

## CONSENT AGREEMENT

This consent agreement is dated April 21, 2014, and is between STATE TREASURER R. KEVIN CLINTON, a Michigan state officer ("**State Treasurer**"), and the CHARTER TOWNSHIP OF ROYAL OAK, a Michigan municipal corporation ("**Township**").

The State of Michigan has determined that a financial emergency exists within the Township under the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541 to MCL 141.1575 ("**Act 436**"). To address the financial emergency, the Township has selected the consent agreement option under section 8 of Act 436.

The State Treasurer offers state financial management and technical assistance as necessary to alleviate the financial emergency.

The parties want to provide for remedial measures considered necessary to address the financial emergency within the Township and provide for the financial stability of the Township.

The parties therefore agree as follows:

1. **Financial and Operating Plan.**(a) With assistance from a Consent Agreement Consultant appointed under section 6 ("**Consultant**"), the Township Supervisor ("**Supervisor**") shall develop a written financial and operating plan for the Township consistent with this agreement. Township officers and employees shall assist the Supervisor in the development of the plan as requested by the Supervisor. With assistance from the Consultant, the Township Board of Trustees ("**Board**") shall approve the plan developed by the Supervisor, with or without modifications. By July 31, 2014, the Supervisor shall submit to the State Treasurer the plan approved by the Board. Before taking effect, the plan must be reviewed and approved by the State Treasurer. If disapproved by the State Treasurer, the Township shall develop and submit a revised plan using the procedures detailed in this subsection for an initial plan. If the office of Supervisor is vacant, the functions and responsibilities of the Supervisor under this subsection shall be performed by the Township Treasurer.

(b) Upon approval by the State Treasurer, the Township shall be responsible for the timely and effective implementation of the financial and operating plan approved by the State Treasurer under subsection (a) ("**Financial and Operating Plan**"). Consistent with section 11(3) of Act 436, the Financial and Operating Plan may serve as a deficit elimination plan otherwise required by law, if approved by the State Treasurer.

(c) The Financial and Operating Plan shall have the objectives of assuring that the Township 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 Township in a timely manner.

(d) The Financial and Operating Plan shall provide for all of the following:

- (1) conducting all aspects of the operations of the Township within available resources and projected cash flow;
- (2) payment of scheduled debt service requirements on bonds, notes, and municipal securities of the Township, contract obligations in anticipation of which bonds, notes, and municipal securities are issued, and all other uncontested legal obligations of the Township;

- (3) modification, rejection, termination, and renegotiation of contracts of the Township to the extent authorized by law, this agreement, and approved by the State Treasurer, and as based upon a written needs assessment and written cost savings analysis;
- (4) timely deposit of required payments to a public employee pension system for employees, former employees, and retirees of the Township;
- (5) a detailed projected budget of Township revenues and expenditures, including reasonably necessary maintenance and capital expenditures, over a period of five fiscal years indicating that the Township's expenditures will not exceed its revenues and that any existing deficits will be eliminated during the initial five-year period, with this component of the Financial and Operating Plan updated at least annually;
- (6) a cash flow projection for the current fiscal year and the next fiscal year, with this component of the Financial and Operating Plan updated at least annually;
- (7) an evaluation of costs associated with the Township's pension and post-employment health care obligations and a plan to address those costs in a manner that assures current obligations are met and reduces any future unfunded obligations;
- (8) procedures for cash control and cash management, including procedures for timely collection, securing, depositing, balancing, and expending of cash, and designation of appropriate fiduciaries;
- (9) identification of factors and circumstances contributing to the Township's financial emergency and measures to correct the factors and circumstances;
- (10) measures to satisfy the Township's outstanding obligations;
- (11) alignment of Township staffing levels with projected revenue, notwithstanding any previously established minimum staffing levels;
- (12) consolidation or elimination of Township departments, the transfer of functions and responsibilities from one department to another, and the removal of administrators, as necessary to implement the Financial and Operating Plan, and as based upon a written needs assessment and written cost savings analysis; and
- (13) any other action necessary to implement this agreement, achieve the objectives of the Financial and Operating Plan, rectify the Township's financial emergency, and restore financial accountability and stability to the Township, as based upon a written needs assessment and written cost savings analysis.

