CITY OF SCOTTVILLE
MEMORANDUM

To: Mayor Dixie Spore and Members of the Scottville City Commission

From: Clarence E. Goodlein, City Manager

Date: January 13, 2025

Subject: Transmittal Of Documents Pertaining To Alleviation Of The City's Financial Distress

For the City Commission's review are the following documents that discuss the City's current state of financial distress and two methods of ameliorating that condition. These documents are provided for the City Commissioners' review and discussion. It is believed that these documents will provide City Commissioners with sufficient information that will assist them with decisions concerning the City's financial difficulties.

- Meeting with Mason County Administrator and Mason County Sheriff Concerning the Transfer of Law Enforcement Services for the City of Scottville to the Mason County Sheriff's Office – January 13, 2025

- Special Election for a Police Department Dedicated Millage – January 13, 2025

- Notice of Expected Deficiencies in the General Operating Budget FY 2024/2025 – December 16, 2024

- Addendum to Memorandum Discussing Expected Revenue Deficiencies in the General Operating Budget FY 2024/2025 – December 16, 2024

- Financial Action Plan – October 15, 2024

- Neoliberal Response To An Urban Crisis: Emergency Management in Flint; Fasenfest, Davis (2019). Sage – Critical Sociology, 2019,Vol 45(1), 33-47.

CITY OF SCOTTVILLE
MEMORANDUM

To: Mayor Dixie Spore and Members of the Scottville City Commission

From: Clarence E. Goodlein, City Manager

Date: January 13, 2025

Subject: Meeting With Mason County Administrator and Mason County Sheriff Concerning the Transfer of Law Enforcement Services for the City of Scottville to the Mason County Sheriff's Office

On Wednesday, January 08, 2025, this writer met with Mason County Administrator Fabian Knizacky, Deputy County Administrator Kaitlyn Szczypka, and Mason County Sheriff Kim Cole. During this meeting, we discussed the possibility of transferring law enforcement duties for the City of Scottville to the Sheriff's Office. In this regard, the discussion considered a plan that would provide Deputy Sheriffs' responses to calls-for-service, non-directed patrol, investigation of all crimes, and other matters that would relate to a transfer of this nature. At the end of our discussion, I received assurances from County Administrator Knizacky and Sheriff Cole that Mason County would accept this transfer if the Scottville City Commission was to decide to do so and that specifics relating to the administration and/or disposal of police property, police evidence, and police reports could be addressed in a letter of understanding or agreement subsequently.

MEMORANDUM
CITY OF SCOTTVILLE

To: Mayor Dixie Spore and Members of the Scottville City Commission

From: Clarence E. Goodlein, City Manager

Date: January 13, 2025

Subject: Special Election for a Police Department Dedicated Millage

Since the release of City Administration's *Financial Action Plan 2024* and *Notice of Expected Revenue Deficiencies in the General Operating Budget FY 2024/2025* as well as an addendum report further discussing some expenses of the Police Department and the expenses of the City's contract with safeBuilt™, the City has received inquiries and recommendations from some residents and non-residents that the Commissioners should consider conducting a special election during which the community would be presented with a ballot question of whether they wanted their property taxes increased through an additional tax assessment to pay for the operation of the Police Department. The purpose of this memorandum is to provide City Commissioners with the following information.

- A brief discussion of property taxes and dedicated millages.
- An overview of the Special Election process with a focus on timelines and deadlines.
- The additional City taxes that would be required to replace the current operational expenses of the Police Department.
- What property owners with property of different taxable values could be expected to pay.
- What would be the length of any dedicated millage and why.

<u>Property Taxes, Dedicated Millages, And Ad Valorem Special Assessments</u>

Unless otherwise limited by their Charters, cities are authorized by PA 279 of 1909 (as amended) to each levy up to 20 mills of property tax as revenue for the expenses of their cities' services. Additionally, and with voter approval, cities are authorized to levy dedicated millages for the following reasons, among others.

- Retirement of any debt from their administration of government and/or the delivery of their services.
- The operation of police and/or fire services.
- Retirement of police and/or fire pension debt.
- Road creation, maintenance, and repair.
- The creation and operation of Parks and Recreations Departments.
- The creation and operation of Civic Centers.

- Transportation services.
- The creation, operation, and maintenance of cemeteries.
- The creation, maintenance, and repair of sidewalks.
- The creation, maintenance, and repair of sewer and sanitation facilities.
- The creation, maintenance, and repair of freshwater facilities.

Without voter approval, cities may initiate dedicated millages that together with operational millages can exceed 20 mills if these dedicated millages are for any of the following purposes.

- Refuse collection [maximum of three (3) mills].
- Library services [maximum of one (1) mil].
- Older adult/senior citizen services [maximum of one (1) mil].
- Funding of police and/or fire pensions.

In some cases, according to PA 33 of 1951 (as amended), cities are authorized to initiate voter approved Ad Valorem Special Assessments for the establishment of police and/or fire services when they meet certain population requirements and when their police and/or fire service designs include the establishment of a police and/or fire authority.

Consequently, a ballot proposal for an additional tax assessment to pay for the operation of the Scottville Police Department could occur through a *dedicated millage*. In this regard, it is important to remember that any tax money collected from a voter approved dedicated millage for the Scottville Police Department could <u>only</u> be used to fund Police Operations and could not be used for any other purpose for any reason.

It is also important to note that this matter would require much work by the City Attorney concerning the development of language for the ballot proposal and any changes to that language or otherwise that should be required by the Governor's Office and/or the Attorney General's Office. In this regard, it is <u>not</u> unusual for a ballot proposal to be returned more than once since either the Governor's Office or the Attorney General's Office can reject the ballot proposal for its language or other reasons.

<u>Special Elections – Timelines And Deadlines</u>

The deadline and timeline for the establishment of a Special Election is affected by the deadlines and timeline for the approval of ballot language for a dedicated millage. The following Table I lists the combined deadlines and timelines for both the approval of ballot language and the scheduling of a Special Election and provides insight as to the soonest that a Special Election could be scheduled. In this regard, it is important to remember that all ballot language for a dedicated millage must be submitted to the Governor's Office and the Attorney General's Office and approved by both before any ballot proposal can proceed to a County Clerk's Office.

Table I

Activity	Deadline & Timelines
Latest That Approved Ballot Language Can Be Submitted to County Clerk **Last Submission**	Eleven (11) Weeks Preceding The Desired Election Date **Deadline**
Expected Time For Review At Governor's Office **Second Submission**	Six (6) To Ten (10) Weeks **Timeline For Approval**
Expected Time For Review At Attorney General's Office **First Submission**	Four (4) To Six (6) Weeks **Timeline For Approval**

While Table I suggests that a June 09, 2025 submission to the Attorney General's Office would satisfy a timeline for ballot proposal to be considered by voters at a November 04, 2025 Special Election, it would be imprudent and erroneous to believe that this process should not begin weeks before this date. My experience and that of others has shown that ballot language is often rejected by the Governor's Office and/or the Attorney General's Office for various reasons and returned to the municipality for change with or without specific instructions as to what is required or would be found to be acceptable by either of these Offices. Consequently, it has become the practice of many communities who are seeking the approval of ballot proposal language for a November election to begin their submission and approval process by no later than May 1st and preferably April 15th. The beginning of this process on April 15th or May 1st normally allows sufficient time for municipalities to consult with their attorney(s), make required changes, resubmit their ballot proposals to the Governor's and Attorney General's Offices, and still meet the deadline for submission to their County Clerk.

Consequently, it is in the best interest of any municipality that is considering the development of a ballot proposal for a dedicated millage to remember that the submission process to the Governor's Office and the Attorney General's Office as well as the deadline for delivery of an approved ballot to the County Clerk should begin about twenty-nine (29) weeks before a desired election date and that consideration should be given as to what time would be required by their attorney(s) to develop proposed ballot language for consideration by the Governor's and Attorney General's Offices. In this regard, it is not unusual for municipalities to begin discussions with their attorney(s) nine (9) or more months before a desired election date.

<u>Additional Taxes Required To Replace Current Police Expenses</u>

In the current fiscal year, the City Commission has appropriated $230,750 to the operation of the Police Department and this expense can be expected to increase by approximately 5% annually through the next five (5) year period[1] beginning in FY2026/2027 (i.e., $254,401 – FY2026/2027;

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[1] A discussion of reasons why a dedicated police millage should not last longer than five (5) years can found later in this memorandum.

$267,123 – FY2027/2028; $280,478 – FY2028/2029; $294,502 – FY2029/2030; $309,227 – FY2030-2031) for an expected five (5) year expense of $1,405,731. To achieve funding of approximately the same amount, a dedicated police millage of ten (10) mills[2] would be required and would provide approximately $289,809/year[3] or $1,449,045 over the five years following an approved ballot proposal.

Since the earliest that a dedicated police tax millage could be approved by voters is at a special election on November 04, 2025, for reasons previously stated, no collection of taxes from this millage could close until August 31, 2025 and accrue until FY2026/2027. Consequently, and should a dedicated police tax millage be approved at that November election, none of that funding would be available for FY2025/2026 since the tax rolls for that fiscal year had already been established by the time of the election.

Expected Additional Taxes As A Result Of a New 10 Mil Dedicated Police Millage

Should a ten (10) mil dedicated Police Department millage be authorized by the City Commission and approved by the voters at a special election on November 04, 2025, then city residents would pay additional taxes according to the following schedule in Table II.

Taxable Value	**Additional City Tax – 10 Mils Annually**
$30,000	**$300**
$40,000	**$400**
$50,000	**$500**
$60,000	**$600**
$70,000	**$700**
$80,000	**$800**
$90,000	**$900**
$100,000	**$1,000**
$110,000	**$1,100**
$120,000	**$1,200**
$130,000	**$1,300**

[2] An additional dedicated millage of ten (10) mills would be equivalent to approximately a 60% City tax increase (i.e., 59.37%).
[3] This projected revenue is based upon the Mason County Tax Roll of 12/01/2024 and the taxable value reported on that roll.

Length of Dedicated Millage

It is believed that should the City Commission decide that a ballot proposal for a dedicated police millage should occur at a special election on November 04, 2025, then my recommendation would be that the millage not be longer than five (5) years. Factors affecting revenue and expenses such as inflation, other future funding, and possible future police expense from statutory requirements cause it to be prudent to reevaluate the need for a dedicated millage and the millage rate regularly. In my opinion, dedicated millages that expire after five (5) years are also consistent with good government since they provide residents with the opportunity to revisit and reevaluate the necessity for a dedicated millage and the additional taxation that occurs as a result. While some may believe that dedicated millages of a longer duration are the most appropriate (e.g., 10 – 15 years), it is my belief that millages of shorter duration benefit both residents and the government funded by the dedicated millage.

CITY OF SCOTTVILLE
MEMORANDUM

Date: December 16, 2024

To: Mayor Dixie Spore and Members of the City Commission

From: Clarence E. Goodlein, City Manager

Subject: Notice of Expected Revenue Deficiencies in the General Operating Budget (General Fund # 101) FY 2024/2025

Recently, City Administration began a review of the City's different funds to determine whether it would be necessary to request that the City Commission approve budget amendments due to unexpected but necessary spending or unexpected revenue deficiencies. While it was determined that no budget amendments are required for expenses at this time, it was determined that there are expected revenue deficiencies in the General Fund (Fund # 101). These deficiencies are noted and displayed in the following Table.

Account #	Revenue Description	Budgeted Revenue	Expected Revenue	Current Revenue
101-000.000-447.000	Tax Admin Fees	$55,000	$4,000	$0
101-000.000-540.000	State Grants	$10,000	$0	$0
101-000.000-541.000	Local Grants	$12,000	$0	$0
101-000.000-574.000	State Revenue Sharing	$190,000	$150,000	$69,106
101-000.000-664.000	Investment Interest	$65,000	$2,000	$1,421
Total		$332,000	$156,000	$70,527
Difference: Budgeted Revenue Vs Expected	$176,000			
Repayment To Cash Reserve	$23,000			
Minimum Shortfall - 06/30/25	$199,000			

An analysis by myself and the City Treasurer, Ms. Shafer, suggests that the budgeted revenue entries by the previous City Administrator may have wrongly estimated General Fund revenue and ignored the budget history of these line-items to facilitate a balanced General Fund budget without decreasing any General Fund budget expenses. This conclusion is supported by records that demonstrate discussion between Ms. Shafer and the previous City Administrator of the need to decrease the budgeted tax administration fee revenue entry to be consistent with the recent history of tax administration fee revenue and the refusal of the City Administrator to do so. It is also supported by the recollections of Ms. Shafer concerning discussions with the former City Administrator concerning the need to reduce General Fund expenses considering the dramatic difference between his revenue submission for this line-item and the history of tax administration fee revenue during the past five (5) years.

Moreover, the premise of this memorandum that the budgeted revenue entries by the previous City Administrator may have wrongly estimated General Fund revenue and ignored the budget history of these line-items to facilitate a balanced General Fund budget without decreasing any General Fund budget expenses is supported by the absence of any records that suggest that the City Administrator knew of the availability of revenue from State or Local grants for FY 2024/2025 when the General Fund budget was created and submitted to the City Commission.

Of additional interest and of error is that the line-item revenue entry of investment interest inappropriately attributed investment interest revenue from all funds to revenue that would offset expenses from the General Fund. It is important to note that investment interest revenue accrues in each fund's account separately (i.e., General Fund, Major Streets, Local Streets, Water, Sewer, etc.) and is consequently recorded as investment interest revenue in each respective fund.

Lastly, with respect to the matter of FY 2024/2025 revenue deficiencies, it is important to recognize that while the estimated revenue entry of $190,000 for the line-item of *State Revenue Sharing* is consistent with the history of this revenue category, the amount of *State Revenue Sharing* received each year is speculative and always dependent upon consumerism and the sales tax revenue that is generated from sales of taxable merchandise and services. Should sales of taxable merchandise and services decrease and be inconsistent with estimates of the Michigan Department of Treasury, the revenue that is received by the City can easily, dramatically, and quickly decrease without notice from this agency.

The importance of these occurrences is that they create a potential General Fund budgetary imbalance of $176,000, or $199,000 when it is considered that an additional $23,000 will most probably be required to be deposited to the General Fund's unappropriated fund balance/cash reserves at the end of FY 2024/2025. This amount of this deposit could be higher or lower depending upon the decision of the Michigan Department of Treasury to accept or reject the City's proposal to deposit this amount as part of its *debt elimination plan*.

As a result of these facts and my and the City Treasurer Shafer's analysis, I shared this news with staff during a one-hour meeting. Staff are committed to reducing City expenses and spending even less than they have previously this fiscal year. I am confident that they will be able to do so but believe that their sincere and deliberate efforts will not be enough and will not be able to balance the FY 2024/2025 budget in all likelihood. Should the City receive all its budgeted state revenue-sharing, it will still be without approximately $139,000 of revenue for which $139,000 of expenses were budgeted and still be without revenue resources to address the $23,000 that will be required for the filing of a credible debt elimination plan with the State of Michigan. The excising of those amounts from spending in the remaining six (6) months of the current fiscal year will be impossible without decisive, dramatic and painful action by the City Commission who has the responsibility for finance and appropriations. The City Commission should give strong consideration to those strategies that are proposed in the Financial Action Plan and report that they received on October 15, 2024 and definitively instruct City Administration as to which strategies that they should pursue, which strategies that they should not pursue, and/or which additional strategies should be examined/considered/pursued. This undertaking is important not only for the financial success of the current fiscal year but also for planning the operation of City government and the scope and delivery of services in FY 2025/2026.

