



Sheldon A. Neeley  
Mayor

## CITY OF FLINT, MICHIGAN Department of Finance

Clyde Edwards  
City Administrator

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December 6, 2021

Dear Council Members,

This letter and attachments serve as the FY 22-23 and FY 23-24 Preliminary Budget transmittal required under **Flint City Charter per Section 7-101 A.4.** by Mayor Sheldon Neeley.

*“On or before the first Monday of December the Mayor shall submit a preliminary budget to City Council for the next fiscal year. This preliminary budget shall also be posted to the City of Flint’s website and be available for public review at the City Clerk’s office. The budget shall align with the City of Flint’s strategic, comprehensive, and capital improvement plans. The Mayor shall present to and receive input on the preliminary budget from the City Council. No earlier than ten (10) business days after the presentation of the preliminary budget and no later than twenty (20) business days after the presentation of the preliminary budget, the Mayor and City Council shall hold a public hearing to receive input on the preliminary budget from the public. The notice for the hearing to be published in a newspaper of general circulation or as otherwise provided by law, shall include notice to the public that the preliminary budget is available.”*

This budget document is preliminary in nature and includes several factors that remain highly uncertain which include changes in revenue streams, federal and state funding monies, and expenditure commitments. The final FY 22-23 and 23-24 proposed budget will be presented to City Council on Monday March 7, 2022, as required per the City’s Charter under Article 7, Sec. 7-101, A.5.

The Preliminary Budget covers 16 governmental and enterprise funds. It should be emphasized that this is a preliminary budget, and a number of factors will presumably change between now and March 7, 2022. Those factors include but are not limited to 1): state revenue sharing estimates, 2) property values for 2022 and 2023, 3) findings of the City’s FY 21 financial audit, 4) national and local economic climate factors, 5) new pension data, and 6) the allocation of ARPA funding monies. Therefore, City Council and residents of Flint should expect significant changes in both revenues and expenditures across several funds for the budget presented in March 2022 for the Proposed FY 22-23 budget and Forecasted FY 23-24 budget.

## **Review of FY 20-21 Budget and Audit**

The City's FY 20-21 financial audit, as required by state law and city charter, will be finalized soon. The updated anticipated FY 20-21 ending General Fund balance reflects a \$23 million surplus as opposed to the earlier estimate of \$15 million, for an increase in General Fund balance of nearly \$8 million. The City spent almost \$4 million less than the FY 20-21 Adopted Budget originally projected on Operating Expenses. The City received one-time revenue increases generated from federal CARES act monies in the amount of \$3.9 million. The City also had savings related to staffing position vacancies amounting to an approximate \$4 million. This improvement in ending fund balance for FY 20-21 creates a positive impact on the estimated FY 21-22 budget and the preliminary FY 22-23 and FY 23-24 budgets as well.

## **Review of Current FY 21-22 and FY 22-23 Adopted Budget**

The City's adopted biennial budget (June 2021) for FY 21-22 and FY 22-23 reflected an ending General Fund balance of a positive \$2 million in FY 21-22 and an estimated negative \$17 million ending fund balance projected for FY 22-23. This estimated \$17 million deficit in FY 22-23 was primarily driven by ever increasing pension costs due to the city's poorly funded asset position. The Michigan Department of Treasury regulates local government fiscal health using a negative ending fund balance as the key legal metric. A negative ending fund balance requires the filing of a state approved deficit elimination plan.

As reflected in the attached budget document, these ending fund balance estimates have now changed for FY 21-22 and 22-23. The Preliminary Budget FY 22-23 is being submitted with the changes affecting those fund balances being addressed below. Also included in this document, is estimated numbers for a preliminary FY 23-24 Budget.

The FY 21-22 ending General Fund balance is now estimated to reflect an ending balance of \$17 million as opposed to the original adopted budget (June 2021) amount of \$2 million. This is the result of an \$8 million improvement from FY 20-21 budget plus an additional \$8 million balance remaining in the Internal Service funds, that will be used to transfer additional monies to the General Fund and other funds in FY 21-22.

For the preliminary FY 22-23 budget, the overall picture has improved as well. The previously FY 22-23 negative \$17 million General Fund balance deficit now will reflect an estimated positive fund balance of \$2 million. This positive swing is primarily due to the fact that the FY 21-22 estimated fund balance fared better than expected and that the Municipal Employer Retirement System (MERS) is currently estimating that City pension costs will remain at \$32 million rather than rising to nearly \$40 million which was originally anticipated happening a year earlier (July 1, 2022). This savings is only anticipated to affect FY 22-23 as estimated MERS costs are projected to be \$40 million in FY 23-24.

