Steckelberg, Larry (TREASURY)

From:	Jody Lundquist <jlundquist@cityofflint.com>
Sent:	Thursday, January 21, 2016 7:51 PM
To:	Vaughn, Cary J. (Treasury)
Cc:	Natasha Henderson; Steckelberg, Larry (TREASURY); Workman, Wayne (TREASURY)
Subject:	Re: DRAFT 18 Month Cash Flow Attached
Attachments:	City of Flint 18 Mo. Water Cash Flow 1-21-2016 jnl v2.pdf; City of Flint 18 Mo. Water Cash Flow 1-21-2016 jnl v2.xlsx

Good evening, Cary.

Please find responses to each of your inquiries below:

1. As noted in the assumptions narrative, the activity shown summarized total recorded debits and credits to the GL and NOT actual cash receipts and disbursements. I have removed this completely so as not to give any other user a false impression of cash receipts and disbursements being greater than they were. In response to your question, during the months of September and October the City recorded a number of entries as it implemented various components required by the Preliminary Injunction Order. Among these requirements was to separate water and sewer cash accounts from pooled cash. The debit and credit activity reflected journal entries among which the establishment of these accounts were recorded. In the process of doing so, my staff posted, reversed then corrected such an entry.

2. For the "As budgeted" tab, you are correct. Annualized receipts and disbursements differ from total budget. If you unhide columns B-D on either tab, you will find the underlying Budget, YTD Activity and Available Balances for the Fund through 12/31/2015. For revenues, $28.3 million was budgeted. As a result of the Preliminary Injunction Order, the City had to "set aside" over $10.2 million in billed water and sewer revenue. When the Utility Billing Department posted these changes to the customer accounts, it reversed current year billed revenue recorded to our GL. This was taken into account for the RTAB reports submitted to the State yesterday. It appears that the AJE has not been posted yet. I have adjusted YTD activity shown on this report accordingly. Even as such, with 50% of the year complete the City is slightly below its revenue projection. Projected revenue was reduced with the first quarter budget amendment based upon estimates and early assumption immediately following issuance of the Preliminary Injunction Order. The lower projected revenue is included in the amended budget amounts. As we continue to analyze the ongoing impact of the order on billed revenue and collections. further adjustment may be reflected in future quarterly amendments.

Similar to revenue, as of 12/31/2015 only 33% of total expenditures had been recorded. This would leave approximately two-thirds of the total budget to be expended during the remaining 6 months of the fiscal year. Annualizing the monthly amounts shown does not make sense in this case. As discussed, there are items within the budget that may not be equally divided over a 12-month or even 6-month period. Capital expenditure and debt service payments for instance, may be paid in lump sums. Total budgeted depreciation for the water fund is $1.5 million. I have removed depreciation from Water Plant Operations line for now so that net cash flow will reflect this item as removed.

3. Debt service payments are reflected by the line item "Transfers out to fund 493".

Again, this is a rough draft for your review and remains a document in progress. As I begin to populate actual cash receipt and disbursement activity for July 1-December 31, 2015, the line item descriptions shown may be 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,

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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>