

Edward J. Kurtz
Emergency Financial Manager



Dayne Walling
Mayor

January 14, 2013

Andy Dillon, State Treasurer and Chair
Michigan Department of Treasury
Bureau of Local Government Services
4th Floor Treasury Building
430 West Allegan Street
Lansing, MI 48922

Dear Mr. Dillon:

I am attaching for your consideration the quarterly report of the Emergency Financial Manager of the City of Flint as required by Section 1.4 *Reports* of the Emergency Financial Manager Services contract. The report details activities for the period of October 1, 2012 through December 31, 2012.

Respectfully submitted,



Edward Kurtz
Emergency Financial Manager

Attachments

Cc: Roger S. Fraser, Deputy Treasurer
Ed Koryzno, Administrator, Office of Fiscal Responsibility

**QUARTERLY REPORT TO THE STATE TREASURER
REGARDING THE FINANCIAL CONDITION OF THE CITY OF FLINT**

January 15, 2013

This quarterly report covers the period from October 1, 2012 through December 31, 2012 and addresses the financial condition of the City of Flint.

Edward J. Kurtz Contract For Emergency Financial Manager Services

Section 1.4 Reports. The Emergency Manager shall file quarterly reports with Department of Treasury beginning on October 15, 2012, for the immediately preceding quarter and shall file the first report required by Section 21a of the Act within six months of his appointment and every six months thereafter.

Status of the Financial Condition of Flint
October 1, 2012 – December 31, 2012

The financial condition of the City of Flint has begun to improve, with revenues and expenses generally tracking with budget projections. While the FY12 results show an increase in the accumulated deficit, that increase was anticipated, due to a decision early on to focus efforts on developing and implementing a budget for FY13 that would maintain essential services while moving the City toward long term financial solvency. These efforts are proving successful to date, as the FY13 budget is balanced without increasing the deficit and the first six months show revenues and expenses are generally in line with expectations.

Cash flow has improved, and most importantly, this has been done without further reductions in police and fire operations. In fact, voters in November approved a 5 year 6 mill millage supporting police and fire activities.

Other actions taken to date appear to be successfully containing health costs and have significantly reduced the city's long term liabilities associated with retiree health care. Compensation costs have been reduced and additional sources of revenues were implemented.

FY12 Audit

The FY12 audit was completed and has been filed with the state in a timely manner. The results were as expected, with fewer auditor comments than in past years. Deficits exist in the General Fund (\$19.1 million) and in the Water Fund (\$8.8 million).

In the FY 13 budget document, prepared in April, 2012, the accumulated deficit for the FY12 General Fund was projected to be \$18.1 million. However, this projection did not include the \$1.54 million write down for the value of Genesee Towers. Adding the write down to the projected deficit of \$18.1 million would have resulted in a total of \$19.7 million.

In the FY12 CAFR, the amended budget projected a deficit of \$16.3 million. However, this projection did not include the \$1.54 million write down for Genesee Towers. It also included \$739,406 in federal grant revenues and \$602,192 in local revenues which did not materialize. Taking these items into consideration, the deficit projection would have been \$19.2 million.

The \$19.1 million accumulated deficit reflected an excess of expenditures in the General Fund for FY12 of \$11.1 million. This was anticipated by the Emergency Manager shortly after being appointed, which was almost six months into the FY12 year. Given that FY12 was nearly half over, and that significant unplanned reductions in services, primarily

public safety, would need to occur if the projected deficit were to be immediately eliminated, the decision of the Emergency Manager, in consultation with Treasury, was to contain costs as much as possible but without significantly reducing services – especially public safety - for the balance of the year. Instead, focus was concentrated on developing a budget for FY13 which would move towards restoring Flint to long term financial solvency. It was projected that as a result of this decision, the deficit for FY12 could be as much as \$12 million, resulting in an accumulated deficit of \$20 million.

Status of FY13 Budget

The FY13 budget was balanced without projected deficit spending. As of December 30, 2012, revenues and expenses are generally on target. The budget was amended in December to reflect some adjustments to revenues and expenses, including the proceeds of the voter approved millage for police and fire protection, projected revenues and expenses for the operation of the City lock-up; and the extension of a public safety grant from the Mott Foundation which provides continued funding for 11 law enforcement officers as well as 9 Neighborhood Safety Officers.

Income tax revenues appear a little soft, and continue to be monitored, and discussions are underway to address significant over expenditures in Fire Department overtime. Revenues and expenses in the water and sewer funds appear to be on target.

Monitoring grant expenditures and receipts continues to be problematic, but is improving. Pending lawsuits regarding changes to retiree health care and increases in water and sewer rates could significantly affect this generally positive status.

Cash Flow as of December 30, 2012

Cash flow has improved with the receipt of revenues from the public safety millage, street light assessment, and waste collection fees. Pooled cash on hand is in excess of \$25 million, compared to \$13 million as of December, 2011. However, the General Fund still relies heavily on borrowed cash as a result of its \$19 million accumulated deficit. This cannot be resolved without borrowing, as stated in the 2011 Deficit Elimination Plan.

