

STATE OF MICHIGAN
 DEPARTMENT OF Treasury
 430 W. ALLEGAN, LANSING, MI 48933

NOTICE OF CONTRACT NO. 271B550008
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
J.F. Ryan Associates, Inc. 3 Longview LN Newbury, MA 01951	John Ryan	jfryan@comcast.net
	TELEPHONE	CONTRACTOR #, MAIL CODE
	978-462-0036	001

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	Department of Treasury	Kelli Sobel	517-241-0917	sobelk2@michigan.gov
BUYER:	Department of Treasury	Julie Collins	517-636-6817	collinsj17@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Descriptive Contract Title (Not always the same language as provided in MAIN)			
This is a contract to monitor the City of Detroit Reappraisal project on behalf of the State Tax Commission to ensure compliance with the General Property Tax Act (GPTA), State Tax Commission Rules, Bulletins and the State Tax Commission Assessors Manual.			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
2 years 3 months	January 7, 2015	March 1, 2017	2 additional 1 year period(s)
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
NET45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:		\$239,300.00	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #027114B0002962. Orders for delivery will be issued directly by the Department of Treasury through the issuance of a Purchase Order Form.

SECTION ONE



STANDARD CONTRACT TERMS

This STANDARD CONTRACT (“**Contract**”) is agreed to between the State of Michigan (the “**State**”) and J.F. Ryan Associates, Inc. (“**Contractor**”), a Massachusetts corporation. This Contract is effective on January 7, 2015 (“**Effective Date**”), and unless terminated, expires on March 1, 2017.

This Contract may be renewed for up to 2 additional 1 year period(s). Renewal must be by written agreement of the parties.

The parties agree as follows:

- 1.1 Duties of Contractor.** Contractor must perform the services and provide the deliverables described in **Exhibit A – Statement of Work** (the “**Contract Activities**”). An obligation to provide delivery of any commodity is considered a service and is a Contract Activity.

Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in Exhibit A.

Contractor must: (a) perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (b) meet or exceed the performance and operational standards, and specifications of the Contract; (c) provide all Contract Activities in good quality, with no material defects; (d) not interfere with the State’s operations; (e) obtain and maintain all necessary licenses, permits or other authorizations necessary for the performance of the Contract; (f) cooperate with the State, including the State’s quality assurance personnel, and any third party to achieve the objectives of the Contract; (g) return to the State any State-furnished equipment or other resources in the same condition as when provided when no longer required for the Contract; (h) not make any media releases without prior written authorization from the State; (i) assign to the State any claims resulting from state or federal antitrust violations to the extent that those violations concern materials or services supplied by third parties toward fulfillment of the Contract; (j) comply with all State physical and IT security policies and standards which will be made available upon request; and (k) provide the State priority in performance of the Contract except as mandated by federal disaster response requirements. Any breach under this paragraph is considered a material breach.

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

- 1.2 Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

If to State: See Section 1.3 below.	If to Contractor: <i>John Ryan 3 Longview LN Newbury, MA 01951 jfryan@comcast.net 978-462-0036</i>
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- 1.3 Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms and conditions of this Contract (each a “**Contract Administrator**”):

If to State:	If to Contractor:
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Julie Collins 7285 Parsons Drive Dimondale, Michigan 48821 CollinsJ17@michigan.gov (517) 284-7017	John Ryan 3 Longview LN Newbury, MA 01951 jfryan@comcast.net 978-462-0036
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1.4 Program Manager. The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “**Program Manager**”):

If to State: Kelli Sobel 430 West Allegan St.] Lansing, MI 48922 Sobelk@michigan.gov 517-241-0917	If to Contractor: John Ryan 3 Longview LN Newbury, MA 01951 jfryan@comcast.net 978-462-0036
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1.5 Performance Guarantee. Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Exhibit A) if, in the opinion of the State, it will ensure performance of the Contract.

1.6 Insurance Requirements. Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by a company with an A.M. Best rating of "A" or better and a financial size of VII or better.

Insurance Type	Coverage Requirements	Additional Requirements
1. Commercial General Liability Insurance	<u>Minimal Limits:</u> \$1,000,000 Each Occurrence Limit \$1,000,000 Personal & Advertising Injury Limit \$2,000,000 General Aggregate Limit \$2,000,000 Products/Completed Operations <u>Deductible Maximum:</u> \$50,000 Each Occurrence	Contractor must have their policy: (1) endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 04; (2) include a waiver of subrogation; and (3) for a claims-made policy, provide 3 years of tail coverage.
2. Motor Vehicle Insurance	<u>Minimal Limits:</u> \$1,000,000 Per Occurrence	
3. Workers' Compensation Insurance	<u>Minimal Limits:</u> Coverage according to applicable laws governing work activities.	Waiver of subrogation, except where waiver is prohibited by law.

Insurance Type	Coverage Requirements	Additional Requirements
4. Employers Liability Insurance	<u>Minimal Limits:</u> \$100,000 Each Accident \$100,000 Each Employee by Disease \$500,000 Aggregate Disease.	
5. Hired and Non-Owned Motor Vehicle Insurance	<u>Minimal Limits:</u> \$1,000,000 Per Accident	Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds, and (2) include a waiver of subrogation.
6. Professional Liability (Errors and Omissions) Insurance	<u>Minimal Limits:</u> \$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate <u>Deductible Maximum:</u> \$50,000 Per Loss	

If Contractor's policy contains limits higher than the minimum limits, the State is entitled to coverage to the extent of the higher limits. The minimum limits are not intended, and may not be construed to limit any liability or indemnity of Contractor to any indemnified party or other persons.

Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or purchase order number, at Contract formation and within 20 calendar days of the expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

1.7 RESERVED

1.8 RESERVED

1.9 Independent Contractor. Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.

1.10 Subcontracting. Contractor may not delegate any of its obligations under the Contract without the prior written approval of the State. Contractor must notify the State at least 90 calendar days before the proposed delegation, and provide the State any information it requests to determine whether the delegation is in its best interest. If approved, Contractor must: (a) be the sole point of contact regarding

all contractual matters, including payment and charges for all Contract Activities; (b) make all payments to the subcontractor; and (c) incorporate the terms and conditions contained in this Contract in any subcontract with a subcontractor. Contractor remains responsible for the completion of the Contract Activities, compliance with the terms of this Contract, and the acts and omissions of the subcontractor. The State, in its sole discretion, may require the replacement of any subcontractor.

- 1.11 **Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.
- 1.12 **Background Checks.** Upon request, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.
- 1.13 **Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation, provide all necessary documentation and signatures, and continue to perform, with the third party, its obligations under the Contract.
- 1.14 **Change of Control.** Contractor will notify, at least 90 calendar days before the effective date, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

- 1.15 **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Exhibit A.
- 1.16 **Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Exhibit A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted, but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section 1.23, Termination for Cause.

Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

- 1.17 **RESERVED**
- 1.18 **RESERVED**
- 1.19 **RESERVED**

- 1.20 Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Exhibit A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Contract Activities purchased under the Contract are for the State's exclusive use. Prices are exclusive of all taxes, and Contractor is solely responsible for payment of any applicable taxes.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/cpexpress> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment.

Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

1.21 RESERVED

- 1.22 Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or purchase order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.

- 1.23 Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 1.24, Termination for Convenience.

The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

- 1.24 Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section 1.25, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.

- 1.25 Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 90 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly

transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.

- 1.26 General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

- 1.27 Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

- 1.28 Limitation of Liability.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.

- 1.29 Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

- 1.30 State Data.**

- a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.
- b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.
- c. Extraction of State Data. Contractor must, within one (1) business day of the State's request, provide the State, without charge and without any conditions or contingencies whatsoever (including but not limited to the payment of any fees due to Contractor), an extract of the State Data in the format specified by the State.
- d. Backup and Recovery of State Data. Unless otherwise specified in Exhibit A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Exhibit A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.
- e. Loss of Data. In the event of any act, error or omission, negligence, misconduct, or breach that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within 5 calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (g) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and, (h) provide to the State a detailed plan within 10 calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the

loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. This Section survives the termination of this Contract.

1.31 Non-Disclosure of Confidential Information. The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.

- a. Meaning of Confidential Information. For the purposes of this Contract, the term “**Confidential Information**” means all information and documentation of a party that: (a) has been marked “confidential” or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked “confidential” or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked “confidential” or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term “Confidential Information” does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party’s proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.
- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor’s responsibilities; and (c) Contractor obligates the subcontractor in a written contract to maintain the State’s Confidential Information in confidence. At the State’s request, any employee of Contractor or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.
- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.
- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party’s possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure

described further in this Contract. Should Contractor or the State determine that the return of any non-State Data Confidential Information is not feasible, such party must destroy the non-State Data Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party.

