



Muskegon Heights Public Schools

2603 Leahy Street • Muskegon Heights, MI 49444 • Phone 231-830-3221 Fax 231-830-3560

Steve Schiller
Emergency Manager

January 15, 2016

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:

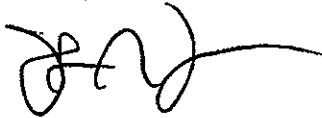
Pursuant to Michigan Public Act 436, of 2012, I am hereby filing with the Governor, the Senate Majority Leader and the Speaker of the House of Representatives, a Three (3) Month Report on Expenditures. This report will also be posted on the School District of the City of Muskegon Heights' website, www.mhpsnet.org. This report is based upon the school district's records for the period beginning October 1, 2015 and ending December 31, 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 benefits 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,



Steven M. Schiller
Emergency Manager

Cc: Nick A. Khouri, Treasurer, State of Michigan
Brian J. Whiston, State Superintendent
Goeff Hansen, Senator
Marcia Hovey-Wright, State Representative
Sharon Gibbs, Muskegon Heights City Clerk

VENDOR NAME
BRICKLEY DELONG, CPA
MUSKEGON HEIGHTS ACA

SOURCE OF FUNDS
GENERAL FUND
GENERAL FUND

STATUS
PAID
PAID

AMOUNT
9,625.00
6,497.50

DESCRIPTION
AUDIT FEES
LEGAL SERVICES

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 Steven Michael Schiller as the Emergency Manager (Emergency Manager) for the Muskegon Heights 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 Steven Michael Schiller.

1.2 Purpose. The parties to this Contract agree that Steven Michael Schiller 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 \$80,000.00 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 \$6,666.67 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:

Steven Michael Schiller
Administration Building
2603 Leahy Street
Muskegon Heights, MI 49444

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.

8.2 Post-Contract. If, after the date that the service of the Emergency Manager is con-

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: 4/17/15 
Rick Snyder, Governor

Dated: 4/14/15 
Steven Michael Schiller, 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



Muskegon Heights Public Schools

2603 Leahy Street • Muskegon Heights, MI 49444 • Phone 231-830-3221 Fax 231-830-3560

Steve Schiller
Emergency Manager

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 Muskegon Heights

Treasurer Khouri,

Enclosed for your review and consideration is the amended Financial and Operating Plan (the "Plan") for the School District of the City of Muskegon Heights (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

- The District has lost significant revenue over the past several years due to falling property tax valuations and property tax delinquencies.
- The District continues to struggle with residual financial issues related to the exit of Mosaica Education Inc. (former Muskegon Heights Public School Academy educational service provider) which occurred on June 30, 2014.
- The budget deficit continues to decline and the negative fund balance, which stood at \$11.9 million at the end of 2012, has been reduced to \$1.09 million at the end of fiscal year 2014.
- Payments to the Office of Retirement Service (ORS) continue to go only towards interest payments, leaving the principal amount due untouched.
- The District continues to serve as the authorizer for the Muskegon Heights Public School Academy.

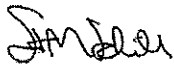
Education and Operational Plan

The School District of the City of Muskegon Heights, as the authorizer for the Muskegon Heights Public School Academy, will continue to monitor and assist the Academy as it continues to become educationally sound and fiscally fit.

- The Muskegon Heights Public School Academy has provided their education plan which is part of this report.
- A comprehensive plan for Muskegon Heights Public School Academy will need to address the continuing issue of serving a higher proportion of special education and other high needs students. The additional costs associated with this plan will be supplemented by general fund sources, as all federal and earmarked funds associated with special education continue to be allocated in full each year.
- Any long-term solutions will require cooperation with the State of Michigan, The City of Muskegon Heights, and other key constituents in order to be successful.

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 the Muskegon Heights Public School Academy in delivering acceptable educational outcomes.

