

September 10, 2013

To: Governor Rick Snyder, Treasurer Andrew Dillon

From: Michael K. Brown, Emergency Manager, City of Flint

Subject: CLOSING MEMORANDUM

It has been a pleasure for me to serve the citizens of Flint for the past twenty-two months and I thank you for the opportunity to serve as Emergency Manager.

I have worked hard to begin a cultural change to both improve the approach to city government's interaction with citizens and to encourage a wider range of citizen participation. It is important to me that the next generation of leaders (I have called them emerging leaders) not be from the same mold as the old leaders and have the opportunity to assume positions of responsibility as we set a path to the future for Flint. A significant number of my leadership team is comprised of Flint residents who are committed to the future of their city. While this approach has meant that some things may have taken longer to achieve than it might otherwise take, it has been with the realization that *changing the culture of City Hall is imperative if history is not to repeat itself.*

I have also tried to champion citizen participation throughout my tenure as Emergency Manager. Collectively, hundreds of people have been involved: in the Advisory Teams for Public Safety, Infrastructure, Financial, and Legacy issues which I established in January 2012; in the nine ward public meetings held in February-March 2012; in the Police and Fire Protection millage campaign in Fall 2012; and in the Master Planning process which has involved citizen participation in numerous meetings held throughout the City over the past year. I have attached a list of some of these individuals who have worked on my advisory groups and the millage team.

As our regularly submitted reports to the Department of Treasury have documented, we have made substantial progress in putting the city on a path to solvency and resolving the financial emergency. Many achievements are detailed in the latest Financial and Operating Report which was submitted to the Department of Treasury on June 30, 2013. Significant achievements over the past twenty-two months include:

A. Financial

1. Developing, adopting and operating with a balanced budget for FY13 - the first time in seven years that the City of Flint has lived within a balanced budget.
2. Significantly improving the City's cash flow - More than \$40 million in cash on hand as of September 2, 2013 is significantly better than the approximate \$10 million on hand in December 2011. The \$10 million in cash at that time was due primarily to an \$8 million loan from the state in the form of Fiscal Stabilization Bonds.
3. Significantly reducing Other Post Employment Benefits (OPEB) liabilities by more than \$500 million – a 60% reduction. Not only have we significantly reduced legacy costs by more than 60%, we also have a plan for further reducing legacy costs, as detailed in recent presentations to the Department of Treasury

4. Significantly reducing pension administration costs and improving investment returns by moving administration of the City's pension fund to the Municipal Employees Retirement Fund, while also changing the structure of future pension benefits which will reduce future pension liabilities
5. Developing a plan for and implementing a reduction in the City's \$19.1 million deficit ahead of schedule. At the end of FY12, we presented a plan to the State Treasurer for eliminating the \$19.1 million deficit within 5 years. Based on preliminary year end results for FY13, we are ahead of the scheduled reduction since it appears that FY 13 will end with a surplus of revenues over expenses by approximately \$3 million. This will likely reduce the \$19.1 million deficit to the \$16 million range. Had the Department of Treasury authorized the borrowing of \$12 million as contained in the approved FY12 Deficit Elimination Plan, the remaining deficit would now be closer to \$4 million.
6. Developing a five year financial projection which maps out the continuing financial challenges Flint will face, regardless of who is in charge. With FY 14 balanced and adopted, development of the FY15 budget – which will without doubt be the most challenging of the next few years – is underway. In the process of developing the multi-year projection, it has also become clear that the path for Flint's financial solvency will require additional sources of revenue in addition to further reductions in legacy costs. We have identified a path for further reductions in legacy costs, and we have also identified an increase in the local income tax as the most promising and realistic source of new revenue. Unfortunately the Treasurer has not supported that initiative.
7. Stabilizing Police and Fire Protection revenue. Since being appointed in 2011, it has been clear that the stabilization and enhancement of public safety is the top priority in the City of Flint. Many steps have been taken to achieve this, including securing voter approval of a 6 mill property tax increase by a margin of 57% to 43%. Additionally, by ordinance the City must now appropriate no less than 55.5% of General Fund revenues for Police and Fire budgets. The FY 14 budget dedicates more than 60% of General Fund revenues to these purposes, and exceeds 80% when 9-1-1 and District Court funding is included. As a result, staffing for police and fire personnel was maintained at current levels in spite of the significant staffing reductions necessary to balance both the FY13 and FY14 budgets. Unfortunately, without a new source of revenue in FY15, it is unlikely that can continue.
8. Resolving Federal Government liabilities - More than \$7 million in questioned grant costs prior to the EM's appointment in December 2011 have been resolved – as documented by the OIG report and HUD findings.
9. Reorganizing City operations – The City workforce has been reduced by more than 25% as the City has faced its financial challenges. Doing so while still providing for the delivery of city services has required restructuring work processes and organizational alignments, as well as the increased use of technology. These changes have been made in the context of a newly developed strategic plan which identifies the key functions and objectives of the City.

