

## **AGREEMENT FOR ADMINISTRATIVE REVIEW OF FINANCIAL STATUS**

**Kent City Community Schools**, a Michigan general powers school district, whose address is 200 North Clover Street, and **Kent ISD**, a Michigan intermediate school district, whose address is 2930 Knapp St. NE, Grand Rapids, MI 49525, have entered into this Agreement as of April 26, 2016 ("Effective Date"). In this Agreement, Kent ISD and Kent City Community Schools ("District") may be referred to individually as a "Party" or jointly as the "Parties."

### **RECITALS**

**WHEREAS**, The State Treasurer has declared that the potential for fiscal stress exists for the District under MCL 380.1219(3);

**WHEREAS**, The District desires to enter into this agreement to have Kent ISD perform an administrative review of the financial status of the District, which will also make unnecessary the submission of periodic financial status reports to the State Treasurer for a period of two years under MCL 380.1219(8);

**WHEREAS**, Kent ISD has the expertise in fiscal management required to review and issue recommendations as to how the District can eliminate the potential for fiscal stress;

**WHEREAS**, MCL 380.1219(5) permits the Parties to enter into this Agreement; and

**WHEREAS**, the Parties have reviewed this Agreement and agree to be bound by the terms and conditions hereof.

**NOW THEREFORE**, the Parties agree as follows:

### **ARTICLE I DUTIES OF KENT ISD**

Section 1.1 Within 90 days after the Effective Date, Kent ISD shall complete an administrative review of the financial status of the District.

Section 1.2 Within 90 days of the Effective Date, Kent ISD shall issue recommendations to the District concerning those steps the School District should consider taking to avoid a deficit ("Recommendations").

Section 1.3 After completion of the administrative review, Kent ISD shall present the Recommendations issued under Section 1.2 at a mutually agreed upon scheduled public meeting or public hearing of the governing body of the District.

Section 1.4 Kent ISD shall send a copy of the Recommendations issued under Section 1.2 to the Department of Education and the Department of Treasury.

Section 1.5 Kent ISD may, in the course of its administrative review, make other findings that do not result in Recommendations under Section 1.2. Kent ISD may communicate these other findings regarding the District's financial situation to the Superintendent of the District, which may include suggestions for further examination into certain costs or revenue opportunities.

Section 1.6 Kent ISD may choose, in its sole discretion, to work in a consortium with another intermediate school district or multiple intermediate school districts in performing the administrative review. Kent ISD may also choose, in its sole discretion, to use a contractor or contractors to assist in the administrative review.

Section 1.7 Kent ISD shall submit quarterly reports to the Department of Treasury on the status of the implementation of the Recommendations issued under Section 1.2 to the District by Kent ISD.

## **ARTICLE II CONTENTS OF ADMINISTRATIVE REVIEW**

Section 2.1 Kent ISD's administrative review shall include all those items identified under MCL 380.1219, and shall include but is not limited to all of the following:

- i. An examination of financial practices, including at least an examination of the District's compliance with the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a, budget to actual expense report monitoring, and budget amendment practices after budget adoption.
  - ii. An examination of staffing and a comparison of staffing to other school districts, as applicable.
  - iii. An examination of wages and a comparison of wages to other school districts in the area, as applicable.
  - iv. An examination of benefit costs as a percentage of wages and a comparison of benefit costs as a percentage of wages to other school districts in the area, as applicable.
  - v. A school building student capacity utilization review.
  - vi. An examination of non-instructional costs by function and a comparison of those costs to other school districts, as applicable.
  - vii. A review of enrollment projection methods and history.
  - viii. An examination of deferred maintenance and capital investment needs. Capital investment needs include technology equipment and technology infrastructure needs.
  - ix. An examination of substitute costs, workers compensation costs, unemployment compensation costs and forecasts, and a review of other insurance programs.
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- x. An examination of pupil transportation costs and routing.
- xi. An examination of the current and future costs of existing bargaining agreements.
- xii. An examination of state and federal grants.
- xiii. An examination of any other revenue or expenditure that may have a material impact upon the financial condition of the district.

Section 2.2 The parties may request the Department of Treasury to waive 1 or more of the requirements for items to be included in Kent ISD's administrative review under MCL 380.1219. If the Department of Treasury grants a waiver, then Kent ISD's administrative review is not required to include the waived item or items.

### **ARTICLE III DUTIES OF THE DISTRICT**

Section 3.1 While Kent ISD's duties are limited to analyzing and assisting the District with its analysis of the financial status of the District as previously set forth, and do not include a review and audit of all aspects of the District's organization, nonetheless, both parties recognize that Kent ISD may need information from a wide variety of sources within the District in order for it to perform its duties. Accordingly, the District shall give Kent ISD and its contracted agents prompt and full access to any and all financial data or information relating to the financial condition of the District as requested by Kent ISD. This includes, but is not limited to, information regarding the district's budget and audit; read-only access to the districts electronic financial systems; ongoing, pending, and anticipated litigation, arbitrations, mediations, insurance claims, real estate issues and negotiations, payments to contractors, settlement agreements of any type, employment contracts, management letters from the district's auditor, corrective action plans for audit findings, competitive bid and/or RFP documents and responses; and resumes and qualifications of personnel assigned to support service or other positions.

