



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT J. KLEINE
STATE TREASURER

CONSENT AGREEMENT

Between the City of River Rouge

And

The Financial Management Review Team

Appointed by the Governor on October 23, 2009

Pursuant to Public Act 72 of 1990

WHEREAS, pursuant to Section 12(1) of Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, hereinafter "the Act," a preliminary review was commenced by the Michigan Department of Treasury on May 18, 2009, to determine whether a serious financial problem existed within the City of River Rouge and the preliminary review found the following:

- On May 24, 2005, the City Treasurer informed the City Council that the Policemen and Firemen Retirement System was approximately 80 percent funded and the Employee Retirement System was approximately 65 percent funded. The City Treasurer also informed the City Council that the City could not pay the approximately \$1.0 million it owed to the Policemen and Firemen Retirement System.
- On June 16, 2005, the Policemen and Fire Retirement System directed its attorney to draft a complaint and application for writ of mandamus asking that the Wayne County Circuit Court order the City to pay to the retirement system the amount owed.
- On June 21, 2005, the River Rouge City Council approved an amended budget for the fiscal year ending June 30, 2005, which did not include the required contributions to the Policemen

and Firemen Retirement System or contributions to the Employees Retirement System.

- On July 7, 2005, the Employees Retirement System approved litigation against the City to compel payment of the amount owed by the City to that retirement system.
- On November 4, 2005, the Wayne County Circuit Court entered a money judgment against the City in favor of the Employees Retirement System. (Case Number 05-532067). In a separate action, the Court also entered a money judgment against the City in favor of the Policemen and Firemen Retirement System. (Case Number 05-532066). In years subsequent to the initial judgments, the City and the two respective retirement systems stipulated to entry of new judgments to be entered against the City for the amount specified in the stipulation.
- On November 18, 2008, the Wayne County Circuit Court entered a money judgment, permanent injunction, and mandamus against the City in favor of the Policemen and Fireman Retirement System. In a separate action, the Court also entered the same relief against the City in favor of the Employees Retirement System. The permanent injunctions require the entry of a judgment levy on the tax rolls of the City in any future years for which the City does not pay its annual pension payment to the respective retirement systems; And

WHEREAS, pursuant to Section 12(3) of the Act, the State Treasurer on June 11, 2009, reported to the Governor the conclusion that, based upon the preliminary review, a serious financial problem existed within the City; And

WHEREAS, pursuant to Section 13(1)(b) of the Act, the Governor appointed a financial Review Team October 23, 2009, to conduct a detailed review of the financial condition of the City; And

WHEREAS, the Review Team confirmed that a serious financial problem existed within the City after meeting with City officials on November 19, 2009 and November 24, 2009, and after reviewing relevant information concerning the financial condition of the City. The Review Team

found the following based upon information provided by City officials, or the City's financial audit reports, or both:

- The Wayne County Circuit Court entered two judgment levies, for the Employees Retirement System and the Policemen and Fireman Retirement System respectively, without the prior approval of the River Rouge City Council which, pursuant to Section 12(1)(n) of the Act, is *prima facie* indicative of a serious financial problem.
- According to the City's fiscal year 2008 financial audit, the City's general fund deficit was \$1,664,264. While the City has experienced general fund deficits since its 2002 fiscal year, it should be noted that City officials have made measured progress in reducing the general fund deficit since the 2005 fiscal year; And

WHEREAS, City officials have expressed a desire to enter into a Consent Agreement which demonstrates that the City is capable of, and will, adequately address its serious financial problems, thereby enabling the Review Team to report to the Governor that a Consent Agreement containing a plan to resolve the serious financial problems of the City has been entered into pursuant to Section 14(1)(c) of the Act.