2011 Deficit Elimination Plan

This plan was approved, and included borrowing of \$9 million to address the 2011 deficit. Borrowing has yet to be approved by Treasury.

2012 Deficit Elimination Plan

A Deficit Elimination Plan addressing the accumulated \$19.1 million deficit in the General Fund and the \$8.8 million deficit in the Water Fund will be filed shortly. The plan for the General Fund will be as outlined in the 2011 Deficit Elimination Plan. It is simply not possible to eliminate this deficit without bonding. The FY13 budget anticipated initial debt service for the FY11 accumulated deficit, and appropriate amounts will be set aside in the FY14 budget.

The deficit in the Water Fund is less than the unfunded OPEB liability, and since the City is not financially able to begin funding its OPEB liabilities overall, there is no reason to raise water rates to cover this amount. In addition, the City's approach to containing its OPEB liabilities has been to restructure its active and retiree health care benefits, and to eliminate the promise of retiree health care for new employees. The changes have had a significant impact on the City's OPEB liabilities, reducing the total unfunded liability from nearly \$900 million to less than \$400 million, and reducing the Annual Required Contribution (ARC) from \$60 million to \$22 million.

Other Activities

The City continues to evaluate its options for the delivery of water to its residents and businesses. The current options being evaluated, in consultation with Treasury, are continuing with DWSD or joining Karegnondi Water Authority (KWA). A decision on this is currently anticipated in January, 2013.

The City is finalizing its decision on whether to outsource waste collection or to continue it in-house. Evaluation of costs is complete and negotiations with potentially affected unions (AFSCME 1600 and 1799) are underway. A decision on this is currently anticipated in January, 2013.

Transition from the Flint Employees Retirement System (FERS) to the Municipal Employees Retirement System (MERS) is progressing. Most retirement assets have been transferred and current retirees are being paid by MERS. Transition of active employee data and final transfer of assets are scheduled to occur in the next quarter.

The City's Lock-Up is operational and the new 800 MHz public safety communications system began functioning ahead of required date of December 31, 2012.

The transfer of Genesee Towers is close to completion, with anticipated demolition in 2013 or 2014.

Development of a new Master Plan for the City continues on schedule.

On-going Challenges

In addition to finalizing the decisions and actions noted above, attention will now be focusing on developing future budgets. A five year strategic plan for the City government is being developed to give direction for the development of a five year operational plan and associated budgets.

Significant financial challenges will continue to face the City government, as property values (and thus revenues) continue to decline; these are exacerbated by the pending loss of personal property tax revenues. The adoption of a new millage for police and fire will likely be offset within a few years as grant funding for police officers and fire fighters expire. Other sources of revenues such as income tax and state shared revenues are not expected to offset other revenue losses.

The significant increases in taxes and fees imposed on residents and businesses in the last year may make it difficult to impose more in the near future, although efforts will be made to give voters a decision on increasing the local income tax.

On the expenditure side, recent reductions in wages and benefits, including changes to the structure of employee health and pension benefits make it difficult to see additional significant reductions. That will leave budget balancing decisions focused on what services the City can afford to provide in the future. And even these will be limited, as public safety, still marginally funded, consumes 70% of the City's General Fund.

Attachments:

