



**ADMINISTRATIVE CENTER**  
**OFFICE OF THE EMERGENCY MANAGER**  
131 Pilgrim St.  
Highland Park, Michigan 48203

Donald B. Weatherspoon  
Emergency Manager

October 15, 2015

The Honorable Rick Snyder  
Governor, State of Michigan  
P.O. Box 30013  
Lansing, MI 48909

The Honorable Kevin Cotter  
Speaker of the Michigan House of Representatives  
P.O. Box 30014  
Lansing, MI 48933

The Honorable Arlan Meekhof  
Senate Majority Leader, State of Michigan  
P.O. Box 30036  
Lansing, MI 48909-7536

Dear Governor Snyder, Speaker Cotter, and Majority Leader Meekhof:

Pursuant to Michigan Public Act 436, of 2012, I am hereby filing with the Governor, the Senate Majority Leader and the Speaker of the House of Representatives, a Six (6) Month Report on Expenditures. This report will also be posted on the School District of the City of Muskegon Heights' website, [www.mhpsnet.org](http://www.mhpsnet.org). This report is based upon the school district's records for the three month period beginning April 15, 2015 and ending September 30, 2015, and consists of the following:

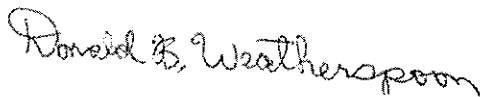
- a.) A description of each expenditure made, approved, or disapproved during the reporting period that has a cumulative value of \$5,000.00 or more and the source of the funds;
- b.) A list of each contract that the emergency manager awarded or approved with a cumulative value of \$5,000.00 or more, the purpose of the contract and the identity of the contractor;
- c.) A description of each loan sought, approved, or disapproved during the reporting period that has a cumulative value of \$5,000.00 or more and the proposed use of the funds;
- d.) A description of any new position created or any vacancy in a permanent position filled by the emergency manager;
- e.) A description of any position that has been eliminated or from which an employee has been laid-off;

- f.) A copy of the contract with the emergency manager as provided in Section 9(3)(e);
- g.) The salary and benefit of the emergency manager (please refer to contract under Item F);  
and
- h.) The Financial and Operating Plan

Please do not hesitate to contact me should you have any questions regarding this report.

Sincerely,

Respectfully submitted,



Donald B. Weatherspoon  
Emergency Manager

Cc: Nick A. Khouri , Treasurer, State of Michigan  
Mike Flanagan, Superintendent of Public Instruction  
Bert Johnson, Senator  
Latanya Garrett, State Representative  
Brenda Green, Highland Park City Clerk

Vendor	Source of Funds	Status	Amount	Description
AT&T CORP.	GENERAL FUND	APPROVED AND PAID	\$ 240,454.00	FINAL SETTLEMENT
DTE ENERGY	GENERAL FUND	APPROVED AND PAID	\$ 67,957.96	NATURAL GAS
HIGHLAND PARK PUBLIC SCHOOL ACADEMY	GENERAL FUND	APPROVED AND PAID	\$ 300,000.00	DISTRICT LEGACY COSTS
MIDDLE CITIES RISK MANAGEMENT TRUST	GENERAL FUND	APPROVED AND PAID	\$ 92,568.00	INSURANCE COSTS
MIDDLE CITIES RISK MANAGEMENT TRUST	GENERAL FUND	APPROVED AND PAID	\$ 5,879.00	INSURANCE COSTS
PROGRESSIVE DISTRIBUTION CTRS	GENERAL FUND	APPROVED AND PAID	\$ 9,560.76	TRANSCRIPT STORAGE
ROBERT HALF INTERNATIONAL	GENERAL FUND	APPROVED AND PAID	\$ 26,867.50	CONTRACTED STAFFING
ROBERT HALF INTERNATIONAL	GENERAL FUND	APPROVED AND PAID	\$ 23,203.60	CONTRACTED STAFFING
SCHOOL DISTRICT OF THE CITY OF MUSKEGON HEIGHTS	GENERAL FUND	APPROVED AND PAID	\$ 14,730.56	SHARED BUSINESS SERVICES
SCHOOL DISTRICT OF THE CITY OF MUSKEGON HEIGHTS	GENERAL FUND	APPROVED AND PAID	\$ 10,354.14	SHARED BUSINESS SERVICES
SECRET, WARDLE, LYNCH,	GENERAL FUND	APPROVED AND PAID	\$ 7,222.32	LEGAL FEES
SECURITAS SECURITY SERVICES USA, INC	GENERAL FUND	APPROVED AND PAID	\$ 5,017.72	SECURITY - OLD HIGH SCHOOL
UNEMPLOYMENT INSURANCE AGY	GENERAL FUND	APPROVED AND PAID	\$ 10,000.00	UNEMPLOYMENT PAYMENT AGREEMENT
UNEMPLOYMENT INSURANCE AGY	GENERAL FUND	APPROVED AND PAID	\$ 10,000.00	UNEMPLOYMENT PAYMENT AGREEMENT
UNEMPLOYMENT INSURANCE AGY	GENERAL FUND	APPROVED AND PAID	\$ 10,000.00	UNEMPLOYMENT PAYMENT AGREEMENT
W.W. WHITE'S MAINTENANCE	GENERAL FUND	APPROVED AND PAID	\$ 6,400.00	OFFICE RELOCATION
WAYNE RESA	GENERAL FUND	APPROVED AND PAID	\$ 6,096.00	COMPUTER SERVICES
WESTPORT INSURANCE CORP	GENERAL FUND	APPROVED AND PAID	\$ 6,942.46	LEGAL SETTLEMENT
SECRET, WARDLE, LYNCH,	GENERAL FUND	APPROVED, NOT PAID	\$ 6,710.00	LEGAL FEES
SECURITAS SECURITY SERVICES USA, INC	GENERAL FUND	APPROVED, NOT PAID	\$ 5,964.54	SECURITY - OLD HIGH SCHOOL
W.W. WHITE'S MAINTENANCE	GENERAL FUND	APPROVED, NOT PAID	\$ 8,300.00	SECURING SCHOOL SITE

