,666	240,190	36,574	240,078	240,078	203,504	15%
Audit	304,707	246,884	245,494	49,850	39,250	-	40,000	40,000	40,000	0%
Information Technology	-	-	-	2,814	132,453	35,981	118,400	118,400	82,419	30%
Treasurer	188,457	226,329	196,413	151,267	74,098	17,010	77,481	77,481	60,471	22%
Building Maintenance	-	-	468,916	326,376	271,243	102,431	281,250	281,250	178,819	36%
Attorney/Judgements	-	-	1,494,075	5,119,309	2,017,850	245,348	1,115,600	1,115,600	870,252	22%
Human Resources	-	-	42,350	91,359	245,230	18,875	251,768	251,768	232,893	7%
General government	6,300,998	5,125,857	1,106,749	928,105	-	-	-	-	-	#DIV/0!
Police department	3,417,199	3,114,882	2,758,431	2,534,755	2,683,354	-	-	-	-	#DIV/0!
Fire department	2,066,337	2,206,961	2,139,448	2,257,283	1,497,523	-	-	-	-	#DIV/0!
Public Safety department	-	-	-	-	-	678,922	3,141,547	3,141,547	2,462,625	22%
EVIP	-	-	-	-	159,515	5,129	287,501	287,501	282,381	2%
Inspections	347,284	381,157	285,490	188,383	202,590	39,143	172,764	172,764	133,621	23%
Department of Public Works	1,483,444	1,329,376	936,874	359,607	506,650	84,292	544,433	544,433	460,141	15%
Engineering	-	-	44,952	4,855	-	-	-	-	-	#DIV/0!
Street lighting	-	-	294,700	386,823	425,541	70,918	380,600	380,000	369,082	19%
Community Planning	-	-	249,829	223,912	123,992	22,452	111,759	111,759	89,307	20%
Senior center	132,078	80,585	65,922	53,159	46,313	10,557	50,249	50,249	39,882	21%
Recreation	102,910	100,609	23,358	14,587	17,738	2,582	17,465	17,465	14,903	15%
Marina	-	-	26,973	32,302	19,721	785	25,000	25,000	24,296	3%
Railroad	-	-	1,269,687	1,591,750	1,975,812	494,549	1,865,460	1,865,460	1,370,931	27%
Debt Service	-	-	24,700	1,074,109	28,908	-	1,110,921	1,110,921	1,110,921	0%
Transfers to other funds	514,071	269,581	380,227	166,000	62,437	-	63,000	63,000	63,000	0%
Transfer to debt service fund	451,431	452,704	451,338	451,028	451,514	75,268	451,400	451,400	376,132	17%
TOTAL EXPENDITURES	16,873,849	15,117,684	13,997,328	17,262,778	12,019,012	2,126,951	11,305,618	11,305,618	9,178,697	19%
REVENUE OVER (UNDER) EXPENDITURES	(4,003,751)	(3,671,848)	1,068,137	14,556,321	16,065	1,530,597	560,846	560,846	569,751	
BEGINNING FUND BALANCE	(5,967,852)	(9,270,026)	(13,067,467)	(13,506,614)	1,049,707					
PRIOR PERIOD ADJUSTMENTS	601,577	(125,593)	(1,507,315)	-	-					
ENDING FUND BALANCE	\$ (9,270,026)	\$ (13,067,467)	\$ (13,506,614)	\$ (1,049,707)	\$ 1,065,772					

**CITY OF ECORSE
GENERAL FUND CASH FLOW FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012**

	July 2012	August 2012	September 2012	Total
Beginning balance	\$ 3,830,477.51	\$ 3,575,448.77	\$ 5,807,388.88	13,213,315.16
INFLOWS				
Revenue Sharing	134,807.08	-	-	134,807.08
Property taxes - operating	53,265.10	3,121,564.66	124,447.93	3,299,277.69
Settlement Agreement - US Steel	-	-	-	-
Grant revenue	90,442.83	33,525.00	33,727.08	157,694.91
Licenses & permits	17,680.00	10,703.00	7,994.00	36,377.00
Charges for services	12,529.95	34,540.00	4,275.49	51,345.44
Fines & forfeitures	87,647.80	24,881.17	50,864.66	163,393.63
Interest & rentals	1,124.86	2,974.86	2,049.86	6,149.58
Refunds and rebates	573.99	17,076.49	5,374.14	23,024.62
METRO Act	-	-	-	-
Administrative Charges	-	-	-	-
Other	586.10	537.79	35,211.75	36,335.64
Wayne County Revolving Fund 2010	-	-	-	-
Total Inflows	398,657.71	3,245,802.97	263,944.91	3,908,405.59
OUTFLOWS				
Payroll & related payroll taxes	214,078.62	245,091.46	210,870.73	670,040.81
Employee/Retiree health insurance & fringes	156,108.36	210,646.36	158,124.11	524,878.83
Pension contribution	81,500.46	70,146.79	89,532.38	241,179.63
PAYROLL & FRINGE BENEFITS	451,687.44	525,884.61	458,527.22	1,436,099.27
EM	5,384.62	5,384.62	5,384.62	16,153.86
Legal - other	49,626.74	161,284.60	7,964.24	218,875.58
Legal settlements	-	-	31,000.00	31,000.00
Accounting/finance consulting	1,920.00	11,850.00	1,900.00	15,670.00
Contractual services	50,374.20	64,737.98	40,584.28	155,696.46
Election	1,288.60	5,849.26	2,410.00	9,547.86
Utilities	43,380.72	84,107.61	49,869.07	177,357.40
Liability insurance	-	110,675.40	44,546.27	155,221.67
Workers comp insurance	-	-	-	-
Audit	-	-	-	-
Operating supplies	14,906.95	9,556.30	14,980.93	39,444.18
Building and equipment maintenance	24,336.27	7,619.45	36,843.65	68,799.37
Debt service/Debt Issuance	-	-	-	-
Information technology	7,418.51	10,865.48	13,777.31	32,061.30
Demolitions	-	-	-	-
Payment of due to other funds	-	10,897.10	6,474.36	17,371.46
Other expenses	3,362.40	5,150.45	3,220.00	11,732.85
OTHER OPERATING EXPENDITURES	201,999.01	487,978.25	258,954.73	948,931.99
Total Outflows	653,686.45	1,013,862.86	717,481.95	2,385,031.26
Increase (Decrease) in cash	(255,028.74)	2,231,940.11	(453,537.04)	1,523,374.33
Ending Cash Balance	\$ 3,575,448.77	\$ 5,807,388.88	\$ 5,353,851.84	