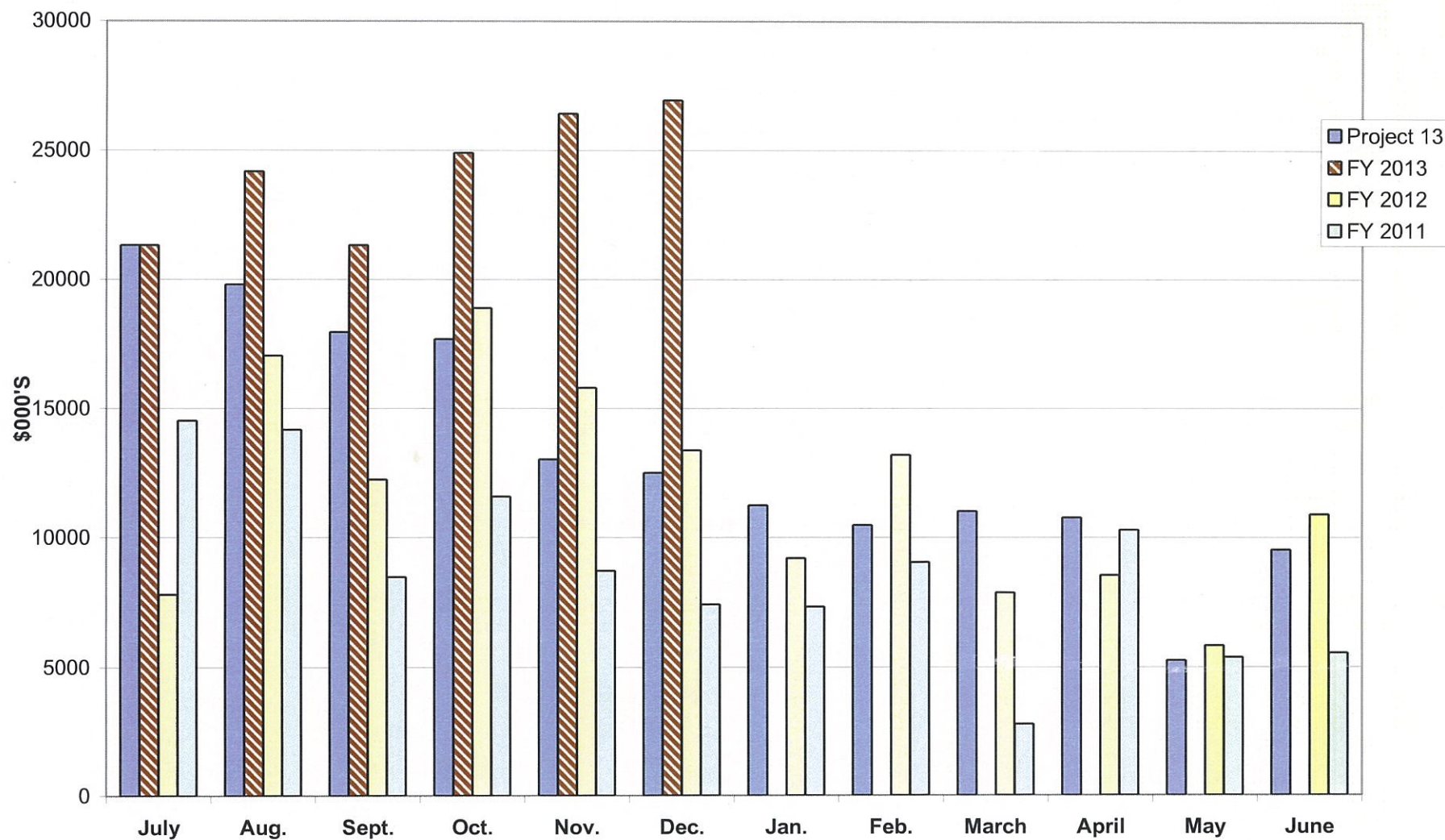
Attachment A – Cash Flow Projection

Attachment B – December 31, 2012 Budget to Actual Comparison

Attachment C – Compliance Monitoring Report

Attachment D – City of Flint FY12 General Fund Deficit Analysis

POOLED CASH BALANCE



Data for Pooled Cash Chart

Pooled
Cash
Balance

	Project 13	FY 2013	FY 2012	FY 2011
July	21333	21333	7811	14529
Aug.	19810	24186	17060	14186
Sept.	17965	21338	12244	8483
Oct.	17700	24912	18903	11577
Nov.	13017	26425	15804	8720
Dec.	12498	26937	13368	7429
Jan.	11242		9202	7339
Feb.	10480		13191	9056
March	11004		7880	2789
April	10765		8551	10301
May	5270		5842	5389
June	9523		10887	5554

				CASH FLOW 2012 - 2013										
\$000's		July	August	Sept.	Oct.	Nov.	Dec.	Jan	Feb.	March	April	May	June	Total
CASH OUTFLOW:														
Payroll		2,153	3,479	1,241	3,434	2,322	2,221	2,300	2,300	2,300	3,500	2,300	2,300	29,850
Pensions		5	10	3,285	5	5	5	3,500	3,500	15	15	3,500	15	13,860
Disbursements		5,567	23,286	6,910	6,620	9,380	9,090	8,000	8,000	9,000	6,000	7,000	6,000	104,853
Bond and/or Loan Repayments		1,275	112	1,750	916	0	0	11	177	11	2,332	445	11	7,040
Health Care Payments		2,045	2,583	2,075	75	1,268	1,148	1,850	1,850	1,850	1,850	2,200	1,850	20,644
Income Tax Refunds		239	208	125	191	115	103	30	100	250	350	300	200	2,211
Misc.-Lawsuits			2	501	2	1		2,000						2,506
Total Cash Outflow		11,284	29,680	15,887	11,243	13,091	12,567	17,691	15,927	13,426	14,047	15,745	10,376	180,964
CASH INFLOW:														
Water & Sewer-Lockbox		1,550	1,825	2,135	2,282	1,384	2,510	1,500	1,500	1,500	1,500	1,500	1,500	20,686
Property Taxes-Lockbox		7,600	3,150	0	1,640	780	580	500	1,500	500	0	0	0	16,250
Income Taxes-Lockbox		400	400	375	450	350	350	500	500	500	500	500	500	5,325
Parks & Rec.														0
Cash Register Receipts *		10,700	25,380	7,818	6,673	10,107	3,223	7,500	6,500	8,500	5,500	6,500	6,000	104,401
Parking Meter														0
DCD Reimb.-Urban Renewal		830	156	945	780	145	398							3,254
Other Misc. (including Rev. Sharing		650	0	2,176	2,358	700	2,900	650	2,865	650	2,808	650	2,829	19,236
Other-Grants/Delq Co Rtn **			0	0	0	0	0	2,300	2,300	2,300	2,300	2,300	3,800	15,300
Total Cash Inflow		21,730	30,911	13,449	14,183	13,466	9,961	12,950	15,165	13,950	12,608	11,450	14,629	184,452
Net Cash Flow (Inflows less Outflows)		10,446	1,231	(2,438)	2,940	375	(2,606)	(4,741)	(762)	524	(1,439)	(4,295)	4,253	3,488
Prior Month's Ending Balance		10,887	21,223	24,186	21,338	24,912	26,425	26,937	22,196	21,434	21,958	20,519	16,224	
Unrecorded Revenue		(110)	1,732	(410)	634	1,138	3,118							
Earnings Credit														
End of Month Balance-Pooled Cash		21,223	24,186	21,338	24,912	26,425	26,937	22,196	21,434	21,958	20,519	16,224	20,477	
		July	August	Sept.	Oct.	Nov.	Dec.	Jan	Feb.	March	April	May	June	
Cash increase/(decrease) 7/1/12 - 6/30/13														9,590
* Includes Tax Hold (+,-)														
** Grant Collections included in Cash Receipts and DCD Reimb														
Actuals thru Dec														
City of Flint							Page 1							1/10/2013

