

CHRISTOPHER S. OLSON

5878 North Ridge Road – Gaylord, MI 49735

December 26, 2013

Village of Elberta
151 Pearson Street
Elberta, MI 49628

ATTN: Village Councilmembers (via e-mail)

RE: Engagement letter of agreement for professional services
for Deficit Elimination Plan; and other Fiscal and Operational matters

Dear Ladies and Gentlemen:

Merry Christmas to all of you and your families, and hope that you enjoyed a safe and pleasant holiday.

This is in response to the recent discussions I have had with the village president, clerk, treasurer, members of the finance committee on 12-23-2013, and also with Eric Cline from the Michigan Department of Treasury. I have reviewed the documents recently provided to me and see that there are several additional and related items that are being sought by the Michigan Department of Treasury for the Village to comply with the Uniform Budgeting and Accounting Act. It was a pleasure to have these discussions despite the circumstances, and I look forward to assisting you with the necessary work.

I have over 25 years of management, financial and operational experience in the public and private sectors, including working with the various internal control and operational measures that are discussed within the October 22, 2013 letter/bound report from Suzanne Schafer and Cary Vaughn of the Michigan Department of Treasury. I have also been a professional colleague with staff from the Office of Fiscal Responsibility (OFR); with that insight and common background, we should be able to achieve understanding on the practical aspects of the upcoming/ongoing work that will go with the deficit elimination plan.

I can provide you with immediate and sole professional attention to work on the prioritized needs of the Village to meet the Treasury Department's requirements and am fully aware of the very tight timeline that the Department of Treasury is requiring at this point for the Deficit Elimination Plan (DEP) as well as resolving the Corrective Action Plan (CAP) matters contained within the October 22, 2013 statutory compliance report.. It is my understanding that the DEP is due by January 5, 2014, and that providing the CAP is due by January 16, 2014. I can and will work with you to meet those deadlines.

Additionally, and due to my background, I will work with you to provide a realistic, achievable, sustainable and approvable plan that is more than words and numbers on a few pages of paper. I have been made aware that there are differences of opinion as to the Village's priorities and that the steps to satisfy the present issues could have significant impacts for the Village's future, particularly the status of the Village's assets and future revenue flow.

I am also aware that the State has not accepted previously-submitted plans from Elberta. As discussed with your committee on December 23, I have previously provided the State with such a plan, received approval, and saw through to the elimination of the deficit. I would do my best to see that all points of view are taken into consideration (please see below), and the goal would be to reach a reasonable balance for the full benefit of the Village as well as acceptance by the State. Due to the seriousness and immediacy of the issues, meaningful and lasting changes will need to be installed into the Village's governing, financial and operational systems as well as to reduce the Village's liabilities and risks.

PROPOSAL #1: PROPOSED TASKS AND EXPENSE – DEFICIT ELIMINATION PLAN: I estimate that the deficit elimination plan will take at least 80 hours of work, including: research, meetings, individual/phone consultation with Village and State officials, documentation, spreadsheet analysis and writing of the plan. Follow-through with the State OFR to accomplish approval is also part of this. My hourly rate is \$60/hour. This would be a cost not to exceed \$4,800.00. I will account for the time and should it be less, then I will reduce the amount accordingly.

To the extent that I can combine the work in the several tasks (both for the DEP and the CAP), I will do so to keep the expenses for the work as fair as possible for the Village. I do not plan to charge the Village for any mileage to go from my home to Elberta. However, if it is necessary to make any trip(s) to Lansing, then mileage and costs would need to be added. It would be my hope that we could work with the OFR branch office in Traverse City as much as possible to avoid the time and expense for any Lansing trip(s).

I will also cooperate to the maximum extent possible to assist the Village of Elberta to obtain grant funding for this work, and it is my goal to keep the expense significantly less than the estimated \$10,000 - \$15,000 from the estimate provided to you on November 26, 2013.

MEETINGS/ENGAGEMENT PROCESS FOR DEP: I would like to engage the Village Council and staff in a work session on December 30, 2103 to incorporate and prioritize your ideas into the plan, as well as to discuss my preliminary work and findings. This process should take approximately 2-3 hours (or however long you would like to meet). I would anticipate that a special Village Council meeting would then need to occur on Thursday, January 2 or Friday, January 3, 2014, for the Village Council to approve the plan for submittal to the State.

PROPOSAL #2 FOR CAP – Additionally, I can assist the Village with addressing the findings of material weakness in internal controls and other operational items as contained in the October 22, 2013 report. It is my understanding that the Village must file a corrective action plan to address those items by January 16, 2014. Not knowing the capability and extent of the Village’s computer and operational systems to meet those requirements, it is not possible for me to provide a comprehensive estimate. However, I would work with you on an hourly basis to achieve that plan and the steps needed to put it into effect.

These proposals, while linked, are separate, and it is not necessary to approve #2 along with #1. If these proposal(s) are acceptable to the Village, it is my recommendation that you approve them by Village Council vote at your earliest possible meeting. Please let me know of the meeting date and time, and I would be happy to attend for any possible explanation and to meet all of you in person.

Thank you for your consideration; please feel free to call me at either of the numbers or the e-mail address noted below. I look forward to hearing from you in the near future.

Very truly yours,

Christopher S. Olson

Christopher S. Olson, MPA

ACCEPTANCE BY VILLAGE OF ELBERTA, MICHIGAN

Deficit Elimination Plan

*Corrective Action Plan for Material Weaknesses,
Internal Controls and Statutory Compliance*

Authorized Signature (per Council Vote)

Authorized Signature (per Council Vote)

Date

Date