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CITY OF FLINT
RECEIVERSHIP TRANSITION ADVISORY BOARD MEETING
WEDNESDAY, JANUARY 13, 2016
2:00 p.m.

Meeting before the RTAB Board at 1101 S. Saginaw,
Flint, Michigan, on Wednesday, January 13, 2016.

BOARD MEMBERS PRESENT:

Frederick Headen - The Chairperson
David McGhee
Beverly Walker-Griffea

FROM THE CITY:

Natasha Henderson, Administrator
Jody Lundquist, Finance Director
Kerry Nelson, Councilman
Anthony Chubb, Interim Chief Legal Counsel
Charlie McClendon, Interim Human Resources Director

OTHERS PRESENT:

R. Eric Cline, State of Michigan,
Treasury Department Manager

REPORTED BY: Mona Storm, CSR# 4460

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14 meeting of 12-14-15 (attachment #2)(Resolutions 956,

15 957, 958, 939, 960, 961, 962, 963, 964, 965.1) 7

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18 Discussion Item

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20 Ratification and Confirmation Transfer of

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1 Flint, Michigan

2 Wednesday, January 13, 2016

3 2:00 p.m.

4 THE CHAIRPERSON: The meeting will be in
5 order, please.

6 First item, roll call. Let the record
7 reflect that we do have a quorum present. Also,
8 Dr. McMahan was unable to be here at the meeting this
9 afternoon. So, if there's no objection, I will ask
10 that he receive an excused absence for this afternoon's
11 meeting, without objection.

12 Item 2 is the approval of the agenda that was
13 previously circulated. Are there any additions to the
14 agenda?

15 MS. WALKER-GRIFFEA: No.

16 MR. MCGHEE: I see none. I move approval of
17 the agenda.

18 MS. WALKER-GRIFFEA: Second.

19 THE CHAIRPERSON: Without objection, the
20 agenda's approved.

21 Item C is the approval of the December 9,
22 2015 RTAB Meeting Minutes that's Attachment 1. I would
23 note one minor correction on Page 44, Line 21, the last
24 word on that line, "counsel", C-O-U-N-S-E-L, should be
25 "cancel". During Public Comment, Councilman Mays was

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1 indicating that he disapproved of our decision to
2 cancel the November meeting.

3 And, Mr. Cline, when that -- when the minutes
4 are posted on our website, if you could make sure that,
5 on that particular page, that the word "counsel" is
6 stricken out and replaced with the word "cancel".

7 MR. CLINE: Yes, sir.

8 THE CHAIRPERSON: And indicate that that's a
9 correction based upon this afternoon's RTAB meeting.

10 Are there other corrections or additions to
11 the minutes of December 9th?

12 MR. MCGHEE: Just one. As I look at the
13 attendees from the City, we have a Council Member,
14 Council Member Van Buren. And then in the "Others
15 Present", we have Eric Mays listed but he should be
16 recognized as a Council Member.

17 THE CHAIRPERSON: That correction should be
18 made as well.

19 MR. CLINE: Okay.

20 THE CHAIRPERSON: Other corrections or
21 additions to the Minutes of December 9?

22 If not, is there a motion that the Minutes of
23 December 9, as corrected, be approved?

24 MS. WALKER-GRIFFEA: So move.

25 MR. MCGHEE: Support.

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1 THE CHAIRPERSON: Those in favor, please say
2 "aye".

3 BOARD MEMBERS: Aye.

4 THE CHAIRPERSON: Opposed?

5 The minutes of December 9 are approved as
6 corrected.

7 Item 2, Unfinished Business, I believe there
8 is none pending from prior meetings.

9 Item 3, New Business, Mayor and Council. I
10 don't see the mayor here.

11 MS. HENDERSON: The mayor will be unable to
12 attend. She is in a meeting right now that -- and she
13 cannot attend right now.

14 THE CHAIRPERSON: Okay. Thank you.
15 Council President Nelson?

16 Good afternoon.

17 COUNCILMAN NELSON: Good afternoon, everyone.
18 Just so that I can touch on that, as well, first of
19 all, I'll thank the State for their assistance in our
20 distribution centers and we had local Council-people
21 support in that program, along with the Mayor and to
22 ensure that every household receive water. I
23 personally have been out there delivering water and
24 filters myself. So we want to thank each and every one
25 of our partners for helping us with that.