01/08/2013

REVENUE & EXPENDITURE REPORT FOR CITY OF FLINT
Month Ended 12/31/2012

* NOTE: Available Balance / Pct Budget Used does not reflect amounts encumbered.

ACCOUNT	DESCRIPTION	2012-13 ORIG BUDGET	2012-13 AMENDED BUDGET	YEAR-TO-DATE THRU 12/31/12	AVAILABLE BALANCE	% OF BUDGET USED
Fund 101 - General Fund						
Revenues						
Property Taxes		5,720,000	5,720,000	5,377,861	342,139	94%
Income taxes		14,950,000	14,950,000	5,275,704	9,674,296	35%
Special assessment taxes		2,855,000	2,855,000	2,517,140	337,860	88%
Federal revenues		594,324	2,682,992	121,159	2,561,833	5%
State revenues		13,497,585	13,500,870	4,846,584	8,654,286	36%
License and Permits		1,287,931	1,287,931	286,133	1,001,798	22%
Fines and forfeitures		1,394,611	1,394,611	871,898	522,713	63%
Charges for service rendered		11,958,695	11,958,695	7,026,467	4,932,228	59%
Local grants		-	-	3,107	(3,107)	0%
Interest and dividend income		134,400	134,400	19,520	114,880	15%
Judgement Levy		3,504	3,504	-	3,504	0%
Other revenues		1,040,758	1,811,419	1,364,822	446,597	75%
Proceeds from sale of capital assets		2,500	2,500	100	2,400	4%
Transfers in		4,077,998	4,077,998	4,077,998	-	100%
Drawings from fund balance		-	(386,287)	-	(386,287)	0%
Total Revenues		57,517,306	59,993,633	31,788,493	28,205,140	53%
Expenditures						
Legislative		352,899	352,899	158,055	194,844	45%
Judicial		5,358,479	5,358,479	2,555,588	2,802,891	48%
General government		8,812,377	8,941,334	3,989,451	4,951,883	45%
Police		21,026,009	23,343,379	10,845,615	12,497,764	46%
Emergency dispatch		3,314,413	3,314,413	1,679,302	1,635,111	51%
Fire		10,916,429	10,916,429	5,144,049	5,772,380	47%
Building inspections		1,085,639	1,085,639	537,665	547,974	50%
Transportation		2,850,000	2,850,000	1,038,666	1,811,334	36%
Parks and recreation		1,810,367	1,840,367	723,910	1,116,457	39%
Community development		1,890,694	1,890,694	960,893	929,801	51%
Transfers out		100,000	100,000	100,000	-	100%
Total Expenditures		57,517,306	59,993,633	27,733,194	32,260,439	46%
NET OF REVENUES AND EXPENDITURES		-	-	4,055,299	(4,055,299)	

Fund 202 - Major Street Fund

Revenues

Federal revenues	-	100,000	-	100,000	0%
State revenues	6,399,412	6,399,412	2,320,566	4,078,846	36%
Charges for service rendered	125,000	125,000	30,643	94,357	25%
Interest and dividend income	200	200	-	200	0%
Other revenues	334,452	334,452	243,071	91,381	73%
Drawings from fund balance	98,042	127,974	-	127,974	0%
Total Revenues	6,957,106	7,087,038	2,594,280	4,492,758	37%

Expenditures

Transportation	6,546,290	6,676,222	2,833,902	3,842,320	42%
Debt services - principal	108,980	108,980	108,977	3	100%
Debt services - interest	9,644	9,644	9,643	1	100%
Transfers out	292,192	292,192	292,192	-	100%
Total Expenditures	6,957,106	7,087,038	3,244,713	3,842,324	46%