**Emergency Manager Awarded or Approved with a Cumulative Value of \$5,000.00 or More**

**No contracts have been awarded during period**

**Loans Sought, Approved, or Disapproved During Reporting Period**

**No loans have been sought, approved, or disapproved during this period**

**Description of Any New Positions Created or Vacancy Filled During Reporting Period**

**No positions have been created or vacancy filled during reporting period**

**Description of Positions Eliminated/Layoffs**

**No positions have been eliminated during the reporting period**



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

## CONTRACT FOR EMERGENCY MANAGER SERVICES

Rick Snyder, Governor of the State of Michigan (Governor) and the Michigan Department of Treasury retain and appoint Donald B. Weatherspoon as the Emergency Manager (Emergency Manager) for the Highland Park School District (School District) under Public Act 436 of 2012, the Local Financial Stability and Choice Act, MCL 141.1541 *et seq.*, (the Act).

The Emergency Manager will provide services to the School District pursuant to the terms and conditions set forth in this Contract and the Act.

The Emergency Manager's role is to remedy the financial distress of the School District by requiring, within available resources, prudent fiscal management and an efficient provision of services by exercising the necessary authority conferred herein to take appropriate action on behalf of the School District and its students. In accepting this appointment, the Emergency Manager agrees to leverage all the Emergency Manager's skills and abilities to accomplish these objectives on behalf of School District students.

### 1. PARTIES, PURPOSE, DUTIES, AND REPORTS

1.1 Parties. The parties to this Contract are the State of Michigan by the Department of Treasury and Donald B. Weatherspoon.

1.2 Purpose. The parties to this Contract agree that Donald B. Weatherspoon will act as the Emergency Manager for the School District. The Emergency Manager's duties and responsibilities are delineated in the Act and include conducting all aspects of the operations of the School District and establishing and implementing a written financial plan as required by Section 11 of the Act.

1.3 Duties. The Emergency Manager shall possess all the powers and duties authorized under the Act, including those specifically related to local governments. In addition, the Emergency Manager shall work cooperatively with the Office of the Governor and the State Treasurer. The Emergency Manager agrees to continue to keep these officials informed of major initiatives to be undertaken in furtherance of this Contract before their public announcement. The Emergency Manager shall seek the approval of the State Treasurer before entering into a new collective bargaining agreement.

1.4 Reports. The Emergency Manager shall file quarterly reports with the Department of Treasury beginning on July 15, 2015, for the immediately preceding quarter and shall file the first report required by Section 17 of the Act within six months of the Emergency Manager's appointment and every three months thereafter.



1.5 Communications. The Emergency Manager shall establish and maintain an appropriate protocol for ongoing communications with officials of the School District, School District residents, and the media. The communications protocol should include a variety of means, including personal interactions.

## 2. TERM OF CONTRACT

2.1 The Emergency Manager serves at the pleasure of the Governor except as provided in Section 9(3)(d) and Section 9(6)(c) of the Act.

2.2 Effective Date. This contract is effective on Wednesday April 15, 2015.

## 3. COMPENSATION FOR SERVICES PROVIDED

3.1 Source of Payment. The State shall pay the compensation of the Emergency Manager for all services rendered under this Contract.

3.2 Salary. The Emergency Manager's salary for services rendered under this Contract shall be \$90,000.00 per year. If this Contract is terminated after the Emergency Manager has provided services for a portion of a month, the Emergency Manager shall be entitled, for that portion of that month, to \$7,500.00 multiplied by the proportion that the number of days of the month for which services were provided bears to the number of days of the whole month. The Emergency Manager shall not receive or accept any compensation from the School District or the State except as provided for in this contract.

3.3 Payment for Services. The Emergency Manager shall be paid in installments consistent with the established written policies and procedures of the Michigan Department of Treasury. If requested by the State Treasurer, the Emergency Manager shall provide to the Michigan Department of Treasury additional information regarding services performed pursuant to this Contract.

3.4 Reimbursement for Actual and Necessary Expenses. The actual and necessary expenses of the Emergency Manager, including customary expenses related to travel, meals, and lodging which are incurred in connection with service to the School District will be reimbursed by the School District. The Emergency Manager shall provide original copies of all receipts for meals, lodging, and travel reimbursement with any request for reimbursement. Any reimbursement for expenses under this contract shall be reviewed and approved in writing by the School District's Chief Financial Officer.

