

RESOLUTION

School District of the City of Pontiac, Oakland County, Michigan (the "School District").

A Special meeting of the Board of Education of the School District was held in the School District, on the 18th day of September, 2013 at 5:30 p.m., local time.

The meeting was called to order at 5:30 p.m., by Bow, President.

Present: Trustees: Williams, Hatchett, Carter, Cain, Loveland, Raby & Turper.

Absent: (0)

The following preamble and resolution were offered by Member Hatchett and supported by Member Cain:

WHEREAS, On August 6, 2013, the Governor determined that a financial emergency exists in the Pontiac School District and confirmed that determination on August 14, 2013;

WHEREAS, On August 19, 2013, The Pontiac Board of Education, acting under section 7 of the Public Act 436 adopted a resolution selecting the consent agreement option detailed in section 8 of Public Act 436 to address the financial emergency;

AND WHEREAS, the Superintendent of the Pontiac School District and the State Treasurer have negotiated a consent agreement, which was received by the District on September 18, 2013;

THEREFORE BE IT RESOLVED, the Pontiac Board of Education adopts the attached consent agreement, and hereby authorizes its Superintendent and President of its Board of Trustees to execute same on behalf of the Pontiac School District.

Aycs: unanimous

Nays: none

Resolution declared adopted.

Carol Y. Turper
President, Board of Education

CONSENT AGREEMENT

This agreement between the School District of the City of Pontiac (“**District**”) and the State Treasurer (“**Treasurer**”), is a consent agreement (“**Agreement**”) authorized by the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541 to 141.1575 (“**Act**”), and is effective September 18, 2013 (“**Effective Date**”).

Recitals

This Agreement represents a collaborative effort to assist the District in expeditiously restoring the fiscal accountability of the District while also assuring the provision of essential and effective public educational services to residents of the District and is made with reference to the following:

- The District, like many school districts in industrial cities throughout the United States, has experienced a prolonged period of economic change stretching over several decades which has eroded the quality of life of residents and businesses within the District.
- The District confronts daunting challenges characterized by persistent and systemic fiscal imbalances and deficit conditions, aggravated by the deterioration in revenues received from property taxes due to reduced property values and reductions in school aid exacerbated by declining pupil counts.
- Fundamentally changing the District’s current dismal financial trajectory can restore quality public education services that residents, businesses, students, and their families have a right to expect and enjoy.
- The District has experienced acute financial stress for several years with the District’s deficit quadrupling over 3 years to close the 2011-2012 fiscal year with a \$37.7 million deficit, representing more than half of the District’s total general fund revenue for that year.
- The District did not react quickly and continued to spend more than it received in revenue in the 2012-2013 fiscal year.
- Based upon information provided by the District, significant outstanding general fund obligations, totaling more than \$37.8 million, have been accumulated by the District (see *Exhibit 1*) and a projected cash flow for the 2013-2014 fiscal year anticipates a cash shortfall of \$18.9 million in the 2013-2014 fiscal year (see *Exhibit 2*).
- Based on the District’s failure to comply with its obligations under a deficit elimination plan and other considerations, the Superintendent of Public Instruction (“**State Superintendent**”) conducted a preliminary review under Section 4 of the Act to determine the existence of probable financial stress within the District.

- On June 6, 2013, the Local Emergency Financial Assistance Loan Board (“**Loan Board**”) determined that probable financial stress existed within the District.
- On July 3, 2013, the Governor of the State of Michigan (“**Governor**”) appointed a review team for the District under Section 4(4) of the Act to examine the books and records of the District.
- The review team reported that as of June 30, 2013 the District had about \$33 million in unpaid bills to vendors, that audit reports for three prior years showed significant differences between revenue and spending as budgeted versus actual revenue and spending, and that debt retirement funds of the District were used to cover payroll expenses.
- On August 2, 2013, the review team concluded that a financial emergency exists within the District.
- On August 6, 2013, the Governor determined that a financial emergency exists within the District and confirmed that determination on August 14, 2013.
- In response, acting under Section 7 of the Act on August 19, 2013, the Board of Education of the District (“**School Board**”) adopted a resolution selecting the consent agreement option detailed in Section 8 of the Act to address the financial emergency.
- The Superintendent of the District and the Treasurer have negotiated this Agreement, including an educational plan acceptable to the State Superintendent, providing for remedial measures considered necessary to address the financial emergency within the District and provide for the financial stability of the District.
- The financial situation within the District is dire. Timely resolution of these financial difficulties and determined action by the District and its employees consistent with the goals and objective of this Agreement is imperative and in the best interests of the District and its employees and residents.

Agreement

Based upon the recitals, the District and the Treasurer agree as follows:

Section 1. Remedial Measures. Consistent with Section 8(1) of the Act, each remedial measure detailed in **Schedule A** (“Remedial Measures”) is necessary to address the financial emergency within the District and provide for the financial stability of the District. With any financial management and technical assistance from the State provided for in

Schedule C, the District will implement by the date provided in Schedule A and otherwise comply with each Remedial Measure detailed on Schedule A. Timely compliance is important. If the District is unable to implement or comply with a Remedial Measure consistent with Schedule A and this Agreement, the District may request in writing a waiver of the requirement under Section 21.

- 1.1 Alternative Service Delivery. In addition to the Remedial Measures detailed in Schedule A, the District will actively pursue alternative means to more effectively and efficiently provide public educational services to residents of the District and perform other functions and responsibilities of the District (“**Service Alternatives**”). The Service Alternatives may, without limitation, be implemented through agreements or cooperative arrangements with other entities, public or private, or by joining organizations as part of performing the functions of the District authorized under Section 11a(4) of The Revised School Code, 1976 PA 451, MCL 380.11a(4).

Section 2. **Educational Plan.** Consistent with Section 8(1) of the Act, the District will implement the Educational Plan detailed in **Schedule B** (“**Educational Plan**”) beginning with the 2013-2014 school year. When implementing the Educational Plan, the District will consult with the intermediate school district in which the District is located (“**ISD**”). Any changes to the educational plan must be approved in writing by the State Superintendent and the Treasurer.

Section 3. **State Assistance.** To assist the District in alleviating the financial emergency within the District, the Michigan Department of Treasury (“**Treasury**”) and the Michigan Department of Education (“**MDE**”) will provide the District with the financial management and technical assistance detailed in **Schedule C**, consistent with Section 8(1) of the Act. The provision of assistance by Treasury or MDE is subject to the mandate under Section 17 of Article IX of the State Constitution of 1963 that no money may be paid out of the state treasury except in pursuance of appropriations made by law. Consistent with Section 12(1)(s) of the Act, the District may apply for a loan from the state, subject to the conditions of the Emergency Municipal Loan Act, 1980 PA 243, MCL 141.931 to 141.942, or other applicable law.

Section 4. **Status Report.** Consistent with Section 8(1) of the Act, the District will provide a financial status report to the Treasurer on a monthly basis. The financial status report must be in the format detailed in **Schedule D**. Treasury will closely monitor the timeliness and accuracy of the financial status reports. The District also will transmit a copy of each financial

status report to each State Senator and each State Representative representing a legislative district that includes the District. In addition to the monthly financial status report, the Treasurer may require the District to produce other financial reports to assure that the District, Treasury, and the Consent Agreement Consultant appointed under Section 14.1 (“**Consultant**”) have access to accurate and timely financial information. The State Superintendent may require the District to produce periodic reports on the District’s implementation of and compliance with the Educational Plan.

- 4.1 *Litigation Reports.* The District will file with the Treasurer a report by January 15, 2014, and quarterly thereafter, a detailed listing of all pending lawsuits or other legal actions to which the District is a party. For each pending lawsuit or other legal action, the listing must specify the name of the plaintiff or plaintiffs, the name of the defendant or defendants, the name of the court and judge with jurisdiction, the name of the attorney representing the District, the cause of action, the length of time during which the lawsuit or other legal action has been pending, an estimate as to any budgetary impact upon the District should the District not prevail in the lawsuit or other legal action, the details of any settlement agreement, and the applicability of any insurance maintained by the District.
- 4.2 *Remedial Measures and Service Alternatives Reports.* On behalf of the District, the Consultant, or the Superintendent of the District if the Consultant is not in place, will transmit to the School Board, the Treasurer and the State Superintendent a report indicating the status of implementation of Remedial Measures and any Service Alternatives by the District by October 15, 2013. After the initial report, updated reports must be transmitted bi-weekly until January 15, 2014. After January 15, 2014, updated reports must be submitted quarterly by the 15th day of the month.

Section 5. **Financial and Operating Plan.** With assistance from Consultant, the District will develop a written financial and operating plan for the District consistent with the requirements of this Agreement (“**Financial and Operating Plan**”). The Financial and Operating Plan must include and be consistent with the Educational Plan and emphasize the need for action and timely resolution of the financial difficulties confronting the District. In developing a Financial and Operating Plan, the District will consult with ISD. The initial Financial and Operating Plan for the District must be submitted to the Treasurer by no later than December 15, 2013, and preferably sooner. Before taking effect, a Financial and Operating Plan must be reviewed and approved by the Treasurer. Upon approval by the

Treasurer, the District has responsibility for the timely and effective implementation of the Financial and Operating Plan consistent with the requirements of this Agreement. Consistent with Section 11(3) of the Act, the Financial and Operating Plan may serve as a deficit elimination plan otherwise required by law, if approved by the Treasurer and the State Superintendent.

- 5.1 Objectives. The Financial and Operating Plan will have the objectives of assuring that the District is able to provide or cause to be provided governmental services essential to the public health, safety, and welfare and assuring the fiscal accountability of the District. Time is of the essence.
- 5.2 Requirements. The Financial and Operating Plan will provide for all of the following:
- (a) Conducting all aspects of the operations of the District within the available resources and projected cash flow.
 - (b) The payment of scheduled debt service requirements on bonds, notes, and municipal securities of the District, contract obligations in anticipation of which bonds, notes, and municipal securities are issued, and all other uncontested legal obligations.
 - (c) The modification, rejection, termination, and renegotiation of contracts of the District to the extent authorized by applicable law, this Agreement, and approved by the Treasurer, and as based upon a needs assessment and cost savings analysis, including, but not limited to modification, rejection, termination, and renegotiation of contracts to address employee absenteeism rates within the District.
 - (d) The timely deposit of required payments to the Michigan Public School Employees Retirement System established by The Public School Employees Retirement Act of 1979, 1980 PA 380, MCL 38.1301 to 38.1347, or any pension plan in which the District participates.
 - (e) Implementation of the Educational Plan.
 - (f) A detailed projected budget of revenues and expenditures over not less than five fiscal years that demonstrates that the District's expenditures will not exceed its revenues and that any existing

deficits will be eliminated during the projected budget period (“**Budget Period**”).

- (g) A cash flow projection for the current fiscal year and the next fiscal year.
- (h) A plan showing reasonable and necessary maintenance and capital expenditures during the Budget Period.
- (i) An evaluation of costs associated with pension and postemployment health care obligations for which the District is responsible and a plan for how those costs will be addressed to assure that current obligations are met and that steps are taken to reduce any future unfunded obligations.
- (j) Procedures for cash control and cash management, including, but not limited to, procedures for timely collection, securing, depositing, balancing, and expending of cash. Procedures for cash control and cash management must include the designation of appropriate fiduciaries. Rapid improvement in cash control and cash management within the District is a key goal and objective of this Agreement.
- (k) Identification of factors and circumstances contributing to the financial emergency in the District and measures to correct the factors and circumstances.
- (l) Measures to satisfy the outstanding obligations of the District.
- (m) Staffing levels for the District, notwithstanding any previously established minimum staffing levels. Staffing levels must align with projected revenue.
- (n) The consolidation or elimination of departments of the District, the transfer of functions from 1 department to another, and the removal of administrators, as necessary for the implementation of the Financial and Operating Plan, and as based upon a needs assessment and cost savings analysis.
- (o) Any other actions necessary to implement this Agreement, achieve the objectives of the Financial and Operating Plan, rectify the financial emergency in the District, and restore financial accountability and stability to the District, and as based upon a needs assessment and cost savings analysis.