NOW, THEREFORE, in consideration of the Review Team entering into this Consent Agreement, the City, through its Mayor and City Council, hereby agrees and promises to undertake the following remedial actions:

I. Expenditure Reductions or Revenue Enhancements

Within 30 days of the date that this Consent Agreement is executed, the City shall provide to the Review Team a detailed plan containing specific and realistic expenditure reductions, or specific and realistic revenue enhancements, or both, in an amount sufficient to address, within not to exceed five years, any current or accumulated deficit in any fund maintained by the City. The plan

shall include details of the general appropriations act reductions in employee salary, wages, employee retirement systems, other fringe benefits, debt retirement, and operating expenditures or revenue enhancements. A deficit in a fund maintained by the City shall not be addressed by means of an interfund operating transfer. The City is prohibited from interfund borrowing for more than 90 calendar days at any one time, or beyond the end of a fiscal year, whichever first occurs, subject to provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

II. Service Consolidation

By January 15, 2010, the Mayor and Councilmembers shall commence discussions with the Emergency Financial Manager for the City of Ecorse concerning the consolidation of services with the City of Ecorse, such services to include but not be limited to police protection, fire protection, financial and accounting, legal, sanitation, garbage collection, street maintenance, and public works. By March 1, 2010, the City shall provide to the Review Team a detailed plan and schedule for implementation of the consolidation of the foregoing services with the City of Ecorse.

In addition to the requirements of the preceding paragraph, the City is encouraged to pursue negotiations with other neighboring communities concerning the consolidation of services. The City shall file with the Review Team by June 1, 2010, and quarterly thereafter, indicating the progress of such negotiations.

III. Ongoing Requirements

During the period that this Consent Agreement is in effect, or until an earlier date specified in writing by the Michigan Department of Treasury, all of the following requirements shall apply:

Budget Adoption

1. The City shall adopt and adhere to a budget for each fiscal year, including the fiscal year of

the City which began July 1, 2009, and the adopted budget shall be the control document against which compliance by the City with statutory requirements, its charter, and the relevant provisions of this Consent Agreement shall be measured. The budget adopted for each fiscal year shall comply with the following requirements:

- (a) Each budget proposed by the City shall be prepared and presented, and each appropriations act proposed by the City shall be adopted, in accordance with the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act and applicable provisions of the charter of the City.
- (b) A budget shall include quarterly allotments, excluding capital items, of authorized spending in which no one quarterly allotment in total shall generally exceed 25 percent of the total budgeted expenditures for the fiscal year of the City, taking into consideration historical or seasonal expenditure patterns.
- (c) Beginning with the budget adopted for the 2011 fiscal year of the City, the annual budget for each fiscal year, as adopted by the City Council and approved by the Mayor, shall be transmitted by the City to the Michigan Department of Treasury at least 30 calendar days in advance of the beginning of the fiscal year of the City, and any amendments to that budget shall be transmitted to the Michigan Department of Treasury within 10 calendar days of adoption by the City Council and approval by the Mayor.
- (d) If there is a shortfall in anticipated revenue, or if unusual or extraordinary expenditures arise during a fiscal year, the City shall reduce budgeted expenditures in the adopted annual budget on a timely basis pursuant to Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, and shall adjust the quarterly allotments as may be required so that at fiscal year end, the City will have operated within a balanced budget. As used in this

paragraph, "a timely basis" means that the budgeted expenditures will be reduced, or budgeted revenues will be increased, or both, so as to preclude an expenditure being made for which adequate revenues are unavailable or are projected to be unavailable.

- (e) The City has the authority and the responsibility to amend an adopted budget by transferring funds between and among accounts, and between and among fiscal year quarters, to the extent permitted by law and its charter, but subject to the provisions of subdivisions (a), (b), and (d) of this paragraph.
- (f) The City shall set forth in its budget each year all significant assumptions as to revenue and expenditures upon which the budget is predicated.

Operating Deficits

- 2. The City shall not end a fiscal year with an operating deficit in any fund unless both of the following conditions occur:
 - (a) The fund in which the operating deficit occurred had a sufficient beginning balance to offset the deficit consistent with the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.
 - (b) The financial statements of the City indicating such a beginning balance have been found to fairly represent the financial position of the City by independent auditors in a qualified or unqualified opinion.

Collective Bargaining Agreements

- 3. The City shall not sign, enter into, or execute a collective bargaining agreement, nor sign, enter into, or execute any instrument which extends the terms or conditions of an existing collective bargaining agreement unless the collective bargaining agreement or instrument receives the prior written approval of the Review Team. Any offer of settlement submitted by

the City as part of a compulsory arbitration proceeding shall simultaneously be submitted by the City to the Review Team. Should an arbitration panel render a decision requiring an increase in expenditures by the City, the City shall within 30 days of the decision submit to the Review Team a plan indicating how the increased expenditures will be addressed.