## 4. ADDITIONAL STAFF AND CONSULTANT FEES

4.1 Staff. The Emergency Manager may, as provided in the Act, appoint additional staff as necessary to fulfill the obligations of the Emergency Manager's appointment and duties under this Contract. Payment of compensation for additional staff will be the obligation of the School District. While authority to hire additional staff rests with the Emergency Manager, the Emergency Manager agrees to consult with the State Treasurer, or the designee of the State Treasurer, at least

24 hours before extending offers of employment for positions paying \$50,000.00, or more, annually. The Emergency Manager shall issue a written employment contract to each individual hired pursuant to this Section, regardless of the compensation paid to that individual. The employment contract issued pursuant to this Section shall, as of the date the individual is hired by the Emergency Manager, prohibit the individual from engaging in any other employment for remuneration without the express written approval of the Emergency Manager. The Emergency Manager agrees to consult with the State Treasurer, or the designee of the State Treasurer, at least 24 hours before approving outside employment for any individual. A breach of this Section shall be a material breach of this Contract.

**4.2 Professional Assistance.** The Emergency Manager may, as provided in the Act, secure professional assistance as necessary to fulfill the obligations of the Emergency Manager's appointment and duties under this Contract. Payment of compensation for additional professional assistance will be the obligation of the School District. The Emergency Manager agrees to consult with the State Treasurer, or the designee of the State Treasurer, at least 24 hours before authorizing professional services contracts of \$50,000.00, or more, per engagement or project. If a contract under this Section, or under Section 4.1, has a value of \$50,000 or more, the Emergency Manager shall not execute the contract unless the contract is subject to competitive bidding by the Emergency Manager or the Emergency Manager receives prior written approval from the State Treasurer.

**4.3 Security.** The Emergency Manager will be entitled to receive security protection in connection with the Emergency Manager's duties under this Contract. Security personnel will be retained only upon the approval of the State Treasurer, or the designee of the State Treasurer, and only after consultation with the Director of the Michigan Department of State Police, or the designee of the Director of the Michigan Department of State Police. Payment of compensation for security personnel will be the obligation of the School District.

## **5. REPRESENTATIONS**

**5.1 Qualifications.** By signing this Contract, the Emergency Manager, represents that the Emergency Manager meets the minimum qualifications for appointment set forth in the Act. The Emergency Manager shall perform the duties of that office on a full-time basis, except as otherwise approved by the State Treasurer, and shall not accept any other employment or engage in any other activity for remuneration without the express written approval of the State Treasurer.

**5.2 Conflict of Interest.** The Emergency Manager represents and warrants that the Emergency Manager has no personal or financial interest, and will not acquire any such interest, that would conflict in any manner or degree with the performance of this Contract.

**5.3 Non-competition.** The Emergency Manager represents and warrants that the Emergency Manager is not subject to any non-disclosure, non-competition, or similar clause with current or prior clients or employers that will interfere with the performance of this Contract. The State will not be subject to any liability for any such claim.

**5.4 Facilities and Personnel.** The School District will provide the Emergency Manager with

proper facilities and personnel to perform the services and work required to be performed pursuant to this Contract.

5.5 Records. The Emergency Manager shall maintain complete records in accordance with generally accepted accounting practices and sound business practices. This requirement applies to all information maintained or stored in the computer system of the Emergency Manager or computer system of the School District. The State Treasurer and his designees shall have the right to inspect all records related to this Contract.

5.6 Non-Discrimination.

a) The Emergency Manager shall comply with Public Act 220 of 1976, the Persons with Disabilities Civil Rights Act, MCL 37.1101 *et seq.*, and all applicable federal, State, and local fair employment practices and equal opportunity laws. The Emergency Manager covenants that the Emergency Manager will not discriminate against any employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of a disability that is unrelated to the individual's ability to perform the duties of a particular job or position. The Emergency Manager shall impose this covenant upon every subcontractor that enters into an agreement for the performance of any obligation imposed by this Contract. A breach of this covenant shall be a material breach of this Contract.

b) The Emergency Manager shall comply with Public Act 453 of 1976, the Elliott-Larsen Civil Rights Act, MCL 37.2101 *et seq.*, and all applicable federal, State, and local fair employment practices and equal opportunity laws. The Emergency Manager covenants that the Emergency Manager will not discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, or marital status. The Emergency Manager shall impose this covenant upon every subcontractor that enters into an agreement for the performance of any obligation imposed by this Contract. A breach of this covenant shall be a material breach of this Contract.

5.7 Unfair Labor Practices. The Emergency Manager shall not enter into a contract for the performance of any obligation imposed by this Contract with a subcontractor, manufacturer, or supplier whose name appears in the register prepared pursuant to Public Act 278 of 1980, MCL 423.322, of employers found in contempt of court for failure to correct unfair labor practices. The State may void this Contract if the Emergency Manager, or any subcontractor, manufacturer, or supplier of the Emergency Manager that is a party to a contract for the performance of any obligation imposed by this Contract, appears in the above mentioned register.

5.8 Independent Contractor. The relationship of the Emergency Manager to the State and to the School District under this Contract is that of an independent contractor. Except as specifically provided in the Act, no liability, benefits, workers compensation rights or liabilities, insurance rights or liabilities, or any other rights or liabilities arising out of, or related to, a contract for hire, nor employer-employee relationship, shall arise, accrue, or be implied to either party under this Contract or to an agent, subcontractor, or employee of either party under this Contract, as a

result of the performance of this Contract.