(e) Township officials, employees, agents, and contractors shall take and direct action necessary and advisable to assure compliance with the Financial and Operating Plan. Beginning on the 15th day of the month after the initial appointment of a Consultant, the Consultant shall update the Board monthly in writing on the Township's progress in implementing the Financial and Operating Plan and the Township's compliance with the Financial and Operating Plan during the previous calendar month.

(f) The Township shall reevaluate the Financial and Operating Plan on a regular and periodic basis. The Board shall amend the Financial and Operating Plan when requested in writing by the Consultant at the Board's next regularly scheduled meeting, or at a special meeting if the Consultant and the State Treasurer request approval at a special meeting. If Township revenue estimates change, as

determined by the Consultant, the Consultant shall notify the Board in writing of the change in the revenue estimate and the Board shall amend the Financial and Operating Plan to conform to the revised revenue estimates at the Board's next regularly scheduled meeting, or at a special meeting if the Consultant and the State Treasurer request approval at a special meeting. An amendment of the Financial and Operating Plan is not effective until approved by the State Treasurer.

2. **Budget.**(a) With assistance from the Consultant, the Township shall adopt and adhere to a budget for each Township fiscal year consistent with applicable law, and this agreement, including the Financial and Operating Plan. Each budget shall comply with all of the following:

- (1) before taking effect, the budget must be approved by the State Treasurer;
- (2) be prepared, presented, and adopted in compliance with all of the following: (A) the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a ("**Budget Act**"); (B) 1963 (Ex Sess) PA 43, MCL 141.411 to 141.415; and (3) The Charter Township Act, 1947 PA 359, MCL 42.1 to 42.34.
- (3) be based upon a forecast of monthly cash demands necessary to satisfy the expenditures authorized in the budget, with an appropriation not being a mandate to spend;

(b) Beginning with the budget for the 2015 fiscal year, the annual budget for each fiscal year, as adopted by the Township shall be transmitted to the State Treasurer at least 30 calendar days before the beginning of the fiscal year. Any amendments to an adopted budget shall be approved by the Consultant and transmitted to the State Treasurer within 10 calendar days of adoption by the Township.

(c) If a shortfall in anticipated revenue occurs in any Township fund, or if the State Treasurer determines that unusual or extraordinary expenditures arise during a fiscal year, the Township shall reduce budgeted expenditures in the adopted annual budget on a timely basis as provided under the Budget Act so that that Township 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.

(d) Township officials may amend an adopted budget by transferring funds between and among accounts as permitted by law, subject to the requirements of this section 2.

(e) The Township shall not close a fiscal year with an operating deficit in any fund unless both of the following occur:

- (1) the fund in which the operating deficit occurred had a sufficient beginning balance to offset the deficit consistent with the Budget Act; and
- (2) The financial statements of the Township indicating the sufficient beginning balance fairly represent the financial position of the Township according to an independent auditor in a qualified or unqualified opinion using generally accepted accounting principles for state and local governments.

3. **Remedial Measures.** Consistent with the requirement under section 8(1) of Act 436 that this agreement provide for remedial measures considered necessary to address the financial emergency within the local government and provide for the financial stability of the Township, the Township shall implement the remedial measures detailed in schedule A (each a "**Remedial Measure**") by the date

provided in schedule A. If the Township is unable to implement or comply with a Remedial Measure, the Township may request a waiver under section 23.

4. **Service Alternatives.** In addition to the Remedial Measures, the Township shall actively pursue alternative means to more effectively and efficiently provide governmental services for residents of the Township and perform other functions and responsibilities of the Township ("**Service Alternatives**"). The Service Alternatives may be implemented through agreements, transfer contracts, or other cooperative arrangements with other entities, public or private. Before implementation, each Service Alternative shall be recommended by the Consultant and approved by the State Treasurer. The Township shall implement the Service Alternatives detailed in schedule B by the date provided in schedule B.

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

6. **Consultant.** (a) Within 60 days of the effective date of this agreement, the Township shall abolish the position of financial consultant in place within the Township on the effective date of this agreement and terminate any contract in place with that financial consultant. To assist the Township in implementing this agreement, not less than 7 days after the effective date of this agreement, the Township shall create and establish within the Township the position of Consent Agreement Consultant. The Consultant position shall be established as a deputy supervisor and an officer of the Township.