Pending Litigation Report

4. On a quarterly basis beginning with the 15th day of April 2010, the legal department of the City shall submit to the Review Team a detailed listing of all pending lawsuits or other legal actions to which the City is a party. For each pending lawsuit or other legal action, the listing shall specify the name of the plaintiff or plaintiffs, the name of the defendant or defendants, the name of the court and judge currently having jurisdiction of the matter, the name of legal counsel representing the City if other than the legal department of the City, 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 City should the City not prevail in the lawsuit or other legal action, and the applicability of any liability insurance maintained by the City.

Absence of Consent Agreement; Consequence of

5. In the absence of this Consent Agreement, the Review Team would have concluded in its report to the Governor required pursuant to Section 14(3) of the Act that a financial emergency existed within the City, based upon the technical nature of the triggering condition involved, because no satisfactory plan to resolve a serious financial problem existed. Therefore, the failure of the City to comply in any respect with this Consent Agreement may be considered by the Review Team sufficient cause for the immediate appointment of an emergency financial manager pursuant to Section 18(1) of the Act, the provisions of Sections 15 through 17 of the Act to the contrary notwithstanding.

Obligation of City to Comply with Consent Agreement

6. The City, through its officers and Council, is bound by, and shall adhere to, this Consent Agreement. Any action by the City to contest, through legal proceedings or otherwise, the constitutionality, validity, or enforceability of the Act, this Consent Agreement, or the powers or jurisdiction of the Review Team may be considered sufficient cause by the Review Team for the immediate appointment of an emergency financial manager pursuant to Section 18(1) of the Act, the provisions Sections 15 through 17 of the Act to the contrary notwithstanding.

Obligation not Discharged by Contingencies

7. The obligations of the City as expressed and agreed to by the City under this Consent Agreement are not subject to release or discharge due to any contingencies, including but not limited to, clerical errors, computer failures, late mailings, or the failure to comply with reporting due dates or other scheduled due dates due to adverse weather, acts of God, acts of third parties, or compliance with court orders.

Cooperation with Review Team

8. The City shall cooperate fully with the Review Team, with auditors of the Local Audit and Finance Division, Michigan Department of Treasury, with any independent certified public accounting firm hired to perform an audit of the City, and with any consultant that may be retained to assist the City in any matter covered by this Consent Agreement.

Monitoring by Review Team

9. The Review Team may continue to meet periodically while this Consent Agreement is in effect and make determinations concerning whether the City is in compliance with this Consent Agreement. Upon request by the Review Team, the City shall make available any officials, staff, records, or documentation for such meetings.

Due Dates

10. A provision of this Consent Agreement which requires the City to submit to the Review Team or to the Michigan Department of Treasury a report, listing, or other document by a specific due date shall not be deemed complied with unless the report, listing, or other document is received by the Michigan Department of Treasury by the due date specified. 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 shall be due on the first day thereafter which is not a weekend or legal holiday.

Waiver of Provisions

11. The Review Team may waive a provision of this Consent Agreement if, in its sole discretion, the Review Team concludes that the City has demonstrated good cause shown for the waiver. However, the lack of a specific action by the Review Team, or by the Michigan Department of Treasury, shall not be construed as a waiver of a provision of this Consent Agreement.

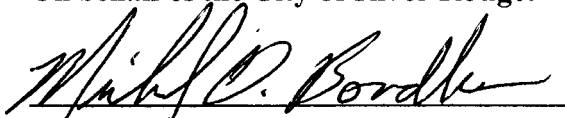
Duration of Consent Agreement

12. This Consent Agreement shall remain in effect until the end of the fiscal year of the City in which all of the following conditions have been satisfied:

- (a) The financial statements indicate, on the basis of generally accepted accounting principles, that no fund maintained by the City is in a deficit condition as determined by the Review Team.
- (b) The City has eliminated any structural imbalance of recurring operating expenditures in excess of recurring operating revenues.
- (c) The Review Team certifies to the State Treasurer that no condition exists within the City, and that no action has been taken, or is being contemplated, by the City which would initiate, or cause the initiation of, a preliminary review under Section 12(1) of the Act.