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1 I want to thank Ms. Lundquist, Jody, and her
2 staff for the audit that was presented to us this week
3 and I think we will be presenting it to you also. But,
4 again, I had a senior City Council person that's been
5 on the Council for 30 years say he has never seen one
6 put together as they had presented the other night, in
7 his 30 years; it was on time and delivered to the
8 State. It was a very --

9 You know, in banking, in my profession, I was
10 thinking all this, that it was well put together and a
11 lot of hard work went into that. I want to thank her
12 and her staff for doing that, to make sure that we stay
13 within the guidelines of where we're supposed to be.
14 We do know there's still some challenges ahead of us
15 but we're willing to hang in there and work together.

16 And so I want to thank this RTAB for hearing
17 us and working with us and the State and our partners.
18 We're in this together and we thank you from the Flint
19 City Council.

20 THE CHAIRPERSON: Thank you, Council
21 President.

22 The next item would be the approval of
23 resolutions and ordinances from City Council meetings.
24 We'll begin with City Council meeting of December 14th.
25 We have, as Attachment 2, Resolutions 956 through

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1 965.1. Any questions or comments about any of those
2 resolutions?

3 MR. MCGHEE: I have none.

4 THE CHAIRPERSON: If not, is there a motion
5 that those resolutions be approved?

6 MR. MCGHEE: So move.

7 THE CHAIRPERSON: Is there support?

8 MS. WALKER-GRIFFEA: Second.

9 THE CHAIRPERSON: Those in favor will please
10 say "aye".

11 BOARD MEMBERS: Aye.

12 THE CHAIRPERSON: Opposed?

13 Motion is adopted.

14 Next is a resolution from Special City
15 Council meeting of December 30th, Resolution 967. I'm
16 going to ask either the City Administrator or the
17 Finance Director to give us the background on that
18 particular resolution.

19 MS. HENDERSON: As relates to that
20 resolution, what we can say is exactly what is in that
21 resolution. Because we -- this is pending litigation.
22 So, after coming out of the Executive Session, the
23 Council approved this. So, because this is a pending
24 litigation, what is in that resolution is the only
25 thing that I can give -- provide to you all at this

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1 time.

2 However, at the next RTAB meeting, if this
3 has been resolved, we can discuss it at that time.
4 However, at this time, that's all I would be able to
5 say about it.

6 THE CHAIRPERSON: Thank you.

7 Questions or comments regarding
8 Resolution 967?

9 Is there a motion, then, that Resolution 967
10 from the Special City Council meeting of December 30th
11 be approved?

12 MR. MCGHEE: So move.

13 THE CHAIRPERSON: Is there support?

14 MS. WALKER-GRIFFEA: Second.

15 THE CHAIRPERSON: If no discussion, those in
16 favor please say "aye".

17 BOARD MEMBERS: Aye.

18 THE CHAIRPERSON: Opposed?

19 Motion is adopted.

20 The next item is City Administrator Items.

21 Ms. Henderson?

22 MS. HENDERSON: I'd like to go ahead and
23 provide the update.

24 THE CHAIRPERSON: Thank you.

25 MS. HENDERSON: And this does appear online

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1 as well.

2 And these are provided on the City's website.
3 This is the second quarter update. And I will go into
4 that but I just wanted to go ahead and provide that for
5 you all.

6 Some Administrative Items are that we --
7 Pete Bade, who was the Chief Legal Counsel, he did
8 resign and he -- his last day was December 31st. So
9 Anthony Chubb has been appointed Interim Chief Legal
10 Counsel, Anthony Chubb right here, so that you all know
11 who he is.

12 And Charlie McClendon, he was serving as --
13 well, Anthony Chubb was serving as interim HR Director,
14 also as Deputy Legal Counsel as well. So now he
15 strictly serves as the Interim Chief Legal Counsel.
16 And also, Charlie McClendon has been appointed as the
17 Interim Human Resources Director and this is
18 Mr. McClendon.

19 This is something that the Mayor and I worked
20 out, just for that interim period. So we're glad to
21 have them accept those positions and things are running
22 smoothly under their leadership in both of those
23 respective departments.

24 We presented the Capital Improvement Plan to
25 the Planning Commission last night. They have a review

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1 period so they will be reviewing that and asking
2 questions about that for the next -- for over the next
3 two weeks, and then we should have that back. And that
4 is something that I will present to the RTAB, at which
5 time that is approved.

6 Also, we did provide the audit. Just as
7 President Nelson said before, staff really worked very
8 hard on that under the lead of Ms. Lundquist, as the
9 CFO. And we did not have any findings on this audit
10 and it was very -- a very good audit, and we would like
11 that to become the standard for the City of Flint. And
12 we're glad that we have someone leading that charge and
13 all the departments working together to make those
14 things happen.