Respectfully submitted,



Steven Schiller
Emergency Manager
School District of the City of Muskegon Heights

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

Muskegon Heights Public Schools

Office of the Emergency Manager

Steven Schiller



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 Muskegon Heights Public 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 appointed school board, members of the elected school board, City of Muskegon Heights officials, Muskegon Area Intermediate School District (MAISD) 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 or revealed, 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 Muskegon Heights (“District”) serves the residents of the City of Muskegon Heights, which is located in Muskegon County on the eastern shore of Lake Michigan in the southwestern part of the State of Michigan. Approximately 175,000 residents live within the County, and the City is home to a just over five percent of that population. Below is a summary of key demographics for the City, County, and the State.

Income. The median household income for the County and State are much closer than that of the City and County. As shown in the table below, the City median household income is \$19,368, which is less than half of the County median household income which is \$40,979.

INCOME AND BENEFITS	Muskegon Heights		Muskegon County		State of Michigan	
Total households	4,270	100%	65,008	100%	3,823,280	100%
Less than \$10,000	1,041	24%	5,914	9%	312,673	8%
\$10,000 to \$14,999	521	12%	4,519	7%	215,695	6%
\$15,000 to \$24,999	1,010	24%	9,513	15%	452,251	12%
\$25,000 to \$34,999	617	14%	8,460	13%	426,840	11%
\$35,000 to \$49,999	448	10%	9,772	15%	557,516	15%
\$50,000 to \$74,999	301	7%	12,409	19%	704,343	18%
\$75,000 to \$99,999	226	5%	6,853	11%	455,719	12%
\$100,000 to \$149,999	83	2%	5,284	8%	436,587	11%
\$150,000 to \$199,999	23	1%	1,499	2%	143,832	4%
\$200,000 or more	0	0%	785	1%	117,824	3%
Median household income	\$19,368		\$40,979		\$48,411	
Mean household income	\$28,441		\$52,917		\$64,753	

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State of Michigan).

Race. Similar to the income data, the diversity of the County is more similar to that of the State, which differs from that of the City. As shown in the table below, a majority of residents within the City (78%) indicate they are of Black or African American descent, compared to 14% for both County and State. The next largest population of those in the City reported they were of White decent, and represents approximately one-sixth of the total population, compared to 81% in the County and 79% in the State.

RACE	Muskegon Heights		Muskegon County		State of Michigan	
Total population	10,856	100%	171,153	100%	9,883,640	100%
White	1,739	16%	138,074	81%	7,803,120	79%
Black or African American	8,501	78%	23,614	14%	1,400,362	14%
American Indian and Alaska Native	33	0%	1,047	1%	62,007	1%
Asian	14	0%	1,061	1%	238,199	2%
Asian Indian	11	0%	134	0%	77,132	1%
Filipino	1	0%	208	0%	22,047	0%
Korean	1	0%	211	0%	24,186	0%
Other Asian [1]	1	0%	190	0%	42,640	0%
Some Other Race	153	1%	1,408	1%	147,029	1%
Two or More Races	416	4%	5,894	3%	230,319	2%
White; American Indian						
Alaska Native [3]	50	0%	1,703	1%	52,202	1%
White; Asian [3]	8	0%	300	0%	38,198	0%
White; Black or African American [3]	215	2%	2,630	2%	72,344	1%
White; Some Other Race [3]	25	0%	536	0%	22,133	0%

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State Michigan).

Educational Attainment. As shown in the table below, nearly 80% of City residents (25 years and older) have earned at least a high school diploma (or equivalent), compared to nearly 90% for both County and State. When looking at post-secondary education, approximately one in four people state-wide have earned a bachelor's degree or higher, compared to 17% in the County, and only 5% of residents in the City.