- 5.3 Compliance. District officials, employees, agents, and contractors will take and direct those actions that are necessary and advisable to maintain compliance with the Financial and Operating Plan.
- 5.4 Amendment. The Financial and Operating Plan will be regularly reexamined by the District. The School Board will amend the Financial and Operating Plan when requested in writing by the Consultant at the School Board's next regularly scheduled meeting or at a special meeting if the Consultant and the Treasurer request the School Board to approve the amendment at a special meeting. If revenue estimates for the District change, as determined by the Consultant, the Consultant shall notify the School Board in writing of the change in the revenue estimate and the School Board will amend the Financial and Operating Plan to conform to the revised revenue estimates at the School Board's next regularly scheduled meeting or at a special meeting if the Consultant and the Treasurer request the School Board to approve the amendment at a special meeting. Any amendment of the Educational Plan must be signed by the State Superintendent. Amendments to the Financial and Operating Plan are not effective until approved by the Treasurer.

Section 6. **Budget.** With assistance from the Consultant, the District will adopt and adhere to a budget for each fiscal year consistent with the requirements of applicable law and this Agreement, including, but not limited to, the Financial and Operating Plan. The budget adopted for each fiscal year will comply with all of the following:

- (a) Before adoption, the budget must be approved by the Treasurer.
- (b) Each budget proposed for the District will be prepared and presented, and each appropriation proposed by the District will be adopted, in compliance with the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a ("**Budget Act**").
- (c) With the adoption of the budget for each fiscal year, the District will prepare and maintain a forecast of monthly cash demands to satisfy the expenditures authorized in the adopted budget. An appropriation is not a mandate to spend.
- (d) Beginning with the budget for the 2014-2015 fiscal year, the annual budget for each fiscal year, as adopted by the District must be transmitted to the Treasurer at least 30 calendar days before the beginning of the fiscal year. Any amendments to an adopted

budget must be approved by the Consultant and transmitted to the Treasurer within 10 calendar days of adoption by the District.

- (e) If a shortfall in anticipated revenue in any District fund, or if the Treasurer determines that unusual or extraordinary expenditures or changes in pupil membership arise during a fiscal year, the District will reduce budgeted expenditures in the adopted annual budget on a timely basis as provided under the Budget Act so that that District may close the fiscal year with a balanced budget. As used in this paragraph, “a timely basis” means the time period necessary to adjust budgeted expenditures or budgeted revenues, or both, so as to preclude an expenditure being made for which adequate revenues are unavailable or are projected to be unavailable.
- (f) District officials have the authority and the responsibility to amend an adopted budget by transferring funds between and among accounts, to the extent permitted by law, but subject to the provisions of subdivisions (b), (c), and (e) of this Section.

Section 7. **Operating Deficit.** The District will not end a fiscal year with an operating deficit in any fund unless both of the following occur:

- (a) The fund in which the operating deficit occurred had a sufficient beginning balance to offset the deficit consistent with the Budget Act.
- (b) The financial statements of the District indicating the sufficient beginning balance fairly represent the financial position of the District according to an independent auditor in a qualified or unqualified opinion.

Section 8. **District Property.** The District will sell, lease, convey, assign, or otherwise use or transfer the assets, liabilities, functions, or responsibilities of the District on terms and conditions, and with parties, acceptable to the District, if the Consultant advises the District that based upon a written needs assessment and cost savings analysis the sale, lease, assignment, use, or transfer is necessary to implement the Financial and Operating Plan. The District will close schools or other school buildings in the District as necessary to implement the Financial and Operating Plan, as recommended by the Consultant, based upon a written needs assessment and cost savings analysis.

Section 9. **Debt.** The District may not borrow money, incur debt, or issue obligations without the approval of the Treasurer. The District may, with

the approval of the Treasurer, enter into agreements with creditors or other persons or entities for the payment of existing debts, including the settlement of claims by the creditors. The District also may, with the approval of the Treasurer, enter into agreements with creditors or other persons or entities to restructure debt, on terms, at rates of interest, and with security as agreed among the parties, subject to approval by the Treasurer.

Section 10. **Elections.** The District will, as necessary to implement the Financial and Operating Plan and this Agreement, or as necessary to repay any obligations to the State, hold one or more millage elections for the local government consistent with the Michigan Election Law, 1954 PA 116, MCL 168.1 to 168.992, Sections 6 and 25 through 34 of Article IX of the State Constitution of 1963, and any other applicable state law.

Section 11. **Public School Academies.** The District will not during the Term of this Agreement authorize a public school academy or transfer its educational functions to a public school academy without the approval of the Treasurer.

Section 12. **Non-Termination.** The Superintendent of the District, an assistant superintendent of the District, the General Counsel of the District, the Consultant, or staff appointed or retained by the Consultant will not be terminated without good and just cause (including without limitation failure to comply with the Financial and Operating Plan) and the approval of the Treasurer. The Superintendent of the District and the General Counsel of the District may not be terminated without the approval of the School Board. No additional employment rights or protections may be implied from this paragraph, including, but not limited to, rights or protections in the event of an uncured material breach of this Agreement or the District's placement in receivership.

Section 13. **Public Employees.** The District will not sign, enter into, or execute a collective bargaining agreement, nor sign, enter into, or execute any instrument amending or extending the terms or conditions of an existing collective bargaining agreement unless the collective bargaining agreement or instrument receives the prior written approval of the Treasurer. Consistent with Section 8(11) of the Act, as authorized under Section 8(11) of the Act, beginning 30 days after the Effective Date, the District is not subject to Section 15(1) of 1947 PA 336, MCL 423.215, for the remainder of the term of this Agreement.

Section 14. **Consent Agreement Consultant.** To assist the District in achieving the goals and objectives of this Agreement, not less than 7 days after the

- Effective Date, the District will create and establish within the District the position of Consent Agreement Consultant. The Consultant position will be established as an assistant superintendent and officer of the District.
- 14.1 Appointment. Not less than 21 days after the creation of the Consultant position under Section 5, the District will appoint and retain an individual recommended by the Treasurer to serve as the Consultant. The District will notify the Treasurer of a vacancy in the office of Consultant within 7 days of the vacancy. A vacancy will be filled by the District with an individual recommended by the Treasurer within 14 days after receiving a recommendation by the Treasurer.
- 14.2 Employment Contract. Within 7 days after appointing a Consultant, the District will enter into an employment contract with the Consultant retaining the consultant. The terms and conditions of the employment contract must be approved by the Treasurer.
- 14.3 General Powers. To assist the District in achieving the goals and objectives of this Agreement, the Consultant will exercise the powers, duties, functions, and responsibilities vested in the Consultant under this Agreement. When assisting officials of the District in achieving the goals and objectives of this Agreement, the Consultant will provide District officials with written monthly reports on actions taken by the Consultant to achieve the goals and objectives of this Agreement, commencing with the first day of the month following the month in which the Consultant's employment contract is effective. The Consultant also will coordinate communications with the Treasurer under this Agreement on behalf of the District.
- 14.4 Additional Powers. To assist the District in achieving the goals and objectives of this Agreement, after the creation of the Consultant position and appointment of a Consultant, the Superintendent of the District, when approved or requested by the Consultant, is granted and will exercise the powers under the Act described in this Section 14.4 for periods and upon the terms and conditions as the Treasurer deems necessary or convenient, in the Treasurer's discretion, as authorized under Section 8(10) of the Act. If the Superintendent of the District does not act upon a request by the Consultant, or if the District has no Superintendent, the Consultant is granted and may exercise the powers under the Act described in this Section 14.4 for periods and upon the terms and conditions as the Treasurer deems necessary or convenient. The powers granted and that may be exercised under this Section 14.4 include all of the following:

- (a) Examine all records and books of account of the District, and require under the procedures of the Budget Act or 1919 PA 71, MCL 21.41 to 21.55, or both, the attendance of witnesses and the production of books, papers, contracts, and other documents relevant to an analysis of the financial condition of the District, consistent with Section 12(1)(f) of the Act.
- (b) Make, approve, or disapprove any appropriation, contract, expenditure, or loan, the creation of any new position, or the filling of any vacancy in a position by any appointing authority within the District, consistent with Section 12(1)(g) of the Act.
- (c) Review payrolls or other claims against the District before payment, consistent with Section 12(1)(h) of the Act.
- (d) Reject, modify, or terminate 1 or more terms and conditions of an existing contract, consistent with Section 12(1)(j) of the Act.
- (e) Act as sole agent of the District in collective bargaining with employees or representatives and approve any contract or Agreement, consistent with Section 12(1)(l) of the Act.
- (f) Authorize or require the District to enter into agreements with other school districts, local governments, public bodies, or entities for the provision of services, the joint exercise of powers, or the transfer of functions and responsibilities, consistent with Section 12(1)(y) of the Act.
- (g) Authorize or require the District to enter into agreements with 1 or more other local governments or public bodies for the consolidation of services, consistent with Section 12(1)(y) of the Act.
- (h) Issue to the appropriate District officials and to employees, agents, and contractors of the District binding orders considered necessary to accomplish the purposes of the Act and this Agreement consistent with Section 10 of the Act, including, but not limited to, orders for the timely and satisfactory implementation of the Financial and Operating Plan, including the Educational Plan, or to take actions, or refrain from taking actions, to enable the orderly accomplishment of the Financial and Operating Plan, and institute court proceedings relating to the orders consistent with Section 12(1)(q) of the Act.

- (i) Require the District to negotiate, renegotiate, approve, and enter into contracts on behalf of the District, consistent with Section 14(a) of the Act.
 - (j) Seek approval from the State Superintendent for a reduced class schedule in accordance with administrative rules governing the distribution of state school aid, consistent with Section 14(b) of the Act.
 - (k) If there is reason to believe that criminal conduct has occurred within the District, the matter will be referred to the Attorney General and the Oakland County Prosecuting Attorney for investigation, consistent with Section 16 of the Act.
- 14.5 *Prohibited Exercise of Emergency Manager Powers.* The powers prescribed for an emergency manager under Section 12(1)(k) of the Act may not be exercised by the Superintendent of the District or the Consultant.
- 14.6 *Assistance to Consultant.* Officials and employees, agents, and contractors of the District will promptly and fully provide the assistance and information necessary and properly requested by the Consultant in the effectuation of the Consultant's duties under this Agreement and the powers and purposes of the Act, consistent with Section 27 of the Act. The Consultant, with the approval of the Treasurer, may appoint additional staff and secure professional assistance to fulfill the Consultant's responsibilities under this Agreement, consistent with Section 9(4) of the Act, but only if the Consultant provides written documentation to the District and the Treasurer that sufficient funds remain available under Schedule C to reimburse the District for the cost of the additional staff and professional assistance.

Section 15. Technical Personnel. The District may employ or contract for auditors and other technical personnel considered necessary to implement this Agreement with the approval of the Treasurer. The Superintendent of the District when requested or approved by the Consultant, or the Consultant if the District has no Superintendent, will retain 1 or more persons or firms, which may be an individual or firm selected from a list of 3 or more persons or firms approved by the Treasurer, to perform the duties of a local inspector or a local auditor as described in Section 12(1)(p) of the Act, to assist the District in achieving the goals and objectives of this Agreement. The Superintendent of the District may recommend persons or firms for inclusion on a list described in this Section 15.

Section 16. **Bankruptcy.** Nothing in the Agreement may be interpreted or deemed to authorize the District to proceed or seek protection under Chapter 9 of Title 11 of the United States Code, 11 USC 901 to 946.

Section 17. **Term.** This Agreement is effective when signed by the District, the Treasurer, and the State Superintendent and remains in effect until the end of the fiscal year of the District in which the District is released from the requirements of this Agreement under Section 18 (“**Term**”). The provisions of Section 18.2 will survive the termination of this Agreement.

Section 18. **Release.** The District is released from the requirements of Section 8 of the Act upon written notification from the Treasurer that the District has complied with the requirements of this Agreement and is released from the requirements of Section 8 of the Act. Before release under this paragraph, consistent with Section 21(1) of the Act, the Treasurer may require Superintendent to adopt and implement a 2-year budget, including all contractual and employment agreements, for the District commencing with the release from the requirements of Section 8 of the Act. If the Superintendent does not adopt a 2-year budget as required by the Treasurer, or if the District has no Superintendent, the Treasurer may require the Consultant to adopt and implement a 2-year budget, including all contractual and employment agreements, for the District commencing with the release from the requirements of Section 8 of the Act. The District will be deemed by the Treasurer to have complied with this Agreement and the District will be released by the Treasurer from the requirements of Section 8 of the Act if the District certifies in writing to the Treasurer, with the concurrence of the Consultant, that all of the following conditions are satisfied (“**Term**”):

- (a) This fiscal stability of the District has been restored as demonstrated by one or more of the following:
 - (i) The audited financial statements of the District indicate on the basis of accounting principles generally accepted in the United States, that for the immediate two prior fiscal years no fund maintained by the District was in a deficit condition, excluding any revenue from borrowed funds.
 - (ii) The District has achieved and maintained for at least two consecutive calendar years a credit rating by two or more nationally recognized securities ratings agencies (without regard to any third party credit enhancement) on any outstanding long-term unsubordinated debt of the District in any of the four highest long-term debt rating categories

of the rating agency (BBB/Baa or higher), without regard to any refinement or gradation of the rating category by a numerical modifier or otherwise.