(b) Not less than 21 days after the creation of the Consultant position under this section, the Township shall appoint and retain an individual recommended by the State Treasurer to serve as the Consultant. The Township shall notify the State Treasurer of a vacancy in the office of Consultant within seven days of the vacancy. The Township shall fill a vacancy with an individual recommended by the State Treasurer within 14 days after receiving a recommendation from the State Treasurer.

(c) Within 7 days after appointing a Consultant, the Township shall enter into an employment contract with the Consultant retaining the Consultant. The employment contract is not effective without the approval of the State Treasurer.

(d) To assist the Township in implementing this agreement, the Consultant shall exercise the powers, duties, functions, and responsibilities vested in the Consultant under this agreement. When assisting officials of the Township in implementing this agreement, the Consultant shall provide Township officials with written monthly reports on actions taken by the Consultant to implement this agreement, beginning on the first day of the month following the first month of the Consultant's employment contract and shall advise the Board on the Township's compliance with this agreement. The Consultant also shall coordinate communications with the State Treasurer under this agreement on behalf of the Township.

(e) To assist the Township in implementing this agreement, after the creation of the Consultant position and appointment of a Consultant, the Supervisor, when approved or requested by

the Consultant, shall exercise the powers under Act 436 described in this subsection for periods and upon the terms and conditions as the State Treasurer deems necessary or convenient, in the State Treasurer's discretion, as authorized under section 8(10) of Act 436. If the Supervisor does not act upon a request by the Consultant, or if the Township has no supervisor, the Consultant is granted and may exercise the powers under Act 436 described in this subsection for periods and upon the terms and conditions as the State Treasurer deems necessary or convenient. The powers granted and that may be exercised under this subsection include all of the following powers:

- (1) amend, revise, approve, or disapprove the budget of the Township government, and limit the total amount appropriated or expended consistent with section 12(1)(b) of Act 436;
- (2) receive and disburse on behalf of the Township all federal, state, and local funds earmarked for the local Township, including funds for specific programs and the retirement of debt, consistent with section 12(1)(c) of Act 436;
- (3) examine all records and books of account of the Township, 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 Township, consistent with section 12(1)(f) of Act 436;
- (4) 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 Township, consistent with section 12(1)(g) of Act 436;
- (5) review payrolls or other claims against the Township before payment, consistent with section 12(1)(h) of Act 436;
- (6) establish and implement staffing levels for the Township consistent with section 12(1)(i) of Act 436;
- (7) reject, modify, or terminate 1 or more terms and conditions of an existing contract, consistent with section 12(1)(j) of Act 436;
- (8) act as sole agent of the Township in collective bargaining with employees or representatives and approve any contract or Agreement, consistent with section 12(1)(l) of Act 436;
- (9) consolidate or eliminate departments of the local government or transfer functions from one department to another and appoint, supervise, and, remove administrators, including heads of departments other than elected officials, consistent with section 12(1)(n) of Act 436;
- (10) issue to the appropriate Township officials and to employees, agents, and contractors of the Township binding orders considered necessary to accomplish the purposes of Act 436 and this agreement consistent with section 10 of Act 436, including orders for the timely and satisfactory implementation of the Financial and Operating 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 Act 436;
- (11) authorize or require the Township to enter into agreements with other 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 Act 436, without abolishing any elective office of the Township;

(12) enter into agreements with other units of municipal government to transfer property of the Township under 1984 PA 425, MCL 124.21 to 124.30, or as otherwise provided by law, subject to the requirements under applicable law including requirements for approval by electors within the Township and subject to approval by the State Treasurer, consistent with section 12(1)(z) of Act 436;

(13) authorize or require the Township to enter into agreements with 1 or more other local governments or public bodies for the consolidation of services, consistent with section 12(1)(aa) of Act 436, without abolishing any elective office of the Township mandated under state law;

(14) remove, replace, appoint, or confirm the appointments to any non-elected office, board, commission or authority, or other entity which is within or is a component unit of the Township, consistent with section 12(1)(ff); and

(15) if there is reason to believe that criminal conduct has occurred within the Township, refer the matter to the Attorney General and the Oakland County Prosecuting Attorney for investigation, consistent with section 16 of Act 436.

(f) The powers prescribed for an emergency manager under section 12(1)(k) of Act 436 shall not be exercised by the Supervisor or the Consultant.