## 6. NOTICES

6.1 The State Treasurer is the designee for this Contract unless notice of another designation is provided by the Governor. All notices, correspondence, requests, inquiries, billing statements, and other documents mentioned in this Contract shall be directed to the attention of the State Treasurer, R. Kevin Clinton, and to the following:

For the State:

Michigan Department of Treasury  
Office of Legal Affairs  
Richard H. Austin Building, 430 West Allegan Street  
Lansing, Michigan 48922  
Phone: (517) 373-3223

For the Emergency Manager:

Ford Academy  
Highland Park Schools  
Donald B. Weatherspoon  
131 Pilgrim  
Highland Park, MI 48203

## 7. LIMITATION UPON LIABILITY

7.1 The State. The State, the Governor, the State Treasurer, and all other State officials are not liable for any obligation of or claim against the School District resulting from actions taken in accordance with the Act or this Contract.

7.2 The Emergency Manager. Pursuant to the Act, in performing this Contract the Emergency Manager is engaging in a governmental function and is immune from liability for any action taken which the Emergency Manager reasonably believes to be within the scope of the Emergency Manager's authority granted by the Act or by this Contract.

## 8. INSURANCE

8.1 General. The Emergency Manager may procure and maintain, at the expense of the School District, health, worker's compensation, general liability, professional liability, and motor vehicle insurance for the Emergency Manager and any employee, agent, appointee, or contractor of the Emergency Manager as may be provided to elected officials, appointed officials, or employees of the School District. The insurance procured and maintained by the Emergency Manager may extend to any claim, demand, or lawsuit asserted or costs recovered against the Emergency Manager and any employee, agent, appointee, or contractor of the Emergency Manager to the extent permitted by the Act.

cluded, the Emergency Manager or any employee, agent, appointee, or contractor of the Emergency Manager is subject to a claim, demand, or lawsuit arising from an action taken during the service of the Emergency Manager, and not covered by a procured insurance policy, litigation expenses, including but not limited to attorney fees, payments in satisfaction of judgments, and payments made in settlement as specified pursuant to the Act, shall be paid by the School District. If such expenses are not paid by the School District, they shall be treated as a debt owed to this State pursuant to section 17a(5) of Public Act 140 of 1971, the Glenn Steil State Revenue Sharing Act of 1971, MCL 141.917a.

**8.3 Additional Insurance.** If the School District has purchased, or otherwise obtained, an errors and omissions policy, then the Emergency Manager may choose to be covered under such policy at the expense of the School District.

**8.4 Payment by School District.** All insurance required under this Contract shall be acquired at the expense of the School District under valid and enforceable policies, issued by insurers of recognized responsibility. The State Treasurer reserves the right to reject as unacceptable any insurer.

## **9. TERMINATION OF CONTRACT AND APPOINTMENT**

### **9.1 Termination by the State.**

a) **The State.** The Emergency Manager serves at the pleasure of the Governor except as provided in Section 9(3)(d) and Section 9(6)(c) of the Act. The Governor has the power to rescind the appointment and terminate this Contract at any time, and without cause, by issuing a Notice of Termination to the Emergency Manager.

**9.2 Termination Process.** Upon receipt of a Notice of Termination, and except as otherwise directed, the Emergency Manager shall:

a) Cease work under this Contract upon the date and to the extent specified in the Notice of Termination;

b) Incur no costs beyond the date specified by the Notice of Termination;

c) Submit to the State Treasurer on the date the termination is effective all records, reports and documents as this State shall specify and carry out such directives as the State Treasurer may issue concerning the safeguarding and disposition of files and property; and

d) Submit within 30 calendar days a closing memorandum and final billing, which shall be paid within 30 days.

**9.3 Termination by Emergency Manager.** The Emergency Manager may terminate this Contract at any time, with or without cause, with 30 days written notice to the State Treasurer. Within 30 days of the Emergency Manager's final day of service, the Emergency Manager shall submit a closing memorandum and final billing, which shall be paid within 30 calendar days.

## 10. GENERAL PROVISIONS

10.1 Governing Law and Jurisdiction. This Contract shall be subject to, and construed according to, the laws of the State of Michigan, and no action shall be commenced against this State, its agents, or employees for any matter whatsoever arising out of this Contract, in any court other than a Michigan State court.

10.2 No Waiver. A party's failure to insist on the strict performance of this Contract shall not constitute waiver of any breach of the Contract.

10.3 Other Debts. The Emergency Manager represents and warrants that the Emergency Manager is not, and will not become, in arrears on any contract, debt, or other obligation to the State of Michigan, including taxes.

10.4 Invalidity. If any provision of this Contract or its application to any persons or circumstances shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Contract shall not be affected, and each remaining provision of this Contract shall be valid and enforceable to the fullest extent permitted by law.

10.5 Headings. Section headings contained in this Contract are for convenience only and shall not be used to interpret the scope or intent of this Contract.

10.6 Entire Agreement. This Contract represents the entire and exclusive agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties.

10.7 Amendment. No Contract amendment will be effective and binding upon the parties to this Contract unless the amendment expressly makes reference to this Contract, is in writing, and is signed by duly authorized representatives of all parties and all the requisite State approvals are obtained.

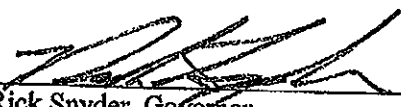
10.8 Order of Priority. This Contract and the Act shall be read to be consistent one with the other. However, if a conflict is deemed to exist between the terms of this Contract and the Act, the Act shall supersede the terms of this Contract.