NET OF REVENUES AND EXPENDITURES

-	-	(650,433)	650,433
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Fund 203 - Local Street Fund

Revenues

Federal revenues	400,000	473,079	97,103	375,976	21%
State revenues	1,815,765	1,815,765	617,000	1,198,765	34%
Interest and dividend income	100	100	-	100	0%
Other revenues	754,930	754,930	10,645	744,285	1%
Transfers in	292,192	292,192	292,192	-	100%
Drawings from fund balance	199,471	199,471	-	199,471	0%
Total Revenues	3,462,458	3,535,537	1,016,940	2,518,597	29%

Expenditures

Transportation	3,462,458	3,534,631	1,530,784	2,003,846	43%
Total Expenditures	3,462,458	3,534,631	1,530,784	2,003,846	43%

NET OF REVENUES AND EXPENDITURES

-	906	(513,844)	514,750
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Fund 207 - Police Fund

Revenues					
Property Taxes	1,544,000	1,544,000	5,405,473	(3,861,473)	350%
Other revenues	418,180	418,180	(74,941)	493,121	-18%
Total Revenues	1,962,180	1,962,180	5,330,532	(3,368,352)	272%
Expenditures					
Police	1,962,180	1,962,180	550,076	1,412,104	28%
Total Expenditures	1,962,180	1,962,180	550,076	1,412,104	28%
NET OF REVENUES AND EXPENDITURES	-	-	4,780,456	(4,780,456)	

Fund 208 - Park/Recreation Fund

Revenues					
Property Taxes	386,400	386,400	381,067	5,333	99%
Other revenues	3,000	63,000	890	62,110	1%
Total Revenues	389,400	449,400	381,957	67,443	85%
Expenditures					
Parks and recreation	389,400	449,400	291,949	157,451	65%
Total Expenditures	389,400	449,400	291,949	157,451	65%
NET OF REVENUES AND EXPENDITURES	-	-	90,008	(90,008)	

Fund 213 - Park & Recreation Senior Citizen Centers

Revenues					
Local grants	56,913	388,170	57,862	330,308	15%
Total Revenues	56,913	388,170	57,862	330,308	15%
Expenditures					
Parks and recreation	6,743	388,170	89,616	298,554	23%
Total Expenditures	6,743	388,170	89,616	298,554	23%
NET OF REVENUES AND EXPENDITURES	50,171	-	(31,754)	31,754	

Fund 226 - Rubbish Collection Fund

Revenues					
Property Taxes	-	5,000,000	4,491,194	508,806	90%
License and Permits	-	-	660	(660)	0%
Charges for service rendered	5,000,000	-	-	-	0%
Total Revenues	5,000,000	5,000,000	4,491,854	508,146	90%
Expenditures					
Transportation	158,504	158,504	258,930	(100,426)	163%
Public works	4,742,698	4,742,698	2,418,408	2,324,290	51%
Total Expenditures	4,901,202	4,901,202	2,677,339	2,223,864	55%
NET OF REVENUES AND EXPENDITURES	98,798	98,798	1,814,515	(1,715,718)	

Fund 238 - Hud Grants - 2011 & prior

Revenues					
Federal revenues	3,231,917	4,374,662	224,447	4,150,215	5%
Other revenues	112,143	-	-	-	0%
Total Revenues	3,344,059	4,374,662	224,447	4,150,215	5%
Expenditures					
General government	51,005	-	-	-	0%
Police	0	-	-	-	0%
Fire	-	407,524	-	407,524	0%
Building inspections	78,726	129,064	-	129,064	0%
Community development	3,207,897	3,838,074	235,334	3,602,740	6%
Total Expenditures	3,337,628	4,374,662	235,334	4,139,328	5%
NET OF REVENUES AND EXPENDITURES	6,431	-	(10,887)	10,887	

Fund 265 - Drug Law Enforcement Fund

Revenues					
Fines and forfeitures	150,000	150,000	626	149,374	0%
Other revenues	6,000	6,000	25,059	(19,059)	418%
Drawings from fund balance	60,472	60,472	-	60,472	0%
Total Revenues	216,472	216,472	25,686	190,786	12%
Expenditures					
Police	216,472	216,472	45,432	171,040	21%
Total Expenditures	216,472	216,472	45,432	171,040	21%
NET OF REVENUES AND EXPENDITURES	-	-	(19,746)	19,746	

Fund 271 - Hud Grant - 2011

Revenues				
Federal revenues	2,053,392	-	-	-
Total Revenues	2,053,392	-	-	-
Expenditures				
General government	96,932	-	-	-
Building inspections	549,721	-	-	-
Transportation	147,789	-	-	-
Parks and recreation	45,000	-	-	-
Community development	1,213,950	-	-	-
Total Expenditures	2,053,392	-	-	-
NET OF REVENUES AND EXPENDITURES	-	-	-	-