For the reference and convenience of the Commissioners, a revenue and expense report of the City's General Fund (Fund #101) as of 12/09/2024 accompanies this memorandum and shows the revenue items noted as well as the expenses of the Police Department and that of zoning and related inspections. These expenses have been highlighted since these departments were discussed in the Financial Action Plan and report previously referenced in this memorandum.

CITY OF SCOTTVILLE
MEMORANDUM

To: Mayor Dixie Spore and Members of the Scottville City Commission

From: Clarence E. Goodlein, City Manager

Date: December 16, 2024

Subject: Addendum To Memorandum Discussing Expected Revenue Deficiencies In The General Operating Budget (General Fund – Fund # 101) FY 2924/2025

Subsequent to the completion of the aforementioned report, discussion with the staff of City Administration resulted in the conclusion that it would be in the best interest of a Commission discussion of the report to include a condensed accounting of the Police Department's expenses/pay period and four (4) week period. This information is shown in the following Table I.

Police Department Expenses/Pay Period*	**Amount Of Expense**
Salary & Operating Expenses (Excluding Vehicle Expenses)	**$8,160**
Fuel	**$460**
Vehicle Maintenance	**$50**
Total Police Department Expense/Pay Period	**$8,670**
Total Police Department Expense/4-Week Period	**$17,340**

*** Expenses are based upon FY 2024/2025; Vehicle Maintenance Fee Is An Estimate.**

Additionally, and since the Financial Action Plan of October 15, 2024 discusses consideration of providing Zoning Administration, building code enforcement, ordinance enforcement, and perhaps building official services through a served services agreement with a neighboring community or unilaterally, the expense of these services as supplied by Safebuilt is shown in the following Table II.

Safebuilt Service Fee Schedule	**Amount of Fee**
Rental Inspection Annual Fee	**$300 (Entire Fee Paid To Safebuilt)**
Rental Registration Annual Fee	**$25 (Paid In 3-Year Increments)**
Code Enforcement Fee (Each Visit)	**$65/Hour (Entire Fee Paid To Safebuilt)**
Permit Technician Fee	**$1,750/Month**
Zoning Permit Fee & Administration Fee	**$2,816/Month**
Violation Notices	**$125**
Violation Citation Issued	**$83**
Building Official Services	**Not Provided – Provided By Mason County**

CITY OF SCOTTVILLE
MEMORANDUM

To: Mayor Marcy Spencer and Members of the Scottville City Commission

From: Clarence E. Goodlein, Interim City Manager

Date: October 15, 2024

Subject: Financial Action Plan

Introduction

While the City's auditors, Brickley DeLong of Muskegon, have finished their site visit and review of the City's financial records for the 2023-2024 fiscal year but have not yet issued a final report, they have issued a draft report[1] which forms part of the basis for this memorandum and this writer's opinions. Other information that forms the basis for this report and this writer's thinking are meetings and conversations with personnel of Brickley DeLong as well as meetings and conversations with the City's Treasurer, Ms. Kathy Shafer. Readers of this memorandum will note that it expresses this writer's concern that the City's financial health is deteriorating, and that the City needs a financial strategy that can re-establish confidence in the City's ability to provide essential services as well as the maintenance and repair of critical infrastructure.

Operational Fundings Versus Unappropriated Fund Balances/Unrestricted Reserves

It is important to distinguish between operational fundings and unappropriated fund balances or unrestricted cash reserves. Operational fundings can be best conceptualized as checking accounts or funds from which normal and annual expenses are disbursed. This is different from unappropriated fund balances or unrestricted reserves that can best be thought of as savings accounts or funds that are kept aside for emergencies or planned and expensive projects such as infrastructure. Additionally, each operational funding has its own unappropriated fund balance/unrestricted cash reserves and funds can be moved between operational fundings and their corresponding unappropriated fund balances/unrestricted cash reserves based upon need. For municipalities, most financial advisors recommend that operational fundings at least balance revenue with expenses and that unappropriated fund balances or unrestricted cash reserves be 18%-30% of a fund's operational funding in "good times" and over 30% in "bad times"[2]. Not unlike one's personal finances and the finances of corporations, debt and spending are always threats to the financial vitality of municipalities while thrift and economy encourage success and growth.

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[1] The final report of the City's auditors may contain financial data that is slightly different due to adjustments and/or reassignments of certain revenue and expenses to different accounts than that to which they were attributed in the draft data sets.

[2] For Scottville, an eighteen percent (18%) unappropriated fund balance/cash reserve for the *General Fund* would be \$187,380 and a thirty percent (30%) unappropriated fund balance/cash reserve would be \$312,300.

Operational Fundings

In Michigan, policies and procedures for the design and functioning of municipal finance funds, including operational funds, are prescribed by the rules and principles of the Government Finance Officers Association (GFOA)[3] as well as laws and the rules and regulations of the Michigan Department of Treasury[4]. In this regard, municipal revenue and expenses are typically split into general purpose and specialty funds. The *General Fund* is a general-purpose fund that provides for the revenue and expense accounting of core administrative and operational tasks. Money flowing into the *General Fund* generally emanates from collections of different taxes from different sources. Since the bulk of all resources flow through the general fund, it is most critical to maintain control over expenditures from it. Other Operational Funds include Local Streets, Major Streets, Garbage and Refuse, Cemetery, Parks, Water, Sewer, and etcetera. These funds' differences from the *General Fund* is that while they obtain their revenue from tax receipts and/or the imposition of fees, these funds are *Specialty Funds* that enable the specific functioning of different aspects and services of municipalities. Some *Specialty Funds*, such as Garbage and Refuse, Water, and Sewer derive their revenue almost exclusively from the imposition of fees while others, such as Local Streets and Major Streets, derive much of their revenue from State and Federal funding sources.

Unappropriated Fund Balances/Unrestricted Reserves

The importance of adequate unappropriated fund balances/unrestricted cash reserves for operational funds cannot be overstated. Adequate unappropriated fund balances/unrestricted reserves are a barometer of a municipality's financial health and a measure of their capacity to weather unexpected occurrences that demand other than budgeted financial resources or that overwhelm the ability of operational funding to provide for that expense without grave difficulty. Generally accepted accounting principles as well as rules and recommendations of the GFOA encourage not only the transfer of unused operational funds to unappropriated fund balances/cash reserves at the end of a fiscal year, but also strongly encourage replacement of funds transferred from an unappropriated fund balance/cash reserve as soon as possible and without delay. To do otherwise causes circumstances that encourage deterioration of a fund's financial vitality and health as well as, in extreme cases, a municipality's bond rating and its ability to borrow money at reasonable interest rates. In Michigan, negative unappropriated fund balances/unrestricted cash reserves trigger the necessity for municipalities to file a *Deficit Elimination Plan* with the Michigan Department of Treasury (MDOTR) and to enter into a monitoring agreement with them together with an annual payment plan to remove the deficit within five (5) years.

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[3] Key components of GFOA budgeting guidelines include the utilization of standards and measures to guide budget decision-making and compliance with budgetary limitations throughout the budget-cycle, citizen engagement during the budget process, and budgeting that considers short-term and long-term budgetary needs.
[4] Statutory regulations include PA 2 of 1968, as amended (the Uniform Budgeting and Accounting Act) that require balanced fund budgets [§15(2)], for instance. Other rules and regulations are promulgated by the Department to facilitate good financial practices for municipalities.

City's Financial Health

The financial health of the City has significantly deteriorated during the past three (3) years. In each of the past three fiscal years, the City has expensed more than it has received in revenue that provides for day-to-day operational expenses and that is reflected by its *General Fund* budget. These occurrences have accounted for a three-year expense of $473,379 more than the City collected in revenue for this purpose and is shown in the following Table I.

Table I		
Fiscal Year	Expense Greater Than Revenue	Excess As Percent of General Fund
FY 2021/2022	$16,728	1.80%
FY 2022/2023	$227,739	19.14%
FY 2023/2024	$228,912	18.93%
Total	$473,379	N/A

It is important to call attention to the excesses of FY 2022/2023 and FY 2023/2024 that were $227,739 and $228,912, respectively, or 19.14% and 18.93%, respectively, more than what had been budgeted in each of those fiscal years. From my analysis, it appears that these excesses may have resulted from inattention to budgeted amounts that had been appropriated to various budget lines, a 346% increase in legal fees, the scheduling and completion of projects that had not been budgeted[5], and a lack of clear and accurate communication between City Administration and City Commissioners. Expense more than budgeted amounts has resulted in the unappropriated fund balance/cash reserves of the *General Fund* falling from 62%[6] of its budgeted operational funding to -5%[7] of its budgeted operational funding. These occurrences have resulted in the City exhausting its entire unappropriated fund balance/cash reserves of the General Fund as of 06/30/2024 and this fund falling into deficit[8] at the end of FY 2023/2024. It will result in the City being obligated to file a *deficit elimination plan*[9] with the Michigan Department of Treasury and to eliminate the deficit within five (5) years.

Of other concern and an indicator of the City's ill financial health is its *Water Fund*. The unappropriated fund balance/cash reserve of the City's Water fund is $87,688, but only because of a $200,000 loan from the unappropriated fund balance/cash reserve of the City's Motor Pool Fund. The City's *Water Fund* was $112,312 in deficit before this loan[10] occurred. The deficit accrued

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[5] For example, the renovation of a downtown business without approved grant funding in the amount of $42,944 and an unbudgeted repair of a portion of a city parking lot and Main Street in the amount of $43,208.
[6] FY 2020/2021.
[7] FY 2024/2025.
[8] The City's *General Fund* reflects a deficit of $52,220 according to the draft report of its auditors, Brickley DeLong of Muskegon, Michigan.
[9] See Michigan Department of Treasury Letter 2016-1 **Michigan Department of Treasury – Numbered Letter 2016-1 v7 (michigan.gov)**
[10] The $200,000 loan has a 3% annual interest rate and 15-year repayment schedule; the annual repayment will be no less than $17,756.

exclusively in FY2023/2024 and was due to the unbudgeted expense of $368,005.17[11] for the replacement of a watermain in the alley bounded by Blaine Street, South Main Street, State Street, and the east/west alley along the CSX railroad tracks. It is important to note that, despite some Commissioners reports that City Administration made verbal statements that part or all the cost of this alley watermain replacement was funded by a "grant", none of the expense for this work was paid by any entity except the City of Scottville and its *Water Fund.*

Despite the obvious and apparent harmful outcomes of the *General Fund* and the *Water Fund* deficits, the remaining funds[12] demonstrate adequate unappropriated fund balances/cash reserves and are in good health; in FY 2023/2024 none of these funds demonstrated expenditures that were significantly greater[13] than their revenue. The following Table II shows the unappropriated fund balances/cash reserves of all funds, group of funds, and the water fund.

Table II	
Fund Description	Amount
General Fund	($52,220)[14]
Major Streets	$739,101
Garbage/Refuse	$128,595
Other Funds	$192,139[15]
Water	$87,688[16]
Sewer	$594,965[17]

The City's financial well-being is also threatened by the poor and deteriorating condition of many of its streets. Currently, the City has no street revitalization plan and current employees report that, in their opinion, the City has had no written plan during any of their tenures. While a discussion of the importance, value, and mechanics of a street revitalization plan is not a discussion for this report to the City Commission, its absence explains why many of the City's streets have fallen into

[11] This expense consisted of a $292,305.17 payment for materials and construction-labor and a $75,700 payment for design and construction engineering.
[12] Major Streets, Garbage/Refuse, Sewer, Local Streets, Cemetery, Downtown Development Authority, Police 302 Funding, Sculpture Project, and Motor Pool Fund.
[13] The Local Streets Fund's expenditures exceeded its revenue by approximately $6,832.
[14] Represents a -5% unappropriated fund balance/cash reserve.
[15] Includes the following funds: Local Streets, Cemetery, Downtown Development Authority, Police 302 Funding, Sculpture Project, and Motor Pool Fund.
[16] The unappropriated fund balance/cash reserves of this fund need to be considerable and to grow each year to provide for future infrastructure needs as well as maintenance and any needed repairs that cannot be addressed by operational funding. Rates and fees for the services that are provided by this fund need to emanate from analyses that include a strategic financial needs assessment, a ready-to-serve rate evaluation, and the expected future cost of the commodity and its delivery expense.
[17] The unappropriated fund balance/cash reserves of this fund need to be considerable and to grow each year to provide for future infrastructure needs as well as maintenance and any needed repairs that cannot be addressed by operational funding. Rates and fees for the services that are provided by this fund need to emanate from analyses that include a strategic financial needs assessment, a ready-to-serve rate evaluation, and the expected future cost of transporting the waste for treatment.

extreme disrepair since these plans provide a street repair schedule that coincides with annual funding appropriations that are set aside and earmarked for only street repair and reconstruction.

To analyze the threat that street repair and reconstruction expenses pose to the City's financial well-being, City Administration examined eight (8) streets that were selected by the City's Department of Public Works (DPW) and that the DPW described as being in the "worst" condition. These streets were evaluated using a Pavement Surface and Evaluation Rating Scale (PASER)[18] and the evaluation was performed by the City Manager who has been PASER trained. In the following Table III, the selected streets and their PASER rating results are shown.

Table III			
Street	PASER Scale Rating	Repair Remedy	Cost @ $600/l-ft
Green Street - Reinberg to City Lot[19]	1	Reconstruction	858' - $514,000
West Second - South Main to Crowley[20]	1-2	Reconstruction	344' - $206,400
Clarke - North Main to Loomis[21]	1-2	Reconstruction	335' - $201,000
East Maple - North Main to Thomas[22]	1-2	Reconstruction	340' - $204,000
West Maple - North Main to Reinberg[23]	2	Reconstruction	1080' - $648,000
North Reinberg - Johnson to Beryl[24]	1-2	Reconstruction	899' - $539,400
South Columbia - East State to RxR[25]	3	Reconstruction	590' - $354,000
South Elm - South of East Second St[26]	1	Reconstruction	840' - $504,000

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[18] The PASER scale is a 1-10 rating system for road pavement condition developed by the University of Wisconsin-Madison Transportation Information Center. PASER uses visual inspection to evaluate pavement surface conditions. When assessed correctly, PASER ratings provide a basis for comparing the quality of roadway segments. The PASER assessment method does not require measurements of individual distresses, and thus PASER ratings cannot be disaggregated into measurements of specific distress types. The advantage to this method is that roads may be assessed quickly, possibly even by "windshield survey." A primary disadvantage is that because PASER ratings cannot be disaggregated into component distress data, the metric cannot be used in mechanistic-empirical transportation asset management programs.

Numerical PASER ratings are translatable to condition categories and prescribed treatment options, as shown below.

Quality	Rating	Treatment (Asphalt)	Treatment (PCC - Portland Cement Concrete)
Excellent	9-10	No maintenance required	No maintenance required
Good	7-8	Crack sealing and minor patching	Routine maintenance
Fair	5-6	Preservation treatments (non-structural)	Surface repairs, partial-depth patching
Poor	3-4	Structural renewal (overlay)	Extensive slab or joint rehabilitation
Failed	1-2	Reconstruction	Reconstruction

The Michigan Transportation Asset Management Council has selected the PASER rating system as the statewide standard of pavement condition reporting.