## **FY 23-24 Preliminary Budget Estimates**

The preliminary FY 23-24 budget is now projected to be a negative 17 million ending General Fund balance. In essence, the City has pushed off the deficit for one fiscal year due to the one-time financial windfalls from federal funds and some temporary stabilization in pension costs. It must be emphasized that these one-time effects will not be repeated, and the City's fiscal health is still concerning and must be addressed over time.

This is a preliminary budget, and the numbers will change between now and March with the proposed budget submission. The City has weathered a global pandemic, the ongoing impact of the water crisis, economic dislocation, and many other challenges and continues to remain strong and solvent. This is due to the collaborative efforts of the Administration and City Council working together with residents and businesses to identify key challenges and find pragmatic solutions.

We are not out of the woods yet as the FY 23-24 budget shows the City with a major General Fund ending balance deficit. Much of the city's problem is due to stagnant long-term revenues and rising pension costs. These pension commitments are both a legal and moral priority. Together, we need to collectively identify and adopt solutions that ensure these commitments are met while also being affordable for the current and future residents. The Administration looks forward to working with the City Council and the residents to find pragmatic and feasible solutions as we continue to positively move forward together as a community.

### **Summary**

#### ***FY 20-21***

- The City anticipates an \$8 million improvement between budget and actual in ending General fund balance.
- Transfer to the General Fund in the amount of \$3.9 million, which consisted of \$1.8 million in Cares Funding and \$2.1 million in Public Safety Payroll.
- Wage and Fringes savings of approximately \$4 million due to vacant positions.
- Operating Expenses savings of approximately \$4 million.
- As noted in the FY 21-22 Proposed Budget, Internal Services funds reserves were used to reduce expenses.

#### ***FY 21-22***

- Use of Internal Service funds reserves of approximately \$8 million to the General Fund.

#### ***FY 22-23***

- Temporary stabilization of total MERS pension cost at \$32 million.

#### ***FY 23-24***

- Major increase in total MERS pension cost to over \$40 million, an \$8 million increase across all funds.

Sincerely,

Mayor Sheldon A. Neeley  
City of Flint

Enclosure

# The City of Flint

## Preliminary Budget



Fiscal Year  
2022-2023

Submitted: December 6, 2021 By:

Mayor Sheldon A. Neeley

# City Council Established Goals and Priorities

## Fiscal Year 2022-2023

1. The City will operate in an open and financially sustainable manner, including improving citizen access, focusing on measurable results, improving the City's financial position, and eliminating accumulated deficits.
2. The City will provide a highly trained and professional staff of elected leaders, appointed officials, and employees.
3. The City will provide for a safe, secure, and healthy environment in which to live, work, learn and play.
4. The City will provide access to dependable, quality, and sustainable water and sewer.
5. The City will provide access to an adequate and well-maintained transportation network for all modes of travel serving motorized, non-motorized, and pedestrian needs.
6. The City will foster cooperation among business, non-profit, higher education, foundation partners, and residents to create a climate that supports economic development with a focus on small business and entrepreneurs in order to build local wealth and enhance the tax base.
7. The City will seek partnerships with Local, State and Federal governmental partners, and other private entities in order to maximize efficiencies and resources in meeting its Mission.
8. The City will promote the equal protection of the law for each person in accordance with fundamental human rights. The City will adopt policies and ordinances to insure same.
9. The City will ensure optimum practices in order to promote government transparency.
10. The City will improve systems management processes to ensure better effectiveness of records management, storage, and access to City documents – to include improvements to City technology and the website.

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The following contains the City of Flint's Preliminary Budget for Fiscal Year 2022 - 2023 in compliance with the **Flint City Charter - Article 7, Sec. 7-101, A.4.**, which states that:

***“On or before the first Monday of December the Mayor shall submit a preliminary budget to City Council for the next fiscal year.”***

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## City of Flint's Preliminary Budget for FY 22-23