1.32 Data Privacy and Information Security.

- a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.
- b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.
- c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.
- d. Audit Findings. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.
- e. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

1.33 RESERVED

1.34 RESERVED

- 1.35 Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain, and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 7 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

- 1.36 Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free

from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; and (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section 1.23, Termination for Cause.

- 1.37 Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
- 1.38 Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
- 1.39 RESERVED**
- 1.40 Nondiscrimination.** Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, Contractor and its subcontractors agree not to 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, marital status, or mental or physical disability. Breach of this covenant is a material breach of this Contract.
- 1.41 Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.
- 1.42 Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.
- 1.43 Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
- 1.44 Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.
- 1.45 Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely, or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or

(c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

- 1.46 Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
- 1.47 Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
- 1.48 Order of Precedence.** In the event of a conflict between the terms and conditions of the Contract, the exhibits, a purchase order, or an amendment, the order of precedence is: (a) the purchase order; (b) the amendment; (c) Exhibit A; (d) any other exhibits; and (e) the Contract.
- 1.49 Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
- 1.50 Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
- 1.51 Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.
- 1.52 Entire Contract and Modification.** This Contract is the entire agreement and replaces all previous agreements between the parties for the Contract Activities. This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**").

EXHIBIT A



STATEMENT OF WORK

2.010 Project Identification

2.011 Project Request

This is a Contract to monitor the City of Detroit Reappraisal project on behalf of the Michigan State Tax Commission

This Contract is to monitor the City of Detroit Reappraisal project on behalf of the State Tax Commission to ensure compliance with the General Property Tax Act (GPTA), State Tax Commission Rules, Bulletins and the State Tax Commission Assessors Manual. The Monitor will report to the Commission on the adequacy of the reappraisal work to ensure successful completion of the reappraisal and to recommend to the Commission the final acceptance or denial of the reappraisal work. It is anticipated the reappraisal work will be completed in late 2016 with final acceptance required by January 2017.

2.012 Background

In 2013, the State Tax Commission ordered a review of the record cards for the City of Detroit. That review indicated the record cards for the City were generally accurate in their listing of the properties attributes however, the record cards themselves showed serious deficiencies. Specifically, all of the cards reviewed were in override, the majority of the homes were at a class C, all homes were at 45% depreciation, all had an ECF of 1.0 and land values are all flat valued.

In accordance with standard STC policy, the Commission provided this information to the City and required a corrective action plan with detailed information on how they will correct these deficiencies and a timetable for those corrections. The City's plan (Attachment 1) indicated they would contract with various entities to conduct a complete reappraisal of the City's over 400,000 parcels. This reappraisal will be completed for the 2017 assessment roll.

The State Tax Commission formally accepted the City's plan in April 2014. The State Tax Commission has statutory responsibility to ensure that certified assessment rolls meet the requirements of the GPTA. This statutory responsibility includes ensuring that reappraisals meet the requirements of the GPTA, State Tax Commission Rules, Bulletins and Guidelines and the State Tax Commission Assessors Manual.

2.020 Scope of Work and Deliverables

2.021 In Scope

The contractor will be responsible for monitoring the reappraisal conducted by the City of Detroit on behalf of the State Tax Commission and reporting to the State Tax Commission on the accuracy of the reappraisal work, untimely recommending acceptance or denial of the reappraisal by the State Tax Commission.

2.022 Section A: Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

1. Monitor Production Status: Review to work completed by the City to determine if the City on track to complete the work as presented to the State Tax Commission in the corrective action plan, in the

timeframes established in the corrective action plan. Report monthly to the State Tax Commission any concerns regarding the project status. The Contractor will review the production reports completed by the City and compare the results to the project milestones set forth in the corrective action plan. The Contractor will conduct on-site meetings as necessary to gain full understanding of City's progress in complying with corrective action plan. The Contractor will conduct on-site inspection of properties as required to ensure City compliance with accuracy standards. The Contractor will report in writing on a monthly basis their findings.

2. Review the Monthly Required Reports Presented to the State Tax Commission: Ensure that the City is timely submitting their required monthly reports to the State Tax Commission. Discuss with the City any concerns regarding the reports, information contained in the reports and compare the status in the reports to any and all contracts for services to ensure deadlines are met. Report monthly to the State Tax Commission any concerns regarding the monthly reports and the information contained therein.
3. Sample the accuracy of certain properties to ensure the work completed by the contractors for the City of Detroit is compliant with the General Property Tax Act, State Tax Commission Rules, Bulletins and Guidelines and the State Tax Commission Assessors Manual. Samples will be limited with direction provided by the State Tax Commission on which properties should be reviewed. The review will require a field inspection during multiple times throughout the contract. The minimum and maximum sample totals will be jointly determined by the contractor and the project manager but not to exceed 500 parcels. The contractor must report to the State Tax Commission on any deficiencies and recommend corrective action.

The Contractor will complete an on-site verification of the properties selected for sample. This verification will include measurements of the exterior dimensions of each parcel structure and a review of interior physical inventory. The Contractor will attempt entry into each building to verify the interior characteristics. The Contractor will only enter a structure with the permission and presence of a responsible adult. The Contractor will inspect each floor level from the basement to attics served by stairways. For residential property, Contractor will verify the number of rooms, family rooms, bedrooms, bathrooms, plumbing fixtures, fireplaces, heating system, finished attic and basement areas, recreation rooms, age and overall condition of the interior. For commercial properties Contractor will measure the appropriate interior improvements consistent with property's use. Notes will be made for any unusual conditions or features that would influence the appeal of the property such as extensive remodeling or deferred maintenance. The Contractor will also make notes for any external features that may influence the economic appeal of the property.

4. Act as the liaison between the City of Detroit and the State Tax Commission. The City of Detroit may seek guidance from the State Tax Commission during the reappraisal work. The Contractor will act as the point of contact between the City and the State Tax Commission.
5. Review the final reappraisal and recommend acceptance or denial to the State Tax Commission. This will require the contractor to sample the work completed by the City including field inspection and a sample review of the information contained in the database. This will include a review of the land values, economic condition factors, property classification, class of construction and a sample of individual parcel information to ensure accuracy and uniformity. The document Local Unit Reappraisals and Review by County Equalization Departments, approved by the State Tax Commission on September 10, 2010 can be used as a guide to assist in the determination of final acceptance of the reappraisal work. The Review by County Equalization Departments guide can be found at: http://www.michigan.gov/documents/treasury/Reappraisals_and_their_Review_by_EQ_Depts_333045_7.pdf

2.030 Roles and Responsibilities

2.031 Contractor Staff, Roles, and Responsibilities

A. The following are required responsibilities of the contractor:

1. To complete the work required under 2.022, Section A and to prepare required reports to the State Tax Commission.
2. To appear, without additional charge or reimbursement of costs, at State Tax Commission meetings when required by the State Tax Commission.
3. To travel to the locations where the records are kept and to travel to the City of Detroit to conduct field reviews.

4. To maintain confidentiality of its work papers and taxpayer documents and records, in accordance with the requirements of the GPTA.
 5. Work papers will be the property of the State.
- B. The contractor must complete and submit the Vendor, Contractor, or Subcontractor Confidentiality Agreement Form 3337 (Attachment A) upon award of the contract. This form must also be completed for all subcontractors.
- C. Reserved
- D. The contractor has the financial resources to complete its obligations under this contract, including the ability to carry out its responsibilities during the period between commencement of the project and completion of any given audit, the ability to hire and retain adequate staff and/or sub-contractors, and the ability to meet its financial obligations as they fall due in the normal course of business.
- E. Staff Members who shall be involved in the project are as follows:
1. John Ryan, Team Leader/Project Manager
 2. Edgar Hayes, CAMA Expert – review and support Mr. Ryan in all technical areas.
 3. Roland Gosselin, Senior Appraiser – on-site property inspection and review.

2.040 Project Plan

2.041 Project Plan Management

- A. The Contractor will carry out this project under the direction and control of the Treasury Program Manager or designee (See Section 1.4).
- B. Although there will be continuous liaison with the Contractor team, the Treasury Program Manager or designee will meet monthly as a minimum, or as requested by the Treasury Program Manager or designee, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise. Meetings are expected to occur via conference call; however there may be times that the Contractor's project manager or key staff will be expected to attend a meeting in Lansing.
- C. The Contractor will submit, to the Treasury Contract Program Manager or designee, brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the Treasury Program Manager or designee; and notification of any significant deviation from previously agreed-upon work plans.
- D. Within five (5) working days of the award of the Contract, the State and Contractor will agree on a timeframe for the submittal to the Treasury Program Manager or designee for final approval a work plan. This final implementation plan must be in agreement with sections 2.022 and 2.030 as proposed by the bidder and accepted by the State for Contract, and must include the following:
1. The Contractor's project organizational structure.
 2. The Contractor's supervisory auditors names, title, work address, telephone number and e-mail (if possible) that will be working on the project. This must be in agreement with staffing of accepted proposal (See Section 2.022-B3). Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
 3. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

2.042 Reports

The contractor must provide, to the Treasury Program Manager or designee, monthly reports as detailed in 2.022, Section A above.