[19] See photographs - Exhibit A.
[20] See photographs - Exhibit B.
[21] See photographs - Exhibit C.
[22] See photographs - Exhibit D.
[23] See photographs - Exhibit E.
[24] See photographs - Exhibit F.
[25] See photographs - Exhibit G.
[26] See photographs - Exhibit H.

The extreme deterioration of these streets can be best appreciated by an examination of photographs of their roadway surfaces (see Exhibits A – H). In these photographs, you will notice that these streets share similar characteristics of crumbling street/roadway surfaces or erosion and a loss of street/roadway surfaces to each road's base, as well as degradation of gutter pans, stormwater drains and catch basins. These circumstances make it difficult to provide an accurate cost-estimate of the reconstruction that would be required on any of these streets without an evaluation by a civil engineer. Nevertheless, it is known that street and roadway reconstruction costs normally vary between $300 - $500/linear-foot for a street or roadway that is forty (40) feet wide and $700 - $1000 if curb, gutter pan, and storm water drain repair is required.[27] The continuing deterioration of City streets is a direct threat to the financial health of the City by virtue of the burgeoning cost of repairs as streets further deteriorate and as reconstruction and repair costs increase. Without prioritization of roadway reconstruction and repair, the City can expect a reckoning and a point-in-time where the repair and reconstruction costs will exceed its wherewithal.

National Economy and Elements of Concern

While there continues to be debate about whether there will or will not be a "hard-landing recession"[28], many believe that the probability of it has increased significantly since January 2024 and that it will occur within the next 6 – 18 months. While this opinion is supported by an examination of the nation's history of economic outcomes over the past fifty (50) years following a .50% drop of interest rates by the Federal Reserve (FED), many believe that it is also supported by significant increases[29] in the U3[30] unemployment rate and, more importantly, the U6[31] unemployment rate. It is also supported by the recently reported 6.5% decrease[32] in the Consumer

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[27] **Subdivision Development Costs (michigan.gov)**

[28] A period of rapid and significant slowdown of the economy that is often characterized by one or more of the following: significant losses in the value of stocks and mutual funds; financial crises characterized by bank failures or a lack of liquidity; collapse of investor and/or consumer confidence; rising unemployment.

[29] U3 unemployment increased from 3.7% in January 2024 to 4.3% in September 2024 (+16.21%); U6 unemployment increased from 7.2% in January 2024 to 8.0% in September 2024 (+11.11%). In the past eighteen (18) months, there have been sweeping cuts at General Motors (35,000), Disney (21,000), Ford (12,900), GE (7,200), and Coca-Cola (6,000); Amazon has laid-off 100,000 since 2021 [Epoch Times, August 28, 2024, p. A15].

[30] U3 unemployment is known as the "official unemployment rate" and is the rate generally used by the media. It is the rate that is an expression of the percentage of adults who have no job, have searched for a job within the past four (4) weeks, and who are available for work.

[31] U6 unemployment is the rate of unemployment that includes adults who have no job, have searched for a job within the past four (4) weeks, and who are available for work and those who are underemployed (i.e., those who are working part-time, but want to work full-time), marginally attached to the workforce (i.e., those working "odd jobs" with different employers), or have given up looking for work and often report that they have become discouraged due to the lack of jobs for which they qualify. In this regard, it is people who have searched for a job for twelve (12) months, have not found a job, and have not searched for a job in the past four (4) weeks. All unemployment reports before 1994 were U6.

[32] The Consumer Confidence Index decreased from 105.6 to 98.7 from July 2024 – August 2024. Those between the ages of 34 and 54 and those making less than $50,000 annually reported the largest drop in confidence according to the data. Many cited inflation and worry about the stability of their jobs as reasons for their reluctance to make

Confidence Index[33] that occurred in the past thirty (30) day reporting period as well as the burgeoning U.S. debt of $34T.[34]

The importance of an increasing likelihood of a moderate or severe recession is that it would most likely reduce the revenue of municipalities by decreasing revenue sharing because of decreased taxable purchases and State sales-tax revenue. Depending upon the extent of unemployment and the effect of it on foreclosures, it is conceivable that tax revenue could decrease from a loss of taxable value due to foreclosure sales. While it is arguable whether these circumstances will occur and what their effect would be, it is important to remember that the recession beginning in 2007/2008 decreased the taxable value of many homes in many communities by as much as 50% in only a few years. The importance of these likelihoods is that municipalities should consider these possibilities and their impact on future revenue when conceptualizing future operational expenses, scheduling capital improvements, and prioritizing the maintenance, repair, and improvement/replacement of critical infrastructure. Municipalities with deteriorating roads and water and sewer infrastructure should consider assigning priority to funding these mechanisms.

Methods of Reestablishing Financial Vitality

The City of Scottville's pathway to future financial vitality and success is dependent upon significantly reducing expenses and developing operational and strategic plans for the maintenance, repair, and improvement/replacement of critical infrastructure. Given the City's difficulties with its General Fund's unappropriated fund balance/cash reserves and its interfund loan to its Water Fund, the required repayment interfund loan and *debt elimination plan* schedules that will be required and City streets and water and sewer infrastructure in need of repair and improvement/replacement, future appropriations to General Fund expenses should decrease by no less than 15% (≈ $156,000) and preferably 20% (≈ $208,000) in the next fiscal year and should not increase for the foreseeable future. Decreasing expenses by 5% (≈ $52,000) or 10% (≈ $104,000) will not provide for a reduction of expenses that can adequately address the debt and unappropriated fund balance/cash reserves inadequacies of the General Fund and that would enable the City to adequately address its deteriorating infrastructure. In the current fiscal year, a

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purchases and many reported an increasing reliance on credit and credit cards to purchase staples such as food, fuel, and housing.

[33] The Consumer Confidence Index (CCI) is widely regarded as the most credible gauge of U.S. consumer confidence. It is essentially a barometer of the health of the U.S. economy and is based upon consumers' perceptions of current business and employment conditions and their expectations for the business, employment, and income for the next six months. The Organization for Economic Cooperation and Development (OECD) considers the CCI to be a leading indicator for the U.S. economy. Leading indicators provide qualitative information used to monitor current economic occurrences and variables and are a warning of turning points in economic activity.

[34] In 2009, the U.S. debt was $12T (Debt/GDP = 82%); in 2019, the U.S. debt was $22.7T (Debt/GDP = 107%); in 2022, the U.S. debt was $31.4T (Debt/GDP = 119%); in 2023, the U.S. debt was $34T (Debt/GDP = 122%); **U.S. National Debt by Year (thebalancemoney.com)** U.S. federal debt has grown by $4.5 trillion in one year, deficit spending is nearly $2 trillion, and the debt service cost (interest on the debt) is now more than the U.S. defense budget and is $1 trillion annually [Epoch Times, August 21, 2024, p A15].

prorated decrease of current expense allocations should occur, if it is possible, and that decrease should be approximate to that which is proposed for FY2025/2026.

Reduction of allocations to General Fund expenses of 15% or 20% cannot be accomplished without a reduction and change in the way City service is provided. Given the small size of the City's workforce and the City's need for the maintenance, repair, and improvement of the City's infrastructure as well as the continuing need to provide the services rendered by the City Clerk and City Treasurer, you will notice that no reductions have been proposed for the Department of Public Works or City Administration staff. These are core City services that cannot be obtained elsewhere easily or reliably and are services that should not be outsourced. Consequently and for discussion purposes, City Administration offers the following methods by which General Fund expenses could be reduced through one or more of the following ways.

- **Reduction of the City Manager's Compensation Through Reduction of Total Compensation <u>or</u> the Number of Hours Worked**

  One reduction in expenses that could be implemented would be to reduce the total compensation of the City Manager either through a reduction in pay and/or benefits or a reduction in the number of hours worked that would be appropriated and funded. The following Table IV displays the outcome that could be achieved through a reduction in total compensation or a reduction of the number of hours worked by the City Manager.

Table IV	
Expense Reduction Description	Expense Reduction Realized Annually
Total Compensation Reduction	$18,000 or 15.78% of salary
Reduction of Hours Worked to 32 Hrs/Week	$22,800 or 20.00 % of salary
Reduction of Hours Worked to 24 Hrs/Week	$45,600 or 40.00% of salary
Mix of 3-day, 4-day, & 5-day Weekly Schedule	≈ $20,000 - $30,000 or ≈ 18 - 26% of salary

  Should the City Commission decide to reduce the number of hours of compensation to the City Manager by a reduction of authorized work-hours, then the City Commission can expect that the completion of some work and projects will be delayed. If these expense reduction methods are employed, then City Administration staff will continue to conduct the business of the City during the City Manager's absence and would consult with the City Manager by phone in the event of an emergency.

- **Reassignment of Law Enforcement Duties and Responsibilities to the Mason County Sheriff's Office**

  As you know, the City of Scottville is provided with law enforcement services through the efforts of both the Scottville Police Department and the Mason County Sheriff's Office (MCSO). In this regard, the two (2) Scottville Police Officers provide approximately 3,920 hours[35]/44% of the City's police service and the Mason County Sheriff's Office provides about 5,840 hours/56% of the City's police service each year. In the current fiscal year, FY 2024/2025, the City's appropriation for the operation of its Police Department is $230,750 and its expense for the receipt of police service from MCSO is $0. One difference between the extent of police service that is provided by each police agency is that the Scottville Police Officers provide directed police patrol and traffic and ordinance enforcement[36] while the MCSO only responds to calls for police service typically. Another difference is that the Scottville Police Officers, by virtue of their presence and availability, provide City residents with easy access to police related information and familiarity.

Should the City Commission decide to do so, law enforcement services could be obtained from the MCSO and could be acquired by appropriating funds for the assignment of a Deputy Sheriff to the City for 1,960 hours[37] annually, or could be procured by accepting circumstances whereby any available MCSO Deputy Sheriff would respond to any request for police service in the City, would provide only incidental/non-directed patrol, and no regularly assigned Deputy Sheriff. A decision to proceed with the latter of these two (2) policing formats would require the City to create a new position of part-time Ordinance Officer who would engage in self-directed and complaint-directed enforcement activities. Should the City Commission decide to obtain future law enforcement services by either of these two (2) methods, then City Administration would work with the MCSO and other law enforcement agencies to dispose of the Police Department's tools and equipment that have exclusive law enforcement purposes or that would be inappropriate for release to other than a law enforcement agency. Property held by the City's Police Department as evidence, found property, or another reason would be transferred to another police agency, perhaps the MCSO or the Michigan State Police (MSP), through a written agreement that could include an expense for the inventory and transfer of the property; this cost is unknown at this time. Police records and reports would be handled in a similar manner. Computers with confidential police information or restricted access would be scrubbed in accordance with guidelines of Criminal Justice Information Services Policy Council (CJIS) and repurposed for other City departments or sold. Decisions would be made concerning the retention and repurposing, or disposal of police vehicles.

During discussion of the feasibility of obtaining law enforcement service from the MCSO with representatives of Mason County Government (MCG) and the MCSO, it was learned that the City could obtain the services of an assigned Deputy Sheriff to the City for 1,960 hours annually, for a fee that would be billed monthly, and an amount that would vary and reflect the costs incurred by the employment of that Deputy Sheriff during the month for which the billing

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[35] This number is reduced from that of a typical work year (i.e., 2080 hours) to reflect each Police Officer's annual paid-time-off (PTO) that is accrued annually.

[36] Ordinance enforcement includes the detection of ordinance violations (e.g., parking, grass, outside storage, and nuisance violations) and the initiation of an enforcement action (e.g., verbal warning and redirection, opening of a formal complaint and issuance of a citation or performing an arrest).

[37] Forty-nine (49) weeks and forty (40) hours/week; remaining hours are omitted to account for PTO/sick or vacation leave.

was issued. In this regard, discussions with representatives of MCG and the MCSO revealed that certain expenses, such as salaries, could be expected to increase consistently with current collective bargaining agreements and others would increase when the MCG's expenses for those items increased. Furthermore, it was noted that monthly fees could be expected to increase significantly when police equipment, including the assigned police vehicle, used by a City assigned Deputy Sheriff needed replacement for any reason. Credit for the MCSO's receipt of any police vehicles or equipment from the closing of the Scottville Police Department would be applied monthly over a twelve (12) month period following that when the transfer occurred.

As shown in Appendix A, the expected[38] fees from MCG for services from the MCSO for the assignment of a Deputy Sheriff that would be assigned to Scottville for 40 hours each week, except for paid-time-off (PTO), would total $230,602.40 in 2025, 138,570.03 in 2026, and 143,288.20 in 2027 and would be reduced by $64,290.40[39] in 2025 for Scottville Police Department vehicles and equipment that would be taken and repurposed by the MCSO for their use. Consequently, the expected fee in 2025 would be $166,312 if no change for the cost of components for a Deputy Sheriff's assignment occurred. These 2025 MCSO Deputy Sheriff costs, as well as the 2026 and 2027 costs, do not reflect the total cost of receiving these services or allow for the determination of what savings the City of Scottville could realize from a Deputy Sheriff's assignment to Scottville.

As noted in Appendix A, the expected MCSO fees in 2025, 2026, and 2027 are affected by the loss of revenue from the termination of policing agreements with West Shore Community College (WSCC) and Gateway To Success (G2S), the loss of expenses from savings that would result from decreased insurance, office, utility, and fuel expenses[40], and the increased expense from the hiring of a part-time Ordinance Officer. In this regard, the total expense from the reassignment of law enforcement duties to a MCSO Deputy Sheriff dedicated and assigned to Scottville for 1960 hours annually would be $200,320 in 2025, $172,924.03 in 2026, and $177,890.20 in 2027. Consequently, the savings that would be realized from this occurrence would be $30,320 in 2025, $69,363.97 in 2026, and $75,511.80 in 2027.

This contrasts with the estimated savings that could be realized from the reassignment of law enforcement duties to the MCSO without the procurement of a MCSO Deputy Sheriff dedicated and assigned to Scottville. You will note from Appendix A that the potential savings that could be realized from this occurrence are $196,632 in 2025, $205,834 in 2026, and $217,596 in 2027.

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[38] As previously noted, any fee assessed by MCG for services of the MCSO could change unexpectedly during the course of any agreement depending upon any change in the cost of any component of the services that were received.
[39] The amount of this credit could change depending upon the number of vehicles and equipment that were accepted by the MCSO and the agreement as to their value.
[40] See Appendix A – General Fund Savings.

It is important to note that neither the expense nor the savings reported for either a contract with the MCSO for a dedicated and assigned Deputy Sheriff to the City or the procurement of law enforcement services from the MCSO that would provide non-directed patrol and only response to calls-for-police service do not include the undetermined costs of payouts to current Police Department employees for accumulated time and other settlements.

Should the City Commission decide to reassign the City's law enforcement duties and responsibilities to the MCSO, then it can expect that additional costs may be incurred from the need to request one or more dedicated MCSO Deputy Sheriff's for special events that occur in the City. In this regard, costs from these needs could be mitigated for some events by using City firefighters who have been trained in traffic direction and control[41]. While ostensibly this use of firefighters might seem unusual or inappropriate, it is not much different than in neighboring Lake County where the Lake County Sheriff's Office (LCSO) uses their trained *Police Explorers* for traffic direction and control at many events as well as firefighters.

