



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

January 21, 2014

Kelley Williams, Superintendent
Carol Turpin, President, Pontiac School District Board of Education
The School District of the City of Pontiac
47200 Woodward Avenue
Pontiac, MI 48342-2243

Dear Superintendent Williams and Board President Turpin:

As required by Section 5 of the Consent Agreement between the School District of the City of Pontiac (the "District") and the State Treasurer, the Financial and Operating Plan (the "Plan") was submitted by the District on December 15, 2013. Below is a summary of key assumptions which have significant impact on the success of the Plan.

- The Plan assumes minor decreases in pupil membership for 2014-15 and 2015-16 followed by increases in membership for 2016-17 through 2023-24.
- The Plan assumes that the per-pupil foundation will increase by a small percentage in each year of the Plan.
- The Plan assumes that the District will receive two emergency loans of \$10.0 million from the Department of Treasury, each for FY 2014 and FY 2015.
- The Plan projects that the District will receive an insurance settlement and sell property totaling \$3.9 million in net proceeds.
- Finally, the Plan is largely dependent on both staff reductions and wage concessions yet to be negotiated.

MCL 388.1702 requires that the State Superintendent of Public Instruction ("State Superintendent") approve a district's Deficit Elimination Plan ("DEP"). Consistent with Section 11(3) of the Local Financial Stability and Choice Act (P.A. 436 of 2012) and Section 5 of the Consent Agreement, the Financial and Operating Plan may serve as a DEP with approval of the State Superintendent and the State Treasurer.

The Plan is approved to serve as the DEP and is granted contingent approval based on continued cooperation by the board, administration and staff to rectify the District's significant financial situation.

STATE BOARD OF EDUCATION

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The following contingencies are imposed:

- The District is required to reduce projected expenditures to the levels detailed in its Plan. If the District is unable to achieve its planned pupil FTE, it will be expected to reduce expenditures in other categories in order to meet the fund balance targets entailed in its Plan.
- The District is required to reduce projected expenditures in any year where the District's actual foundation is below the levels assumed in this Plan. Failure to meet the targeted deficit reduction in any year of this Plan will invalidate the Plan.
- If the District is unable to realize the proceeds from emergency loans detailed in this Plan, it will be expected to immediately revise this Plan to reflect the lack of funding.
- If the District is unable to realize the proceeds from the insurance settlement and the sale of property as detailed in this Plan, it will be expected to reduce expenditures in order to meet the fund balances targeted in this Plan.
- The District is required to reduce projected expenditures to the levels detailed in this Plan. If the District is unable to achieve planned staff reductions and wage concessions, it will be expected to reduce expenditures in other categories in order to meet the fund balance targets entailed in this Plan. Failure to meet the targeted deficit reduction in any year of this Plan may be considered an indication of a serious financial problem.
- The District is required to submit any revisions made to the current year budget along with the corresponding board resolution adopting the revised budget. If the budget revision impacts the DEP, the DEP should be revised and submitted as well. Revisions must be submitted no later than one week after they are adopted by the board.
- Pursuant to the Consent Agreement, the District is required to submit a financial status report to the Treasurer on a monthly basis (Schedule D of the Consent Agreement), including Monthly Budgetary Control Reports to the Michigan Department of Education (MDE). Please follow the instructions on the tab labeled "Monthly report instructions" of the electronic DEP form used to prepare your DEP for this purpose.
- The District is required to submit an updated DEP by July 31, 2014, or 30 days after the state school aid budget is passed, whichever comes later.
- The District is required to submit its pupil count information no later than one week after each count date.

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You are required to notify us if significant changes occur which would invalidate this Plan as approved.

In addition, pursuant to Section 6 of the Consent Agreement, the State Treasurer approves the FY 2013-14 Budget identified in the Plan, contingent upon all items listed above.

Furthermore, approval of this Plan does not constitute approval of any other action by the District which may require subsequent approval by the State Superintendent and the State Treasurer under the Consent Agreement, including, but not limited to incurring debt or providing loans, as further explained in Section 9 of the Consent Agreement; and amendments to collective bargaining agreements, as further explained in Section 13 of the Consent Agreement.

If you have any questions, please contact Dan Hanrahan, Office of State Aid and School Finance, MDE at (517) 335-0521 regarding the DEP and John Barton, Authority Finance Division, Treasury at (517) 241-9515 regarding the Finance and Operating Plan.

Sincerely,



Mike Flanagan
State Superintendent



R. Kevin Clinton
State Treasurer

cc: Vickie Markavitch, Superintendent, Oakland Schools
Robert Moore, Deputy Superintendent, Finance and Operations, Oakland Schools
Carol Wolenberg, Deputy Superintendent, Michigan Department of Education
Dan Hanrahan, Director, State Aid and School Finance, Michigan Department of Education
Jeff Kolb, State Aid and School Finance, Michigan Department of Education
Tom Saxton, Acting Chief Deputy Treasurer, Michigan Department of Treasury
John Barton, Director, Authority Finance Division, Michigan Department of Treasury