



City of Hamtramck

3401 Evaline Street Hamtramck, Michigan 48212

Telephone 313-876-7700

Cathy L. Square, Emergency Manager

DATED: January 29, 2014

ORDER NO. S-008

RE: City of Hamtramck/Action Under Section 12(1)(k) PA 436 of 2012 of the Local Financial Stability and Choice Act *Related to Healthcare for Retirees of Hamtramck Fraternal Order of Police Labor Council, Hamtramck Fire Fighters Union Local 750, AFSCME Local 666 AFL-CIO, Hamtramck Ranking Officers Association, Non-Union Retirees*

TO: City Clerk
Margaret Scanio, Director Human Resources, Payroll, Labor Relations

The Local Financial Stability and Choice Act (Act 436 of 2012/MCL 141.15411, et. seq.) in Section 10 empowers an Emergency Manager to issue orders to the appropriate local elected and appointed officials and employees, agents, and contractors of the local government a Manager considers necessary to accomplish the purposes of the Act and any such orders are binding on the local elected and appointed officials and employees, agents, and contractors of the local government to whom they are issued.

Section 12(1) of the Act provides that “[a]n emergency manager may take 1 or more of the following additional actions with respect to a local government that is in receivership, notwithstanding any charter provision to the contrary: (g) Make, approve or disapprove any appropriation, contract, expenditure...; (k) Subject to section 19, after meeting and conferring with the appropriate bargaining representative and, if in the emergency manager’s sole discretion and judgment, a prompt and satisfactory resolution is unlikely to be obtained, reject, modify, or terminate 1 or more terms and conditions of an existing collective bargaining agreement. The rejection, modification, or termination of 1 or more terms and conditions of an existing collective bargaining agreement under this subdivision is a legitimate exercise of the state’s sovereign powers if the emergency manager and the state treasurer determine that all of the following conditions are satisfied...; (l) Act as sole agent of the local government in collective bargaining with employees or representatives and approve any contract or agreement; (ee) Take any other action or exercise any power or authority of any officer, employee, department, board, commission, or other similar entity of the local government, whether elected or appointed, relating to the operation of the local government. The power of the emergency manager shall be superior to and supersede the power of any of the foregoing officers or entities....”

On December 18, 2013, I requested that the State Treasurer concur in my determination under Section 12(1)k of the Local Fiscal Stability and Choice Act, Public Act 436 of 2012 (Act) to allow termination of those sections of the Collective Bargaining Agreement with the unions listed above concerning health insurance.

As stated in the December 18, 2013, correspondence to the State Treasurer, in my sole discretion and judgment, a prompt and satisfactory resolution of outstanding issues is unlikely to be obtained. Therefore, I determined that the four conditions of Section 12(1)k of the Act had been satisfied.

On January 28, 2014, the State Treasurer concurred with my determination and made his separate determination (see attached) that the four conditions of Section 12(1)k of the Act had been satisfied.

It is hereby ordered:

- I. By operation of law, as provided in Section 12(1)k of the Act, pursuant to the determinations made by me and the State Treasurer, the sections of the Collective Bargaining Agreement with the City and the unions listed above concerning only the retirees¹ entitled to the benefits as described below and to the extent the retirees are eligible and currently receive the benefits of health insurance has been terminated and replaced with the following:

Healthcare

Effective March 1, 2014, all retirees, their spouses and dependents shall be provided Blue Cross/Blue Shield \$2,000/\$4,000 High Deductible Plan and a \$10/\$40/\$80 Prescription Drug Coverage Plan and the City will not contribute to the HSA or HRA for the retirees.

- II. The Human Resource Director is directed to take all steps necessary to advise the retirees of this order and the various insurance options that may be available to them at their expense.

¹ Unless otherwise noted, retirees shall include both eligible spouses of retirees as well as eligible dependent.

The Order shall have immediate effect.

Copies of the documents referenced in this Order are to be maintained in the offices of the City Clerk and may be reviewed and/or copies may be obtained upon submission of a written request consistent with the requirements of the Michigan Freedom of Information Act and subject to any exemptions contained in that state statute and subject to any exemptions allowed under that statute (**Public Act 442 of 1976, MCL 15.231, et. seq.**).

This order is effective as indicated and is necessary to carry out the duties and responsibilities required of the Emergency Manager as set forth in the Local Financial Stability and Choice Act (Act 436 of 2012/MCL 141.15411, et. seq.) and the contract between the Local Emergency Financial Assistance Loan Board and the Emergency Manager.

A handwritten signature in cursive script, appearing to read "Cathy L. Square", is written over a horizontal line.

Cathy L. Square, Emergency Manager

City of Hamtramck

cc: State of Michigan Department of Treasury
Mayor
City Council



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

January 27, 2014

Cathy Square, Emergency Manager
City of Hamtramck
3401 Evaline Street
Hamtramck, MI 48212

Ms. Square:

This letter serves as notice of my approval regarding the reduction of the retiree healthcare benefits. You have indicated that the City has been in a financial emergency for a number of years and can no longer afford the cost of the existing retiree healthcare plan. As a part of your Financial Operating Plan you stated that retiree healthcare was an area for cost reduction. The Hamtramck City Council concurred with the proposed reduction by passing Resolution 2013-136 dated December 17, 2014. This modification is estimated to realize over \$1,500,000.00 in savings.

You have asked for approval of this modification under Section 12(1)(k) because you have determined that a satisfactory resolution is unlikely to be obtained without this action. All Section 12(1)(k) determinations must first be approved by the State Treasurer. Because I concur that this modification satisfies the criteria of Section 12(1)(k), I hereby approve this request. You may implement the proposed contract modification without further delay.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Kevin Clinton".

R. Kevin Clinton
State Treasurer