Should the City Commission decide to direct City Administration to further investigate reassignment of law enforcement duties and responsibilities to the MCSO, then further discussion with MCG and the MCSO would begin immediately and would focus on a proposed timeline for the transition, a proposed process of transition, and any barriers that are unforeseen at this time. While it is acknowledged that the City would see less police presence at community events, it is not expected that this occurrence would result in less community support for law enforcement or a perception that the quality of law enforcement services had changed from the fine quality of law enforcement service that has been received from personnel of the Scottville Police Department. Should a transition of law enforcement duties and responsibilities to MCSO occur, the community could expect the same professionalism and excellence that they have experienced from the police personnel of the Scottville Police Department. The professionalism and excellence of the MCSO emanate from the strong and effective leadership of the Sheriff and his commitment to public safety and the people who he serves.

- **Reassignment of Zoning Administration, Building Code Enforcement, and Short-Term and Long-Term Property Rental Regulation to an Individual Employed By the City**

Currently, the Mason County Building Official's Office issues building permits, performs building permit inspections, and investigates building code complaints on behalf of the City/ It provides this service at no cost to the City and with no sharing of revenue derived from fees charged for these services. In a similar fashion, an agreement with a private company, *SAFEbuilt*, provides the City with zoning code administration and permit review as well as property code and rental inspection services. The fees for these services are shown in the following Table V.

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[41] Typically, firefighters receive classroom instruction concerning traffic direction and control during their basic training that certifies them as Firefighter I & II and field training that is provided by their department.

In FY 2023/2024, the City paid *SAFEbuilt* $64,848.84 for the services listed in Table V and forewent approximately $18,000 in annual inspection fees from long-term rental property inspections as well as approximately $3,000 annually from pro-rata triennial long-term rental property registration fees[42]; a total of approximately $86,000 that was paid to SAFEbuilt for their services.

Table V - SAFEbuilt - Service Fee Schedule	
Rental Inspection Services	100% of City Fee Established By Ordinance
Code Enforcement Services	$65/Hour – One (1) Hour Minimum
Permit Technician Services	$1,750/Month
Zoning Permit Review & Administration	$2,816/Month

The City should investigate the reassignment of zoning administration, building code enforcement, and enforcement of short-term and long-term rental regulations to its own employee and determine whether those duties and responsibilities could be assigned to an individual who was also qualified to act as the City's Building Official. If these duties were combined with other City Code enforcement duties that include enforcement of violations that include blight, grass height, and inoperable vehicles on private property, for instance, then as much as approximately $108,000 might be available to fund this position without an increase in overall expenses[43] and without revenue that would be derived from the receipt of building permit fees.

- **Lease of Boat Launch and Fish Cleaning Area to a Private Entity**

  The City should explore whether there is an entity that would lease the park area that contains the boat launch and fish cleaning station. This area requires the expense of approximately $4,500 annually for maintenance performed by City employees, $1500 - 2,000 annual expense

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Scottville – Long-Term Rental Fee Schedule	
Triennial Registration Fee	$75/Unit
Annual Inspection Fee	$150/Unit
Re-Inspection Fee	$150/Unit
Missed/Broken Inspection	$150/Unit
Other/Court/Etc.	$150/Hour; Minimum $150
Failure To Register By March 1st	$500/Unit

43 The combination of an Ordinance Officer duties and responsibilities with those of a building official and building code and short-term and long-term rental property code enforcement would only occur if a position was created because of reassignment of law enforcement services to the Mason County Sheriff's Department. Additionally, it is unknown as of the issuance of this report whether an individual could be identified with all the qualifications that would be required to perform these duties and responsibilities and what the total compensation would be required for this new position.

for the removal of remains from fish cleaning activities[44], and currently requires approximately $20,000 of expense to repair a non-functioning pump and malfunctioning grinder[45] that previously ground and pumped fish cleaning remains at that location to the City's wastewater system. Additionally, due to vandalism inside the comfort station, it has been closed and a portable toilet obtained and placed nearby[46]. Other expenses that are related to this area have been the cost of police patrol, police enforcement of parking permit regulations, utility fees, and roadway maintenance[47]. While it is undeniable that this park area and its boat launch and fish cleaning station indirectly benefit Riverside Park reservations and local and area businesses, the amount is unquantifiable and would be difficult to accurately measure. In this regard, the benefit to the Scottville community is questionable particularly when a cost/benefit analysis considers the location's utilization by Scottville residents whose tax dollars fund these expenses.

In addition to recent difficulties that have occurred with the unappropriated fund balance/cash reserves of the *General Fund*, the unappropriated fund balance/cash reserves of the *Water Fund* has also experienced difficulties, and this is another indicator of the City's ill financial health. The unappropriated fund balance/cash reserve of the City's Water fund is $87,688, but only because of a $200,000 loan from the unappropriated fund balance/cash reserve of the City's Motor Pool Fund. The City's *Water Fund* was $112,312 in deficit before this loan[48] occurred. The deficit accrued exclusively in FY2023/2024 and was due to the unbudgeted expense of $368,005.17[49] for the replacement of a watermain in the alley bounded by Blaine Street, South Main Street, State Street, and the east/west alley along the CSX railroad tracks. It is important to note that, despite some Commissioners reports that City Administration made verbal statements that part or all the cost of this alley watermain replacement was funded by a "grant", none of the expense for this work was paid by any entity except the City of Scottville and its *Water Fund.*

From previous discussion in this memorandum, readers know that unappropriated fund balances/cash reserves of any fund are affected by appropriations of revenue to expenses of operational portions of these mechanisms and that revenue must not only sustain a fund's operational needs, but it must also maintain sufficient unappropriated fund balances/cash reserves to enable any fund to accomplish its purpose effectively. In this regard, it is important for the *Water Fund* to not only control its expenses, but also be mindful of circumstances that could cause its revenue to be deficient needlessly. The City's *Water Fund's* revenue is threatened by a system of

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44 This expense could be eliminated if the pump and grinder unit were fully operational, or a cooler/freezer unit was utilized.
45 The grinder and sewage pump are prone to malfunctioning and failure due to constraints posed by its design, placement, and the materials that it must pulverize.
46 The cost of the portable toilet has been $115/month.
47 These expenses are undetermined as of the issuance of this memorandum.
48 The $200,000 loan has a 3% annual interest rate and 15-year repayment schedule; the annual repayment will be no less than $17,756.
49 This expense consisted of a $292,305.17 payment for materials and construction-labor and a $75,700 payment for design and construction engineering.

older water meters that are prone to slowing down as they age and by a rate structure that has been established without consultation with experts who forecasted current and future financial requirements of operations, the current infrastructure, and future infrastructure needs. Its personnel expenses are amplified by the presence of many manual-read meters that cause meter reading to be two (2) – three (3) times longer than could be accomplished with radio-read meters.

Consequently, Commissioners should consider authorizing a request-for-proposals (RFP) for a water and sewer rate study that would provide Commissioners with professional advice concerning both ready-to-use and consumption and usage rates and that would provide revenue from which the *Water Fund* could repay its loan from the *Motor Pool Fund.* It would enable the *Water Fund* to grow its unappropriated fund balance/cash reserves and to complete capital improvements that are and will be needed. The expected fee for this service would be $35,000 - $50,000. It should also consider authorizing a three - five-year program whereby all older meters and others incapable of being radio-read would be replaced at a cost of approximately $10,000/year.

Conclusion

The purpose of this memorandum has been to provide the City Commission with a brief financial analysis of the City's current finances, internal and external threats to its financial vitality and well-being, and methods whereby it could increase or reallocate revenue and reduce expenses. It is hoped that this document will provide the basis for discussion and the identification of solutions to some of the financial challenges that the City faces.

Acknowledgements

It is important to acknowledge the assistance that was provided by the City Treasurer, Ms. Kathy Shafer, who without her help this memorandum would not have been possible.