(iii) The District is not required to submit, or projected to be required to submit in the next fiscal year of the District, a deficit elimination plan under Section 102 of The State School Aid Act of 1979, 1979 PA 94, MCL 388.1702.

(b) The audited financial statements of the District indicate on the basis of accounting principles generally accepted in the United States, that in the immediate two prior fiscal years the general fund of the District ended the fiscal year with a surplus amount equal to 15% or more of the general fund revenue of the District for the fiscal year.

(c) None of the factors used to determine the existence of probable financial stress under Section 4(1) of the Act are present within the District.

18.2 *Post-release.* After release from the requirements of Section 8 of the Act, the School Board will not amend any 2-year budget adopted for the District by the Superintendent of the District or the Consultant as provided under Section 21(2) of the Act without the approval of the Treasurer, and will not revise any order issued under Section 14.4(h) before 1 year after the release from the requirements of Section 8 of the Act. The provisions of this paragraph will survive the expiration of this Agreement.

Section 19. **Compliance and Breach.** The District, through its Board and officers is bound by, and will comply with this Agreement. Failure of the District to comply with this Agreement is a breach of this Agreement. Violation of state or federal law, including, but not limited to, The Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275, and the Freedom of Information Act, 1976 PA 442, MCL 15.231 to 15.246, by the District, the School Board or an officer of the District also constitutes a breach of this Agreement. Except as provided in Sections 20 and 22, the obligations of the District under this Agreement are not subject to release or discharge due to any contingencies, including, but not limited to, missed due dates, clerical errors, computer failures, late mailings or deliveries, adverse weather, natural disaster, or acts of third parties.

19.1 *Material Breach.* An uncured breach of this Agreement is a material breach of this Agreement if, in the judgment of the Treasurer any of the following apply:

- (a) The uncured breach materially impairs the timely and complete implementation of the Remedial Measures.
- (b) The uncured breach materially impairs the timely and complete implementation of the Financial and Operating Plan, including but not limited to the Educational Plan.
- (c) The uncured breach materially impairs the Consultant's ability to perform the Consultant's functions and responsibilities under this Agreement.
- (d) The breach materially impairs the implementation of this Agreement because the District has contested, through legal proceedings or otherwise, the constitutionality, validity, or enforceability of the Act, this Agreement, or the powers or jurisdiction of the Treasurer or others state officers under the Act, other applicable law, or this Agreement.

19.2 Notice of a Material Breach. If the Treasurer determines that a material breach of this Agreement has occurred or is occurring, the Treasurer will immediately notify the Superintendent of the District, the School Board, and the Consultant of the determination. The District will take all lawful steps necessary to cure the material breach within 14 days and report to the Treasurer the steps taken to cure the material breach, unless the Treasurer determines that the material breach is of a nature that cannot be cured within 14 days. If the Treasurer determines that the material breach cannot be cured within 14 days, the Treasurer will provide the District with a longer period to cure the material breach and the District will report the steps taken to cure the material breach within the longer period provided by the Treasurer. If the Treasurer determines that a material breach must be cured within fewer than 14 days to address a projected deficiency in the District's cash flow, the Treasurer will require the District cure the deficiency in a shorter time period and the District will report the steps taken to cure the material breach within time period provided by the Treasurer.

19.3 Statutory Declaration of Material Breach. Notwithstanding Sections 19.1 and 19.2, and as required by Section 8(1) of the Act, nothing in this Agreement limits the ability of the Treasurer, in his or her sole discretion, to declare a material breach of this Agreement, including, but not limited a declaration of a material breach for any of the following reasons:

- (a) Repeated failure of the District to provide accurate and timely financial reports.

- (b) Repeated failure of the District to meet a deadline or due date under this Agreement.
- (c) Delay by the District in addressing a projected deficiency in the District's cash flow.
- (d) Failure of the District to reduce employee absenteeism rates during the first half of the 2013-2014 school year.
- (e) Action by an officer, employee, agent, or contractor of the District to impede or hinder implementation of this Agreement.
- (f) Repeated delays or other action by the District inconsistent with advice or guidance provided by the Treasurer or the Consultant or other action or inaction by the District inconsistent with the goals and objectives of this Agreement.

19.4 Uncured Material Breach. If a material breach is declared and not cured, 1 of the following will occur, as required by Section 8(1) of the Act:

- (a) The Governor of the State of Michigan will place the District in receivership. As used in this subdivision and the Act, "receivership" means the process under the Act by which a financial emergency is addressed through the appointment of an emergency manager. Receivership does not include Chapter 9 or any provision under federal bankruptcy law.
- (b) The Governor of the State of Michigan will place the District in the neutral evaluation process. As used in this subdivision and the Act, "neutral evaluation process" means a form of alternative dispute resolution or mediation between the District and interested parties in reaching their own settlement of issues under the Act.

19.5 Receivership. If the District is placed in receivership under Section 19.4(a), the District will not contest the placement in receivership or the resulting appointment of an emergency manager for the District.

19.6 Neutral Evaluation Process. If the District is placed in the neutral evaluation process under Section 19.4(b), the District will not contest the placement in the neutral evaluation process and will initiate the neutral evaluation process as required by and consistent with Section 25 of the Act.

Section 20. **Due Dates.** Except as otherwise provided in this Section 20 and Section 22, a provision of this Agreement requiring the District to submit a report, listing, or other document by a specific due date will not be deemed complied with unless the report, listing, or other document is received by Treasury or the Consultant by the due date specified. If a report, listing, or other document is provided to Treasury by the Consultant, the report, listing, or other document shall be deemed to have been received by Treasury from the District. If the due date for a report, listing, or other document falls on a weekend or legal holiday, then the report, listing, or other document will be due on the first day after that is not a weekend or legal holiday

Section 21. **Amendment.** This Agreement may not be modified or amended except by a written document that is executed by the District and the Treasurer. The District and the Treasurer agree to take action to amend this Agreement as necessary for compliance with applicable law. If an amendment to this Agreement revises the Educational Plan, the revised Educational Plan must be signed by the State Superintendent.

Section 22. **Waiver.** The Treasurer may waive a provision of this Agreement if, in the Treasurer's sole discretion, the Treasurer concludes that the District demonstrates good cause for the waiver, including but limited to, a material breach of this Agreement caused by a third party. No waiver or satisfaction of a condition of nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by Treasurer, and no such waiver will constitute a waiver of satisfaction of any other condition or nonperformance of any other obligation. The lack of a specific action by the Treasurer will not be construed as a waiver of a provision of this Agreement.

Section 23. **Treasurer Functions and Responsibilities.** The Treasurer may designate an individual within Treasury to perform functions and responsibilities vested in the Treasurer under this Agreement. The Treasurer may designate an individual or agency, division, or other organizational unit within Treasury to receive reports or other notifications required under this Agreement and will notify the District of any designations for receipt of reports or notifications.

Section 24. **No Third-Party Beneficiaries.** Except as expressly provided in this Agreement, the Agreement does not create in any person or entity, and is not intended to create by implication or otherwise, any direct or indirect obligation, duty, promise, benefit, right to be indemnified, right to be subrogated to the District's or the Treasurer's rights in this Agreement, or any other right.

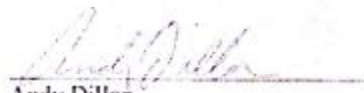
Section 25. Severability. If a provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, this Agreement will be construed as though the invalid or unenforceable provision were omitted.

Section 26. Counterparts. The parties may sign this Agreement in several counterparts, each of which will be deemed an original but all of which together will constitute one instrument.

Section 27. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the United States of America and the laws of the State of Michigan.


Section 28. Entire Agreement. This Agreement contains the entire agreement between the parties pertaining to this subject matter and supersedes all other oral or written agreements or policies, whether written or oral, regarding the same subject matter.

This Agreement has been approved, by resolution, by the School Board and is executed and signed on behalf of the District by the Superintendent of the District on the date indicated below and is approved, executed, and signed by the Treasurer on the date indicated below:


Andy Dillon,
State Treasurer

Date: September 18, 2013

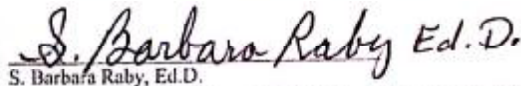
SCHOOL DISTRICT OF THE CITY OF PONTIAC

By:  Date: September 18, 2013
Carol Y. Turpin,
President,
Board of Education of the School District of the City of Pontiac

Certification

I, S. Barbara Raby, Ed.D., Secretary of the Board of Education of the School District of the City of Pontiac certify that:

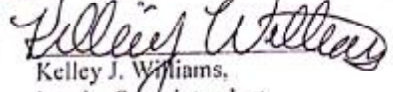
1. This consent agreement was approved and the execution of the consent agreement by the President of the Board of Education of the School District of the City of Pontiac was duly authorized on behalf of the School District of the City of Pontiac by a resolution adopted by the Board of Education of the School District of the City of Pontiac at a special meeting of the Board of Education of the School District of the City of Pontiac held on September 18, 2013;
2. The resolution remains in effect;
3. The meeting complied with the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275; and
4. Minutes of the meeting were kept and have been or will be made available as required by the Open Meetings Act 1976, PA 267, MCL 15.261 to 15.275.


S. Barbara Raby, Ed.D.
Secretary of the School Board of the School District of the City of Pontiac

Date of certification: September 18, 2013
Time of Certification: 8:47 p.m.

Signing by District Superintendent

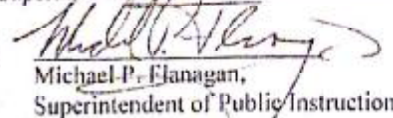
As the chief administrative officer of the School District of the City of Pontiac, this Agreement was negotiated with the State Treasurer and this Agreement is signed as provided for in the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541 to 141.1575, on the date indicated:

By: 
Kelley J. Williams,
Interim Superintendent
School District of the City of Pontiac

Date: September 18, 2013

Signing by State Superintendent

As required by Section 8(1) of the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1548(1), because this Agreement contains an educational plan, this Agreement is signed by the Superintendent of Public Instruction on the date indicated:

By: 
Michael P. Flanagan,
Superintendent of Public Instruction

Date: September 18, 2013

SCHEDULE A

Remedial Measures

Pursuant to Section 1 of the Agreement and Section 8(1) of the Act, the District will implement the Remedial Measures detailed Schedule A. Consistent with Section 22 of the Agreement, if the District is unable to implement a Remedial Measure, the District may request in writing that the Treasurer waive the requirement to implement the Remedial Measure. Unless otherwise specified, the District will remain in compliance with each Remedial Measure during the Term of the Agreement. None of the Remedial Measures detailed in this Schedule A replace or supersede any provision of the Agreement or requirements or obligations under applicable law.