2.050 Acceptance

2.051 Criteria

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

- A. The contractor has completed the required reviews and reports as detailed in Section A above.
- B. The Treasury Program Manager or designee has provided written verification of acceptance of the above documents.

2.052 Final Acceptance

- A. The contractor has provided the Treasury Program Manager and the State Tax Commission the Final Reappraisal Report. Completion will be determined by the State Tax Commission's acceptance of the Final Reappraisal Report.
- B. The contractor has completed and provided the Treasury Program Manager or designee a final summary invoice for work completed

2.060 Proposal Pricing

2.061 Proposal Pricing

- A. For authorized Services and Price List, see Exhibit C (Price Proposal). Please complete Exhibit C and submit with proposal.

2.062 Price Term

Prices quoted are firm for the entire length of the Contract.

2.070 Additional Requirements

- 1. Contractor shall uphold all of the requirements for handling, storage, and processing of confidential/disclosure tax information for services provided under the Contract. (See **Exhibit 1 - Form 4621, What Is An Incident**).
- 2. The Contractor shall meet the requirements provided in **Exhibit 2 – Safeguard Requirements of Confidential Data**.
- 3. **Disclosure of Subcontractors**
The Contractor will not utilize any subcontractors for the duration of the Contract.

EXHIBIT B - Reserved

EXHIBIT C



PRICING

1. The Contractor's pricing must be all inclusive as Contractor will not be reimbursed for out-of-pocket expenses. The future work, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
2. The contractor must provide not-to-exceed rates in the table below for each position/role proposed in section 2.030.
3. The Contractor certifies that the prices were arrived at independently, and without consultation, communication, or agreement with any other Contractor.
4. The State will make progress payments to the Contractor as work progresses, but not more frequently than monthly, in amounts approved by the CCI, after negotiation. Contractor must show verification of measurable progress at the time of requesting payments.
5. The State shall hold back an amount equal to ten percent (10%) of all amounts invoiced by Contractor for Services/Deliverables. The amounts held back shall be released to Contractor after the State has granted Final Acceptance.
6. The Contractor will submit invoices monthly within seven days of the end of the month for the work completed the previous month less ten percent withholding. Monthly invoices will summarize the work completed the prior month and set forth the scheduled work for the upcoming month. The total for all invoices shall not exceed the Firm-Fixed Price noted below.

A) FIRM FIXED PRICING PROPOSAL

Provide the price per deliverable for the proposed services in 2.022.	
Deliverable	Firm-Fixed Price
A. Review the final reappraisal and recommend acceptance or denial to the State Tax Commission.	\$238,300

B) BIDDER STAFFING ESTIMATES (BY RESOURCE)

Estimated Staffing Requirement	
Resource Name: John Ryan	
Month	Estimated Hours per Month
Oct-14	60
Nov-14	60
Dec-14	60
Jan-15	16
Feb-15	16
Mar-15	32
Apr-15	40
May-15	40
Jun-15	16
Jul-15	16
Aug-15	16
Sep-15	16
Oct-15	16
Nov-15	16
Dec-15	8
Jan-16	40
Feb-16	40
Mar-16	40
Apr-16	40
May-16	40
Jun-16	40
Jul-16	8
Aug-16	8
Sep-16	8
Oct-16	8
Nov-16	8
Dec-16	8
Jan-17	8
Total Number of hours:	724

Estimated Staffing Requirement	
Resource Name: Roland Gosselin	
Month	Estimated Hours per Month
Oct-14	0
Nov-14	0
Dec-14	0
Jan-15	0
Feb-15	40
Mar-15	40
Apr-15	80
May-15	80
Jun-15	80
Jul-15	80
Aug-15	80
Sep-15	40
Oct-15	0
Nov-15	0
Dec-15	0
Jan-16	0
Feb-16	0
Mar-16	0
Apr-16	0
May-16	0
Jun-16	0
Jul-16	0
Aug-16	0
Sep-16	0
Oct-16	0
Nov-16	0
Dec-16	0
Jan-17	0
Total Number of hours:	520

Estimated Staffing Requirement	
Resource Name: Edgar Hayes	
Month	Estimated Hours per Month
Oct-14	0
Nov-14	16
Dec-14	0
Jan-15	0
Feb-15	0
Mar-15	0
Apr-15	0
May-15	0
Jun-15	0
Jul-15	16
Aug-15	0
Sep-15	0
Oct-15	0
Nov-15	16
Dec-15	16
Jan-16	16
Feb-16	16
Mar-16	16
Apr-16	16
May-16	16
Jun-16	16
Jul-16	16
Aug-16	16
Sep-16	0
Oct-16	0
Nov-16	0
Dec-16	0
Jan-17	0
Total Number of hours:	192

C) BIDDER STAFFING HOURLY RATES FOR ADDITIONAL SERVICES AT STATE OPTION

Provide not-to-exceed rates for each Staffing Resource proposed in section 2.030. These rates are firm/fixed for the entire length of the contract and may be leverage for additional work that exceeds the current scope or requirements of this Contract.

Staffing Resource	All Inclusive Bill Rate/Hour
A. John Ryan	\$175
B. Roland Gosselin	\$150
C. Edgar Hayes	\$175

EXHIBIT 1

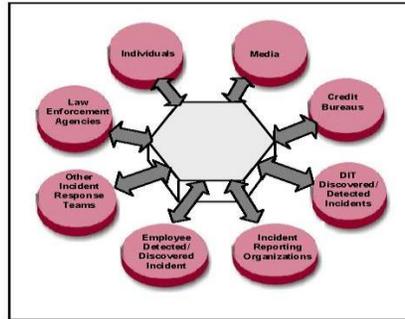
FORM 4621, WHAT IS AN INCIDENT

Exhibit 2

Identifying/Sensitive Information on Mobile Devices and Portable Media; also refer to Treasury Policy ET-03169 Data Security).

- Avoid sending or receiving unencrypted confidential, personal or sensitive information via e-mail.
- Avoid sending confidential, personal or sensitive information via fax.
- Secure confidential, personal or sensitive papers on the fax, printer or copy machines.
- Keep conversations at a volume level and/or in a location that will protect information.
- Back up data on a regular basis; make sure data files from an approved portable device are stored on the network server.
- Never store more data than needed.
- Shred documents with confidential, personal or sensitive information (see Treasury Policy ET-03115 Confidential Information, Handle and Discard).
- Have computers and hard drives properly wiped or overwritten when discarding or transferring (see DIT Procedure 1350.90, Secure Disposal of Installed and Removable Digital Media, and Treasury Policy ET-03169).
- Use a log-in password that is not easily guessed. Make it at least eight characters long, composed of upper- and lower-case letters, numbers and symbols such as “#” (see DIT Standard 1310.03, Active Directory Password, and Treasury Policy ET-03175 Passwords).
- Never set any log-in dialog box to remember your password (see Treasury Policy ET-03175 Passwords).
- Use a password-protected screen saver that comes on after a few minutes of inactivity. Initiate screen lock system (if a Treasury employee, press the key with Microsoft Windows logo and “L” on the keyboard) when you leave your office, even for a short period.
- Limit access to confidential, personal or sensitive information to those who need to use it to perform their job duties (see DIT Policy 1335.00,

Informative Access Control, and Treasury Policy ET-03164 Access Control).



See the following guidelines in the Security Guide for more information:

- ET-03180, Incident Reporting
- BT-03084, Security Breach Involving Personal Information
- PT-03253, Incident Reporting and Handling
- CT-03070, Incident/Security Breach Examples
- DIT Operating Procedure, How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents

Other References:

- BT-03049, Employee Conduct, General Guidelines
- ET-03140, Workplace Safety
- PT-03246, Potential Dangerous Taxpayer/Debtor, Report
- PT-03095, Theft or Irregularities in Public Funds/ Property or Violations of Departmental Policies and Procedures, Report and Investigate

Contact Information:

Contact Division/Bureau Security Liaison or the Security Division at (517) 636-4081 with any questions.

4621 (Rev. 5-09)

What is an Incident? What is a Security Breach?

*What must I do?
How should it be handled?*

What is an Incident?

An incident is any event threatening some aspects of physical or financial security, when financial resources or items valued at \$100 or more are missing or misused, any event violating confidentiality or privacy of information, where data is manipulated or missing, or any event involving unauthorized or unlawful activity.

