
From: Saxton, Thomas (Treasury)
Sent: Thursday, February 19, 2015 6:04 PM
To: Clement, Elizabeth (GOV); Muchmore, Dennis (GOV)
Subject: Fwd: Flint

Sent from my iPhone

Begin forwarded message:

From: "Saxton, Thomas (Treasury)" <SaxtonT@michigan.gov>
Date: February 19, 2015 at 5:30:59 AM EST
To: "Muchmore, Dennis (GOV)" <muchmored@michigan.gov>
Cc: "Baird, Richard (GOV)" <bairdr@michigan.gov>, "Workman, Wayne (TREASURY)" <WorkmanW@michigan.gov>, "Hollins, Harvey (GOV)" <hollinsh@michigan.gov>
Subject: Re: Flint

I traded calls yesterday with Bob D. And talked to Jerry A. My intent was to get the 3 of us on the phone to resolve any confusion, etc on ongoing questions relating to Flint hooking back up with DWSD. I will try again today.

But again, unless I am missing something (which has been known to happen); going back to DWSD represents (lets say in round \$s) \$10mm in net add'l costs to the Flint system. There is no money to pay that other than raising rates to customers. The calculations show that would be an approx 30% increase in rates.

Momentarily, I will forward a preliminary analysis/presentation from the City's newly hired consultant. I just blasted thru the document but it seems to say that reconnecting with DWSD will not necessarily cure the issues that they are currently dealing with e.g., discoloration, TTHM.

On Feb 18, 2015, at 10:03 AM, "Muchmore, Dennis (GOV)" <muchmored@michigan.gov> wrote:

This train is leaving and we'll be holding the bag if we don't work out a deal on DWSD for Flint.

Begin forwarded message:

From: "Baird, Richard (GOV)"
<bairdr@michigan.gov<<mailto:bairdr@michigan.gov>>>
To: "Muchmore, Dennis (GOV)"
<muchmored@michigan.gov<<mailto:muchmored@michigan.gov>>>

Subject: Fwd: FW: Flint

Need to bring this to ground today if we can.

Sent from my Verizon Wireless 4G LTE DROID

----- Forwarded message -----

From: "Daddow, Robert"

<daddowr@oakgov.com<mailto:daddowr@oakgov.com>>

Date: Feb 17, 2015 9:05 AM

Subject: FW: Flint

To: "Baird, Richard (GOV)"

<bairdr@michigan.gov<mailto:bairdr@michigan.gov>>

Cc:

Rich - it takes two to negotiate and Flint representatives are not at the table. In fact, they are actively trying to avoid even considering this as an alternative course of action. Me - what I'd be doing is a dual track; if the local solution fails, I'd have the second option to fall back on. But, heh, that is just me. They are over 21, have been elected to represent their residents / commercial entities and therefore are responsible for their actions - to the same people who put them there.

While I'd like to pick up a few percentage point reduction in the water rate increases for the retention of Flint, it would be short-term anyway. If we don't have a willing partner on that side, then it can only lead to further distractions from a DWSD management already stressed in dealing with the transition, normal business, and the new Financial Review Board / two policy boards that they are reporting to.

-----Original Message-----

From: Robert Daddow [<mailto:daddowr@oakgov.com>]

Sent: Tuesday, February 17, 2015 9:01 AM

To: 'Nicolette Bateson'

Cc: 'Brian Baker'; 'Bart Foster'; 'jfausone@fb-firm.com<<mailto:jfausone@fb-firm.com>>'; 'Sue McCormick'; 'William Wolfson'

Subject: RE: Flint

Yesterday, I received a voice mail from R. Baird (still have not connected) that indicated that the City is actively working to resolve the water matter so as to avoid connecting to the DWSD. Veolia is assisting in this matter and will be issuing a report shortly. Nikki shared the above article that provides additional guidance as well.

The voice mail from Mr. Baird indicated that the City is saving a fair amount of dollars in treating the water locally - albeit notwithstanding the known quality issues. The difference between DWSD and Flint treated water is helping to remediate other fiscal issues (potentially capital and operating) as the rates charged to the residents / commercial entities have not been changed, including perhaps other City fiscal issues. Given the active involvement of Flint in securing a resolution of this matter locally and not actively engaging DWSD in the discussions as an alternative course of action, I see no reason to pursue this matter any further. The ball is squarely in the court of the EM and Flint elected officials to resolve. RJD

-----Original Message-----

From: Nicolette Bateson [<mailto:bateson@dwsd.org>]

Sent: Friday, February 13, 2015 6:45 PM

To: Robert Daddow

Cc: Brian Baker; Bart Foster; jfausone@fb-firm.com <<mailto:jfausone@fb-firm.com>>; Sue McCormick; William Wolfson

Subject: Re: Flint

Hi Bob: I just saw your message. Interesting development!