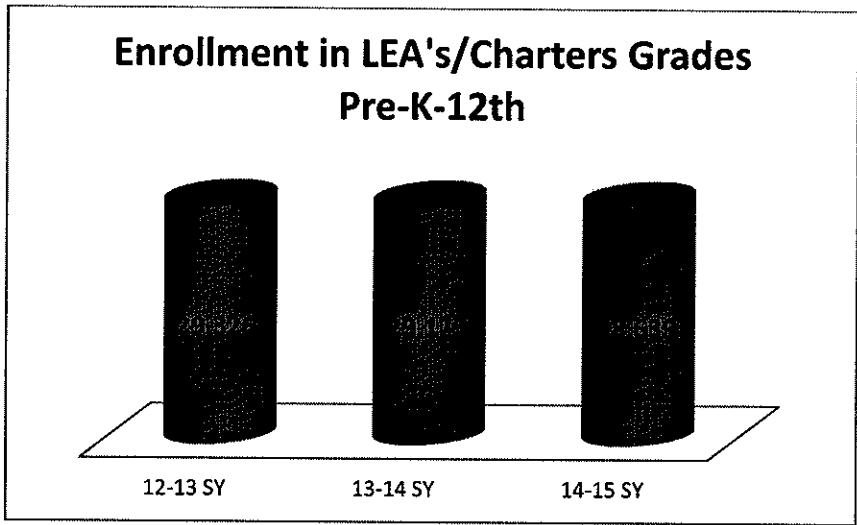
EDUCATIONAL ATTAINMENT	Muskegon Heights	Muskegon County	State of Michigan
Less than 9th grade	5.6%	3.3%	3.4%
9th to 12th grade, no diploma	15.7%	8.7%	7.7%
High school graduate (includes equivalency)	39.1%	35.0%	30.4%
Some college, no degree	24.4%	25.2%	24.0%
Associate's degree	10.2%	10.6%	8.6%
Bachelor's degree	3.6%	11.8%	15.9%
Graduate or professional degree	1.5%	5.4%	10.0%
Percent high school graduate or higher	78.8%	88.0%	88.9%
Percent bachelor's degree or higher	5.1%	17.2%	25.9%

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State Michigan).

b. Educational Landscape

The District operates with several surrounding school districts throughout Muskegon County. For the 2014-15 school year, there are approximately 28,639 students in Muskegon County being serviced by 11 districts and 4 academies. The District, through the Muskegon Heights Public School Academy (“MHPSA”) currently educates 1,003 students (Pre-K-12th). There are also 8 Non-Public/Private schools whose enrollments are not included in the above numbers. The data trends cover the last 3 years (2012-15) as MHPSA has only existed for that time period (more information on the creation of the MHPSA is provided in the next section). (Retrieved from: <https://www.mischooldata.org>)

As depicted in the chart below, there has been an overall decline in student enrollment throughout Muskegon County within the last three years. MHPSA experienced a decline in enrollment the 1st year, but the enrollment has been stable for the last 2 years.



MHPSA largest competitors are Mona Shores Public Schools and Muskegon Public Schools as shown by the chart below. Approximately 28% of resident students have left Muskegon Heights and enrolled in the Mona Shores District, while 54% enrolled in the Muskegon Public School District another 18% of students enrolled in various schools within Muskegon County.