Exhibit A
Green Street Between City Parking Lot & South Reinberg

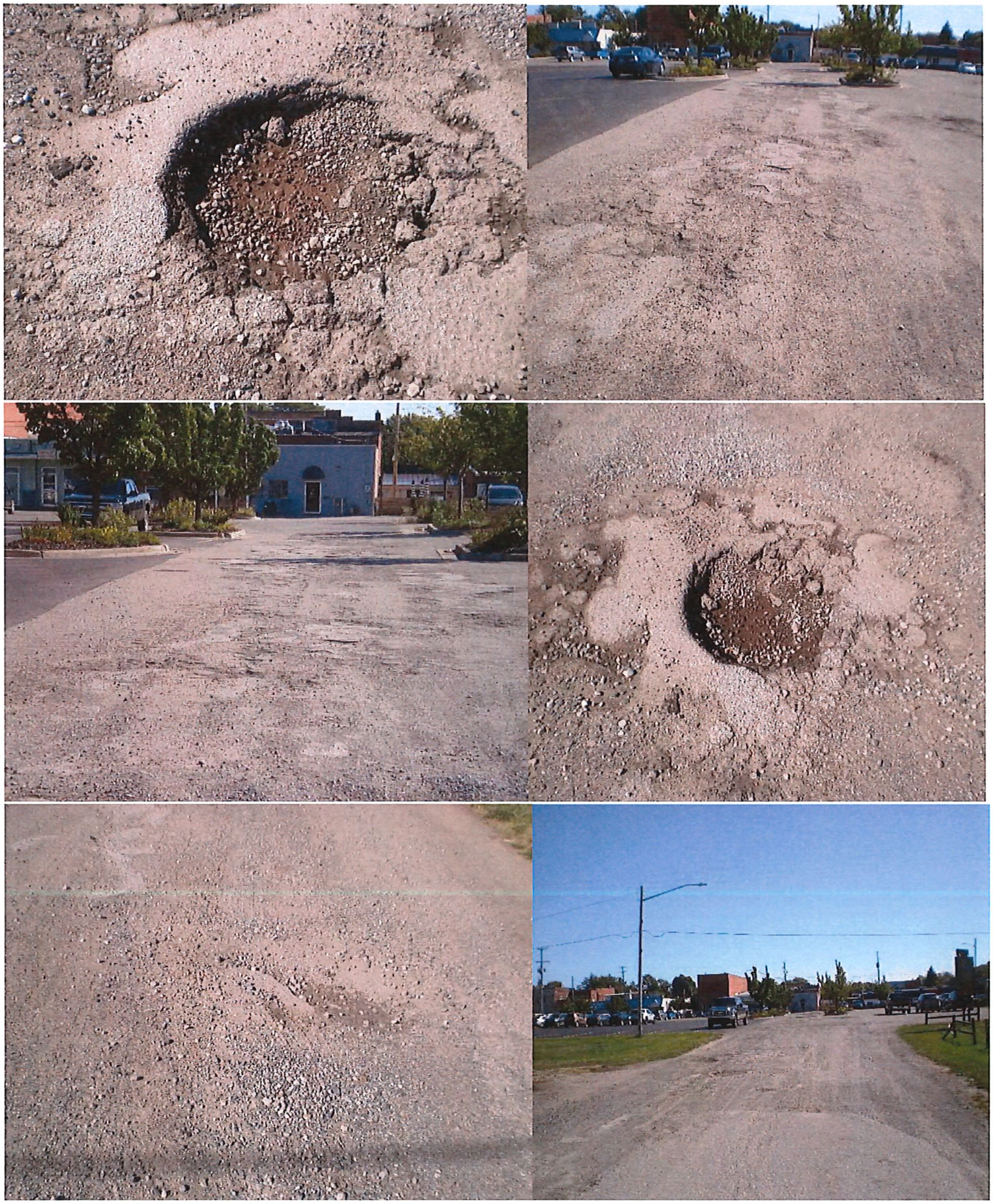

Exhibit B
West Second Between S Main & Crowley

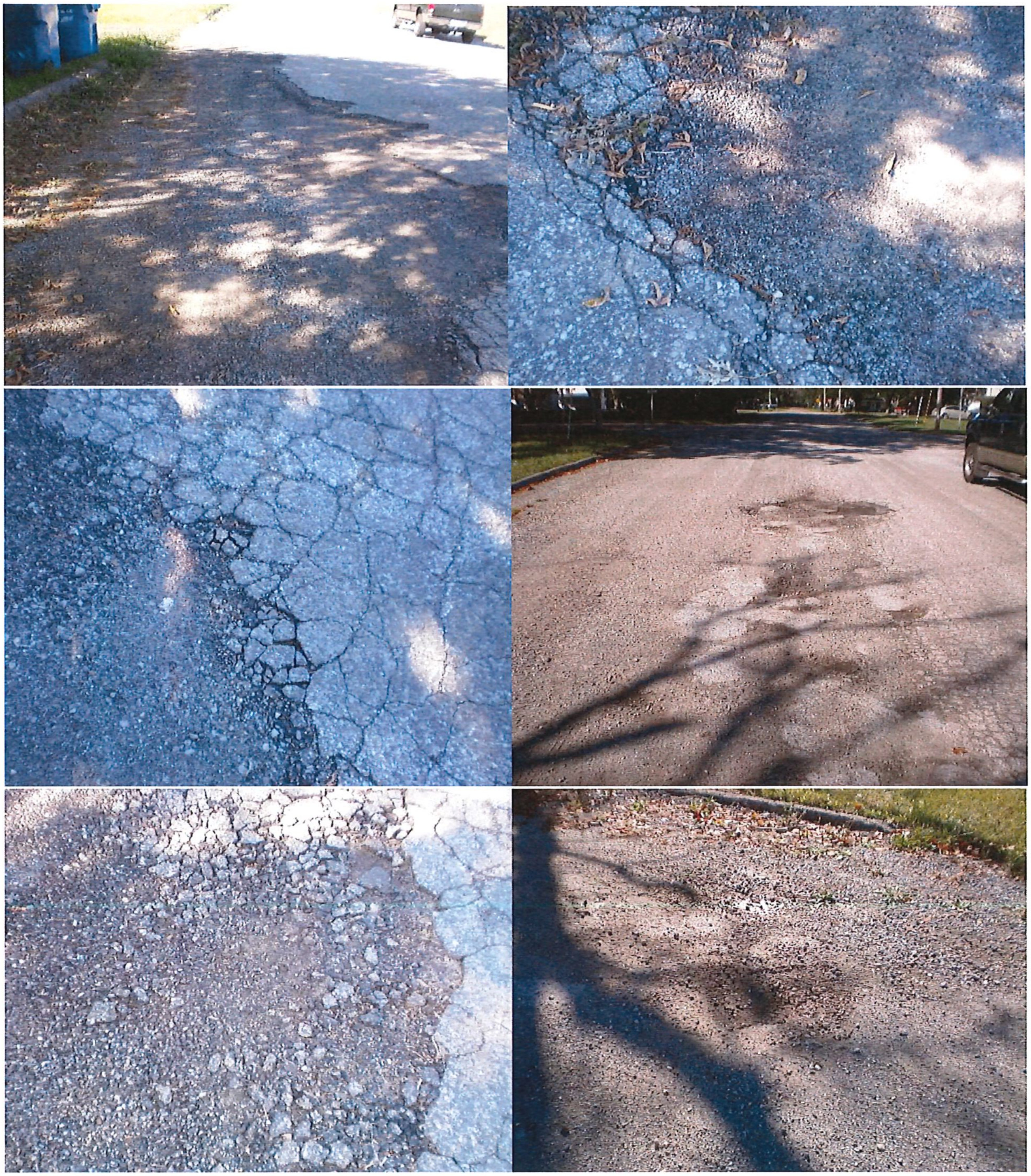

Exhibit C
Clarke Between North Main & Loomis

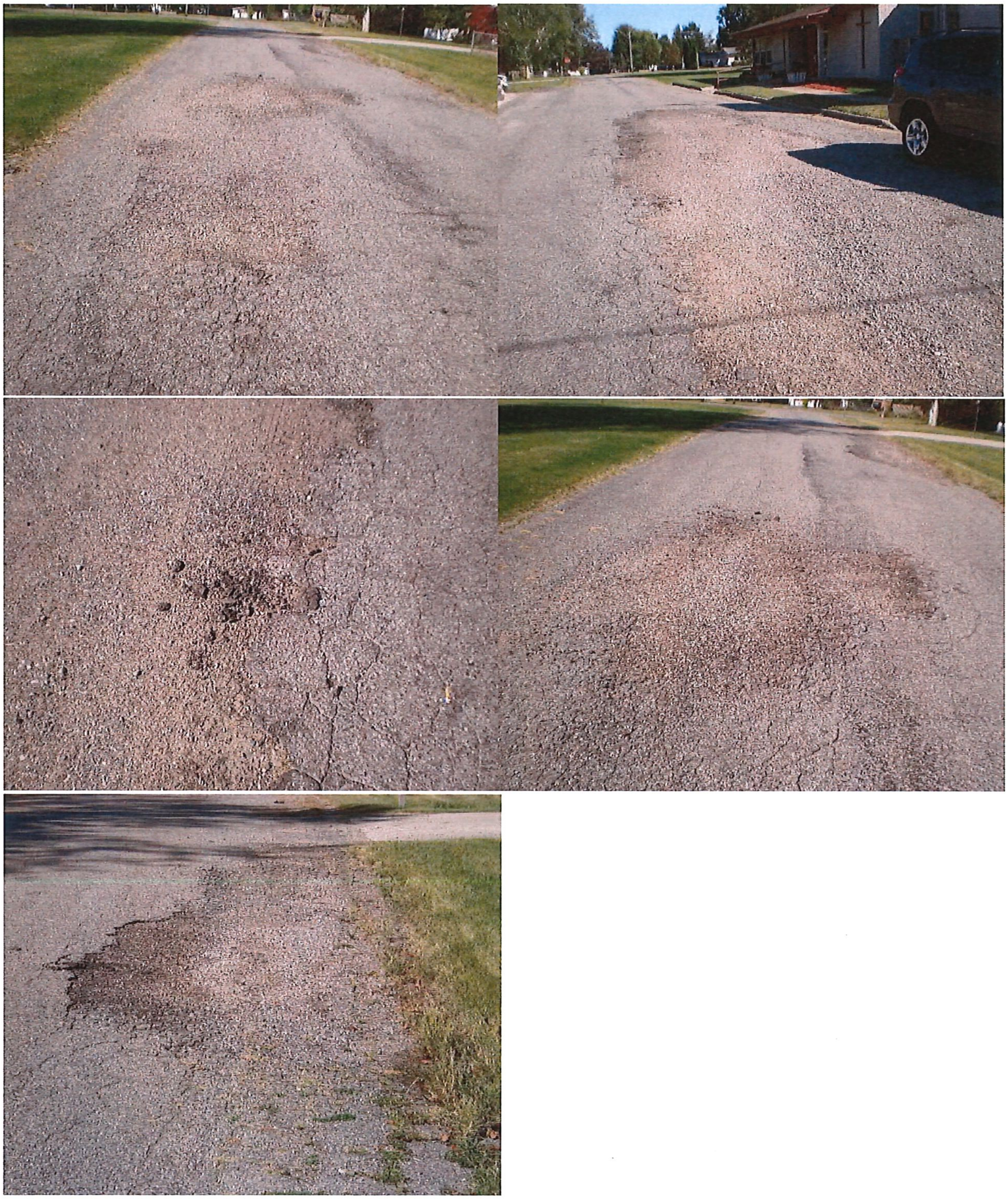

Exhibit D
East Maple Between North Main & Thomas

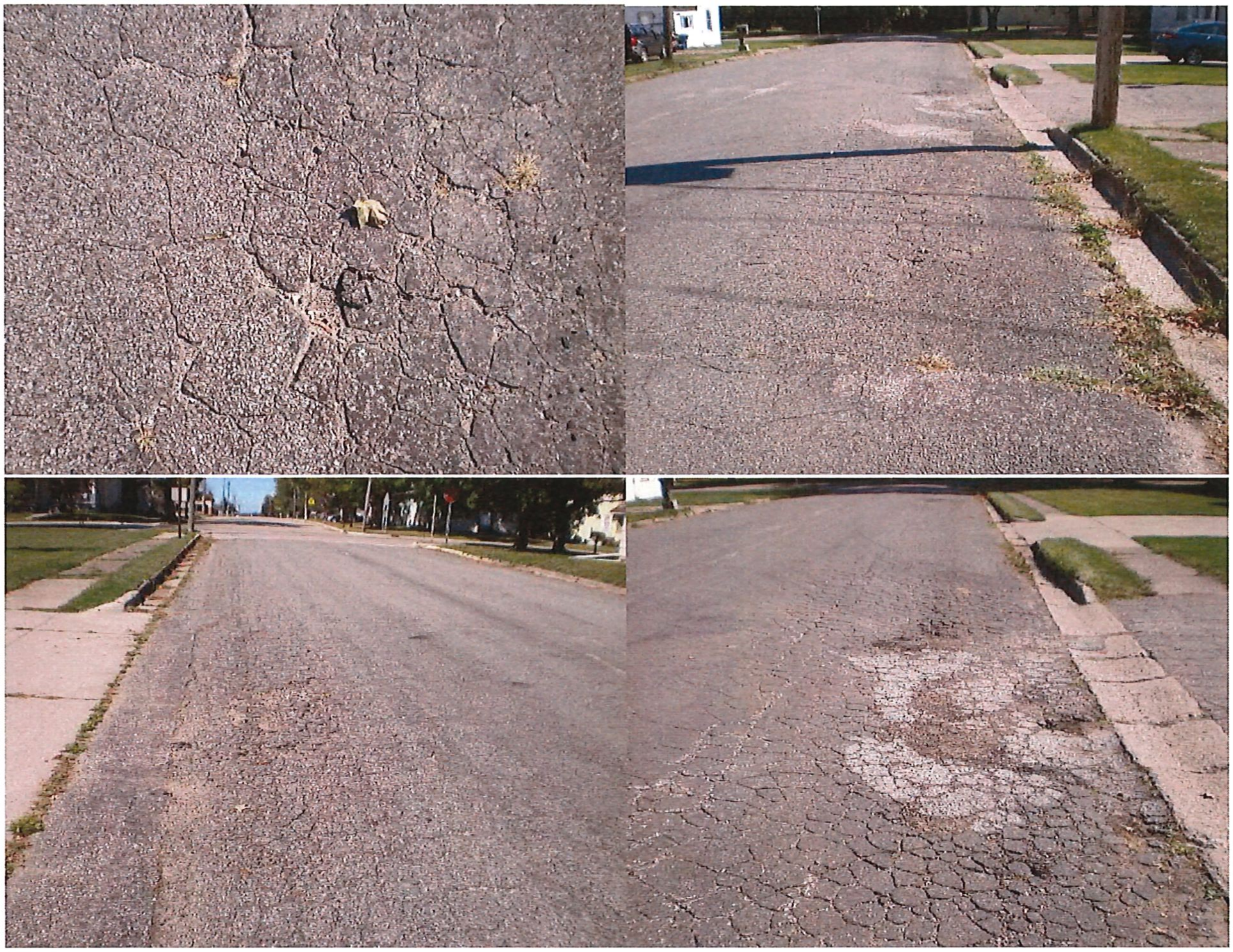

Exhibit E
West Maple Between North Main & North Reinberg

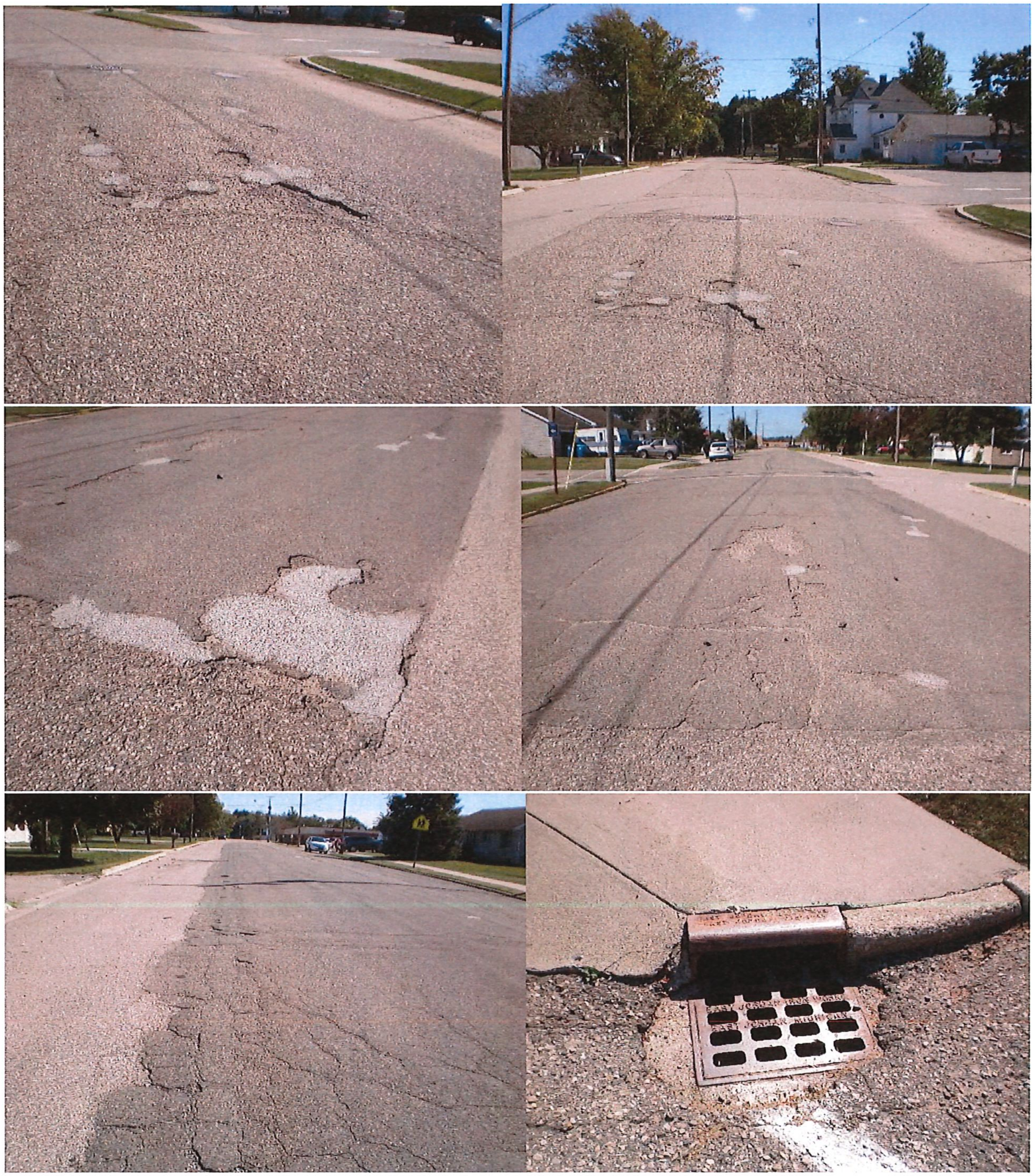

Exhibit F
North Reinberg Between Johnson & Beryl

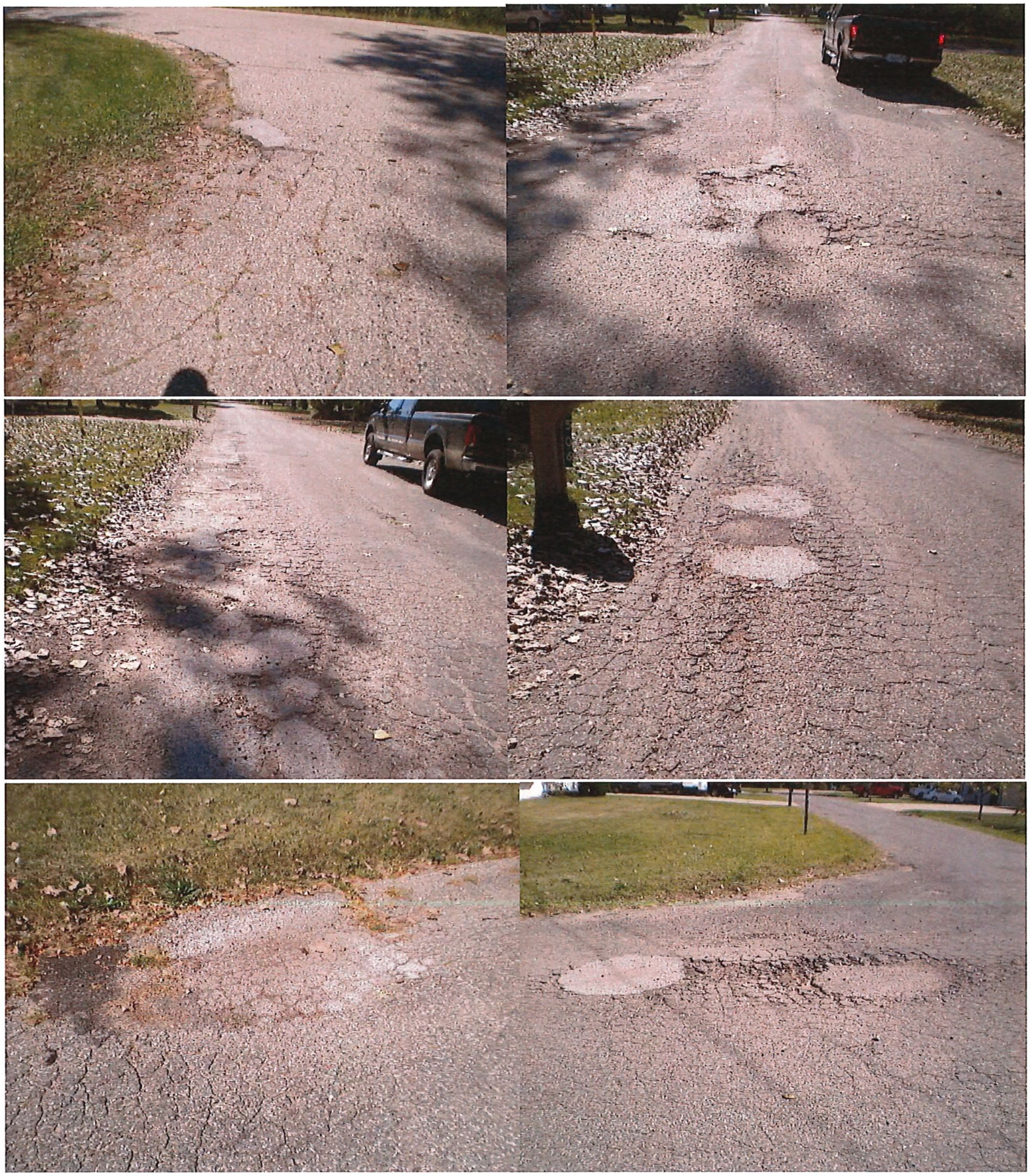

Exhibit G
South Columbia Between East State Street & Railroad Tracks

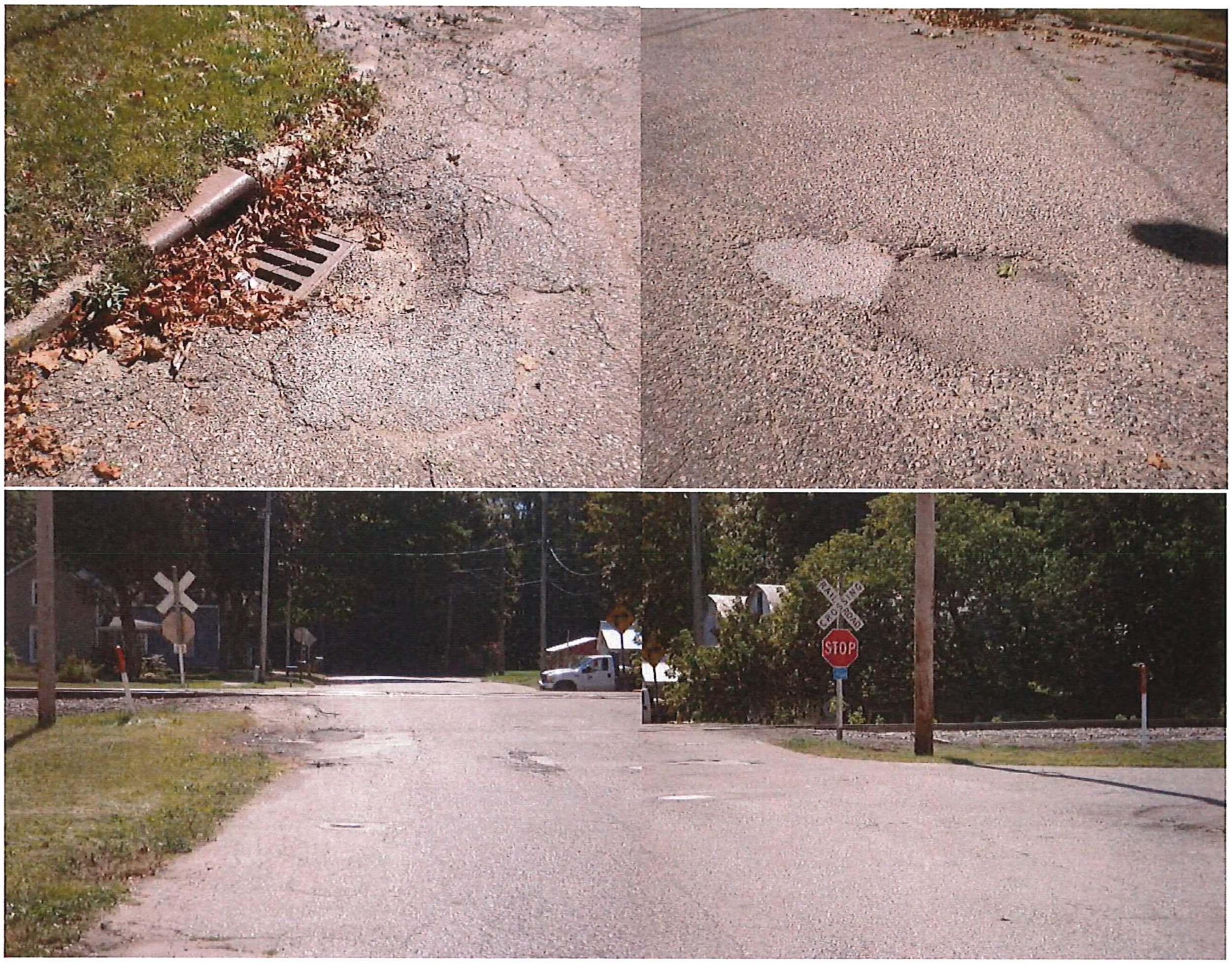

Exhibit H
South Elm – South Of East Second

Estimated Cost - Dedicated MCSO Deputy (40 Hours/Week)						
Expense	2025	2026	2027	Total	Credits	Net
Salary	$59,028.00	$61,389.00	$63,845.00	$184,262.00		$184,262.00
Overtime - 8%	$4,722.24	$4,911.12	$5,107.60	$14,740.96		$14,740.96
Holiday Pay	$2,951.40	$3,069.45	$3,192.25	$9,213.10		$9,213.10
Longevity	$0.00	$0.00	$0.00	$0.00		$0.00
Retirement	$25,960.28	$26,998.64	$28,078.78	$81,037.70		$81,037.70
FICA	$5,102.68	$5,306.77	$5,519.08	$15,928.53		$15,928.53
Health Insurance	$21,049.85	$21,681.35	$22,331.79	$65,062.99		$65,062.99
Dental/Optical	$1,200.00	$1,200.00	$1,200.00	$3,600.00		$3,600.00
Life Insurance	$85.56	$85.56	$85.56	$256.68		$256.68
Liability Insurance	$1,752.14	$1,752.14	$1,752.14	$5,256.42		$5,256.42
Vehicle & Upfit	$61,676.22			$61,676.22	$58,000.00	$3,676.22
Vehicle Insurance	$551.00	$551.00	$551.00	$1,653.00		$1,653.00
Vehicle Maintenance	$3,100.00	$3,100.00	$3,100.00	$9,300.00		$9,300.00
Car Camera	$6,290.40			$6,290.40	$6,290.40	$0.00
Car Radio	$5,800.00			$5,800.00		$5,800.00
Body Camera	$1,245.00			$1,245.00		$1,245.00
Car Computer	$3,305.00			$3,305.00		$3,305.00
Firearms	$2,568.55			$2,568.55		$2,568.55
Helmet	$869.50			$869.50		$869.50
Shield	$932.50			$932.50		$932.50
Taser	$2,247.16			$2,247.16		$2,247.16
Ballistic Vest	$2,321.89			$2,321.89		$2,321.89
Protable Breath Tester	$292.00			$292.00		$292.00
Officer Radio	$6,004.51			$6,004.51		$6,004.51
Cell Phone	$555.00	$555.00	$555.00	$1,665.00		$1,665.00
Gasoline	$2,475.00	$2,475.00	$2,475.00	$7,425.00		$7,425.00
Equipment Repairs	$1,000.00	$1,000.00	$1,000.00	$3,000.00		$3,000.00
Uniforms & Hardware	$2,721.52	$500.00	$500.00	$3,721.52		$3,721.52
Uniform Cleaning	$420.00	$420.00	$420.00	$1,260.00		$1,260.00
Ammunition	$600.00	$600.00	$600.00	$1,800.00		$1,800.00
Network O & M	$975.00	$975.00	$975.00	$2,925.00		$2,925.00
Employee Physical	$800.00			$800.00		$800.00
Training	$2,000.00	$2,000.00	$2,000.00	$6,000.00		$6,000.00
SubTotal	$230,602.40	$138,570.03	$143,288.20	$512,460.63	$64,290.40	$448,170.23
Credits	$64,290.40					
Total	$166,312.00	$138,570.03	$143,288.20	$448,170.23		
	2025	2026	2027	Total		
MCSO Fees	$166,312.00	$138,570.03	$143,288.20	$448,170.23		
Loss - WSCC Agreement	$21,395.00	$21,395.00	$21,395.00	$64,185.00		
Loss - G2S Agreement	$8,000.00	$8,000.00	$8,000.00	$24,000.00		
Total Loss WSCC & G2S	$29,395.00	$29,395.00	$29,395.00	$88,185.00		
General Fund Savings*	$17,669.00	$18,552.00	$19,479.00	$55,700.00		
Additional Expense - Ord. Officer**	$22,392.00	$23,511.00	$24,686.00	$70,589.00		
Total Cost - Scottville	$200,430.00	$172,924.03	$177,890.20	$551,244.23		
Total Savings*	$30,320.00	$69,363.97	$76,511.80	$176,195.77		
Estimated Cost - MCSO Response To Calls For Service; Incidental Patrol; No Dedicated Deputy						
	2025	2026	2027	3-yr Total		
Scottville Police Budget Savings*	$230,750.00	$242,288.00	$254,402.00	$727,440.00		
General Fund Savings*	$17,669.00	$16,452.00	$17,275.00	$51,396.00		
Loss - WSCC Agreement	$21,395.00	$21,395.00	$21,395.00	$64,185.00		
Loss - G2S Agreement	$8,000.00	$8,000.00	$8,000.00	$24,000.00		
Additional Expense - Ord. Officer**	$22,392.00	$23,511.00	$24,686.00	$70,589.00		
Total Savings	$196,632.00	$205,834.00	$217,596.00	$620,062.00		
*Assumes Annual Increase 5%						
**1040 Hours/Year; Assumes +5%/Year						

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Article

A Neoliberal Response to an Urban Crisis: Emergency Management in Flint, MI

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David Fasenfest
Wayne State University, USA

Abstract
The fiscal crisis faced by municipalities is the product of a range of structural and political factors that leave communities unable to meet their obligations. To deal with this crisis, the State of Michigan turned to a program of Emergency Managers who were given the power to overrule locally elected officials, abrogate existing contracts and arrangements, sell public property, and in short do whatever they wished to address the problem. Emergency Managers imposed austerity-based neoliberal policies with little regard for underlying structural forces that left communities impoverished, and which in the end protected bond holders. As the case of Flint, Michigan, demonstrates, these actions did little to alter the long-term prospects of cities, and inflicted real harm on Flint's residents when the EM embarked on a 'money saving' plan to terminate an agreement to use safe Detroit water. In the interim, Flint began drawing drinking water from the Flint River, resulting in high levels of lead in their water, producing a health crisis. At the end of the day, cities where Emergency Managers were in charge were left in unsustainable positions, burdened by new long-term debt, with every likelihood they would find themselves in another fiscal crisis in the coming decades.

Keywords
neoliberalism, austerity, urban fiscal crisis, Emergency Managers, Flint, MI

> … the ability to define a set of circumstances as constituting a crisis creates a political opportunity for more substantial change than would otherwise happen. (Hay, cited in Walby, 2015: 16)

Introduction

Michigan cities have had a long history of economic hardships and social struggles over the past half-century (Sugar Law Center, 2015), and the results have been the hollowing out of formerly industrial cities, population loss to accompany job loss, and for many parts of the state a

Corresponding author:
David Fasenfest, Department of Sociology, Wayne State University, 656 W. Kirby, Detroit, MI 48202, USA.
Email: david.fasenfest@gmail.com

persistent and severe downturn in the quality of its infrastructure and increasing pessimism over its outlook. Clearly, many cities have experienced stress, and as a result elected officials continue to deal with deficits; they try to balance the needs of their citizens for a range of services from public safety to city lights and snow removal with their inability to generate sufficient revenues to meet those needs. These problems have come about for many reasons, and for each city circumstances vary.

Cities have generally been left to fend for themselves on how to address their shortfalls, and most have resorted to a variety of financial instruments ranging from bond issues to credit default swaps to long- and short-term loans to balance budgets. However, over time the debt service on these instruments outpaced an economically depressed community's ability to raise the funds necessary to cover costs. Generally, what is absent has been any regional or state-wide effort to understand why these problems emerged in the first instance (Crosby and Robbins, 2013), and how cities arrived at the situation of fiscal stress they now faced.

