subject to change. If anything, they will be more detailed as opposed to less and I will do my best to mirror the audit. I will touch base with you again tomorrow to discuss this further.

Please let me know if you have any additional questions, comments or concerns regarding the revised report and information provided.

Thanks,

Jody N. Lundquist
Chief Financial Officer
City of Flint
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jlundquist@cityofflint.com
(810) 237-2441

On Thu, Jan 21, 2016 at 5:38 PM, Vaughn, Cary J. (Treasury) <VaughnC2@michigan.gov> wrote:

Jody,

Thank you for getting me this information so quickly. I appreciate your understanding related to the necessity of getting it under such a short timeline. This is very helpful. I have a few questions for you though.

1. It looks like September and October of 2015 had unusually high receipts and disbursements. Please explain those higher numbers.

2. I annualized the average receipts and disbursements projections for January 2016 through June 2016 and it calculates to be yearly receipts of $40 million and disbursements of $63.36 million (does not include noted transfers out). Your 2015 audit shows annual revenues to be $33.8 million and expenses to be $20.6 million (which includes depreciation that would not be included on the cash flow). What is the reason for the higher projections going forward *in broad terms?*

3. Where are the debt service payments reflected?

As discussed, please go forward with filling in the detail for the actual numbers for July through December 2015 as well as the projections of July through December 2016. You also mentioned that you would tweak the numbers by estimating more closely the monthly flow instead of evenly spreading the estimates. That would be good.

Thanks for your help! It's nice to work with you again. If I or anyone here at Treasury can be of assistance including coming to Flint for whatever reason, let me know.

cary

From: Jody Lundquist [mailto:jlundquist@cityofflint.com]
Sent: Thursday, January 21, 2016 4:12 PM
To: Vaughn, Cary J. (Treasury) <VaughnC2@michigan.gov>

Cc: Natasha Henderson <nhenderson@cityofflint.com>
Subject: DRAFT 18 Month Cash Flow Attached

Cary,

Please find attached a draft 18-month cash flow with the preliminary formatting and content assumptions that we discussed this morning.

I'd like to highlight the following two matters:

1. The "As Budgeted" projection is overly optimistic as it includes the 5% increase as originally projected in the EM Adopted FY16 and FY17 Budget. Further, it continues to (falsely) assume a near 98% collection rate. Both tabs include the same assumptions for the remaining FY16 expenditures.

2. Although the emergency was declared over a water crisis, the impact of the preliminary injunction order affected rates and collections for both the Water AND Sewer funds and the further decline in collections as a result of public perception over water impacts sewer equally as the City issues combined utility bills.

If the State is to provide support for the Water Fund, I would implore them to consider the devastating impact this is having on the Sewer Fund as well. Indeed, the large majority of capital improvement projects eliminated with the City's 1st quarter budget amendment were from sewer. If financial support as a result of the combined billing process of the City is not an option for the State, then we will absolutely need the State and elected officials support for billing sewer separately and forcefully pursuing non payment, otherwise both funds will go under.

Please let me know if you have any questions regarding the information as shown. I am stepping into a meeting but should be available around 4:45 to discuss.

As always, it is a pleasure working with you.

Best regards,

Jody N. Lundquist