(g) Officials and employees, agents, and contractors of the Township shall 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 Act 436, consistent with section 27 of Act 436. The Consultant, with the approval of the State Treasurer, may appoint additional staff and secure professional assistance to fulfill the Consultant's responsibilities under this agreement, consistent with section 9(4) of Act 436, but only if the Consultant provides written documentation to the Township and the State Treasurer that sufficient funds remain available under schedule C to reimburse the Township for the cost of the additional staff and professional assistance.

7. **Audits.** (a) For each Township fiscal year ending after the effective date of this agreement the Township shall retain a recognized independent certified public accounting firm to perform an annual audit of the Township ("**Independent Auditor**"). The Consultant may assist the Township in identifying and selecting a firm. The Independent Auditor selected by the Township must be approved by the State Treasurer. If the Township fails to retain an Independent Auditor in compliance with this subsection or the annual audit required under this section is not completed, the State Treasurer shall conduct the audit or appoint a firm to perform the audit, with the cost paid by Township.

(b) The annual audit required under this section shall:

(1) comply with Generally Accepted Government Auditing Standards;

(2) include an opinion as to whether the township's financial statements for the fiscal year were prepared in accordance with Generally Accepted Accounting Principles;

(3) state whether the audit of the Township's financial statements was made in accordance with Generally Accepted Government Accounting Standards and accordingly included tests of the Township's accounting records and other auditing procedures as considered necessary under the circumstances;

(4) disclose any fiscal irregularities, including defalcations, misfeasance, nonfeasance, or malfeasance identified by the Independent Auditor;

(5) note the nature and extent of any variations from Generally Accepted Accounting Principles reflected in the Township's financial statements; and

(6) comply with the requirements of the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a, and other applicable law.

(c) The Independent Auditor shall prepare a report of the auditing procedures applied in each annual audit on a form prepared by the State Treasurer.

(d) An annual audit required under this section shall be completed within 120 days after the end of a fiscal year. The Township shall require the Independent Auditor to transmit upon completion a copy of the annual audit and the audit procedures report required under subsection (c) to the Board, the Consultant, and the State Treasurer.

(e) The Township shall make available for inspection and duplication all records required by the Independent Auditor to perform the annual audit required under this section. The Township shall make its officers and employees available to, and shall cooperate with, the Independent Auditor to facilitate timely completion of the annual audit by the Independent Auditor.

8. **Contracts.** (a) By July 31, 2014, the Township shall provide a report detailing all Township contracts for professional services and all individual Township employment contracts to the State 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.

(b) The Township shall not enter into a contract or contract amendment with a value of more than \$22,765.99 without approval by the State Treasurer. The Township may enter into new contracts with an estimated value of up to \$22,765.99, but shall keep a detailed log of contracts entered into under the \$22,766.00 threshold for inspection and review by the Consultant or the State Treasurer.

(c) Except as provided in subsection (b), the Township shall not amend, extend the term, or renew a contract to which the Township is a party without first issuing a public request for proposals or using another form of competitive procurement, unless the Township obtains written approval from the State Treasurer.

(d) Subject to any collective bargaining agreement in effect on the effective date of this contract, the Township may take the following actions only with the prior approval of the State Treasurer:

(1) change a rate or price payable to an outside vendor providing services to the Township under a contract with the Township;

(2) change the salary, wage rate, or benefits payable to officers, employees, or retirees of the Township;

(3) pay for professional development costs other than professional development costs required under schedule A;

(4) Pay overtime, or authorize flex-time or comp-time for Township personnel;

- (5) settle a workers' compensation claim;
- (6) challenge or appeal, or decide not to challenge or appeal, an unemployment insurance claim by former employee of the Township;
- (7) settle a grievance under a collective bargaining agreement or other employment contract; or
- (8) initiate or settle any litigation.

9. **Financial Personnel.** The Township may employ or contract for auditors and other personnel with experience in local government financial matters as necessary to implement this agreement with the approval of the State Treasurer.

10. **State Assistance.** (a) To assist the Township in alleviating the Township's financial emergency, the Michigan Department of Treasury ("**Treasury**") shall provide the Township with the financial management and technical assistance detailed in schedule C. The Supervisor, when requested or approved by the Consultant, or the Consultant if the Township has no supervisor, 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 State Treasurer, to perform the duties of a local inspector or a local auditor as described in section 12(1)(p) of Act 436, to assist the Township in implementing this agreement. Assistance under this subsection is subject to the mandate under Const 1963, art 9, § 17 that no money may be paid out of the state treasury except in pursuance of appropriations made by law.