Few of the solutions proposed or created by state government address the problem. Rather, broad assumptions are made about municipal mismanagement without a careful examination of the causes of this stress. In Michigan, these assumptions have led to the state stripping local elected officials of their governing power and installing Emergency Managers (EMs) who usurp local control, empowered with the ability to break collective bargaining agreements, disrupt pension payments, and eliminate whole government departments.

Urban Neoliberalism

Neoliberal policies arose in the 1970s because uncoordinated market economic activities and policies, primarily in the US and UK, were unable to manage tendencies toward crisis by Fordist capitalist regimes. The neoliberal agenda heralded new ways to secure capital accumulations tied to the increasing financialization of capitalism (see Jessop, 2002). Cities were 'regarded as engines of economic growth, key centers of economic, political, and social innovation, and key actors in promoting and consolidating international competitiveness' (Jessop, 2002: 465). Much as individuals were seen as profit centers encouraged to take on more and more debt (Sassen, 2014), so too were local governments from municipalities to counties treated as financial sites that would generate profits, encouraged to participate in a range of financial instruments they did not understand. For over three decades leading up to the financial crisis of 2007–8 neoliberalism was creating vast profits for multi-nationals, investment institutions, and venture capitalists through a set of policies that included greater levels of what turned out to be toxic debt (Hall et al., 2013). As the crisis spread, governments at all levels used this as an opportunity to entrench the neoliberal model even further through austerity measures undercutting social policies and attacking the public sector, all in the name of protecting existing debt and reducing deficits. As Aalbers (2013) points out: 'The forced introduction of market models and regulation in most sections of life is a central point of neoliberalism' (p. 1054). The result has been an assault on the poor and an ideological shift, focusing solutions to a deepening crisis on economic policies. Specifically,

> … financial capitalism has created a state of emergency by which the life of the poor has been incorporated in the socioeconomic order of neoliberalism under exceptional conditions of reduced … rights and guarantees. (Aalbers, 2013: 1055)

Broadly stated, policy goals reflect tax cuts and incentives for the wealthy, social service cuts under the guise of austerity and increasing competitiveness, de-regulation of rules that protect workers, the environment, and consumers, and perhaps key in this urban context, privatization as a way to provide entrée as capital appropriates public assets. As a result, neoliberalism at all levels concentrates wealth at the expense of the public weal while it undermines the public sector and democratic impulses.

We must understand the imposition of EMs for select cities in Michigan as neoliberalism policies acting upon communities suffering from the negative consequences brought on by structural changes. In effect, these EMs proceeded by imposing a set of practices used to solve a problem of its own making. In response to revenue shortfalls, communities were encouraged to take on increasing levels of debt and embrace esoteric financial instruments like credit default swaps, with little understanding of how those worked; in the end those decisions left local communities even more vulnerable to structural and systemic decline. 'Analyses of the neoliberalisation of local government point to … the recreation of the local state in ways that diminish the power of the location political leadership' (Newman, 2014: 3291). In short, Newman points out, neoliberal policies can be viewed as instituting technologies for governing populations by installing economic 'logics of calculation' (p. 3292).

The result has been a broad application of a single basic tool used by each EM to solve a range of diverse issues facing cities. Through a legislated process detailed below, some cities are assigned an EM, but others that might have also been designated escaped the trauma of the loss of democratic rights. For the most part, cities with an EM had majority non-white populations, raising a question as to why almost half of the state's African-American population were relegated to living under a form of political martial law (Kirkpatrick and Breznau, 2016). More pointedly, the Michigan Civil Rights Commission noted that:

> If you live in Michigan there is a 10% chance that you have lived under emergency management since 2009. But if you are a black Michigander, the odds are 50/50. (2017: 109)

It is, therefore, worth considering how specific policies aimed at redressing fiscal stress invariably reflecting extreme conditions of poverty seem to be implemented in communities of color. While the negative life-course impacts of poverty are well-rehearsed, the impact of the EM actions in Flint and its ensuing water crisis puts into sharp relief the health disparities that accompany residential segregation (Riley, 2017). Events in Flint drew national attention to the health impact of lead in the water,[1] but the fact that EMs were disproportionately imposed on poor minority populations in Michigan raises the concern that the effort to resolve fiscal stress in this manner worsened the quality of life for its residents (Lee et al., 2016) and increased the detrimental consequences of racialized poverty.[2]

The Problem with Emergency Management

The problems associated with Michigan's EM laws and tactics mentioned above have been well documented (Peck, 2012; Stampfler, 2013).[3] A myriad of scholars, activists, and political leaders have brought into question its legal merit, effectiveness, and fairness. The imposition of EMs relies on a system of assessment and reviews to determine whether a community needs to have that form of oversight. Crosby and Robbins (2013) point out that this approach is reactive, not proactive, as a way to avoid fiscal stress or anticipate and rectify situations that could lead to the kinds of stress EM designations are designed to solve, noting: 'do local decision-makers use the system to monitor and plan for probable fiscal crises and does the State rely on its own scorecard method as evidence enough to appoint an emergency manager? In Michigan, the answer to these questions is no' (p. 523). Rather, state actors assume mismanagement of local governments in deciding to appoint EMs, but instead should strive to understand and address factors leading to fiscal distress before they materialize (Kasdan, 2015). The decline of cities in Michigan, especially Detroit, should not have come as a surprise. As Neill (2015) has detailed, notice of the decline has come 'at regular intervals for decades previously' (p. 3). Report after report, starting in the mid-1960s, has highlighted the problems faced by cities when regional considerations are ignored: each time their recommendations were set aside, cities like Detroit were allowed to fall further down the rabbit hole of decline and despair.