**Non-Resident FTE by Resident District
September 2014**

Educating Resident	Fruitport	Holtos	Mona Shores	Montague	Muskegon	North Muskegon	Oakridge	Orchard View	Ravenna	Roethlis- Puffer	Whitehall	Total of FTEs That Went to Another District
Fruitport			28.00		24.91	6.00	4.00	11.46	24.28	9.00	6.44	314.98
Holtos	4.64			7.00	1.85	15.00	5.00	2.00	3.00	103.00	17.72	159.21
Mona Shores	49.92	1.00			67.27	8.00		20.01	1.00	16.00	5.65	768.85
Montague	2.00				3.36	3.30		0.34		10.40	43.90	63.30
Muskegon	145.66		377.00	12.00		53.00	2.00	360.06	4.00	169.00	8.52	1,431.14
Muskegon Heights	10.00		147.00		284.80	5.00		47.74	2.00	23.00	4.00	823.54
North Muskegon	2.36	1.00			6.24					44.00	6.80	68.40
Oakridge	31.86	1.00	11.00		7.25	3.00		29.20	25.00	6.00		114.31
Orchard View	84.97		6.00		34.29	9.00	13.00		11.50	45.00	3.24	187.01
Ravenna	47.28				2.92		3.00	1.00				54.20
Roethlis-Puffer	10.00	50.00	4.00	8.00	20.85	240.50	1.00	10.25	6.17		100.66	451.44
Whitehall		10.00	1.00	89.00	3.66	23.00			1.62	77.87		206.15
Allendale	2.00											2.00
Cedar Springs												-
Central Montcalm												-
Comstock Park			2.00									2.00
Coopersville	0.63								9.00			9.63
Fremont		12.00	1.00		6.86					2.00		21.86
Grand Haven	33.61		72.00		19.76	1.00				2.00	0.77	129.14
Grand Rapids			1.00		9.61			2.00			1.00	13.61
Grandville												-
Grant	1.00				3.24				32.00			36.24
Hart				1.00	0.51	2.46					0.85	4.85
Hesperia						0.10					1.00	1.10
Hudsonville Public												-
Kent City									10.00			10.00
Kanawa Hills												-
Lowell												-
Parkview											2.00	2.00
Shelby				59.00	6.01	7.10					3.14	75.25
Spartan												-
Spring Lake	25.42		6.00		20.59					2.00	1.32	55.33
West Ottawa					1.63							1.63
White Cloud									1.00			1.00
Willieville						0.28						0.28
Muskegon Co.	368.55	63.00	374.00	116.00	437.51	243.00	26.00	462.87	78.57	583.27	126.33	3,223.64
Out of County	62.65	12.00	82.00	98.00	68.21	18.34		2.00	82.00	6.98	18.11	354.92
Total Non-Resident FTE	431.25	75.00	656.00	176.00	525.52	376.74	28.00	484.67	130.57	509.27	207.04	3,539.56
SGFTE												
Included in Totals	44.32	3.64	8.00	4.25	12.00	4.42	3.00	12.85	24.88	26.59	1.65	152.90

FTE includes Shared-Time students from parochial and home schools, released students, and Schools of Choice.

Source: 2014/15 Fall MEIS/MSDS Residency Related Information

The table below summarizes residency by charter schools in Muskegon County. The majority of our students are residents of Muskegon Heights. Over the past several years, however, we lost approximately 250 students to Timberland Academy and 92 to Three Oaks. The recently opened Covenant House is a dropout/retention recovery school which allows off-track students to accelerate in this program to possibly graduate on time. Retrieved from: MAISD website: http://www.muskegonisd.org/downloads/about/2015_summaries_information.pdf/

**Charter Enrollment by Resident District
September 2014**

	Covenant House			Muskegon Heights FSA			Muskegon Montessori			Three Oaks			Timberland			Resident District Totals		
	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.
Fruitport	-	-	-	-	-	-	2	11	9	-	1	1	3	3	-	5	15	10
Hobson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mont Ellice	-	1	1	3	-	(3)	16	-	(16)	-	-	-	5	9	4	24	10	(14)
Montague	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	1
Muskegon	-	79	79	39	29	(10)	29	99	70	205	300	95	365	408	43	638	915	277
Muskegon Heights	9	9	0	559	576	17	3	7	4	195	91	(75)	212	250	38	1,240	1,233	(7)
North Muskegon	-	-	-	-	-	-	-	4	4	1	1	-	-	-	-	1	5	4
Oakridge	-	-	-	-	-	-	-	-	-	-	-	-	12	4	(8)	12	4	(8)
Orchard View	-	-	-	1	1	0	3	-	(3)	-	-	-	39	30	(9)	43	31	(12)
Riverview	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	1
Ranch-Puffin	-	-	-	-	-	-	2	-	(2)	-	-	-	5	2	(3)	7	2	(5)
Winchell	-	-	-	-	-	-	1	2	1	-	-	-	4	-	(4)	5	2	(3)
Muskegon County Subtotal	-	89	89	902	906	4	56	123	67	372	393	21	645	708	63	1,575	2,219	244
Spring Lake	-	-	-	-	-	-	-	-	-	-	-	-	3	-	(3)	-	-	-
Total Charter Enrollment	-	89	89	902	906	4	56	123	67	372	393	21	648	708	60	1,575	2,219	244

3. ACADEMIC SUMMARY

a. History of Muskegon Heights Public School Charter Creation

In December 2011, the District Board of Education decided that due to the extreme financial distress that the District had been experiencing, it was in the best interest of the District to request that the State of Michigan assist in addressing its financial and educational needs. That same month, the District's Superintendent retired. On April 23, 2012, Dr. Don Weatherspoon 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 District's cumulative General Fund (GF) deficit increased by 102 percent in one year (from \$4.2 million to \$8.5 million), and was expected to be \$9.4 million by the end of the 2012 fiscal year.
- The District's year-end GF balances had been negative since 2006.
- The District's pupil enrollment had decreased by more than 52 percent since 2006 to 2012 (from 2,142 to 1,408).