(b) Consistent with section 12(1)(s) of Act 436, the Township may apply for a loan from the state, subject to conditions under the Emergency Municipal Loan Act, 1980 PA 243, MCL 141.931 to 141.942, or other applicable law.

11. **Reports.** (a) Consistent with section 8(1) of Act 436, by the 15th day of each month, the Consultant or the Township Supervisor if the Consultant is not in place, shall provide a monthly financial status report in the form detailed in schedule D to the State Treasurer, with a copy to the Board and each state senator and state representative representing the Township.

(b) Beginning June 15, 2014 and ending on the date that the State Treasurer notifies the Township that the Remedial Measures have been fully implemented, the Consultant, or the Township Supervisor if the Consultant is not in place, shall transmit to the State Treasurer, with a copy to the Board, a monthly written report indicating the status of the Township's implementation of Remedial Measures during the prior month.

(c) Beginning August 15, 2014, the Consultant, or the Township Supervisor if the Consultant is not in place, shall transmit to the State Treasurer, with a copy to the Board, a quarterly written report indicating the status of the Township's implementation of Service Alternatives during the previous three months.

(d) Beginning August 15, 2014, the Consultant, or the Township Supervisor if the Consultant is not in place, shall file with the State Treasurer and provide the Board with a copy of a quarterly written report listing pending lawsuits or other legal actions in which the Township is a party during the previous three months. For each listing, the Township shall include (1) the name of the plaintiff or plaintiffs, (2) the name of the defendant or defendants, (3) the name of the court and judge with jurisdiction, (4) the name of the attorney representing the Township, (5) the cause of action, (6) the



length of time pending, (7) an estimate of the budgetary impact on the Township if the Township does not prevail, (8) the details of any settlement agreement, and (9) any applicable insurance coverage.

(e) The State Treasurer also may require the Township to produce other financial reports to assure that the State Treasurer, Treasury, and the Consultant have access to accurate and timely financial information about the Township.

12. **Debt.** The Township shall not borrow money, incur debt, or issue obligations without the approval of the State Treasurer. The Township may, with the approval of the State 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 Township also may, with the approval of the State 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 State Treasurer.

13. **Elections.** The Township shall, 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 Township consistent with the Michigan Election Law, 1954 PA 116, MCL 168.1 to 168.992, Const 1963, art 9, §§ 6 and 25 to 34, and other applicable state law.

14. **Special Assessment Millage.** At the request of the Consultant, the Board shall reauthorize a special assessment millage imposed by the Township. If the Board fails to reauthorize a special assessment millage as requested by the Consultant, the Consultant may exercise the power under sections 8(10) and 9(2) of Act 436 to act in the place and stead of the Board and reauthorize the special assessment millage.

15. **Public Employees.** The Township shall not sign, enter into, or execute a collective bargaining agreement, nor sign, enter into, or execute any amendment of a collective bargaining agreement unless the collective bargaining agreement or amendment receives the prior written approval of the State Treasurer. Consistent with section 8(11) Act 436, as authorized under Section 8(11) Act 436, beginning 30 days after the effective date of this agreement, the Township is not subject to Section 15(1) of 1947 PA 336, MCL 423.215, for the remainder of the term of this agreement.

16. **Bankruptcy.** This agreement does not authorize the Township to initiate an action under Chapter 9 of Title 11 of the United States Code, 11 USC 901 to 946.

17. **Term.** This agreement is effective on the date signed by the parties and remains effective until the end of the fiscal year of the Township in which the Township is released from this agreement under section 18, except that section 18(b) survives the termination of this agreement.

18. **Release.** (a) The Township is released from the requirements of section 8 of Act 436 upon written notification from the State Treasurer that the Township has complied with this agreement and is released from the requirements of section 8 of Act 436. Before release under this section, consistent with section 21(1) of Act 436, the State Treasurer may require the Township Supervisor to adopt and implement a two-year budget, including all contractual and employment agreements, for the Township beginning with the release from the requirements of section 8 of Act 436. If the Township Supervisor does not adopt a two-year budget as required by the State Treasurer, or if the Township has no supervisor, the State Treasurer may require the Consultant to adopt and implement a two-year budget, including all contractual and employment agreements, for the Township beginning with the release from the requirements of section 8 of Act 436. If a two-year budget is adopted under this

section, the Township shall be released from the requirements of Section 21(1) of Act 436 upon the expiration of the two-year budget. After adoption, the Board may amend the two-year budget with the approval of the State Treasurer. The Township shall be deemed by the State Treasurer to have complied with this agreement and the Township shall be released by the State Treasurer from the requirements of section 8 of Act 436 if the Township certifies in writing to the State Treasurer, with the concurrence of the Consultant, that all of the following conditions are satisfied:

(1) the fiscal stability of the Township has been restored as demonstrated by one or more of the following:

- (A) the audited financial statements of the Township indicate on the basis of generally accepted accounting principles for state and local governments, that for the immediate two prior fiscal years no fund maintained by the Township was in a deficit condition, excluding any revenue from borrowed funds;
- (B) the Township 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 Township 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;
- (C) the Township is not required to submit, or projected to be required to submit in the next fiscal year of the Township, a deficit elimination plan under state law;

(2) the audited financial statements of the Township indicate on the basis of generally accepted accounting principles for state and local governments, that in the immediate two prior fiscal years the general fund of the Township ended the fiscal year with a surplus amount equal to 15% or more of the general fund expenditures of the Township for the fiscal year; and

(3) none of the factors used to determine the existence of probable financial stress under section 4(1) of Act 436 are present within the Township.

(b) *Post-Release.* After release from the requirements of section 8 of Act 436, the Board shall not amend any two-year budget adopted for the Township by the Township Supervisor or the Consultant exercising powers under section 21(2) of Act 436 without the approval of the State Treasurer, and shall not revise any order issued by the Township Supervisor or the Consultant under section 6(e)(10) before one year after the release from the requirements of section 8 of Act 436, except as provided in subsection (c).

(c) Except for a two-year budget adopted under subsection (a), under no circumstances will this agreement be effective after October 31, 2017. No two-year budget adopted by the Supervisor or Consultant under this section will be effective after December 31, 2018. The parties contemplate that the Township will continue to use a two-year budgeting process after the expiration of this agreement.

19. **Compliance and Breach.** (a) The Township, through its Board and officers is bound by, and shall comply with this agreement. Failure of the Township to comply with this agreement is a breach of this agreement. Noncompliance with this agreement due to action or inaction by the Consultant is

not a breach of this agreement. Violation of state or federal law, including 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 Township, the Board or an officer of the Township also is a breach of this agreement. Except as provided in section 23, the obligations of the Township under this agreement are not subject to release or discharge due to any contingencies, including missed due dates, clerical errors, computer failures, late mailings or deliveries, adverse weather, natural disaster, or acts of third parties.

(b) *Material Breach.* An uncured breach of this agreement is a material breach of this agreement if, in the judgment of the State Treasurer any of the following apply:

- (1) the uncured breach materially impairs the timely and complete implementation of the Remedial Measures;
- (2) the uncured breach materially impairs the timely and complete implementation of the Financial and Operating Plan;
- (3) the uncured breach materially impairs the Consultant's ability to perform the Consultant's functions and responsibilities under this agreement; and
- (4) the breach materially impairs the implementation of this agreement because the Township has contested, through legal proceedings or otherwise, the constitutionality, validity, or enforceability of Act 436, this agreement, or the powers or jurisdiction of the State Treasurer or other state officers under Act 436, other applicable law, or this agreement.

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

(d) *Statutory Declaration of Material Breach.* Notwithstanding subsections (a) to (c), and as required by section 8(1) of Act 436, nothing in this agreement limits the ability of the State Treasurer, in his or her sole discretion, to declare a material breach of this agreement, including a declaration of a material breach for any of the following reasons:

- (1) repeated failure of the Township to provide accurate and timely financial reports;
- (2) repeated failure of the Township to meet a deadline or due date under this agreement;
- (3) delay by the Township in addressing a projected deficiency in the Township's cash flow;

(4) action by an officer, employee, agent, or contractor of the Township to impede or hinder implementation of this agreement;

(5) repeated delays or other action by the Township inconsistent with advice or guidance provided by the State Treasurer or the Consultant or other action or inaction by the Township inconsistent with the goals and objectives of this agreement.