Action #	Date (on or Before)	Action
1	September 30, 2013	The District will adopt a resolution prohibiting all School Board member expense reimbursement, payments for members to attend School Board meetings, and payments for travel School Board members and cease all payments for these expenses, except that School Board members may be reimbursed for expenses for up to 2 meetings per month. This Remedial Measure does not prohibit the District from paying for annual dues for the District's membership in the Michigan Association of School Boards or the National School Boards Association.
2	Effective Date of Agreement	The District will not enter into new contracts without Treasurer approval.
3	Each MPSERS payment date	The District will remit current amounts due to the Michigan Public School Employees Retirement System (MSPERS) by each respective due date.
4	Each Month After the Effective Date of Agreement	The District will submit monthly budgetary control reports to MDE as required by MDE.
5	October 1, 2013	The District will submit to the Treasurer its internal control procedures related to the receipt and deposit of monies collected on behalf of the District by each of its taxing units.
6	November 15, 2013	The District will submit a report, by program, addressing each finding identified in its 2012 Financial Audit and Single

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 September 18, 2013

		Audit.
7	October 8, 2013	The District will submit pupil count information for the 2012-2013 and 2013-2014 school years to the Treasurer and State Superintendent in a format required by Treasury and MDE.
8	October 22, 2013	The District will prepare a proposed amended and balanced budget for the 2013-2014 fiscal year consistent with anticipated revenues based on pupil count information reported for the 2013-2014 school year and submit proposed amended and balanced budget to the Treasurer, for review and approval.
9	October 31, 2013	The District will adopt the amended balance budget for the 2013-2014 fiscal year as approved by the Treasurer.
10	October 31, 2013	The District will provide a report detailing all contracts for professional services and all individual employment contracts to the Treasurer. For each contract, the report must detail the nature the contract, the scope of services provided under the contract, the duration of the contract, and compensation payable under the contract.
11	October 31, 2013	The District will submit an assessment of its current security and school safety measures to the Treasurer.
12	October 31, 2013	The District will, with the approval of the Treasurer, enter into an agreement or cooperative arrangement with another entity, public or private (an "Alternate Service Provider"), as part of performing the functions of the District authorized under Section 11a(4) of The Revised School Code, 1976 PA 451, MCL 380.11a(4). The District must first consider and attempt to reach an agreement or cooperative arrangement with the ISD. If the District enters into an agreement or cooperative arrangement with an intermediate school district, the agreement or cooperative arrangement will provide for the provision of services on a cost-recovery basis, including legal costs and other indirect costs, where the intermediate school district provides services to the District.

	<p>The agreement or cooperate arrangement with an Alternative Service Provider must provide for the provision of at least all of the following services by the Alternative Service Provider:</p> <ul style="list-style-type: none"> (a) Finance services, including but not limited to the collection of revenues, administration of bond issuances, sinking fund administration, and financial service activities to facilities management and transportation. (b) Accounting services. (c) Cash and debt management services. (d) Procurement of goods and services. (e) Human resources, including, but not limited to, administration (but not negotiation) of collective bargaining agreements; benefits administration; employment litigation support to provide assistance needed by legal counsel for the District; workers' compensation; and unemployment compensation. (f) Federal and state financial grant management, as well as financial management of other grants and provisions of aid. The District will maintain program management for federal and state grants. (g) Information technology services relating to services detailed in subdivisions (a) to (f). <p>To assist in the development of a cooperative relationship with an Alternative Service Provider and the coordination with the District's compliance with the Consent Agreement, any agreement or other cooperative arrangement between the District and an Alternate Service Provider will provide for all of the following:</p> <ul style="list-style-type: none"> (i) The services will be provided to the District by the Alternate Service Provider during the Term of the Consent Agreement unless an uncured material breach occurs. (ii) The District will pay the Alternative Service Provider
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		<p>on a monthly basis for services provided by the Alternative Service Provider during the prior month.</p> <p>(iii) The District will allow the Alternative Service Provider to access records of the District as necessary for the Alternative Service Provider to provide services under the agreement or cooperative arrangement, unless prohibited by law.</p> <p>(iv) If an uncured material breach of the Consent Agreement occurs, the Alternative Service Provider may terminate the provision of services to the District and may negotiate a revised agreement for the provision of services to the District with any emergency manager appointed for the District.</p> <p>(v) Grant applications submitted by the District will be reviewed by the Alternative Service Provider before submission.</p> <p>(vi) Changes to the District's budget for grants will be approved by the Alternative Service Provider before adoption.</p> <p>(vii) The Alternative Service Provider will be the employer of any employees providing services under the agreement or cooperative arrangement and will contract with any independent contractors providing services under the agreement or cooperative arrangement.</p> <p>(viii) The District will notify the Alternative Service Provider of all meetings of the School Board and the allow the Alternative Service Provider to attend any meeting of the School Board, including any executive session of the School Board, unless the attendance of the Alternative Service Provider at an executive session of the School Board would be prohibited by law or limit the ability of the School Board to assert the attorney-client privilege.</p> <p>(ix) Services under the agreement or cooperative arrangement will be provided by the Alternative Service Provider at the District's Administration Building, or at one or more other sites selected by the Alternative Service</p>
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School District of the City of Pontiac
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		<p>Provider. If requested by the Alternative Service Provider, the District will accommodate the facility needs of the Alternative Service Provider within District facilities on a cost-recovery basis, including, but not limited to costs incurred by the Alternative Service Provider for facility space, furniture, utilities, telephones, internet, fax, copiers, security access controls, printers, and computers.</p> <p>(x) The Alternative Service Provider will prepare a comprehensive facility and equipment condition assessment and submit the assessment to the District and the Treasurer by January 15, 2014. The assessment must include, without limitation, any safety and health risks that the Alternative Service Provider determines will likely need to be addressed before June 30, 2019. The District will consult with the Alternative Service Provider before replacing any copiers.</p>
13	November 15, 2013	The District will submit its FY 2012-2013 financial audit to the Treasurer and the State Superintendent.
14	Effective Date of Agreement	<p>The District may take the following actions only with the prior approval of the Treasurer:</p> <p>(a) Change a rate or price payable to an outside contractor providing direct services to the District under a contract with the District.</p> <p>(b) Change the salary, wage rate, or benefits payable personnel or retirees of the District.</p> <p>(c) Pay for professional development costs, except for grant-related professional development costs approved by MDE, which will not require prior approval by the Treasurer.</p> <p>(d) Pay overtime, or authorize flex-time or comp-time for District personnel.</p> <p>(e) Settle a workers' compensation claim.</p> <p>(f) Challenge or appeal, or decide not to challenge or appeal an unemployment insurance claim by former</p>

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 September 18, 2013

		<p>employee of the District.</p> <p>(g) Settle a grievance under a collective bargaining agreement or other employment contract.</p> <p>(h) Initiate or settle any litigation.</p>
15	November 15, 2013	<p>Adopt policies and procedures, including any changes or amendments in employment agreements or collective bargaining agreements, necessary to produce a significant reduction in employee absenteeism and an improvement in employee performance within the District. Policies and procedures and any changes or amendments in agreements must be approved by the Treasurer before adoption.</p>
16	Each MESSA monthly premium pre-payment due date	<p>The District will remit current amounts for any monthly premium pre-payments due to MESSA by each respective due date.</p>

SCHEDULE B

Educational Plan

This Educational Plan is intended to provide a framework to support efforts of teaching and learning in the School District of the City of Pontiac as it otherwise implements a strict set of actions to ensure the fiscal viability of the district. The goal of this plan is to provide considerations and requirements of the district to ensure that the primary mission of the district to support the needs of the students in Pontiac while addressing the fiscal issues that led to the selection of this Consent Agreement (“Agreement”) as a mode of structuring the financial and operational activities within the district.

In accordance with the Agreement, this Educational Plan is a required component of the Agreement, and is approved by the State Superintendent. This Educational Plan is effective September 18, 2013.

Components of the Educational Plan requirements are based upon existing plans, tools, or practices that the District must engage in as mandated. In order to support the District’s efforts to complete these requirements, MDE will provide technical assistance as needed to support the District or its selection educational service provider in complying with this plan in order to support the approval of all plan components by the State Superintendent.

Agreement

The District, in accordance with the requirements identified in the Agreement, will complete the following actions in the timeline presented hereafter, to specifically address the educational mission and objectives of the district, and improve the aforementioned outcomes for the District and the students attending the District’s schools. None of the components of the Educational Plan detailed in this Schedule B replace or supersede any provision of the Agreement or requirements or obligations under applicable law.

Section B-1. Administrative Functions and Partnerships. In order to provide necessary support to implement the requirements identified in this Educational Plan, the District shall conduct needs and capacity assessments for educational support services including, but not limited to, curriculum, instruction, assessment, school improvement and reform support, professional development, educator evaluation, instructional technology support, and grant program management. The District shall utilize this information to determine internal capacities for support, and to ensure broader capacity to support the activities of this Educational Plan. The District shall incorporate this information into a plan for provision of educational services and supports, as identified below. The District may submit the needs and capacity assessment and a draft plan for how these educational services will be provided to the Superintendent of Public Instruction,

so that feedback and technical assistance may be provided prior to any negotiation with a potential provider of educational services as identified in the following section.

- B-1.1 Provision of Educational Services and Supports.** In order to address the aforementioned educational support services, the District shall devise a plan to provide these services, which may include a contract with an educational service provider (“Educational Service Provider”) with appropriate capacity to support academic responsibilities, including grant management responsibilities, of the Educational Plan. If the plan devised by the District includes an Educational Service Provider, the District must first consider and attempt to reach an agreement or cooperative arrangement for the provision of services with the intermediate school district (“ISD”) in which the District is located. The District shall develop a plan for the provision educational services in a coordinated manner, which shall include the documentation of needs of the District, internal capacity (current or additional staff support, as well as capacity of the preferred Educational Service Provider, and a list of services, deliverables, and deadlines for the provision of educational support services as identified above. The District shall submit the plan for the provision of educational services, which may include a plan for the contract with the Educational Service Provider, for approval by the Superintendent of Public Instruction by October 31, 2013, which shall include a list of services required, the identified service provider for these services, whether internal to the district or to be provided by the external provider, and documentation demonstrating the capacity of the provider to provide the services for a period of not less than three school years. While not required, it is strongly recommended that this service provider be the ISD.

Upon approval of the service plan by the Superintendent for Public Instruction, the District shall contract with the Educational Service Provider, if any, as identified by the service plan to support academic and grant management functions for no less than three years prior to the start of the 2014-15 school year. Additionally, the District may work with an Educational Service Provider to contract for other administrative functions to address fiscal or operational inefficiencies or quality of service where appropriate. This contract shall be in place with an Educational Service Provider, if any, by November 15, 2013, or within 14 days of the approval of the plan by the Superintendent of Public Instruction. Failure to meet this approval deadline may result in a material breach of the Agreement at the discretion of the Superintendent of Public Instruction. However, if an intermediate school district is prohibited by MCL 380.627 from charging a school district for a service, the intermediate school district may not charge the District for the service.

B-1.2 Contingency Plans for Supports and Implementation of the Educational Plan. The District shall also work with an Educational Service Provider, if any, to develop contingency plans for all reasonable scenarios in the District that involve closure, transfer, or mergers of existing schools within the district. Such scenarios shall be developed and reviewed on a semi-annual basis, with the first such review completed by March 1, 2014. Contingency plans will be developed in collaboration with the Educational Service Provider, and shall only be submitted with written approval of the District Superintendent, Consent Agreement Consultant, and the Educational Service Provider.

B-1.3 Format, Structure, and Approval Process. The District shall develop plan for provision of educational support services based upon need and capacity assessment, and shall provide this to the Superintendent of Public Instruction no later than October 31 for review and approval. This plan shall include documentation of needs for the district; capacities for services that will be conducted internally by the District, as well as of a preferred Educational Service Provider selected by the District for contracted services; and timelines, deliverables, and services to be performed. If the Educational Service Provider is not the ISD of the District, the District shall include information documenting why the ISD was not selected for provision of these services. It is the preference of the Superintendent of Public Instruction that services identified for provision by a contracted provider are bundled where possible to ensure the efforts are focused and cohesive in nature.

The Superintendent of Public Instruction shall approve or disapprove the plan within 7 days of receipt from the District. If disapproved, the District may revise and submit a new plan and documentation within 7 days of the disapproval notice for re-evaluation of the plan. If the services plan is disapproved a second time, this shall be considered a material breach of the Agreement, in accordance with Section B-9 below.

If the services plan is approved by the Superintendent of Public Instruction, the District may then contract with an Educational Services Provider. The contract must be reviewed by the Superintendent of the District, and the Consent Agreement Consultant, if in place by this time, and be consistent with the Financial Operating Plan, as identified in the Agreement, approved by the Treasurer. A copy of the contract must be submitted to the Michigan Department of Education as an assurance with the District Improvement Plan.

Section B-2. Revision of District Improvement Plan (DIP). The District shall develop a written educational plan that is based upon the District Improvement Plan (DIP) structure. The District shall revise the current District Improvement Plan to address the following requirements.

B-2.1 Cross-Cutting Big Ideas. The District engaged in a district-wide review of data during the 2012-13 school year as a part of the requirement to develop reform plans for Herrington School and the Whitmer Human Resource Center, due to their designation as Priority schools in August 2012. The District shall review these data to identify 2-3 cross-cutting ideas designed to yield academic improvement for all students. These ideas shall become the basis for the revised DIP. These cross-cutting ideas should be based upon a wide range of data, and should incorporate strategies to improve proficiency, engage more students, reduce achievement gaps, improve basic literacy and numeracy skills, improve graduation rates, and provide more personalized learning options for all students.