B. Public Safety

1. Opening of the Flint Lock-up. The lock-up opened the week of October 1, 2012. Public Safety Director Lock recommended selection of the Genesee County Sheriff as the operator of the Flint lock-up. Lock also recommended that the lock-up be made available to all policing agencies operating within

Genesee County for warrants and fresh charges, both felony and misdemeanor. Well over one thousand outstanding warrants are being cleared each month. This funding by the State has been very much appreciated and very beneficial to the City.

2. Creating the Criminal Justice System Advisory Council chaired by Chief Judge Richard Yuille. In September 2012 the first meeting of the Criminal Justice System Advisory Council (CJSAC) was held. Eight workgroups were established. Through these work groups a number of cooperative projects, streamlined operations and new collaborations have been identified and numerous projects continue to move forward.
 3. Completing the transition to 800 MHz public safety communications system. All Public Safety departments were operational on the 800 MHz communications system in December of 2012. Flint Public Safety is now compatible with the communications system used throughout Genesee County and with the Michigan State Police.
 4. Securing public safety grants totaling over \$11 million (not including State funded Lock-up). A \$6.9 million SAFER grant to employ thirty-nine firefighters for two years was received in May 2012. The Mott Foundation has granted the City over \$1.8 million for several public safety initiatives. The Treasurer's Office through the C-GAP funding awarded the City \$1.8 million to construct a 9-1-1 simulcast communications tower in April 2013. Homeland Security awarded Flint a total of \$615,000 for 9-1-1 console upgrades and purchase of new radios for the 800 MHz transition.
 5. Up-grading Police Department technology to improve data-driven decision making and capability for overall communications with Law Enforcement agencies at all levels of government. The Mott Foundation funded MSU Training & Technical Assistance Team conducted a technology audit which provided a road map of upgrades necessary to ensure that officers and firefighters can take maximum advantage of the tools already provided to them. New World Systems, Flint's records management system, required server and switch upgrades before the New World update could be made. Each of these components has now been completed and the use of the full feature set of New World is being implemented throughout the FPD.
 6. Implementing 12 hour shifts for Police Patrol Officers which put more officers on the street and vastly reduced overtime in the department.
 7. Taking major steps toward the reconsolidation of the Flint City 9-1-1 with the Genesee County 9-1-1 consortium. The C-GAP grant to build the communications tower will enhance system coverage for the entire County.
 8. Improving Public Safety Response Recently compiled statistics for FBI Part One violent crimes show significant improvements have resulted from the implementation of many public safety initiatives. Overall violent crime is down an average of 24% in the first six months of 2013 vs. the first six months of 2012.
- C. Infrastructure (this area includes water and sewer, waste collection, roads and streets, bridges, parks, facilities as well as commercial and residential demolition targets and blight in general)