Examples of Incidents:

- Missing computer equipment containing non-personal information.
- Missing briefcase that contains non-personal information.

Examples of Material Incidents:

- Missing laptop computer or other mobile device, portable media or paper records that do not contain Treasury personal information but do contain confidential or sensitive information.
- Missing warrant stock.

What makes an incident a Security Breach?

An incident becomes a security breach when an unauthorized person gains access to or acquires:

1. Unencrypted or unredacted (data not altered or truncated) personal information, or
2. The encryption key to an area storing personal information.

Beware: If personal information is discovered during the investigative process, an incident will become a potential security breach.

Examples of a Potential/Actual Security Breach:

- Missing laptop computer or other mobile device, or portable media that contains Treasury personal information.
- Missing paper records that contain personal information

Page 1 of 2

Exhibit 2

- Accessing personal information when there is no business need for it
- Using another individual's User ID and Password to access personal information
- Stealing Treasury records that include personal information
- Hacking into records containing Treasury personal information
- Obtaining Treasury personal information from employees without proper authorization to access the information
- Unauthorized and unescorted persons entering secure areas that house personal information.
- Theft of a server.

What is personal information?

The Identify Theft Protection Act, Public Act 452 of 2004, as amended, defines personal information as information containing the first name or initial of the first name and the last name **along with** one of the following:

1. Social Security number
2. Driver's License number or State Personal Identification card number
3. Account number; Credit or Debit Card number **in combination with** any required security code, access code or password that would permit access to a person's financial account.

Personal information may be in written or printed form or may reside electronically on devices or media such as mainframes, servers, personal computers (desktops and laptops), CDs, DVDs, tapes, flash drives, memory sticks, USB keys, microfiche, PDAs, Blackberrys, cell phones, or may exist on other state-of-the-art devices that have been or may be developed.

What should I do if my laptop is missing or if an incident is suspected?

Employee must:

1. File a report with local police immediately if asset valued at \$100 or more is missing.
2. Notify immediate supervisor no later than beginning of the next business day.

3. Complete Parts 1 and 2 of *Incident Report* (Form 4000*.) This form is available on Treasury's Intranet.
4. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. Report the incident immediately through the chain of command to the Treasury Division Administrator and the Security Division, if unreported. If personal information is involved, follow the guidelines for Security Breach.

Exception: If another state agency/governmental entity, report incident to Treasury Disclosure Officer, Technical Services Division and the Security Division. If contractor or vendor, report incident to Contract Compliance Inspector and Security Division.

2. The Division Administrator must notify the Bureau Director if it is a material incident or involves non-Treasury information.
3. The Bureau Director must notify the other entity immediately.
4. The Division Administrator must inform the Department of Information Technology (DIT) Agency Services (Treasury) Director right away if incident involves information technology resources.
5. Notify other Treasury divisions/offices that may be affected or should be involved with investigation.
6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
7. Investigate and resolve the incident.
8. Prepare the final form 4000 and submit it to Treasury's Security Division.

What should I do if I witness, discover, or am informed of a potential security breach?

Employee must:

1. Report the security breach immediately (no later than beginning of the next business day) to immediate supervisor.
2. Complete Parts 1 and 2 of Form 4000.
3. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. If the breach is ongoing, **CONTAIN IT.**
2. Report the potential breach immediately through the chain of command to the Bureau Director or Deputy Treasurer, whichever is applicable.
3. The Bureau Director or the Deputy Treasurer, whichever is applicable, must notify the Chief Deputy Treasurer immediately if a breach involving a database of personal information.
4. The Bureau Director must notify the other entity if the potential breach involves non-Treasury information.
5. The Division Administrator must inform the DIT Agency Services (Treasury) Director right away if incident involves information technology resources and personal information.
6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
7. Convene appropriate personnel so the scope of the breach can be determined and a plan for appropriate action can be agreed upon.
Note: If a database of personal information is involved, the Chief Deputy Treasurer must approve the Plan of Action.
8. If appropriate, issue breach notifications by telephone, in writing, on the Web or by email.
9. Notify the three major credit bureaus of the breach if more than 1,000 residents of the State of Michigan will receive or have received breach notifications.
10. Prepare the final form 4000 and submit it to Treasury's Security Division.

*Another entity may substitute its internal form for form 4000 if pertinent information is included.

Treasury must protect personal information against risks such as unauthorized access, modification or loss with reasonable security safeguards. Some safeguards are:

- Do not store confidential, personal or sensitive Treasury information on mobile devices or portable media (including laptops, notebooks, memory sticks, CDs, DVDs, floppies) unencrypted: ENCRYPT files or the full disk. (Refer to DIT Standard 1340, Storing and Managing Personal

EXHIBIT 2



SAFEGUARD REQUIREMENTS OF CONFIDENTIAL DATA

This section sets forth the safeguard requirements for handling, storage, and processing of confidential tax information for a Contractor and their subcontractor(s) and is incorporated as an integral part of the Contract. It will facilitate administration and enforcement of the laws of the State of Michigan applicable to the State of Michigan and in a manner consistent with the applicable statutes, regulations, published rules and procedures or written communication.

I. Authority

Authority for the Michigan Department of Treasury to require that this section be included in the Contract is contained in 1941 PA 122, as amended, MCL 205.28(1)(f), which states in part that subject to the same restrictions and penalties imposed upon department employees on the treatment of confidential information, a private contractor or its employees are strictly prohibited from disclosing taxpayer information to a third party. The prohibition against disclosure does not bar an employee of a private contractor with whom the State of Michigan (State) contracts that processes tax returns or payments pursuant to the Contract from having access to confidential information that is reasonably required for the processing or collection of amounts due this State.

II. Confidentiality

It is agreed that all information exchanged under this section will be kept confidential in accordance with the confidentiality provisions contained within section MCL 205.28(1)(f) and MCL 205.28(2) of the Michigan Department of Treasury Revenue Act, which state in part;

“Except as otherwise provided in this subdivision, an employee, authorized representative, or former employee or authorized representative of the department or anyone connected with the department will not divulge any facts or information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the department for a tax administered by the department.”

“A person who violates subsection (1)(e), (1)(f), or (4) is guilty of a felony, punishable by a fine of not more than \$5,000.00, or imprisonment for not more than 5 years, or both, together with the costs of prosecution. In addition, if the offense is committed by an employee of this state, the person will be dismissed from office or discharged from employment upon conviction.”

All information obtained by either Treasury or Contractor will not be disclosed except as necessary for the proper administration of and execution of the Contract. In the event, confidentiality statutes are amended, the State will notify Contractor of any changes.

No employee, agent, authorized representative or legal representative of Contractor will disclose any information obtained by virtue of this section to any other division within their company or any other governmental agency, department or unit within such governmental agency, to any other state or nation,

or unauthorized third party. No tax returns or tax return information provided to Contractor will be duplicated or disseminated within or outside the company without the written approval of the Contract Administrator. Michigan's tax returns and tax return information remain the property of the Department of Treasury.

Contractor may use a taxpayer's name, address and Social Security number or employer identification number to the extent necessary in connection with the processing and mailing of forms for any report or return required in the administration of any tax in the performance of the Contract.

Information received by the Michigan Department of Treasury from the U.S. Internal Revenue Service, pursuant to section 6103(d) of the Internal Revenue Code or any other U.S. federal Agency will only be subject to the exchange if received as part of the State of Michigan tax return filing requirements.

III. Procedure for Security

At a minimum, Contractor will safeguard any tax return information obtained under the Contract as follows:

- A. Access to the tax returns and tax return information will be allowed only to those authorized employees and Officials of Contractor who need the information to perform their official duties in connection with the uses of the information authorized in the Contract. The Contractor will be responsible for ensuring that each employee authorized to access Michigan tax information has signed the *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) and provide a copy to the Department of Treasury, Disclosure Officer and Contract Administrator.
- B. Any records created from tax returns and tax return information will be stored in an area that is physically safe from access by unauthorized persons during duty hours as well as non-duty hours or when not in use.
- C. All personnel who will have access to the tax returns and to any records created by the tax return information will be advised of the confidential nature of the information, the safeguards required to protect the information and the civil and criminal sanctions for noncompliance contained in MCL 205.28(1)(f) and (2).
- D. All confidential information, which includes, but is not limited to, data stored electronically and any related output and paper documents will be secured from unauthorized access and with access limited to designated personnel only. Michigan tax return information will not be commingled with other information. Further, when appropriate, Michigan tax return information will be marked as follows:

CONFIDENTIAL-MICHIGAN TAX RETURN INFORMATION
Protect at all times. Do not disclose.
MI tax information is exempt from disclosure
under the Freedom of Information Act.