(e) *Uncured Material Breach.* If a material breach is declared and not cured, one of the following will occur, as required by section 8(1) of Act 436:

(1) *Receivership.* the Governor of the State of Michigan (“**Governor**”) may place the Township in receivership under Act 436 and the Township shall not contest the placement in receivership; or

(2) *Neutral Evaluation Process.* the Governor may place the Township in the neutral evaluation process under Act 436, and the Township shall 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 Act 436.

(f) As used in subsection (e), “**receivership**” means that term as defined in section 2(q) of Act 436, and “**neutral evaluation process**” means that term as defined in section 2(o) of Act 436.

20. **Severability.** The parties intend as follows:

(1) that if any provision of this agreement is held to be unenforceable, then that provision will be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded;

(2) that if an unenforceable provision is modified or disregarded in accordance with this section, then the rest of the agreement will remain in effect as written; and

(3) that any unenforceable provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable.

21. **Due Dates.** If a due date under this agreement falls on a Saturday, Sunday, or legal holiday, then the due date will be the next day that is not a Saturday, Sunday, or legal holiday. 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 Township.

22. **Treasury Designees.** The State Treasurer may designate an individual within Treasury to perform the State Treasurer’s functions and responsibilities under this agreement. The State Treasurer may designate an individual or agency, division, or other organizational unit within Treasury to receive reports or other notifications under this agreement and will notify the Township of a designation under this section.

23. **Modification; Waiver.** No amendment of this agreement will be effective unless it is in writing and signed by the parties. The parties shall amend this agreement if necessary to comply with applicable law. The State Treasurer may waive a provision of this agreement if the State Treasurer determines that the Township demonstrates good cause for the waiver, including a material breach of this agreement caused by a third party or solely by the Consultant. No waiver of satisfaction of a condition or failure to comply with an obligation under this agreement will be effective unless it is in writing and signed by the party granting the waiver and no such waiver will constitute a waiver of

satisfaction of any other condition or failure to comply with any other obligation. To be valid, any document signed on behalf of the Township under this section must first be approved by the Board.

24. **Counterparts.** If the parties sign this agreement in several counterparts, each will be deemed an original but all counterparts together will constitute one instrument.

25. **Governing Law.** The laws of the State of Michigan, without giving effect to its principles of conflicts of law, govern all adversarial proceedings arising out of this agreement.

26. **Scope.** This agreement constitutes the entire understanding between the parties with respect to the subject matter of this agreement and supersedes all other agreements, whether written or oral, between the parties

The parties are signing this agreement as of the date stated in the introductory clause.

By: \_\_\_\_\_  
R. KEVIN CLINTON,  
State Treasurer

CHARTER TOWNSHIP OF ROYAL OAK

By: Donna J. Squalls  
Donna J. Squalls  
Supervisor

CERTIFICATION

I, Janice Brinkley, Clerk of the Charter Township of Royal Oak certify all of the following:

- (1) that this consent agreement was approved and the signing of the consent agreement by the Supervisor of the Charter Township of Royal Oak was authorized on behalf of the Charter Township of Royal Oak by the Board of Trustees of the Charter Township of Royal Oak at a special meeting of the Board of Trustees of the Charter Township of Royal Oak held on April 21, 2014;
- (2) that the meeting was held in compliance with the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275; and
- (3) that the 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.

Date: April 21, 2014

Janice Brinkley  
Janice Brinkley,  
Clerk of the Charter Township of Royal Oak

satisfaction of any other condition or failure to comply with any other obligation. To be valid, any document signed on behalf of the Township under this section must first be approved by the Board.

24. **Counterparts.** If the parties sign this agreement in several counterparts, each will be deemed an original but all counterparts together will constitute one instrument.

25. **Governing Law.** The laws of the State of Michigan, without giving effect to its principles of conflicts of law, govern all adversarial proceedings arising out of this agreement.

26. **Scope.** This agreement constitutes the entire understanding between the parties with respect to the subject matter of this agreement and supersedes all other agreements, whether written or oral, between the parties

The parties are signing this agreement as of the date stated in the introductory clause.

By: R. Kevin Clinton 4/21/14  
R. KEVIN CLINTON,  
State Treasurer

CHARTER TOWNSHIP OF ROYAL OAK

By: \_\_\_\_\_  
Donna J. Squalls  
Supervisor

CERTIFICATION

I, Janice Brinkley, Clerk of the Charter Township of Royal Oak certify all of the following:

- (1) that this consent agreement was approved and the signing of the consent agreement by the Supervisor of the Charter Township of Royal Oak was authorized on behalf of the Charter Township of Royal Oak by the Board of Trustees of the Charter Township of Royal Oak at a special meeting of the Board of Trustees of the Charter Township of Royal Oak held on April \_\_, 2014;
- (2) that the meeting was held in compliance with the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275; and
- (3) that the 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.