10.9 Counterparts. This Contract may be executed in separate counterparts, each of which when executed shall be deemed an original, but all of which when taken together shall constitute one and the same Contract.

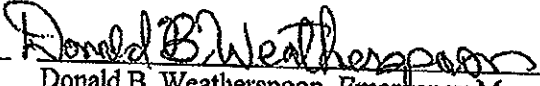
IN WITNESS WHEREOF, the Governor and the Emergency Manager have signed and executed this Contract.

STATE OF MICHIGAN

Dated: \_\_\_\_\_

  
Rick Snyder, Governor

Dated: 4/14/15

  
Donald B. Weatherspoon, Emergency Manager

Approved as to form and content pursuant to Section 9(3)(e) of Public Act 436 of 2012, the Local Financial Stability and Choice Act, MCL 141.1541 *et seq.*

Dated: 4-15-15

  
R. Kevin Clinton, State treasurer



Donald B. Weatherspoon  
Emergency Manager

**ADMINISTRATIVE CENTER**  
**OFFICE OF THE EMERGENCY MANAGER**  
131 Pilgrim St.  
Highland Park, Michigan 48203

June 1, 2015

Nick A. Khouri  
State Treasurer  
Michigan Department of Treasury  
430 West Allegan Street  
Lansing, Michigan 48922

**RE: Emergency Manager's Financial & Operating Plan and Educational Plan for the School District of the City of Highland Park**

Treasurer Khouri,

Enclosed for your review and consideration is the amended Financial and Operating Plan (the "Plan") for School district of the City of Highland Park (the "District") in accordance with Section 11(1) of Public Act 436 of 2012. The Plan includes the Education Plan as required by Section 11(2).

The Plan provides an overview of the District's current situation, highlights the operational structure and challenges, and continues to lay the foundation of the guiding principles and steps necessary to return the District to financial and operational stability.

**Current Situation**

- Due to financial and academic constraints, the District will cause the provision of 9 through 12<sup>th</sup> grade educational services to be provided by Detroit Public Schools ("DPS") starting in Fall 2015. It is contemplated that a new provision of services will be executed between the District and DPS to provide educational services for grades 9-12.
- Legacy costs, including but not limited to, retirement pensions, unemployment insurance, legal services, and utilities (water, natural gas, electricity, and telephone) have not been fully paid to date. Interest and penalties continue to accrue on the past-due retirement pension and unemployment contributions, further complicating the financial situation of the district.
- The budget deficit is projected to decrease slightly for 2014-15, and will continue to decrease by an estimated \$800,000 each year after. This plan assumes, however, that the operating tax levy



will be reinstated after it expires in 2016. A rejection of this millage proposal will have a devastating impact on the district, essentially making financial recovery impossible.

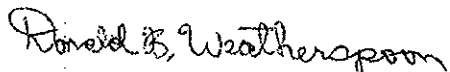
- The District continues to serve as the authorizer for the Highland Park Public School Academy and George Washington Carver Academy.

#### **Education and Operational Plan**

- The District will continue to provide the educational services for all K-12 residents -- through both the Highland Park Public School Academy System for grades Pre K – 8 and through DPS for grades 9 through 12.
- The District, as the authorizer for both the Highland Park Public School Academy and the George Washington Carver Academy, will continue to monitor and assist both academies with respect to increased student achievement and sound financial management.

The Plan also includes the latest version of the Deficit Elimination Plan (DEP) and links to the current Education Plan. The DEP (which also serves as the district budget) and Education Plan will need to be continually reevaluated in consultation with the Michigan Department of Education as the District works to stabilize itself financially, while assisting its public school academies in delivering acceptable educational outcomes.

Respectfully submitted,



Donald B. Weatherspoon  
Highland Park Public Schools  
Emergency Manager

Cc: Mike Flanagan, State Superintendent of Public Instruction  
Thomas F. Saxton, Chief Deputy Treasurer

Highland Park Public Schools  
Office of the Emergency Manager  
Donald B. Weatherspoon



Financial and Operating Plan  
June 1, 2015

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## **1. INTRODUCTION**

The Emergency Manager submits this Financial and Operating Plan (the "Plan") to the State Treasurer as required by section 11(2) of Public Act 436 of 2012 ("PA 436"). The objective of this Plan is to ensure that the Highland Park School District is able to provide, or cause to be provided, governmental services essential to the public health, safety and welfare of its citizens and to assure the fiscal accountability and stability of the District.

As provided in section 11(3) of PA 436, this Plan is presented in a form developed in consultation with the State Treasurer. In preparing this report, the Emergency Manager has relied on past reports prepared by former Emergency Managers, as well as recent interviews with the current staff, members of the Highland Park Public School Academy System Board and the George Washington Carver Academy appointed school Board of Directors, members of the Highland Park elected school board, City of Highland Park elected officials, Wayne County Regional Educational Service Agency (WRESA), administrators and various community groups and individuals.

As a result of these discussions and observations, the Emergency Manager has been able to create the preliminary plan that follows. Through additional discussions with stakeholders, and additional data that still needs to be gathered, the Emergency Manager will continue to work along with the State Treasurer to modify this plan as needed.