The District shall engage both the Intervention Specialists from Michigan State University and the School Improvement Facilitators from Oakland Schools, who collaborated with the District in this data initiative, in the DIP revision process. Due to the anticipated role in supporting the implementation of the plan, the Educational Service Provider shall be required to review the plan before its submission to the Michigan Department of Education. Failure to achieve such sign off from both parties shall constitute a material breach per Section B-9 below.

B-2.2 Goals and Content Subject Areas. The District shall revise the DIP to develop specific strategies for each of the core subject areas (Language Arts, Mathematics, Science, and Social Studies) to align student expectations with Michigan's Career and College Ready Standards. The District shall also address elective content offerings and instructional strategies to align with existing standards, as well as the Michigan Merit Curriculum. Cross-cutting practices, such as reading, writing, and numeracy skills across content areas shall also be addressed within the revised DIP.

B-2.3 Grade Level Bands and Special Populations. The District shall develop a specific strategy for each of the following grade bands and/or special populations, and shall use existing achievement and other data from current students in each school (both formative and summative assessment data aligned to the content standards as outlined in the previous section) to inform decisions to support instructional and learning programming for these populations:

- Pre-school through early elementary,
- Upper elementary,
- Middle school,
- High school,
- English Language Learners (across all grade spans),
- Students with Disabilities (across all grade spans), and
- Career and Technical Education or Alternative Education students.

Each of the cross-cutting ideas should have a strategy to address each of these groups within the revised DIP.

B-2.4 Alignment of Programs. The District shall review progress on the implementation of the revised DIP using student achievement data and other locally identified data, in coordination with the Educational Service Provider, if any, and shall identify programs and strategies that are not aligned with DIP goals, not being implemented with fidelity, or those that may be at cross-purposes with other adopted programs and strategies. Programs and services so identified shall be revised to ensure alignment with DIP goals or be eliminated. Alignment information shall be called out within the language of the revised DIP.

B-2.5 Outcomes and Considerations for Monitoring Progress. The district shall identify a series of short-term tangible outcomes on a quarterly basis over the course of the 2013-14 school year that support progress on the identified “Big Ideas” of the DIP. The outcomes shall focus on both implementation progress and student performance in each goal and grade band / population and content area identified in the revised DIP, and these shall be used to document progress for the broader Educational Plan. The District may contract with an Educational Services Provider to support this function. Failure to meet the targeted benchmarks based on these outcomes may be considered a material breach of the Educational Plan, at the discretion of the Superintendent of Public Instruction, and therefore, of the Agreement.

B-2.6 Strategies for Climate and Culture Improvements and Student Engagement. The District shall revise the DIP to include specific strategies for improving the climate and learning culture of all schools in the District. Each component of the revised DIP shall have a strategy to improve student engagement in instruction (as well as the assumed focus on student achievement in these areas). Similarly, as the District proceeds with implementation of this broad Educational Plan, individual School Improvement and/or Reform Plans for each of the district schools shall include a focused program to improve climate and academic culture, including, but not limited to, school safety and security, student and

staff attendance, student behavior, parent engagement, and truancy and tardiness. Each of these considerations shall identify specific outcomes for quarterly benchmarks to monitor progress.

It is recommended that the District contract with an Educational Service Provider to support the planning and implementation of these strategies, and to develop clear outcomes-based benchmarks for progress that will be monitored at the discretion of the Superintendent of Public Instruction. Failure to accomplish these benchmarks may result in a material breach of the Educational Plan.

B-2.7 Professional Learning Communities. Professional learning opportunities for the educators of the District are a critical component for effective implementation of the academic strategies identified by the district in both the DIP and individual school plans. To ensure effective implementation of the plan, the District shall incorporate the use of professional learning communities as the primary means of professional development to ensure effective implementation of both the revised DIP and individual School Improvement or Reform/Redesign Plans. The District will develop a plan with the Educational Service Provider, if any, or any other consultants to implement this approach to provide short-term feedback and strategy development for instructional efforts identified in the DIP and school improvement plans. These learning communities shall identify and review monthly student outcomes of practice, which will be used in the quarterly monitoring for implementation of the DIP strategies and activities. Failure to implement some form of professional learning communities as a process of effective plan implementation shall be considered a material breach of the Educational Plan.

B-2.8 Assessment of Student Learning. The District shall develop a plan for formative and summative assessment of student learning for each grade-band, student population, and content area identified above in Sections B-2.2 and B-2.3. The district shall identify an assessment strategy that is consistent from year to year, and is used to inform instructional decisions in accordance with the Big Ideas and Goals of the revised DIP. The assessment plan must be approved by the Superintendent of Public Instruction in order to approve the revised DIP. The District may contract with an Educational Services Provider to assist with selection of assessments, implementation of the plan, and review of data to inform instructional decisions based upon these assessments.

B-2.9 Format, Structure, and Approval Process. The District shall revise the DIP within the ASSIST platform on the Advanc-Ed website, using the existing DIP structure and format. Additional plan details shall be uploaded as an assurance, along with the detailed timeline and benchmarking outcomes to evaluate progress in

implementation. The following deliverables shall be provided through the ASSIST platform:

B-2.9.1 Revised District Improvement Plan. The revised DIP shall be submitted on or prior to December 15, 2013. Subsequent annual submissions of the DIP shall be submitted on the assigned date for statewide submission each year. The DIP shall include goals for each content area (from section B-2.2 above), strategies and activities for each of the grade bands / special populations (section B-2.3), goals and strategies for improvement of climate and school culture (B-2.6), and a plan for implementation of professional learning communities (B-2.7).

B-2.9.2 Cross-cutting Big Ideas. These shall be submitted as an assurance within the ASSIST Platform at the time of submission of the revised DIP, by December 15, 2013 at the latest for the 2013-14 school year. A revised set of Big Ideas shall be submitted with each DIP on an annual basis.

B-2.9.3 Strategy Alignment Actions. The District shall submit a list of those programs being reviewed for alignment per section 2.4 above as an assurance on December 15, 2013. A similar review shall be conducted annually by each school, and shall be identified in School Improvement Plans starting in 2014.

B-2.9.4 Baseline data for each grade band / population group for each subject. The District shall provide a summary of baseline data results that will be used to identify potential issues to be addressed by strategies and activities of the DIP per sections B-2.2 and B-2.3 above. Where possible, the District shall include data based upon the assessments identified in Section B-2.8 above for the current and/or previous years. A summary of such data shall be submitted as an assurance on December 15, 2013. Subsequent submissions shall be addressed for individual schools within the School Improvement Plan starting in 2014.

B-2.9.5 Benchmarks for Implementation and Student Outcomes. The District shall provide a schedule of progress benchmarks (quarterly) based upon both observable data and/or student learning outcomes for the 2013-14 school year as an assurance for the revised DIP through the ASSIST platform on or by December 15, 2013. The District shall also provide a comprehensive plan for student assessment based upon Section B-2.8 above. Subsequent benchmarks shall be included in each annual submission of the DIP. Data collected during the monitoring process shall be provided on a quarterly basis, along with any revised benchmarks

developed through formative assessment of progress by the District and/or the Educational Service Provider, if any.

B-2.9.6 Review and Approval. The aforementioned documents and components of the revised DIP are subject to the approval of the Superintendent of Public Instruction. Following receipt of the revised DIP by December 15, 2013, the Michigan Department of Education (MDE), on behalf of the Superintendent of Public Instruction, shall evaluate the DIP and all components within 10 business days, and make a recommendation to the Superintendent of Public Instruction. The Superintendent of Public Instruction shall approve or disapprove the revised DIP and components at his sole discretion. If approved, the District shall proceed in implementing the revised DIP according to plan. If disapproved, the District shall be given feedback by MDE within that same 10-day period. The District will then have 14 days to revise the DIP for re-submission and evaluation. If this revised DIP is again disapproved, this shall result in a material breach of the Agreement, per Section B-9 of this Plan.

Section B-3. Revision of School Improvement Plans and Building Reform/Redesign Plans. Upon approval of the revised DIP for the District, all individual schools within the District shall revise their School Improvement Plans (SIPs) to meet the unique needs of the student populations within each school. However, these schools should modify plans to ensure alignment between building level improvement plans and the revised District Improvement Plan strategies and activities. The District shall revise building level plans to address the following requirements:

- B-3.1 Revision of Pontiac High School Plans.** Due to limited success of the implementation of the reform/redesign plan first developed by Pontiac High School in 2010, the District shall develop a set of contingency plans for the high school that incorporate the following:
- Reform plan revisions based upon monitoring recommendations from the School Reform Office of the Michigan Department of Education.
 - Possible scenarios that include the transfer of the school to the statewide reform district as a result of poor implementation or unsuccessful outcomes of the reform plan.
 - Possible scenarios that include closure of the high school and transfer of students to higher-performing local schools.
 - The role of the newly formed International Technology Academy, as a second high school within the district, and its relationship to Pontiac High School through student placement and staffing.

The District may work with the Educational Service Provider, if any, and the Consent Agreement Consultant to develop scenarios and plans for the high school. The revised plan and contingency plans shall be provided within 30 days of request by the School Reform Officer and/or Superintendent for Public Instruction, based upon the authority to oversee the reform plan implementation for the school, no earlier than December 15, 2013.

B-3.2 Priority School Reform/Redesign Plans. Three additional schools (Herrington, Whitmer Human Resource Center, and Alcott) within the District have been identified as Priority schools, thus requiring a reform/redesign plan, which will be monitored by the School Reform Office of the Michigan Department of Education, as per MCL 380.1280c. The plans for these schools shall align with and include all components of the DIP addressed previously. These plans will be reviewed and approved by the School Reform Office.

B-3.3 Alignment of Models for All Schools within the District. Remaining schools within the District that have not been identified for reform/redesign plans shall modify current and future school improvement plans to align activities and strategies with those identified in the reform/redesign plans of Priority schools in the District. Non-priority schools are not required to identify and implement a full reform/redesign plan based upon the Transformation model currently used by Priority schools within the district, but these schools should identify strategies within their annual School Improvement Plan that are aligned with those identified in reform/redesign plans, including, but not limited to:

- Development of Leadership Capacities and Competencies
- Administrator and Educator Evaluation
- Professional Development Based on Data
- Identification of Instructional Programs Based on Data, and Alignment of Curricula
- Differentiated Instruction for Students Based on Classroom Data for Individual Students
- Extended Learning Time for Students, or Development of Efficiencies in Scheduling and Instruction to Improve Quality Learning Time
- Parent and Community Engagement
- Operational Flexibility at the Building Level to Support Improvement

B-3.4 Format, Structure, and Approval. The District shall revise the Reform/Redesign Plans and/or School Improvement Plans for all individual District schools within the ASSIST platform on the Advanc-Ed website, using the existing structure and format of the appropriate plan for each school, as follows:

B-3.4.1 Revised reform/redesign plans shall be submitted by Feb. 28, 2014.

B-3.4.2 Newly developed Reform/Redesign Plans for 2013 Priority schools shall be submitted by Nov. 26, 2013, per requirements of MCL 380.1280c, as communicated by the School Reform Office.

B-3.4.3 The aforementioned documents and components of the revised SIPs and reform plans are subject to the approval of the Superintendent of Public Instruction. Following receipt of the revised SIPs or Reform/Redesign Plans by the required dates, the Michigan Department of Education (MDE), on behalf of the Superintendent of Public Instruction, shall evaluate plans within a period of 30 days, and make a recommendation to the Superintendent of Public Instruction. The Superintendent of Public Instruction shall approve or disapprove the revised plans at his sole discretion. If approved, the District shall proceed in implementing the revised SIPs and/or reform/redesign plans. If disapproved, the District shall be given feedback by MDE within that same 30-day period. The District will then have 30 days to revise the SIP and/or Reform/Redesign Plans for re-submission and evaluation. If the revised SIPs and/or Reform/Redesign Plans are again disapproved, this shall result in a material breach of the Agreement, per Section B-9 of this Plan.