Soon after his appointment, Dr. Weatherspoon submitted a financial and operating plan to the State Superintendent and State Treasurer, which included a proposal to establish a new public school academy (charter) system to provide educational services to students in the District. The emergency manager's decision to establish a public school academy system was the only viable option that allowed children to attend school within the Muskegon Heights community and halt the escalating debt that had been crippling the District. On May 1, 2014, Dr. Weatherspoon released a Request for Proposals (RFP) seeking an operator for the newly formed Muskegon Heights Public School Academy 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. On July 9, 2012, Dr. Weatherspoon signed an order establishing a contract between the former district and the Muskegon Heights Public School Academy System as a means to provide education for the students of Muskegon Heights. That same day, a management agreement between the Muskegon Heights Public School Academy and Mosaica Education Inc. (MEI) was signed, declaring that MEI would become the PSA's Education Service Provider (ESP). Please note the supporting documents below:

- Request for Proposals
- Muskegon Heights Public School Academy Contract
- Management Agreement

On April 26th, 2014, contract Amendment #1 was signed which allowed the Academy to seek bids for a new educational service provider. Also on that day, contract Amendment #2 and the Amended and Restated Agreement for Continued Provision of Services between Muskegon Heights Public School Academy System and the District were signed, paving the way for MEI's exit on July 31, 2014. On August 14, 2014, the former Emergency Manager, Gregory Weatherspoon, signed Order 2014-6 modifying the

contract between the district and the Muskegon Heights Public School Academy. The provisions of this order created a new self-managed model, which enabled the Academy to contract for all services necessary to operate the Public School Academy. Following that order, MHPSA contracted with the following:

- Alena Zachery Ross – Superintendent of Schools
- Muskegon Area Intermediate School District – Financial Services
- Access Point – Human Resources and Payroll

b. Muskegon Heights Public School Academy Board Members

The self-managed model continues to be in effect today, and is overseen by the current PSA Board which members include:

- Arthur Scott, President - Term Expires 2017
- Carmella Ealom, Vice President - Term Expires 2015
- Stephen Parker, Secretary & Treasurer - Term Expires 2016

c. Academic Performance of Muskegon Heights Public School Academy

Current academic performance of the Muskegon Heights Public School Academy can be found HERE.

d. 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).

Below are links to the existing School Improvement Plans.

- [Edgewood Elementary School](#)
 - [Martin Luther King Jr. Academy](#)
 - [Muskegon Heights Middle School](#)
 - [Muskegon Heights Public School Academy](#)
-
- [Edgewood -](#)
http://www.mhpsnet.org/documents/45%20Day%20Plan/educational%20plan-05282015160005_Edgewood.pdf
 - [MLK -](#)
<http://www.mhpsnet.org/documents/45%20Day%20Plan/Educational%20Plan%20MLK.pdf>
 - [Muskegon Heights Academy -](#)
<http://www.mhpsnet.org/documents/45%20Day%20Plan/Muskegon%20Heights%20Academy%202015-2016%20Education%20Plan.pdf>

4. FINANCIAL SUMMARY

a. Deficit Elimination Plan

Below you will find the amended Deficit Elimination Plan (DEP) for the District, which also serves as the budget of the District. According to this plan, the district will be out of deficit by 2025-26.

