

2. The last budget to actual report provided to RTAB (Month Ended October 31, 2015) the 590 Sewer Fund shows a "YTD Balance" at 10/31/15 of \$2,480,146 in the "Charges for Services" line item. If I annualize this, the total would be \$7,440,438. The budget amendment of a \$5,941,475 reduction in that budget line item adjusts the total budgeted amount to be \$24,493,240. In what months from November 2015 through June 2016 will there be an acceleration of service for fee revenue that will allow us to achieve the amended budget?

Unfortunately, as a result of the Preliminary Injunction Order the process of moving delinquent balances off of customers accounts removed all of the billed revenue from the current year actual totals. This was necessary in order to identify accounts with delinquent balances outstanding on bills issued after the rates were reduced. The City's Utility Billing and Finance staff are working together to repost the actual billed revenue to the appropriate periods and move the revenue that was reduced to the appropriate allowance for doubtful accounts.

Stated another way, nearly \$11.6 million in delinquent balances were "set aside" in order to process shut off notices. In doing so, the utility billing department inadvertently reduced the current year billed revenue reported under "Charges for Services" on the RTAB report by the same amount. Adding this back and annualizing activity through 10/31/2015 to fiscal year end returns projections closely to those reflected by the amounts reflected in the first quarter budget amendment. It should be further noted that with the amendment to the preliminary injunction order, the City looks forward to recommending a third quarter budget amendment that will restore a portion of the projected revenue.

3. The same concern for the Water Fund as well.

See above.

Thanks,

Natasha L. Henderson, City Administrator
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On Wed, Jan 6, 2016 at 10:03 AM, Cline, Richard (Treasury) <cliner1@michigan.gov> wrote:

For your review

Eric Cline | Department Manager | State of Michigan

Michigan Department of Treasury | Local Government Financial Services Division | Fiscal Responsibility Section

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From: Headen, Frederick (Treasury)
Sent: Friday, December 18, 2015 11:48 AM
To: Natasha Henderson <nhenderson@cityofflint.com>; Cline, Richard (Treasury) <cliner1@michigan.gov>
Cc: Karen Weaver <kweaver@cityofflint.com>
Subject: RE: RTAB Questions from RTAB Meeting

Natasha:

See the attached questions from Beverly Walker-Griffiea.

Sincerely,

Frederick Headen

Legal Advisor to the State Treasurer

From: Natasha Henderson [<mailto:nhenderson@cityofflint.com>]
Sent: Wednesday, December 16, 2015 5:56 PM
To: Cline, Richard (Treasury) <cliner1@michigan.gov>; Headen, Frederick (Treasury) <HeadenF@michigan.gov>
Cc: Karen Weaver <kweaver@cityofflint.com>
Subject: RTAB Questions from RTAB Meeting

On August 7, 2015 Genesee County District Court Judge Archie Hayman issued a Preliminary Injunction Order (the "Order") against the City. As a result of the Order, the City anticipated an immediate and devastating impact on the financial stability of the Water and Sewer Funds if a stay was not quickly granted by the Michigan Supreme Court Appellate Court. Indeed, the City's request was denied and the financial impact of the Court order has been reviewed through the fiscal year ending June 30, 2016.

Upon issuance of the Order, the City was immediately enjoined from charging and collecting water and sewer rates that include the September 16, 2011 35% rate increases and disconnecting water service for its delinquent water and sewer customers wherein the delinquency arose between September 16, 2011 and the date of the Order. This immediately resulted in a decrease in cash collections on outstanding and current water bills and a decrease in total billed revenue.