Date: \_\_\_\_\_, 2014

\_\_\_\_\_  
Janice Brinkley,  
Clerk of the Charter Township of Royal Oak

Schedule A  
REMEDIAL MEASURES

Action #	Date (on or Before)	Remedial Measure
1	July 31, 2014	Contract for the services of a professional services firm or firms to advise the Township on financial matters. A firm selected by the Township shall have extensive experience in municipal finance or accounting or both and must be approved by the State Treasurer.
2	December 31, 2014	The Township Supervisor, Township Clerk, Township Treasurer will attend training regarding financial best practices and municipal management, conducted by an organization approved by the State Treasurer.
3	December 31, 2014	The Board will attend training regarding financial best practices and municipal management, conducted by an organization approved by the State Treasurer.
4	July 31, 2014	The Township will submit a report, by program, addressing each finding identified in its two most recent financial audits and single audit.
5	July 31, 2014	The Township will submit a report, by program, identifying a remedy curing each negative finding identified by the review team for the Township under Act 436.
6	May 31, 2014	The Township shall implement procedures acceptable to the State Treasurer to assure that all Township bank accounts are reconciled within no more than 6 weeks after the end of each month.

Schedule B  
SERVICE ALTERNATIVES

Action #	Date (on or Before)	Service Alternative
1	June 30, 2014	<i>Fire Protection Services.</i> The Township shall extend or enter into an agreement with another governmental entity for the provision of fire protection services within the Township or utilize an alternative mechanism to assure the delivery of the services approved by the State Treasurer. During the term of this consent agreement, the Township may not authorize the provision of fire protection services by Township employees.
2	December 31, 2014	<i>Police Protection.</i> The Township shall enter into an agreement with a governmental entity for the provision of police protection services with primary law enforcement responsibilities within the Township or utilize an alternative mechanism to assure the delivery of the services approved by the State Treasurer. The parties understand that the Township's financial condition currently prevents the Township from providing police protection services. The Township will notify the State Treasurer by November 30, 2014 if the Township is unable to identify a governmental entity willing to enter into an agreement with the Township for the provision of police protection services with primary law enforcement responsibilities in the Township. If the Township notifies the State Treasurer by November 30, 2014 as provided in this paragraph, failure of the Township to enter into an agreement with another governmental entity by December 31, 2014, does not constitute a breach of this agreement, notwithstanding a contrary provision of this agreement. Nothing in this agreement alters or diminishes the statutory and other law enforcement obligations of the Michigan Department of State Police.
3	December 31, 2014	<i>Emergency Medical Services.</i> The Township shall extend or enter into an agreement with another entity, public or private, for the provision of emergency medical services, including ambulance services within the Township or utilize an alternative mechanism to assure the delivery of the services approved by the State Treasurer. During the term of this consent agreement, the Township may not authorize the provision of emergency medical services by Township employees.
4	July 31, 2014	With assistance from the Consultant, the Township shall conduct or obtain a formal assessment of the cost, quality, priority, and potential for sharing or consolidation of all services provided by the Township.



Schedule C  
STATE ASSISTANCE

**State Financial Management and Technical Assistance**

1	Treasury staff will be made available to discuss and advise on monthly cash flow reporting and matters relating to debt and/or public finance alternatives that may be available to the Township, and other related matters.
2	Treasury will use its best efforts to provide support for the issuance of debt by the Township, including, but not limited to, tax anticipation notes and emergency loans. However, this agreement does not require Treasury or the Michigan Finance Authority (“MFA”) 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 Township and the State or the MFA.
3	Treasury will provide the Township 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 State Treasurer under sections 6 and 10 in an amount not to exceed \$250,000.00 in aggregate. While the Township shall be responsible for initially paying these costs, Treasury will reimburse the Township for these expenses within 45 days of submission of an invoice for reimbursement by the Township. This financial compensation is subject to the availability of funds appropriated by the Michigan Legislature.

LAN01\342146.12  
April 21, 2014