**Muskegon Heights Public Schools
Deficit Elimination Plan**

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Beginning Fund Balance	\$ (1,044,991)	\$ (1,345,104)	\$ (1,529,361)	\$ (1,397,724)	\$ (1,266,073)	\$ (1,134,288)
Revenue						
Property taxes	\$ 1,192,591	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813
Oversight fees	\$ 195,728	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216
Asset Sales	\$ 5,000	\$ 45,000				
Transfers and Other	\$ 100,000	\$ 50,000				
Total Revenue	\$ 1,493,319	\$ 1,448,029	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029
Expenditures						
Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Student Assessment Software	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Board of Education	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000
Executive Administration	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500
Business Services	\$ 374,216	\$ 324,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216
Building Services	\$ 110,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100
District Technology	\$ 34,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Transfers to Other Districts	\$ 422,434	\$ 381,000	\$ -	\$ -	\$ -	\$ -
Emergency Loan Payments	\$ 501,090	\$ 506,378	\$ 506,484	\$ 506,470	\$ 506,336	\$ 506,083
Transfers and Other	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092
Total Expenditures	\$ 1,793,432	\$ 1,632,286	\$ 1,221,392	\$ 1,221,378	\$ 1,221,245	\$ 1,220,991
Revenues Less Expenditures	\$ (300,113)	\$ (184,257)	\$ 131,637	\$ 131,651	\$ 131,785	\$ 132,038
Projected Ending Fund Balance	\$ (1,345,104)	\$ (1,529,361)	\$ (1,397,724)	\$ (1,266,073)	\$ (1,134,288)	\$ (1,002,250)

Muskegon Heights Public Schools
 Deficit Elimination Plan

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
Beginning Fund Balance	\$ (1,002,250)	\$ (864,897)	\$ (732,111)	\$ (416,614)	\$ (268,683)	\$ (120,466)
Revenue						
Property taxes	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813
Oversight fees	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216
Asset Sales						
Transfers and Other						
Total Revenue	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029	\$ 1,353,029
Expenditures						
Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Student Assessment Software	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Board of Education	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000
Executive Administration	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500
Business Services	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216
Building Services	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100
District Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Transfers to Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency Loan Payments	\$ 500,768	\$ 505,333	\$ 504,716	\$ 672,283	\$ 671,996	\$ 676,295
Transfers and Other	\$ 182,093	\$ 182,094				
Total Expenditures	\$ 1,215,677	\$ 1,220,243	\$ 1,037,532	\$ 1,205,099	\$ 1,204,812	\$ 1,209,111
Revenues Less Expenditures	\$ 137,352	\$ 132,786	\$ 315,497	\$ 147,931	\$ 148,217	\$ 143,918
Projected Ending Fund Balance	\$ (864,897)	\$ (732,111)	\$ (416,614)	\$ (268,683)	\$ (120,466)	\$ 23,452

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. MHPS collects its tax revenues with a split levy, meaning half of the revenue is collected in the summer, and half in the winter.
- Oversight Fees
 - As discussed in previous sections of this report, the district relies on the Muskegon Heights Public School Academy (MHPSA) to provide education to the children of Muskegon Heights. As the charter authorizer of MHPSA, the former district is statutorily authorized to charge a fee of not greater than 3% of state aid received by the public school academy.
- 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 five buildings, three of which are being used by MHPSA to educate students. Within the coming months, the district plans to reduce that count to four, as there is currently a signed purchase agreement in place for the former Martin Luther King Jr. elementary building. The agreed purchase price is \$49,900.
- Transfers and Other
 - The District provides shared business services with the Highland Park school district. The revenue gained by providing this service helps to offset its own business service costs.

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 administrative assistant of the Emergency 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 Fiscal Control Manager's office. 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.
- Transfers to Other Districts
 - Costs associated with this function include amounts transferred to MHPSA to address ongoing legacy and transition costs of the former district. These costs are projected to cease in the 2016-17 fiscal year.
- 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. The repayment of these loans occurs through the District and 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 2044.
- Transfers and Other
 - In 2008, the District participated in the Qualified Zone Academy Bond (QZAB) program to finance mechanical retrofits on its existing systems. These bonds were to be paid back with the general fund savings generated by the efficiency of the new systems. The District has since sold most of the buildings in which these retrofits had occurred. The final payment for these bonds will occur in December of 2022.

b. Links to PSA Budget and Deficit Elimination Plan

Information in regard to the financials of the Muskegon Heights Public School Academy can be found by using the following link:

<http://mhtigers.org/school-budget/>