City of Flint	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
General Fund	Actual	Actual	Adopted	Preliminary	Forecasted
<b>Revenue</b>					
Property Taxes	3,715,804	5,687,433	5,023,464	<b>5,098,817</b>	5,149,805
Income Taxes	17,020,456	15,028,812	15,678,800	<b>15,678,800</b>	15,835,588
State Revenue	17,058,769	21,130,654	22,967,812	<b>20,786,854</b>	20,994,723
Local Grant Revenue	-	1,307	-	-	-
Charges for Services Rendered	11,684,080	12,734,450	12,650,034	<b>12,646,078</b>	12,772,539
License, Permits & Franchise Fees	1,157,135	1,349,522	1,192,481	<b>1,217,861</b>	1,230,040
Fines & Forfeitures	106,915	69,253	75,600	<b>75,600</b>	76,356
Interest Income	232,667	118,011	350,700	<b>385,700</b>	389,557
Other Revenue	774,345	656,358	167,635	<b>175,530</b>	177,285
Transfer In	819,518	3,891,843	-	-	-
<b>Total Revenue</b>	<b>52,569,689</b>	<b>60,667,644</b>	<b>58,106,526</b>	<b>56,065,240</b>	<b>56,625,893</b>
<b>Expenditure</b>					
Wages & Fringes	18,432,680	18,487,259	21,585,008	<b>21,622,654</b>	21,838,881
Pension & OPEB	23,540,926	20,570,065	27,537,840	<b>27,544,932</b>	31,208,081
Supplies & Operating Expenses	17,115,590	16,056,729	20,352,443	<b>20,147,494</b>	20,348,969
Capital Outlay	306,955	105,634	363,500	<b>244,100</b>	246,541
Transfers	15,641	1,303	1,355,641	<b>2,425,641</b>	2,449,897
<b>Total Expenditures</b>	<b>59,411,792</b>	<b>55,220,991</b>	<b>71,194,432</b>	<b>71,984,821</b>	<b>76,092,369</b>
Total General Fund	(6,842,103)	5,446,653	(13,087,906)	(15,919,581)	(19,446,476)
FY2022 Proposed Transfers			8,000,000		
Beginning Fund Balance	24,437,392	17,595,289	23,041,942	<b>17,954,036</b>	2,034,455
<b>Ending Fund Balance</b>	<b>17,595,289</b>	<b>23,041,942</b>	<b>17,954,036</b>	<b>2,034,455</b>	<b>(17,432,021)</b>

**Note:** The FY 20-21 audit is still in process.

The FY 22-23 Budget is Preliminary.

<b>City of Flint – FY 22-23</b>	<b>101</b>	<b>202</b>	<b>203</b>	<b>205</b>	<b>207</b>
<b>Preliminary Budget – GL Fund</b>	<b>General Fund</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Public Safety</b>	<b>Neighborhood Policing</b>
<b>Revenue</b>					
Property Taxes	5,098,817	-	-	4,180,469	1,351,868
Special Assessment	-	-	-	-	-
Income Taxes	15,678,800	-	-	-	-
Federal Revenue	-	-	-	-	-
State Revenue	20,786,854	13,289,341	3,790,236	276,892	92,298
Local Grant Revenue	-	23,500	-	-	-
Charges for Services Rendered	12,646,078	36,150	45,025	40,000	30,000
User Charges	-	-	-	-	-
License, Permits & Franchise Fees	1,217,861	-	-	-	-
Fines & Forfeitures	75,600	-	-	-	-
Contribution	-	-	509,189	-	-
Interest Income	385,700	88,100	32,700	26,300	11,500
Other Revenue	175,530	73,280	91,640	-	-
Transfer In	-	-	1,500,000	2,410,000	-
Bond/Note Proceeds	-	-	-	-	-
Employee Contribution	-	-	-	-	-
Fringe Reimbursement	-	-	-	-	-
<b>Total Revenue</b>	<b>56,065,240</b>	<b>13,510,371</b>	<b>5,968,790</b>	<b>6,933,661</b>	<b>1,485,666</b>
<b>Expenditure</b>					
Wages & Fringes	49,167,586	3,655,984	2,961,657	6,287,360	1,643,563
Supplies & Operating Expenses	20,147,494	7,439,783	2,059,853	-	16,900
Capital Outlay	244,100	278,600	300,000	-	5,000
Debt Service	-	118,630	-	-	-
Transfers	2,425,641	1,500,000	-	-	-
<b>Total Expenditure</b>	<b>71,984,821</b>	<b>12,992,997</b>	<b>5,321,510</b>	<b>6,287,360</b>	<b>1,665,463</b>
Change in Fund Balance	(15,919,581)	517,374	647,280	646,301	(179,797)

<b>City of Flint – FY 22-23</b>	<b>208</b>	<b>219</b>	<b>226</b>	<b>246</b>	<b>265</b>
<b>Preliminary Budget – GL Fund</b>	<b>Parks &amp; Recreation</b>	<b>Streetlights</b>	<b>Rubbish Collection</b>	<b>Revolving Loan</b>	<b>Drug Law Enforcement</b>
<b>Revenue</b>					
Property Taxes	346,243	-	5,619,167	-	-
Special Assessment	-	2,731,848	-	-	-
Income Taxes	-	-	-	-	-
Federal Revenue	-	-	-	-	-
State Revenue	22,971	-	-	-	-
Local Grant Revenue	-	-	-	-	-
Charges for Services Rendered	-	-	22,060	-	-
User Charges	-	-	-	-	-
License, Permits & Franchise Fees	-	-	1,500	-	-
Fines & Forfeitures	-	-	-	-	-
Contribution	-	-	-	-	-
Interest Income	2,700	35,000	15,300	9,800	9,700
Other Revenue	1,800	-	-	31,300	-
Transfer In	-	-	-	-	-
Bond/Note Proceeds	-	-	-	-	-
Employer Contribution	-	-	-	-	-
Fringe Reimbursement	-	-	-	-	-
<b>Total Revenue</b>	<b>373,714</b>	<b>2,766,848</b>	<b>5,658,027</b>	<b>41,100</b>	<b>9,700</b>
<b>Expenditure</b>					
Wages & Fringes	73,741	45,675	109,528	-	179,183
Supplies & Operating Expenses	323,330	2,991,684	6,607,178	3,800	30,335
Capital Outlay	-	-	-	-	5,000
Debt Service	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Total Expenditure</b>	<b>397,071</b>	<b>3,037,359</b>	<b>6,716,706</b>	<b>3,800</b>	<b>214,518</b>
Change in Fund Balance	(23,357)	(270,511)	(1,058,679)	37,300	(204,818)



