



**EMERGENCY MANAGER
CITY OF FLINT
GENESEE COUNTY MICHIGAN**

ORDER NO. 29

**APPLICATION TO STATE ADMINISTRATIVE BOARD
FOR APPROVAL TO ISSUE NOT TO EXCEED
\$9,300,000 IN FISCAL STABILIZATION BONDS**

On March 16, 2011, the Local Government and School District Fiscal Accountability Act, Public Act 4 of 2011, ("Public Act 4") was enacted to safeguard and assure the fiscal accountability of units of local government; to preserve the capacity of units of local government to provide or cause to be provided necessary services essential to the public health, safety and welfare of citizens; and

Governor Rick Snyder appointed Michael Brown as the Emergency Manager for the City of Flint (the "City") on November 28, 2011, and his contract was approved by the State Treasurer on November 29, 2011; and

Pursuant to Public Act 4, the Emergency Manager has broad powers in receivership to rectify the financial emergency and to assure the fiscal accountability of the City and its capacity to provide or cause to be provided necessary services essential to the public health, safety and welfare; and

Pursuant to Public Act 4, the Emergency Manager acts in place of local officials, specifically the Mayor and City Council, unless the Emergency Manager delegates specific authority; and

Pursuant to Public Act 4, the Emergency Manager may take any action or exercise any power or authority of any officer, employee, department, board, commission, other similar entity of local government, whether elected or appointed, relating to the operation of local government.

WHEREAS, the City had an accumulated audited operating deficit at \$8,863,134 as of the end of its fiscal year ended June 30, 2011 and projects to have an additional accumulated unaudited operating deficit at \$10,000,000 as of the end of its fiscal year ended June 30, 2012 determined

in accordance with generally accepted accounting principles, based upon estimates of the City's finance department; and

WHEREAS, the aggregate amount of such accumulated operating deficit exceeds the amount which the City may borrow from the Emergency Municipal Loan Fund pursuant to the Emergency Municipal Loan Act, Act No. 243, Public Acts of Michigan, 1980, as amended ("Act No. 243"), and also exceeds the amount that the City can fund by issuing tax anticipation notes pursuant to the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended ("Act No. 34"); and

WHEREAS, the Fiscal Stabilization Act, Act No. 80, Public Acts of Michigan, 1981, as amended ("Act No. 80"), authorizes the City, upon satisfaction of applicable conditions, to borrow money and issue its bonds for the purposes, among other things, of funding an operating deficit for a past fiscal year or years or for funding a projected operating deficit in the current fiscal year, or for funding both and to refund outstanding bonds or obligations as finally determined by the Emergency Manager pursuant to the order or resolution authorizing the issuance of the bonds (the "Bond Authorizing Order"); and

WHEREAS, before the City may issue bonds under Act No. 80, the City is required by Act No. 80 to make a determination that certain conditions exist, including a determination of the maximum amount of bonds necessary to fund the deficit and other items payable from proceeds of the bonds, and for the City to apply to the State Administrative Board for an order approving issuance of the bonds.

BY THE POWER AND AUTHORITY VESTED IN THE EMERGENCY MANAGER FOR THE CITY PURSUANT TO MICHIGAN'S PUBLIC ACT 4 OF 2011, THE LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, ("PA 4"); MICHAEL BROWN, THE EMERGENCY MANAGER, ISSUES THE FOLLOWING ORDER:

Section 1. Determination of Accumulated Operating Deficit. The Emergency Manager determines that the City had an accumulated audited operating deficit at \$8,863,134 as of the end of its last fiscal year ended June 30, 2011 and projects to have an additional accumulated unaudited operating deficit at \$10,000,000 as of the end of its fiscal year ended June 30, 2012 determined in accordance with generally accepted accounting principles, based upon estimates of the City's finance department. This determination of the accumulated operating deficit has been made in accordance with generally accepted accounting principles.

Section 2. Determination of Exhaustion of Sources to Fund the Deficit. The Emergency Manager determines that the aggregate amount of its accumulated operating deficit exceeds the amount which the City may borrow from the Emergency Municipal Loan Fund pursuant to Act No. 243, and also exceeds the amount that the City can fund by issuing tax anticipation notes pursuant to Act No. 34.

Section 3. Determination of Maximum Amount and Use of Proceeds of the Bonds. Subject to the limitations of Section 4(8) of Act No. 80, the Emergency Manager hereby determines that it is necessary to issue its bonds (the "Bonds") pursuant to Act No. 80 in the principal amount not to exceed \$9,300,000, for the purpose of providing funds to fund (i) all or a portion of the accumulated operating deficit for the fiscal year ended June 30, 2011 and a portion of its projected accumulated operating deficit for the fiscal year ended June 30, 2012, (ii) an amount necessary to prepay all or a portion of the

principal of and interest on obligations or bonds of the City as in the Bond Authorizing Order, if outstanding when the Bonds are issued and so determined by the City at the time of sale of the Bonds, (iii) a reserve to secure payment of principal of or interest on the Bonds in an amount not exceeding the maximum amount of principal and interest coming due on the Bonds in any fiscal year, if necessary, (iv) a discount of not to exceed 10% of the principal amount of the Bonds, and (v) an amount sufficient to pay all legal, financial, accounting, printing and other expenses related to the issuance of the Bonds.

Section 4. Deficit Funding Plan. The Emergency Manager shall furnish the State Administrative Board with a statement signed by the Emergency Manager indicating how the City intends to avoid future deficits.

Section 5. Security for the Bonds. The Bonds shall be secured by the limited tax full faith and credit of the City and may be payable from money received or to be received by the City derived from the imposition of taxes by the State of Michigan and returned to or to be returned to the City as provided by law, except for money the State Constitution of 1963 prohibits for such use, a combination of both, or any other security authorized by law as finally determined in the Bond Authorizing Order.

Section 6. Severability and Conflict. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 7. Repeal, Savings Clause. All orders or parts of orders or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

This Order shall have immediate effect.

This Order may be amended, modified, repealed or terminated by any subsequent order issued by the Emergency Manager.

Dated: 5/24/12

By: Michael K. Brown

Michael K. Brown
Emergency Manager
City of Flint

xc: State of Michigan Department of Treasury
Mayor Dayne Walling
Flint City Council
Inez Brown, City Clerk