1. Stabilizing funding for water and sewer systems. This enterprise fund plunged from a \$60 million dollar positive balance in 2007 to a \$23M deficit in 2012. By raising water and sewer rates more than 25%, reorganizations and improving technologies we have been able to stop the bleeding and stabilize funding for the long term.
2. Significantly improving the process and cost of providing the Flint and Genesee County region with water by joining the KWA. Working with the County Drain Commissioner and others, we have begun this long awaited KWA project, which will result in several hundred million dollars in cost decreases to residents and businesses. I want to acknowledge former Emergency Financial Manager Edward Kurtz for his work and detailed analysis which brought this complicated process to a decision point.
3. Reducing costs for Waste Collection and implementing Recycling. By moving to a fee for service and contracting with the private sector waste collection vendor, we eliminated a General Fund subsidy of more than \$1 million annually, and for the first time ever we are able to offer city-wide curbside recycling.
4. Finalizing the Smith Village construction project. This housing development project has languished for over ten years, important deadlines were ignored and Flint was in serious difficulty with HUD. Ed Kurtz cleaned up this tangled project, changed developers, and moved this project significantly toward its final steps. Thirty-six residences have been completed, seven have been sold and ten purchase agreements are in process.
5. Updating of City's 50 year old Master Plan Mayor Walling and Chief Planner Megan Hunter have coordinated a city-wide, tremendously inclusive planning effort. Hundreds of Flint citizens have worked on sub-committees, attended visioning sessions and worked hard to develop a plan for a revitalized Flint.
6. Reducing overtime costs in the Utilities division, by implementing new technology and reorganizations. Examples include planned elimination of the solid waste incinerator and electronic monitoring of the Third Ave. Pumping Station.
7. Disposing of unused inventory and facilities. Auctions have been used to eliminate surplus equipment and vehicles while city facilities which are no longer required and which we can not afford to operate are being sold or leased.
8. Contracting management of city golf courses and Senior Centers in order to reduce city costs and still provide access to residents.

Achieving this level of success in twenty-two months has been extremely challenging. Obstacles have arisen from many sources. The team in Flint has taken on each challenge and worked with a single-mindedness to keep Flint on the path to sustainability. We firmly believe that with continued effort, Flint City government can once again become a financially stable organization capable of delivering quality municipal services to its residents, businesses, and visitors. This route will involve continued cost reductions, investments in technology and personnel, and additional sources of revenues. The alternative of bankruptcy is not the right path – it is expensive, time consuming, and the outcome is uncertain.

There are several major issues which are currently on the horizon. The shortage of revenue to balance the FY15 Budget is the primary issue. Public Safety staffing is still at unacceptably low

levels and with current financial conditions it is likely that the number of police officers and firefighters will be reduced in order to achieve a balanced budget. This likelihood is enhanced by the pending expiration of the FEMA SAFER grant which supports the wages and benefits of 39 firefighters.

Blight is an on-going major issue in Flint. We have few resources and blight issues range from unmowed to demolition necessary properties. Flint recently received \$20 million in Federal "Hardest Hit" funds to demolish approximately 1600 residences, yet we have 20,000 abandoned homes and hundreds of vacant commercial properties.

There has been disagreement within the community regarding the appointment of an Emergency Manager, about the difficult choices which were made to impose higher water and sewer rates, street lighting assessment and waste collection fees, and about other decisions. Yet, there has been no civil unrest, as threatened by a few voices. There was significant support to increase property taxes in an economically distressed city, because voters saw that this was the right choice for Flint.