<b>City of Flint – FY 22-23</b>	<b>295</b>	<b>301</b>	<b>402</b>	<b>542</b>	<b>Total</b>
<b>Preliminary Budget – GL Fund</b>	<b>Section 108 Loans</b>	<b>Debt Service</b>	<b>Public Improvement</b>	<b>Building Inspection</b>	<b>Governmental</b>
<b>Revenue</b>					
Property Taxes	-	-	1,734,383	-	18,330,947
Special Assessment	-	-	-	-	2,731,848
Income Taxes	-	-	-	-	15,678,800
Federal Revenue	-	-	-	-	-
State Revenue	-	-	114,855	-	38,373,447
Local Grant Revenue	-	-	-	-	23,500
Charges for Services Rendered	-	-	-	13,000	12,832,313
User Charges	-	-	-	-	-
License, Permits & Franchise Fees	-	-	-	1,943,700	3,163,061
Fines & Forfeitures	-	-	-	-	75,600
Contribution	-	-	-	-	509,189
Interest Income	190,000	150	14,705	29,000	850,655
Other Revenue	513,000	-	-	-	886,550
Transfer In	1,000	1,700,480	-	-	5,611,480
Bond/Note Proceeds	-	-	-	-	-
Employer Contribution	-	-	-	-	-
Fringe Reimbursement	-	-	-	-	-
<b>Total Revenue</b>	<b>704,000</b>	<b>1,700,630</b>	<b>1,863,943</b>	<b>1,985,700</b>	<b>99,067,390</b>
<b>Expenditure</b>					
Wages & Fringes	-	-	-	1,846,630	65,970,907
Supplies & Operating Expenses	-	1,500	-	332,522	39,954,379
Capital Outlay	-	-	425,000	-	1,257,700
Debt Service	698,000	1,698,980	-	-	2,515,610
Transfers	-	-	1,700,480	-	5,626,121
<b>Total Expenditure</b>	<b>698,000</b>	<b>1,700,480</b>	<b>2,125,480</b>	<b>2,179,152</b>	<b>115,324,717</b>
Change in Fund Balance	6,000	150	(261,537)	(193,452)	(16,257,327)

<b>City of Flint – FY 22-23</b>	<b>590</b>	<b>591</b>	<b>Total</b>
<b>Preliminary Budget – Sewer &amp; Water</b>	<b>Sewer</b>	<b>Water</b>	<b>Enterprise</b>
<b>Revenue</b>			
Property Taxes	-	-	-
Special Assessment	-	-	-
Income Taxes	-	-	-
Federal Revenue	-	-	-
State Revenue	-	-	-
Local Grant Revenue	-	-	-
Charges for Services Rendered	2,000	-	2,000
User Charges	25,550,000	30,163,000	55,713,000
License, Permits & Franchise Fees	-	-	-
Fines & Forfeitures	-	-	-
Contribution	-	-	-
Interest Income	136,500	98,110	234,610
Other Revenue	5,000	-	5,000
Transfer In	-	-	-
Bond/Note Proceeds	-	-	-
Employer Contribution	-	-	-
Fringe Reimbursement	-	-	-
<b>Total Revenue</b>	<b>25,693,500</b>	<b>30,261,110</b>	<b>55,954,610</b>
<b>Expenditure</b>			
Wages & Fringes	11,417,020	8,866,914	20,283,934
Supplies & Operating Expenses	16,526,425	19,182,948	35,709,373
Capital Outlay	7,687,378	4,626,100	12,313,478
Debt Service	1,314,480	6,649,200	7,963,680
Transfers	-	-	-
<b>Total Expenditure</b>	<b>36,945,303</b>	<b>39,325,162</b>	<b>76,270,465</b>
Change in Fund Balance	(11,251,803)	(9,064,052)	(20,315,855)