- E. The records will be transported under appropriate safeguards as defined in the Contract.
- F. The Department of Treasury, Disclosure Officer or Contract Administrator may make onsite inspections or make other provisions to ensure that adequate safeguards are being maintained by the Contractor.
- G. The Michigan Department of Treasury, Office of Privacy and Security, may monitor compliance of systems security requirements during the lifetime of the Contract.
- H. Contractor will also adopt policies and procedures to ensure that information contained in their respective records and obtained from Treasury and taxpayers will be used solely as provided in the Contract.

IV. Computer System Security of Tax Data

The identification of confidential tax records and defining security controls are intended to protect Treasury tax return information from unlawful disclosure, modification, destruction of information and unauthorized secondary uses.

Computer system security and physical security of tax data stored and processed by Contractor must be in compliance with the following security guidelines and standards established by the Michigan Department of Treasury as follows (these guidelines apply to any computer system developed by Contractor, either through its own systems staff, or through a contractor, subcontractor or vendor):

A. Controlled Access Protection –Common Criteria (C2)

All computer systems processing, storing and transmitting Michigan tax information must have computer access protection controls – (C2). These security standards are delineated in the “Common Criteria for Information Technology Security Evaluation” (CCITSE). To meet these standards, the operating security features of the system must have the following minimum requirements: a security policy, accountability, assurance, and documentation.

- 1) **Security Policy** – A security policy is a written document describing the system in terms of categories of data processed, users allowed access and access rules between the users and the data. Additionally, it describes procedures to prevent unauthorized access by clearing all protected information on objects before they are allocated or reallocated out of or into the system. Further protection must be provided where the computer system contains information for more than one program/project, office, or Agency and those personnel do not have authorization to see all information on the system.
- 2) **Accountability** – Computer systems processing Michigan tax information must be secured from unauthorized access. All security features must be available (audit trails, identification and authentication) and activated to prevent unauthorized users from indiscriminately accessing Michigan tax information. Everyone who accesses computer systems containing Michigan tax information is accountable. Access controls must be maintained to ensure that unauthorized access does not go undetected. Computer programmers and contractors who have a need to access databases, and are authorized under the law, must be held accountable for the work performed on the system. The use of passwords and access control measures must be in place to identify who accessed protected information and limit that access to persons with a need to know.

a) On-line Access –Users will be limited to any Treasury on-line functions, by limiting access through functional processing controls and organization restrictions.

Any employee granted access privileges through the Contractor’s Security Administrator will be approved for access and viewing rights to Treasury on-line systems by the Department of Treasury Disclosure Officer. The on-line access will be provided by Treasury’s Office of Security.

b) Operating Features of System Security

Contractor must meet the following levels of protection with respect to tax return information. Individual user accountability must be ensured through user identification number and password.

- i. Access rights to confidential tax information must be secured through appropriate levels of authorization.
- ii. An audit trail must be maintained of accesses made to confidential information.

- iii. All confidential and protected information must be cleared from a system before it is used for other purposes not related to the enforcement, collection or exchange of data not covered by this section or by an addendum to this Contract.
- iv. Hard copies made of confidential tax return information must be labeled as confidential information.
- v. Confidential Treasury tax information will be blocked or coded as confidential on system.
- vi. Any computer system in which Michigan tax return information resides must systematically notify all users upon log-in of the following disclosure penalties for improperly accessing or making an authorized disclosure of Michigan tax return information:

NOTICE TO STATE AGENCY EMPLOYEES AND AUTHORIZED REPRESENTATIVES

*This system contains Michigan Department of Treasury tax return information. **DO NOT DISCLOSE OR DISCUSS MICHIGAN RELATED TAX RETURN INFORMATION** with unauthorized individuals. The Michigan Department of Treasury Revenue Act, MCL 205.28(10)(f)(1), (2), prohibits such disclosure. A person making a willful unauthorized disclosure or inspection (browsing) of tax return information may be charged with the following Michigan penalties:*

MICHIGAN PENALTIES

The Michigan Revenue Act imposes criminal penalties up to \$5,000 and/or imprisonment for 5 years, plus costs and dismissal from employment if it is found that an employee has made an unauthorized disclosure of a tax return or tax return information or divulged audit selection or processing parameters.

This statement is subject to modification. A confidentiality statement, subject to modification, as needed, will be sent annually by the Security Administrator to all employees, contractors, and legal representatives of Contractor.

- 3) **Assurance** – Contractor must ensure that all access controls and other security features are implemented and are working when installed on their computer system. Significant enhancements or other changes to a security system must follow the process of review, independent testing, and installation assurance. The security system must be tested at least annually to assure it is functioning correctly. All anomalies must be corrected immediately.
 - a) The Contractor must initiate corrective action for all non-conformities as soon as detected and immediately advise the Contract Administrator. Notice of the corrective action must be provided to the Contract Administrator. All non-conformities must be reported to the Contract Administrator with the following:
 - a. Duration of non-conformity/interruption
 - b. Reason for non-conformity/interruption
 - c. Resolution.
 - b) All non-conformities to the specifications/tasks of the Contract must be corrected within four (4) hours. The State recognizes there will be instances when adherence to this time frame will not be possible. However, the State will only tolerate this on an exception basis. To request an exception to this time frame, the Contractor must submit a detailed project plan to address the non-conformity within four (4) hours to the Contract

Administrator for approval.

- 4) **Documentation** – Design and test documentation must be readily available to the state. The developer or manufacturer should initially explain the security mechanisms, how they are implemented and their adequacy (limitations). This information should be passed on to the security officer or supervisor. Test documentation should describe how and what mechanisms were tested and the results. If recognized organizations/tests/standards are used, then a document to that effect will suffice. For example, a system that has been tested and certified as meeting certain criteria may have a document stating this fact, without detailed tests/results of information. Contractor, however, must ensure the documentation covers the exact system and that it includes the specific computer system used by Contractor.

Additionally, documentation must include a security administrator's guide. The security administrator's guide is addressed to the System's Administrator and Security Officer and will describe the protection mechanisms provided by the security system, guidelines on their use and how they interact. This document will present cautions about security functions and describe privileges that should be controlled when running a secure system. The document will be secured and locked at all times with access rights only by the Systems Administrator and Security Officer.

Note: When a security system is designed or purchased for a specific computer or computer system, the security mechanisms must be reviewed by the State to ensure that needed security parameters are met. An independent test should be implemented on the specific computer or computer system to ensure that the security system meets the security parameters within this contract and developed with the computer system. The test may be arranged by the developer but must be done by an independent organization. Contractor must assign responsible individuals (Security Officers) with knowledge of information technology and applications to oversee the testing process. These individuals must be familiar with technical controls used to protect the system from unauthorized entry.

Finally, contingency and backup plans must be in place to ensure protection of Michigan tax information.

V. Electronic Transmission of Michigan Tax Information

The two acceptable methods of transmitting Michigan tax information over telecommunications devices are encryption and the use of guided media. Encryption involves the altering of data objects in a way that the objects become unreadable until deciphered. Guided media involves the use of protected microwave transmitting or the use of end to end fiber optics.

The Department of Technology, Management and Budget (DTMB) has defined encryption standards in DTMB Technical Standard 1340.00.07 which must be used to provide guidance for encryption, message authentication codes or digital signatures and digital signatures with associated certification infrastructure.

Unencrypted, cable circuits of fiber optics are an alternative for transmitting Michigan tax information. Adequate measures must be taken to ensure that circuits are maintained on cable and not converted to unencrypted radio transmission. Additional precautions will be taken to protect the cable, i.e., burying the cable underground or in walls or floors and providing access controls to cable vaults, rooms and switching centers.

A. Remote Access

Accessing databases containing Michigan tax information from a remote location – that is, a location not directly connected to the Local Area Network (LAN) will require adequate safeguards to prevent unauthorized entry.

For dial up access, the system must require an identification security card that requires both PIN

and card in possession. According to DTMB Technical Standard 1335.00.02, access to any connected state network will only be permitted after a user has been authenticated. Authentication is provided through ID and password.

B. Portable Computer Devices

Any entrusted confidential information collected or accessed during this Contract must be encrypted when stored on all storage devices and media. This includes, but not limited to, disk drives for servers and workstations, and portable memory media (PDAs, RAM drives, memory sticks, etc.).

VI. Record Keeping Requirements for Information Received in a Paper Format

Each Contractor employee or contractor requesting and receiving information will keep an accurate accounting of the information received. The audit trail will be required which will include the following information:

- a. Taxpayer's name
- b. Identification number
- c. Information requested
- d. Purpose of disclosure request
- e. Date information received
- f. Name of Agency/Division and employee making request
- g. Name of other employees who may have had access
- h. Date destroyed
- i. Method of destruction

A. Electronic Media

Contractor will keep an inventory of magnetic and electronic media received under the Contract.

