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

**ORDER No. 18**

**ADOPTION OF THE DEFICIT ELIMINATION/RESERVE  
ACCUMULATION PLAN**

BY THE POWER AND AUTHORITY VESTED IN THE EMERGENCY MANAGER ("EMERGENCY MANAGER") FOR THE CITY OF FLINT, MICHIGAN ("CITY") PURSUANT TO MICHIGAN'S PUBLIC ACT 436 OF 2012, LOCAL FINANCIAL STABILITY AND CHOICE ACT, ("PA 436"); DARNELL EARLEY, THE EMERGENCY MANAGER, ISSUES THE FOLLOWING ORDER:

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Pursuant to PA 436, 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 PA 436, 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 PA 436, the Emergency Manager shall develop and may amend a written financial and operating plan for the City, which shall have the objectives of assuring that the City is able to provide or cause to be provided governmental services essential to the public health, safety and welfare and assuring the fiscal accountability of the local government; and

Pursuant to PA 436, an Emergency manager may require and approve or disapprove, or amend or revise, a plan for paying all outstanding obligations of the local government; and

The FY13 Financial Statements for the City of Flint for FY13 disclosed a \$12,895,642 General Fund deficit. Most of this deficit arises from various inter-fund borrowings in the form of cash advances to the General Fund from other funds, implemented over the past several years. The deficit has been significantly reduced from the FY12 deficit of \$19.2 million.

advances to the General Fund from other funds, implemented over the past several years. The deficit has been significantly reduced from the FY12 deficit of \$19.2 million.

This Order further reduces the deficit in FY14 and authorizes actions in subsequent years to eliminate the deficit. This Order is based on the commitment that in future years, expenses in the General Fund will not exceed revenues, thus assuring that the deficit will reduce, not grow.

This Order also recognizes that achieving long term financial solvency requires not only the elimination of deficits but the accumulation of financial reserves at an adequate level.

This Order recognizes reductions made or projected for this year and authorizes and directs additional steps to eliminate the deficit and to establish an appropriate level of reserves as necessary for sustainable financial solvency:

- It is projected that the \$12,895,642 General Fund deficit as of the end of FY13 will be reduced by \$2,702,097 to \$10,195,342 at the end of FY14, as a result of revenues exceeding expenses.
- The General Fund debts to Fund 636 (Information Technology) and Fund 542 (Building Safety) in the total amount of \$393,545 will be discharged before the end of FY14, thus further reducing the deficit to \$9,800,000. Discharging these debts will not compromise the financial solvency of these funds.
- \$800,000 will be transferred from the Capital Improvements Fund to the Sewer Fund, and the General Fund debt to the Sewer Fund will be discharged in a like amount, thus reducing the General Fund deficit at the end of FY14 to \$9,000,000.

Continuing in the FY15 budget and future years, until the remaining accumulated deficit is eliminated, expenses will be budgeted at \$1 million less than revenues, thus providing for additional deficit reduction. Additionally, \$800,000 annually will be appropriated from the Public Improvement Fund for capital improvement funding in Fund 590 (Sewer Fund) in lieu of repayment of cash advances from Fund 590. Using these funds, deficit reduction will continue as follows:

- FY15: \$9,000,000 reduced to \$7,200,000
- FY16: \$7,200,000 reduced to \$5,400,000
- FY17: \$5,400,000 reduced to \$3,600,000
- FY18: \$3,600,000 reduced to \$1,800,000
- FY19: \$1,800,000 reduced to \$ -0-

Beginning in FY20, or sooner should the deficit be eliminated sooner, expenses in the General Fund will continue to be annually budgeted at a maximum of \$1 million less than General Fund revenues, and expenses in the Public Improvement Fund shall continue to be budgeted at a maximum of \$800,000 less than Public Improvement Fund revenues. This shall continue until, at a minimum, the accumulation of funds reach 15% of General Fund revenues. The goal is to have and maintain financial reserves equal to or exceeding 15% of General Fund revenues at any time.

These steps are to be viewed as the minimum actions to be taken with respect to eliminating the deficit and accumulating adequate financial reserves. It is recognized that accomplishing these goals as quickly as possible is desirable.

Pursuant to Act 436, section 12(1), I hereby order that the General Fund debt associated with the cash advances to Funds 636, and 542 in the amounts of \$500,000 and \$110,000 respectively, are hereby discharged.

I further order that the General Fund debt associated with the cash advance to Fund 591 in the amount of \$1,000,000 will be repaid at the end of FY14 with the surplus of General Fund revenues over expenses budgeted for deficit reduction and that \$800,000 will be appropriated from Fund 402 to Fund 590 for capital improvements, and that the General Fund debt associated with the cash advance from Fund 590 is hereby reduced by \$800,000.