Section B-4. **Staff Support and Screening for Removal and Replacement.** In order to ensure quality instruction and service to students while addressing the District's financial distress, the district shall implement the following set of strategies with respect to staffing for the district as a whole by the end of the 2013-14 school year:

- The District shall use a collaborative process of evaluating educators and administrators that utilizes student growth as a significant factor, and identifies strategies to support ongoing practice.
- The District shall identify a set of competencies that will be used to screen all existing staff throughout the district, and shall use these competencies in an objective manner to remove ineffective staff, and to remove the least effective staff in the event of a district-wide layoff or staff reduction.
- The District shall identify ways to reward educators who are able to demonstrate increased student achievement and implement strategies for promotion and career growth.
- The District shall identify strategies to recruit and retain high quality staff to meet the needs of the students of the District.

- The District shall remove educators, administrators, and staff who have been given multiple opportunities to improve but have not effectively increased student outcomes or school operations.

The District may contract with the Educational Service Provider, if any, and the Consent Agreement Consultant to provide guidance to address these strategies, or to specifically assist in the development and application of screening criteria for all staff in order to accommodate fiscal decisions in accordance with the Agreement.

By the start of the 2014-15 school year, the District shall be required to screen and replace staff based upon the identified set of competencies for all teachers. The screening may use educator evaluations, student data, observations, and other relevant data to support this process. Those staff that do not meet the screening criteria should be removed from the district. While this screening is based upon the federal "Turnaround Model" for school reform, individual schools or the District as a whole are not required to replace 50% of more of building staff through this process.

During this process, the District shall adjust staffing to reduce the student / teacher ratio where possible. The District may work with the Consent Agreement Consultant and/or Educational Service Provider to identify strategies for staffing and contract revision based upon financial models for the district to an average of 30 to 1 student/teacher ratio throughout the district in grade K-12 and within each individual school during the implementation of the five-year plan for district improvement. Early-childhood programs (Pre-K), programs for students with disabilities, and all other programs or grade bands or age-level groups that are identified in law, regulations, federal or state guidance, or grant criteria must meet staffing requirements and student/teacher ratios identified in legislation and/or policy.

Section B-5. Timeline and Implementation of Plans. The District shall implement the DIP and school reform/redesign or improvement plans in a manner that identifies quarterly benchmarks based upon measurable outcomes in both program implementation and student performance. Such benchmarks must be established by the District, so that the District can monitor and report progress on a quarterly basis at the discretion of the Superintendent of Public Instruction. The District shall develop and implement plans based upon the following:

B-5.1 Revision of Plans. The District shall revise the District Improvement Plan and submit the plan to the Superintendent of Public Instruction by December 15,

2013. MDE, on behalf of the Superintendent of Public Instruction, shall review and provide feedback to the Superintendent of Public Instruction within 10 business days, based upon the guidelines identified in this document and the Agreement. The District shall develop the revised plan to adhere to general guidance and requirements provided for the District Improvement Plan process as identified by the Michigan Department of Education, and posted on the Advanc-Ed site for Michigan. The Superintendent of Public Instruction, at his sole discretion, will approve or disapprove the revised DIP within 10 business days. If approved, the District shall proceed with the implementation of the plan in accordance with the timeline provided in the plan, as outlined in Section B-5.3 below. If not approved, a revision process as outlined in Section B-2.9.6 may be used to revise and resubmit the DIP. Failure to submit a DIP by December 15, failure to submit a revised DIP within 14 days of disapproval, or failure to submit an approvable revised DIP at that time constitutes a material breach of plan as outlined in Section B-9 below, and shall be addressed in accordance with Section 19 of the Agreement.

If the District Improvement Plan is approved, the District shall submit revised School Improvement Plans by March 1, 2014. Reform/redesign plans for 2013 Priority schools (Alcott) shall be submitted based upon the legislated timeline (MCL 380.1280c) provided by the School Reform Office. These shall then be incorporated in the regular annual cycle of District and School Improvement Plans, submitted by the deadline dates identified by the Michigan Department of Education.

The District Improvement Plan for the 2014-15 school year shall identify specific goals, strategies, and activities for that school year, AND shall also provide information about the long-term plan for the district to achieve both the fiscal stability and academic goals over a period of no less than five years. This plan shall be revised and shall incorporate annual progress benchmarks based on data as identified in Section B-5.2 below. Each annual submission of the DIP shall be developed or revised to address a period of planning of no less than five years, and shall align with the Financial and Operating Plan under the Agreement.

B-5.2 **Benchmarks for Progress Monitoring.** Both the revised District Improvement Plan (DIP) and the aligned School Improvement Plans for non-Priority schools shall identify a set of quarterly benchmarks for progress for each strategy or activity identified in the plan. These benchmarks must identify a quantifiable or documentable outcome for the specific activity based on either implementation metrics (for strategies and activities that are not specifically linked to student's academic progress) or student performance metrics and leading indicators as

identified by the School Reform Office for schools implementing one of the four models provided by the U.S. Department of Education. Benchmarks for progress should be based upon actual data for these indicators, which should also be monitored by the District on a quarterly basis. This data shall be provided on a quarterly basis at the request of the Superintendent for Public Instruction.

B-5.3 Implementation of Plans. The District shall implement all strategies and activities based upon the timelines identified in the revised District Improvement Plan and School Improvement Plans of individual schools. The District may work with an Educational Service Provider per a contracted agreement per Section B-1 above to support the implementation of the plan through targeted technical assistance and provision of appropriate professional learning for educators utilizing the professional learning communities where appropriate. Failure to meet contract obligations to an Educational Service Provider shall be considered a material breach of this agreement, per Section B-9 below. In addition, the following strategies and components shall be employed in the implementation schedule:

B-5.3.1 Professional Learning Communities shall be established at the school level to address strategy specific and content specific learning needs for students starting no later than January 2014. These communities shall meet no less than two hours per month using protocols aligned to Michigan's Standards for Professional Learning.

B-5.3.2 Strategies designed to directly support student achievement shall be implemented based upon the Instructional Learning Cycle promoted by the MI-Excel program. Teachers shall identify monthly outcomes to determine growth, and shall gather student performance data to review progress and modify instruction as needed to support learning outcomes. Data should be gathered monthly, and made available to the Michigan Department of Education for progress monitoring on a quarterly basis at the request of the Superintendent for Public Instruction.

B-5.3.3 The District shall undertake an implementation review process on a quarterly basis to determine if strategies or activities need to be modified due to a lack of progress in student achievement or identified outcomes. If such benchmarks are not achieved, modifications of strategies are expected, and shall be communicated to the Michigan Department of Education. A lack of modifications of strategies if benchmarks are not achieved, or lack of communication of such modifications may be considered a material breach as per Section B-9 of this Plan, and may

implement the processes identified in Section 19 of the Agreement, at the discretion of the Superintendent for Public Instruction.

B-5.3.4 The District shall use the MDE program evaluation tool on an annual basis to make improvements in the plan design and implementation based on student achievement and subgroup achievement gap closure.

Section B-6. Funding Considerations of the Plan. Due to the nature of this Educational Plan, all required activities of the District identified in this plan shall comply with fiscal considerations of the Financial Operating Plan, as identified in the Agreement, under the authority of the Treasurer. In addition, if the District is utilizing an educational service provider, the District shall collaborate with the provider of these services in the development of any grant proposals and the development of the consolidated application for federal funding. All such proposals will be subject to approval by the Consent Agreement Consultant, based upon review and recommendations by the Consultant before they can be submitted for consideration by the funding organization. This is to ensure that such grants are considered in fiscal decisions by the District in accordance with the Agreement.

Section B-7. Sustainability of Plans. In addition to the regular program evaluation process and implementation review identified in Section B-5 above, the district shall develop and implement plans in a manner that can be sustained over time. The District shall develop fiscal and organizational models based upon student enrollment data, staffing data, and data from the ERS resource survey to ensure that measures proposed or implemented in the DIP and SIPs can be sustained over a period of no less than five years, or build toward such sustainability as intermediate measures. The District shall review such plans on a quarterly basis with the Consent Agreement Consultant and ISD to ensure the academic and financial sustainability of such plans.

Section B-8. Monitoring of Implementation and Sustainability. In order to ensure appropriate implementation and sustainability of the Educational Plan, the District shall provide implementation information and data on benchmarks at the request of the Superintendent for Public Instruction. This information shall be provided on a quarterly schedule, with the first quarterly benchmark at the end of February 2014, and subsequent benchmarks in May, August, and November, in order to better align with the current school year schedule. The Superintendent for Public Instruction may authorize the Michigan Department of Education monitor progress, review documentation, communicate with District personnel who are responsible for program implementation, conduct site-visits to schools and district offices, and communicate with stakeholders of the Educational Plan for the district. The Michigan Department of Education may

meet on at least a quarterly basis with the District to review this information, as well as with the Consent Agreement Consultant and ISD personnel to provide independent feedback on the implementation of the Educational Plan, and on considerations for ongoing review of progress.

Section B-9. Compliance, Material Breach, and Waivers of the Educational Plan. The District, through its Board and officers, is bound by and shall comply with the requirements of the Educational Plan. Failure of the District to comply with this plan, in the judgment of the Treasurer, or, on his behalf, the Superintendent of Public Instruction, shall constitute a breach of the Agreement as a whole, and shall be subject to the measures identified in Section 19 of the Agreement. All considerations regarding such a breach and the required outcomes shall follow the steps identified in Section 19, with the Superintendent of Public Instruction having authority of the monitoring and review of the Educational Plan component of the Agreement.

The Superintendent of Public Instruction may waive a provision of this Educational Plan if, in the Superintendent of Public Instruction’s sole discretion, the District demonstrates good cause for the waiver. No waiver or satisfaction of a condition of nonperformance of an obligation under this plan will be effective unless it is in writing and signed by the Superintendent of Public Instruction, and no such waiver will constitute a waiver of satisfaction of any other condition or nonperformance of any other obligation. The lack of a specific action by the Superintendent of Public Instruction shall not be construed as a waiver of a provision of this Educational Plan.

Schedule of Actions for the Educational Plan

Action #	Date (on or Before)	Action
1	9/18/13	Pontiac City School District (PCSD) presents Agreement and Educational Plan to PCSD Board of Education
2	9/18/13	Pontiac City School District signs the Agreement
3	9/18 – 12/15	Superintendent of Public Instruction responds as appropriate to requests for guidance or technical assistant on the Educational Plan.
4	10/31/13	Pontiac City School District submits a plan for educational support services to the Superintendent of Public Instruction for review and approval

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5	11/7/13	Superintendent of Public Instruction provides approval or disapproval with feedback to PCSD on educational services plan
6	11/15/13	PCSD submits contract as necessary per Section B-1 for Educational Service Provider, if any, to support implementation of the following instructional administrative functions starting on this date: School Improvement, Curriculum, Instruction, Assessment, Grants Management, Educator Evaluation, and Professional Development to Superintendent of Public Instruction
7	12/15/13	Pontiac City School District submits revised District Improvement Plan through ASSIST Platform (Advanc-Ed web site)
8	12/31/13	Superintendent of Public Instruction approves or disapproves the District Improvement Plan based upon the adherence with the requirements identified in Schedule B of the Agreement. Disapproved plans allow for 10 business days for feedback to be provided to PCSD, and an additional 14 days for submission of a revised DIP for approval.
9	11/26/13	PCSD provides the reform/redesign plan for Alcott School to the MDE School Reform Office through the ASSIST Platform
10	12/20/13	Superintendent of Public Instruction provides feedback and approval or request for revisions for reform/redesign plan for Alcott School
11	2/28/14	Professional Learning Communities shall be implemented to support all instructional staff within PCSD
12	2/28/14	Winter Benchmark Date for achieving proposed outcomes in the DIP.
13	2/28/14	Revised School Improvement Plans for all schools submitted per requirements identified in the Agreement
14	3/7/14	MDE, on behalf of SPI, will follow up prior to Mar. 7, 2014 for monitoring of Educational Plan implementation for 2 nd benchmark of 2013-14
15	4/1/14	School Process Rubrics (SPR 40 or 90) or Self Assessment Inventory required for all schools per state law.
16	4/15/14	District Process Rubrics (DPR) or District Self Assessment
17	5/23/14	Spring Benchmark Date for achieving proposed outcomes in the DIP.
18	6/6/14	MDE, on behalf of SPI, will follow up prior to June 6 for monitoring of Educational Plan implementation for 2 nd benchmark of 2013-14

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19	6/27/14	Revised District Improvement Plan, which should include plans for 2014-15 school year, and broader long-term goals and plans for the district through 2019
20	8/22/14	Summer Benchmark Date for achieving proposed outcomes in the DIP – largely based on year-end data and upcoming DIP plans
21	8/29/14	MDE, on behalf of SPI, will follow up during week of July 7, 2014 for monitoring of Educational Plan implementation for last benchmark of 2013-14
22	9/1/14	PCSD submit School Improvement Plans for all schools in alignment with revised DIP

Planned Annual Schedule for Monitoring and Plan Submission for the Pontiac City School District (PCSD) to address Implementation of Long Term (2014-19) Educational Plan.