15 And with the -- in the next RTAB meeting we
16 have -- we'll have Yeo & Yeo, who are the -- who is the
17 audit firm that conducted this audit, to come to the
18 RTAB meeting and present. And, at which time, you may
19 ask questions about the audit, if you have anything to
20 ask about that. So you have that.

21 Also, with the Financial Report, I will have
22 Ms. Lundquist to come up and answer any questions that
23 you may have about that. And then, also, I felt it was
24 important, with the dialogue of -- in the last meeting,
25 that I talk about some of the challenges that we are

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1 facing, as far as with the -- the water as well.

2 One question that was -- was asked, I think
3 that was Dr. McMahan, about, like, when -- what are --
4 what are the predictions, what are we facing
5 financially; but, basically, when would cash be
6 depleted if we continue how we're going at this point
7 even with the previous decision of Judge Hayman, that
8 we are able to charge the rates that we have, that we
9 had set before, and, then, also, we can issue shutoff
10 notices at this time, of which we have not, however,
11 that is, we're in discussion about that, at this point.

12 The projected date, if cash flows are the
13 same, meaning if we have the same amount of customers
14 that are paying their bills, which is, of course, low
15 at this point, and then we're also billing
16 approximately \$617,000 less per month on the
17 water/sewer bills -- because the water/sewer bills, you
18 pay that in one bill.

19 With all of that, we project that, in
20 December of 2016, if things continue and there is not a
21 significant change, that we would be out of cash in
22 those funds, and which would be Fiscal Year 2017, and
23 that would be the second quarter.

24 We are working on a number of things with the
25 Mayor, with -- of course within the Finance Department,

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1 with the CFO, we're working on things. We are still --
2 we still continue to be under a spending freeze as
3 well, so we are taking the necessary steps to try to
4 see if we can lengthen that time out or, even, we are
5 asking for some things from the Governor. The Mayor is
6 spearheading that. And we are getting a lot of the
7 information, things that could help us with that.

8 But that -- those are our projections so I
9 wanted to put that on the record because that question
10 did come up.

11 So, at this time, if you have any specific
12 questions about the Budget to Actual. And then I have
13 asked Ms. Lundquist to even provide more information
14 and I did present to you the Strategic Plan Update and
15 I also included information about the financials in
16 there and anything that --

17 And a lot of the accomplishments and
18 challenges that we face with -- with the Water and
19 Sewer Fund, with any of the other departments, some of
20 the things, that we have a lot of those wins as well.
21 So it's not just about the Water Fund, the Police
22 Department, the Fire Department, Planning Department;
23 we have updates on all of those things and there are
24 some accomplishments, so I would like those to be
25 recognized as well.

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1 So, at this point, I would ask Chair if I
2 could have Ms. Lundquist to come up and answer any
3 questions about the Budget to Actual Report and to add
4 some -- in some financial information to what I've just
5 stated to you as an overall picture of when the water
6 and sewer fund would not have cash, if things continue
7 as they are now, even with the judgment that we have in
8 place now. Thanks.

9 MS. LUNDQUIST: Good, afternoon. As the
10 City Administrator had alluded to, the City's finances
11 are continuing to be impacted by the Preliminary
12 Injunction Order that was issued by the
13 Honorable Judge Archie Hayman, that was voted upon by
14 both Council and the RTAB with the amendment of the
15 First Quarter Budget -- or the First Quarter Budget
16 Amendment, rather.

17 Our collections have been made down. We've
18 had a perfect storm of events. At this point, prior to
19 the lead water issue becoming such a public media
20 event, we were already impacted, financially, by the
21 water main lawsuit. As I said, that has been reflected
22 in the First Quarter Budget Amendment, it continues to
23 be an issue and is only exacerbated now by the
24 reduced -- further reduced rate in collections as a
25 result of public opinion about the lead water issue.

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1 So it's tremendously unfortunate, we had
2 under the Preliminary Injunction Order, we were going
3 to be able to do shutoff noticing in November when the
4 September reduced rates become delinquent. So we did
5 issue our first round of shutoff notices in the middle
6 of November to the beginning of December, and those
7 were then due during the month of December.

8 We had only issued that one round of shutoff
9 notices before postponing further processing as a
10 result of the holidays. So that was both from
11 consideration of City staff and our ability to process
12 those shutoffs and the need of staff for those
13 nonpayments. But, also, with regard to our citizens
14 and our customers and the holiday season, we had
15 postpone we would have otherwise resumed billing the
16 first of the year. As far as doing that, obviously,
17 that's a policy issue, so what was already a difficult
18 situation that was made worse by the main water crisis
19 that the City of Flint is facing.