Fund 272 - Hud Grant - 2012

Revenues					
Federal revenues	4,137,114	2,610,335	465,492	2,144,843	18%
Total Revenues	4,137,114	2,610,335	465,492	2,144,843	18%
Expenditures					
(UNCLASSIFIED)	-	15,000	-	15,000	0%
General government	137,775	102,541	-	102,541	0%
Building inspections	400,000	648,027	-	648,027	0%
Transportation	324,527	200,000	-	200,000	0%
Parks and recreation	41,750	-	-	-	0%
Community development	3,233,062	1,644,767	602,412	1,042,355	37%
Total Expenditures	4,137,114	2,610,335	602,412	2,007,923	23%
NET OF REVENUES AND EXPENDITURES	-	-	(136,920)	136,920	

Fund 273 - Hud Grant - 2013

Revenues					
Federal revenues	2,515,633	4,704,922	261,653	4,443,269	6%
Total Revenues	2,515,633	4,704,922	261,653	4,443,269	6%
Expenditures					
(UNCLASSIFIED)	-	14,000	-	14,000	0%
General government	-	65,396	-	65,396	0%
Building inspections	740,000	424,150	-	424,150	0%
Transportation	500,000	473,079	-	473,079	0%
Community development	1,126,054	3,728,297	564,247	3,164,050	15%
Total Expenditures	2,366,054	4,704,922	564,247	4,140,675	12%
NET OF REVENUES AND EXPENDITURES	149,579	-	(302,594)	302,594	

Fund 296 - Other Grants Fund

Revenues					
Federal revenues	2,003,109	1,683,064	1,041,824	641,240	62%
State revenues	300,000	391,555	-	391,555	0%
Charges for service rendered	1,625	1,625	280	1,345	17%
Interest and dividend income	290,541	290,541	133,740	156,800	46%
Net increase in fair value of investment	80,000	80,000	-	80,000	0%
Other revenues	132,463	440,873	293,121	147,752	66%
Drawings from fund balance	70,000	70,000	-	70,000	0%
Total Revenues	2,877,738	2,957,657	1,468,965	1,488,692	50%
Expenditures					
(UNCLASSIFIED)	251,318	251,318	-	251,318	0%
Community development	2,614,885	2,697,122	1,049,007	1,648,115	39%
Total Expenditures	2,866,203	2,948,440	1,049,007	1,899,433	36%
NET OF REVENUES AND EXPENDITURES	11,535	9,217	419,958	(410,740)	

Fund 297 - Federal Stimulus Fund

Revenues					
Federal revenues	14,355,902	18,803,432	3,750,752	15,052,679	20%
Other revenues	5,270	-	-	-	0%
Total Revenues	14,361,171	18,803,432	3,750,752	15,052,679	20%
Expenditures					
Police	-	51,727	-	51,727	0%
Fire	-	6,604,087	1,515,841	5,088,246	23%
Building inspections	1,576,442	1,999,739	-	1,999,739	0%
Transportation	-	100,000	97,103	2,897	97%
Parks and recreation	172,003	-	-	-	0%
Community development	12,520,479	10,047,878	2,473,815	7,574,064	25%
Total Expenditures	14,268,924	18,803,432	4,086,759	14,716,673	22%
NET OF REVENUES AND EXPENDITURES	92,248	-	(336,007)	336,007	

Fund 301 - General Debt Serv(Voted Bonds)

Revenues					
Transfers in	726,953	726,953	726,953	-	100%
Total Revenues	726,953	726,953	726,953	-	100%
Expenditures					
Debt services - principal	466,953	466,953	260,000	206,953	56%
Debt services - interest	260,000	260,000	237,246	22,754	91%
Total Expenditures	726,953	726,953	497,246	229,707	68%
NET OF REVENUES AND EXPENDITURES	-	-	229,707	(229,707)	

Fund 402 - Public Improvement Fund

Revenues					
Property Taxes	1,930,400	1,930,400	1,923,818	6,582	100%
Interest and dividend income	500	500	-	500	0%
Other revenues	388,980	388,980	177,185	211,795	46%
Total Revenues	2,319,880	2,319,880	2,101,003	218,877	91%
Expenditures					
General government	200,000	126,417	-	126,417	0%
Parks and recreation	30,000	103,583	80,774	22,809	78%
Debt services - principal	185,000	185,000	185,000	-	100%
Debt services - interest	962,953	962,953	209,883	753,070	22%
Transfers out	726,953	726,953	726,953	-	100%
Total Expenditures	2,104,906	2,104,906	1,202,610	902,296	57%
NET OF REVENUES AND EXPENDITURES	214,974	214,974	898,393	(683,419)	