Contractor must ensure that the removal of tapes and disks and paper documents containing Michigan tax return information from any storage area is properly recorded on charge-out records. Contractor is accountable for missing tapes, disks, and paper documents.

B. Recordkeeping Requirements of Disclosure Made to State or Federal Auditor General

When disclosures are made by Contractor to State or Federal Auditors, these requirements pertain only in instances where the Auditor General's staff extracts Michigan tax returns or tax information for further review and inclusion in their work papers. Contractor must identify the hard copies of tax records or if the tax information is provided by magnetic tape format or through other electronic means, the identification will contain the approximate number of taxpayers' records, the date of inspection, the best possible description of the records and the name of the Auditor(s) making the inspection.

The Office of Privacy and Security must be notified, in writing, of any audits done by auditors, internal or otherwise, of Contractor that would involve review of Treasury processing parameters.

VII. Contract Services

The following language will be included in any contract entered into by Contractor with a subcontractor if the subcontractor will process Michigan tax return information provided under this Safeguard Provision.

- A. The identification of confidential tax records and defining security controls are intended to protect Treasury tax return information from unlawful disclosure, modification, destruction of information and unauthorized secondary uses.

Definition of Treasury Tax Return Information

Treasury tax return information is defined in RAB 1989-39 as follows:

B. Taxpayer's identity, address, the source or amount of his/her income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over assessments, or tax payments whether the taxpayer's return was, is being or will be examined or subject to their investigation or processing, or any other data, received by, recorded by, prepared by, furnished to or collected by the agency with respect to a return or with respect to the determination of the existence, or liability (or the amount thereof) of any person under the tax laws administered by the Department, or related statutes of the state for any tax, penalty, interest, fine, forfeiture, or other imposition or offense. The term "tax return information" also includes any and all account numbers assigned for identification purposes.

- B. An acknowledgment that a taxpayer has filed a return is known as a "fact of filing" and may not be disclosed. All tax return data made available in any format will be used only for the purpose of carrying out the provisions of the Contract between Contractor and the sub-contractor. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of the Contract between Contractor and the subcontractor. In addition, all related output will be given the same level of protection as required for the source material.
- C. The subcontractor will certify that the data processed during the performance of the Contract between Contractor and the subcontractor will be completely purged from all data storage components of the subcontractor's computer facility, and no output will be retained by the subcontractor at the time the work is completed. If immediate purging of all data storage components is not possible, the subcontractor will certify that any Michigan data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- D. Destruction of tax data, including any spoilage or any intermediate hard copy printout which may result during the processing of Michigan tax return information, will be documented with a statement containing the date of destruction, description of material destroyed, and the method used.
- E. Computer system security and physical security of tax data stored and processed by the subcontractor must be in compliance with security guidelines and standards established by this contract. See section VI (Record Keeping Requirements for Information Received in Paper Format) for more details.
- F. The Contractor will be responsible for ensuring that each employee authorized to access Michigan tax information has signed the *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) and provide a copy to the Department of Treasury, Office of Privacy and Security and the Contract Compliance Officer.
- G. No work involving information furnished under the contract between Contractor and a subcontractor will be further subcontracted without the specific approval of the Michigan Department of Management and Budget. Contractor and approved subcontractors handling Michigan tax return information will be required to sign the *Vendor, Contractor or Subcontractor Confidentiality Agreement* provided by Treasury, (Form 3337, see Attachment A). The original agreements will be returned to the Office of Privacy and Security for the Department of Treasury and a copy sent to the Contract Compliance Officer.

VIII. Transport of Tax Information

In the event, it is necessary to transport confidential tax return information the Contractor is responsible for holding the carrier responsible for safeguarding the records. The Contractor must obtain a signed *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) for each carrier employee who has access to Michigan tax return information. The original agreements will be returned to the Department of Treasury, Office of Privacy and Security and a copy sent to the Contract Administrator.

If it is necessary to transfer records and responsibility for transport to a third carrier due to a mishap during transportation, the Contractor is responsible for ensuring safeguard standards remain enforce.

Any such incidents must be reported to the Contract Administrator immediately.

IX. Disposal of Tax Information

Materials furnished to Contractor, such as tax returns, remittance vouchers, W-2 reports, correspondence, computer printouts, carbon paper, notes, memorandums and work papers will be destroyed by burning, mulching, pulverizing or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to effect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.

Disk media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three (3) times. If the CD or DVD cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on Treasury's retention schedule.

Contractor and its subcontractor(s) will retain all confidential tax information received by Treasury only for the period of time required for any processing relating to the official duties and then will destroy the records. Any confidential tax information that must be kept to meet evidentiary requirements must be kept in a secured, locked area and properly labeled as confidential return information. See Procedure for Security (Section V of this section) for more details.

X. Security Responsibility

Contractor will designate a security person who will ensure that each individual having access to confidential tax information or to any system which processes Michigan tax return information is appropriately screened, trained and executes a *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337, see Attachment A) before gaining access or transaction rights to any process and computer system containing Treasury tax return information.

Each Contractor or their subcontractor(s) employees' access and transaction rights will be reviewed periodically to ensure that there is a need to know Treasury tax return information displayed in any media.

Michigan tax return information will be made available only to individuals authorized by the Contract. State and Contractor will maintain a list of persons authorized to request and receive information and will update the list as necessary. A copy of the list must be furnished to the Michigan Department of Treasury Office of Privacy and Security and the Contract Compliance Officer.

XI. Effective Date

These Safeguard requirements will be reviewed whenever the Contract modifications include specifications or processes that affect tax data.

Reset Form

Michigan Department of Treasury
3337 (Rev. 01-12)**Vendor, Contractor or Subcontractor Confidentiality Agreement**

The Revenue Act, Public Act 122 of 1941, MCL 205.28(1)(f), makes all information acquired in administering taxes confidential. The Act holds a vendor, contractor or subcontractor and their employees who sell a product or provide a service to the Michigan Department of Treasury, or who access Treasury data, to the strict confidentiality provisions of the Act. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

INSTRUCTIONS. Read this entire form before you sign it. If you do not complete this agreement, you will be denied access to Michigan Department of Treasury and federal tax information. After you and your witness sign and date this form, keep a copy for your records. Send the original to the address listed below.

Company Name and Address (Street or RR#, City, State, ZIP Code)		Last Name	First Name
		Driver License Number/Passport Number	Telephone Number
State of Michigan Department	Division	Subcontractor Name if Product/Service Furnished to Contractor	
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency (Required).			

Confidentiality Provisions. It is illegal to reveal or browse, except as authorized:

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.
- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a **need-to-know** basis only. Before you disclose returns or return information to other employees in your organization, they must be authorized by Michigan Department of Treasury to receive the information to perform their official duties.
- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC, R 2005.1004(1).

Violating confidentiality laws is a felony, with penalties as described:**Michigan Penalties**

MCL 205.28(1)(f) provides that you may not willfully browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a **need to know** the information to perform official duties. Violators are guilty of a **felony** and subject to **fines of \$5,000 or imprisonment for five years, or both**. State employees will be discharged from state service upon conviction.

Any person who violates any other provision of the Revenue Act, MCL 205.1, et seq., or any statute administered under the Revenue Act, will be guilty of a misdemeanor and **fined \$1,000 or imprisonment for one year, or both**, MCL 205.27(4).

Federal Penalties

If you willfully disclose federal tax returns or tax return information to a third party, you are guilty of a **felony with a fine of \$5,000 or imprisonment for five years, or both, plus prosecution costs** according to the Internal Revenue Code (IRC) §7213, 26 USC 7213.

In addition, inspecting, browsing or looking at a federal tax return or tax return information without authorization is a **felony violation** of IRC §7213A subjecting the violator to a **\$1,000 fine or imprisonment for one year, or both, plus prosecution costs**. Taxpayers affected by violations of §7213A must be notified by the government and may bring a civil action against the federal government and the violator within two years of the violation. Civil damages are the **greater of \$1,000 or actual damages** incurred by the taxpayer, plus the costs associated with bringing the action, 26 USC 7431.

Failure to comply with this confidentiality agreement may jeopardize your employer's contract with the Michigan Department of Treasury.