Task (Responsible Parties)	Relevant Deadline Dates by School Year				
	2014-15	2015-16	2016-17	2017-18	2018-19
Development / Revision of Long-Term Plan for PCSD Schools	9/1	8/1	8/1	8/1	8/1
School Improvement Plan Submission (Individual PCSD Schools)	9/1	9/1	9/1	9/1	9/1
DIP Fall Benchmark (PCSD)	11/21	11/20	11/18	11/17	11/16
Monitoring of DIP Fall Benchmark (MDE)	12/5	12/4	12/2	12/1	11/30
DIP Winter Benchmark (PCSD)	2/27	2/26	2/24	2/23	2/22
Monitoring of DIP Winter Benchmark (MDE)	3/6	3/5	3/3	3/2	3/1
School Process Rubrics (SPR 40 or 90) or Self Assessment Inventory required for all schools per state law.	4/1	4/1	4/1	4/1	4/1
District Process Rubrics (DPR) or District Self Assessment	4/15	4/15	4/15	4/15	4/15
DIP Spring Benchmark (PCSD)	5/22	5/20	5/19	5/18	5/24

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Monitoring of DIP Spring Benchmark (MDE)	5/29	5/27	5/26	5/25	6/7
District Improvement Plan Submission (PCSD)	6/30	6/30	6/30	6/30	6/28
DIP Summer Benchmark Using Year End Data (PCSD)	8/21	8/19	8/18	8/24	8/23
Monitoring of DIP Summer Benchmark (MDE)	8/28	8/26	8/25	8/31	8/30

Schedule C

State Financial Management and Technical Assistance

To assist the District in alleviating the financial emergency within the District, and Consistent with Section 8(1) of the Act, Treasury and MDE will provide the District the following financial management and technical assistance:

1	Treasury staff will be made available to discuss and advise monthly cash flow reporting and matters relating to debt and/or public finance alternatives that may be available to the District, and other related matters.
2	MDE staff will be made available to discuss and advise on items related to the District's Deficit Elimination Plan, the Educational Plan, compliance with The Revised School Code and the State School Aid Act, and other related matters.
3	Treasury will use its best efforts to provide support for the issuance of debt by the District, including, but not limited to, a tax anticipation notes and emergency loans. However, this Agreement does not require Treasury or the Michigan Finance Authority to issue any debt. Nor shall this Agreement constitute or be deemed a waiver or modification of any provision of any existing agreement between the District and the State of Michigan or the MFA.
4	Treasury will provide the District with financial compensation for the cost of the Consultant and any additional staff appointed or professional assistance secured by the Consultant with the approval of the Treasurer under Section 14.6 for a period not to exceed 24 months, in an amount not to exceed \$750,000.00, in aggregate. While the District will be responsible for initially paying these costs, Treasury will reimburse the District for these expenses within 45 days of submission of an invoice for reimbursement by the District.

School District of the City of Pontiac
Consent Agreement
September 18, 2013

Schedule D

Format for Monthly Financial Status Reports

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SCHEDULE D - MONTHLY FINANCIAL REPORTING CASH FLOW

As of [date]

Fiscal Year YY/YY

Outflows

Inflows

cash balance

Notes

balance on [date]

\$

Payroll on June 14

List all payees and payors below (insert additional rows as needed)

Payroll on June 28 FY 13/14

List all payees and payors below (insert additional rows as needed)

Payroll on July 12 (includes ORS)

List all payees and payors below (insert additional rows as needed)

July 26 Payroll

List all payees and payors below (insert additional rows as needed)

August 9 Payroll

List all payees and payors below (insert additional rows as needed)

August 20th State Aid

August 23 payroll

List all payees and payors below (insert additional rows as needed)

September 6 payroll

List all payees and payors below (insert additional rows as needed)

September 20 Payroll

List all payees and payors below (insert additional rows as needed)

October 4 Payroll

List all payees and payors below (insert additional rows as needed)

October 20 Payroll

List all payees and payors below (insert additional rows as needed)

SCHEDULE D - MONTHLY FINANCIAL REPORTING CASH FLOW

As of [date]

Fiscal Year YY/YY

Outflows

Inflows

cash balance

Notes

October 20th State Aid

November 1 Payroll

List all payees and payors below (insert additional rows as needed)

November 15 Payroll

November 20th State Aid

November 29 Payroll

List all payees and payors below (insert additional rows as needed)

December 13 Payroll

List all payees and payors below (insert additional rows as needed)

December 20th State Aid

December 27 Payroll

List all payees and payors below (insert additional rows as needed)

January 10 Payroll

January 20th State Aid

January 24 Payroll

List all payees and payors below (insert additional rows as needed)

February 7 Payroll

List all payees and payors below (insert additional rows as needed)

February 20th State Aid

February 21 Payroll

List all payees and payors below (insert additional rows as needed)

March 7 Payroll

List all payees and payors below (insert additional rows as needed)

March 20th State Aid

March 21 Payroll

List all payees and payors below (insert additional rows as needed)

April 4 Payroll

List all payees and payors below (insert additional rows as needed)

SCHEDULE D - MONTHLY FINANCIAL REPORTING CASH FLOW

As of [date]

Fiscal Year YY/YY

Outflows

Inflows

cash balance

Notes

April 18 Payroll

List all payees and payors below (insert additional rows as needed)
April 20th State Aid

May 2 Payroll

List all payees and payors below (insert additional rows as needed)

May 16 Payroll

List all payees and payors below (insert additional rows as needed)
May 20th State Aid

May 30 Payroll

List all payees and payors below (insert additional rows as needed)

June 13 Payroll

List all payees and payors below (insert additional rows as needed)
June 20th State Aid

June 27 Payroll

Payment to debts June 30th

SCHEDULE D - MONTHLY FINANCIAL REPORTING ACCOUNTS PAYABLE

Estimate of debts owed as of [Insert Date] Debtor Name	Amount
---	--------

Total Debt as measured on [Insert Date]	\$
---	----

SCHOOL DISTRICT NAME: _____
SUMMARY MONTHLY DEP RECONCILIATION REPORT
FOR THE MONTH ENDING _____

0

Acct Codes	A DEFICIT ELIMINATION PLAN 2013-2014	B ACTUAL Year-to Date	C PROJECTED To-Year-End	D(B+C) TOTAL PROJECTED	E(D-A) VARIANCE	F(E/A) % VARIANCE	Variance Explanation
1	Beginning Fund Equity	\$0		\$0	#DIV/0!	#DIV/0!	
2	Add: Revenues						
3 11X	Local Sources	\$0	\$0	\$0	\$0	0.00%	
4 51X	Local Rec'd Thru Other Public Sch	\$0	\$0	\$0	\$0	0.00%	
5 2xx	Local Thru Other Political Sub	\$0	\$0	\$0	\$0	0.00%	
6 3xx	State Sources	#DIV/0!	\$0	\$0	#DIV/0!	#DIV/0!	
7 4xx	Federal Sources	\$0	\$0	\$0	\$0	0.00%	
8 52x-6xx	Incoming Transfers & Other	\$0	\$0	\$0	\$0	0.00%	
9	Total Current Year Revenues	\$0	\$0	\$0	#DIV/0!	#DIV/0!	
10	TOTAL RESOURCES AVAILABLE	#DIV/0!	\$0	\$0	#DIV/0!	#DIV/0!	
11	Less: Expenditures						
12 1xx	Classroom Instruction	\$0	\$0	\$0	\$0	0.00%	
13	Support Services:						
14 21x	Pupil Support	\$0	\$0	\$0	\$0	0.00%	
15 22x	Instructional Staff Supp	\$0	\$0	\$0	\$0	0.00%	
16 23x	General Admin.	\$0	\$0	\$0	\$0	0.00%	
17 24x	School Admin.	\$0	\$0	\$0	\$0	0.00%	
18 25x	Business Admin.	\$0	\$0	\$0	\$0	0.00%	
19 26x	Oper/Maintenance	\$0	\$0	\$0	\$0	0.00%	
20 27x	Transportation	\$0	\$0	\$0	\$0	0.00%	
21 28x	Central Admin.	\$0	\$0	\$0	\$0	0.00%	
22 29x	Other	\$0	\$0	\$0	\$0	0.00%	
23 3xx	Community Services	\$0	\$0	\$0	\$0	0.00%	
24 41,42,43	Outgoing Transfers	\$0	\$0	\$0	\$0	0.00%	
25 45x	Facilities Acquisition	\$0	\$0	\$0	\$0	0.00%	
26 51x	Debt Service	\$0	\$0	\$0	\$0	0.00%	
27 6xx	Fund Modifications	\$0	\$0	\$0	\$0	0.00%	
28	TOTAL EXPEND. & OUTGOING TRNSFRS	#DIV/0!	\$0	\$0	\$0	0.00%	
29	ENDING FUND BALANCE			\$0			

Notes:

SCHOOL DISTRICT NAME: _____
SUMMARY MONTHLY DEP RECONCILIATION REPORT
FOR THE MONTH ENDING _____

0

Acct Codes	A DEFICIT ELIMINATION PLAN 2014-2015	B ACTUAL Year-to Date	C PROJECTED To-Year-End	D(B+C) TOTAL PROJECTED	E(D-A) VARIANCE	F(E/A) % VARIANCE	Variance Explanation
1	Beginning Fund Equity	\$0		\$0	#DIV/0!	#DIV/0!	
2	Add: Revenues						
3 11X	Local Sources	\$0	\$0	\$0	\$0	0.00%	
4 51X	Local Rec'd Thru Other Public Sch	\$0	\$0	\$0	\$0	0.00%	
5 2xx	Local Thru Other Political Sub	\$0	\$0	\$0	\$0	0.00%	
6 3xx	State Sources	#DIV/0!	\$0	\$0	#DIV/0!	#DIV/0!	
7 4xx	Federal Sources	\$0	\$0	\$0	\$0	0.00%	
8 52x-6xx	Incoming Transfers & Other	\$0	\$0	\$0	\$0	0.00%	
9	Total Current Year Revenues	\$0	\$0	\$0	#DIV/0!	#DIV/0!	
10	TOTAL RESOURCES AVAILABLE	#DIV/0!	\$0	\$0	#DIV/0!	#DIV/0!	
11	Less: Expenditures						
12 1xx	Classroom Instruction	\$0	\$0	\$0	\$0	0.00%	
13	Support Services:						
14 21x	Pupil Support	\$0	\$0	\$0	\$0	0.00%	
15 22x	Instructional Staff Supp	\$0	\$0	\$0	\$0	0.00%	
16 23x	General Admin.	\$0	\$0	\$0	\$0	0.00%	
17 24x	School Admin.	\$0	\$0	\$0	\$0	0.00%	
18 25x	Business Admin.	\$0	\$0	\$0	\$0	0.00%	
19 26x	Oper/Maintenance	\$0	\$0	\$0	\$0	0.00%	
20 27x	Transportation	\$0	\$0	\$0	\$0	0.00%	
21 28x	Central Admin.	\$0	\$0	\$0	\$0	0.00%	
22 29x	Other	\$0	\$0	\$0	\$0	0.00%	
23 3xx	Community Services	\$0	\$0	\$0	\$0	0.00%	
24 41,42,43	Outgoing Transfers	\$0	\$0	\$0	\$0	0.00%	
25 45x	Facilities Acquisition	\$0	\$0	\$0	\$0	0.00%	
26 51x	Debt Service	\$0	\$0	\$0	\$0	0.00%	
27 6xx	Fund Modifications	\$0	\$0	\$0	\$0	0.00%	
28	TOTAL EXPEND. & OUTGOING TRNSFRS	#DIV/0!	\$0	\$0	#DIV/0!	#DIV/0!	
29	ENDING FUND BALANCE			\$0	#DIV/0!	#DIV/0!	