Furthermore, as the parties agree that time is of the essence in the performance of their respective obligations under this agreement, the District agrees that "prompt" delivery and access to information and staff shall mean as quickly as reasonably possible, and not to exceed two business days, absent special circumstances.

Section 3.2 The District shall allow Kent ISD and its contracted agents to promptly examine all financial records and books of account of the District.

Section 3.3 The District shall promptly and fully provide the assistance and information necessary and properly requested by Kent ISD or its contracted agent in the effectuation of the Kent ISD's administrative review duties, including, but not limited to, complying with a request that the District provide a facility condition assessment or a physical asset inventory if either of these has not been completed in the immediately preceding 24 months.

Section 3.4 Upon request by Kent ISD, the District shall promptly make available any District staff to meet with Kent ISD or its contracted agents, including business and other administrative leadership.

Section 3.5 Upon the request of Kent ISD, the District shall promptly arrange for a meeting between Kent ISD or its contracted agents and the leadership of any professional or labor organization contracted with the District so that Kent ISD may obtain input and information from the organization regarding the financial status of the District.

Section 3.6 Upon the request of Kent ISD, the District shall promptly arrange for a public hearing at a District facility in the event that Kent ISD determines that it would be appropriate to obtain input and information from the public regarding the finances of the District.

Section 3.7 The District shall consider implementing all of the Recommendation(s) made by Kent ISD (see Section 1.2).

#### **ARTICLE IV TERMINATION**

Section 4.1 Kent ISD may rescind the contract if the District is not attempting to comply with 1 or more of the Recommendations issued to the District, or the District breaches any of its obligations under this agreement, upon 5 days written notice.

Section 4.2 The District may rescind the contract for any reason upon 5 days written notice.

Section 4.3. In the event of termination, the District shall pay all applicable costs incurred by Kent ISD as provided elsewhere in this agreement.

#### **ARTICLE V CONSIDERATION AND PAYMENT**

Section 5.1. For the Services that Kent ISD and its agents/contractors will provide in the performance of Kent ISD's duties under this agreement, the District shall pay to Kent ISD an amount that reflects Kent ISD's actual costs incurred plus 4% of such actual costs to recoup indirect costs. The estimated actual cost is \$20,000. However, if the District fully complies with the requirements of this agreement Kent ISD shall waive 100% of the costs.

#### **ARTICLE VI DISPUTE RESOLUTION**

Section 6.1 Informal Resolution. Disputes arising from or relating to this agreement must be presented to the Parties' Superintendents, in writing, for discussion and informal resolution. Such disputes must identify the provision or provisions in dispute, the full relief



regard. This shall include prompt if not immediate access to all information, materials and documents necessary to provide the Services.

Section 7.3 Except as provided for the benefit of the Parties, this Agreement does not and is not intended to create any obligation, duty, promise, contractual right or benefit, right to indemnification, right to subrogation and/or any other right in favor of any other person or entity.

Section 7.4 This Agreement sets forth all the covenants, agreements, stipulations, promises, conditions and understandings between Kent ISD and the District concerning the activities contemplated herein, and there are no other promises or understandings, either oral or written, other than set forth herein.

Section 7.5 This agreement shall not be modified, altered or amended except by written agreement duly executed by Kent ISD and the District in accordance with the terms hereof.

Section 7.6 The invalidity of any article, section, subsection, clause or provision of this agreement shall not affect the validity of the remaining sections, subsections, clauses or provisions hereof which remain valid and will be enforced to the fullest extent permitted by law.

Section 7.7 This Agreement shall be governed by, construed and enforced in accordance with, the laws of the State of Michigan. The parties agree, consent and submit to the personal jurisdiction of any competent court of jurisdiction in Kent County, Michigan, or the United States Federal Courts sitting in the Western District of Michigan, for any action brought against it arising out of this Agreement.

Section 7.8 The covenants, conditions and agreements in this agreement shall be binding upon and inure to the benefit of the parties, their respective legal representatives, successors and assigns.

Section 7.9 Neither this agreement, its performance, nor any rights or obligations of the parties may be assigned, encumbered or delegated without the prior written consent of the other party, which shall not be unreasonably withheld, conditioned or delayed. Any purported assignment, encumbrance or delegation in contravention of this Section shall be null and void. The parties intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person or entity other than the parties and their respective permitted successors and assigns.

Section 7.10 This Agreement may be executed in any number of counterparts, each of which shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 7.11 Both Parties represent that the individual executing this Agreement is duly authorized by, and has the authority to execute this Agreement and bind, the respective Party.

IN WITNESS WHEREOF: the Parties hereto on this day execute this Agreement as of the Effective Date.

**KENT ISD**

**Kent City Community Schools**

By:  \_\_\_\_\_

By:  \_\_\_\_\_

**Name: Ron Caniff**

**Name: Mike Weiler**

**Title: Superintendent**

**Title: Superintendent**

**Date: April 25, 2016**

**Date: April 25, 2016**