Fund 542 - Building Inspection Fund

Revenues					
Federal revenues	1,500,000	3,165,052	117,774	3,047,278	4%
License and Permits	1,853,703	1,853,703	925,337	928,366	50%
Charges for service rendered	258,400	389,005	168,006	220,999	43%
Other revenues	-	-	1,755	(1,755)	0%
Total Revenues	3,612,103	5,407,761	1,212,872	4,194,889	22%
Expenditures					
General government	-	-	(248)	248	0%
Building inspections	3,366,833	4,958,248	1,505,465	3,452,783	30%
Community development	-	227,739	82,076	145,662	36%
Total Expenditures	3,366,833	5,185,987	1,587,293	3,598,693	31%
NET OF REVENUES AND EXPENDITURES	245,270	221,774	(374,421)	596,196	

Fund 590 - Sewer Fund

Revenues					
State revenues	-	660,989	328,351	332,638	50%
Charges for service rendered	31,333,816	31,333,816	16,124,221	15,209,595	51%
Interest and dividend income	10,000	10,000	-	10,000	0%
Other revenues	30,000	30,000	25,164	4,836	84%
Total Revenues	31,373,816	32,034,804	16,477,736	15,557,068	51%
Expenditures					
General government	53,804	53,804	46,008	7,796	86%
Utilities	34,453,769	35,114,272	12,855,893	22,258,379	37%
Debt services - principal	6,000	5,588	3,736	1,852	67%
Debt services - interest	243	1,140	705	435	62%
Transfers out	1,860,000	1,860,000	1,860,000	-	100%
Total Expenditures	36,373,816	37,034,804	14,766,342	22,268,462	40%
NET OF REVENUES AND EXPENDITURES	(5,000,000)	(5,000,000)	1,711,394	(6,711,394)	

Fund 591 - Water Fund

Revenues

Federal revenues	400,000	-	-	-	
Charges for service rendered	50,400,736	50,400,736	26,689,589	23,711,147	53%
Other revenues	13,767	13,767	771	12,996	6%
Gain on sale of fixed assets	32,100	32,100	25,058	7,042	78%
Total Revenues	50,846,604	50,446,604	26,715,418	23,731,185	53%

Expenditures

General government	53,804	53,804	46,862	6,942	87%
Utilities	50,774,729	50,774,729	15,706,527	35,068,202	31%
Transfers out	3,768,071	3,768,071	3,768,071	-	100%
Total Expenditures	54,596,604	54,596,604	19,521,460	35,075,144	36%

NET OF REVENUES AND EXPENDITURES

(3,750,000)	(4,150,000)	7,193,959	(11,343,959)	
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TOTAL REVENUES - W/O COMMUNITY DEV

164,441,190	169,568,432	92,921,586	76,646,846	55%
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TOTAL EXPENDITURES - W/O COMM DEV

172,581,977	178,181,979	73,738,054	104,443,926	41%
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NET OF REV AND EXPD - W/O COMM DEV

(8,140,788)	(8,613,548)	19,183,532	(27,797,080)	
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TOTAL REVENUES - COMMUNITY DEV

29,289,107	33,451,007	6,171,309	27,279,699	18%
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TOTAL EXPENDITURES - COMMUNITY DEV

29,029,314	33,441,790	6,537,759	26,904,031	20%
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NET REV AND EXPD - COMMUNITY DEV

259,793	9,217	(366,450)	375,668	
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TOTAL REVENUES W/ COMMUNITY DEV

193,730,297	203,019,439	99,092,895	103,926,544	49%
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TOTAL EXPENDITURES - W/ COMM DEV

201,611,292	211,623,769	80,275,813	131,347,957	38%
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NET REV AND EXPD - W COMMUNITY DEV

(7,880,995)	(8,604,330)	18,817,082	(27,421,412)	
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EMERGENCY FINANCIAL MANAGER'S COMPLIANCE MONITORING REPORT
City of Flint
Quarter Ended December 31, 2012

- a) **Confirm** – That revenues recorded in the most recent quarterly financial statements are fairly stated in all material respects on a modified accrual basis of accounting, except that in the case of the water and sewer fund, revenues recorded in the most recent quarterly financial statements shall be fairly stated in all material respects on a full accrual basis of accounting.
- b) **Confirm** – That expenditures recorded in the most recent quarterly financial statements are fairly stated in all material respects on a modified accrual basis of accounting, except that in the case of the water and sewer fund, expenditures recorded in the most recent quarterly financial statements shall be fairly stated in all material respects on a full accrual basis of accounting. Accounts payable, vouchers payable, and accrued payrolls are to be included in the determination of expenditures.
- c) **Confirm** – That all appropriate inter-fund transactions have been recorded in the financial records of the City.
- d) **Confirm** – That the City is in compliance with its budget for the fiscal year on a year-to-date basis and that the budget has been amended as required by law.
- e) **Deny** – That the reconciliation of bank accounts has been completed and appropriate adjusting journal entries have been made to the general ledger of the City.

The City has completed bank reconciliations for major bank accounts up to October 2012, and will have bank reconciliations up to date through December by the end of January, 2013. Going forward, the Finance Department has been directed to ensure that bank reconciliations are performed and adjusting journal entries are made to the general ledger on a timely basis.