Notes:

EXHIBIT 1

**School District of the City of Pontiac
 Outstanding General Fund Obligations**

Estimate of debts owed as of July 15, 2013	Amount
Oakland Schools (includes amt in A/P)	
Michigan Public School Retirement System ("MPERS") (as of 5/26/13)	3,957,004
MPERS for last 3 payments of FY 2012-2013	945,109
MESSA Judgment (through 12/31/2012)	7,800,000
MESSA (post-judgment)	3,262,593
MESSA (July 2013)	527,667
Utilities	1,481,516
First student (all outstanding)	2,510,813
GCA (all outstanding)	425,108
Chartwells	1,040,334
Internal Revenue Services (as of 05/03/2013)	234,368
State of Michigan taxes (as of 05/03/2013)	37,598
SOS grant repayments	334,163
Other vendors (estimate)	2,407,284
Johnson Controls (already paid via insurance)	1,450,488
Oakland County Treasurer	6,883,217
Other insurance obligations, including unemployment insurance	494,487
Compensated absence payouts	297,578
General Obligation bond payments (shortage as of 6/15/2013)	3,800,000
Total Debt as measured on July 15	\$37,889,327

EXHIBIT 2

**School District of the City of Pontiac
 Projected Cash Flow (FY 2013-2014)**

(FY 2013-2014)	Outflows	Inflows	cash balance
1-Jul-13			1,352,992
Early release of PA 18 July 1 (70% of 1/4th) & pay ISD	962,899	714,408	1,104,501
Pay debts July 2	243,668		860,833
Title I funding and misc revenue		458,611	1,319,444
PESG	31,898		1,287,546
IDEA funding			1,287,546
July 20 State Aid - Accelerated		818,304	2,105,850
Payroll on July 12 (includes ORS)	1,200,000		905,850
Costs on July 12 for Extended Year - special ed			905,850
Costs on July 12 for Extended School Year	60,000		845,850
SOS grant			845,850
Food Service		112,839	958,689
GSRP		166,461	1,125,150
Food service		43,218	1,168,368
Other grants		325,126	1,493,494
Other revenue and MESSA payment for August health	639,207	592,974	1,447,261
July 20 State Aid	970,936	970,936	1,447,261
Title I and IDEA collections for Extended School Year			1,447,261
General Obligation bond payments (shortage as of 6/15/2013)			1,447,261
Costs on July 26th for Extended Year - special ed			112,318
August 1 Property tax collection and grants		957,907	1,070,225
			1,070,225
Title I and IDEA collections for Extended School Year			1,070,225
August 9 Payroll	1,200,000		(129,775)
Costs on August 9th for summer School	134,943		(264,719)
Title I and IDEA on August 9th for Extended Year - Special Ed		315,848	51,129
Payment to debts	118,151		(67,022)

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Title I funding			425,000	357,978	
Grant receipts (GSRP on Aug 22 and IDEA)			337,464	695,442	
Food service			26,000	721,442	
Other grants			390,250	1,111,692	
Other revenue				1,111,692	
Property taxes received about 8/15			5,159,248	6,270,940	updated for collections
Payment to debts owed August 15 - Priority Health	130,019			6,140,921	paid 8/15
Payment to debts owed August 15 - Chartwells	500,000			5,640,921	WIRED
Payment to debts owed August 15 - MESSA - current	554,284			5,086,637	WIRED
August 20th State Aid	65,718		1,460,864	6,481,783	NOT INTERCEPTED - but hold back \$65,718 for UAAL payment
Payments to First Student and Others	1,395,146			5,086,637	
Title I and IDEA collections for Extended School Year			797,430	5,884,067	2 payrolls/collections
August 23 payroll	1,200,000			4,684,067	
Costs on August 23 for Summer School	134,943			4,549,124	
Costs on August 23 for Extended Year - Special Ed				4,549,124	
Property taxes received about September 3			3,390,752	7,939,876	updated for collections in August
Title I funding			850,000	8,789,876	
Monthly Healthcare premium	77,000			8,712,876	MEBS + Priority Health only
Chartwells payment plan - 9/1	156,403				Chartwells payment plan to 12/1
September 6 payroll	1,400,000				
Title I and IDEA collections for Extended School Year			398,715	7,312,876	collection for 8/23 expenditures
Payment to debts September 12th	3,800,000			3,911,591	\$4,125,000 due - difference in debt svc fund already
Payment to debts	700,000			3,211,591	
compensated absence payment	297,578			2,914,013	
Oakland Schools quarterly technology paymt	125,000			2,789,013	
September 20 Payroll	1,400,000			1,389,013	
Balance of first quarter PA-18 from Oakland Schools			50,000	1,439,013	
Food service				1,439,013	
Grant receipts (IDEA)			225,000	1,664,013	
Other grants			171,000	1,835,013	
Other revenue			390,250	2,225,263	
Payment to debts September 30th	362,622		226,300	2,451,563	payment of 25% of Johnson Controls debt + interest at 4.5%
Chartwells payment plan - 10/1	156,403			1,932,538	Chartwells payment plan to 12/1
October Property Tax receipts			14,732,100	16,664,638	REDUCED \$1,031,900 FOR INCREASED STATE AID WHICH REDUCED PROP TAXES + \$1,647,000

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Pay off portion of remaining debt for prior year			12,451,694			4,212,944	
Property tax						4,212,944	
Release of PA 18 funds for quarter						4,212,944	AT RISK IF DISTRICT CANNOT SHOW CASH POSITIVE FOR ENTIRE QUARTER
Monthly Healthcare premium	627,000					3,585,944	NEW
October 4 Payroll	1,400,000					2,185,944	
Title I funding		665,000				2,850,944	
Property tax		628,600				3,479,544	
October 20 Payroll	1,400,000					2,079,544	
Pay off debts	1,828,181					251,363	
Waterford, land/Building sale, ADT payment	800,000	1,598,000				1,049,363	new for land/building sale
October 20th State Aid	1,245,455	1,245,455				1,049,363	100% INTERCEPT FOR ORS
Grant receipts (GSRP and IDEA)		337,464				1,386,827	
Other revenue		226,300				1,613,127	
Food service		225,000				1,838,127	
Other grants		390,250				2,228,377	
Interest payment - Johnson Controls	310,000					1,918,377	
Monthly Healthcare premium	627,000					1,291,377	NEW
Chartwells payment plan - 11/1	156,403					1,134,974	Chartwells payment plan to 12/1
November 1 Payroll	1,400,000					(265,026)	
November Property tax						(265,026)	
November 15 Payroll	1,400,000					(1,665,026)	
						(1,665,026)	
November 20th State Aid	1,245,455	1,245,455				(1,665,026)	100% INTERCEPT FOR ORS
Grant receipts (GSRP and IDEA)		337,464				(1,327,562)	
Other revenue		226,300				(1,101,262)	
Food service		225,000				(876,262)	
Other grants		390,250				(486,012)	
Pay off debts	1,828,181					(2,314,192)	
Title I funding		665,000				(1,649,192)	
Monthly healthcare premium	627,000					(2,276,192)	NEW
November 29 Payroll	1,400,000					(3,676,192)	
Chartwells payment plan - 12/1	156,602					(3,832,794)	Chartwells payment plan to 12/1
December 13 Payroll	1,400,000					(5,232,794)	
						(5,232,794)	
December 20th State Aid	701,593	1,245,455				(4,688,933)	FINAL INTERCEPT FOR ORS

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Grant receipts (GSRP and IDEA)			337,464	(4,351,469)	
Other revenue			226,300	(4,125,169)	
Other grants			390,250	(3,734,919)	
Food service			225,000	(3,509,919)	
Quarterly technology payment for Oakland Schools	125,000			(3,634,919)	
Pay off debts	1,828,181			(5,463,099)	
Title I funding				(5,463,099)	
December 27 Payroll	1,400,000		665,000	(4,798,099)	
monthly healthcare premium	627,000			(6,198,099)	NEW
Payment to debts December 30th	362,622			(7,187,721)	payment of 25% of Johnson Controls debt + interest at 4.5%
Release of PA 18 funds for quarter			1,282,012	(5,905,709)	Questionable if no positive cash flow from District
January 10 Payroll	1,400,000			(7,305,709)	
				(7,305,709)	
January 20th State Aid	173,571		1,245,455	(6,233,826)	First Set Aside on SAN of \$173,571
Grant receipts (GSRP and IDEA)			337,464	(5,896,362)	
Other revenue			226,300	(5,670,062)	
Other grants			390,250	(5,279,812)	
Food service			225,000	(5,054,812)	
Pay off debts	1,828,181			(6,882,992)	
				(6,882,992)	
Title I funding				(6,217,992)	
January 24 Payroll	1,400,000		665,000	(7,617,992)	
monthly healthcare premium	627,000			(8,244,992)	NEW
				(8,244,992)	
February 7 Payroll	1,400,000			(9,644,992)	
				(9,644,992)	
February 20th State Aid	173,571		1,245,455	(8,573,109)	Set aside for SAN
Grant receipts (GSRP and IDEA)			337,464	(8,235,645)	
Other revenue			226,300	(8,009,345)	
Other grants			390,250	(7,619,095)	
Food service			225,000	(7,394,095)	
Pay off debts	1,828,181			(7,394,095)	
				(9,222,275)	

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					(9,222,275)	
					(9,222,275)	
Title I funding				665,000	(8,557,275)	
February 21 Payroll	1,400,000				(9,957,275)	
monthly healthcare premium	627,000				(10,584,275)	NEW
March 7 Payroll	1,400,000				(11,984,275)	
					(11,984,275)	
March 20th State Aid	173,571	1,245,455			(10,912,392)	Set aside for SAN
Grant receipts (GSRP and IDEA)		337,464			(10,574,928)	
Other revenue		226,300			(10,348,628)	
Other grants		390,250			(9,958,378)	
Food service		225,000			(9,733,378)	
Quarterly technology payment for Oakland Schools	125,000				(9,858,378)	
Pay off debts	1,828,181				(11,686,558)	
					(11,686,558)	
Title I funding				665,000	(11,021,558)	
March 21 Payroll	1,400,000				(12,421,558)	
monthly healthcare premiums	627,000				(13,048,558)	NEW
Payment to debts March 31st	362,622				(13,411,180)	payment of 25% of Johnson Controls debt + interest at 4.5%
Release of final PA 18 funds		1,849,617			(11,561,564)	Questionable if no positive cash flow from District
April 4 Payroll	1,400,000				(12,961,564)	
Property tax collections		2,758,000			(10,203,564)	
April 18 Payroll	1,400,000				(11,603,564)	
					(11,603,564)	
April 20th State Aid	173,571	1,245,455			(10,531,680)	Set aside for SAN
Grant receipts (GSRP and IDEA)		337,464			(10,194,216)	
Other revenue		226,300			(9,967,916)	
Other grants		390,250			(9,577,666)	
Food service		225,000			(9,352,666)	
					(9,352,666)	
Pay off debts	1,828,181				(11,180,847)	
					(11,180,847)	
Title I funding				665,000	(10,515,847)	
Johnson Controls debt payment	1,420,000				(11,935,847)	
monthly healthcare premiums	627,000				(12,562,847)	NEW

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May 2 Payroll	1,400,000		(13,962,847)	
Property tax collections		278,000	(13,684,847)	
May 16 Payroll	1,400,000		(15,084,847)	
			(15,084,847)	
May 20th State Aid	173,571	1,245,455	(14,012,964)	Set aside for SAN
Grant receipts (GSRP and IDEA)		337,464	(13,675,500)	
Other revenue		226,300	(13,449,200)	
Other grants		390,250	(13,058,950)	
Food service		225,000	(12,833,950)	
Pay off debts			(12,833,950)	
	1,828,181		(14,662,130)	
			(14,662,130)	
Title I funding		665,000	(13,997,130)	
monthly healthcare premiums	627,000		(14,624,130)	NEW
May 30 Payroll	1,400,000		(16,024,130)	
			(16,024,130)	
June 13 Payroll	1,400,000		(17,424,130)	
			(17,424,130)	
June 20th State Aid	173,571	1,245,455	(16,352,247)	Set aside for SAN
Grant receipts (GSRP and IDEA)		337,464	(16,014,783)	
Other revenue		226,300	(15,788,483)	
Other grants		390,250	(15,398,233)	
Food service		225,000	(15,173,233)	
Quarterly technology payment for Oakland Schools	125,000		(15,298,233)	
Pay off debts			(17,126,413)	
	1,828,181		(17,126,413)	
monthly healthcare premiums	627,000		(17,753,413)	NEW
Title I funding		665,000	(17,088,413)	
June 27 Payroll	1,400,000		(18,488,413)	
Payment to debts June 30th	362,622		(18,851,035)	payment of 25% of Johnson Controls debt + interest at 4.5%
	96,714,728			

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