Certification		
By signing this Agreement, I certify that I have read the above confidentiality provisions and understand that failure to comply is a felony.		
Print name of employee signing this agreement	Signature of person named above	Date signed
Print Witness Name (Required)	Signature of Witness (Required)	Date signed

Submit your form to the following address:
Office of Privacy and Security/ Disclosure Unit
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922

Questions, contact the Office of Privacy and Security by telephone, (517) 636-4239; fax, (517) 636-5340; or email:
Treas_Disclosure@michigan.gov

EXHIBIT 3



PRELIMINARY PROJECT PLAN

Activity	Execution	From	To	Team Members
Letter of Intent Received	Milestone		9/15/2014	Ryan
Project Commencement	Milestone		9/15/2014	Ryan
Interview STC Staff - Project Plan	Parallel	9/15/2014	10/15/2014	Ryan
Review Sketch Digitization Plan	Serial	10/1/2014	10/31/2014	Ryan/Hayes
Review Remote Verification Plan	Serial	10/1/2014	10/31/2014	Ryan/Hayes
Review Plan for on-site inspection	Serial	10/1/2014	10/31/2014	Ryan
Review Quality Control Plan	Serial	10/1/2014	10/31/2014	Ryan
Review digital sketch work	Parallel	10/1/2014	1/29/2015	Ryan
On-site review of data verification	Parallel	2/1/2015	10/31/2015	Ryan/Gosselin
Review Land Maps/Schedule	Parallel	11/1/2015	12/31/2015	Ryan
Review Building Cost Schedules	Parallel	11/1/2015	1/30/2016	Ryan/Hayes
Review ECF Schedule	Parallel	11/1/2015	1/30/2016	Ryan/Hayes
Review Property Appraisal Valuation Study	Parallel	11/1/2015	1/30/2016	Ryan/Hayes
Review parcel application of Value Schedules	Parallel	11/1/2015	2/29/2016	Ryan/Hayes
Review Proposed Values	Parallel	3/1/2016	5/30/2016	Ryan/Hayes
Review City's Final Contract Deliverables	Serial	6/1/2016	10/29/2016	Ryan
Draft Report to STC	Milestone		1/1/2017	Ryan
Draft Report modified to become Final Report	Serial	1/1/2017	1/20/2017	Ryan
Prepare Final Review Report	Milestone		1/30/2017	Ryan

EXHIBIT 4 - Reserved

Attachment 1

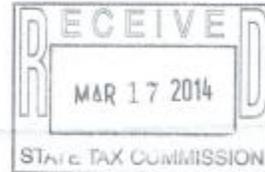


CITY OF DETROIT
FINANCE DEPARTMENT
BOARD OF ASSESSORS

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March 13, 2014

Mr. Douglas B. Roberts, Chairperson
Michigan State Tax Commission
Michigan Department of Treasury
Lansing, MI 48922



Dear Mr. Roberts:

City of Detroit received the State Tax Commission (STC) Order dated February 11, 2014, which related to a recently conducted study by Tax Management Associates. In response, the City submitted a recently issued Request For Proposal for a city-wide real property reappraisal. This letter and its attachments serve as our response and Corrective Action Plan, addressing the many concerns of the State Treasury. I have been in contact with STC representatives (Kelli Sobel) as well as representatives from State Treasury (Wayne Workman, Dave Buick and Ashley Gillesse) and we believe that our plan addresses the State's concerns and expectations. These individuals are copied on this correspondence as are several leaders at the City of Detroit.

The leadership at Detroit shares the STC's concerns. We agree with the Order and we will comply. The Assessment records are in need of updating and we have taken steps to do so prior to the Order. Activities that have already been undertaken are included in our Corrective Action Plan.

We understand that due to the complexity and size of Detroit's Assessment Roll that our Corrective Action Plan may require clarification, additional information, and ongoing dialogue between now and when the Roll becomes fully corrected. We look forward to this ongoing dialogue and request that the STC engage with us to establish a forum to address ongoing concerns.

I want the STC to know that in addition to getting Assessment Records up to date, we are also undergoing significant restructuring of the Assessment Division, as requisite due to reduced staffing. Employees have been reassigned, we are undergoing significant staff training, and we have successfully recruited several individuals who will help assure the success of the Division. While this is not an item that will be included in the Corrective Action Plan, our reorganization efforts will help ensure that the property records are continually maintained once they are rectified.

1



Foundation of Assessment Records

Property data records exist in two places – our CAMA database (BS&A’s Equalizer) and paper property record cards and other records. The BS&A database has been in a state of “override” since initial installation and correcting this issue is the first step in improving our records. In 2012, the City retained BS&A to facilitate tasks to accomplish this. Those tasks include:

- Analysis of neighborhoods: Together with City staff, BS&A examined all 1600+ existing neighborhoods in the City to determine the extent to which the neighborhoods reflect homogenous economic patterns. The result of this analysis was a reduction in the number of neighborhoods to 410, requiring 410 individual economic condition factors. We are in the process of applying this information in the development of the 2015 Assessment Roll.
- Establishment of consistent land values: The neighborhood analysis allowed for an improved and consistent valuation of land values. The result of this helped support the neighborhood consolidation conclusions and will also be used in the development of the 2015 Assessment Roll.
- Separating the land values from overridden values: The land values will be subtracted from the current sales prices to better analyze the contributory value of the building improvements. These results will be applied in the development of the 2015 Assessment Roll.
- Establishment of ECFs: BS&A has conducted an analysis of prior sales and has recommended ECFs that would have been applicable to the 2014 Assessment Roll. These have not been reviewed by the Board of Assessors at the time of this memo but we anticipate an analysis will begin within the next month. We recognize that ECFs should be recalculated regularly and have included this analysis as a requisite to vendors who will assist with other portions of the Plan, identified below.

In addition to our efforts to get the database out of override, we have secured other means to update essential property data and records. These efforts include:

- Contract with Pictometry to generate oblique imagery of the entire City for 2014, 2016, and again in 2018. A contract for this service was finalized in 2013 and the 2014 flight is currently scheduled for early April (weather permitting). Data likely will be available in August 2014.
- Included in the Pictometry contract is a subcontract with iLookabout to secure street view imagery for 2014. Additionally, the City will utilize “Geo Viewport” which helps integrate street-view imagery with other data elements for review and analysis. This effort is scheduled to begin in conjunction with the Pictometry flights and data will likely be available by September 2014.
- A local not-for-profit, Data Driven Detroit, has completed a city-wide survey of all properties within the City. Part of this survey includes qualitative determinations (by non-licensed appraisers) regarding the structural integrity of properties as well as a photograph of the properties. Although the survey has been completed, data is not currently available but we anticipate it will be within a month. The results of this will help the Board of Assessors to inventory and evaluate buildings, structures and improvements throughout the City.



Updating Records Remotely

To adequately update all records for the 330,000 active real parcels in the Assessment Roll, we are utilizing state of the art technology and remote data gathering and verification methods. We have issued an RFP for a vendor to complete three distinct projects for us. Our current timeline for this procurement is to select a preferred vendor in April 2014 and negotiate with them in May so that work can begin in June. The three projects include:

- Sketch digitization services. We currently have digitized sketches for approximately 5 percent of improved parcels. We are asking vendors to create digitized sketches in Apex for all improved properties. This will ensure that a full record of the properties is available in a single source and retrievable through BS&A. In this process, we have made it clear to vendors that building dimension standards must comply with STC guidelines.
- Remote data verification. The selected vendor will utilize the information from Pictometry, iLookabout, BS&A, and the digitized sketch to ensure that the property data stored in the City CAMA system is accurate and reliable. In cases where information is consistent, the data will be corrected and uploaded into BS&A as completed. In cases in which there are inconsistencies, additional verification and measurement methods will be used, including site visits. Precise procedures, as well as quality control methods, have not been established. We have asked vendors to identify what procedures have previously worked well for other clients so that we can refine those methods as the project is implemented. Accurate data is an absolute requirement.
- Valuation: After all data is determined to be accurate and reliable, the vendor is asked to provide valuation assistance requisite for the reassessment of property according to the rules established by the STC and in accordance with USPAP mass appraisal standards.

The STC needs to understand that the scope for the first two components is different than for the valuation components. In the RFP (previously submitted), the first two components are referred to as "Project Scope A" and the valuation component is referred to as "Project Scope B". In its simplest terms, Scope B includes the entire City – all vacant and improved active parcels in the City. Scope B is smaller, as efforts have been made to remove parcels from the project that either do not lend themselves to a mass appraisal process or that are being revalued through different methods. Those exceptions that will not be included in Scope A include:

- Parcels that are within the City's Central Business District. This reappraisal will be conducted by Assessment staff with assistance from licensed and designated fee appraisers (one contract has been secured and one is being finalized at the present time).
- Vacant versus unimproved parcels: GIS and Engineering staff will examine all parcels using Pictometry, iLookabout and GIS resources to verify whether a functional improvement exists on the parcel of land.
- Parcels that have scheduled demolitions. Detroit faces a unique problem in the expanse of its blighted properties. Tens of thousands of these have been identified for demolition. Part of our Plan is to treat these as "future vacant" properties and conclude that the land value will be the primary consideration for these parcels, while the current improvements have little or no contributory value.