A public informational meeting with respect to this Plan will be held on July 1, 2015.

**2. CURRENT SITUATION**

**a. Demographics**

The School District of the City of Highland Park ("District") serves the residents of the City of Highland Park, which is located in Wayne County in southeastern Michigan. The City is approximately 3 square miles with a population of approximately 11,300. Below is a summary of a few key demographics.

Income. As shown in the table below, the median household income in Highland Park is \$18,981, which is less than half of the State median household income of \$48,411.

INCOME	Highland Park		State of Michigan	
Total households	4,534	100%	3,823,280	100%
Less than \$10,000	1,543	34%	312,673	8%
\$10,000 to \$14,999	378	8%	215,695	6%
\$15,000 to \$24,999	863	19%	452,251	12%
\$25,000 to \$34,999	541	12%	426,840	11%
\$35,000 to \$49,999	438	10%	557,516	15%
\$50,000 to \$74,999	506	11%	704,343	18%
\$75,000 to \$99,999	188	4%	455,719	12%
\$100,000 to \$149,999	40	1%	436,587	11%
\$150,000 to \$199,999	9	0%	143,832	4%
\$200,000 or more	28	1%	117,824	3%
Median household income (dollars)	\$18,981		\$48,411	
Mean household income (dollars)	\$29,656		\$64,753	

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Highland Park, Michigan).

Race: As shown in the table on the next page, a majority of residents within the City indicate they are of Black of African American decent. The next largest population reported they were of White decent, and represents approximately 5 percent of the total population in the City.

RACE	Highland Park		State of Michigan	
Total population	11,293	100%	9,886,095	100%
White	589	5%	7,841,011	79%
Black or African American	10,454	93%	1,385,154	14%
Asian	20	0%	251,175	3%
Asian Indian	15	0%	83,066	1%
Other Asian	5	0%	42,217	0%
Some other race	39	0%	107,676	1%
Two or more races	161	1%	243,968	2%
White and Black or African American	36	0%	83,326	1%
White and American Indian and Alaska Native	119	1%	57,833	1%

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Highland Park, Michigan).

**Educational Attainment:** Nearly 75% of residents (25 years and older) have earned at least a high school diploma (or equivalent). When looking at post-secondary education, 10% of City residents have earned a bachelor's degree or higher, compared to over 25% of residents State-wide who have earned a bachelor's degree or higher education.

Educational Attainment	Highland Park		State of Michigan	
Less than 9th grade				
9th to 12th grade, no diploma	4.8%		3.4%	
High school graduate (includes equivalency)	21.4%		7.7%	
Some college, no degree	31.9%		30.4%	
Associate's degree	25.3%		24.0%	
Bachelor's degree	6.7%		8.6%	
Graduate or professional degree	6.1%		15.9%	
	3.8%		10.0%	
<b>Percent high school graduate or higher</b>	<b>73.8%</b>		<b>88.9%</b>	
<b>Percent bachelor's degree or higher</b>	<b>9.9%</b>		<b>25.9%</b>	

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Highland Park, Michigan).

#### b. Educational Landscape

The District is located in Wayne County, the most populous county in the State with a total population of approximately 1.8 million. There are 33 school districts in the County serving approximately 226,000 students. Additionally, there are 111 Public School Academies serving 64,000 students for a combined total of approximately 290,000 students in public schools county-wide. (Source: Wayne RESA.) The District, through the Highland Park Public School Academy currently educates approximately 510 students (Pre-K-12<sup>th</sup>).

The District also currently serves as the Authorizer of George Washington Academy (<http://gwcarteracademy.org/>).

### 3. ACADEMIC SUMMARY

#### a. History of Highland Park School Charter Creation

On March 2, 2012, Mr. Jackie Martin was appointed by Governor Rick Snyder to become the first Emergency Manager for the District. The Governor's determination was based on an independent, eight member review team report which found several financial problems, including:

- The School District's cumulative General Fund (GF) deficit increased by 51.0 percent in one year (from \$7.5 million to \$11.3 million).
- The District's year-end GF balances had been negative since 2007.
- The District's pupil enrollment had decreased by more than 58 percent from 2006 to 2011 (from 3,179 to 1,331).

The first Financial and Operating Plan for the District was submitted by Joyce Parker, who was appointed by the Governor in May 2012. Ms. Parker submitted the Plan to the State Superintendent and State Treasurer, which included a proposal to establish a new public school academy (charter) system (the "System") to provide educational services to students in the District. The emergency manager's decision to the System was the only viable option that allowed children to attend school within the Highland Park community and halt the escalating debt that had been crippling the District. Shortly thereafter, Ms. Parker released a Request for Proposals (RFP) seeking an operator for the newly formed System. The new System, which would serve K-12 students in many of the same District owned buildings, was to be operated under a charter contract, and governed by a three-member board of directors. Day-to-day management would be provided by the experienced education services management firm sought out in the RFP. Ms. Parker signed an order establishing a contract between the District and the System as a means to provide education for the students of Highland Park. That same day, a management agreement between the System and the Leona Group was signed, declaring that they would become the System's Education Service Provider (ESP). This original agreement was for five years, through 2017, to provide services for grades Pre K – 12.