20 We continue to be impacted by the reduced
21 rates that happened and were implemented after the
22 Preliminary Injunction Order that has not been amended,
23 that will allow the City to charge our rates, as they
24 were initially adopted, per the '15/'16 budget and
25 Emergency Manager Order. Those have not yet gone into

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1 effect but we do now have the authority to do so with
2 the signing of the Emergency Order which occurred on
3 Wednesday.

4 The cost of the funds, I have to commend the
5 City staff and the tremendous leadership we have with
6 our Executive Team here in managing the budgets and
7 being considerate of the financial position because,
8 although not all of the funds are impacted by both the
9 lawsuit and the water crisis, it's all connected. You
10 know, we're all in this together. So I do commend them
11 for that.

12 The impact of the water crisis is tremendous.
13 It will create a tremendous need for resources.
14 Financially, for us to be able to move forward with the
15 infrastructure it appears that would need to be done to
16 attenuate to the lead pipes and whatnot and the service
17 lines. But we have to also be mindful that we have to
18 continue to provide services.

19 So one of the items that is addressed in the
20 water rate lawsuit, is the revenue bond. So the City
21 is still required to charge rates and to set them at
22 such a level that we can maintain the operation and
23 maintenance of the system, as we meet our obligations,
24 which we do have in the water fund.

25 So I would continue to encourage all of our

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1 consumers to pay their bills and to be mindful that we
2 do keep a watchful eye on that. And then, regardless
3 of the water crisis, we have a sewer system that is not
4 impacted at all, you know, water in and water out, so
5 those that are flushing their toilets, that has to go
6 somewhere. And the City has to operate their sewer
7 system and that is a substantial portion of everyone's
8 benefit because water and sewer are together on each
9 monthly bill.

10 I thank you for your time today. I'd be
11 happy to answer any questions but I just wanted to give
12 you an overview of the fact that we are working to make
13 sure that we are able to meet State Statute guidelines
14 when it comes to driving the Bond Act and the Budget
15 and County Act.

16 And we're very proud of the Fiscal Year
17 '15/'16 Audit and the fact that it really should be
18 applauded, all of the hard work that was done by City
19 staff, the leadership of the City Manager and the
20 City Administrator in reducing those costs and in
21 creating a structurally balanced budget.

22 We were always facing hard work, come Fiscal
23 Year '18. Initially, prior to my arrival, Fiscal Year
24 '17 had been discussed as a difficult year. When the
25 budget will become, again, structurally imbalanced, we

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1 have to keep, always, in mind that, for financial
2 prudence, we estimate expenditures will increase and
3 revenues will remain stagnant, at best.

4 With everything that the City now is facing,
5 I think, even assuming that revenues will remain
6 constant is overly optimistic. So that not only when
7 we praise our tough decisions for Fiscal Year '18, when
8 we will be facing a millage renewal and whatnot, those
9 decisions will have to be faced collectively by the
10 staff, Council and Mayor and the RTAB for those.

11 Thank you.

12 THE CHAIRPERSON: Questions for either the
13 City Administrator or Ms. Lundquist?

14 If there's no objection, we'll consider those
15 reports to be received. I did note that -- I mean, I
16 understand we're in a litigious society but I didn't
17 understand how litigious until I saw listed here under
18 the Law Department the case of Bigfoot versus the City
19 of Flint. It appears that the City of Flint won, so
20 congratulations.

21 MR. CHUBB: Thank you.

22 THE CHAIRPERSON: Next item is
23 Public Comment.

24 Mr. Cline, any --

25 MR. CLINE: No, we don't.

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1 THE CHAIRPERSON: -- one sign up for
2 Public Comment?

3 MR. CLINE: No, sir.

4 THE CHAIRPERSON: Is there any further
5 business before this Board?

6 If not, is there a motion that we adjourn?

7 MR. MCGHEE: So move.

8 THE CHAIRPERSON: Is there support?

9 MS. WALKER-GRIFFEA: Second.

10 THE CHAIRPERSON: Without objection, we are
11 adjourned.

12 (Meeting was concluded at 2:22 p.m.)

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I, Mona Storm, do hereby certify that I have recorded stenographically the proceedings had and testimony taken in the meeting, at the time and place hereinbefore set forth, and I do further certify that the foregoing transcript, consisting of (19) pages, is a true and correct transcript of my said stenographic notes.

Date

Mona Storm
CSR-4460

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