We want to emphasize that each of the exclusionary factors above are for the mass appraisal portion of the project only. In terms of a general reappraisal, all parcels are to be included.

Plan of Action by Class

Each classification of property shares some common actions for reappraisal efforts. Those actions include getting the database out of override, establishment of land values, separating land values from improved values, accessing street-view and aerial imagery. Each of these will be completed in 2014.

Residential. The reappraisal of the residential class will be addressed primarily through a vendor to digitize sketches, verify data remotely, and aggregate valuation data requisite for a reappraisal. We have expressed to potential vendors that we anticipate that all three components will be completed to finalize a reappraisal on or before December 31, 2016. The roll of Assessing staff will be to ensure that all pertinent data components are examined and exported into BS&A, as well as to monitor quality assurance. Also, Assessing staff will be responsible for verifying vacant properties and ensuring that the vendor has access to available data sets (such as building permits) that will help the vendor's efficiency and effectiveness.

While we have asked vendors to identify processes that they believe are most efficient, we anticipate that our work effort will be prioritized geographically. It is only logical to assume that certain areas of the City will be completed before others. We have not reached a decision about how to prioritize the geographic progression.

Commercial. Existing records for Detroit's Central Business District provide a good foundation for a reappraisal. We intend to use City staff and fee appraisers to augment existing data to conduct this reappraisal. For the remainder of the commercial class, we will use vendor remote data verification techniques similar to the residential class.

Industrial. A portion of the industrial properties do not fit the parameters of mass appraisal techniques due to complexity and size of the properties. We respectfully request that STC allow Detroit to use standard appraisal methods as the basis for valuation of a portion of the industrial class. We intend to address this with a combination of fee appraisers and senior Assessment staff.

Response to STC Order

The Order from the STC, which was made on February 11, 2014 and forwarded to us on Feb 12, used an analysis from Tax Management Associates as evidence in support of that order. We do not question the TMA findings, as they confirm much of what we had already known. We would like to bring to the STC's attention that safety concerns, which TMA encountered, would make a traditional "boots on the ground" reappraisal with on-site inspection imprudent and impractical for Detroit. This recognition supports our Plan to verify information remotely. In fact, TMA's methodology included measuring dimensions remotely using aerial photography to reach their conclusions – again supporting our approach.



The February 11 STC Order identified several specific items that TMA found that we wish to address for the STC with the intent of ensuring that our approach incorporates the intent of that Order:

- Database in Override. As noted above, the City, with support of BS&A, is in the process of getting the assessment database out of override, establishing land values, developing ECFs, and separating the land values from improved values. It is recognized that the city's CAMA data leaves a lot to be desired. Consequently, the derived valuations will be used as broad parameters in the development of the 2015 Assessment Roll.
- Homes in Class C. We will ask our vendor to verify or correct the class of homes during the RDV process. Since receiving this information, we have visually inspected several neighborhoods and find Class C is actually appropriate for significantly large areas of the City.
- Homes are 45 percent depreciated. It should be recognized that the majority of the housing stock of City of Detroit was developed over fifty five years ago. Consequently, an effective age of 1% per each chronological year in age would produce nearly every property to be recorded with physical depreciation as 45% good. This is the bottom threshold programmed in the BS&A system. Commencing in April, the city will explore changing effective age to be calculated as a fraction of one percent for each year of age. This should provide for greater differentiation in physical depreciation.
- ECF of 1.0. We acknowledge that this needs correction and are in the process of rectification. Again, we have retained BS&A to develop ECFs and they are assisting us with the override elimination project. ECF tables will be utilized as an aid in the development of the 2015 Assessment Roll. We have also asked the RDV vendor to include ECFs as a part of the valuation project so that these ECFs will be continually refined.
- Flat land values. Similar to the override and ECF issue, BS&A has developed land values for us to consider in the development of the 2015 Assessment Roll.

Detroit Assessor, Alvin Horhn, attended the February 10 STC meeting during which the Order was made. He reports that there was not additional discussion so we believe that the above five points address all intents that the Commissioners had in issuing the Order. If there are additional items, please bring them to our attention so that we can consider them further into our Plan.

February 25 Memo from State Treasury

After a conference call that included members of City of Detroit, STC, and State Treasury, we received a memo that summarized that discussion and included ten points that we wish to address so that it is clear that we are incorporating the feedback as part of the City's work effort into the STC. In a follow up conversation with the same parties, we clarified several issues and again address them below. Summary points from that memo included:



1. Addition of Driveways and Fences to Vendor Verification Criteria. It will be assumed that every home in Detroit has a concrete driveway approximately eight feet wide and fifty feet in length and is in usable condition. The successful contractor will note the exceptions, i.e.:

- No driveway
- Ribbon driveway
- Broken driveway requiring concrete replacement
- Double driveway
- Circular driveway
- Exceptionally long driveway

It will also be assumed that every home in Detroit will have a four foot chain link fence in average to poor condition that encloses the back yard. The successful contractor will note the exceptions, i.e.:

- Newer six foot privacy fence enclosing the full back yard
- Brick masonry fence measured in lineal feet
- Wrought Iron Fence measured in lineal feet
- Other ornamental fencing measured in lineal feet
- Sculptured landscaped fence measured in lineal feet

2. Standard for Field Inspection. In our research with other municipalities who have undergone a similar remote verification process, approximately 5 percent of parcels have required a field inspection and the TMA study suggests a rate of 8 percent. The reasons for a field inspection include when the data is inconclusive regarding measurement or condition. We will clarify this language in an addendum to the RFP, which will be released on March 21. We will forward to the STC a copy of that addendum.
3. Final Scoring. We appreciate the feedback to more heavily weigh experience and ability to deliver. Potential vendors were made aware of that change during a pre-bid meeting on March 7 and we will also incorporate that into the addendum.
4. The successful contractor will understand that when the term "appraisal valuation study" is used in the RFP that it connotes the work effort and analysis requisite for a city-wide reappraisal of all non-exempt real property. It will also be understood that any and all of the successful contractor's proposed valuations must be developed in compliance with the Michigan Assessors Manual and deemed appropriate and acceptable by the certifying assessor for the City of Detroit.
5. The Detroit Board of Assessors will launch a reappraisal of the Detroit Downtown area in April of 2014. Consequently, these properties will not be part of the scope considered by the RFP. Additionally, the Detroit Board of Assessors will be responsible for the revaluation of industrial facilities in excess of 500,000 square feet of building area. This involves twenty Two large industrial facilities.
6. Vacant Properties. It is well understood that the inclusion of vacant properties is necessary for a full reappraisal and we intend to do so. However, our approach is that we will not pay a vendor to verify that properties are vacant and instead will rely on qualified City staff to reach those conclusions utilizing Data Driven Detroit resources, GIS information and current photo imagery. Should staff discover improvements on properties that were previously recorded as unimproved, we will add these parcels for the vendor to digitize sketch, verify data, and provide appraisal services.



7. Vendor identifying proper classification. The successful contractor must be familiar with the classification of property as delineated in Section 34 of the Michigan General Property Tax Act, being Act 206 of 1893, as amended (MCL 211.34c). Furthermore, during the course of engagement, the successful contractor will bring to the attention of the Detroit Board of Assessors any parcel of property that appears to be mis-classified on the most current assessment roll.
8. ECFs. We will make it clear to vendors that they shall develop and recommend ECFs as part of the valuation process. This point was made to vendors on March 7 and it will be made in writing as part of the Addendum.
9. BS&A. The City has no intent of changing its CAMA system. The mention of other data systems in the RFP is with the understanding that vendors may have software that makes the RDV process more efficient for their operation. Additionally, vendors may have other software that may augment the valuation process particularly in regard to the income and direct sales approaches to value. All data must eventually be incorporated into BS&A. This will be explicit in the Addendum and in the scope of work that we negotiate with the selected vendor.
10. Rejection of Values. The language included in the RFP was written with the intent of using rejection as a quality control method – if a vendor makes mistakes, the Certifying Assessor will reject those mistakes in the same manner as if Assessing staff makes mistakes, and their work product is rejected. Additionally, the Certifying Assessor will monitor procedures and process to comply with USPAP mass appraisal standards. The Certifying Assessor offers his professional credentials and his progressive lifetime experience in mass appraisal and assessment administration as security for the successful reappraisal of the City of Detroit.

We hope that this addresses the current concerns of the State Tax Commission. We again hope to have a dialogue with the STC throughout this project. Please contact me directly with any concerns and questions.

Gary Evanko

Chief Assessor for the City of Detroit

cc: Kelli Sobel
Dave Buick
Wayne Workman
Ashley Gillese
John Hill, City of Detroit CFO
John Naglick, City of Detroit Finance Director
Alvin Horhn, City of Detroit Assessor