- f) **Deny** – That remittance of payroll taxes, pension payments, 401(k) payments, debt payments, and taxes collected for other governmental units were completed on a timely basis.

The City's retirement system was moved from FERS to MERS effective October, 2012. The transition process is still underway, and consequently the City has not submitted employee or employer retirement contributions to MERS since October 2012. The transition process will be completed no later than the end of the next quarter, and by that time all employee and employer contributions will be made. Going forward, of course, the City will stay current with its retirement payments.

- g) **Confirm** – That cash flow reported for the most recent preceding month is fairly stated in all material respects.
- h) **Confirm** – That overtime is properly disclosed and recorded in the most recent quarterly financial report of the City.
- i) **Confirm** – That the originals of all source financial documents have been properly retained and preserved and that the City is in compliance with all other legal requirements, except to the extent specified in the report.

CITY OF FLINT - FY 12 GENERAL FUND DEFICIT ANALYSIS

The FY12 Comprehensive Annual Financial report shows an accumulated General Fund deficit of \$19,184,850, an increase of \$11,908,711. This increase was anticipated, due to a decision early on to focus efforts on developing and implementing a budget for FY13 that would maintain essential services while moving the City towards long term financial solvency. This deficit is projected to be eliminated in the next year through the issuance of Fiscal Stabilization Bonds or other appropriate bonding mechanisms. With the FY13 budget balanced with no anticipated deficit accumulation, and operating in the first six months of the year as projected, no additional deficit accumulation is anticipated.

The FY12 budget adopted by the Flint City Council projected expenses of \$48,868,468, and anticipated \$474,989 in use of fund balance. Audited expenses for that period totaled \$63,406,397, which was short of the \$51,497,686 in revenues by \$11,908,711. Added to the prior accumulated deficit of \$7,276,139, the accumulated deficit for the City's general fund as of June 30, 2012 now totals \$19,184,850.

In December 2011, nearly six months into the FY12 fiscal year, management of City finances was given to an Emergency Manager. Given the lateness of the year and the significant impact on services which would occur with immediate and unplanned cost reductions, especially public safety, the decision of the Emergency Manager was to contain costs as much as possible without reducing services for the balance of the year. Instead, the focus would be on developing a budget for FY13 which would move towards restoring Flint to long term financial solvency. It was recognized early on that the deficit for FY12 could be as much as \$12 million. Adding that to the accumulated deficit could result in an accumulated deficit of as much as \$20 million by June 30, 2012.

In the FY13 budget document, the accumulated deficit for June 30, 2012 was projected to be \$18,129,186, but did not include the \$1,540,000 write down for Genesee Towers. Adding the write down to the projection would result in a total of \$19,669,186.

In the FY12 CAFR, the amended budget projected a deficit of \$16,309,528. This did not include the \$1,540,000 write down for Genesee Towers, and also projected \$739,406 in federal grant revenues, plus \$602,192 in local revenues which did not materialize. Taking these items into consideration, the projection would total \$19,191,126.

DEFICIT PER COMPREHENSIVE ANNUAL FINANCIAL REPORT

GENERAL FUND DEFICIT FOR FY 12	-\$11,908,711
ACCUMULATED GENERAL FUND DEFICIT AS OF JUNE 30, 2011	<u>-\$7,276,139</u>
ACCUMULATED DEFICIT AS OF JUNE 30, 2012	-\$19,184,850

REVENUE EXPENSE COMPARISON TO COUNCIL ADOPTED FY12 BUDGET

	<u>REVENUES</u>	<u>EXPENSES</u>	<u>DIFFERENCE</u>
ACTUAL REVENUES MINUS ACTUAL EXPENSES/TRANSFERS	\$51,497,686	\$63,406,397	-\$11,908,711
FY12 COUNCIL ADOPTED BUDGET	\$46,393,479	\$46,868,468	-\$474,989
DIFFERENCE BETWEEN BUDGET AND ACTUAL	\$5,104,207	-\$16,537,929	-\$11,433,722

MAJOR DIFFERENCES FROM ORIGINAL BUDGET TO ACTUAL

Revenues in Excess of Adopted Budget **\$5,104,207**

Unplanned Transfers Out **-\$4,748,183**

Sanitation	-\$1,875,000
Building Safety	-\$1,100,000
Parking Debt	-\$726,598
Neighborhood Policing	-\$427,183
Parks	-\$425,000
Fleet	-\$143,402
Senior Centers	<u>-\$51,000</u>
Total net of \$5,000 Budgeted	-\$4,748,183

Departmental Over- Expenditures **-\$10,269,046**

Public Safety	-\$6,033,591
Community Development	-\$2,072,913
Transportation	-\$922,669
Parks and Recreation	-\$871,250
Judicial	-\$365,067
General Government	-\$59,313
Other (Legislative)	\$55,757
	-\$10,269,046

Genesee Towers Write down **-\$1,540,000**

Proceeds from sale of capital assets **\$19,300**

TOTAL DIFFERENCES BETWEEN BUDGET AND ACTUAL **-\$11,433,722**