With the changes of the magnitude needed to address Flint's conditions, there is no doubt controversy, disagreement, and anger can result. Often, the most vocal represent the fewest number. I have worked with many in the City of Flint who understand the severity of our condition and the scope of effort necessary to address it. If you have questions about the support given for the direction I have taken to restore Flint to financial solvency, I offer the names of the following citizens for you to contact:

1. Sheryl Thompson, former DHS Director
2. Lawrence Moon, CEO Moon Funeral Home
3. Clarence Pierce, CEO Hamilton Community Health Center
4. Tim Herman, CEO Flint Genesee Chamber of Commerce
5. Dick Shaink, President Mott Community College
6. Kenyetta Dotson, local neighborhood activist
7. Diana Kelly, Building Neighborhood Partnerships Coordinator
8. Ravi Yalamanchi, CEO Metro Community Development
9. Ruth Person, Chancellor University of Michigan-Flint
10. Phil Peters, CFO, Charles Stewart Mott Foundation
11. Jamie Gaskin, President, United Way of Genesee County
12. Pastor Rodney Stokes, chair of our public safety millage campaign
13. Pastor Phil Thompson, member of my Advisory Council
14. Pastor George Wilkerson, Chamber of Commerce Staff
15. Steve Landaal, CEO Landaal Packaging
16. John Henry, Executive Director, Flint Institute of Arts
17. Bob Emerson, volunteer adviser
18. Bill White, President Charles Stewart Mott Foundation
19. Judge Judith Fullerton
20. Superintendent Larry Watkins, Flint Community Schools
21. Melanie Gavulic, CEO Hurley Medical Center
22. Donald Kooy, CEO McLaren Health Systems – Flint
23. Edward Kurtz, CEO Baker College Corporation, former EFM (2x)
24. Armando Hernandez, Vice-president Security Credit Union
25. Elizabeth Aderholdt, CEO Genesys Regional Medical Center
26. Duane Miller, COO Flint & Genesee Regional Chamber of Commerce
27. Joe Serra, President Serra Automotive Group
28. Ghassan Saab, Sorensen Gross, Inc.
29. David Hollister, Prima Civitas Foundation, former Mayor of Lansing, MI
30. Philip Hagerman, President and CEO Diplomat Specialty Pharmacy

I have been a member of the Flint community for over thirty-five years. I grew up on the North End in one of the few integrated Flint neighborhoods; my wife and I raised five children, all of whom graduated from the Flint Community Schools. I have served Flint as a Runaway Counselor, Child Care Operator, Red Cross and United Way Director and as an elected official. I have interacted and earned the respect of a broad array of people in Flint. I hear from people all over the City on a regular basis and I have been pleased to receive their constant support and encouragement.

Please know that I will do everything possible to make this transition smooth and successful. We all have to keep our eye on the goal of putting Flint on a path to solvency, safety and regeneration.

CC: Committee Members – Advisory and Millage

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Adam Thomason	Bob Emerson
Armando Hernandez	Daniel Coffield
Dan Cady	Jack Ennest
Mayor Dayne Walling	Paul Wenstrom
Kenyetta Dotson	Tom Donaldson
Tim Herman	Wayne Schaeffer
Pastor Timothy Stokes	Barry Wolf
Alicia Kitsuse	Councilman Bernard Lawler
Amy Hovey	Diana Kelley
Christina Kelly	Councilwoman Jackie Poplar
Connie Brauer	Jerry Boles
Courtney Knox	Kim Lawrence
Deb Loader	Loyst Fletcher
Douglas Weiland	Mark Evans
Jason Caya	Mark Heidel
Karen Morris	Richard Arnold, MSP
Lynn Williams	Matthew Bolger, MSP
Michael Brady	Councilman Sheldon Neeley
Raquel Thueme	Willie Artis
Sara Rios	John Henry
Sue Peters	Norm Bryant
Brian Larkin	Ralph Arellano
Councilman Bryant Nolden	Roseanne Heddy
Councilman Dale Weighill	Curt Carlson
David Hollister	Councilman Scott Kincaid
Delrico Lloyd (former Councilman)	Tom Guise
Eric Scorsone	Tom McCabe
Inez Brown (City Clerk)	George Wilkinson
Councilman Joshua Freeman	Joe Pilara
Khalfani Stephens	Marty Seaman
Larry Moon	Michael J. Sarginson (former councilman)
Phil Peters	
Phil Shaltz	
Sam Cox	