Furthermore, Crosby and Robbins raise serious doubts about a process that relies on measurements that, at best, are suspect. 'In addition, [w]e question the validity and reliability of the state's numbers because when we measure these indicators, we could not obtain the same results. Michigan's system … is not explanatory, replicable, descriptive, or predictive' (2013: 532). Increasingly, the production of economic knowledge can be viewed as the result of the politics of representation (De Goede, 2006). This article adds to the discussion on state-controlled emergency management in Michigan by taking a broad look at the EM process from 2009 to 2015.

An evaluation of when and how state governments should intervene in dealing with fiscal distress facing local governments (PEW, 2013) notes that there are 20 states (for a listing of states and the range of strategies employed, see Table 2: PEW, 2013: 17) with a range of legislated powers that allow for some sort of state intervention. Those vary from very permissive and hands-off guidance to extremely invasive practices that include taking over local governance and suspending democratic participation. Best practices, they conclude, are when states use oversight to anticipate fiscal distress, and are proactive when dealing with challenges these local governments face creating the conditions that would result in distress. Many states, they note, use state funds to support, address, and, in the end, anticipate problems. Overall, if a state decides to intervene, they should do so by designing the intervention in a way that engages all stakeholders, to be transparent, and to return control to local governments as quickly as possible (PEW, 2013: 2–3). The PEW report goes on to assess each state, and the fiscal indicators developed in Michigan are revealing. The reliance on trends relative to property tax values (increasing or decreasing, general fund spending as a percentage of those values, and long-term debt as a percentage of property tax values) is instructive in predicting the actions of Michigan's EMs. The focus of EM actions was to enable communities to both clear existing debts by any means, and then to be able to borrow new debt to meet budgetary requirements.

EM laws reflect a singular approach; specifically, the application of austerity policies that privilege financial rather than a social solution to a community's ills. Austerity measures applied by EMs, broadly stated, achieve two objectives: a) preserve the financial interests of lenders and bond holders without exploring how those interests may have created the problem in the first instance, and b) seek solutions that implicitly involve the privatization of public assets and explicitly turn to the very same financial instruments that are likely culpable for causing the situation in the first instance.

Flint and Detroit, unlike the other cities in Michigan initiating the EM designation process, had an EM imposed upon them. Detroit has become the poster child for industrial decline and increasing despair as the city was turned into a non-white enclave of entrenched poverty living amidst a crumbling infrastructure. Flint, now the victim of a neoliberal urban agenda, has also become the poster-child (Fasenfest and Pride, 2016) representing what happens when resources are extracted and decisions are made with apparently little regard for the people who live there. Recent revelations about how the city's residents have been subjected to environmental hardship as a result of decisions about its water system, driven solely by cost considerations, exposes the EM process for what it ended up being. In the final analysis, the residents of these communities (and other EM cities) were not the beneficiaries of actions purported to return their city to fiscal health.

Emergency Management: A Brief Legislative Overview[4]

In 1986, the City of Ecorse was placed in receivership by Judge Richard Dunn of the Wayne County Circuit Court due to the city's failure to make payments to the pension funds of its firefighters and police officers and its electricity provider. This marked the first time in Michigan that the authority of elected municipal officials was suspended and replaced by a receiver. Judge Dunn appointed Louis Schimmel, then the executive director of the nonprofit Municipal Advisory Council of Michigan, to oversee the day-to-day operations of Ecorse.

Armed with immense power to make a wide array of changes, Schimmel eliminated the annual salaries of Ecorse's elected officials and their benefits package, eliminated public services, such as the ice arena and the community center, closed libraries and parks, and contracted out the major functions of the city's department of public works. This style of fiscal austerity and cutback management would later become the normative panacea prescribed by state officials to address municipal financial distress.

Judge Dunn returned control of Ecorse to the mayor and city council in 1990, but Ecorse's finances were monitored by the state for the remainder of the decade. Ecorse's experience prompted the state in 1988 to enact Public Act 101, seen as a way of preventing courts from intervening in cases where municipalities were experiencing financial problems. The new law would leave it up to state officials to determine fiscal distress and devise appropriate solutions.

PA 101 first introduced the financial emergency status, along with the Emergency Financial Manager (EFM) position, allowing the state to appoint EFMs over cities experiencing a financial emergency and establishing triggers that allowed the state to review the finances of a municipality. These triggers included failure to pay debts, failure to pay employee salaries, a request by local residents or officials, or request by a state legislator or state treasurer. Similar to the authority vested in the receiver appointed to Ecorse by Judge Dunn, PA 101 gave EFMs broad decision-making control over municipal corporations. PA 101 was amended in 1990 by Public Act 72 (PA 72), which extended the state's power. Under PA 72, the EFM possessed complete control over the city's finances, including spending and budgetary decisions, but it was generally understood that local officials would remain in office and retain power over policy and administrative matters outside the scope of the EFM's fiscal authority.

In March 2011, Gov. Rick Snyder signed into law the Local Government and School District Fiscal Accountability Act, also known as Public Act 4, stating: 'For too long in this state, we've avoided making the tough decisions.' PA 4 would now allow the governor and the state to make those 'tough decisions'. The newly revised financial emergency law changed the EFM position to an EM, and included some substantial alterations that eased the requirements necessary for the state to place a municipality under state receivership. PA 4 permitted the state to appoint an EM without evidence of fiscal distress. That is, a state takeover of a municipality, which suspends the decision-making authority of a local government's elected leaders, could be initiated based on the sole discretion of the governor and other state officials.

PA 4 also upgraded the governing authority of EMs, transferring all governing power of elected officials to the EM, stating that EMs will 'act for and in the place and stead of the governing body and the office of chief administrative officer'. This law further specified that throughout the 'pendency of receivership, the governing body and the chief administrative officer of the local government may not exercise any of the powers of those offices except as may be specifically authorized in writing by the emergency manager and are subject to any conditions required by the emergency manager'. In effect, EMs essentially became a fourth branch of government, one unelected and unaccountable to anyone save the governor who appointed them. The law substantially reduced the governing powers of local officials – or, in many cases, removed those powers altogether.

Expanded authority EMs power is far beyond the normal legal capacity of local governing units, including the ability to unilaterally enact new laws, disregard existing local law as contained in municipal charters and ordinances, terminate collective bargaining agreements and contracts, dismiss elected officials, privatize or sell public assets, and dissolve the local municipality all together. In 2011 and 2012, EMs were appointed to Flint, Allen Park, the Muskegon Heights Public School District, and the Highland Park Public School District.

The expanded powers granted to EMs were met with strong public resistance. By May 2011 Michigan residents circulated a petition to repeal PA 4, and the Michigan Supreme Court ordered the question to appear on the 6 November 2012 ballot. Residents overwhelmingly voted to repeal PA 4 and reinstate PA 72. In response, a bill amended to reenact elements that had been part of PA 4 was passed on 13 December 2012, and was signed into law on 26 December as the Local Financial Stability and Choice Act or Public Act 436 (PA 436), effective 28 March 2013. In other words, the legislature and governor re-imposed these unpopular measures, adding budgetary provisions that made it referendum proof.[5] PA 436 gave municipalities more latitude on how to address their financial situations.[6] If a financial emergency is declared by the state, the municipality can choose one of four options: 1) consent agreement, 2) emergency manager, 3) neutral evaluation, or 4) Chapter 9 bankruptcy. Under PA 436 emergency managers, once more called EMs, are vested with all the powers previously given to them by PA 4. As of this writing, PA 436 is the current EM law in effect.

Since 2009, the state of Michigan has used its financial emergency law to assume control of eight different municipalities – Allen Park, Benton Harbor, Detroit, Ecorse, Flint, Hamtramck and Pontiac – more than any state at the time. The charge of the state-appointed 'emergency managers' (EMs) was to mitigate severe fiscal distress. Michigan's 'municipal takeovers' are a form of what Michelle Anderson (2011) calls 'democratic dissolution', in that a takeover eliminates government without terminating the city's corporate form. This contrasts with a true dissolution, which is the termination of a charter without local consent. In addition, the complete disempowerment of local governing bodies by the state during receivership also works to deprive its residents of their legally protected political rights at the local and community level.[7]

The state's approach to managing municipal fiscal distress blindly assumes that sacrificing the rights of voters and the American democratic political process will inevitably rescue cities from self-inflicted financial implosion. Although it may be unintended, such political disenfranchisement (not to mention disciplining; see Soss et al., 2011) at the local level has disproportionately impacted communities of color, as nearly half of the state's African American population was under emergency manager (Niquette and Christoff, 2013).

Structural problems – e.g. the loss of revenue through lower tax rates, a declining tax base from outmigration and declining property values, and changes in a complex set of programs and requirements for state revenue sharing[8] – are ignored in favor of cost savings incurred through the reduction or elimination of public employee wages, post-employment benefits, and public services. These cutback management tactics adversely impact the financial well-being of public employees while protecting corporate investors and elite financial institutions. Moreover, because of the racial and class disparities associated with the EM process, poor black and brown communities bear the brunt of the deleterious outcomes caused by Michigan's EM laws.

Shortchanging Michigan Cities

The Michigan Constitution provides a system of revenue sharing through which a portion of collected sales taxes are returned to cities, villages and townships across the state. Beginning in 2002, under the leadership of both parties, the State of Michigan appropriated over $6.2 billion of sales tax revenues to fill state budgetary shortfalls rather than redistribute those funds back to local communities. According to data from the US Census of Governments, Michigan led all states in revenue sharing cuts from 2002 to 2012 as municipal revenue from state sources fell by 56.9 percent (Michigan Municipal League, 2014). Only four states reduced local funding from 2002 to 2012: California, Minnesota, Kansas and Kentucky. To put things into perspective, Kansas had the second largest decline at only 14.3 percent. The Michigan Department of Treasury (n.d.) reports that EM cities were significantly impacted by the revenue sharing reductions over the last 15 years, essentially starving (as Bean, 2016, points out) communities when they needed these funds the most.[9] From 2000 to 2012 municipal revenue from the state declined for EM cities, falling by an average of 42.43 percent from 2000 to 2012.

The state redirected revenue sharing funds to cover state budget shortfalls, all to the detriment of struggling local governments, and especially the EM cities. For the past 15 years the state has shortchanged its cities: Detroit revenue sharing fell between 2011 and 2012 by almost 30 percent while Flint experienced a 20 percent decline. These reductions came precisely at a time when cities were in the throes of dealing with serious budgetary shortfalls. One is hard-pressed not to conclude that the fiscal crisis of these Michigan cities was, in large part, precipitated by if not a consequence of this significant loss in revenue sharing. Clearly, the State of Michigan addressed its budgetary needs at the expense of people in its cities.

Flint under Emergency Management

If there's any city whose recent history serves as an outright stinging rebuke to the state's notion of emergency management, it's Flint. As a result of decisions by the state-appointed EM, Darnell Earley, Flint finds itself grappling with the reverberations of a water crisis that exposed the entire city to lead-poisoned water for two years – all while government officials claimed the water was safe.

But long before the Flint Water Crisis unfolded, the city had already been struggling to right itself. Once a major ventricle in the region's manufacturing heart, Flint endured historic travails as it grappled with the consequences of de-industrialization that hit the city hard beginning in the 1970s. Staggering under the weight of plant closings, population loss and aging infrastructure, Flint found itself in a decades-long spiral that made it a prime target for emergency management by the time the state had begun to vigorously exercise PA 4 and, later, PA 436.

In the late summer of 2011, the state conducted a preliminary review of Flint's finances as a result of ongoing deficits and the city's failure to give the state a deficit-elimination plan. Among its findings, the review determined that Flint had operated in a deficit since 2007, that transfers from the city's water supply fund and sewage accounts were covering a disproportionate amount of general city operational expenses, and that the public-sector pension account was underfunded by at least 60 percent of necessary levels. The result was a recommendation that an emergency manager for Flint should be appointed.

Unlike other cities, the Flint EM appointments became something of a revolving door. From December 2011 to April 2015, with the city under state receivership, four different EMs were appointed to Flint. First, Gov. Snyder appointed Mike Brown – who had briefly served as Flint's interim mayor in 2009 – EM of Flint in December 2011 under PA 4. After a change in state law forced Brown to step down in 2012, Ed Kurtz was appointed to take over and was reappointed under PA 436. Darnell Earley took over for Kurtz in October 2013, and Jerry Ambrose replaced Earley at the start of 2015.

As the first EM of Flint, Brown executed approximately 34 EM orders, most of them aimed at reducing the salary and other compensation of city employees and local officials, curtailing local governing powers, raising city fees and renegotiating city employment contracts. He restored some of their governing power so they could specifically focus on city matters related to economic development, master planning, intergovernmental affairs, and community engagement. However, Brown eliminated approximately 115 positions, or 16 percent of the workforce, including the City Administrator, Director of the Human Resources and Labor Relations Department, Director of the Civil Service Commission, and the city's Ombudsman.

Brown also reduced the compensation for retirees, modified retiree benefits for existing employees, changed health care plans for active and retired employees, and eliminated retiree health care for new employees. He renegotiated collectively bargained contracts for police officers, firefighters and other city employees, leading to significant pay and benefit reductions. Brown also changed the health care plan offered to non-union city employees, which led to non-union employees paying higher deductibles and co-pay fees. Brown reported in his July 2012 Quarterly Report that these changes would reduce Flint's salary cost by 20 percent. To address the costs of city services, Brown raised some fees and rates. As a result, Flint residents pay, on average, 3.5 times more for waste collection services, while the rates for water and sewage were increased by 25 percent.

From August 2012 to October 2013, Ed Kurtz served as Flint's second EM, executing 15 EM orders. Most involved the approval of procedures for certain city functions, scheduling city council meetings, and overseeing the adoption of budgets. His most significant order involved the proposal of a city-wide special assessment district for the purpose of covering the cost of operating, maintaining, and improving street lighting. The added cost for the street lighting assessment will increase property taxes annually by approximately 2.72 percent.[10]

On 25 March 2013, the Flint City Council, by a vote of 7–1, approved the switch from Detroit Water and Sewer Department (DWSD) to the Karegnondi Water Authority (KWA) to provide water to the city. This was endorsed by Kurtz and Mayor Dayne Walling, and then the State Treasurer. The DWSD sent out a press release demanding that the state block Flint's request, stating it would hurt Detroit Water and start a jurisdictional 'water war'. Genesee County Drain Commissioner Wright replied that:

> It would be unprecedented for the state to force one community to enter into an agreement with another, simply to artificially help one community at the other's expense. This is exactly what the (Detroit Water and Sewerage Department) is arguing should be done. If the DWSD was serious they would contact the appropriate officials instead of negotiating through the media.

