
From: Marquardt, Steve <marquardt.steve@epa.gov>
Sent: Wednesday, April 08, 2015 3:07 PM
To: Shekter Smith, Liane (DEQ)
Subject: FW: FYI - new Flint forgiveness article from an hour ago.

Steve Marquardt
USEPA Region 5
77 West Jackson Blvd
Chicago, Illinois 60604
(312)353-3214

From: Marquardt, Steve
Sent: Wednesday, April 08, 2015 1:55 PM
To: 'Butler, Sonya (DEQ)'
Subject: FW: FYI - new Flint forgiveness article from an hour ago.

Steve Marquardt
USEPA Region 5
77 West Jackson Blvd
Chicago, Illinois 60604
(312)353-3214



Rep. Kildee asks EPA about clearing Flint's \$22-million water loans

Ron Fonger | rfonger1@mlive.com By **Ron Fonger** | rfonger1@mlive.com The Flint Journal

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Dan Kildee

FLINT, MI -- U.S. Rep. Dan Kildee says the state may have the authority to forgive Flint's \$22 million in remaining water loans, potentially freeing up that money for "immediate water infrastructure improvements."

"We don't know if the state would grant relief, (but) we don't want to be in a position where they think they don't have the authority," Kildee said today, April 8.

The congressman asked U.S. Environmental Protection Agency Administrator Gina McCarthy for clarification on whether the debt can be forgiven, citing two provisions in federal law that could allow Gov. Rick Snyder to take action because of Flint's status as a disadvantaged community.

Kildee said he made the request in a March 26 letter to the EPA.

MLive-The Flint Journal could not immediately reach an agency representative for comment.

Dave Murray, a spokesman for Snyder, said in an email that Snyder "doesn't believe it is appropriate to answer hypothetical questions."

Murray said last month that the state Treasury Department "doesn't have the legal authority to forgive loans, and this has been shared with Flint city leaders."

His email today said the loans are a mix of federal and state dollars and said treasury officials do "not believe there is any pathway in federal law that would allow for loan forgiveness."

"Gov. Snyder and the state continue to offer assistance to city leaders in their efforts to address long-standing water infrastructure issues in Flint," the statement says.

Kildee said he believes it's more than likely that Snyder has the authority to act, based in part on a legal opinion from the Congressional Research Service.

Kildee's request comes less than a month after Flint Mayor Dayne Walling renewed his request to Snyder to forgive the water loans because of the city's continuing financial emergency.

Snyder declared Flint was in a financial emergency in 2011 after a review team issued a report, and since then the city has been run by a succession of four state-appointed emergency managers.

Emergency manager Jerry Ambrose authorized the restructuring of Flint's four outstanding Drinking Water Revolving Fund bonds on March 19, postponing current principal payments and freeing up \$2.2 million to help fix water safety and quality in the city.

Murray said the state allowed that action so that the loan repayments can be used for expenses tied to "maintaining safety and improving the quality of Flint water."

The city's water bonds are currently financed at a rate of 2.5 percent, and delaying the principal payment will increase the cost of the borrowing by approximately 2 percent -- or \$228,000 -- over the 20-year life of the issues, the city has said.

The city has been struggling with the quality of its drinking water since it started using the Flint River as a water source in April 2014.

Flint was found to be in violation of the federal Safe Drinking Water Act because the annual average level of total trihalomethanes (TTHM) at two testing locations in the city since April 2014 was too high.

TTHM is a byproduct of chlorinating water and warnings issued by the city say the contaminant in high levels could increase the risk of cancer if consumed over many years.

The most recent tests have shown that each of eight sampling locations in the city had acceptable levels of TTHM, but residents and City Council members have continued to complain about water quality issues like discoloration and odor.

City officials have said the water meets safety standards for drinking, and that those quality issues are tied to Flint's aging water infrastructure, which includes distribution pipes that are breaking at a rate of nearly one per day and which are too large for the current population.

Kildee said Flint is among older cities in Michigan that are struggling with population loss and maintaining infrastructure that was built decades ago when more people lived here to support it.

"It makes it harder for the city to dig itself out of a hole (now)," Kildee said. "I think it does create a unique circumstance for cities like Flint ... trying to go from the old to the new economy."

Many of the water problems here have come to light since the city began using the Flint River as its water source one year ago.

Although the city and Genesee County are currently building a new water pipeline to Lake Huron, it's not expected to be completed until some point in 2016.