



CITY OF DETROIT
LAW DEPARTMENT

KRYSTAL A. CRITTENDON
CORPORATION COUNSEL
DIRECT DIAL 313•237•3031
E-MAIL: CRITK@DETROITMI.GOV

FIRST NATIONAL BUILDING
660 WOODWARD AVENUE, SUITE 1650
DETROIT, MICHIGAN 48226-3535
PHONE 313•224•4550 TTY:311
FAX 313•224•5505
WWW.DETROITMI.GOV

May 11, 2012

Via Facsimile and Certified U.S. Mail

Hon. Richard D. Snyder
Governor, State of Michigan
George W. Romney Building
111 S. Capitol Avenue
Lansing, Michigan 48933

RE: Financial Stability Agreement Between the State of Michigan and the City of Detroit

Dear Governor Snyder:

On April 4, 2012, the Detroit City Council adopted a Resolution which purported to approve entry by the City of Detroit into a Financial Stability Agreement with the State of Michigan. Subsequently the Agreement was signed by the Mayor of the City of Detroit, certain members of the Financial Advisory Board, the State Treasurer, and you. At the time that the City Council adopted the Resolution and the Mayor signed the Agreement, the elected City of Detroit officials were not advised that the State of Michigan owes payments to the City of Detroit for various debts, including outstanding utility bills.

Section 5(1)(f) of the Michigan Home Rule City Act, MCL 117.5(1)(f), provides that a city does not have power "to make a contract with, or give an official position to, one who is in default to the city." MCL 117.5(1)(f) became effective on, and has remained unchanged, since September 1, 1909. On February 10, 2010, the Michigan Attorney General opined that, under MCL 117.5(1)(f), "financial obligations to a city that would reasonably be encompassed within the term [default] include . . . "utility bills . . ."

This identical language in MCL 117.5(1)(f) was added to the 2012 Detroit City Charter, which became effective on January 1, 2012. It is codified as Section 2-113 and reads:

Prohibition Against Entering Into Contracts or Giving Position to Those in Default.

The City of Detroit, through its executive branch departments and legislative branch agencies, is prohibited from making a contract with, or giving an official position to, one who is in default to the City.



Hon. Richard D. Snyder
May 11, 2012
Page 2

CONFIDENTIAL AND PRIVILEGED
ATTORNEY-CLIENT COMMUNICATION

In accordance Section 7.5-209 of the 2012 Detroit City Charter, this is to notify you that, due to debts that the State of Michigan owed to the City prior to City Council adoption of its Resolution concerning, and the Mayor's execution of, the Financial Stability Agreement, the City was not authorized to enter into a binding contract with the State of Michigan. Therefore, the Financial Stability Agreement is void and unenforceable as a matter of law.


In order to protect the City's interests, this is a formal notice to you, as the State Treasurer, of the State of Michigan's obligation to pay the following outstanding debts due and owing to the City of Detroit:

- 1) A water bill for owed by the State of Michigan to the City of Detroit in the amount of approximately 4.75 Million Dollars; and
- 2) Revenue sharing owed by the State of Michigan to the City of Detroit in the amount of \$224 Million Dollars as admitted by the State Treasurer on January 3, 2012 during the "Inside Detroit" Show on WCHB.

Please be advised that we are in the process of gathering information relative to other outstanding debts owed by the State of Michigan to the City of Detroit. In the meanwhile, we request that your staff respond, in writing, to the above two delineated items no later than Friday, May 18, 2012.

Thank you for your attention to this matter.

Respectfully,


Krystal A. Crittendon
Corporation Counsel

cc: Hon. Mayor Dave Bing
Hon. Charles Pugh
Hon. Gary Brown
Hon. Saunteel Jenkins
Hon. Kenneth V. Cockrel, Jr.
Hon. Brenda Jones
Hon. Andrey L. Spivey
Hon. James Tate
Hon. Kwame Kenyatta
Hon. JoAnn Watson