



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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GOVERNOR

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## ***State to Begin Preliminary Review of Detroit's Finances*** *Treasurer Dillon says Financial Circumstances Warrant State Review*

State Treasurer Andy Dillon today, announced that the Department of Treasury will begin a preliminary review of the city of Detroit's finances, pursuant to Public Act 4 of 2011, the Local Government and School District Financial Accountability Act. The preliminary review, which will begin Tuesday, Dec. 6, will run parallel to the city's continuing effort to address its financial problems.

"While we have long hoped the Mayor and city council would agree on a viable recovery plan, given the mayor's description of the city's financial condition and the prospect the city may run out of cash in mere months, it has become clear that a preliminary financial review is not only warranted but necessary," said State Treasurer Dillon. "We must begin the review process, in the event the city does not develop a workable plan. The longer we wait to address Detroit's financial problems, the more painful the eventual solutions become."

"It is critical that we work and move forward together in these tough and challenging times," Gov. Snyder said. "Unity – not division – is the way to ensure that we can collectively and collaboratively ensure a revitalized, strong and successful Detroit and Michigan. We stand ready to be a supportive, constructive resource."

Under section 12 of PA 4, the state may conduct a preliminary review of a local unit of government's finances upon the existence of any one of 18 conditions. In respect to the City of Detroit, the following conditions are present:

- The local government has violated a requirement of the uniform budgeting and accounting act;
- The local government is in breach of its obligations under a deficit elimination plan or an agreement entered into pursuant to a deficit elimination plan;
- A municipal government has ended a fiscal year in a deficit condition as defined in section 21 of the Glenn Steil State Revenue sharing Act or has failed to comply with the requirements of that section for filing or instituting a financial plan to correct the deficit condition;
- A local government has been assigned a long-term debt rating within or below the BBB category or its equivalent by one or more nationally recognized credit rating agencies.

In addition to the conditions noted above, Section 12(2)(r) of PA 4, allows the State to conduct a preliminary review of a local unit of government's finances upon the existence of *facts or circumstances that in the state treasurer's sole discretion for a municipal government are indicative of municipal financial stress*. Treasurer Dillon has become aware of the following inter-related events:

- An ongoing inability of the executive and legislative branches of the city government to work cooperatively in respect to the financial management of the city;
- The existence of recurring operating deficits that essentially have been beyond the ability of city officials to resolve; and
- The imminent likelihood that the city will deplete its cash during the spring of 2012.

A preliminary financial review does not automatically mean that a financial emergency will be declared or an emergency manager appointed. A preliminary review provides a deeper, more accurate picture of Detroit's finances and allows the state to be prepared if the city does not develop a viable recovery plan.

“As Gov. Snyder has indicated on numerous occasions, a financially stable Detroit is critical to the reinvention of Michigan,” Dillon said. “We have spent months working with the city in hopes of addressing its financial difficulties, but time is now of the essence.”

For more information about PA 4, visit the Local Government Fiscal Health page on the Department of Treasury's Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

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