I further order that the General Fund debt associated with the cash advances to Fund 590 remaining after FY14 will be repaid in the amount of \$1 million annually for each of the years FY15 through FY19 from the General Fund. Additionally, for the same period, there shall be an annual appropriation from the Public Improvement Fund in the amount of \$800,000 to be used for capital improvements, and the General Fund debt associated with the cash advance from Fund 590 shall be reduced in a corresponding manner.

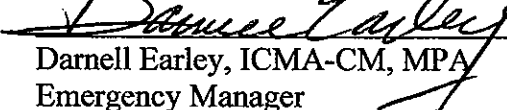
I further order that once the deficit is eliminated, expenses in the General Fund shall continue to be annually budgeted at a maximum of \$1 million less than General Fund revenues, and expenses in the Public Improvement Fund shall continue to be budgeted at a maximum of \$800,000 less than Public Improvement Fund revenues until such time as the accumulation of funds from these actions reach, at a minimum 15% of General Fund revenues. The goal is to have and maintain financial reserves equal to or exceeding 15% of General Fund revenues at any time. Some portion of the funds accumulated by this action may be transferred to the City's Budget Stabilization Fund, with no less than an amount equal to 5% of General Fund revenues remaining in the General Fund.

I further order that the attached Deficit Elimination Plan is hereby adopted on behalf of the City of Flint. The Finance Director is authorized to take such actions and accounting measures as necessary to implement this order.

The above stated orders are effective immediately.

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

Dated: 7-15-14

By:   
Darnell Earley, ICMA-CM, MPA  
Emergency Manager  
City of Flint

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

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## City of Flint Deficit Reduction and Reserve Accumulation Plan

		<u>Annual Reductions</u>	<u>Annual Reduction</u>	<u>Remaining Deficit</u>
<b>FY13</b>	<b>ACCUMULATED DEFICIT 6/30/2013</b>			<b>\$12,895,642</b>
<b>FY14</b>				
	General Fund Revenues over Expenses	-\$2,702,097		
	Fund 542 debt discharged	-\$110,000		
	Fund 636 debt discharged	-\$283,545		
	Fund 590 appropriated \$ from CIP Fund; Fund 590 debt discharged by like amount	-\$800,000	-\$3,895,642	\$9,000,000
<b>FY15</b>	Fund 590 partially repaid from FY15 surplus	-\$1,000,000		
	Fund 590 appropriated \$ from CIP Fund (Fund 590 debt reduced by \$1,800,000)	-\$800,000	-\$1,800,000	\$7,200,000
<b>FY16</b>	Fund 590 partially repaid from FY16 surplus	-\$1,000,000		
	Fund 590 appropriated \$ from CIP Fund (Fund 590 debt reduced by \$1,800,000)	-\$800,000	-\$1,800,000	\$5,400,000
<b>FY17</b>	Fund 590 partially repaid from FY17 surplus	-\$1,000,000		
	Fund 590 appropriated \$ from CIP Fund (Fund 590 debt reduced by \$1,800,000)	-\$800,000	-\$1,800,000	\$3,600,000
<b>FY18</b>	Fund 590 partially repaid from FY18 surplus	-\$1,000,000		
	Fund 590 appropriated \$ from CIP Fund (Fund 590 debt reduced by \$1,800,000)	-\$800,000	-\$1,800,000	\$1,800,000
<b>FY19</b>	Fund 590 partially repaid from FY19 surplus	-\$1,000,000		
	Fund 590 appropriated \$ from CIP Fund (Fund 590 debt reduced to \$-0- )	-\$800,000	-\$1,800,000	<b>\$0</b>

		<u>Additions to Reserves</u>	<u>Annual Total</u>	<u>Cumulative Total</u>
<b>FY20</b>	Fund 101 Revenues committed to Reserves	\$1,000,000		
	Fund 402 Revenues committed to Reserves	\$800,000		
	Total committed to reserves		\$1,800,000	\$1,800,000
<b>FY21</b>	Fund 101 Revenues committed to Reserves	\$1,000,000		
	Fund 402 Revenues committed to Reserves	\$800,000		
	Total committed to reserves		\$1,800,000	\$3,600,000
<b>FY22</b>	Fund 101 Revenues committed to Reserves	\$1,000,000		
	Fund 402 Revenues committed to Reserves	\$800,000		
	Total committed to reserves		\$1,800,000	\$5,400,000
<b>FY23</b>	Fund 101 Revenues committed to Reserves	\$1,000,000		
	Fund 402 Revenues committed to Reserves	\$800,000		
	Total committed to reserves		\$1,800,000	\$7,200,000
<b>FY24</b>	Fund 101 Revenues committed to Reserves	\$1,000,000		
	Fund 402 Revenues committed to Reserves	\$800,000		
	Total committed to reserves		\$1,800,000	<b>\$9,000,000</b>

\* In General Fund, Budget Stabilization Fund, and Public Improvement Fund