In April 2013, State Treasurer Andy Dillon gave EM Kurtz approval for the water purchase contract with the KWA. This eventually resulted in Flint's water being contaminated with dangerous amounts of lead because Darnell Earley, serving as EM from October 2013 to January 2015, authorized the temporary use of the Flint River in preparation to the switch to KWA (see below). The contract renegotiations initiated by Brown in 2011 and 2012 were completed and accepted by Earley in 2014, reducing the benefits of police and fire employees and forcing many to retire early to reduce staffing. Retiree pensions and compensation for city employees were reduced as well. Just like the health care changes for the other EM cities, out-of-pocket costs to city employees increased.

Water from the Flint River was not properly treated; this caused conduits carrying water to homes throughout Flint to corrode, leaching lead into Flint's water, precipitating what is known as the Flint Water Crisis. In addition, in June 2014 Earley approved the sale of 9 feet of water transmission pipe, used to connect Flint to Detroit's water pipeline, to Genesee County for $3.9 million. Since Flint was drawing its water from the Flint River, Earley felt it was a marketable city asset, stating 'the pipeline is of no use to the city' (Fonger, 2014). The sale to Genesee County was made even though, in May 2014, Flint's City Council voted 7–2 not to sell the pipe. Usurping or ignoring the democratically elected representatives of the residents of Flint ended up having dire consequences, and, in the end, Flint needed to lease back that conduit after it was ordered to reconnect to DWSD water.

Only serving as EM for three months, Jerry Ambrose, Flint's last EM, executed eight more EM orders from February 2015 until April 2015. These included the restructuring of outstanding water supply system revenue bonds, empowering the City Administrator position to serve as Flint's Chief Administrative Officer, and adoption of budgets for the 2015 and 2016 fiscal years (Order No. 7). He also obtained a $7 million Emergency Loan from the state before exiting as EM in April 2015.

The 2013 state audit showed some improvements to Flint's finances. According to Flint's 2013 state audit, the fiscal year 2013 budget was balanced through a mixture of significant revenue increases, significant expenditure decreases, and steps taken to reduce legacy costs. The report cited the various actions taken by the EM as contributing factors in Flint's improved financial situation, including a 2 percent increase in water and sewer rates, passage of a $6 million property tax increase to fund police and fire services, establishment of a special assessment district for street lighting, elimination of 20 percent of the city's workforce, compensation decreases equivalent to a 20 percent wage reduction for remaining employees, and the restructuring of health and retirement benefits for current employees and retirees. These changes led to a 33 percent reduction of Flint's deficit. The report attributed the deficit reduction to the revenue enhancements and expenditure reductions made by Flint's EM. By 2015, when the EM rule ended, the city's deficit was eliminated, leaving a surplus of $3.2 million. On leaving, Ambrose recommended Flint be put under a Receivership Transition Advisory Board. Interestingly, Ambrose's final order restricts Flint's elected officials from revising any of his past actions for at least one year after Governor Snyder terminates the receivership.

Obviously, the worst EM outcome was the poisoning of the city's water supply. However, a look back on other decisions – setting aside some comedic fundraising efforts like the auctioning off of Christmas decorations used at City Hall – several other deals were reported that cost the city more than it gained. For example, in 2014 Flint's Emergency Manager Darnell Early, and then Financial Manager Jerry Ambrose, signed off on a deal to lease several vehicles for five years at a cost of $2 million. The city didn't even lease the vehicles from local dealers and ignored possible additional savings if they had used local dealership to get vehicles that were manufactured in Flint (Goheen, 2015).

Two tax-related deals are worth noting. First, EM Mike Brown approved tax incentives for two new economic development districts under Michigan's Obsolete Property Rehabilitation Act (OPRA). For one, the Uptown Reinvestment Corporation will largely benefit because it owns most of the land and buildings in the areas scheduled for redevelopment (Longley, 2012). Second, Early approved a tax abatement to GM to build a new $125 million paint factory. Under the abatement, GM would only pay taxes based on 50 percent of the calculated true cash value of the potential new facility, or about $2 million in property taxes forgiven during the first year of operation. The abatement will allow for a 50 percent tax break for 12 years starting from the date of occupancy after the new facility is constructed.[11]

Who Benefits, Who Pays?

It is unclear what benefits accrue to a community due to the disposition of property, the various lease agreements, the outsourcing of city services, or the tax incentives to private sector actors offered or proposed. More often than not, the long-term benefits are not certain while the short-term costs are clear. But who can fault public officials in trying to generate jobs and revenues by offering a range of incentives? Based on the evidence, the enduring skepticism that many hold toward the decision to provide concessions, tax breaks and other incentives without carefully stating conditions that benefits will accrue to the community seem justified.[12]

More importantly, however, we must recognize that under normal conditions decisions made by elected officials have the potential, whatever one may think about the electoral process, to hold these officials accountable if outcomes don't reflect promises. Under an appointed EM, the decisions, actions and proposals are made by officials acting without public support or endorsement, actors who have a clear mandate to restore fiscal health, whatever that may mean and at whatever cost to the citizens of the community. In Flint, the EM granted a major abatement to GM during a financial crisis (Allen, 2013) with no clear indication or assurances that benefits will necessarily flow to the city over time. Rather, the premise is that by benefiting the corporation the city may keep jobs, a premise that has not panned out in the past in other cities.

Without details and specifics, it is nearly impossible to come up with a metric to measure net benefits. What we know, however, is that Emergency Managers in each Michigan city followed a neoliberal blueprint to deal with and resolve immediate financial short-comings, without either assessing what transpired in the past creating the crisis, or a projection of the future capacities of these communities to generate necessary revenues that support services ensuring the quality of life in the community.

Cumulative Impacts of Local Austerity

The austerity measures implemented in Flint from 2009 to 2015 resulted in a significant reduction of public assets[13] and the loss of public sector jobs. Job loss is particularly devastating for communities that have a high proportion of non-white residents. The public sector offered steady improvement of job prospects for women and minorities at all levels of government. But the shrinking of government services in EM cities has had a bigger impact on women (Abramovitz, 2012) and blacks (Cooper et al., 2012). A Brookings Report (Harris et al., 2014) indicates that while the private sector continues to hire, the public-sector job market is stagnant in general, and declining in some areas. The public-sector is essential for the maintenance of a viable black middle class (Cohen, 2015), where '[r]oughly one in five black adults works for the government, teaching school, delivering mail, driving buses, processing criminal justice, and managing large staffs … about 30 percent more likely to have a public-sector job than non-Hispanic whites' (Public Works, 2015). The result is downward mobility (Wilson et al., 2013) that has a crushing impact on cities like Pontiac and Flint, which lost 482 and 115 jobs respectively.

It is not just the loss of jobs in the city, it is the loss of futures for families living in a city with shrinking opportunities, undermining the ability of formerly middle-class people of color to be able to afford their homes, pay taxes, and sustain the revenue base of the city. Other consequences of state imposed austerity include higher costs for local residents through increased property taxes, city service fee and fines. These budgetary and financial changes typically occur in low income and minority Michigan cities. Thus, the overall negative impact of austerity is a disproportionate one, and will decrease the social and economic well-being of most of Michigan's poor communities of color.

Reducing the workforce of a municipality can also lead to a decline in the quality of public service delivery for residents. Such a loss of services may make neighborhoods less attractive to homebuyers leading to depreciated home values and depressing local property tax revenues. Furthermore, many of the city jobs lost were public safety jobs in the fire and police departments. In cities with relatively high crime rates, like Flint and Detroit, a reduction in police officers presents serious public safety issues for residents. Similarly, many city properties were sold under market value, underestimating the real costs incurred by EMs selling off city-owned assets.[14] Although unused and vacant property can be a financial burden to cash-strapped municipalities, the massive 'fire sale' of city assets below fair market value tend to benefit private investors and real estate corporations while shortchanging fiscally distressed cities. The increased privatization of public space also impoverishes the social economy and diminishes the level of control local residents have over how the spaces and places in their communities are used. The fiscal conditions of struggling cities with large low-income and non-white populations have led to decisions that opened the door for private investors to come in and assume more and more control over public space throughout Michigan, limiting the ability of poor and minority communities to shape and influence the process of place-making at the local level.

The fiscal austerity imposed on cities creates higher direct costs for residents. To increase revenue, EMs raised property taxes, and increased city fines, fees and property taxes. These cost increases essentially function to transfer the financial deficits of cities onto their residents, who are then forced to bear the burden of municipal fiscal distress, a problem created not by residents but primarily by structural forces largely outside of the control of individuals and even municipalities dealing with reductions in local funding from and revenue sharing by the state.

The desire to impose emergency management on cities reflected the State of Michigan's struggle to protect bond rating essential to meet all its financial obligation. Rising debt service costs for cities forced to rely on debts or financial instruments placed burdens on EM communities, driving them to fall behind on payments and otherwise threaten the municipal bond ratings (thereby affecting the ability to borrow and the rate they will be charged), ultimately negatively impacting the State of Michigan's bond ratings. Therefore, appointed EMs in each city focused on clearing the existing delinquent debt to bring 'fiscal health' back to these cities. Once that was done, EM cities resumed borrowing to cover future expenses and obligations. The problem was debt delinquency, not the conditions that led to each community's inability to service that debt in the first instance.

EM cities managed to reduce their immediate debt burden, but collectively overall levels of long-term debt remained constant. At first, long-term increased somewhat as cities immediately borrowed to meet employee pension and benefit fund obligations. Over time, however, cities traded current debt for future debt as EMs cleared city accounts of delinquent obligations and improved municipal bond ratings. When the fiscal dust settled, long-term debt remained on EM each city's ledgers, though no longer delinquent. Debt is, in effect, an exchange of future consumption (in terms of services and employment) in return for present expenditures. In some instances, these debts were structured so that debt service came before any other municipal expenditures potentially curtailing service provision at a later date. These new debts leave cities facing problematic futures as they will once again contend with an inability to meet debt payments because of declining local revenues. Underlying structural issues remain, and community fiscal outlook remains bleak due to population loss and out-migration of residents, falling property values, and a struggling local economy.

Conclusion

Sadly, most, if not all, of the EM cities are resolving their immediate financial problems without significant structural changes. A problem of unsustainable debt levels was addressed by clearing those debts cannibalizing public resources and reducing staffing that provides essential services. In its place, cities now face a long-run situation that is not sustainable due to a range of problems: reductions in local funding from the state (in the form of revenue sharing; see Minghine, 2014), falling property values, unattractiveness due to cuts in services (see Donald et al., 2014), a greater burden of fees and costs on the remaining residents, and the prospect of a crippling debt service on new loans issued to meet current budgetary requirements. The crisis faced by communities today will just be revisited upon them in the coming decades.

Economic and social viability of communities have been undermined by a system of debt driven budget mechanisms. This creates a vicious cycle of debt used to fund current municipal budgets, which in turn require communities to effectively mortgage their future consumption by committing revenues that will not be realized. The outcomes of EM practices have stripped communities of valuable assets resources to produce anticipated revenue streams. This has been a problem delayed, not a problem solved.

This 'one size fits all' basic model follows a neoliberal governing logic, one that situates the problem as poor management, consequently advocating policies that do not effectively address the unique and specific challenges of fiscally distressed local governments. In his final report to Governor Snyder, Ambrose noted that EM actions provided at best a short-term stopgap to Flint's fiscal woes, but any budgetary success would be in jeopardy without sustainable revenue sources. He went on to state that the 'low level of services that Flint currently provides is not at the level which will help the City become an attractive place to live, work study and play' (Flint City Profile in Fasenfest, 2017). Ultimately, all that was accomplished in Flint (aside from creating the calamitous water problem) was securing the financial interests of bond holders and bank lenders, while placing the city in jeopardy over the long run as it once again took on long-term debt with no regard for how a declining tax base and population loss will enable Flint to honor those obligations in the coming decades.

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Notes

1. This resulted in several poor communities around the country pointing to similar if not worse lead levels in their drinking water, poisoning young and old alike.
2. Peter Hamer, in this issue, explores the role of institutional racism that intersects with neoliberalism to understand the logic of how cities came under Emergency Management rule.
3. See also Loh (2015), Anderson (2011) and Donald et al. (2014) on the abrogation of democratic rights and the imposition of neoliberal austerity; Clement and Kanai (2015) on the reliance on market mechanisms and the negative impact on communities of color; Kasdan (2015) on how EMs rely on cutbacks, consolidation and service reduction to address fiscal stress.
4. The author is indebted to Theodore Pride, who provided invaluable assistance in assembling the information that resulted in this article, and to the staff of the ACLU of Michigan for their input in finalizing a larger report on the overall impact of Emergency Managers in Michigan (Fasenfest, 2017). All errors remain the author's.
5. The Michigan Constitution allows for challenges to laws through the referendum process. The only exception is on bills that also appropriate funds. In this case, by adding a minor budgetary component to PA 436 no more voter challenges were permitted.
6. This is the element of 'choice' in the title of the act. However, what was not a choice was the terms under which the state implemented a fiscal review leading to a declaration of fiscal emergency and offering these options.
7. To say residents of these cities are angry about these arrangements is an understatement (see (Davey, 2014; Bosman and Davey, 2016).
8. The various revenue sharing programs and requirements are available from the Michigan Department of Treasury at: http://www.michigan.gov/treasury/0,4679,7-121-1751_2197—,00.html
9. Estimates are that up to $6.2 billion in revenues were not turned over to cities when most in need (Oosting, 2014a, 2014b).
10. Average percent increase of property tax as caused by Street Lighting Assessment was obtained by calculating the property tax for the median value of a home in Flint for 2014 ($49,581, US Census) using

the Michigan Department of Treasury's Property Tax Estimator. The additional fee from the 2014 assessment ($67.87) was then added to the average property tax figure to determine percent increase.

11. Fasenfest (1986) shows the folly of deferring current revenues in the hope of anticipated benefits at a later date of a planned production facility, with no performance guarantees in the arrangement.
12. Whirlpool, in Benton Harbor, routinely reported profits while at the same time seeking tax relief from the city and EM. Yet, Whirlpool did not deliver on promised new job growth – perhaps even failing to deliver precisely because of those tax breaks. Failure to deliver on promised jobs in return for public support for a project is not a new phenomenon (see Fasenfest, 1986, 1989, concerning Detroit's experiences with GM on that score).
13. The EM of Flint even tried to sell the city's Christmas decorations (Miller, 2013).
14. Three examples will suffice: 1) In 2009, Pontiac's EM auctioned the Pontiac Silverdome for $580,000 to investor Andreas Apostolopoulos of Triple Properties, Inc. at a price significantly lower than the $18 million bid for the property made in the previous year by United Assurance, and lower than the assessed market value of around $7 million. 2) Detroit's EM contemplated the sale of the artwork of the Detroit Institute of Art to reduce Detroit's debts, and considered a proposal to sell land for a new US-Canada bridge, a decision only blocked by organized opposition (see CBS Detroit, 2014). 3) Benton Harbor, a public park, is sacrificed for the benefit of private developers. Intangible benefits residents may enjoy using that public space are not part of the calculus; the only measure that seems to matter is what developers will pay into the coffers of Benton Harbor. EMs in these cities ignored long-term impacts of the loss of social capital or recovering the market value of the land simply to reduce debt.

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