#### b. Recent Development

The ESP agreement has been amended since then, as recent as May 28, 2015, and reflects the current situation that the System will only provide services for grades Pre K – 8, beginning in Fall 2015. Based on numerous conversations and supporting documentation, it is evident that System is struggling to offer the academic options and extracurricular activities that are available in nearby, larger schools. Faced with these realities and working with the state Treasury Department and the System, the current Emergency Manager, Don Weatherspoon, has determined it is better for children to close Highland Park High School and help families find new opportunities in these nearby programs. It is envisioned in the very near future, that an additional Provision of Services Agreement will be entered into by the District and Detroit Public Schools, to provide residents of Highland Park with the education services for grades 9-12, beginning Fall 2015.

One of the highest priorities is the wellbeing and education of these students. It has been ensured that these kids will get every opportunity for the education they need and deserve with the absolute least disruption possible. The Emergency manager, along with the State, are working closely with Detroit Public Schools (which will serve as the home district), the Education Achievement Authority, area charter schools, and other entities. Everyone will be guaranteed a spot somewhere. An **information session and school open house** is scheduled for **6-8 p.m. on Monday, June 8**, at the Ernest T. Ford Recreation Center, 10 Pitkin St., Highland Park, for the high school students and their families.

**c. Highland Park School Academy Board Members**

The current PSA Board members include:

- Archer Collins, President - Term Expires 2016
- John D. White, Secretary - Term Expires 2017
- Linda Bassett, Treasurer - Term Expires 2016

**d. Academic Performance of Highland Park Public School Academy**

Current academic performance of the Highland Park Public School Academy can be found [HERE](#).

**e. Education Plan**

The District intends to develop its written educational plan using the District Improvement Plan (DIP) structure and submission process. The District will revise the current District Improvement Plan, which would then become the working Education Plan per this Plan, and the basis for subsequent revisions of reform plans, school improvement plans, or other required activities stated in this agreement. The following items are currently being considered for the revised DIP:

- **Cross-cutting big ideas.** The District will review academic and student demographic data to identify 2-3 cross-cutting ideas designed to yield academic improvement for all students. These cross-cutting ideas should be based upon a wide range of data, and should incorporate strategies to improve proficiency in all core subject areas, engage more students, reduce achievement gaps, improve basic literacy and numeracy skills, improve graduation rates, and provide more personalized learning options for all students.
- **Goals and Content Subject Areas.** The District will develop specific strategies for each of the core subject areas (Language Arts, Mathematics, Science, and Social Studies) to align student expectations with Michigan's Career and College Ready Standards. The District will research elective content offerings and instructional strategies to align with existing standards, as well as the Michigan Merit Curriculum. Cross-cutting practices, such as reading, writing, and numeracy skills across content areas will also be researched.
- **Grade Level Bands and Special Populations.** The District should develop a specific strategy for each of the following grade bands and/or special populations, and use existing achievement and other data from current students in each school (both formative and summative assessment data aligned to the content standards as outlined in the previous section) to inform decisions to support instructional and learning programming for these populations:



- Pre-school through early elementary,
  - Upper elementary,
  - Middle school,
  - High school,
  - English Language Learners (across all grade spans),
  - Students with Disabilities (across all grade spans), and
  - Career and Technical Education or Alternative Education students.
- **Alignment of Programs.** The District will review progress on the implementation of the revised DIP using student achievement data and other locally identified data, in coordination with the Educational Service Provider(s), if any, and identify programs and strategies that are not aligned with DIP goals, not being implemented with fidelity, or those that may be at cross-purposes with other adopted programs and strategies. Programs and services so identified should be revised to ensure alignment with DIP goals or be eliminated. Alignment information shall be called out within the language of the revised DIP.
  - **Strategies for Climate and Culture Improvements and Student Engagement.** The District will attempt to include specific strategies for improving the climate and learning culture of all schools in the District. Each component of the revised DIP should have a strategy to improve student engagement in instruction (as well as the assumed focus on student achievement in these areas).

The existing School Improvement Plans are included as an Appendix.

#### 4. FINANCIAL SUMMARY

##### a. Deficit Elimination Plan

Below you will find the amended Deficit Elimination Plan (DEP) for the Highland Park Public School District, which also serves as the budget of the district. According to this plan, the district will be out of deficit by 2023-24.

##### Highland Park Public Schools Deficit Elimination Plan

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
<b>Beginning Fund Balance</b>	<b>\$ (7,900,504)</b>	<b>\$ (7,261,405)</b>	<b>\$ (6,373,536)</b>	<b>\$ (5,551,241)</b>	<b>\$ (4,729,345)</b>
<b>Revenue</b>					
Property taxes	\$ 1,619,859	\$ 1,571,264	\$ 1,571,264	\$ 1,571,264	\$ 1,571,264
Oversight fees	\$ 261,840	\$ 199,279	\$ 199,279	\$ 199,279	\$ 199,279
Asset Sales	\$ 25,000	\$ 160,000			
Transfers and Other	\$ 367,810	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>Total Revenue</b>	<b>\$ 2,274,509</b>	<b>\$ 1,940,543</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>
<b>Expenditures</b>					
Supervision & Direction	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
Board of Education	\$ 112,520	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Executive Administration	\$ 118,091	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Business Services	\$ 427,096	\$ 327,096	\$ 227,096	\$ 227,096	\$ 227,096
Building Services	\$ 76,200	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Security Services	\$ 234,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
District Technology	\$ 12,616	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Emergency Loan Payments	\$ 351,288	\$ 346,978	\$ 352,551	\$ 352,950	\$ 353,233
Transfers and Other	\$ 300,000				
<b>Total Expenditures</b>	<b>\$ 1,635,411</b>	<b>\$ 1,052,674</b>	<b>\$ 958,247</b>	<b>\$ 958,646</b>	<b>\$ 958,929</b>
<b>Revenues Less Expenditures</b>	<b>\$ 639,099</b>	<b>\$ 887,869</b>	<b>\$ 822,295</b>	<b>\$ 821,897</b>	<b>\$ 821,614</b>
<b>Projected Ending Fund Balance</b>	<b>\$ (7,261,405)</b>	<b>\$ (6,373,536)</b>	<b>\$ (5,551,241)</b>	<b>\$ (4,729,345)</b>	<b>\$ (3,907,731)</b>