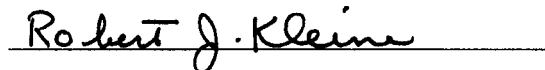
IN WITNESS WHEREOF, the parties, by their designated representatives, have signed and executed this Consent Agreement on this 29th day of December, 2009.

On behalf of the City of River Rouge:

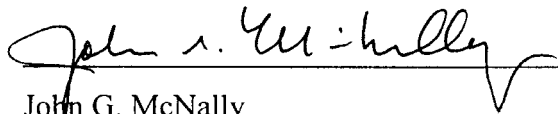


Michael D. Bowdler, Mayor

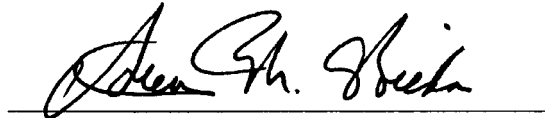
By the Financial Review Team:



Robert J. Kleine



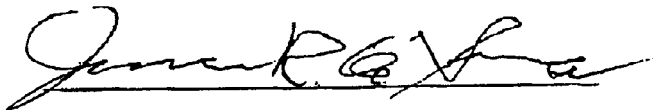
John G. McNally



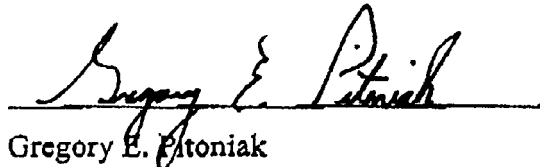
Steven M. Bieda




Thomas H. McTavish



James R. DeSana



Gregory E. Pitoniak



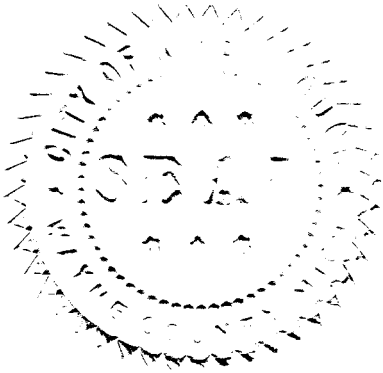
Frederick Headen

Certification

I, Susan JOSEPH, City Clerk for the City of River Rouge, hereby certify that the foregoing Consent Agreement has been duly authorized by the City Council for the City of River Rouge by resolution adopted at a meeting this 15th day of December, 2009, and that the resolution still is in effect.

Date of Certification: 12/15/09

Susan Joseph
Susan Joseph, City Clerk



CITY OF RIVER ROUGE

MICHIGAN
10600 WEST JEFFERSON AVE.
RIVER ROUGE, MI 48218

SUSAN P. JOSEPH
CITY CLERK

Phone: 313-842-5604
Fax: 313-842-4711

At a regular meeting of the River Rouge City Council, River Rouge, Michigan, County of Wayne held in the council chambers in said City Hall on Dec.15,2009 the following resolution was adopted:

09-309

Moved by Comm. Moulton, supported by Comm. Ward, CARRIED to approve the consent agreement between the City of River Rouge and the Financial Management Review Team appointed by the Governor on October 23, 2009 pursuant to Public Act 72 of 1990.

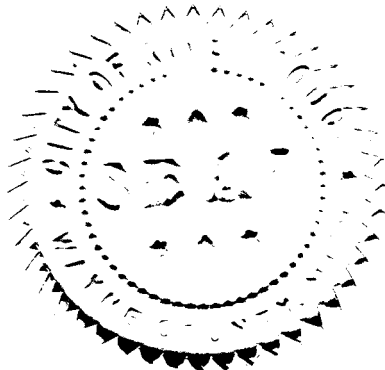
Yeas: Campbell, Kerns, Moulton, Perry, Pruneau, Ward, Bowdler

Nays: None

CERTIFICATION

This is to certify that the foregoing constitutes a full, true and complete copy of the resolution duly adopted by the River Rouge City Council on December 15, 2009.

Dated: December 15, 2009



Susan P. Joseph, City Clerk