



**O'Keefe
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Boudreau Business Brief
Excerpt from June 2011 Newsletter

A Message from Mike Boudreau CPA, CTP, CFF

June 2011 - Municipalities and School Districts / Emergency Manager

Many municipalities and school districts are facing the same viability issues the private sector has been experiencing since 2008. As a result, the Michigan Public Act #4 was signed into law earlier this year and introduced the concept of an Emergency Manager (EM). The EM has broad statutory authority to rectify a financial emergency. For example, the EM can:

- Hire, direct and / or layoff staff
- Reduce pay and benefits for local officials
- Prepare a financial and operating plan
- Change existing labor contracts without negotiation (requires approval from State Treasurer)
- Approve or reject vendor contracts
- Eliminate departments and recommend consolidation of municipal governments
- Recommend a Chapter 9 bankruptcy filing (requires the Governor's approval)

If the local government cannot solve their problems on their own, then I believe the best strategy may be an out of court workout (with or without the EM appointment) followed by a pre-packaged bankruptcy filing needed to either a) Reject a Collective Bargaining Agreement (CBA) or b) Adjust the debt accordingly.