**Highland Park Public Schools**  
Deficit Elimination Plan

	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
<b>Beginning Fund Balance</b>	<b>\$ (3,907,731)</b>	<b>\$ (3,086,283)</b>	<b>\$ (2,259,943)</b>	<b>\$ (1,438,594)</b>	<b>\$ (617,061)</b>
<b>Revenue</b>					
Property taxes	\$ 1,571,264	\$ 1,571,264	\$ 1,571,264	\$ 1,571,264	\$ 1,571,264
Oversight fees	\$ 199,279	\$ 199,279	\$ 199,279	\$ 199,279	\$ 199,279
Asset Sales					
Transfers and Other	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>Total Revenue</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>	<b>\$ 1,780,543</b>
<b>Expenditures</b>					
Supervision & Direction	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
Board of Education	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Executive Administration	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Business Services	\$ 227,096	\$ 227,096	\$ 227,096	\$ 227,096	\$ 227,096
Building Services	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Security Services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
District Technology	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Emergency Loan Payments	\$ 353,399	\$ 348,506	\$ 353,498	\$ 353,314	\$ 353,014
Transfers and Other					
<b>Total Expenditures</b>	<b>\$ 959,095</b>	<b>\$ 954,202</b>	<b>\$ 959,194</b>	<b>\$ 959,010</b>	<b>\$ 958,710</b>
<b>Revenues Less Expenditures</b>	<b>\$ 821,448</b>	<b>\$ 826,340</b>	<b>\$ 821,349</b>	<b>\$ 821,533</b>	<b>\$ 821,833</b>
<b>Projected Ending Fund Balance</b>	<b>\$ (3,086,283)</b>	<b>\$ (2,259,943)</b>	<b>\$ (1,438,594)</b>	<b>\$ (617,061)</b>	<b>\$ 204,772</b>

## Deficit Elimination Plan Highlights:

### Revenue

- Property Taxes
  - The district's main source of revenue is the levy of 18 mills on non-homestead property taxes. HPPS collects its tax revenues with a summer levy.
- Oversight Fees
  - As discussed in previous sections of this report, the district relies on its academies to provide education to the children of Highland Park. As the charter authorizer, the former district is statutorily authorized to charge a fee of not greater than 3% of state aid received by the public school academies.
- Asset Sales
  - To reduce the deficit of the district, the Emergency Manager is allowed (per PA 436) to sell surplus assets of the district. Currently, the district owns four buildings and four parcels of cleared land. In 2015-16, the district plans on selling its property located at 20 Bartlett St. (\$90,000) and 13321 Hamilton (\$60,000). Purchase agreements are currently in place for both properties.

### Expenditures

- Board of Education
  - Expenditures within this cost function include legal and audit fees associated with operating the former district.
- Executive Administration
  - This function includes costs associated with the Charter School Manager, as well as other reimbursable expenditures of the Emergency Manager per contract. The Emergency Manager salary is *not* paid by the district. This is paid by the State of Michigan.
- Business Services
  - Amounts within this function include the cost of the districts contracted staff, as well as shared business service costs. Expenses also included within this function are projected interest and penalties on delinquent pension and unemployment costs. This continues to be a major issue for the district, considering the principal amount owed to both the Unemployment Insurance Agency (UIA) and Office of Retirement Services (ORS) is quite large. The district is currently working with both of these agencies to construct a financially feasible payment plan that addresses a larger portion of the principal owed, rather than the compounding interest and penalties.
- Building Services
  - The largest portion of this cost function pertains to general liability insurance. The district is actively seeking ways to reduce this cost.

- Security Services
  - The district has used a large portion of its cash resources to maintain 24-hour security at its former high school building located at 15900 Woodward Ave. These costs should decrease in subsequent years.
- Emergency Loan Payments
  - In order to finance the vast amount of debts accumulated by the district prior to state receivership, the district was granted emergency loans by the State of Michigan Emergency Loan Board. The repayment of these loans comes from the current operations of the former district, will continue until the principal amounts of these loans are paid in their entirety. The last payment for these loans will occur in April of 2042.
- Transfers and Other
  - Amounts included in this item pertain to transfers to other school districts within the State of Michigan.

**f. Links to PSA Budget and Deficit Elimination Plan**

Information in regard to the financials of the Highland Park Public School academies can be found by using the following link:

Highland Park Public School Academy: <http://www.hprenaissance.com/transparency.html>

George Washington Carver Academy: [http://gwcарveracademy.org/?page\\_id=89](http://gwcарveracademy.org/?page_id=89)