

Financial turnarounds not easy

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Emergency leaders in the spotlight as more Michigan communities falter

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When it comes to working with struggling cities or school districts, there's no magic wand for emergency financial managers to wave to permanently turn things around.

No one knows that better than Louis Schimmel.

For Schimmel, the City of Ecorse offers a perfect example of the chronic problem facing some Michigan communities.

"Ecorse was mismanaged when I took it over," he said. "Since that period, it has gone back to its old way and is mismanaged again."

Schimmel, now the director of municipal finance for the Mackinac Center for Public Policy, was the court-appointed receiver for the nearly bankrupt Downriver community beginning in 1986.

While touting his accomplishments over five years in stabilizing the city's finances, Schimmel — who also served as an emergency financial manager for Hamtramck — blamed Ecorse's recurring financial problems on local officials and said those problems would be truly corrected only when residents hold their elected leaders accountable.

Regardless, Gov. Jennifer

Emergency financial managers — and possible ones

The state has 15 people who could be called upon to become emergency financial managers. Emergency financial managers are currently in place in three locations in the state:

■ **Pamela Amato**, an attorney with master's degrees in business administration and project management who is also a medical technologist, is a manager in Three Oaks.

■ **Fred Leeb**, a turnaround specialist and owner of Nonprofit Management Group in Orchard Lake, is in Pontiac.

■ **Robert Bobb**, a former Washington city administrator, deputy mayor and homeland security adviser, is at the Detroit Public Schools.

The state also has other candidates:

■ **Robert Mason**, the emergency financial manager for Highland Park until July was also a former Farmington Hills city councilman and Chrysler executive.

■ **Thomas Diehl**, a certified public accountant in Mt. Clemens who has done forensic accounting and financial consulting.

■ **Darnell Earley**, city manager for Saginaw.

with the fallout from an FBI corruption probe of public works business as well as an estimated \$9-million deficit — under state control.

That's a scenario likely to face a growing number of Michigan communities in coming years, whether through mismanagement as Schimmel alleges, or a lack of funds.

John Melcher, associate director of the Michigan State University Center for Community and Economic Development, said the financial reality of lower tax revenues caused by a transitioning Michigan economy and the recession mean Ecorse is only the beginning of a wave of communities



Fred Leeb was appointed emergency financial manager for the City of Pontiac in March.

to convince the governor that the city is doing all it can to correct its financial woes and that a state takeover is not necessary.

He has dismissed suggestions that the city is poorly run and says Ecorse is being made a scapegoat for the financial problems facing many cities across the state.

Emergency financial managers have been used by the

■ **David Flaisher**, a certified public accountant and former township supervisor in West Bloomfield.

■ **J. Edward Hannan**, a former finance director in Pontiac and Detroit.

■ **Joseph Harris**, a former chief financial officer and auditor general for the City of Detroit and certified public accountant.

■ **Cynthia Johnson**, a partner in a Detroit law firm and adjunct faculty member at Wayne County Community College District.

■ **Robert Kittle**, president of the Kittle Group, a business management consulting firm.

■ **Bill McConico**, chief of staff in Highland Park and a former state representative.

■ **W. Howard Morris**, manager of Prairie & Tireman Investments and former emergency financial manager for Inkster Public Schools.

■ **Joyce Parker**, former city manager for Inkster.

■ **Cathy Square**, former chief operating officer for the City of Detroit and director for the Detroit Department of Public Works.

Source: Michigan Department of Treasury

are run by state-appointed managers.

Pontiac Mayor Clarence Phillips credits the appointment in March of Fred Leeb as emergency financial manager with easing the political divisions that kept it from addressing its problems, including a deficit of between \$5 million and \$7 million.

Though as mayor he acknowledges he would prefer more control, Phillips said Leeb's efforts have been more positive than negative.

"We talk all the time about different things, but the state gives him the final word," Phillips said of Leeb. "At least he tries to work with us."

state House last month that would require more transparency in the way emergency financial managers operate. The bill would, among other things, require managers to report and post online any time a manager spends or cuts \$10,000.

"Financial managers have not always left the communities harmless," Womack said. "We need to make sure we know exactly what they're doing."

Womack said his interest in requiring more transparency has nothing to do with the DPS school board's battle with Robert Bobb, the district's emergency manager, or with Arthur Blackwell II, who was ousted as the financial manager for Highland Park in April after the state said he improperly paid himself \$264,000. Blackwell has denied any wrongdoing.

The state announced that it was instituting new requirements on its emergency financial managers when it named Blackwell's replacement, Robert Mason, a former Farmington Hills city councilman and ex-Chrysler executive. His contract to oversee Highland Park ended in July.

Among the changes ordered by the state were requirements for monthly reports regarding payments made to the manager, quarterly reviews of the community or school district's financial records and a requirement that emergency financial managers quickly report possible finan-

Communities at risk

Earlier this year, the Treasury Department ranked communities based on their financial health using data from 2007.

Twenty-one communities in Wayne and Oakland counties were listed as being under fiscal watch or fiscal stress, although only two — Ecorse and Royal Oak Township — were in the more serious fiscal stress status.

■ Belleville
■ Brandon Township
■ Detroit
■ Ecorse
■ Farmington
■ Grosse Pointe Shores

■ Harper Woods
■ Hazel Park
■ Highland Park
■ Lake Angelus
■ Lincoln Park
■ Pontiac
■ River Rouge
■ Riverview
■ Royal Oak Township
■ Southfield
■ Sumpter Township
■ Taylor
■ Troy
■ Van Buren Township
■ Wyandotte

No Macomb County communities were under fiscal watch or stress.

Source: Michigan Department of Treasury

the state must first appoint someone who is honest and who has integrity.