All: May I suggest a conference call to evaluate the options? I am available at any time and can send out the call-in number.

Regards,

Nickie

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Detroit Water & Sewerage Department
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Detroit, Michigan 48226
Office: (313)964-9225
Cell: PPI
Fax: (313) 964-9219
bateson@dwsd.org <<mailto:bateson@dwsd.org>>
City of Detroit
Mike Duggan, Mayor

----- Original Message -----

From: "Robert Daddow"

<daddowr@oakgov.com<mailto:daddowr@oakgov.com>>

To: "Bart Foster"

 "Nicolette Bateson" <bateson@dwds.org<mailto:bateson@dwds.org>>, jfausone@fb-firm.com<mailto:jfausone@fb-firm.com>, "Sue McCormick" <mccormick@dwds.org<mailto:mccormick@dwds.org>>

Cc: "Brian Baker" <bbaker@sterling-heights.net<mailto:bbaker@sterling-heights.net>>

Sent: Friday, February 13, 2015 1:53:06 PM

Subject: RE: Flint

Guys – I think we can craft a win here. In talking with Rich Baird, who has been working with Flint on this matter along with Dennis Muchmore from the Governor's staff, apparently Flint is consider this but is choking a bit on the amount to be billed. While I recognize that this amount is based on the prior contract, we are in a unique position over the next two weeks or so and before the BOWC takes action on the rates, budget, CIP and other related efforts on March 11 th (formally March 4 th). The win would be solving the water problem in Flint (generally agreed that this is there issue and comes from a poor decision to remove themselves from the DWSD's quality water product), serving to reduce the

FY-2016 suburban water rates already now in the public by perhaps 2% to 3%, and help to tamp down the media frenzy on this matter. It also demonstrates that flow is part of the problem – DWSD adds flow, rates go down.

Right now, no one wins with Flint off the system – the rates for water remain at 11% for suburban wholesale, Flint has bad water and the press for both of us continues on this matter, along with the rate media issues.

Here is what I propose. Drop the monthly rate for a defined period of time – they need a 15 month period. So let's drop the rate by say \$50K monthly and make it a rate of \$800K / month, fixed. In doing so, I suspect that the 11% rate can be dropped to roughly 8.5% to 9% (subject the Foster Group's more detailed analysis) – which show the public good

faith. Then, if they go past the 15 month time frame, we can add costs on the rate at a semi-punitive approach - \$850K \$875K or more.

I believe that there is a win / win here. If the proposal is not acceptable, then I'd like to hear an alternative if at all possible – particularly since the 11% isn't selling well in the media, given the misinformation out there in the public. RJD

From: Bart Foster [REDACTED]
Sent: Thursday, February 12, 2015 10:33 PM
To: Robert Daddow
Cc: Nicolette Bateson
Subject: Re: Flint

Actually, my quick take is about 8%.

Some background:

When Flint left, the annual revenue profile for the Water System was initially reduced by \$12.5 million. However, we immediately recalculated the rate for Genesee County (recognizing their higher demands), to effectively “claw back” about \$2 million of the reduction, so the net Flint impact is ~ \$10.5 million, or just under 2.5% of the

(reduced) Water System rate revenue. Assuming that same amount could be replaced, and all else being equal, the “system rate increase” could be reduced by about 3 percent, with a bit more of the reduction occurring in the suburban wholesale rate structure. Safe to say that (again, absent any other changes) the average suburban water rate increase would be closer to 8 percent compared to the current 11.1%.

Hope this helps . . .

-- Bart Foster

President

THE FOSTER GROUP

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PPI cell



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Thank you.

On Feb 12, 2015, at 7:02 PM, Bart Foster <



wrote:

Bob - in transit but will review and reply this evening.

Sent from my iPhone

On Feb 12, 2015, at 3:44 PM, Daddow, Robert <daddowr@oakgov.com<<mailto:daddowr@oakgov.com>>> >
wrote:

Nikki / Bart – don't need a hard and fast number on this. However, it would seem to me that in a fixed cost system such as water, if Flint were to be hooked up again at the \$847K / month cited in Ms. McCormick's

January 12 th memorandum and after the release of the rates yesterday, bringing Flint back would – on a marginal cost basis – serve to mitigate the wholesale (suburban) customer rate increase of 11.1% cited in yesterday's presentation. Without going into a whole lot of detailed calculations (unless necessary), what would the impact of the inclusion of Flint starting say on July 1, 2015 (hypothetical date) be on the rate increase presently now in the public? A revised increase of what – 10.6% - looking for a high level sensitivity analysis here. Can you help? RJD

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<Detroit_DWSD Flint Article MLive Dated Feb 10 2015.pdf>